
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549
FORM 8-K

**CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

October 28, 2015
Date of Report (Date of earliest event reported)

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

Commission File Number 001-12019

PENNSYLVANIA
(State or other jurisdiction of
incorporation or organization)

No. 23-0993790
(I.R.S. Employer
Identification No.)

One Quaker Park
901 E. Hector Street
Conshohocken, Pennsylvania 19428
(Address of principal executive offices)
(Zip Code)

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

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-
-
-

INFORMATION TO BE INCLUDED IN THE REPORT

Item 2.02. Results of Operations and Financial Condition.

On October 28, 2015, Quaker Chemical Corporation announced its results of operations for the third quarter ended September 30, 2015, in a press release, the text of which is included as Exhibit 99.1 hereto. Supplemental information related to the same period is also included as Exhibit 99.2 hereto.

Item 9.01. Financial Statements and Exhibits.

The following exhibits are included as part of this report:

| <u>Exhibit No.</u> | |
|--------------------|-----------------------------------------------------------------------------|
| 99.1 | Press Release of Quaker Chemical Corporation dated October 28, 2015. |
| 99.2 | Supplemental Information related to third quarter ended September 30, 2015. |

NEWS

Contact:
Michael F. Barry
Chairman, Chief Executive Officer and President
Barrym@quakerchem.com
T. 610.832.4000



For Release: Immediate

QUAKERCHEMICAL ANNOUNCES THIRD QUARTER 2015 RESULTS

- Strong operating results drive consistent non-GAAP earnings, despite an 8% negative impact from foreign exchange and lower global steel production
- Current quarter results include \$2.8 million of one-time non-GAAP transaction expenses related to the Verkol S.A. acquisition
- Strong quarterly operating cash flow generation of \$24 million

October 28, 2015

CONSHOHOCKEN, PA – Quaker Chemical Corporation (NYSE: KWR) today announced net sales of \$189.2 million for the third quarter of 2015 compared to \$198.9 million for the third quarter of 2014. The 5% decrease in net sales was driven by negative impacts from foreign currency translation of \$14.9 million, or 8%, which offset the Company's product volume and acquisition-related growth in the quarter.

Earnings per diluted share for the current quarter were \$1.08 as compared to \$1.18 for the third quarter of 2014. The third quarter of 2015 results included one-time transaction expenses of \$2.8 million, or \$0.15 per diluted share, related to the Verkol S.A. ("Verkol") acquisition. With these transaction expenses and other uncommon items excluded, non-GAAP earnings per diluted share were \$1.19 for the third quarter of 2015, which were even with non-GAAP earnings for the third quarter of 2014. The Company was able to achieve these consistent earnings despite foreign exchange impacts of \$0.09 per diluted share, or 8%, and lower global steel production. Similarly, the Company was able to increase its adjusted EBITDA approximately 1% to \$26.8 million for the third quarter of 2015 from \$26.5 million in the third quarter of 2014, despite similar impacts from foreign exchange and lower global steel production.

Michael F. Barry, Chairman, Chief Executive Officer and President commented, "Consistent with previous quarters this year, we are pleased to have delivered another quarter of stable earnings and strong cash flow despite a variety of market challenges. Foreign exchange headwinds continue to have the most significant negative impact on our earnings while we were also challenged by global steel industry production being down nearly 4%. In addition, we are seeing continued weak economic conditions in several regional areas, especially in South America. Our sales also continue to see some impact of downward price adjustments due to lower raw material costs. Despite these headwinds, we maintained our non-GAAP earnings through margin expansion, market share gains and our recent acquisitions."

Mr. Barry added, "We continue to pursue our key strategic initiatives and acquisitions, such as the Verkol acquisition completed early in the third quarter. This is our eleventh acquisition over the past five years, consistent with our strategy of creating shareholder value by using our strong cash flow and balance sheet to grow Quaker both organically and via strategic acquisitions. Looking forward to the remainder of 2015, while we anticipate a continued strong U.S. Dollar and generally weak market conditions in most countries, we believe market share gains and acquisitions will continue to compensate for these challenges. Overall, I remain confident in Quaker's future and expect our fourth quarter and full year 2015 non-GAAP earnings to exceed 2014, leading to our sixth consecutive year of earnings improvement."

Quaker Chemical Corporation
One Quaker Park, 901 E. Hector Street, Conshohocken, PA 19428-2380 USA
P: 610.832.4000 F: 610.832.8682
quakerchem.com

Third Quarter of 2015 Summary

Net sales for the third quarter of 2015 were \$189.2 million compared to net sales of \$198.9 million for the third quarter of 2014. The decrease in net sales was primarily due to impacts from foreign currency translation of \$14.9 million, or 8%, which offset a 4% increase in product volume, including additional sales from acquisitions.

Gross profit for the third quarter of 2015 increased \$1.0 million from the third quarter of 2014, driven by increased product volume on higher gross margin of 37.7% for the third quarter of 2015 compared to 35.4% for the third quarter of 2014. The current quarter's expansion in gross margin was mainly due to the timing of certain raw material cost decreases compared to the prior year quarter.

Selling, general and administrative expenses ("SG&A") increased \$2.9 million from the third quarter of 2014 to the third quarter of 2015. The increase in SG&A was primarily driven by incremental costs associated with the Company's current and prior year acquisitions, including the \$2.8 million one-time transaction expenses incurred with the Company's third quarter of 2015 Verkol acquisition, noted above. These increases were partially offset by decreases from foreign currency translation.

Other income decreased \$0.7 million in the third quarter of 2015 compared to the third quarter of 2014. The decrease in other income was primarily due to lower receipts of annual government grants received in one of the Company's regions and higher foreign exchange transactional losses incurred in the third quarter of 2015 compared to the third quarter of 2014.

Interest expense was relatively consistent in the third quarter of 2015 compared to the third quarter of 2014. Interest income was \$0.2 million lower in the third quarter of 2015 compared to the third quarter of 2014, primarily due to a decrease in the level of the Company's invested cash in certain regions with higher returns and interest received on certain tax-related credits in the third quarter of 2014.

