
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D. C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2004

OR

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

For the transition period from _____ to _____

Commission file number 0-7154

QUAKER CHEMICAL CORPORATION

(Exact name of Registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

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

**One Quaker Park, 901 Hector Street,
Conshohocken, Pennsylvania**
(Address of principal executive offices)

19428 – 0809
(Zip Code)

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

Not Applicable

Former name, former address and former fiscal year, if changed since last report.

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

**Number of Shares of Common Stock
Outstanding on July 31, 2004**

9,656,715

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QUAKER CHEMICAL CORPORATION AND CONSOLIDATED SUBSIDIARIES

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Item 1. Financial Statements

Quaker Chemical Corporation
Condensed Consolidated Balance Sheet

	Unaudited (Dollars in thousands, except par value and share amounts)	
	June 30, 2004	December 31, 2003*
ASSETS		
Current assets		
Cash and cash equivalents	\$ 24,470	\$ 21,915
Accounts receivable, net	81,791	78,121
Inventories		
Raw materials and supplies	18,781	14,691
Work-in-process and finished goods	19,069	17,520
Prepaid expenses and other current assets	14,442	11,277
Total current assets	158,553	143,524
Property, plant and equipment, at cost	138,565	136,448
Less accumulated depreciation	76,619	74,057
Net property, plant and equipment	61,946	62,391
Goodwill	32,906	33,301
Other intangible assets, net	8,996	9,616
Investments in associated companies	5,923	6,005
Deferred income taxes	12,839	12,846
Other assets	19,718	19,664
Total assets	\$ 300,881	\$ 287,347
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings and current portion of long-term debt	\$ 54,164	\$ 42,992
Accounts and other payables	42,017	41,259
Accrued compensation	6,138	6,816
Other current liabilities	13,305	14,738
Total current liabilities	115,624	105,805
Long-term debt	17,946	15,827
Deferred income taxes	2,764	2,688
Other noncurrent liabilities	41,564	40,967
Total liabilities	177,898	165,287
Minority interest in equity of subsidiaries	11,021	9,708
Shareholders' equity		
Common stock \$1 par value; authorized 30,000,000 shares; issued (including treasury shares) 9,664,009 shares	9,664	9,664
Capital in excess of par value	2,489	2,181
Retained earnings	119,316	117,308
Unearned compensation	(488)	(621)
Accumulated other comprehensive (loss)	(18,790)	(15,406)
	112,191	113,126
Treasury stock, shares held at cost; 2004 – 8,832, 2003 – 54,178	(229)	(774)
Total shareholders' equity	111,962	112,352
	\$ 300,881	\$ 287,347

* Condensed from audited financial statements.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Quaker Chemical Corporation
Condensed Consolidated Statement of Income

	Unaudited (dollars in thousands, except per share data)			
	Three Months ended June 30,		Six Months ended June 30,	
	2004	2003	2004	2003
Net sales	\$ 98,683	\$ 83,453	\$ 196,814	\$ 156,790
Cost of goods sold	66,139	54,506	131,815	99,477
Gross margin	32,544	28,947	64,999	57,313
Selling, general and administrative expenses	27,209	23,223	53,807	45,908
Operating income	5,335	5,724	11,192	11,405
Other income (expense), net	208	447	767	535
Interest expense	(547)	(387)	(1,017)	(737)
Interest income	198	152	353	363
Income before taxes	5,194	5,936	11,295	11,566
Taxes on income	1,636	1,843	3,558	3,701
	3,558	4,093	7,737	7,865
Equity in net income of associated companies	186	169	335	255
Minority interest in net income of subsidiaries	(897)	(787)	(1,916)	(1,538)
Net income	\$ 2,847	\$ 3,475	\$ 6,156	\$ 6,582
Per share data:				
Net income – basic	\$ 0.30	\$ 0.37	\$ 0.64	\$ 0.71
Net income – diluted	\$ 0.29	\$ 0.36	\$ 0.62	\$ 0.69
Dividends declared	\$ 0.215	\$ 0.21	\$ 0.43	\$ 0.42
Based on weighted average number of shares outstanding:				
Basic	9,604,142	9,323,895	9,587,393	9,297,482
Diluted	9,983,809	9,671,578	9,981,999	9,593,466

The accompanying notes are an integral part of these condensed consolidated financial statements.

Quaker Chemical Corporation
Condensed Consolidated Statement of Cash Flows

	Unaudited (Dollars in thousands) For the Six Months Ended June 30,	
	2004	2003
Cash flows from operating activities		
Net income	\$ 6,156	\$ 6,582
Adjustments to reconcile net income to net cash (used in) operating activities:		
Depreciation	4,098	3,394
Amortization	575	438
Equity in net income of associated companies	(335)	(255)
Minority interest in earnings of subsidiaries	1,916	1,538
Deferred compensation and other, net	245	226
Pension and other postretirement benefits	411	2,190
Increase (decrease) in cash from changes in current assets and current liabilities, net of acquisitions:		
Accounts receivable	(4,824)	(11,380)
Inventories	(6,110)	(2,789)
Prepaid expenses and other current assets	(3,318)	1,204
Accounts payable and accrued liabilities	(213)	(2,467)
Change in restructuring liabilities	(327)	(866)
Net cash (used in) operating activities	(1,726)	(2,185)
Cash flows from investing activities		
Investments in property, plant and equipment	(4,915)	(4,859)
Dividends and distributions from associated companies	233	3,890
Payments related to acquisitions	—	(1,105)
Other, net	28	53
Net cash (used in) investing activities	(4,654)	(2,021)
Cash flows from financing activities		
Net increase in short-term borrowings	11,165	7,747
Proceeds from long-term debt	2,463	—
Repayment of long-term debt	(255)	—
Dividends paid	(4,091)	(3,924)
Stock options exercised, other	716	1,700
Distributions to minority shareholders	(245)	(609)
Net cash provided by financing activities	9,753	4,914
Effect of exchange rate changes on cash	(818)	533
Net increase in cash and cash equivalents	2,555	1,241
Cash and cash equivalents at beginning of period	21,915	13,857
Cash and cash equivalents at end of period	\$ 24,470	\$ 15,098

The accompanying notes are an integral part of these condensed consolidated financial statements.

Quaker Chemical Corporation
Notes to Condensed Consolidated Financial Statements
(Dollars in thousands except per share amounts)
(Unaudited)

Note 1 – Condensed Financial Information

The condensed consolidated financial statements included herein are unaudited and have been prepared in accordance with generally accepted accounting principles for interim financial reporting and Securities and Exchange Commission regulations. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. Certain prior year amounts have been reclassified to conform to the 2004 presentation. In the opinion of management, the financial statements reflect all adjustments (consisting only of normal recurring adjustments) which are necessary for a fair statement of the financial position, results of operations and cash flows for the interim periods. The results for the three and six months ended June 30, 2004 are not necessarily indicative of the results to be expected for the full year. These financial statements should be read in conjunction with the Annual Report filed on Form 10-K for the year ended December 31, 2003.

As part of the Company's chemical management services, certain third party product sales to customers are managed by the Company. Where the Company acts as a principal, revenues are recognized on a gross reporting basis at the selling price negotiated with customers. Where the Company acts as an agent, such revenue is recorded using net reporting as service revenues, at the amount of the administrative fee earned by the Company for ordering the goods. Third party products transferred under arrangements resulting in net reporting totaled \$17,518 and \$13,440 for the six months ended June 30, 2004 and 2003, respectively.

Note 2 – Recently Issued Accounting Standards

On December 8, 2003, President Bush signed the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") into law. The Act introduces a prescription drug benefit under Medicare (Medicare Part D) as well as a Federal subsidy to companies which sponsor retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. On May 20, 2004 the FASB issued FSP No. FAS 106-2, Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003. This FSP provides guidance on the accounting for the effects of the new Medicare prescription drug benefit under Medicare Part D. The provisions of the FSP are effective for the first interim or annual period beginning after June 15, 2004. For the Company, the provisions will be effective for the third quarter of 2004 beginning on July 1, 2004. Therefore, measures of the accumulated postretirement benefit obligation or net periodic benefit cost for the period ended June 30, 2004 do not reflect any amount associated with the subsidy. The Company is still assessing whether the benefits provided by its retiree health care benefit plan are actuarially equivalent to the Medicare Part D benefit under the Act.

Note 3 – Stock-Based Compensation

In December 2002, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure." This standard amends the transition and disclosure requirements of SFAS No. 123, "Accounting for Stock-Based Compensation." As permitted by SFAS No. 148, the Company continues to account for stock option grants in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation expense has been recognized for stock options since all options granted had an exercise price equal to the market value of the underlying stock on the grant date. The following tables illustrate the effect on net earnings and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123.

Quaker Chemical Corporation
Notes to Condensed Consolidated Financial Statements—(Continued)
(Dollars in thousands except per share amounts)
(Unaudited)

	Three Months ended June 30,		Six Months ended June 30,	
	2004	2003	2004	2003
Net Income – as reported	\$ 2,847	\$ 3,475	\$ 6,156	\$ 6,582
Add: Stock-based employee compensation expense included in net income, net of related tax effects	—	(23)	102	152
Deduct: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of tax	(156)	(115)	(332)	(334)
Pro forma net income	\$ 2,691	\$ 3,337	\$ 5,926	\$ 6,400
Earnings per share:				
Basic – as reported	\$ 0.30	\$ 0.37	\$ 0.64	\$ 0.71
Basic – pro forma	\$ 0.28	\$ 0.36	\$ 0.62	\$ 0.69
Diluted – as reported	\$ 0.29	\$ 0.36	\$ 0.62	\$ 0.69
Diluted – pro forma	\$ 0.27	\$ 0.35	\$ 0.59	\$ 0.67

Note 4 – Earnings Per Share

The following table summarizes earnings per share (EPS) calculations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Numerator for basic EPS and diluted EPS– net income	\$ 2,847	\$ 3,475	\$ 6,156	\$ 6,582
Denominator for basic EPS–weighted average shares	9,604	9,324	9,587	9,297
Effect of dilutive securities, primarily employee stock options	380	348	395	296
Denominator for diluted EPS–weighted average shares and assumed conversions	9,984	9,672	9,982	9,593
Basic EPS	\$ 0.30	\$ 0.37	\$ 0.64	\$ 0.71
Diluted EPS	\$ 0.29	\$ 0.36	\$ 0.62	\$ 0.69

Quaker Chemical Corporation
Notes to Condensed Consolidated Financial Statements—(Continued)
(Dollars in thousands except per share amounts)
(Unaudited)

Note 5 – Business Segments

The Company's reportable segments are as follows:

- (1) Metalworking process chemicals – industrial process fluids for various heavy industrial and manufacturing applications.
- (2) Coatings – temporary and permanent coatings for metal and concrete products and chemical milling maskants.
- (3) Other chemical products – other various chemical products.

