SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1994

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
for transition period from to

Commission file number 0-7154

QUAKER CHEMICAL CORPORATION
(Exact name of Registrant as specified in its charter)

A Pennsylvania Corporation	No. 23-0993790
(State or other jurisdiction of incorporation or organization)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

Elm and Lee Streets, Conshohocken, Pennsylvania 19428
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (610) 832-4000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each Exchange on which registered
None	

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $1.00 par value

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ___

State the aggregate market value of the voting stock held by non-affiliates of the Registrant. (The aggregate market value is computed by reference to the last reported sale on the Nasdaq National Market System on March 17, 1995): $131,270,024.

Indicate the number of shares outstanding of each of the Registrant's classes of common stock as of the latest practicable date: 8,801,739 shares of Common Stock, $1.00 Par Value, as of March 17, 1995.

DOCUMENTS INCORPORATED BY REFERENCE

(1) Portions of the Registrant's Annual Report to Shareholders for the year ended December 31, 1994 are incorporated into Parts I and II.

(2) Portions of the Registrant's definitive Proxy Statement dated March 31, 1995 in connection with the Annual Meeting of Shareholders to be held on May 4, 1995 are incorporated into Part III.

The exhibit index is located on page 12.

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PART I

As used in this Report, the term "Quaker," unless the context otherwise requires, means Quaker Chemical Corporation, its subsidiaries, and associated companies.

Item 1. Business.

General Description

Quaker develops, produces, and markets a broad range of formulated chemical specialty products and services for various heavy industrial, institutional, and manufacturing applications. Quaker's principal products and services include: (i) rolling lubricants (used by manufacturers of steel in the hot and cold rolling of steel); (ii) corrosion preventives (used by steel and metalworking customers to protect metal during manufacture, storage, and shipment); (iii) metal finishing compounds (used to prepare metal surfaces for special treatments such as galvanizing and tin plating and to prepare metal for further processing); (iv) machining and grinding compounds (used by metalworking customers in cutting, shaping, and grinding metal parts which require special treatment to enable them to tolerate the manufacturing process); (v) forming compounds (used to facilitate the drawing and extrusion of metal products); (vi) paper production products (used as defoamers, release agents, softeners, debonders, and dispersants); (vii) hydraulic fluids (used by steel, metalworking, and other customers to operate hydraulically activated equipment); (viii) products for the removal of hydrogen sulfide in various industrial applications; and (ix) programs to provide recycling and chemical management services.

AC Products, Inc., a United States subsidiary, is a producer of products primarily for the aerospace industry. Businesses previously conducted by Quaker Construction Products, Inc., QSC Products, Ltd., Multi-Chemical Products, Inc., and Selby, Battersby & Co. were sold in 1994. Collectively, these businesses made and/or sold sealants, coatings, and flooring systems for construction, industrial use, and/or maritime use.

In 1995, the Company entered into agreements to (i) acquire 90% of the common stock of a chemical specialty business in Brazil, and (ii) create a manufacturing joint venture in the People's Republic of China. If consummated, these acquisitions will require cash investments in 1995 of approximately $5.4 million. Additionally, the acquisition in Brazil will require additional outlays in 1996 and 1997 totalling up to approximately $2.6 million.

For additional information regarding the aforementioned acquisitions and divestitures, see Note 10 of Notes to Consolidated Financial Statements which appears on page 24 of the Registrant's 1994 Annual Report to Shareholders, the incorporated portions of which are included as Exhibit 13 to this Report.

Substantially all of Quaker's sales worldwide are made directly through its own sales forces. Quaker salesmen and saleswomen visit the plants of customers regularly, and through training and experience, identify production needs which can be resolved or alleviated either by adapting Quaker's existing products or by applying new formulations developed in Quaker's laboratories. Sales personnel may call upon Quaker's regional managers, product managers, and members of its laboratory staff for assistance in obtaining and setting up product tests and evaluating the results of such tests. In 1994, certain products were also sold in Canada, Korea, and India by exclusive licensees under long-term royalty agreements.

Generally, separate manufacturing facilities of a single customer are served by different sales personnel.

Competition

The chemical specialty industry is composed of a number of companies of similar size as well as companies larger and smaller than Quaker. Quaker cannot readily determine its precise position in the industry. Many competitors are in fewer and more specialized product classifications or provide different levels of technical services in terms of specific formulations for individual customers. Competition in the industry is based primarily on the ability to provide products which meet the needs of the customer and render technical services and laboratory assistance to customers and, to a lesser extent, on price.

Major Customers

During 1994, Quaker's five largest customers (each composed of multiple subsidiaries or divisions with semi-autonomous purchasing authority) accounted for approximately 15% of its consolidated net sales with the largest of these customers accounting for approximately 4% of consolidated net sales. No one subsidiary or division of these five customers accounted for more than 3% of consolidated net sales. During the same period, approximately 46% of consolidated net sales were made to customers in the steel industry.

Raw Materials

Quaker uses over 500 raw materials, including mineral oils, fats and fat derivatives, ethylene derivatives, solvents, surface active agents, chlorinated paraffinic compounds, and a wide variety of organic and inorganic compounds. In 1994, only one raw material accounted for as much as 10% of the total cost of Quaker's raw material purchases. Quaker has multiple sources of supply for most materials, and Management believes that the failure of any single supplier would not have a material adverse effect upon its business.

Patents and Trademarks

Quaker has a limited number of patents and patent applications, including patents issued, applied for, or acquired in the United States and in various foreign countries, some of which may prove to be material to its business. Principal reliance is placed upon Quaker's proprietary formulae and the application of its skills and experience to meet customer needs. Quaker's products are identified by trademarks which are registered throughout its marketing area. Quaker makes little use of advertising but relies heavily upon its reputation in the markets which it serves.

Research and Development--Laboratories

Quaker's research and development laboratories are directed primarily toward applied research and development since the nature of Quaker's business requires continuing modification and improvement of formulations to provide chemical specialties to satisfy customer requirements.

Quaker maintains quality control laboratory facilities in each of its manufacturing locations. In addition, Quaker maintains in Conshohocken, Pennsylvania, laboratory facilities which are devoted primarily to applied research and development.

Most of Quaker's subsidiaries and associates also have laboratory facilities. Although not as complete as the Conshohocken laboratories, these facilities are generally sufficient for the requirements of the customers being served. If problems are encountered which cannot be resolved by local laboratories, such problems may be referred to the corporate laboratory staff, which also defines and supervises corporate research projects.

Approximately 181 persons, of whom 105 have B. S. degrees and 28 have B.S. and advanced degrees, are employed in Quaker's laboratories.

Number of Employees

On December 31, 1994, Quaker had 955 full-time employees, of whom 334 were employed by the parent company, 529 were employed by its non-U.S. subsidiaries and associates, and 92 were employed by all U.S.

subsidiaries.

Product Classification

Incorporated by reference is the information concerning product classification by markets served appearing under the caption "Supplemental Financial Information" on page 26 of the Registrant's 1994 Annual Report to Shareholders, the incorporated portions of which are included as Exhibit 13 to this Report.

Non-U.S. Activities

Incorporated by reference is the information concerning non-U.S. activities appearing in Note 9 to Notes to Consolidated Financial Statements on page 23 of the Registrant's 1994 Annual Report to Shareholders and under the caption "General" of the Operations section of Management's Discussion and Analysis of Financial Condition and Results of Operations which appear on pages 28 and 29, respectively, of the aforementioned Report, the incorporated portions of which are included as Exhibit 13 to this Report.

Item 2. Properties.

Quaker's principal facilities in the United States are located in Conshohocken, Pennsylvania and Detroit, Michigan. Quaker's non-U.S. subsidiaries own facilities in Woodchester, England; Uithoorn, The Netherlands; Villeneuve, France; and Santa Perpetua de Mogoda, Spain. All of these facilities are owned mortgage free. Financing for the Corporate Technical Center in Conshohocken, Pennsylvania was arranged through the use of industrial revenue and development bonds with an outstanding balance at December 31, 1994 of $5,000,000. A non-operating facility in Pomona, California and operating facilities in Verona, Italy and Sapulpa, Oklahoma were sold in 1994.

Quaker's aforementioned facilities consist of various manufacturing, administrative, warehouse, and laboratory buildings. Substantially all of the buildings are of fire-resistant construction and are equipped with sprinkler systems. All facilities are primarily of masonry and/or steel construction and are adequate and suitable for Quaker's present operations. The Company has a program to identify needed capital improvements which will be implemented as Management considers necessary or desirable. Most locations have various numbers of raw material storage tanks ranging from 6 to 63 having a capacity from 500 to 80,000 gallons each and processing or manufacturing vessels ranging in capacity from 50 to 12,000 gallons each.