The Company's effective tax rates for the third quarters of 2015 and 2014 were 24.4% and 26.7%, respectively. The primary contributors to the decrease in the current quarter's effective tax rate were lower changes in reserves related to uncertain tax positions, a mix of earnings between higher and lower tax jurisdictions and certain other one-time items that decreased the third quarter of 2015's effective tax rate.

Equity in net income of associated companies ("equity income") increased \$0.4 million in the third quarter of 2015 compared to the third quarter of 2014 primarily due to higher equity income from the Company's interest in a captive insurance company.

Outside the one-time transaction expenses mentioned above, the Company realized a minimal impact to net income from its current quarter Verkol acquisition, as its respective operational results were offset by normal acquisition-related costs and initial adjustments related to fair value accounting.

Changes in foreign exchange rates negatively impacted the Company's third quarter of 2015 net income by approximately 8%, or \$0.09 per diluted share.

Year-to-Date 2015 Summary

Net sales for the first nine months of 2015 were \$554.3 million compared to net sales of \$571.8 million for the first nine months of 2014. The decrease in net sales was primarily due to impacts from foreign currency translation of \$41.2 million, or 7%, which offset a 5% increase in product volume, including additional sales from acquisitions.

Gross profit for the first nine months of 2015 increased \$4.6 million, or 2%, compared to the first nine months of 2014, driven by increased product volume on higher gross margin of 37.6% for the first nine months of 2015 compared to 35.6% for the first nine months of 2014. The Company's expansion in gross margin was mainly due to the timing of certain raw material cost decreases compared to the prior year period.

The increase in SG&A for the first nine months of 2015 of \$7.5 million from the first nine months of 2014 was due to the net impact of several factors. Notably, SG&A increased primarily due to incremental costs associated with the Company's current and prior year acquisitions, including the current year transaction expenses, noted above, and higher overall labor-related costs, partially offset by decreases from foreign currency translation and a first quarter of 2014 cost related to an amendment to the Company's pension plan in the United Kingdom ("U.K.").

- more-

Other expense was \$0.1 million in the first nine months of 2015 compared to other income of \$0.6 million in the first nine months of 2014. The \$0.7 million decrease in other income was primarily due to lower receipts of annual government grants received in one of the Company's regions and higher foreign exchange transactional losses incurred in the first nine months of 2015 compared to the first nine months of 2014.

Interest expense was \$0.1 million higher in the first nine months of 2015 compared to the first nine months of 2014, primarily due to higher average borrowings outstanding over the first nine months of 2015. Interest income was \$0.9 million lower in the first nine months of 2015 compared to the first nine months of 2014, primarily due to a decrease in the level of the Company's invested cash in certain regions with higher returns and interest received on certain tax-related credits in the first nine months of 2014.

The Company's effective tax rates for the first nine months of 2015 and 2014 were 27.3% and 30.5%, respectively. The primary contributors to the decrease in the current year's effective tax rate were lower changes in reserves related to uncertain tax positions, a mix of earnings between higher and lower tax jurisdictions and certain other one-time items that impacted the first nine months of 2015's effective tax rate comparison. We currently estimate the full year effective tax rate will approximate 28% for 2015.

Equity income decreased \$3.2 million in the first nine months of 2015 compared to the first nine months of 2014. The decrease was primarily due to a first quarter of 2015 currency conversion charge recorded at the Company's Venezuelan affiliate. Due to changes in Venezuela's foreign exchange markets and controls, the Company re-assessed its Venezuelan affiliate's access to U.S. Dollars and its ability to import or trade under the existing exchange markets in the first quarter of 2015, which resulted in the current year charge. This was partially offset by a similar currency charge related to the conversion of Venezuelan Bolivar Fuerte to the U.S. Dollar recorded during the second quarter of 2014. In addition, the Company had lower equity income from its interest in a captive insurance company during the first nine months of 2015 compared to the first nine months of 2014.

The \$0.5 million decrease in net income attributable to noncontrolling interest in the first nine months of 2015 compared to the first nine months of 2014 was primarily due to the Company's June 2014 acquisition of the noncontrolling interest in its Australian affiliate.

Outside the one-time transaction expenses mentioned above, the Company realized a minimal impact to net income from its 2015 Verkol acquisition, as its respective operational results were offset by normal acquisition-related costs and initial adjustments related to fair value accounting.

Changes in foreign exchange rates, excluding the currency conversion impacts of the Venezuelan Bolivar Fuerte, noted above, negatively impacted the Company's first nine months of 2015 net income by approximately 8%, or \$0.26 per diluted share.

Balance Sheet and Cash Flow Items

The Company's net operating cash flow of \$23.5 million for the third quarter of 2015 increased its year-to-date net operating cash flow to \$50.8 million compared to \$38.0 million for the first nine months of 2014. The increase of \$12.8 million in net operating cash flows was driven by strong operating performance and lower cash invested in the Company's working capital during the first nine months of 2015 due to continued improvement in working capital management. Most notably, cash outflows from accounts receivables decreased significantly in the first nine months of 2015, primarily due to the timing of sales around quarter-end and improvements in timing of cash receipts. Also, included in the Company's year-to-date 2015 net cash flow were repurchases of 59,110 shares of its common stock for \$5.0 million, pursuant to the share repurchase program announced in May of 2015. Overall, the Company's liquidity remains strong, as the Company's consolidated leverage ratio approximated one times EBITDA, despite added borrowings to fund the third quarter of 2015 purchase of Verkol.