Segment data includes direct segment costs as well as general operating costs.

The table below presents information about the reported segments:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Metalworking Process Chemicals				
Net Sales	\$ 91,016	\$ 75,991	\$ 182,631	\$ 142,974
Operating Income	13,741	12,662	28,410	25,751
Coatings				
Net Sales	6,187	6,306	11,907	11,565
Operating Income	1,761	1,711	3,263	3,016
Other Chemical Products				
Net Sales	1,480	1,156	2,276	2,251
Operating Income	287	162	405	438
Total				
Net Sales	98,683	83,453	196,814	156,790
Operating Income	15,789	14,535	32,078	29,205
Non-operating expenses	(10,163)	(8,588)	(20,311)	(17,362)
Amortization	(291)	(223)	(575)	(438)
Interest expense	(547)	(387)	(1,017)	(737)
Interest income	198	152	353	363
Other income, net	208	447	767	535
Consolidated income before taxes	\$ 5,194	\$ 5,936	\$ 11,295	\$ 11,566

Operating income comprises revenue less related costs and expenses. Non-operating items primarily consist of general corporate expenses identified as not being a cost of operation, interest expense, interest income, and license fees from non-consolidated associates.

Quaker Chemical Corporation
Notes to Condensed Consolidated Financial Statements—(Continued)
(Dollars in thousands except per share amounts)
(Unaudited)

Note 6 – Comprehensive Income

The following table summarizes comprehensive income:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net income	\$ 2,847	\$ 3,475	\$ 6,156	\$ 6,582
Foreign currency translation adjustments	(1,939)	4,073	(3,384)	6,668
Comprehensive income	\$ 908	\$ 7,548	\$ 2,772	\$ 13,250

Note 7 – Restructuring and Related Activities

In 2001, Quaker's management approved restructuring plans to realign the organization and reduce operating costs (2001 program). Quaker's restructuring plans included the decision to close and sell manufacturing facilities in the U.K. and France. In addition, Quaker consolidated certain functions within its global business units and reduced administrative functions, as well as expensed costs related to abandoned acquisitions. Included in the restructuring charges are provisions for severance of 53 employees. Restructuring and related charges of \$5,854 were recognized in 2001. The charge comprised \$2,807 related to employee separations, \$2,450 related to facility rationalization charges, and \$597 related to abandoned acquisitions. Employee separation benefits varied depending on local regulations within certain foreign countries and included severance and other benefits. As of June 30, 2004, Quaker had completed 52 of the planned 53 employee separations under the 2001 plan.

In 2003, Quaker's management approved restructuring plans to further realign the organization (2003 program). Included in the 2003 restructuring charge are provisions for severance for 9 employees totaling \$273.

Quaker expects to substantially complete the initiatives contemplated under the restructuring plans, including the sale of its former manufacturing facility in France during 2004.

Accrued restructuring balances, included in other current liabilities and assigned to the Metalworking process chemicals segment, are as follows:

	Employee Separations	Facility Rationalization	Total
2001 Program:			
December 31, 2003 ending balance	\$ 450	\$ 525	\$ 975
Payments	(158)	(59)	(217)
Currency translation and other	16	29	45
June 30, 2004 ending balance	308	495	803
2003 Program:			
December 31, 2003 ending balance	228	—	228
Payments	(110)	—	(110)
Currency translation and other	2	—	2
June 30, 2004 ending balance	120	—	120
Total restructuring June 30, 2004 ending balance	\$ 428	\$ 495	\$ 923

Quaker Chemical Corporation
Notes to Condensed Consolidated Financial Statements—(Continued)
(Dollars in thousands except per share amounts)
(Unaudited)

Note 8 – Goodwill and Other Intangible Assets

The changes in carrying amount of goodwill for the six months ended June 30, 2004 are as follows:

	Metalworking process chemicals	Coatings	Total
Balance as of December 31, 2003	\$ 26,032	\$7,269	\$33,301
Goodwill additions	262	—	262
Currency translation adjustments	(657)	—	(657)
Balance as of June 30, 2004	\$ 25,637	\$7,269	\$32,906

Gross carrying amounts and accumulated amortization for definite-lived intangible assets as of June 30, 2004 and December 31, 2003 are as follows:

Amortized intangible assets	Gross Carrying Amount		Accumulated Amortization	
	2004	2003	2004	2003
Customer lists and rights to sell	\$ 6,142	\$ 6,181	\$1,620	\$ 865
Trademarks and patents	1,788	1,786	1,146	1,584
Formulations and product technology	3,278	3,276	635	435
Other	1,947	1,959	1,358	1,302
Total	\$ 13,155	\$ 13,202	\$4,759	\$4,186

The Company recorded \$575 and \$438 of amortization expense in the first six months of 2004 and 2003, respectively. Estimated annual aggregate amortization expense for the current year and subsequent five years is as follows:

For the year ended December 31, 2004	\$1,160
For the year ended December 31, 2005	\$1,127
For the year ended December 31, 2006	\$1,115
For the year ended December 31, 2007	\$ 707
For the year ended December 31, 2008	\$ 616
For the year ended December 31, 2009	\$ 606

The Company has one indefinite-lived intangible asset of \$600 for trademarks recorded in connection with the Company's 2002 acquisition of Epmar.

Note 9 – Debt

In April 2004, the Company entered into a \$10,000 uncommitted demand credit facility with a bank. At the Company's option, the interest rate for borrowings under this agreement may be based on the prime rate less a margin or a LIBOR rate plus a margin.

In June 2004, the Company amended one of its committed credit facilities which was set to expire in June 2004. The amendment increased the facility from \$15,000 to \$25,000 and extended the expiry date to June 2005.

The above actions bring the Company's credit lines to a total of \$70,000, \$40,000 committed and \$30,000 uncommitted. At June 30, 2004, the Company had approximately \$50,800 outstanding on its credit lines.

Quaker Chemical Corporation
Notes to Condensed Consolidated Financial Statements—(Continued)
(Dollars in thousands except per share amounts)
(Unaudited)

Note 10 – Pension and Other Postretirement Benefits

The components of net periodic benefit cost, for the three and six months ended June 30, are as follows:

	Three Months Ended June 30,				Six Months Ended June 30,			
	Pension Benefits		Other Postretirement Benefits		Pension Benefits		Other Postretirement Benefits	
	2004	2003	2004	2003	2004	2003	2004	2003
Service Cost	\$ 862	\$ 700	\$ 8	\$ 3	\$ 1,738	\$ 1,418	\$ 19	\$ 16
Interest cost and other	1,265	1,097	138	45	2,541	2,223	309	249
Expected return on plan assets	(1,107)	(915)	—	—	(2,227)	(1,855)	—	—
Other amortization, net	261	196	—	—	524	397	—	—
Net periodic benefit cost	\$ 1,281	\$ 1,078	\$ 146	\$ 48	\$ 2,576	\$ 2,183	\$ 328	\$ 265

Employer Contributions:

The Company previously disclosed in its financial statements for the year ended December 31, 2003, that it expected to make minimum cash contributions of \$1,483 to its U.S. pension plan and \$1,061 to its other postretirement benefit plan in 2004. As of June 30, 2004 \$722 and \$489 of contributions have been made, respectively.

Note 11 – Commitments and Contingencies

The Company is involved in environmental clean-up activities and litigation in connection with an existing plant location and former waste disposal sites operated by unaffiliated third parties. In April of 1992, the Company identified certain soil and groundwater contamination at AC Products, Inc. (“ACP”), a wholly owned subsidiary. Voluntarily in coordination with the Santa Ana California Regional Water Quality Board, ACP is remediating the contamination. The Company believes that the remaining potential-known liabilities associated with these matters ranges from approximately \$900 to \$1,500, for which the Company has sufficient reserves. Notwithstanding the foregoing, the Company cannot be certain that liabilities in the form of remediation expenses and damages will not be incurred in excess of the amount reserved.

Additionally, although there can be no assurance regarding the outcome of other environmental matters, the Company believes that it has made adequate accruals for costs associated with other environmental problems of which it is aware. Approximately \$168 and \$188 was accrued at June 30, 2004 and December 31, 2003, respectively, to provide for such anticipated future environmental assessments and remediation costs.

An inactive subsidiary of the Company that was acquired in 1978 sold certain products containing asbestos, primarily on an installed basis, and is among the defendants in numerous lawsuits alleging injury due to exposure to asbestos. The subsidiary discontinued operations in 1991 and has no remaining assets other than its existing insurance policies. To date, the overwhelming majority of these claims have been disposed of without payment and there have been no adverse judgments against the subsidiary. Based on a continued analysis of the existing and anticipated future claims against this subsidiary, it is currently projected that the subsidiary’s total liability over the next 50 years for these claims is approximately \$10,000 (excluding costs of defense). Although the Company has also been named as a defendant in certain of these cases, no claims have been actively pursued against the Company and the Company has not contributed to the defense or settlement of any of these cases pursued against the subsidiary. These cases have been handled to date by the subsidiary’s primary and excess insurers who agreed to pay all defense costs and be responsible for all damages assessed against the subsidiary arising out of existing and future asbestos claims up to the aggregate limits of the policies. A significant portion of this primary insurance coverage was provided by an insurer that is now insolvent, and the other primary insurers have asserted that the aggregate limits of their policies have been exhausted. The subsidiary is challenging the applicability of these limits to the claims being brought against the subsidiary. The subsidiary has additional coverage under its excess policies. The Company believes, however, that if the coverage issues under the primary policies are resolved adversely to the subsidiary, the subsidiary’s insurance coverage will likely be exhausted within the next three to four years. As a result, liabilities in respect of claims not yet asserted may exceed coverage available to the subsidiary.

Quaker Chemical Corporation
Notes to Condensed Consolidated Financial Statements—(Continued)
(Dollars in thousands except per share amounts)
(Unaudited)

If the subsidiary's insurance coverage were to be exhausted, claimants of the subsidiary may actively pursue claims against the Company because of the parent subsidiary relationship. Although asbestos litigation is particularly difficult to predict, especially with respect to claims that are currently not being actively pursued against the Company, the Company does not believe that such claims would have merit or that the Company would be held to have liability for any unsatisfied obligations of the subsidiary as a result of such claims. After evaluating the nature of the claims filed against the subsidiary and the small number of such claims that have resulted in any payment, the potential availability of additional insurance coverage at the subsidiary level, the additional availability of the Company's own insurance and the Company's strong defenses to claims that it should be held responsible for the subsidiary's obligations because of the parent subsidiary relationship, the Company believes that the inactive subsidiary's liabilities will not have a material impact on the Company's financial condition, cash flows or results of operations.