In order to facilitate compliance with applicable federal, state, and local statutes and regulations relating to occupational health and safety and protection of the environment, the Company has an ongoing program of site assessment, currently directed primarily to facilities in the United States for the purpose of identifying capital expenditures or other actions that may be necessary to comply with such requirements. The program includes periodic inspections of each facility in the United States by Quaker and/or independent environmental experts, as well as ongoing inspections by on-site personnel. Such inspections are addressed to operational matters, recordkeeping, reporting requirements, and capital improvements. In 1994, capital expenditures directed solely or primarily to regulatory compliance amounted to approximately $700,000.

Quaker's executive offices are located in a four-story building containing a total of approximately 47,000 square feet. A corporate technical center containing approximately 28,700 square feet houses the laboratory facility. Both of these facilities are adjacent to Quaker's manufacturing facility in Conshohocken.

Quaker's Mexican associate (40% owned) owns a plant in Monterrey, Mexico.

Item 3. Legal Proceedings.

The Company is a party to proceedings, cases, and requests for information from, and negotiations with, various claimants and federal and state agencies relating to various matters including environmental matters, none of which is expected to result in monetary sanctions in an amount or in an award that would have a material adverse effect on the Company's financial condition. For information concerning pending asbestos-related cases against a subsidiary and amounts accrued associated with certain environmental investigatory and noncapital remediation costs, refer to Note 11 to Notes to Consolidated Financial Statements which appears on page 24 in the Registrant's 1994 Annual Report to Shareholders, the incorporated portions of which are included as Exhibit 13 to this Report.

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of security holders during the last quarter of the period covered by this Report.

Item 4(a). Executive Officers of the Registrant.

Name	Office (since)	Age	Year First Elected as an Executive Officer
Peter A. Benoliel	Chairman of the Board (1980)	63	1963
S. W. W. Lubsen	President (1988) and Chief Executive Officer (1993)	51	1988
Jose Luiz Bregolato	Vice President-South America (1993)	49	1993
John E. Burrows, Jr.	Vice President-North America (1992)	48	1990
Daniel S. Ma	Vice President-Asia/Pacific (1995)	54	1995
Marcus C. J. Meijer	Vice President-Europe (1990)	47	1990
Clifford E. Montgomery	Vice President-Human Resources (1990)	47	1990
Karl H. Spaeth	Vice President (1981) and Corporate Secretary (1972)	66	1972

All of the Executive Officers with the exception of Messrs. Bregolato, Burrows, Ma, Meijer, and Montgomery have served as officers of the Registrant for more than the past five years. Prior to being elected Chief Executive Officer of the Registrant, Mr. Lubsen served as President and Chief Operating Officer, a position to which he was elected in 1988. Prior to his election as an officer of the Registrant, Mr. Bregolato served as Financial Consultant and Administrative Director of Fabrica Carioca de Catalisadores, S.A. to which he was appointed in 1985. Prior to his election as an officer of the Registrant, Mr. Meijer served as Managing Director of Quaker Chemical B.V. to which he was appointed in 1988. Prior to his election as an officer of the Registrant, Mr. Burrows served as Division Manager, Marine Colloids Division of FMC Corporation, a position to which he was appointed in 1986. Prior to being elected Vice President-Human Resources, Mr. Montgomery served as Manager of Human Resources, General Electric's Worldwide Marketing and Product Management Organization. Mr. Ma was appointed Managing Director, Asia/Pacific Region, in 1993. Prior to that he served as Business Manager, PPG Industries, Inc., a position to which he was appointed in 1991. Prior to that, he served in various capacities with Ciba-Geigy Corporation, its subsidiaries and affiliated companies.

There is no family relationship between any of the Registrant's Executive Officers. Each Officer is elected for a term of one year.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

Incorporated by reference is the information appearing under the caption "Stock Market and Related Security Holder Matters" on page 26 of the Registrant's 1994 Annual Report to Shareholders, the incorporated portions of which are included as Exhibit 13 to this Report.

Item 6. Selected Financial Data.

Incorporated by reference is the information appearing under the caption "Selected Financial Information" on page 27 of the Registrant's 1994 Annual Report to Shareholders, the incorporated portions of which are included as Exhibit 13 to this Report.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Incorporated by reference is the information appearing under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 28 and 29 of the Registrant's 1994 Annual Report to Shareholders, the incorporated portions of which are included as Exhibit 13 to this Report.

Item 8. Financial Statements and Supplementary Data.

Incorporated by reference is the information appearing on pages 14 through 26 of the Registrant's 1994 Annual Report to Shareholders, the incorporated portions of which are included as Exhibit 13 to this Report.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

Incorporated by reference is the information beginning immediately following the caption "Election of Directors" to, but not including, the caption "Executive Compensation" contained in the Registrant's definitive Proxy Statement to be filed no later than 120 days after the close of its fiscal year ended December 31, 1994 (the "1995 Proxy Statement") and the information appearing in Item 4(a) on page 5 of this Report. Based solely on the Company's review of certain reports filed with the Securities and Exchange Commission pursuant to Section 16(a) of the Securities Exchange Act of 1934 (the "1934 Act"), as amended, and written representations of the Company's officers and directors, the Company believes that all reports required to be filed pursuant to the 1934 Act with respect to transactions in the Company's Common Stock through December 31, 1994 were filed on a timely basis, except for one filing on Form 4 covering one transaction each for Mr. Benoliel and for Mr. Black.

Item 11. Executive Compensation.

Incorporated by reference is the information beginning immediately following the caption "Executive Compensation" to, but not including, the caption "Compensation/Management Development Committee Report on Executive Compensation" contained in the Registrant's 1995 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

Incorporated by reference is the information beginning immediately following the caption "Security Ownership of Certain Beneficial Owners and Management" to, but not including, the caption "Election of Directors" contained in the Registrant's 1995 Proxy Statement.

Item 13. Certain Relationships and Related Transactions.

No information is required to be provided in response to this Item 13.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) Exhibits and Financial Statement Schedules

1. Financial Statements

The following is a list of the Financial Statements which have been incorporated by reference from the Registrant's Annual Report to Shareholders for the fiscal year ended December 31, 1994, as set forth in Item 8:

Consolidated Statement of Operations
Consolidated Statement of Cash Flows
Consolidated Balance Sheet
Notes to Consolidated Financial Statements
Report of Independent Accountants

2. Financial Statement Schedules

All schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

Financial statements of 50% or less owned companies have been omitted because none of the companies meets the criteria requiring inclusion of such statements.

3. Exhibits (numbered in accordance with Item 601 of Regulation S-K)

3(a) --Articles of Incorporation. Incorporated by reference to Exhibit 3(a) to Form 10-Q as filed by the Registrant for the Quarter ended March 31, 1987.

3(b) --By Laws. Incorporated by reference to Exhibit 3(b) to Form 10-Q as filed by the Registrant for the Quarter ended June 30, 1993.

4 --Shareholder Rights Plan. Incorporated by reference to Form 8-K as filed by the Registrant on February 20, 1990.

10(a)--Long-Term Performance Incentive Plan as approved May 5, 1993. Incorporated by reference to Exhibit 10(a) as filed by the Registrant with Form 10-K for the year 1993.

10(b)--Employment Agreement by and between Registrant and Peter A. Benoliel. Incorporated by reference to Exhibit 10(b) as filed by Registrant with Form 10-K for the year 1989.*

10(c)--Employment Agreement by and between the Registrant and S. W. W. Lubsen. Incorporated by reference to Exhibit 10(c) as filed by Registrant with Form 10-K for the year 1989.*

10(d)--Restricted Stock and Cash Bonus Plan and Agreement by and between the Registrant and S. W. W. Lubsen. Incorporated by reference to Exhibit 10(d) as filed by Registrant with Form 10-K for the year 1989.*

10(e)--Employment Agreement by and between Registrant and John E. Burrows, Jr. Incorporated by reference to Exhibit 10(h) as filed by Registrant with Form 10-K for the year 1990.*

10(f)--Employment Agreement by and between Registrant and Clifford E. Montgomery. Incorporated by reference to Exhibit 10(i) as filed by Registrant with Form 10-K for the year 1990.*

10(h)--Documents constituting employment contract by and between Quaker Chemical Europe B.V. and M. C. J. Meijer. Incorporated by reference to Exhibit 10(b) as filed by

Registrant with Form 10-K for the year 1993.*
13 --Portions of the 1994 Annual Report to Shareholders incorporated by reference.
21 --Subsidiaries and Affiliates of the Registrant.
23 --Consent of Independent Accountants.
27 --Financial Data Schedule.

* A management contract or compensatory plan or arrangement required to be filed as an exhibit to this report.