- more -

Non-GAAP Measures

Included in this public release are non-GAAP (unaudited) financial measures of non-GAAP earnings per diluted share and adjusted EBITDA. The Company believes these non-GAAP financial measures provide meaningful supplemental information as they enhance a reader's understanding of the financial performance of the Company, are more indicative of future operating performance of the Company, and facilitate a better comparison among fiscal periods, as the non-GAAP financial measures exclude items that are not considered core to the Company's operations. Non-GAAP results are presented for supplemental informational purposes only and should not be considered a substitute for the financial information presented in accordance with GAAP. The following are reconciliations between the non-GAAP (unaudited) financial measures of non-GAAP earnings per diluted share and adjusted EBITDA to their most directly comparable GAAP (unaudited) financial measures:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|-------------------------------------------------------------------------------------------------|-------------------------------------|----------------|------------------------------------|----------------|
| | 2015 | 2014 | 2015 | 2014 |
| GAAP earnings per diluted share attributable to Quaker Chemical Corporation common shareholders | \$ 1.08 | \$ 1.18 | \$ 2.98 | \$ 3.31 |
| Equity income in a captive insurance company per diluted share | (0.04) | (0.01) | (0.09) | (0.16) |
| Verkol transaction expenses per diluted share | 0.15 | — | 0.15 | — |
| U.K. pension plan amendment per diluted share | — | — | — | 0.05 |
| U.S. customer bankruptcies per diluted share | 0.00 | 0.02 | 0.01 | 0.02 |
| Cost streamlining initiatives per diluted share | — | — | 0.01 | 0.02 |
| Currency conversion impact of the Venezuelan Bolivar Fuerte per diluted share | — | — | 0.21 | 0.02 |
| Non-GAAP earnings per diluted share | <u>\$ 1.19</u> | <u>\$ 1.19</u> | <u>\$ 3.27</u> | <u>\$ 3.26</u> |

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---------------------------------------------------------------------|-------------------------------------|------------------|------------------------------------|------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Net income attributable to Quaker Chemical Corporation | \$ 14,371 | \$ 15,696 | \$ 39,787 | \$ 43,853 |
| Depreciation and amortization | 4,863 | 4,196 | 14,227 | 11,908 |
| Interest expense | 697 | 641 | 1,891 | 1,747 |
| Taxes on income before equity in net income of associated companies | 4,541 | 5,724 | 15,624 | 18,808 |
| Equity income in a captive insurance company | (526) | (72) | (1,221) | (2,142) |
| Verkol transaction expenses | 2,813 | — | 2,813 | — |
| U.K. pension plan amendment | — | — | — | 902 |
| U.S. customer bankruptcies | 68 | 310 | 179 | 310 |
| Cost streamlining initiatives | — | — | 173 | 348 |
| Currency conversion impact of the Venezuelan Bolivar Fuerte | — | — | 2,806 | 321 |
| Adjusted EBITDA | <u>\$ 26,827</u> | <u>\$ 26,495</u> | <u>\$ 76,279</u> | <u>\$ 76,055</u> |

- more-

Forward-Looking Statements

This release contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected in such statements. A major risk is that demand for the Company’s products and services is largely derived from the demand for its customers’ products, which subjects the Company to uncertainties related to downturns in a customer’s business and unanticipated customer production shutdowns. Other major risks and uncertainties include, but are not limited to, significant increases in raw material costs, customer financial stability, worldwide economic and political conditions, foreign currency fluctuations, future terrorist attacks and other acts of violence. Other factors could also adversely affect us. Therefore, we caution you not to place undue reliance on our forward-looking statements. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995.

Conference Call

As previously announced, Quaker Chemical’s investor conference call to discuss the third quarter of 2015 results is scheduled for October 29, 2015 at 8:30 a.m. (ET). A live webcast of the conference call, together with supplemental information, can be accessed through the Company’s Investor Relations website at <http://www.quakerchem.com>. You can also access the conference call by dialing 877-269-7756.

About Quaker

Quaker Chemical is a leading global provider of process fluids, chemical specialties, and technical expertise to a wide range of industries, including steel, aluminum, automotive, mining, aerospace, tube and pipe, cans, and others. For nearly 100 years, Quaker has helped customers around the world achieve production efficiency, improve product quality, and lower costs through a combination of innovative technology, process knowledge, and customized services. Headquartered in Conshohocken, Pennsylvania USA, Quaker serves businesses worldwide with a network of dedicated and experienced professionals whose mission is to make a difference.

- more -

Quaker Chemical Corporation
Condensed Consolidated Statements of Income
(Dollars in thousands, except per share data)

| | (Unaudited) | | | |
|--------------------------------------------------------------------------------------|----------------------------------|------------|---------------------------------|------------|
| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
| | 2015 | 2014 | 2015 | 2014 |
| Net sales | \$ 189,224 | \$ 198,867 | \$ 554,280 | \$ 571,827 |
| Cost of goods sold | 117,895 | 128,567 | 346,006 | 368,197 |
| Gross profit | 71,329 | 70,300 | 208,274 | 203,630 |
| % | 37.7% | 35.4% | 37.6% | 35.6% |
| Selling, general and administrative expenses | 52,601 | 49,747 | 150,237 | 142,759 |
| Operating income | 18,728 | 20,553 | 58,037 | 60,871 |
| % | 9.9% | 10.3% | 10.5% | 10.6% |
| Other income (expense), net | 185 | 914 | (97) | 558 |
| Interest expense | (697) | (641) | (1,891) | (1,747) |
| Interest income | 422 | 642 | 1,117 | 1,990 |
| Income before taxes and equity in net income of associated companies | 18,638 | 21,468 | 57,166 | 61,672 |
| Taxes on income before equity in net income of associated companies | 4,541 | 5,724 | 15,624 | 18,808 |
| Income before equity in net income of associated companies | 14,097 | 15,744 | 41,542 | 42,864 |
| Equity in net income (loss) of associated companies | 738 | 375 | (688) | 2,506 |
| Net income | 14,835 | 16,119 | 40,854 | 45,370 |
| Less: Net income attributable to noncontrolling interest | 464 | 423 | 1,067 | 1,517 |
| Net income attributable to Quaker Chemical Corporation | \$ 14,371 | \$ 15,696 | \$ 39,787 | \$ 43,853 |
| % | 7.6% | 7.9% | 7.2% | 7.7% |
| Per share data: | | | | |
| Net income attributable to Quaker Chemical Corporation Common Shareholders - basic | \$ 1.08 | \$ 1.18 | \$ 2.99 | \$ 3.31 |
| Net income attributable to Quaker Chemical Corporation Common Shareholders - diluted | \$ 1.08 | \$ 1.18 | \$ 2.98 | \$ 3.31 |