The Company is party to other litigation which management currently believes will not have a material adverse effect on the Company's results of operations, cash flows or financial condition.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Executive Summary

Quaker Chemical Corporation is a worldwide developer, producer, and marketer of chemical specialty products and a provider of chemical management services for various heavy industrial and manufacturing applications around the globe, with significant sales to the steel and automotive industries. Our strategies and initiatives flow from three business imperatives: (1) sell customer solutions - value - not just fluids, (2) operate as a globally integrated whole, and (3) harness the power of our global knowledge and learning. Success factors critical to the Company's business include successfully differentiating ourselves from our competition, operating efficiently as a globally integrated whole, and increasing market share, customer penetration and profitability through internally developed programs and strategic acquisitions.

The Company operates in mature businesses, which are driven by demand for consumer durables and are, therefore, subject to the vulnerabilities of a cyclical economy. The Company experienced significant revenue growth in the second quarter of 2004 versus the second quarter of 2003, driven by acquisitions, its chemical management services (CMS) business, solid base business growth and favorable foreign exchange. The Company expects 2004 to be a strong revenue growth year due to its business initiatives as well as an improvement in the global economy.

For the second quarter 2004, the Company saw high growth in the South American and Asia/Pacific markets. The revenue growth attributable to CMS was due to the award of new contracts in the North American automotive market, which were effective May 1, 2003. The profitability of this new business is dependent on the Company's ability to identify and implement cost reduction programs and to achieve product conversions. While the new CMS contracts made a profit contribution in the second quarter of 2004, the Company was behind in its expectations for both product conversions and product usage reductions. In addition, higher raw material costs, and higher expenses including Sarbanes-Oxley compliance, and the Company's ERP implementation negatively impacted the second quarter results as compared to the prior year. The Company does not anticipate raw material cost relief for the remainder of 2004. These trends were largely responsible for the shortfall in earnings for the quarter compared to the prior year despite record sales in the quarter.

Looking forward to the second half of the year, the Company announced and began implementing price increases and surcharges in the second quarter to help offset increases in raw material costs. Though delayed in implementing CMS product conversions and product usage reduction programs, the Company has recently been making considerable progress in both areas. The Company expects to realize the benefits of these actions in the second half of the year. The Company is still optimistic that for the 2004 year, it will achieve earnings around our prior year level. Critical to making this happen are the continued economic recovery in the Company's key markets, the contribution of announced price increases and strong follow-through on our progress in product conversion and product usage reduction programs in the Company's CMS business.

Liquidity and Capital Resources

Quaker's cash and cash equivalents increased to \$24.5 million at June 30, 2004 from \$21.9 million at December 31, 2003. The increase resulted primarily from \$1.7 million cash used in operating activities and \$4.7 million cash used in investing activities, offset by \$9.8 million cash provided by financing activities.

Net cash flows used in operating activities were \$1.7 million in the first half of 2004 compared to \$2.2 million in the same period of 2003. Although the amounts are relatively consistent, there have been some significant movements in the Company's working capital accounts. Accounts receivable in 2004 has had less of an impact on operating cash flow, reflective of the initial working capital investment associated with the Company's new CMS contracts which began in the second quarter of 2003. In addition, in the first half of 2004 the Company entered into additional CMS contracts which have impacted our working capital accounts. The increase in inventory is attributable to higher business levels, particularly in the South American and Asia/Pacific markets, the additional CMS contracts and higher raw material costs. The \$4.5 million decrease to cash from the prior year in prepaid expenses and other current assets is reflective of a \$2.6 million tax settlement received in the first half of 2003 as well as attributable to the timing of higher prepaid insurance premiums in 2004. The change in cash flows from accounts payable and accrued liabilities was largely due to lower incentive compensation payments made in 2004 versus 2003.

Net cash flows used in investing activities were \$4.7 million in the first half of 2004 compared to \$2.0 million in the same period of 2003. The increased use of cash was caused by a lower level of priority distributions received from the Company's real estate joint venture compared to 2003 offset by payments related to the Company's KS Chemie acquisition in 2003. In the first half of 2004 capital expenditures were \$4.9 million. Major projects included the Company's U.S. lab renovation, global ERP implementation, and capital expansion related to the Vulcan acquisition. The Company is near completion on the U.S. lab renovation. The capital expansion project related to the Vulcan acquisition is complete and has allowed the Company to move essentially all of the production from Vulcan to other facilities and to save on external manufacturing costs. Also, capital expenditures related to the ERP implementation is expected to be considerably less in 2004 than over the past few years. Overall, the Company is expecting total 2004 capital expenditures to be slightly under \$10.0 million, which would be a 20% reduction from the 2003 capital expenditure levels.

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Net cash flows provided by financing activities were \$9.8 million for the first half of 2004 compared to \$4.9 million for the same period in the prior year. The net change was primarily due to increased short-term and long-term borrowings incurred in the first half of 2004 used to finance the Company's capital expenditures and continued working capital needs.

In April 2004, the Company entered into a \$10.0 million uncommitted demand credit facility with a bank. At the Company's option, the interest rate for borrowings under this agreement may be based on the prime rate less a margin or a LIBOR rate plus a margin. In June 2004, the Company amended one of its committed credit facilities which was set to expire in June 2004. The amendment increased the facility from \$15.0 million to \$25.0 million and extended the expiry date to June 2005. These actions bring the Company's credit lines to a total of \$70.0 million, \$40.0 committed and \$30.0 uncommitted. At June 30, 2004 the Company had approximately \$50.8 million outstanding on its credit lines.

The Company continues to have significant cash balances in many of its consolidated foreign entities. The Company periodically remits this cash to the U.S. when it is advantageous from a tax perspective. The Company believes that its balance sheet remains strong with a net debt-to-total capital ratio of 30% at June 30, 2004 compared to 25% at the end of 2003. The Company further believes it is capable of supporting its operating requirements, including pension plan contributions, payment of dividends to shareholders, possible acquisition and business opportunities, capital expenditures and possible resolution of contingencies, through internally generated funds supplemented with debt as needed.

Operations

Comparison of the First Six Months 2004 with First Six Months of 2003

Net sales for the first half of the year increased to \$196.8 million, up 26% from \$156.8 million for the first half of 2003. Foreign exchange rate translation, the Company's 2003 acquisitions, and the Company's new CMS contracts favorably impacted net sales by \$8.4 million, \$11.3 million and \$13.7 million, respectively. The remaining net sales increase of approximately 4% was due to double-digit growth in the Asia/Pacific and South American regions with lower sales in Europe offsetting increases in the U.S.

During 2003, the Company began a new approach to its Chemical Management Services (CMS) business in order to further the Company's strategic imperative to sell customer solutions - value - not just fluids. Under the Company's traditional CMS approach, the Company effectively acts as an agent whereby it purchases chemicals from other companies and resells the product to the customer at little or no margin and earns a set management fee for providing this service. Therefore, the profit earned on the management fee is relatively secure as the entire cost of the products is passed on to the customer. The new approach to CMS is dramatically different. The Company is not simply a purchasing agent but actually manages the application and use of chemicals at the customers' sites. The Company receives a set management fee and the costs that relate to those management fees are largely connected to how well the Company controls product costs and achieves product conversions from other third party suppliers to its own products. With this new approach comes new risks and opportunities, as the profit earned from the management fee is subject to movements in product costs as well as the Company's own performance. The Company believes this new approach is a way for Quaker to become an integral part of our customers' operational efforts to improve manufacturing costs and to demonstrate value that the Company would not be able to demonstrate as purely a product provider.

With this new approach, the Company was awarded a series of multi-year CMS contracts at General Motors Powertrain and Daimler Chrysler manufacturing sites in 2003. This business was an important step in building the Company's share and leadership position in the automotive process fluids market and should position the Company well for penetration of CMS opportunities in other metalworking manufacturing sites. This new approach has also had a dramatic impact on the Company's revenue and margins. Under the traditional CMS approach, where the Company effectively acts as an agent, the revenue and costs from these sales are reported on a net sales or "pass-through" basis. As discussed above, the structure of the new CMS approach is different in that the Company's revenue received from the customer is a fee for products and services provided to the customer, which are indirectly related to the actual costs incurred. As a result, the Company recognizes in reported revenues the gross revenue received from the CMS site customer, and in cost of goods sold, the third party product purchases, which substantially offset each other until the Company achieves significant product conversions. Since inception, the profit impact of these contracts has been immaterial as the Company has relatively little of its own product converted at these sites. There are two critical success factors for this new approach. First, is to create savings for a customer based on our ability to help apply the product better and improve the customer's own processes. Second, is to convert more of the product being used to Quaker product rather than a competitor's product. During 2004, particularly in the second quarter, the Company had lower than expected performance with regard to these success factors. Although performance was lower than expected, considerable progress was made and the Company expects to see the benefits in the second half of 2004.

The new CMS contracts resulted in an increase in the Company's reported revenue for the first six months of 2004 of approximately \$13.7 million and a corresponding decrease in gross margin as a percentage of sales of approximately 2.6

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percentage points. The remaining decline in gross margin as a percentage of sales was primarily due to increased raw material costs. The Company has announced and implemented a number of price increases and surcharges to help offset increases in raw material costs, and the positive impact from these actions is expected to be realized in the second half of 2004.

Selling, general and administrative expenses for the first half of the year increased \$7.9 million compared to the first half of 2003. Foreign exchange rate translation and the Company's 2003 acquisitions accounted for approximately half of the increase. The majority of the remaining increase was due to higher expenses associated with the Company's ERP implementation, Sarbanes-Oxley compliance, as well as inflationary increases. In addition, the Company added infrastructure to support its growth initiatives in CMS and the Asia/Pacific region.

The increase in other income is primarily due to lower foreign exchange losses incurred in the first half of 2004 versus the prior year. The increase in net interest expense is primarily due to higher debt balances outstanding during the first half of 2004 versus the first half of 2003.

The year-to-date effective tax rate is 31.5% versus 32% in the prior year. Many external and internal factors can impact this rate and the Company will continue to refine this percentage, if necessary, as the year progresses. In August 2004, a U.S. Federal tax audit is scheduled to begin in accordance with the Company's normal three-year cycle.

The increase in equity income was primarily due to a stronger performance from the Company's Mexico joint venture. The increase in minority interest expense is reflective of stronger performances from most of our minority interest affiliates.

Net income for the first half of the year was \$6.2 million versus \$6.6 million for the first half of 2003. Earnings per diluted share decreased from \$0.69 per diluted share to \$0.62 per diluted share. Despite record sales for the first half of the year, higher raw material prices and lower than expected performance in the Company's new CMS business were largely responsible for the shortfall in earnings compared to the prior year.