(b) Reports on Form 8-K.
No reports on Form 8-K were filed by the Registrant during the last quarter of the period covered by this Report.
(c) The exhibits required by Item 601 of Regulation S-K filed as part of this Report or incorporated herein by reference are listed in subparagraph (a)(3) of this Item 14.
(d) The financial statement schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: March 30, 1995 By: SIGISMUNDUS W. W. LUBSEN

Sigismundus W. W. Lubsen
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Capacity	Date
SIGISMUNDUS W. W. LUBSEN ------------------------- Sigismundus W. W. Lubsen President and Chief Executive Officer	Principal Executive Officer and Director	March 30, 1995
RICHARD J. FAGAN ------------------------- Richard J. Fagan Corporate Controller and Acting Treasurer	Principal Accounting Officer	March 30, 1995
PETER A. BENOLIEL ------------------------- Peter A. Benoliel, Chairman of the Board	Director	March 30, 1995
JOSEPH B. ANDERSON, JR. ------------------------ Joseph B. Anderson, Jr.	Director	March 30, 1995

PATRICIA C. BARRON

Patricia C. Barron	Director	March 30, 1995

WILLIAM L. BATCHELOR

William L. Batchelor	Director	March 30, 1995

LENNOX K. BLACK

Lennox K. Black	Director	March 30, 1995

EDWIN J. DELATTRE

Edwin J. Delattre	Director	March 30, 1995

FRANCIS J. DUNLEAVY

Francis J. Dunleavy	Director	March 30, 1995

ROBERT P. HAUPTFUHRER

Robert P. Hauptfuhrer	Director	March 30, 1995

FREDERICK HELDRING

Frederick Heldring	Director	March 30, 1995

RONALD J. NAPLES

Ronald J. Naples	Director	March 30, 1995

ALEX SATINSKY

Alex Satinsky	Director	March 30, 1995

D. ROBERT YARNALL, JR.

D. Robert Yarnall, Jr.	Director	March 30, 1995

EXHIBIT INDEX

Sequentially Numbered Exhibit No.	Description
13	Portions of 1994 Annual Report to Shareholders Incorporated by Reference
21	Subsidiaries and Affiliates of the Registrant
23	Consent of Independent Accountants
27	Financial Data Schedule

EXHIBIT 13

PORTIONS OF 1994 ANNUAL REPORT TO SHAREHOLDERS INCORPORATED BY REFERENCE

FINANCIAL REVIEW

QUAKER CHEMICAL CORPORATION 1994 ANNUAL REPORT

Quaker Chemical Corporation
CONSOLIDATED STATEMENT OF OPERATIONS
Year Ended December 31,

(Dollars in thousands except per share data)	1994	1993	1992
Net sales	$194,676	$195,004	$212,491
Other income, net (Note 1)	2,253	1,421	904
	196,929	196,425	213,395
Costs and expenses (Notes 1, 4 and 6):			
Cost of goods sold	110,732	112,369	119,176
Selling, administrative and general expenses	70,955	74,242	76,528
Repositioning (credits) charges (Note 2)	(525)	11,900	
	181,162	198,511	195,704
Income (loss) from operations	15,767	(2,086)	17,691
Interest expense	(1,303)	(1,467)	(1,541)
Interest income	457	1,376	1,997
Income (loss) before taxes	14,921	(2,177)	18,147
Taxes on income (Note 5)	5,916	234	6,947
	9,005	(2,411)	11,200
Equity in net income of associated companies (Note 1)	779	1,001	1,328
Minority interest in net income of subsidiary	(382)	(348)	(430)
Net income (loss)	$ 9,402	$ (1,758)	$ 12,098
Per share data (Note 1):			
Net income (loss)	$1.03	$(.19)	$1.33
Dividends	.63 1/2	.60 1/2	.57

The accompanying notes are an integral part of these statements.

Quaker Chemical Corporation
CONSOLIDATED BALANCE SHEET
December 31,

	1994	1993

	(Dollars in thousands except per share data)	
Assets		
Current assets		
Cash and cash equivalents (Note 1)	$ 11,345	$ 19,293
Short-term investments, at cost which approximates market		1,000
Accounts receivable, less allowance for doubtful accounts of $547 in 1994 and $1,244 in 1993	43,841	37,108
Inventories (Notes 1 and 4)		
Raw materials and supplies	8,795	8,269
Work in process and finished goods	9,042	9,278
Deferred income taxes (Note 5)	1,473	2,857
Prepaid expenses and other current assets	8,904	6,582
Total current assets	83,400	84,387
Investments in and advances to associated companies (Notes 1 and 3)	9,885	6,224
Property, plant and equipment, at cost (Note 1)		
Land	6,702	6,440
Buildings and improvements	34,529	35,590
Machinery and equipment	63,403	63,066
Construction in progress	1,015	970
	105,649	106,066
Less accumulated depreciation	53,955	50,525
	51,694	55,541
Excess of cost over net assets of acquired companies (Note 1)	12,262	14,472
Deferred income taxes (Note 5)	4,971	4,788
Other noncurrent assets (Note 1)	7,960	5,573
	25,193	24,833
	$170,172	$170,985

Liabilities and Shareholders' Equity		
Current liabilities		
Short-term borrowings and current portions of long-term debt and capital leases (Note 7)	$ 8,062	$ 4,953
Accounts payable	20,575	18,117
Dividends payable	1,500	1,432
Accrued liabilities		
Compensation	5,847	5,251
Other (Note 2)	7,003	12,476
Accrued taxes on income (Note 5)	440	413
Total current liabilities	43,427	42,642
Long-term debt and capital leases (Note 7)	12,207	16,095
Deferred income taxes (Note 5)	3,081	3,043
Accrued postretirement benefits (Note 6)	8,767	8,968
Other noncurrent liabilities (Note 2)	6,410	6,840
Total noncurrent liabilities	30,465	34,946
	73,892	77,588
Minority interest in equity of subsidiary (Note 1)	2,603	2,014

Commitments and contingencies (Notes 1 and 11)

Shareholders' equity (Note 8)		
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	649	529
Retained earnings	87,137	83,498
Foreign currency translation adjustments	9,856	3,577
	107,306	97,268
Treasury stock, shares held at cost; 1994--844,691, 1993--421,842	13,629	5,885
	93,677	91,383
	$170,172	$170,985

The accompanying notes are an integral part of these statements.

Quaker Chemical Corporation
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31,

	1994	1993	1992
	(Dollars in thousands)		
Cash flows from operating activities:			
Net income (loss)	$ 9,402	$(1,758)	$12,098
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	6,524	6,545	6,427
Amortization	726	1,021	1,385
Equity in net income of associated companies	(779)	(1,001)	(1,328)
Minority interest in earnings of subsidiary	382	348	430
Deferred income taxes	(159)	(491)	76
Deferred compensation and other postretirement benefits	(421)	254	427
Net change in repositioning liability	(3,643)	9,700	
Other	(485)	(181)	98
Increase (decrease) in cash from changes in current assets and liabilities net of acquisitions and divestitures:			
Accounts receivable	(7,341)	1,490	82
Inventories	(2,126)	444	1,352
Prepaid expenses (including taxes) and other current assets	(1,837)	(3,331)	621
Accounts payable and accrued liabilities	4,211	4,018	3,047
Estimated taxes on income	(25)	(261)	(983)
Net cash provided by operating activities	4,429	16,797	23,732
Cash flows from investing activities:			
Short-term investments	1,000	(854)	4,097
Dividends from associated companies	1,022	785	314
Investments in property, plant, equipment and other assets	(9,255)	(8,960)	(7,226)
Companies/businesses acquired excluding cash	(1,800)	(11,271)	(8,270)
Investments in and advances to associated companies	(4,482)		
Purchase of patent, production technology and other related assets		(854)	(4,400)
Proceeds from sale of patent, production technology and other related assets		6,500	
Proceeds from sale of subsidiary	10,864		

Proceeds from the sale of assets	2,591	746	1,254
Other	463	(332)	(508)
Net cash provided by (used in) investing activities	403	(14,240)	(14,739)
Cash flows from financing activities:			
Repayment of short-term notes			(14,500)
Net increase in other short-term borrowings	2,999	306	823
Long-term debt and capital leases incurred		1,102	15,727
Repayment of long-term debt and capital leases	(3,904)	(2,997)	(2,104)
Dividends paid	(5,695)	(5,525)	(5,096)
Net treasury stock issued/shares acquired	(7,624)	971	2,451
Other		(17)	(126)
Net cash used in financing activities	(14,224)	(6,160)	(2,825)
Effect of exchange rate changes on cash	1,444	(1,477)	(2,828)
Net (decrease) increase in cash and cash equivalents	(7,948)	(5,080)	3,340
Cash and cash equivalents at beginning of year	19,293	24,373	21,033
Cash and cash equivalents at end of year	$ 11,345	$ 19,293	$ 24,373

Supplemental cash flow information			
Cash paid for income taxes and interest was as follows:			
Income taxes	$ 5,685	$ 5,535	$ 6,775
Interest	1,419	1,448	1,207

The accompanying notes are an integral part of these statements.

