



SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

QUAKER CHEMICAL CORPORATION  
Registrant

Date: May 5, 2003

By: /S/ MICHAEL F. BARRY  
-----  
Vice President and  
Chief Financial Officer

## [LOGO] Quaker

For Release:  
Immediate

NEWS

Contact:  
Michael F. Barry  
Vice President and  
Chief Financial Officer  
610/832-8500

-----

Quaker Chemical Announces Record Quarterly Sales and Increased Earnings

May 5, 2003

CONSHOHOCKEN, PA -- Quaker Chemical Corporation (NYSE: KWR) today announced record quarterly sales of \$73.3 million and net income growth of 32% for the first quarter ended March 31, 2003.

1st Quarter 2003 Summary

-----

Net income for the first quarter was \$3.1 million versus \$2.4 million for the first quarter 2002. The earnings per diluted share of \$0.33 was a 27% improvement over the first quarter 2002 result of \$0.26 per diluted share.

Net sales for the first quarter were a record \$73.3 million versus \$59.9 million for the first quarter 2002. Foreign exchange rate translation and the timing of the Company's 2002 acquisitions favorably impacted net sales for the quarter by approximately \$2.0 million and \$5.6 million, respectively. Excluding the impact of foreign exchange rate translation and the timing of the Company's 2002 acquisitions, net sales would have been \$65.7 million or 9.6% above the prior year. Net sales in all regions except Europe increased on a local currency basis, showing improvements in both volume and price/mix.

Gross margin as a percentage of sales declined from 40.6% for the first quarter 2002 to 38.7% for the first quarter 2003 primarily due to increased raw material costs and product mix. As previously disclosed, the Company expects raw material prices to be higher in 2003, especially in the first half, due to higher oil prices experienced earlier in the year.

Selling, general and administrative expenses increased \$2.7 million over the first quarter 2002. Timing of the Company's 2002 acquisitions and foreign exchange rate translation accounted for approximately two-thirds of the increase. As previously disclosed, increased costs related to pension, insurance, and the Company's ERP implementation, accounted for the remaining increase.

Outlook

-----

Ronald J. Naples, Chairman and Chief Executive Officer, commented, "This first quarter gets us off to a good start in 2003, a year that still looks to us as one that will be characterized by shifting and uncertain manufacturing demand. We have seen some recent softness in key markets that could negatively affect our volumes, and higher raw material costs will continue to be a factor. We expect the stronger euro will help us out, though, as will cost control. On balance, we continue to expect year-over-year earnings growth in 2003. We expect that the second quarter will contribute to this improvement over prior year, if only slightly given the CMS contract start-up costs expected in the quarter that are linked to our recently announced GM award."

New CMS Contracts

-----

As previously announced in the Company's April 11, 2003 press release, Quaker has been awarded a series of multi-year contracts to provide chemical management services (CMS) for General Motors Powertrain manufacturing sites. These contracts will be implemented during the second quarter of 2003. In addition, DaimlerChrysler has also recently awarded the Company a CMS contract for its Trenton Engine plant.

Mr. Naples stated that, "This new business is an important step in building the Company's share and leadership position in the automotive process fluids market and will position the Company well for penetration of CMS opportunities in other metalworking manufacturing markets. Over the next few months, we may have to absorb the transition and start-up costs of these contracts, which will hurt a bit, but the long-term prospects of creating value for our customers and us is very real."

For 2003, the earnings impact due to the new CMS sites is expected to be immaterial due to transition and start-up costs, largely in the second quarter. Future profitability of the contracts will be based on Quaker's ability to identify and implement cost reduction programs and product conversions. In addition, the new contracts will result in an increased investment of working capital estimated to be \$4 million, although this amount will be dependent on the final terms negotiated with suppliers.

These new contracts will cause future income statements to show different relationships between margins and revenue than in the past. At the majority of current CMS sites, the Company effectively acts as an agent for the customer whereby it purchases chemicals from other companies and resells the product to the customer at little or no margin. The revenue and costs from these sales are reported on a net sales or "pass-through" basis. The structure of the new GM Powertrain site contracts is different in that the Company's revenue received from the customer will be in the nature of a fee for products and services provided to the customer, which are indirectly related to the actual costs incurred. As a result, the Company will recognize in reported revenues the gross revenue received from the CMS site customer, and in cost of goods sold, the third party product purchases, which will substantially offset each other. This will result in a significant increase in the Company's reported revenue, estimated to be approximately \$35-\$40 million on an annualized basis, the profitability of which will be dependent upon Quaker's ability to identify and implement cost reduction programs and product conversions.

In addition, the Company is currently negotiating similar contract structures for some of its existing CMS sites. It is possible that this will also require the Company to recognize an additional \$10-\$15 million in annualized sales starting in the second quarter.

Quaker Chemical Corporation, headquartered in Conshohocken, Pennsylvania, is a worldwide developer, producer, and marketer of custom-formulated chemical specialty products and a provider of chemical management services for manufacturers around the globe, primarily in the steel and automotive industries.

This release contains forward-looking statements that are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected in such statements. Such risks and uncertainties include, but are not limited to, further downturns in our customers' businesses, significant increases in raw material costs, worldwide economic and political conditions, the impact of SARS, foreign currency fluctuations, and future terrorist attacks such as those that occurred on September 11, 2001.

As previously announced, Quaker Chemical's investor conference to discuss first quarter earnings results is scheduled for May 6, 2003, at 2:30 p.m. (ET). Access the conference by calling 800-922-0755 or visit Quaker's Web site at [www.quakerchem.com](http://www.quakerchem.com) for a live webcast.