Segment Reviews - Comparison of the First Six Months 2004 with First Six Months of 2003

Metalworking Process Chemicals:

Metalworking Process Chemicals consists of industrial process fluids for various heavy industrial and manufacturing applications and represent approximately 92% of our sales in the first six months of 2004. Reported revenues for the first half of 2004 were up approximately 28% compared with the first half of 2003. The Company's new CMS contracts accounted for approximately 10 percentage points of the revenue growth. Currency translation increased sales by 6 percentage points of the revenue growth as the average Euro to US Dollar rate was 1.23 in the first half of 2004 compared to 1.10 during the first half of 2003. The Company's acquisitions of Vulcan, Eural and KS Chemie accounted for 8 percentage points of the revenue growth in this segment. Therefore, these three items accounted for 24% of the 28% growth in this segment. The remaining net sales increase of 4% was primarily due to 15% growth in South America and 21% growth in Asia/Pacific, on a constant currency basis. Increases in the U.S. were offset by decreases in our European sales, which were down 2% on a constant currency basis. The operating income in this segment increased by \$2.7 million or 10% for the first half of 2004 compared to the first half of 2003. The disparity between the increase in sales and operating income is largely reflective of the Company's new approach to its CMS business, discussed in the Comparison of the First Six Months 2004 with First Six Months of 2003. Further, this segment's operating income was negatively impacted by higher raw material costs, as well as product and regional sales mix.

Coatings:

The Company's Coatings segment represents approximately 6% of our sales in the first six months of 2004 and contains products that provide temporary and permanent coatings for metal and concrete products. Revenues for this segment were up approximately 3% for the first six months of 2004 compared with the first six months of 2003 primarily due to higher chemical milling maskant sales to the aerospace industry. Operating income increased by \$0.2 million over the first half of 2003, consistent with the noted volume increases.

Other Chemical Products:

Other Chemical Products represents approximately 2% of total sales in the first six months of 2004 and consists of sulfur removal products for industrial gas streams sold by the Company's Q2 Technologies joint venture. Sales and operating income for the first half of 2004 were essentially flat with the first half of 2003.

Comparison of Second Quarter 2004 with Second Quarter of 2003

Net sales for the second quarter of 2004 were a record \$98.7 million, up 18% from \$83.5 million for the second quarter of 2003. Foreign exchange rate translation, the Company's 2003 acquisitions, and the Company's new CMS contracts favorably

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impacted net sales by \$1.9 million, \$5.6 million and \$4.0 million, respectively. The remaining net sales increase of approximately 4% was primarily due to double-digit growth in the Asia/Pacific and South American regions with lower sales in Europe tempering increases in the U.S.

Gross margins as a percentage of sales declined from 34.7% for the second quarter of 2003 to 33.0% for the second quarter of 2004. The different reporting of the Company's new CMS business discussed in the six-month comparison, accounted for approximately one-half of the decline in gross margin as a percentage of sales. The remainder of the decline was due to higher raw material costs.

Selling, general and administrative expenses for the quarter increased \$4.0 million compared to the second quarter of 2003. Foreign exchange rate translation and the Company's 2003 acquisitions accounted for approximately one-third of the increase. The majority of the remaining increase was due to higher expenses associated with the Company's ERP implementation, Sarbanes-Oxley compliance, as well as inflationary increases. In addition, the Company added infrastructure to support its growth initiatives in CMS and the Asia/Pacific region.

The decrease in other income is reflective of higher priority return distributions from the Company's real estate joint venture in the second quarter of 2003 versus the second quarter of 2004. The increase in net interest expense is primarily due to higher debt balances outstanding during the second quarter of 2004 versus the second quarter of 2003.

Net income for the second quarter was \$2.8 million versus \$3.5 million for the second quarter of 2003. Earnings per diluted share were \$0.29 per diluted share versus \$0.36 per diluted share for the second quarter of 2003, as a result of the items discussed in the Comparison of the First Six Months 2004 with First Six Months of 2003.

Segment Reviews - Comparison of the Second Quarter 2004 with Second Quarter of 2003

Metalworking Process Chemicals:

Metalworking Process Chemicals consists of industrial process fluids for various heavy industrial and manufacturing applications and represent approximately 92% of our sales in the second quarter of 2004. Reported revenues for the second quarter of 2004 were up approximately 20% compared with the second quarter of 2003. The Company's new CMS contracts accounted for approximately 5 percentage points of the revenue growth. Currency translation increased sales by 3 percentage points of the revenue growth as the average Euro to US Dollar rate was 1.21 in the second quarter of 2004 compared to 1.14 during the second quarter of 2003. The Company's acquisitions of Vulcan, Eural and KS Chemie accounted for 7 percentage points of the revenue growth in this segment. Therefore, these three items accounted for 15% of the 20% growth in this segment. The remaining net sales increase of 5% was primarily due to 15% growth in South America and 16% growth in Asia/Pacific, on a constant currency basis. Increases in the U.S. were offset by decreases in our European sales, which were down 6% on a constant currency basis. Although our market share in Europe remained stable during the quarter, the competitive pressures experienced last year are being realized in the quarterly comparisons. The operating income in this segment increased by \$1.1 million or 9% for the first half of 2004 compared to the first half of 2003. The disparity between the increase in sales and operating income is largely reflective of the Company's new approach to its CMS business, discussed in the six month comparison. Further, this segment's operating income was negatively impacted by higher raw material costs, as well as product and regional sales mix.

Coatings:

The Company's Coatings segment represents approximately 6% of our sales in the second quarter of 2004 and contains products that provide temporary and permanent coatings for metal and concrete products. Revenues and operating income for this segment were essentially flat for the second quarter of 2004 compared with the second quarter of 2003.

Other Chemical Products:

Other Chemical Products represents approximately 2% of total sales in the second quarter of 2004 and consists of sulfur removal products for industrial gas streams sold by the Company's Q2 Technologies joint venture. Sales and operating income for the second quarter of 2004 were flat with the second quarter of 2003.

Factors that May Affect Our Future Results

(Cautionary Statements Under the Private Securities Litigation Reform Act of 1995)

Certain information included in this Report and other materials filed or to be filed by Quaker with the SEC (as well as information included in oral statements or other written statements made or to be made by us) contains or may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements can be identified by the fact that they do not relate strictly to

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historical or current facts. We have based these forward-looking statements on our current expectations about future events. These forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, anticipations, intentions, financial condition, results of operations, future performance and business, including:

- statements relating to our business strategy;
- our current and future results and plans; and
- statements that include the words “may,” “could,” “should,” “would,” “believe,” “expect,” “anticipate,” “estimate,” “intend,” “plan” or similar expressions.

Such statements include information relating to current and future business activities, operational matters, capital spending, and financing sources. From time to time, oral or written forward-looking statements are also included in Quaker’s periodic reports on Forms 10-K and 8-K, press releases and other materials released to the public.

Any or all of the forward-looking statements in this Report and in any other public statements we make may turn out to be wrong. This can occur as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties. Many factors discussed in this Report will be important in determining our future performance. Consequently, actual results may differ materially from those that might be anticipated from our forward-looking statements.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. However, any further disclosures made on related subjects in Quaker’s subsequent reports on Forms 10-K, 10-Q and 8-K should be consulted. These forward-looking statements are subject to risks, uncertainties and assumptions about us and our operations that are subject to change based on various important factors, some of which are beyond our control. A major risk is that the Company’s demand 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 planning shutdowns. Other major risks and uncertainties include, but are not limited to, significant increases in raw material costs, worldwide economic and political conditions, foreign currency fluctuations, and terrorist attacks such as those that occurred on September 11, 2001. Furthermore, the Company is subject to the same business cycles as those experienced by steel, automobile, aircraft, appliance, and durable goods manufacturers. These risks, uncertainties, and possible inaccurate assumptions relevant to our business could cause our actual results to differ materially from expected and historical results. Other factors beyond those discussed below 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Quaker is exposed to the impact of changes of interest rates, foreign currency fluctuations, changes in commodity prices, and credit risk.

Interest Rate Risk. Quaker's exposure to market rate risk for changes in interest rates relates primarily to its short and long-term debt. Most of Quaker's long-term debt has a fixed interest rate, while its short-term debt is negotiated at market rates which can be either fixed or variable. Accordingly, if interest rates rise significantly, the cost of short-term debt to Quaker will increase. This can have an adverse effect on Quaker, depending on the extent of Quaker's short-term borrowings. As of June 30, 2004, Quaker had \$50.8 million in short-term borrowings.

Foreign Exchange Risk. A significant portion of Quaker's revenues and earnings is generated by its foreign operations. These foreign operations also hold a significant portion of Quaker's assets and liabilities. All such operations use the local currency as their functional currency. Accordingly, Quaker's financial results are affected by risks typical of global business such as currency fluctuations, particularly between the U.S. dollar, the Brazilian real, and the E.U. euro. As exchange rates vary, Quaker's results can be materially affected.

The Company generally does not use financial instruments that 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 55% to 56% of the consolidated net annual sales.

In addition, the Company often sources inventory among its worldwide operations. This practice can give rise to foreign exchange risk resulting from the varying cost of inventory to the receiving location as well as from the revaluation of intercompany balances. The Company mitigates this risk through local sourcing efforts.

Commodity Price Risk. Many of the raw materials used by Quaker are commodity chemicals, and, therefore, Quaker's earnings can be materially adversely affected by market changes in raw material prices. In certain cases, Quaker has entered into fixed-price purchase contracts having a term of up to one year. These contracts provide for protection to Quaker if the price for the contracted raw materials rises, however, in certain limited circumstances, Quaker will not realize the benefit if such prices decline.

Credit Risk. Quaker establishes allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of Quaker's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Downturns in the overall economic climate may also tend to exacerbate specific customer financial issues. A significant portion of Quaker's revenues is derived from sales to customers in the U.S. steel industry, where a number of bankruptcies occurred during recent years. Through 2003, Quaker recorded additional provisions for doubtful accounts primarily related to bankruptcies in the U.S. steel industry. When a bankruptcy occurs, Quaker must judge the amount of proceeds, if any, that may ultimately be received through the bankruptcy or liquidation process. In addition, as part of its terms of trade, Quaker may custom manufacture products for certain large customers and/or may ship product on a consignment basis. These practices may increase the Company's exposure should a bankruptcy occur, and may require writedown or disposal of certain inventory due to its estimated obsolescence or limited marketability. Customer returns of products or disputes may also result in similar issues related to the realizability of recorded accounts receivable or returned inventory.