- more-

Quaker Chemical Corporation
Condensed Consolidated Balance Sheets
(Dollars in thousands, except par value and share amounts)

| | (Unaudited) | |
|-----------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----------------------|
| | September 30, 2015 | December 31, 2014 |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 96,155 | \$ 64,731 |
| Accounts receivable, net | 194,852 | 189,484 |
| Inventories, net | 78,533 | 77,708 |
| Prepaid expenses and other current assets | 20,477 | 19,595 |
| Total current assets | 390,017 | 351,518 |
| Property, plant and equipment, net | 86,491 | 85,763 |
| Goodwill | 78,412 | 77,933 |
| Other intangible assets, net | 75,829 | 70,408 |
| Investments in associated companies | 19,617 | 21,751 |
| Deferred income taxes | 21,071 | 24,411 |
| Other assets | 32,306 | 33,742 |
| Total assets | \$ 703,743 | \$ 665,526 |
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Short-term borrowings and current portion of long-term debt | \$ 395 | \$ 403 |
| Accounts and other payables | 77,212 | 78,977 |
| Accrued compensation | 17,709 | 19,853 |
| Other current liabilities | 27,230 | 25,668 |
| Total current liabilities | 122,546 | 124,901 |
| Long-term debt | 107,913 | 75,328 |
| Deferred income taxes | 11,194 | 8,584 |
| Other non-current liabilities | 85,939 | 91,578 |
| Total liabilities | 327,592 | 300,391 |
| Equity | | |
| Common stock, \$1 par value; authorized 30,000,000 shares; issued and outstanding 2015 - 13,305,629 shares; 2014 - 13,300,891 shares | 13,306 | 13,301 |
| Capital in excess of par value | 104,839 | 99,056 |
| Retained earnings | 321,856 | 299,524 |
| Accumulated other comprehensive loss | (71,765) | (54,406) |
| Total Quaker shareholders' equity | 368,236 | 357,475 |
| Noncontrolling interest | 7,915 | 7,660 |
| Total equity | 376,151 | 365,135 |
| Total liabilities and equity | \$ 703,743 | \$ 665,526 |

- more -

Quaker Chemical Corporation
Condensed Consolidated Statements of Cash Flows
(Dollars in thousands)

| | (Unaudited) | |
|----------------------------------------------------------------------------------------------------------|---------------------------------|------------------|
| | Nine Months Ended September 30, | |
| | 2015 | 2014 |
| Cash flows from operating activities | | |
| Net income | \$ 40,854 | \$ 45,370 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 9,229 | 9,154 |
| Amortization | 4,998 | 2,754 |
| Equity in undistributed earnings of associated companies, net of dividends | 1,362 | (2,306) |
| Deferred compensation and other, net | (551) | 1,672 |
| Stock-based compensation | 4,500 | 3,959 |
| Gain on disposal of property, plant and equipment and other assets | (95) | (125) |
| Insurance settlement realized | (549) | (1,214) |
| Pension and other postretirement benefits | 2,204 | 178 |
| (Decrease) increase in cash from changes in current assets and current liabilities, net of acquisitions: | | |
| Accounts receivable | (4,039) | (23,061) |
| Inventories | (1,028) | (9,143) |
| Prepaid expenses and other current assets | (3,545) | 1,332 |
| Accounts payable and accrued liabilities | (2,521) | 9,470 |
| Net cash provided by operating activities | <u>50,819</u> | <u>38,040</u> |
| Cash flows from investing activities | | |
| Investments in property, plant and equipment | (6,115) | (8,376) |
| Payments related to acquisitions, net of cash acquired | (23,990) | (51,947) |
| Proceeds from disposition of assets | 130 | 178 |
| Insurance settlement interest earned | 28 | 34 |
| Change in restricted cash, net | 521 | 1,180 |
| Net cash used in investing activities | <u>(29,426)</u> | <u>(58,931)</u> |
| Cash flows from financing activities | | |
| Proceeds from long-term debt | 30,668 | 45,000 |
| Repayment of long-term debt | (304) | (1,106) |
| Dividends paid | (12,257) | (10,580) |
| Stock options exercised, other | 947 | (194) |
| Payments for repurchase of common stock | (4,989) | - |
| Excess tax benefit related to stock option exercises | 400 | 430 |
| Purchase of a noncontrolling interest in an affiliate | - | (7,422) |
| Payment of acquisition-related earnout liability | - | (4,709) |
| Distributions to noncontrolling affiliate shareholders | - | (1,806) |
| Net cash provided by financing activities | <u>14,465</u> | <u>19,613</u> |
| Effect of exchange rate changes on cash | | |
| Net increase (decrease) in cash and cash equivalents | (4,434) | (2,993) |
| Cash and cash equivalents at the beginning of the period | 31,424 | (4,271) |
| Cash and cash equivalents at the end of the period | <u>\$ 96,155</u> | <u>\$ 64,221</u> |



Quaker Chemical Corporation

Third Quarter 2015 Results

Investor Conference Call

October 29, 2015



Risks and Uncertainties Statement



Regulation G

The attached charts include Company information that does not conform to generally accepted accounting principles ("GAAP"). Management believes that an analysis of this data is meaningful to investors because it provides insight with respect to ongoing operating results of the Company and allows investors to better evaluate the financial results of the Company. These measures should not be viewed as an alternative to GAAP measures of performance. Furthermore, these measures may not be consistent with similar measures provided by other companies.

This data should be read in conjunction with the Company's third quarter earnings news release dated October 28, 2015, which has been furnished to the SEC on Form 8-K and the Company's Form 10-Q for the quarterly period ended September 30, 2015, which has been filed with the SEC.