Quaker Chemical Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(all dollar amounts in thousands except share and per share data)

NOTE 1--SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

All majority-owned subsidiaries are included in Quaker Chemical Corporation's (the "company's") consolidated financial statements, with appropriate elimination of intercompany balances and transactions. The consolidated balance sheet includes total assets of $86,723 and $79,651 and total liabilities of $21,705 and $19,221 in 1994 and 1993, respectively, of non-U.S. subsidiaries. The consolidated statement of operations includes net income of non-U.S. subsidiaries of $4,372, $3,729, and $9,391 in 1994, 1993 and 1992, respectively. Investments in associated (less than majority-owned) companies are stated at the company's equity in their underlying net assets.

Translation of foreign currency

Assets and liabilities of non-U.S. subsidiaries and associated companies are translated into U.S. dollars at the respective rates of exchange prevailing at the end of the year. Income and expense accounts are translated at average exchange rates prevailing during the year. Translation adjustments resulting from this process are recorded directly in shareholders' equity and will be included in income only upon sale or liquidation of the underlying investment.

Cash and cash equivalents

The company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventories

Inventories of the parent company are valued at the lower of cost or market value, with cost determined using the last-in, first-out (LIFO) method. Inventories of subsidiaries are valued primarily at first-in, first-out cost, but not in excess of market value.

Property, plant and equipment

Property, plant and equipment are recorded at cost, and capital leases are recorded at the present value of future minimum lease payments. Depreciation is computed using the straight-line method on an individual asset basis over the following estimated useful lives: buildings and improvements, 10 to 45 years; machinery and equipment, 3 to 15 years; and capital leases, remaining life of the lease. At December 31, 1994 and 1993, respectively, $1,214 and $1,301 of leased equipment and accumulated depreciation thereon in the amount $848 and $520 in 1994 and 1993, respectively, are included in the property, plant and equipment accounts.

Expenditures for renewals and betterments which increase the estimated useful life or capacity of the assets are capitalized; expenditures for repairs and maintenance are charged to income as incurred.

Excess of cost over net assets of acquired companies and other noncurrent assets

Excess of cost over net assets of acquired companies and other noncurrent assets consist primarily of intangibles arising from acquisitions. They are being amortized on a straight-line basis over periods of 5 to 40 years (5 to 20 years on acquisitions subsequent to 1991). At December 31, 1994 and 1993, accumulated amortization of the excess of cost over net assets of acquired companies amounted to $1,754 and $1,621, respectively.

Pension and postretirement benefit plans

The company's policy is to fund pension costs allowable for income tax purposes. See Note 6 for the cost of pension and postretirement benefits other than pensions.

Revenue recognition

Sales are recorded primarily when products are shipped to customers. Other income, principally license fees and royalties offset by miscellaneous expenses, is recorded when earned. License fees from unconsolidated non-U.S. associates, and royalties from third parties amounted to $1,841, $1,254, and $1,135 in 1994, 1993 and 1992, respectively.

Research and development costs

Research and development costs are expensed as incurred. Company sponsored research and development expenses during 1994, 1993 and 1992 were $9,919, $11,037, and $11,134, respectively.

Earnings per share

Earnings per share calculations are based on the weighted average number of shares outstanding during the year.

Concentration of credit risk

Financial instruments, which potentially subject the company to a concentration of credit risk, principally consist of cash equivalents, short-term investments and trade receivables. The company invests excess cash in money market securities and financial instruments having maturities typically within 90 days. The company has not experienced losses from the aforementioned investments.

The company sells its principal products to the major steel, automotive and related companies around the world. The company maintains allowances for potential credit losses. Historically, the company has experienced some losses related to bankruptcy proceedings of major steel companies in the U.S. However, such losses have been immaterial.

Environmental liabilities and expenditures

Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Accrued liabilities are exclusive of claims against third parties and are not discounted. Environmental costs and remediation costs are capitalized if the costs increase the value of the property from the date acquired or constructed and/or mitigate or prevent contamination in the future.

Reclassification

Certain reclassifications of prior years' data have been made to improve comparability.

NOTE 2--REPOSITIONING OF OPERATIONS

In 1993, in response to changing economic and competitive market dynamics, the company implemented a broad scope program of changes designed to improve operating efficiency. The repositioning program included activities associated with the consolidation of certain of the company's facilities; closure and sale of the company's manufacturing facilities in Pomona, California and Verona, Italy; the divestiture of nonstrategic business operations and workforce reductions. The consolidated statement of operations for 1993 included charges before income taxes of $11,900 ($7,854 after tax, or $.85 per share) related to this program. Of the total 1993 charges, $5,200 related to the workforce reductions, while the remaining $6,700 provided for the other aspects of the program. The cash outlays in 1993 associated with the program were approximately $2,200. As of December 31, 1993, approximately $7,600 and $2,100 remained in accrued liabilities and other noncurrent liabilities, respectively.

During 1994, the company substantially completed the consolidation of certain facilities in the United States and Europe; sold its manufacturing facilities in Pomona, California and Verona, Italy; divested the businesses which comprised its wholly-owned subsidiary, Quaker Construction Products, Inc., and achieved a majority of the workforce reductions outlined in the 1993 program. As of December 31, 1994, it was determined that the repositioning activities would be accomplished for less than originally anticipated and accordingly, the company reduced operating expenses by $525 ($347 after tax, or $.04 per share). The cash outlays in 1994 associated with the program were approximately $3,300. As of December 31, 1994, approximately $1,800 and $2,000 remained in accrued liabilities and other noncurrent liabilities, respectively. These future cash outlays primarily represent termination benefits related to the workforce reductions.

NOTE 3--ASSOCIATED COMPANIES

Summarized financial information of the associated companies (less than majority owned), in the aggregate, for 1994, 1993 and 1992 is as follows:

	1994	1993	1992
Current assets	$25,377	$22,515	$21,841
Noncurrent assets	8,960	2,643	2,238
Current liabilities	15,030	12,888	11,432
Noncurrent liabilities	1,111	950	768
Net sales	$49,949	$52,028	$44,244
Operating income (a)	4,293	5,654	5,689
Income before taxes	3,242	4,287	5,183
Net income	1,725	2,165	2,676

(a) Net sales, less costs and expenses.

NOTE 4--INVENTORIES

Inventories valued under the LIFO method amounted to $4,913 and $4,879 at December 31, 1994 and 1993, respectively. The estimated replacement costs for these inventories using the first-in, first-out method were approximately $6,407 and $6,115, respectively.

NOTE 5--TAXES ON INCOME

Taxes on income included in the consolidated statement of operations consist of the following:

	Federal	Foreign	State	Total
1994				
Currently payable	$ 437	$ 5,047	$ 122	$ 5,606
Tax effect of temporary differences				
Current	1,271	(63)		1,208
Noncurrent	(495)	(403)		(898)
	$ 1,213	$ 4,581	$ 122	$ 5,916
1993				
Currently payable (recoverable)	$ (598)	$ 4,123	$ 144	$ 3,669
Tax effect of temporary differences				
Current	(2,310)	(634)		(2,944)
Noncurrent	(478)	(13)		(491)
	$(3,386)	$3,476	$ 144	$ 234
1992				
Currently payable	$ 451	$6,213	$ 208	$6,872
Tax effect of temporary differences				
Current	(1)			(1)
Noncurrent	453	(377)		76
	$ 903	$5,836	$ 208	$6,947

Total deferred income tax assets and liabilities are comprised of the following at December 31:

	1994		1993	
	Current	Non-current	Current	Non-current
Retirement benefits	$ 81		$ 212	
Postretirement benefits		$2,981		$3,049
Supplemental retirement benefits		568		530
Repositioning charges	997	775	2,252	726
Alternative minimum tax carry-forward		432		294
Other	395	215	393	189
Total deferred tax assets	$1,473	$4,971	$2,857	$4,788
Depreciation		$2,868		$2,844
Other		213		199
Total deferred tax liabilities		$3,081		$3,043

======	======

The following is a reconciliation of income taxes at the Federal statutory rate with income taxes recorded by the company:

	1994	1993	1992
Income tax provision (benefit) at the Federal statutory tax rate	$5,073	$(740)	$6,170
State income tax provisions, net	81	98	137
Prior year tax settlement	710		
Foreign taxes on earnings at rates different than the Federal statutory rate	143	723	368
Miscellaneous items, net	(91)	153	272
Taxes on income	$5,916	$234	$6,947

United States income taxes have not been provided on the undistributed earnings of non-U.S. subsidiaries since it is the company's intention to continue to reinvest these earnings abroad for working capital and expansion needs. The amount of such undistributed earnings at December 31, 1994 was approximately $53,000. Any income tax liability which might result from ultimate remittance of these earnings is expected to be substantially offset by foreign tax credits.