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures. The Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)), based on their evaluation of such controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q, are effective to reasonably assure that information required to be disclosed by the Company in the reports it files under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

Changes in internal controls. The Company is in the process of implementing a global ERP system. The Company completed its initial implementation of this system in The Netherlands during 2002. During 2003, the Company implemented this system in additional European subsidiaries, its primary U.S. Operations and several CMS sites. At the end of 2003, subsidiaries representing more than 50% of consolidated revenue were operational on the global ERP system. The Company continued to implement this system at other CMS sites during the second quarter of 2004. Additional subsidiaries and CMS sites are planned to be implemented during 2004 and 2005. The Company is taking the necessary steps to monitor and maintain the appropriate internal controls during this period of change.

PART II. OTHER INFORMATION

Items 1, 2, 3, and 5 of Part II are inapplicable and have been omitted.

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

The 2004 Annual Meeting of the Company's shareholders was held on May 5, 2004. At the meeting, management's nominees, Joseph B. Anderson, Jr., Patricia C. Barron, and Edwin J. Delattre were elected Class III Directors. Voting (expressed in number of votes) was as follows: Joseph B. Anderson, Jr., 21,266,944 votes for, 285,665 votes against or withheld, and no abstentions or broker non-votes; Patricia C. Barron, 21,155,106 votes for, 397,503 votes against or withheld, and no abstentions or broker non-votes; Edwin J. Delattre, 21,120,333 votes for, 432,276 votes against or withheld, and no abstentions or broker non-votes.

In addition, at the Meeting, the shareholders ratified the appointment of PricewaterhouseCoopers LLP as the Company's independent accountants to examine and report on its financial statements for the year ending December 31, 2004 by a vote of 21,326,394 for, 219,164 against, 7,051 abstentions, and no broker non-votes.

Item 6: Exhibits and Reports on Form 8-K

(a) Exhibits.

- 10(yy) - Change in Control Agreement by and between Registrant and D. Jeffrey Benoliel dated June 10, 2004, effective May 14, 2004.
- 10(zz) - Change in Control Agreement by and between Registrant and Mark Featherstone dated June 10, 2004, effective May 14, 2004.
- 10(aaa) - Change in Control Agreement by and between Registrant and Jose Luiz Bregolato, dated June 23, 2004, effective May 14, 2004.
- 10(bbb) - Change in Control Agreement by and between Registrant and Rex Curtis dated June 18, 2004, effective May 14, 2004.
- 10(ccc) - Amendment No. 1 to Employment Agreement dated March 11, 1999 between Registrant and Ronald J. Naples, effective July 21, 2004.
- 10(ddd) - Employment Agreement by and between Registrant and Neal E. Murphy, effective July 22, 2004.
- 10(eee) - Change in Control Agreement by and between Registrant and Neal E. Murphy, effective July 22, 2004.
- 10(fff) - 1995 Naples Supplemental Retirement Income Program and Agreement (as amended and restated effective May 14, 2004) between Registrant and Ronald J. Naples dated August 4, 2004.
- 10(ggg) - Change in Control Agreement by and between Registrant and Joseph W. Bauer, effective May 14, 2004.
- 10(hhh) - Change in Control Agreement by and between Registrant and Michael F. Barry, effective May 14, 2004.
 - 31.1 - Certification of Chief Executive Officer of the Company pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
 - 31.2 - Certification of Chief Financial Officer of the Company pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
 - 32.1 - Certification of Ronald J. Naples Pursuant to 18 U.S. C. Section 1350
 - 32.2 - Certification of Michael F. Barry Pursuant to 18 U.S. C. Section 1350

(b) Reports on Form 8-K.

1. On April 30, 2004, the Company furnished on Form 8-K its First Quarter 2004 Press Release.

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

QUAKER CHEMICAL CORPORATION
(Registrant)

/s/ MICHAEL F. BARRY

**Michael F. Barry, officer duly
authorized to sign this report,
Vice President and Chief Financial Officer**

Date: August 6, 2004

CHANGE IN CONTROL AGREEMENT

THIS AGREEMENT, dated June 10, 2004, between QUAKER CHEMICAL CORPORATION, a Pennsylvania corporation (the "Company"), and D. Jeffrey Benoliel (the "Manager"),

WITNESSETH THAT

WHEREAS, the Board of Directors of the Company has determined that it is in the best interests of the Company and its shareholders that the Company and its subsidiaries be able to attract, retain, and motivate highly qualified management personnel and, in particular, that they be assured of continuity of management in the event of any actual or threatened change in control of the Company; and

WHEREAS, the Board of Directors of the Company believes that the execution by the Company of change in control agreements with certain management personnel, including the Manager, is an important factor in achieving this desired end;

NOW, THEREFORE, IN CONSIDERATION of the mutual obligations and agreements contained herein and intending to be legally bound hereby, the Manager and the Company agree as follows:

1. Term of Agreement.

This Agreement shall become effective on May 14, 2004 (the "Effective Date"), and shall continue in effect through December 31, 2005; provided, however, that the term of this Agreement shall automatically be extended for one additional year beyond December 31, 2005, and successive one year periods thereafter, unless, not later than eighteen (18) months preceding the calendar year in which the term would otherwise automatically extend, the Company shall have given written notice to the Manager of intention not to extend this Agreement for an additional year, in which event this Agreement shall continue in effect until December 31 of the calendar year immediately preceding the calendar year in which the term would have otherwise automatically extended. Notwithstanding any such notice not to extend, if a Change in Control (as defined in Section 2) occurs during the original or extended term of this Agreement, this Agreement shall remain in effect after a Change in Control until all obligations of the parties hereto under this Agreement shall have been satisfied.

2. Change in Control.

As used in this Agreement, a "Change in Control" of the Company shall be deemed to have occurred if:

(a) Any person (a "Person"), as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than (i) the Company and/or its wholly owned subsidiaries; (ii) any ESOP or other employee benefit plan of the Company and any trustee or other fiduciary in such capacity holding securities under such plan; (iii) any corporation owned, directly or indirectly, by the shareholders of the Company in

substantially the same proportions as their ownership of stock of the Company; or (iv) any other Person who, within the one year prior to the event which would otherwise be a Change in Control, is an executive officer of the Company or any group of Persons of which he voluntarily is a part), is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company’s then outstanding securities or such lesser percentage of voting power, but not less than 15%, as determined by the members of the Board of Directors of the Company who are independent directors (as defined in the New York Stock Exchange, Inc. Listed Company Manual); provided, however, that a Change in Control shall not be deemed to have occurred under the provisions of this subsection (a) by reason of the beneficial ownership of voting securities by members of the Benoliel family (as defined below) unless and until the beneficial ownership of all members of the Benoliel family (including any other individuals or entities who or which, together with any member or members of the Benoliel family, are deemed under Sections 13(d) or 14(d) of the Exchange Act to constitute a single Person) exceeds 50% of the combined voting power of the Company’s then outstanding securities;

(b) During any two-year period after the Effective Date, Directors of the Company in office at the beginning of such period plus any new Director (other than a Director designated by a Person who has entered into an agreement with the Company to effect a transaction within the purview of subsections (a) or (c)) whose election by the Board of Directors of the Company or whose nomination for election by the Company’s shareholders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the period or whose election or nomination for election was previously so approved shall cease for any reason to constitute at least a majority of the Board;

(c) The consummation of (i) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which the Company’s voting common shares (the “Common Shares”) would be converted into cash, securities, and/or other property, other than a merger of the Company in which holders of Common Shares immediately prior to the merger have the same proportionate ownership of voting shares of the surviving corporation immediately after the merger as they had in the Common Shares immediately before; or (ii) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets or earning power of the Company; or

(d) The Company’s shareholders or the Company’s Board of Directors shall approve the liquidation or dissolution of the Company.

As used in this Agreement, “members of the Benoliel family” shall mean Peter A. Benoliel, his wife and children and their respective spouses and children, and all trusts created by or for the benefit of any of them.

3. Entitlement to Change in Control Benefits; Certain Definitions.

The Manager shall be entitled to the benefits provided in this Agreement in the event the Manager’s employment with the Company or its affiliates is terminated under the circumstances described in (a) or (b) below (a “Covered Termination”), provided the Manager executes and does not revoke a Release (as defined below).

(a) A Covered Termination shall have occurred within the meaning of this subsection (a) in the event the Manager's employment with the Company or its affiliates is terminated within two (2) years following a Change in Control by:

- (i) The Company or its affiliates without Cause (as defined below); or
- (ii) Resignation of the Manager for Good Reason (as defined below).

(b) A Covered Termination shall have occurred within the meaning of this subsection (b) in the event the Manager's employment with the Company or its affiliates is terminated by the Company or its affiliates without Cause within six months prior to a Change in Control and the Manager reasonably demonstrates after such Change in Control that such termination was at the request or suggestion of any individual or entity who or which has taken steps reasonably calculated to effect such Change in Control.

The Manager shall have no rights to any payments or benefits under this Agreement in the event the Manager's employment with the Company and its affiliates is terminated (i) as a result of death or Disability (as defined below), or (ii) by the Company or its affiliates for Cause. Except as provided in subsection (b), in the event the Manager's employment is terminated for any reason prior to a Change in Control, the Manager shall have no rights to any payments or benefits under this Agreement and, after any such termination, this Agreement shall be of no further force or effect.

"Cause" shall mean (i) the Manager's willful and material breach of the employment agreement, if any, between the Manager and the Company (after having received notice thereof and a reasonable opportunity to cure or correct), (ii) dishonesty, fraud, willful malfeasance, gross negligence, or other gross misconduct, in each case relating to the performance of the Manager's employment with the Company or its affiliates which is materially injurious to the Company, or (iii) conviction of or plea of guilty to a felony, such Cause to be determined, in each case, by a resolution approved by at least two-thirds of the Directors of the Company after having afforded the Manager a reasonable opportunity to appear before the Board of Directors of the Company and present his position.

"Disability" shall mean: (i) a physical or mental disability which, at least twenty-six (26) weeks after its commencement, is determined to be total and permanent by a physician selected by the Company or its insurers and reasonably acceptable to the Manager or the Manager's legal representative, or (ii) if the Company then has in effect a long-term disability plan covering employees generally, including the Manager, the definition of covered total and permanent "disability" set forth in such plan.

"Good Reason" shall mean any of the following actions without the Manager's consent, other than due to the Manager's death or Disability: (i) any reduction in the Manager's base salary from that provided immediately before the Covered Termination or, if higher, immediately before the Change in Control; (ii) any reduction in the Manager's bonus opportunity (including cash and noncash incentives) or increase in the goals or standards required to accrue that opportunity, as compared to the opportunity and goals or standards in effect immediately before

the Change in Control; (iii) a material adverse change in the nature or scope of the Manager's authorities, powers, functions, or duties from those in effect immediately before the Change in Control; (iv) a reduction in the Manager's benefits from those provided immediately before the Change in Control, disregarding any reduction under a plan or program covering employees generally that applies to all employees covered by the plan or program; or (v) the Manager being required to accept a primary employment location which is more than twenty-five (25) miles from the location at which he primarily was employed during the ninety (90) day period prior to a Change in Control.