Forward-Looking Statements

This presentation may contain 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. A major risk is that demand for the Company's products and services is largely derived from the demand for its customers' products, which subjects the Company to uncertainties related to downturns in a customer's business and unanticipated customer production shutdowns. Other major risks and uncertainties include, but are not limited to, significant increases in raw material costs, customer financial stability, worldwide economic and political conditions, foreign currency fluctuations, future terrorist attacks and other acts of violence. Other factors could also adversely affect us. Therefore, we caution you not to place undue reliance on our forward-looking statements. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995.

Speakers



Michael F. Barry

Chairman of the Board, Chief Executive Officer & President

Shane W. Hostetter

Global Controller and Principal Accounting Officer

Robert T. Traub

Vice President, General Counsel & Corporate Secretary

Chart #1

Third Quarter 2015 Headlines



- **Strong operating results drive consistent non-GAAP earnings, despite an 8% negative impact from foreign exchange and lower global steel production**
- **Current quarter results include \$2.8 million of one-time non-GAAP transaction expenses related to the Verkol S.A. acquisition**
- **Strong quarterly operating cash flow generation of \$24 million**

Chart #2

Chairman Comments

Third Quarter 2015



■ Third Quarter 2015

- ✓ **Stable earnings and strong cash flow on margin expansion, market share gains, and recent acquisitions, which offset difficult market conditions**
- ✓ **Foreign exchange headwinds continue to have the most significant negative impact on earnings**
- ✓ **Global steel industry production declines of nearly 4% and downward price adjustments due to lower raw material costs**
- ✓ **Solid operating cash flow and balance sheet enable key strategic initiatives and acquisitions**

■ 2015 Outlook

- ✓ **Foreign exchange impacts continue from strong U.S. Dollar**
- ✓ **Weak conditions in several regions**
- ✓ **Anticipate market share gains and acquisition leverage will continue to compensate for various market challenges**

“Overall, we remain confident in our future and expect our fourth quarter and full year 2015 non-GAAP earnings to exceed 2014, leading to our sixth consecutive year of earnings improvement.”

– Michael F. Barry, Chairman, CEO & President

Chart #3

Financial Highlights

Third Quarter 2015



- 1) Strong operating results drive consistent non-GAAP earnings per diluted share of \$1.19, despite a negative impact of \$0.09 per diluted share, or 8%, due to foreign exchange**
- 2) One-time transaction expenses of \$2.8 million, or \$0.15 per diluted share, related to the Company's Verkol acquisition driving SG&A increase and variance between reported and non-GAAP earnings**
- 3) Quarterly net sales down 5% on \$14.9 million, or 8%, of foreign currency translation, offsetting product volume and acquisition related growth**
- 4) Increased gross margin in the current quarter driven by product mix and timing of certain raw material cost decreases**
- 5) Current quarter benefits of a lower year-over-year effective tax rate primarily offset by a decrease in other income from prior year government grants**
- 6) Solid quarterly operating cash flow generation of \$23.5 million enhances strong balance sheet and liquidity for future acquisitions**

Chart #4

Financial Snapshot



| | Q3 2015 | Q3 2014 | YTD 2015 | YTD 2014 |
|------------------------------------------------------------------|---------|---------|----------|----------|
| Net Sales (\$Mils.) | 189.2 | 198.9 | 554.3 | 571.8 |
| Gross Margin (%) | 37.7 | 35.4 | 37.6 | 35.6 |
| Operating Margin (%) | 9.9 | 10.3 | 10.5 | 10.6 |
| Net Income attributable to Quaker Chemical Corporation (\$Mils.) | 14.4 | 15.7 | 39.8 | 43.9 |
| Adjusted EBITDA (\$Mils.) - Trailing Twelve Months | 100.1 | 97.0 | - | - |
| Adjusted EBITDA Margin (%) | 13.4 | 12.8 | - | - |
| Earnings Per Diluted Share | 1.08 | 1.18 | 2.98 | 3.31 |
| Non-GAAP Earnings Per Diluted Share | 1.19 | 1.19 | 3.27 | 3.26 |
| Debt (\$Mils.) | 108.3 | 62.6 | - | - |
| Equity (\$Mils.) | 376.2 | 367.0 | - | - |
| Net Operating Cash Flow (\$Mils.) | 23.5 | 29.8 | 50.8 | 38.0 |