The benefits of net operating losses approximating $1,300, expiring in 1996 and later, have been recorded.

NOTE 6--EMPLOYEE BENEFITS

Pension plans

The company maintains various noncontributory retirement plans covering substantially all of the employees of the company and its U.S. subsidiaries. The benefits for these plans are based primarily on years of service and employees' pay near retirement.

The plans of non-U.S. subsidiaries are, for the most part, either fully insured or integrated with the local governments' plans and are not subject to the provisions of Statement of Financial Accounting Standards ("SFAS") 87, "Employers' Accounting for Pensions."

The pension costs for all plans include the following components:

	1994	1993	1992
Service cost--benefits earned during the period	$ 880	$ 809	$ 834
Interest cost on projected benefit obligation	2,449	2,335	2,251
Net investment (income) loss on plan assets:			
Actual	(283)	(2,820)	(3,690)
Deferral of difference between actual and expected income	(2,576)	98	1,254
Other amortization--net	(63)	(110)	(103)
Net pension costs of plans subject to SFAS 87	407	312	546
Pension costs of plans not subject to SFAS 87	962	904	872
Total pension costs	$1,369	$1,216	$1,418

The following table summarizes the funded status of the company's defined benefit pension plans and the related amounts recognized in the company's consolidated balance sheet as of December 31:

	1994	1993

Actuarial present value of:		
Vested benefit obligation	$28,971	$29,542
Accumulated benefit obligation	$29,166	$29,729
Projected benefit obligation	$32,277	$32,543
Plan assets at market value	29,290	30,677
Plan assets less than projected benefit obligation	(2,987)	(1,866)
Unrecognized cumulative net loss	790	222
Unrecognized prior service cost related to adjustment of retirees' benefits and benefit update	1,828	1,963
Unrecognized net gain at date of initial application of SFAS 87	(1,898)	(2,425)
Accrued pension costs	$(2,267)	$(2,106)

The significant assumptions for the plans were as follows:

	1994	1993	1992
Discount rate for projected benefit obligation	8.0 %	7.5%	8.0%
Assumed long-term rates of compensation increases	5.5 %	5.5%	6.0%
Long-term rate of return on plan assets	9.25%	9.5%	9.5%

Profit sharing plan

The parent company also maintains a qualified profit sharing plan covering all employees other than those who are compensated on a commission basis. Contributions for 1994 and 1992 were $367 and $310, respectively. No contributions were made in 1993.

Other postretirement and postemployment benefits

The company has postretirement benefit plans that provide medical and life insurance benefits for certain retired employees of the parent company. These benefits vary based on age, years of service and retirement date. Coverage of health benefits under the plan may require the retiree to make payments where the insured equivalent costs exceed the company's fixed contribution. The cost of the life insurance benefit plan, which provides a flat two thousand dollars per retiree, is noncontributory. Both the medical and life insurance plans are currently unfunded.

The components of periodic postretirement benefit costs for 1994, 1993, and 1992 are as follows:

	1994	1993	1992
Service cost--benefits attributed to service during the period	$ 67	$ 79	$ 96
Interest cost on accumulated benefit obligation	572	650	664
Postretirement benefit cost	$639	$729	$760

The status of the plan at December 31, 1994 and 1993 is as follows:

	1994	1993
Retirees	$6,542	$7,218
Fully eligible active participants	71	88
Other participants	1,265	1,712
Total accumulated postretirement benefit obligation	7,878	9,018
Unrecognized actuarial gain (loss)	889	(50)

Net unfunded postretirement benefit liability	$8,767	$8,968

The discount rate used in determining the accumulated postretirement benefit obligation was 8.0% and 7.5% in 1994 and 1993, respectively.

In valuing costs and liabilities, different health care cost trend rates were used for retirees under and over age 65. The average assumed rate for medical benefits for all retirees was 8.7% in 1994--gradually decreasing to 5.5% over 12 years. A 1% increase in the health care cost trend rate would increase aggregate service cost for 1994 by $44 and the accumulated postretirement benefit obligation as of December 31, 1994 by $621.

The parent company maintains a plan under which the company will provide, in certain cases, supplemental retirement benefits to officers of the parent company. Benefits payable under the plan are based on a combination of years of service and existing post-retirement benefits. Included in total pension costs are charges of $353, $270, and $330 in 1994, 1993 and 1992, respectively, representing the annual accrued benefits under this plan.

Effective January 1, 1993, the company adopted the provisions of SFAS 112, "Employer's Accounting for Postemployment Benefits." The cumulative effect of adoption of SFAS 112 was not material.

NOTE 7 -- DEBT AND LEASE OBLIGATIONS

Long-term debt at December 31, consisted of the following:

	1994	1993
Industrial development authority monthly floating rate (3.85% at December 31, 1994) demand bonds maturing 2014	$ 5,000	$ 5,000
6.64% note payable due July 8, 1997	10,000	13,333
Capital lease obligations	476	789
Other debt obligations due 1994 to 1996, interest rates ranging to 10.8%	428	758
	15,904	19,880
Less current portion	3,697	3,785
	$12,207	$16,095

In 1992, the company entered into a long-term private placement of $15,000 of 6.64% notes payable requiring semiannual principal payments of $1,667 beginning July 8, 1993 and continuing through 1997. The long-term financing agreements require, among other things, the maintenance of working capital and net worth ratios. The company is in compliance with these requirements.

During the next three years, payments on long-term debt are due as follows: $3,697, $3,815, and $3,392 in 1995, 1996 and 1997, respectively.

At December 31, 1994, the company had outstanding short-term borrowings with banks under non-confirmed lines of credit in the aggregate of $4,365. The weighted average interest rate on the majority of such borrowings was 4.5% during 1994. The company also has available a $10,000 unsecured line of credit. Any borrowings under this line of credit will be at the bank's most competitive rate of interest in effect at the time. There were no borrowings against the line of credit during 1994 and 1993.

At December 31, 1994 and 1993, the value at which the financial instruments were recorded approximated their fair market value.

NOTE 8 -- SHAREHOLDERS' EQUITY

An analysis of the changes in consolidated shareholders' equity is as follows:

	Common stock	Capital in excess of par value	Retained earnings	Foreign currency translation adjustments	Treasury stock	Total
Balance, December 31, 1991	$9,664		$83,944	$14,068	$ (8,778)	$98,898
Net income--1992			12,098			12,098
Dividends--$.57 per share			(5,208)			(5,208)
Shares issued upon exercise of options		$(389)			1,185	796
Shares issued for employee stock purchase plan		302			471	773
Shares issued for pension plan		348			416	764
Translation adjustment				(6,597)		(6,597)
Other		40			78	118
Balance, December 31, 1992	9,664	301	90,834	7,471	(6,628)	101,642
Net loss--1993			(1,758)			(1,758)
Dividends--$.605 per share			(5,578)			(5,578)
Shares issued upon exercise of options		(27)			109	82
Shares issued for employee stock purchase plan		196			528	724
Translation adjustment				(3,894)		(3,894)
Other		59			106	165
Balance, December 31, 1993	9,664	529	83,498	3,577	(5,885)	91,383
Net income--1994			9,402			9,402
Dividends--$.635 per share			(5,763)			(5,763)
Shares acquired under repurchase program					(8,241)	(8,241)
Shares issued for employee stock purchase plan		106			409	515
Translation adjustment				6,279		6,279
Other		14			88	102
Balance December 31, 1994	$9,664	$649	$87,137	$9,856	$(13,629)	$93,677

The treasury stock is held for use by the various company plans which require the issuance of the company's common stock.

The company is authorized to issue 10,000,000 shares of preferred stock, $1.00 par value, subject to approval by the Board of Directors. The Board of Directors may designate one or more series of preferred stock and the number of shares, rights, preferences and limitations of each series. None of the preferred stock has been issued.

Under provisions of a stock purchase plan, which permits employees to purchase shares of stock at 85% of the market value, 29,736 shares, 38,399 shares, and 35,277 shares were issued from treasury in 1994, 1993 and 1992, respectively. The number of shares that may be purchased by an employee in any year is limited by factors dependent upon the market value of the stock and the employee's base salary. At December 31, 1994, 217,189 shares may be issued under the plan.

The company has a long-term performance incentive plan for key employees which provides for the granting of options to purchase stock at prices not less than market value on the date of the grant. Options are exercisable one year after the date of the grant for a period of time determined by the company not to exceed ten years from the date of the grant.

The table below summarizes transactions in the plan during 1994, 1993 and 1992.