"Release" shall mean a release (in a form satisfactory to the Company) of any and all claims against the Company and all related parties with respect to all matters arising out of the Manager's employment by the Company and its affiliates, or the termination thereof (other than claims for any entitlements under the terms of this Agreement or under any plans or programs of the Company under which the Manager has accrued a benefit). Notwithstanding any provision of this Agreement to the contrary, the Manager shall not be entitled to any payments or benefits under this Agreement unless the Manager executes and does not revoke a Release.

4. Severance Allowance.

(a) Amount of Severance Allowance. In the event of a Covered Termination, except as provided in Section 6, the Company shall pay or cause to be paid to the Manager in cash a severance allowance (the "Severance Allowance") equal to 1.5 times the sum of the amounts determined in accordance with the following paragraphs (i) and (ii):

- (i) An amount equivalent to the highest annualized base salary which the Manager was entitled to receive from the Company and its subsidiaries at any time during his employment prior to the Covered Termination; and
- (ii) An amount equal to the average of the aggregate annual amounts paid to the Manager under all applicable annual incentive compensation plans maintained by the Company and its affiliates (other than compensation relating to relocation expense; the grant, exercise, or settlement of stock options or performance incentive units or the sale or other disposition of shares received upon exercise or settlement of such options) during the three (3) calendar years prior to the year such Covered Termination occurs or, if higher, prior to the year such Change in Control occurs (provided, however, that (x) in determining the average amount paid under the annual incentive plan during such period there shall be excluded any year in which no amounts were paid to the Manager under that plan; and (y) there shall be excluded from such calculation any amounts paid to the Manager under any such incentive compensation plan as a result of the acceleration of such payments under such plan due to termination of the plan, a Change in Control, or a similar occurrence).

In no event shall any retention bonus or change in control or success fee be taken into account when determining the amount of the Severance Allowance hereunder.

(b) **Payment of Severance Allowance.** The Severance Allowance shall be paid to the Manager (i) in a lump sum within sixty (60) days after the date of any termination of the Manager covered by Section 3(a), or (ii) in the case of a termination described in Section 3(b), in a lump sum within sixty (60) days after the date of the Change in Control giving rise to such Covered Termination.

5. Outplacement and Welfare Benefits.

(a) **Outplacement.** Subject to Section 6, for a period of one year following a Covered Termination of the Manager (or the Change in Control resulting in a Covered Termination, if later), the Company shall make or cause to be made available to the Manager, at its expense, outplacement counseling and other outplacement services comparable to those available for the Company's senior managers prior to the Change in Control.

(b) **Welfare Benefits.** Subject to Section 6, for a period of 18 months following a Covered Termination of the Manager (or the Change in Control resulting in a Covered Termination, if later), the Manager and the Manager's dependents shall be entitled to participate in the Company's life, medical, and dental insurance plans at the Company's expense, in accordance with the terms of such plans at the time of such Covered Termination as if the Manager were still employed by the Company or its affiliates under this Agreement. If, however, life, medical, or dental insurance benefits are not paid or provided under any such plan to the Manager or his dependents because the Manager is no longer an employee of the Company or its subsidiaries, the Company itself shall, to the extent necessary, pay or otherwise provide for such benefits to the Manager and his dependents.

6. Effect of Other Employment.

In the event the Manager becomes employed (as defined below) during the period with respect to which benefits are continuing pursuant to Section 5: (a) the Manager shall notify the Company not later than the day such employment commences; and (b) the benefits provided for in Section 5 shall terminate as of the date of such employment. For the purposes of this Section 6, the Manager shall be deemed to have become "employed" by another entity or person only if the Manager becomes essentially a full-time employee of a person or an entity (not more than 30% of which is owned by the Manager and/or members of his family); and the Manager's "family" shall mean his parents, his siblings and their spouses, his children and their spouses, and the Manager's spouse and her parents and siblings. Nothing herein shall relieve the Company of its obligations for compensation or benefits accrued up to the time of termination provided for herein.

7. Other Payments and Benefits.

Within (30) business days after the Covered Termination (or the Change in Control resulting in a Covered Termination, if later), the Company shall pay or cause to be paid to the Manager the aggregate of: (a) the Manager's earned but unpaid base salary through the Covered Termination at the rate in effect on the date of the Covered Termination, or if higher, at the rate in effect at any time during the 90-day period preceding the Change in Control; (b) any unpaid bonus or annual incentive payable to the Manager in respect of the calendar year ending prior to the Covered Termination; (c) the pro rata portion of any and all unpaid bonuses and annual

incentive awards for the calendar year in which the Covered Termination occurs, said pro rata portion to be calculated on the fractional portion (the numerator of said fraction being the number of days between January 1 and the date of the Covered Termination, and the denominator of which is 365) of the target bonuses or annual incentive awards for such calendar year; and (d) the pro rata portion of any and all awards under the Company's long term incentive plan for the performance period(s) in which the Covered Termination occurs, said pro rata portion to be calculated on the fractional portion (the numerator of said fraction being the number of days between the first day of the applicable performance period and the date of the Covered Termination, and the denominator of which is the total number of days in the applicable performance period) of the amount of the award which would have been payable had (i) the Covered Termination not occurred, and (ii) the target level of performance been achieved for the applicable performance period. The Manager shall be entitled to receive any other payments or benefits that the Manager is entitled to pursuant to the express terms of any compensation or benefit plan or arrangement of the Company or any of its affiliates; provided that the Severance Allowance (x) shall be in lieu of any severance payments to which the Manager might otherwise be entitled under the terms of any severance pay plan, policy, or arrangement maintained by the Company or the employment agreement, if any, between the Manager and the Company, and (y) shall be credited against any severance payments to which the Manager may be entitled by statute.

8. Death After Covered Termination.

In the event the Manager dies after a Covered Termination occurs, (a) any payments due to the Manager under Section 4 and the first sentence of Section 7 and not paid prior to the Manager's death shall be made to the person or persons who may be designated by the Manager in writing or, in the event he fails to so designate, to the Manager's personal representatives, and (b) the Manager's dependents shall be eligible for the welfare benefits described in Section 5(b).

9. Confidentiality and Noncompetition.

(a) Confidential Information. The Manager acknowledges that information concerning the method and conduct of the Company's (and any affiliate's) business, including, without limitation, strategic and marketing plans, budgets, corporate practices and procedures, financial statements, customer and supplier information, formulae, formulation information, application technology, manufacturing information, and laboratory test methods and all of the Company's (and any affiliate's) manuals, documents, notes, letters, records, and computer programs ("Proprietary Business Information"), are the sole and exclusive property of the Company (and/or the Company's affiliates, as the case may be) and are likely to constitute, contain or reveal trade secrets ("Trade Secrets") of the Company (and/or the Company's affiliate's, as the case may be). The term "Trade Secrets" as used herein does not include Proprietary Business Information that is known or becomes known to the public through no act or failure to act on the part of the Manager, or which can be clearly shown by written records to have been known by the Manager prior to the commencement of his employment with the Company.

- (i) The Manager agrees that at no time during or following his employment with the Company will he use, divulge, or pass on, directly or through any other individual or entity, any Trade Secrets.

(ii) Upon termination of the Manager's employment with the Company regardless of the reason for the termination of the Manager's employment hereunder, or at any other time upon the Company's request, the Manager agrees to forthwith surrender to the Company any and all materials in his possession or control which constitute or contain any Proprietary Business Information.

(b) Noncompetition. The Manager agrees that during his employment and for a period of one (1) year thereafter, regardless of the reason for the termination of the Manager's employment, he will not:

- (i) directly or indirectly, together or separately or with any third party, whether as an individual proprietor, partner, stockholder, officer, director, joint venturer, investor, or in any other capacity whatsoever actively engage in business or assist anyone or any firm in business as a manufacturer, seller, or distributor of specialty chemical products or chemical management services which are the same, like, similar to, or which compete with the products and services offered by the Company (or any of its affiliates);
- (ii) recruit or solicit any employee of the Company (or any of its affiliates) or otherwise induce such employee to leave the employ of the Company (or any of its affiliates) or to become an employee or otherwise be associated with his or any firm, corporation, business or other entity with which he is or may become associated; or
- (iii) solicit, directly or indirectly, for himself or as agent or employee of any person, partnership, corporation, or other entity (other than for the Company), any then or former customer, supplier, or client of the Company with the intent of actively engaging in business which would cause competitive harm to the Company (or any of its affiliates).

(c) Severability. The Manager acknowledges and agrees that all of the foregoing restrictions are reasonable as to the period of time and scope. However, if any paragraph, sentence, clause, or other provision is held invalid or unenforceable by a court of competent and relevant jurisdiction, such provision shall be deemed to be modified in a manner consistent with the intent of such original provision so as to make it valid and enforceable, and this Agreement and the application of such provision to persons and circumstances other than those with respect to which it would be invalid or unenforceable shall not be affected thereby.

(d) Remedies. The Manager agrees and recognizes that in the event of a breach or threatened breach of the provisions of the restrictive covenants contained in this Section 9, the Company may suffer irreparable harm, and monetary damages may not be an adequate remedy. Therefore, if any breach occurs or is threatened, the Company shall be entitled to seek equitable remedies, including injunctive relief in any court of applicable jurisdiction notwithstanding the provisions of Section 11. In the event of any breach of the restrictive covenant contained in this Section 9, the term of the restrictive covenant specified herein shall be extended by a period of

time equal to that period beginning on the date such violation commenced and ending when the activities constituting such violation cease. Furthermore, if a court or arbitration panel determines that the Manager has breached any of the provisions of this Section 9, the Company's obligations to pay amounts and continue the benefits under this Agreement to the Manager (and his dependents) shall immediately terminate.

10. Set-Off Mitigation.

Except as provided in Section 6, the Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense, or other claim, right, or action which the Company may have against the Manager or others. In no event shall the Manager be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Manager under any of the provisions of this Agreement.

11. Arbitration: Costs and Expenses of Enforcement.

(a) Arbitration. Except as otherwise provided in Sections 9(d) and 12, any controversy or claim arising out of or relating to this Agreement or the breach thereof which cannot promptly be resolved by the parties shall be promptly submitted to and settled exclusively by arbitration in the City of Philadelphia, Pennsylvania, in accordance with the laws of the Commonwealth of Pennsylvania by three arbitrators, one of whom shall be appointed by the Company, one by the Manager, and the third of whom shall be appointed by the first two arbitrators. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association, except with respect to the selection of arbitrators which shall be as provided in this Section 11. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

(b) Costs and Expenses. In the event that it shall be necessary or desirable for the Manager to retain legal counsel and/or incur other costs and expenses in connection with the enforcement of any and all of his rights under this Agreement, the Company shall pay (or the Manager shall be entitled to recover from the Company, as the case may be) his reasonable attorneys' fees and costs and expenses in connection with the enforcement of his said rights (including those incurred in or related to any arbitration proceedings provided for in subsection (a) and the enforcement of any arbitration award in court), regardless of the final outcome.