Chart #5

Product Volume by Quarter

Thousand Kilograms

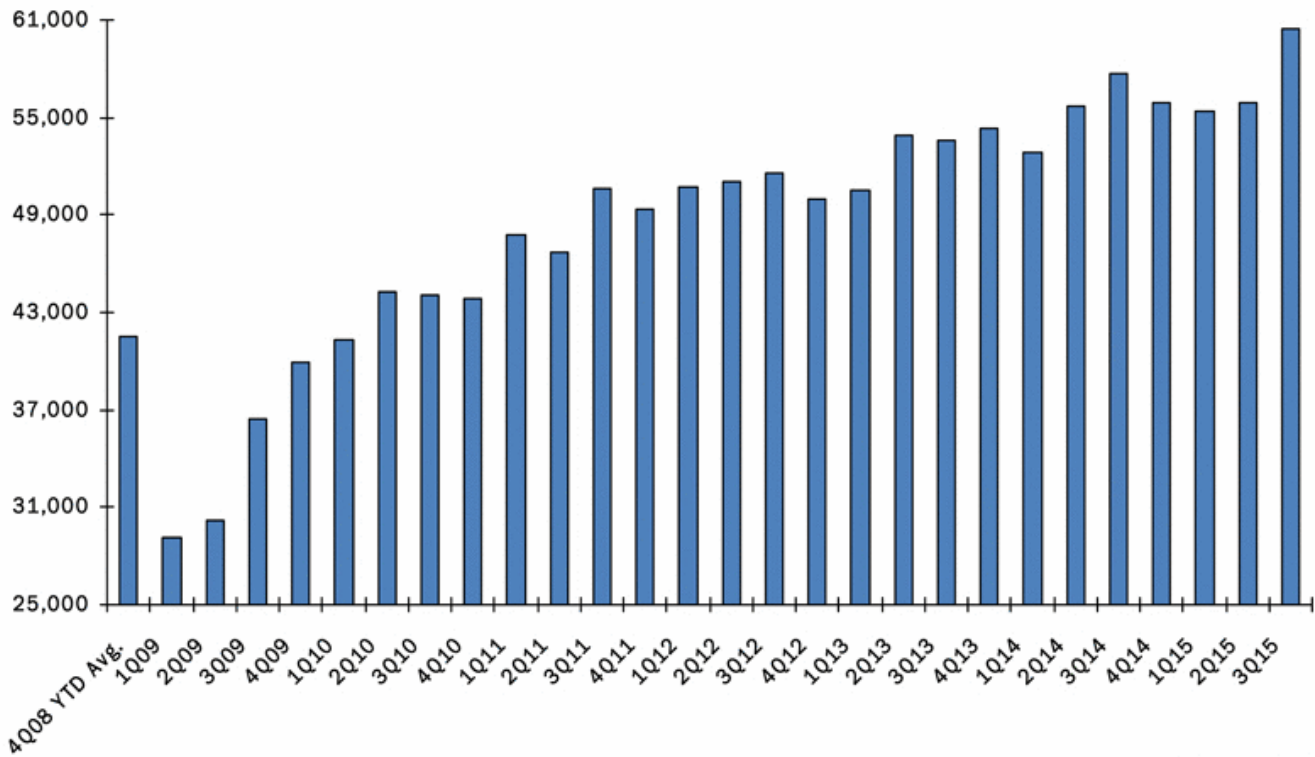


Chart #6

Gross Margin Percentage

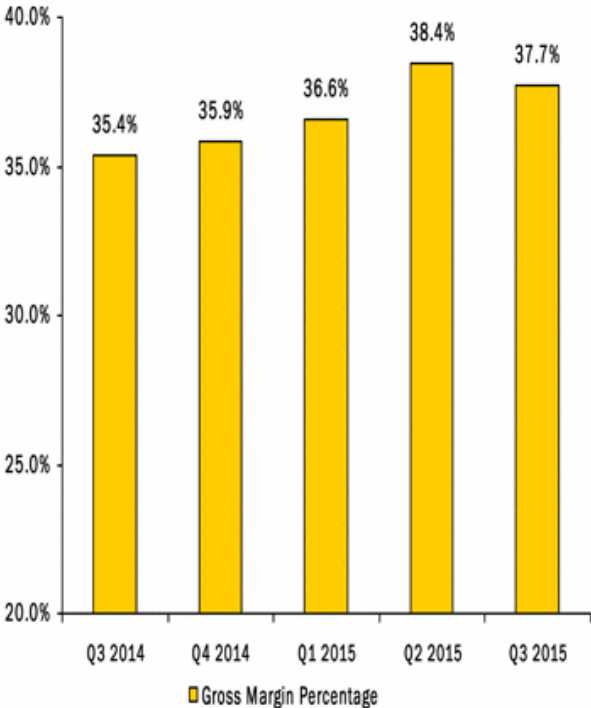
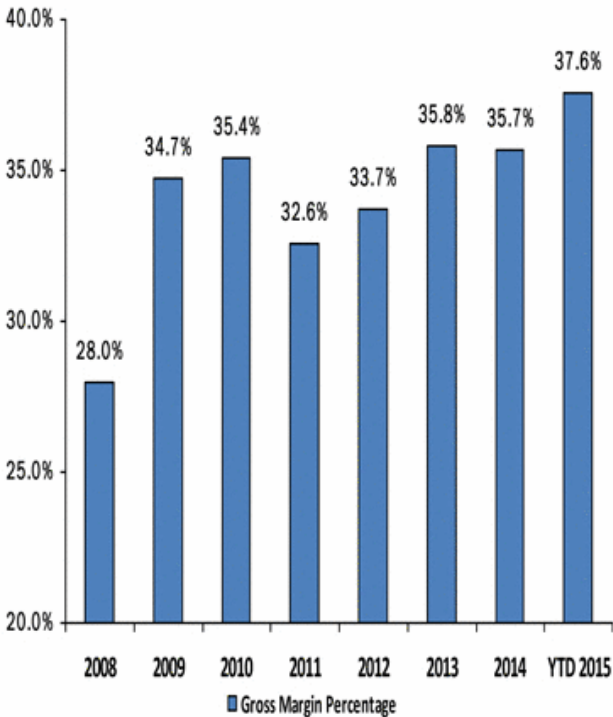