	1994		1993		1992	
	Number of shares	Option price per share	Number of shares	Option price per share	Number of shares	Option price per share
Options outstanding at January 1,	638,534	$11.00--$24.20	445,776	$11.00--$19.75	571,535	$11.00--$19.53
Options granted	6,553	$15.75--$15.88	206,444	$21.00--$24.20	2,598	$17.75--$19.75
Options exercised			(13,686)	$12.50--$19.75	(128,357)	$11.00--$17.75
Options outstanding at December 31,	645,087	$11.00--$24.20	638,534	$11.00--$24.20	445,776	$11.00--$19.75
Options exercisable at December 31,	638,534	$11.00--$24.20	432,090	$11.00--$19.75	445,228	$11.00--$19.75

No options were exercised in 1994. Options were exercised for cash and the surrender of 5,739 and 41,770 previously outstanding shares in 1993 and 1992, respectively, resulting in the net issuance of 7,947 shares in 1993 and 86,587 shares in 1992. Options to purchase 787,003 shares were available at December 31, 1994 for future grants.

The plan also provides for the issuance of performance incentive units, the value of which is determined based on operating results over a four-year period. The effect on operations of the change in the estimated value of incentive units during the year was zero in 1994 and 1993 and a credit of $292 in 1992.

On February 7, 1990, the company declared a dividend distribution to shareholders of record on February 20, 1990 which, after giving effect for the three-for-two stock split effective July 30, 1990, was in the form of two stock purchase rights (the "Rights") for each three shares of common stock outstanding. The Rights become exercisable if a person or group acquires or announces a tender offer which would result in such person's acquisition of 20% or more of the company's common stock. The Rights also become exercisable if the Board of Directors declares a person to be an "adverse person" and that person has obtained not less than 10% of the outstanding shares of the company's common stock.

Each Right, when exercisable, entitles the registered holder to purchase one one-hundredth of a share of a newly authorized Series A preferred stock at an exercise price of seventy-two dollars per share subject to certain anti-dilution adjustments. In addition, if a person or group acquires 20% or more of the outstanding shares of the company's common stock, without first obtaining Board of Directors' approval, as required by the terms of the Rights Agreement, or a person is declared an adverse person, each Right will then entitle its holder (other than such person or members of any such group) to purchase, at the Right's then current exercise price, a number of shares of the company's common stock having a total market value of twice the Right's exercise price.

In the event that the company merges with or transfers 50% or more of its assets or earnings to any entity after the Rights become exercisable, holders of Rights may purchase, at the Right's then current exercise price, common stock of the acquiring entity having a value equal to twice the Right's exercise price.

In addition, at any time after a person acquires 20% of the outstanding shares of common stock and prior to the acquisition by such person of 50% or more of the outstanding shares of common stock, the company may exchange the Rights (other than the Rights which have become null and void), in whole or in part, at an exchange ratio of one share of common stock or equivalent share of preferred stock, per Right.

The Board of Directors can redeem the Rights for $.01 per Right at any time prior to the acquisition by a person or group of beneficial ownership of 20% or more of the company's common stock or a person being declared an adverse person. Until a Right is exercised, the holder thereof will have no rights as a shareholder of the company, including without limitation, the right to vote or to receive dividends. Unless earlier redeemed or exchanged, the Rights will expire on February 20, 2000.

NOTE 9--BUSINESS SEGMENTS

The company operates primarily in one business segment--the manufacture and sale of industrial chemical specialty products. The company has both U.S. and non-U.S. operations which are summarized for 1994, 1993 and 1992 as follows:

	United States	Europe	Other	Consolidated 1994	Consolidated 1993	Consolidated 1992
Net sales to unaffiliated customers:						
1994	$97,338	$80,624	$16,714	$194,676		
1993	110,067	74,090	10,847		$195,004	
1992	118,831	83,276	10,384			$212,491
Operating profit:						
1994	7,960	11,076	467	$ 19,503		
1993	5,164	10,745	652		$ 16,561	
1992	7,196	16,025	1,368			$ 24,589
Repositioning credits (charges)				525	(11,900)	
Nonoperating expenses				(5,107)	(6,838)	(6,442)
Minority interest and equity in net income of associated companies				397	653	898
Income (loss) before taxes				15,318	(1,524)	19,045
Taxes on income				5,916	234	6,947
Net income (loss)..				$ 9,402	$ (1,758)	$ 12,098

				========	========	========
Identifiable assets:						
1994	51,255	65,845	10,111	$127,211		
	-------	-------	-------			
1993	70,889	55,427	6,988		$133,304	
	-------	-------	-------			
1992	82,727	56,372	4,994			$144,093
	-------	-------	-------			
Investments in associated companies				9,885	6,224	6,001
Nonoperating assets				33,076	31,457	16,519
				--------	--------	--------
Total assets				$170,172	$170,985	$166,613
				========	========	========

Transfers between geographic areas are not material. Operating profit comprises revenue less related costs and expenses. Nonoperating expenses primarily consist of general corporate expenses identified as not being a cost of operations, interest expense, interest income and license fees from unconsolidated associates. Nonoperating assets, consisting primarily of cash equivalents and short-term investments, have not been included with identifiable assets. No single customer accounted for 10% of net sales in 1994, 1993, or 1992. A substantial portion of consolidated sales on a global basis is made to the steel industry (see Classification of Products by Markets Served on page 26 of this report), and as a result, accounts receivable generally reflect a similar distribution of receivables from customers in these markets.

NOTE 10--BUSINESS ACQUISITIONS AND DIVESTITURES

In 1995, the company entered into an agreement to acquire 90% of the common stock of Celumi S.A., a metalworking chemical specialty business in Brazil. The total acquisition cost is expected to be approximately $7,000 in cash, $4,400 of which is required in 1995 with the remainder due in the succeeding two years. The transaction is subject to satisfactory completion of the due diligence process.

Also, in 1995, the company entered into an agreement with Wuxi Oil Refinery, for the creation of a joint venture in the People's Republic of China. The company's initial contribution to the venture will be less than $1,000 in cash and certain assets related to the formulation, manufacture and sale of chemical specialty products for the steel industry.

Effective December 28, 1994, the company acquired, for approximately $1,800 in cash, certain assets relating to the formulation, manufacture, and sale of cutting fluids from Perstorp AB, a Swedish company. The effect on the consolidated statements has not been material.

Pursuant to the plans identified in the company's 1993 repositioning program (see Note 2), the sales of certain of the company businesses and assets were completed in 1994. Effective November 7, 1994, the company completed the sale of the flooring business of Quaker Construction Products, Inc. ("QCP") for approximately $2,800. In addition, effective October 20, 1994 and October 1, 1994, respectively, the company completed the sales of its Verona, Italy and Pomona, California manufacturing facilities, which had ceased production in mid-1994 and 1993, for approximately $2,600 in cash and $200 due within one year. Effective September 30, 1994, the company completed the sale of the coatings and waterproofing business of QCP for approximately $8,100.

On March 24, 1994, the company entered into an agreement with Fluid Recycling Services, Incorporated for the creation of a 50/50 joint venture. During 1994, the company made cash investments and advances of approximately $4,500 with additional investments expected over the next few years based on the growth of the venture. The effect on the consolidated statements has not been material.

Effective May 14, 1993, the company acquired, for approximately $10,700 in cash, 100% of the common stock of Raffineries de l'Ile de France ("RIF"), a metalworking chemical specialty business in France. The results of the operations of RIF are included in the consolidated financial statements from that date. The effect on the consolidated statements has not been material.

As part of a plan to exit from the petroleum production chemicals market, effective February 12, 1992, the company acquired, for approximately $4,400 in cash, the remaining 57.5% interest in Alpine Labs, making it wholly owned by the company. The results of operations, which were not material, are included in the consolidated financial statements from that date. Pursuant to the plan noted above, effective July 27, 1993, the company completed the sale of its petroleum production chemical operations' assets, the principal component of which was the SULFA-SCRUB (registered trademark) patents and technology, to the Petrolite Corporation for $6,500 in cash, $2,000 due within three years and future royalty payments. In addition, the agreement of sale provides that the Petrolite Corporation grant back to the company a license to sell products incorporating the technology in certain markets not serviced by the Petrolite Corporation. The effect of the sale on the consolidated statements was not material.

Effective January 1, 1992, the company acquired, for $8,600 in cash, 50% of the common stock of Quaker Chemical, S.A. in Spain making it a wholly-owned subsidiary. The results of operations of Quaker Chemical, S.A. are included in the consolidated financial statements from that date. The effect on the consolidated statements has not been material.

NOTE 11--COMMITMENTS AND CONTINGENCIES

A wholly-owned subsidiary of the company is a co-defendant in claims filed by multiple claimants alleging injury due to exposure to asbestos. The company has reached a settlement with a group of these claimants and has petitioned the courts for a declaratory judgement against one of its insurance carriers for certain coverage which is in dispute. The company believes that the potential uninsured liability associated with this action is approximately $1,800.