12. Limitation on Payment Obligation.

(a) For purposes of this Section 12, all terms capitalized but not otherwise defined herein shall have the meanings as set forth in Section 280G of the Internal Revenue Code of 1986, as amended, together with any applicable regulations thereunder (the "Code"). In addition:

- (i) the term "Parachute Payment" shall mean a payment described in Section 280G(b)(2)(A) or Section 280G(b)(2)(B) (including, but not limited to, any stock option rights, stock grants, and other cash and noncash compensation amounts that are treated as payments under either such section) and not excluded under Section 280G(b)(4)(A) or Section 280G(b)(6) of the Code;

- (ii) the term "Reasonable Compensation" shall mean reasonable compensation for prior personal services as defined in Section 280G(b)(4)(B) of the Code and subject to the requirement that any such reasonable compensation must be established by clear and convincing evidence; and
- (iii) the portion of the "Base Amount" and the amount of "Reasonable Compensation" allocable to any "Parachute Payment" shall be determined in accordance with Section 280G(b)(3) and (4) of the Code.

(b) Notwithstanding any other provision of this Agreement, each Parachute Payment to be made to or for the benefit of the Manager, whether pursuant to this Agreement or otherwise, with respect to a Change in Control shall be reduced if and to the extent necessary so that the aggregate Present Value of all such Parachute Payments shall be at least one dollar (\$1.00) less than the greater of (i) three times the Manager's Base Amount and (ii) the aggregate Reasonable Compensation allocable to such Parachute Payments. Unless otherwise agreed by the Manager and the Company, any reduction in Parachute Payments caused by reason of this subsection (b) shall be made proportionately with respect to each such Parachute Payment.

This subsection (b) shall be interpreted and applied to limit the amounts otherwise payable to the Manager under this Agreement or otherwise only to the extent required to avoid any material risk of the imposition of excise taxes on the Manager under Section 4999 of the Code or the disallowance of a deduction to the Company under Section 280G(a) of the Code. In the making of any such interpretation and application, the Manager shall be presumed to be a disqualified individual for purposes of applying the limitations set forth in this subsection (b) without regard to whether or not the Manager meets the definition of disqualified individual set forth in Section 280G(c) of the Code. In the event that the Manager and the Company are unable to agree as to the application of this subsection (b), the Company's independent auditors shall select independent tax counsel to determine the amount of such limits. Such selection of tax counsel shall be subject to the Manager's consent, provided that the Manager shall not unreasonably withhold his consent. The determination of such tax counsel under this Section 12 shall be final and binding upon the Manager and the Company.

(c) Notwithstanding any other provision of this Agreement, no payment shall be made hereunder to or for the benefit of the Manager if and to the extent that such payments are determined to be illegal.

13. Notices.

Any notices, requests, demands, and other communications provided for by this Agreement shall be sufficient if in writing, and if hand delivered or if sent by registered or certified mail, if to the Manager, at the last address he had filed in writing with the Company or if to the Company, at its principal executive offices. Notices, requests, etc. shall be effective when actually received by the addressee or at such address.

14. Withholding.

Notwithstanding any provision of this Agreement to the contrary, the Company may, to the extent required by law, withhold applicable Federal, state and local income and other taxes from any payments due to the Manager hereunder.

15. Assignment and Benefit.

(a) This Agreement is personal to the Manager and shall not be assignable by the Manager, by operation of law, or otherwise without the prior written consent of the Company otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Manager's heirs and legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns, including, without limitation, any subsidiary of the Company to which the Company may assign any of its rights hereunder; provided, however, that no assignment of this Agreement by the Company, by operation of law, or otherwise shall relieve it of its obligations hereunder except an assignment of this Agreement to, and its assumption by, a successor pursuant to subsection (c).

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation operation of law, or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place, but, irrespective of any such assignment or assumption, this Agreement shall inure to the benefit of and be binding upon such a successor. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid.

16. Governing Law.

The provisions of this Agreement shall be construed in accordance with the laws of the Commonwealth of Pennsylvania without reference to principles of conflicts of laws.

17. Entire Agreement.

This Agreement represents the entire agreement and understanding of the parties with respect to the subject matter hereof, and it may not be altered or amended except by an agreement in writing executed by the Company and the Manager.

18. No Waiver.

The failure to insist upon strict compliance with any provision of this Agreement by any party shall not be deemed to be a waiver of any future noncompliance with such provision or of noncompliance with any other provision.

19. Severability.

In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect.

20. Indemnification.

The Company shall defend and hold the Manager harmless to the fullest extent permitted by applicable law in connection with any claim, action, suit, investigation or proceeding arising out of or relating to performance by the Manager of services for, or action of the Manager as a director, officer or employee of the Company or any parent, subsidiary or affiliate of the Company, or of any other person or enterprise at the Company's request. Expenses incurred by the Manager in defending a claim, action, suit or investigation or criminal proceeding shall be paid by the Company in advance of the final disposition thereof upon the receipt by the Company of an undertaking by or on behalf of the Manager to repay said amount unless it shall ultimately be determined that the Manager is entitled to be indemnified hereunder; provided, however, that this shall not apply to a nonderivative action commenced by the Company against the Manager.

IN WITNESS WHEREOF, the Manager has hereunto set his hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name and on its behalf and attested by its Secretary or Assistant Secretary, all as of the day and year first above written.

MANAGER

/s/ D. Jeffry Benoliel

D. Jeffry Benoliel

QUAKER CHEMICAL CORPORATION

By: /s/ Ronald J. Naples

Ronald J. Naples

Title: Chairman & Chief Executive Officer

ATTEST:

/s/ Irene M. Kisleiko

Irene M. Kisleiko

CHANGE IN CONTROL AGREEMENT

THIS AGREEMENT, dated June 10, 2004, between QUAKER CHEMICAL CORPORATION, a Pennsylvania corporation (the "Company"), and Mark Featherstone (the "Manager"),

WITNESSETH THAT

WHEREAS, the Board of Directors of the Company has determined that it is in the best interests of the Company and its shareholders that the Company and its subsidiaries be able to attract, retain, and motivate highly qualified management personnel and, in particular, that they be assured of continuity of management in the event of any actual or threatened change in control of the Company; and

WHEREAS, the Board of Directors of the Company believes that the execution by the Company of change in control agreements with certain management personnel, including the Manager, is an important factor in achieving this desired end;

NOW, THEREFORE, IN CONSIDERATION of the mutual obligations and agreements contained herein and intending to be legally bound hereby, the Manager and the Company agree as follows:

1. Term of Agreement.

This Agreement shall become effective on May 14, 2004 (the "Effective Date"), and shall continue in effect through December 31, 2005; provided, however, that the term of this Agreement shall automatically be extended for one additional year beyond December 31, 2005, and successive one year periods thereafter, unless, not later than eighteen (18) months preceding the calendar year in which the term would otherwise automatically extend, the Company shall have given written notice to the Manager of intention not to extend this Agreement for an additional year, in which event this Agreement shall continue in effect until December 31 of the calendar year immediately preceding the calendar year in which the term would have otherwise automatically extended. Notwithstanding any such notice not to extend, if a Change in Control (as defined in Section 2) occurs during the original or extended term of this Agreement, this Agreement shall remain in effect after a Change in Control until all obligations of the parties hereto under this Agreement shall have been satisfied.

2. Change in Control.

As used in this Agreement, a "Change in Control" of the Company shall be deemed to have occurred if:

(a) Any person (a "Person"), as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than (i) the Company and/or its wholly owned subsidiaries; (ii) any ESOP or other employee benefit plan of the Company and any trustee or other fiduciary in such capacity holding securities under such plan;

(iii) any corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company; or (iv) any other Person who, within the one year prior to the event which would otherwise be a Change in Control, is an executive officer of the Company or any group of Persons of which he voluntarily is a part), is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company’s then outstanding securities or such lesser percentage of voting power, but not less than 15%, as determined by the members of the Board of Directors of the Company who are independent directors (as defined in the New York Stock Exchange, Inc. Listed Company Manual); provided, however, that a Change in Control shall not be deemed to have occurred under the provisions of this subsection (a) by reason of the beneficial ownership of voting securities by members of the Benoliel family (as defined below) unless and until the beneficial ownership of all members of the Benoliel family (including any other individuals or entities who or which, together with any member or members of the Benoliel family, are deemed under Sections 13(d) or 14(d) of the Exchange Act to constitute a single Person) exceeds 50% of the combined voting power of the Company’s then outstanding securities;

(b) During any two-year period after the Effective Date, Directors of the Company in office at the beginning of such period plus any new Director (other than a Director designated by a Person who has entered into an agreement with the Company to effect a transaction within the purview of subsections (a) or (c)) whose election by the Board of Directors of the Company or whose nomination for election by the Company’s shareholders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the period or whose election or nomination for election was previously so approved shall cease for any reason to constitute at least a majority of the Board;

(c) The consummation of (i) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which the Company’s voting common shares (the “Common Shares”) would be converted into cash, securities, and/or other property, other than a merger of the Company in which holders of Common Shares immediately prior to the merger have the same proportionate ownership of voting shares of the surviving corporation immediately after the merger as they had in the Common Shares immediately before; or (ii) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets or earning power of the Company; or

(d) The Company’s shareholders or the Company’s Board of Directors shall approve the liquidation or dissolution of the Company.

As used in this Agreement, “members of the Benoliel family” shall mean Peter A. Benoliel, his wife and children and their respective spouses and children, and all trusts created by or for the benefit of any of them.

3. Entitlement to Change in Control Benefits; Certain Definitions.

The Manager shall be entitled to the benefits provided in this Agreement in the event the Manager’s employment with the Company or its affiliates is terminated under the circumstances

described in (a) or (b) below (a "Covered Termination"), provided the Manager executes and does not revoke a Release (as defined below).

(a) A Covered Termination shall have occurred within the meaning of this subsection (a) in the event the Manager's employment with the Company or its affiliates is terminated within two (2) years following a Change in Control by:

- (i) The Company or its affiliates without Cause (as defined below); or
- (ii) Resignation of the Manager for Good Reason (as defined below).

(b) A Covered Termination shall have occurred within the meaning of this subsection (b) in the event the Manager's employment with the Company or its affiliates is terminated by the Company or its affiliates without Cause within six months prior to a Change in Control and the Manager reasonably demonstrates after such Change in Control that such termination was at the request or suggestion of any individual or entity who or which has taken steps reasonably calculated to effect such Change in Control.