Quaker Chemical Corporation  
 -----  
 Condensed Consolidated Statement of Income  
 -----  
 For the period ended March 31,  
 -----

	Unaudited -----	
	Dollars in thousands, except per share data -----	
	First Quarter -----	
	2003 -----	2002 -----
Net sales	\$73,337	\$59,927
Cost of goods sold	44,971 -----	35,570 -----
Gross margin	28,366	24,357
%	38.7%	40.6%
Selling, general and administrative	22,685 -----	20,024 -----
Operating income	5,681	4,333
%	7.7%	7.2%
Other income, net	88	280
Interest expense, net	(139)	(166)
Income before taxes	5,630 -----	4,447 -----
Taxes on income	1,858 -----	1,423 -----

	3,772	3,024
Equity in net income (loss) of associated companies	86	(17)
Minority interest in net income of subsidiaries	(751)	(649)
	-----	-----
Net income	\$ 3,107	\$ 2,358
	=====	=====
%	4.2%	3.9%
Per share data:		
Net income - basic	\$0.34	\$0.26
Net income - diluted	\$0.33	\$0.26
Shares Outstanding:		
Basic	9,270,775	9,154,303
Diluted	9,508,593	9,212,700

Quaker Chemical Corporation  
-----  
Condensed Consolidated Balance Sheet  
-----

	Unaudited	
	-----	
	(Dollars in thousands)	
	-----	
	March 31, 2003	December 31, 2002
	-----	-----
ASSETS		
Current assets		
Cash and cash equivalents	\$12,044	\$13,857
Accounts receivable, net	54,911	53,353
Inventories		
Raw materials and supplies	12,996	11,342
Work-in-process and finished goods	12,673	12,294
Prepaid expenses and other current assets	14,529	12,827
	-----	-----
Total current assets	107,153	103,673
	-----	-----
Property, plant and equipment, at cost	117,569	113,207
Less accumulated depreciation	67,594	64,695
	-----	-----
Net property, plant and equipment	49,975	48,512
Goodwill	22,308	21,927
Other intangible assets	5,639	5,852
Investments in associated companies	7,247	9,060
Deferred income taxes	10,545	10,609
Other assets	14,457	14,225
	-----	-----
Total assets	\$217,324	\$213,858
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings and current portion of long-term debt	\$16,015	\$12,205
Accounts and other payables	29,340	29,423
Accrued compensation	6,283	10,254
Other current liabilities	12,711	14,262
	-----	-----
Total current liabilities	64,349	66,144
Long-term debt	16,590	16,590
Deferred income taxes	1,529	1,518
Other noncurrent liabilities	34,145	33,889
	-----	-----
Total liabilities	116,613	118,141
	-----	-----
Minority interest in equity of subsidiaries	8,489	7,662
	-----	-----
Shareholders' Equity		
Common stock \$1 par value; authorized		

30,000,000 shares; issued (including treasury shares) 9,664,009 shares	9,664	9,664
Capital in excess of par value	720	626
Retained earnings	111,591	110,448
Unearned compensation	(1,087)	(1,245)
Accumulated other comprehensive (loss)	(24,483)	(27,078)
	-----	-----
	96,405	92,415
Treasury stock, shares held at cost; 2003 - 310,720, 2002 - 324,109	(4,183)	(4,360)
	-----	-----
Total shareholders' equity	92,222	88,055
	-----	-----
	\$217,324	\$213,858
	=====	=====

Quaker Chemical Corporation

Condensed Consolidated Statement of Cash Flows

For the Three Months ended March 31,

	Unaudited	
	(Dollars in thousands)	
	2003	2002*
	-----	-----
Cash flows from operating activities		
Net income	\$3,107	\$2,358
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,646	1,229
Amortization	215	82
Equity in net income of associated companies	(86)	17
Minority interest in earnings of subsidiaries	751	649
Deferred compensation and other postretirement benefits	77	(260)
Other, net	481	388
Increase (decrease) in cash from changes in current assets and current liabilities:		
Accounts receivable, net	(399)	(2,471)
Inventories	(1,389)	981
Prepaid expenses and other current assets	(1,342)	(1,918)
Accounts payable and accrued liabilities	(5,927)	391
Change in restructuring liabilities	(699)	(865)
	-----	-----
Net cash (used in) provided by operating activities	(3,565)	581
	-----	-----
Cash flows from investing activities		
Investments in property, plant and equipment	(2,113)	(1,527)
Dividends and distributions from associated companies	1,800	-
Payments related to acquisitions	-	(13,676)
Other, net	(40)	66
	-----	-----
Net cash (used in) investing activities	(353)	(15,137)
	-----	-----
Cash flows from financing activities		
Net increase in short-term borrowings	3,791	11,994
Repayment of long-term debt	(7)	(30)
Dividends paid	(1,961)	(1,872)
Treasury stock issued	86	442
Distributions to minority shareholders	(213)	(497)
	-----	-----
Net cash provided by financing activities	1,696	10,037
	-----	-----
Effect of exchange rate changes on cash	409	(112)
	-----	-----
Net (decrease) in cash and cash equivalents	(1,813)	(4,631)
Cash and cash equivalents at beginning of period	13,857	20,549

Cash and cash equivalents at end of period	----- \$12,044 =====	----- \$15,918 =====
--	----------------------------	----------------------------

\*Certain reclassifications of prior year data have been made to improve comparability.