Chart #7

Adjusted EBITDA Baseline Historical Performance

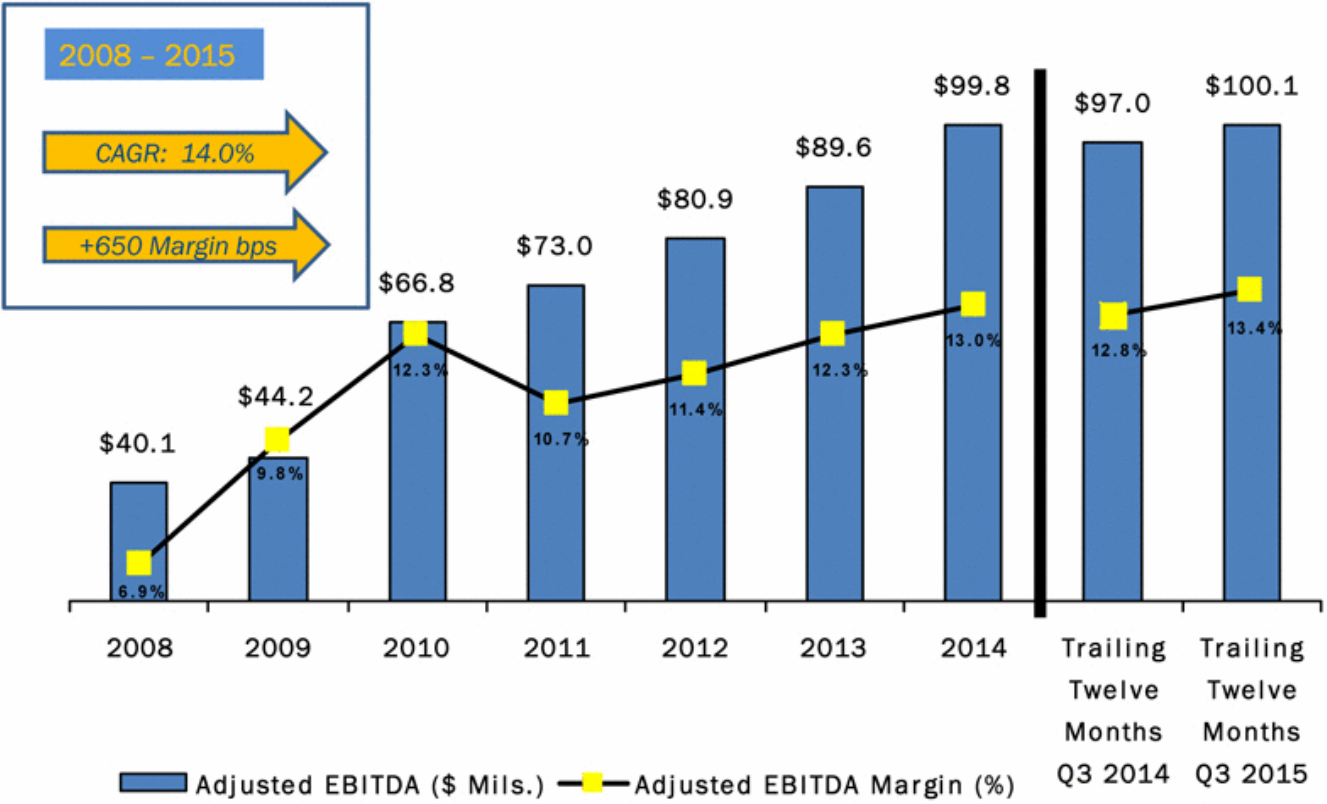


Chart #8

Balance Sheet Net Cash / (Debt)