The company has accrued for certain environmental investigatory and noncapital remediation costs consistent with the policy set forth in Note 1. In 1994, the company identified certain soil and groundwater contamination at AC Products, Inc. ("ACP"), a wholly-owned California subsidiary. A remediation plan has been developed and approved by the Santa Ana Regional Water Quality Board. The company believes that the potential uninsured liability associated with this remediation plan ranges from $600 to $1,100 or more, for which the company has accrued approximately $800. Although there can be no assurance regarding the outcome of environmental proceedings, the company believes that it has made adequate accruals for all cleanup and other related costs with respect to environmental problems of which it is aware. At December 31, 1994 and 1993, the company has accrued approximately $1,200 and $300, respectively, to provide for anticipated future environmental assessments and remediation costs.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors of Quaker Chemical Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations and of cash flows present fairly, in all material respects, the financial position of Quaker Chemical Corporation (the "Company") and its subsidiaries at December 31, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP

Price Waterhouse LLP

Thirty South Seventeenth Street
Philadelphia, Pennsylvania 19103
February 21, 1995

Quaker Chemical Corporation
SUPPLEMENTAL FINANCIAL INFORMATION

Classification of Products by Markets Served (unaudited)

Consolidated net sales comprise chemical specialty and other products classified by markets served for the year ended December 31 as follows:

(Dollars in thousands)

	1994		1993		1992		1991		1990	
Steel	$ 89,453	46%	$ 89,255	46%	$ 94,483	44%	$ 78,357	41%	$ 88,447	44%
Metalworking	58,452	30	57,826	30	58,719	28	51,106	27	49,916	25
Pulp and paper	13,010	7	12,169	6	15,042	7	16,760	9	22,016	11
Other	33,761	17	35,754	18	44,247	21	44,828	23	41,095	20
	$194,676	100%	$195,004	100%	$212,491	100%	$191,051	100%	$201,474	100%

Information on Quaker's markets appears on the inside front cover of this report.

Quarterly Results (unaudited)

(Dollars in thousands except per share data)

	First	Second	Third	Fourth
1994				
Net sales	$45,093	$47,347	$50,117	$52,119
Operating income (1 and 2)	3,356	3,213	3,754	3,191
Net income	2,249	2,191	2,353	2,609
Net income per share	$.24	$.24	$.26	$.29
1993				
Net sales	$48,361	$51,343	$48,441	$46,859
Operating income (loss) (1 and 3)	3,594	(919)	1,092	(7,274)
Net income (loss)	2,724	(449)	730	(4,763)
Net income (loss) per share	$.30	$(.05)	$.08	$(.52)
1992				
Net sales	$54,850	$55,853	$54,057	$47,731
Operating income (1)	5,279	4,769	4,592	2,147
Net income	3,710	3,322	3,204	1,862
Net income per share	$.41	$.37	$.35	$.20

(1) Net sales, less costs and expenses.
(2) The fourth quarter includes repositioning credits of $525.
(3) The second and fourth quarters include repositioning charges of $3,500 and $8,400, respectively.

Stock Market and Related Security Holder Matters

During the past two years, the common stock of the company has been traded in the National Over-the-Counter market at the price ranges indicated below, and the following quarterly dividends per share have been declared as indicated:

	Range of NASDAQ System Quotations				Dividends Declared	
	1994		1993		1994	1993
	High	Low	High	Low		
First quarter	$19 1/2	$14 3/4	$24 5/8	$20 3/4	$.15 1/2	$.15
Second quarter	18 3/4	16	23	17 3/4	.15 1/2	.15
Third quarter	18 3/4	17 1/4	20	16 1/2	.15 1/2	.15
Fourth quarter	18 3/4	17 1/4	18 1/2	14 1/4	.17	.15 1/2

As of January 15, 1995, there were 1,041 shareholders of record of the company's common stock, $1 par value, its only outstanding class of equity securities.

Copies of the company's Form 10-K for the year ended December 31, 1994 as filed with the Securities and Exchange Commission will be provided without charge on request to Quaker Chemical Corporation, Attention Karl H. Spaeth, Vice President and Corporate Secretary, Conshohocken, PA 19428.

Quaker Chemical Corporation
SELECTED FINANCIAL INFORMATION

(Dollars in thousands except per share data and number of employees)

	1994(1)	1993(2)	1992	1991	1990	1985
Summary of Operations						
Net sales	$194,676	$195,004	$212,491	$191,051	$201,474	$122,745
Income (loss) before taxes and cumulative effect of change in accounting principle	15,318	(1,524)	19,045	16,888	22,580	12,872
Cumulative effect of change in accounting for postretirement benefits				(5,675)		
Net income (loss)	9,402	(1,758)	12,098	5,115	14,106	7,580
Per share (3)						
Income (loss) before cumulative effect of change in accounting principle.	1.03	(.19)	1.33	1.20	1.51	.73
Cumulative effect of change in accounting for postretirement benefits				(.63)		
Net income (loss).	1.03	(.19)	1.33	.57	1.51	.73
Dividends	.63 1/2	.60 1/2	.57	.53	.47	.26
Financial Position						
Current assets	83,400	84,387	85,567	82,725	84,833	57,529
Current liabilities	43,427	42,642	28,126	36,592	40,342	19,440
Working capital	39,973	41,745	57,441	46,133	44,491	38,089
Property, plant and equipment, net	51,694	55,541	52,179	48,661	46,315	24,612
Total assets	170,172	170,985	166,613	159,121	152,408	93,891
Long-term debt and capital leases	12,207	16,095	18,604	5,219	5,453	9,025
Shareholders' equity	93,677	91,383	101,642	98,898	99,113	59,200
Other Data						
Current ratio	1.9/1	2.0/1	3.0/1	2.3/1	2.1/1	3.0/1
Capital expenditures (4)	9,255	8,960	7,226	8,420	12,663	6,139
Net income (loss) as a % of net sales (5)	4.8%	(0.9)%	5.7%	5.6%	7.0%	6.2%
Return on average shareholders' equity (5)	10.2%	(1.8)%	12.1%	10.9%	14.9%	14.0%
Shareholders' equity per share at end of year (3)	10.62	9.89	11.06	10.95	11.11	5.67
Common stock price range (3):						
High	19 1/2	24 5/8	26	22 1/4	19 1/4	9 1/8
Low	14 3/4	14 1/4	18 3/4	15	12	6
Number of shares outstanding at end of year (3)	8,819	9,242	9,188	9,028	8,921	10,440
Number of employees at end of year:						
Consolidated subsidiaries	743	865	842	840	819	785

Associated companies	212	141	130	187	261	136

<FN>
(1) The results of operations for 1994 include net repositioning credits of $347 or $0.04 per share. Excluding these credits, net income for 1994 was $9,055 or $0.99 per share.
(2) The results of operations for 1993 include net repositioning charges of $7,854 or $0.85 per share. Excluding these charges, net income for 1993 was $6,096 or $0.66 per share.
(3) Restated to give retroactive effect to a three-for-two split in 1990.
(4) Capital expenditures prior to 1986 are stated net of dispositions.
(5) Calculated for 1991 using $10,790 which was the net income before the cumulative effect of change in accounting principle.

Quaker Chemical Corporation
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

The company is in sound financial condition and remains strong in its ability to generate adequate cash to meet the needs of current operations and to fund programs for future growth and expansion. Major sources and uses of cash during 1994 included: proceeds of $10.9 million from the sale of the businesses which comprised its wholly-owned subsidiary, Quaker Construction Products, Inc. ("QCP"); proceeds of $2.6 million from the sale of the company's manufacturing facilities in Pomona, California and Verona, Italy; $9.3 million in expenditures for additions to property, plant, equipment and other assets; payments of $8.2 million for 459,000 outstanding shares of the company's common stock as part of a share repurchase program; investments and advances of approximately $4.5 million in the company's Fluid Recycling Services joint venture; cash outlays associated with the 1993 repositioning program of approximately $3.3 million, and the purchase of certain assets relating to the formulation, manufacture and sale of cutting fluids for $1.8 million from Perstorp AB. These items, along with increases in non-cash working capital (primarily increases in accounts receivable generated from higher revenues), were the principal reasons for the decrease of $12.1 million in the company's net cash position (cash and cash equivalents plus short-term investments less short-term borrowings and current portion of long-term debt and capital leases) to $3.3 million. The current ratio was 1.9/1 in 1994 as compared to 2.0/1 in 1993 reflecting the impacts of the aforementioned changes in net cash and non-cash working capital.