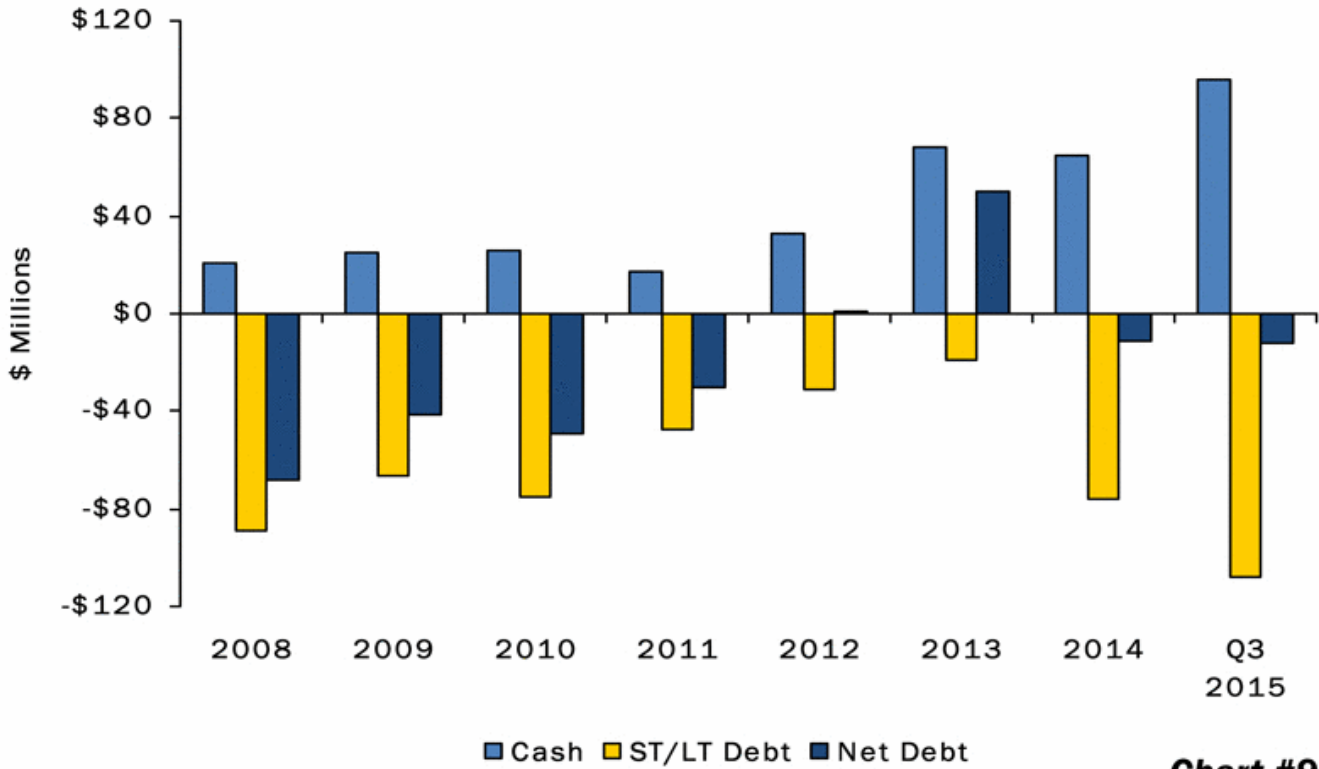


Chart #9



APPENDIX



Non-GAAP Earnings Per Diluted Share Reconciliation



| | <u>Q3 2015</u> | <u>Q3 2014</u> | <u>YTD 2015</u> | <u>YTD 2014</u> |
|-------------------------------------------------------------------------------|----------------|----------------|-----------------|-----------------|
| GAAP earnings per diluted share | \$ 1.08 | \$ 1.18 | \$ 2.98 | \$ 3.31 |
| Equity income in a captive insurance company per diluted share | \$ (0.04) | \$ (0.01) | \$ (0.09) | \$ (0.16) |
| Verkol transaction expenses per diluted share | \$ 0.15 | \$ - | \$ 0.15 | \$ - |
| U.K. pension plan amendment per diluted share | \$ - | \$ - | \$ - | \$ 0.05 |
| U.S. customer bankruptcies per diluted share | \$ 0.00 | \$ 0.02 | \$ 0.01 | \$ 0.02 |
| Cost streamlining initiatives per diluted share | \$ - | \$ - | \$ 0.01 | \$ 0.02 |
| Currency conversion impact of the Venezuelan Bolivar Fuerte per diluted share | \$ - | \$ - | \$ 0.21 | \$ 0.02 |
| Non-GAAP earnings per diluted share | <u>\$ 1.19</u> | <u>\$ 1.19</u> | <u>\$ 3.27</u> | <u>\$ 3.26</u> |

Chart #10

Adjusted EBITDA Reconciliation



| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Net income | 9,833 | 16,058 | 32,120 | 45,892 | 47,405 | 56,339 | 56,492 |
| Depreciation | 10,879 | 9,525 | 9,867 | 11,455 | 12,252 | 12,339 | 12,306 |
| Amortization | 1,177 | 1,078 | 988 | 2,338 | 3,106 | 3,445 | 4,325 |
| Interest expense | 5,509 | 5,533 | 5,225 | 4,666 | 4,283 | 2,922 | 2,371 |
| Taxes on income | 4,977 | 7,065 | 12,616 | 14,256 | 15,575 | 20,489 | 23,539 |
| Restructuring and related activities | 2,916 | 2,289 | - | - | - | - | - |
| Non-income tax contingency charge | - | - | 4,132 | - | - | 796 | - |
| Equity affiliate out of period charge | - | - | 564 | - | - | - | - |
| Mineral oil excise tax refund | - | - | - | - | - | (2,540) | - |
| Transition costs related to key employees | 3,505 | 2,443 | 1,317 | - | 609 | - | - |
| Non-cash gain from the purchase of an equity affiliate | - | - | - | (2,718) | - | - | - |
| Change in acquisition-related earnout liability | - | - | - | (595) | (1,737) | (497) | - |
| Equity loss (income) from a captive insurance company | 1,299 | 162 | (313) | (2,323) | (1,812) | (5,451) | (2,412) |
| Currency conversion impacts of the Venezuelan Bolivar | - | - | 322 | - | - | 357 | 321 |
| Customer Bankruptcies | - | - | - | - | 1,254 | - | 825 |
| Cost streamlining initiatives | - | - | - | - | - | 1,419 | 1,166 |
| U.K. pension plan amendment | - | - | - | - | - | - | 902 |
| Adjusted EBITDA | 40,095 | 44,153 | 66,838 | 72,971 | 80,935 | 89,618 | 99,835 |
| Adjusted EBITDA Margin | 6.9% | 9.8% | 12.3% | 10.7% | 11.4% | 12.3% | 13.0% |

Chart #11

Trailing Twelve Months Adjusted EBITDA Reconciliation



| | I = G + H | | | | E = C + D | | | | |
|-------------------------------------------------------|---------------------------|---------------|-------------------|---------------|---------------------------|---------------|-------------------|---------------|---------------|
| | Trailing Twelve Months Q3 | | Last Three Months | | Trailing Twelve Months Q3 | | Last Three Months | | A |
| | 2015 | YTD Q3 2015 | 2014 | YTD 2014 | 2014 | YTD Q3 2014 | 2013 | YTD 2013 | YTD Q3 2013 |
| Net income | 52,426 | 39,787 | 12,639 | 56,492 | 57,939 | 43,853 | 14,086 | 56,339 | 42,253 |
| Depreciation | 12,381 | 9,229 | 3,152 | 12,306 | 12,274 | 9,154 | 3,120 | 12,339 | 9,219 |
| Amortization | 6,569 | 4,998 | 1,571 | 4,325 | 3,578 | 2,754 | 824 | 3,445 | 2,621 |
| Interest expense | 2,515 | 1,891 | 624 | 2,371 | 2,446 | 1,747 | 699 | 2,922 | 2,223 |
| Taxes on income | 20,355 | 15,624 | 4,731 | 23,539 | 22,364 | 18,808 | 3,556 | 20,489 | 16,933 |
| Non-income tax contingency | - | - | - | - | 796 | - | 796 | 796 | - |
| Mineral oil excise tax refund | - | - | - | - | - | - | - | (2,540) | (2,540) |
| Change in acquisition-related earnout liability | - | - | - | - | (1,172) | - | (1,172) | (497) | 675 |
| Equity income from a captive insurance company | (1,491) | (1,221) | (270) | (2,412) | (3,215) | (2,142) | (1,073) | (5,451) | (4,378) |
| Verkol transaction expenses | 2,813 | 2,813 | - | - | - | - | - | - | - |
| Currency conversion impacts of the Venezuelan Bolivar | 2,806 | 2,806 | - | 321 | 321 | 321 | - | 357 | 357 |
| Customer bankruptcies | 694 | 179 | 515 | 825 | 310 | 310 | - | - | - |
| Cost streamlining initiatives | 991 | 173 | 818 | 1,166 | 490 | 348 | 142 | 1,419 | 1,277 |
| U.K. pension plan amendment | - | - | - | 902 | 902 | 902 | - | - | - |
| Adjusted EBITDA | 100,059 | 76,279 | 23,780 | 99,835 | 97,033 | 76,055 | 20,978 | 89,618 | 68,640 |
| Adjusted EBITDA Margin | 13.4% | 13.8% | 12.3% | 13.0% | 12.8% | 13.3% | 11.4% | 12.3% | 12.6% |

Chart #12