Expenditures for property, plant and equipment in 1994 included the completion of new software systems in the U.S., environmental and regulatory compliance efforts in the amount of $.7 million, and upgrades of manufacturing capabilities at various locations. Capital expenditures for 1995 are expected to be in the range of $9-11 million and include various upgrades of manufacturing capabilities in the U.S. and Europe and an estimated $1.3 million for environmental and regulatory compliance. Cash outlays in 1995 associated with the repositioning program are anticipated to be approximately $1.8 million.The company believes that funds generated internally should be sufficient to finance payments for capital expenditures and the repositioning program.

The company has available $10 million in a line of credit and believes that additional bank borrowings could be negotiated at competitive rates based on its debt-equity ratio and current levels of operating performance. The company is capable of supporting the anticipated growth in operations during 1995, growth in dividends to shareholders, stock repurchases and possible acquisition opportunities closely aligned with key business strategies through internally generated funds supplemented with debt as needed. In this regard, during 1995 the company entered into agreements to (i) acquire 90% of the common stock of a chemical specialty business in Brazil, and (ii) create a joint venture in the People's Republic of China (see Note 10 on page 24). These acquisitions will require cash investments in 1995 of approximately $5.4 million. Additionally, the acquisition in Brazil will require additional outlays in 1996 and 1997 totaling approximately $2.6 million. In 1995, the company's Board of Directors authorized management to purchase in 1995 and later years, an additional 500,000 shares of the company's common stock, bringing the total current authorization to 1,000,000 shares.

Operations
Comparison of 1994 with 1993

Consolidated net sales for 1994 were about even with 1993 as positive volume impact in core markets and an increase from 1993 acquisitions in France and Argentina fully offset the decrease in sales resulting from the divestiture of QCP. The influence on net sales in 1994 of changes in price/mix and currency translation were negligible as a 1% reduction from price/mix was offset by a 1% increase from currency translation (fluctuations in foreign currency exchange rates used to translate local currency statements to dollars). The core market volume improvement was attributable primarily to increased customer production levels in the U.S. and Europe; synergistic benefits from a 1993 French metalworking company acquisition; increased revenue in the U.S. from total fluid and chemical management service contracts; and increased sales to the steel and can markets in the Asia/Pacific region. Sales to the major U.S. markets were steady throughout 1994. After a slow start, sales in Europe increased in the second half of the year, due in large part to the positive impact of the European economic recovery on steel and automotive production levels. Sales to the aircraft and aerospace industries were below 1993 due to continued low production levels.

Income from operations before repositioning (credits) charges improved $5.4 million (55%) over 1993. The improvement over 1993 reflects the positive impact of increased volume in core markets and benefits associated with the 1993 repositioning program. These positive impacts were tempered somewhat by investment costs related to the enhancement of marketing capabilities and infrastructure in the Asia/Pacific and South America regions, as well as raw material cost inflation, particularly in Europe, which became evident late in the year. The company is encouraged by trends in customer production levels, especially in Europe. However, raw material cost inflation could have a dampening effect on earnings in the early part of 1995 due to contractual pricing agreements with a number of customers in both the U.S. and European markets and resistance to price increases in some of the company's major markets.

Pursuant to the plans identified in the company's 1993 repositioning program, during 1994, the company substantially completed the consolidation of certain facilities in the U.S. and Europe; sold its manufacturing facilities in Pomona, California and Verona, Italy; divested the businesses which comprised its wholly-owned subsidiary, QCP, and achieved a majority of the workforce reductions outlined in the program. As of December 31, 1994, it was determined that the repositioning activities would be accomplished for less than originally anticipated and, accordingly, the company reduced operating expenses by $.5 million ($.3 million after tax or $.04 per share).

Operating margins, before repositioning (credits) charges, improved in 1994, when compared to 1993 as a result of the aforementioned increased volume in core markets and cost savings associated with the repositioning program. The estimated after-tax financial savings generated in 1994 due to the repositioning program were approximately $.20 per share. Other income rose primarily as a result of increased royalty income. Interest expense declined slightly due to reduced overall borrowings in 1994 while interest income declined due to lower cash holdings by the company. The decrease in equity in net income from associated companies was due primarily to business development investments in the company's Fluid Recycling Services joint venture. The positive influence of currency translation on net income in 1994 was approximately $.01 per share.

Comparison of 1993 with 1992

Consolidated net sales for 1993 decreased $17.5 million (8%) while income from operations before repositioning charges decreased $7.9 million (45%) versus 1992. In 1993, the company recorded repositioning charges of $11.9 million ($7.9 million after tax or $.85 per share) for the costs associated with a broad scope program of changes designed to improve operating efficiency. The repositioning program included activities associated with the consolidation of certain of the company's facilities; closure and sale of the company's manufacturing facilities in Pomona, California and Verona, Italy; the divestiture of nonstrategic business operations and workforce reductions.

The 1993 consolidated sales decrease was due to two main factors: a 4% decline in volume and a 4% reduction associated with currency translation as the U.S. dollar strengthened against most major currencies during 1993. The decrease in volume for the year was attributable primarily to: a reduction in orders shipped to the People's Republic of China, as that country worked down an earlier buildup of inventory; the European recession's impact on customer production levels in markets served by the company; and the adverse effect of lower production rates in the aircraft and aerospace industry.

Operating margins, before the repositioning charges, declined in 1993 when compared to 1992 due mainly to the negative leverage effect of fixed costs on reduced sales volume. In 1993, the combination of lower operating results, foreign taxes on earnings at rates different than the U.S. federal tax rate and the influence of non-deductible expenses, such as goodwill amortization, resulted in a tax expense on a loss before taxes. The negative influence of currency translation on net income in 1993 was approximately $.8 million ($.09 per share). The decrease in equity in net income from associated companies was primarily due to lower earnings from the company's Mexican affiliate.

General

The company is involved in environmental cleanup activities or litigation in connection with existing plant locations and former waste disposal sites (see Note 11 on page 24). This involvement has not had, nor is it expected to have, a material effect on the company's earnings or financial position.

The company does not use financial instruments which expose it to significant risk involving foreign currency transactions; however, the size of non-U.S. activities has a significant impact on reported operating results and the attendant net assets. During the past three years, sales by non-U.S. subsidiaries accounted for approximately 44-50% of the dollar amount of consolidated sales. In the same period, these subsidiaries accounted for approximately 59-71% of consolidated operating profit (see Note 9 on page 23). The greater profitability of non-U.S. sales during this period is attributable to higher unit selling prices and lower fixed overhead and selling costs.

EXHIBIT 21

SUBSIDIARIES AND AFFILIATES OF THE REGISTRANT

Name	Jurisdiction of Incorporation	Percentage of voting securities owned directly or indirectly by Quaker
*Quaker Chemical Europe B.V.	Holland	100%
*Quaker Chemical B.V.	Holland	100%
*Quaker Chemical, S.p.A.	Italy	100%
+*Quaker Chemical Holdings UK Limited	United Kingdom	100%
*Quaker Chemical Limited	United Kingdom	100%
*Quaker Chemical S.A.	France	100%
**Quaker Chemical South Africa (Pty.) Limited	Republic of South Africa	50%
*Quaker Chemical, S.A.	Spain	100%
*Quaker Chemical, S.A.	Argentina	100%
*Quaker Chemical Industria e Comercio Ltda.	Brazil	100%
**Kelko Quaker Chemical, S.A.	Venezuela	50%
*Quaker Chemical Limited	Hong Kong	100%
*Quaker Chemical South East Asia Pte. Ltd.	Singapore	100%
**Nippon Quaker Chemical, Ltd.	Japan	50%
*Quaker Chemical (Australasia) Pty. Limited	State of New South Wales, Australia	51%
+*QuakerChem Canada Limited	Canada	100%
**TecniQuimia Mexicana S.A. de C.V.	Mexico	40%
+*SB Decking, Inc. (formerly Selby, Battersby & Co.)	Delaware, U.S.A.	100%
*Quaker Chemical Corporation	Delaware, U.S.A.	100%
+Quaker Chemical Management, Inc.	Delaware, U.S.A.	100%
*AC Products, Inc.	California, U.S.A.	100%
+*Quaker Construction Products, Inc.	Pennsylvania, U.S.A.	100%
+*QSC Products, Ltd.	Pennsylvania, U.S.A.	100%
+*Multi-Chemical Products, Inc.	California, U.S.A.	100%
+*Quaker Petroleum Chemicals Company	Pennsylvania, U.S.A.	100%
**Fluid Recycling Services Company	Michigan, U.S.A.	50%

+ A non-operating company.
* Included in the consolidated financial statements.
** Accounted for in the consolidated financial statements under the equity method.

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 2-57924, No. 33-54158, and No. 33-51655) of Quaker Chemical Corporation of our report dated February 21, 1995 appearing on page 25 of the 1994 Annual Report to Shareholders which is incorporated in this Annual Report on Form 10-K.

PRICE WATERHOUSE LLP
Thirty South Seventeenth Street
Philadelphia, Pennsylvania 19103
March 29, 1995

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