The Manager shall have no rights to any payments or benefits under this Agreement in the event the Manager's employment with the Company and its affiliates is terminated (i) as a result of death or Disability (as defined below), or (ii) by the Company or its affiliates for Cause. Except as provided in subsection (b), in the event the Manager's employment is terminated for any reason prior to a Change in Control, the Manager shall have no rights to any payments or benefits under this Agreement and, after any such termination, this Agreement shall be of no further force or effect.

"Cause" shall mean (i) the Manager's willful and material breach of the employment agreement, if any, between the Manager and the Company (after having received notice thereof and a reasonable opportunity to cure or correct), (ii) dishonesty, fraud, willful malfeasance, gross negligence, or other gross misconduct, in each case relating to the performance of the Manager's employment with the Company or its affiliates which is materially injurious to the Company, or (iii) conviction of or plea of guilty to a felony, such Cause to be determined, in each case, by a resolution approved by at least two-thirds of the Directors of the Company after having afforded the Manager a reasonable opportunity to appear before the Board of Directors of the Company and present his position.

"Disability" shall mean: (i) a physical or mental disability which, at least twenty-six (26) weeks after its commencement, is determined to be total and permanent by a physician selected by the Company or its insurers and reasonably acceptable to the Manager or the Manager's legal representative, or (ii) if the Company then has in effect a long-term disability plan covering employees generally, including the Manager, the definition of covered total and permanent "disability" set forth in such plan.

"Good Reason" shall mean any of the following actions without the Manager's consent, other than due to the Manager's death or Disability: (i) any reduction in the Manager's base salary from that provided immediately before the Covered Termination or, if higher, immediately before the Change in Control; (ii) any reduction in the Manager's bonus opportunity (including

cash and noncash incentives) or increase in the goals or standards required to accrue that opportunity, as compared to the opportunity and goals or standards in effect immediately before the Change in Control; (iii) a material adverse change in the nature or scope of the Manager's authorities, powers, functions, or duties from those in effect immediately before the Change in Control; (iv) a reduction in the Manager's benefits from those provided immediately before the Change in Control, disregarding any reduction under a plan or program covering employees generally that applies to all employees covered by the plan or program; or (v) the Manager being required to accept a primary employment location which is more than twenty-five (25) miles from the location at which he primarily was employed during the ninety (90) day period prior to a Change in Control.

"Release" shall mean a release (in a form satisfactory to the Company) of any and all claims against the Company and all related parties with respect to all matters arising out of the Manager's employment by the Company and its affiliates, or the termination thereof (other than claims for any entitlements under the terms of this Agreement or under any plans or programs of the Company under which the Manager has accrued a benefit). Notwithstanding any provision of this Agreement to the contrary, the Manager shall not be entitled to any payments or benefits under this Agreement unless the Manager executes and does not revoke a Release.

4. Severance Allowance.

(a) **Amount of Severance Allowance.** In the event of a Covered Termination, except as provided in Section 6, the Company shall pay or cause to be paid to the Manager in cash a severance allowance (the "Severance Allowance") equal to one times the sum of the amounts determined in accordance with the following paragraphs (i) and (ii):

- (i) An amount equivalent to the highest annualized base salary which the Manager was entitled to receive from the Company and its subsidiaries at any time during his employment prior to the Covered Termination; and
- (ii) An amount equal to the average of the aggregate annual amounts paid to the Manager under all applicable annual incentive compensation plans maintained by the Company and its affiliates (other than compensation relating to relocation expense; the grant, exercise, or settlement of stock options or performance incentive units or the sale or other disposition of shares received upon exercise or settlement of such options) during the three (3) calendar years prior to the year such Covered Termination occurs or, if higher, prior to the year such Change in Control occurs (provided, however, that (x) in determining the average amount paid under the annual incentive plan during such period there shall be excluded any year in which no amounts were paid to the Manager under that plan; and (y) there shall be excluded from such calculation any amounts paid to the Manager under any such incentive compensation plan as a result of the acceleration of such payments under such plan due to termination of the plan, a Change in Control, or a similar occurrence).

In no event shall any retention bonus or change in control or success fee be taken into account when determining the amount of the Severance Allowance hereunder.

(b) Payment of Severance Allowance. The Severance Allowance shall be paid to the Manager (i) in a lump sum within sixty (60) days after the date of any termination of the Manager covered by Section 3(a), or (ii) in the case of a termination described in Section 3(b), in a lump sum within sixty (60) days after the date of the Change in Control giving rise to such Covered Termination.

5. Outplacement and Welfare Benefits.

(a) Outplacement. Subject to Section 6, for a period of one year following a Covered Termination of the Manager (or the Change in Control resulting in a Covered Termination, if later), the Company shall make or cause to be made available to the Manager, at its expense, outplacement counseling and other outplacement services comparable to those available for the Company's senior managers prior to the Change in Control.

(b) Welfare Benefits. Subject to Section 6, for a period of 12 months following a Covered Termination of the Manager (or the Change in Control resulting in a Covered Termination, if later), the Manager and the Manager's dependents shall be entitled to participate in the Company's life, medical, and dental insurance plans at the Company's expense, in accordance with the terms of such plans at the time of such Covered Termination as if the Manager were still employed by the Company or its affiliates under this Agreement. If, however, life, medical, or dental insurance benefits are not paid or provided under any such plan to the Manager or his dependents because the Manager is no longer an employee of the Company or its subsidiaries, the Company itself shall, to the extent necessary, pay or otherwise provide for such benefits to the Manager and his dependents.

6. Effect of Other Employment.

In the event the Manager becomes employed (as defined below) during the period with respect to which benefits are continuing pursuant to Section 5: (a) the Manager shall notify the Company not later than the day such employment commences; and (b) the benefits provided for in Section 5 shall terminate as of the date of such employment. For the purposes of this Section 6, the Manager shall be deemed to have become "employed" by another entity or person only if the Manager becomes essentially a full-time employee of a person or an entity (not more than 30% of which is owned by the Manager and/or members of his family); and the Manager's "family" shall mean his parents, his siblings and their spouses, his children and their spouses, and the Manager's spouse and her parents and siblings. Nothing herein shall relieve the Company of its obligations for compensation or benefits accrued up to the time of termination provided for herein.

7. Other Payments and Benefits.

Within (30) business days after the Covered Termination (or the Change in Control resulting in a Covered Termination, if later), the Company shall pay or cause to be paid to the Manager the aggregate of: (a) the Manager's earned but unpaid base salary through the Covered Termination at the rate in effect on the date of the Covered Termination, or if higher, at the rate

in effect at any time during the 90-day period preceding the Change in Control; (b) any unpaid bonus or annual incentive payable to the Manager in respect of the calendar year ending prior to the Covered Termination; (c) the pro rata portion of any and all unpaid bonuses and annual incentive awards for the calendar year in which the Covered Termination occurs, said pro rata portion to be calculated on the fractional portion (the numerator of said fraction being the number of days between January 1 and the date of the Covered Termination, and the denominator of which is 365) of the amount of bonuses or awards which would have been payable had the Covered Termination not occurred in such calendar year; and (d) the pro rata portion of any and all awards under the Company's long term incentive plan for the performance period(s) in which the Covered Termination occurs, said pro rata portion to be calculated on the fractional portion (the numerator of said fraction being the number of days between the first day of the applicable performance period and the date of the Covered Termination, and the denominator of which is the total number of days in the applicable performance period) of the amount of the award which would have been payable had (i) the Covered Termination not occurred, and (ii) the target level of performance been achieved for the applicable performance period. The Manager shall be entitled to receive any other payments or benefits that the Manager is entitled to pursuant to the express terms of any compensation or benefit plan or arrangement of the Company or any of its affiliates; provided that the Severance Allowance (x) shall be in lieu of any severance payments to which the Manager might otherwise be entitled under the terms of any severance pay plan, policy, or arrangement maintained by the Company or the employment agreement, if any, between the Manager and the Company, and (y) shall be credited against any severance payments to which the Manager may be entitled by statute.

8. Death After Covered Termination.

In the event the Manager dies after a Covered Termination occurs, (a) any payments due to the Manager under Section 4 and the first sentence of Section 7 and not paid prior to the Manager's death shall be made to the person or persons who may be designated by the Manager in writing or, in the event he fails to so designate, to the Manager's personal representatives, and (b) the Manager's dependents shall be eligible for the welfare benefits described in Section 5(b).

9. Confidentiality and Noncompetition.

(a) **Confidential Information.** The Manager acknowledges that information concerning the method and conduct of the Company's (and any affiliate's) business, including, without limitation, strategic and marketing plans, budgets, corporate practices and procedures, financial statements, customer and supplier information, formulae, formulation information, application technology, manufacturing information, and laboratory test methods and all of the Company's (and any affiliate's) manuals, documents, notes, letters, records, and computer programs ("Proprietary Business Information"), are the sole and exclusive property of the Company (and/or the Company's affiliates, as the case may be) and are likely to constitute, contain or reveal trade secrets ("Trade Secrets") of the Company (and/or the Company's affiliate's, as the case may be). The term "Trade Secrets" as used herein does not include Proprietary Business Information that is known or becomes known to the public through no act or failure to act on the part of the Manager, or which can be clearly shown by written records to have been known by the Manager prior to the commencement of his employment with the Company.

- (i) The Manager agrees that at no time during or following his employment with the Company will he use, divulge, or pass on, directly or through any other individual or entity, any Trade Secrets.
- (ii) Upon termination of the Manager's employment with the Company regardless of the reason for the termination of the Manager's employment hereunder, or at any other time upon the Company's request, the Manager agrees to forthwith surrender to the Company any and all materials in his possession or control which constitute or contain any Proprietary Business Information.

(b) Noncompetition. The Manager agrees that during his employment and for a period of one (1) year thereafter, regardless of the reason for the termination of the Manager's employment, he will not:

- (i) directly or indirectly, together or separately or with any third party, whether as an individual proprietor, partner, stockholder, officer, director, joint venturer, investor, or in any other capacity whatsoever actively engage in business or assist anyone or any firm in business as a manufacturer, seller, or distributor of specialty chemical products or chemical management services which are the same, like, similar to, or which compete with the products and services offered by the Company (or any of its affiliates);
- (ii) recruit or solicit any employee of the Company (or any of its affiliates) or otherwise induce such employee to leave the employ of the Company (or any of its affiliates) or to become an employee or otherwise be associated with his or any firm, corporation, business or other entity with which he is or may become associated; or
- (iii) solicit, directly or indirectly, for himself or as agent or employee of any person, partnership, corporation, or other entity (other than for the Company), any then or former customer, supplier, or client of the Company with the intent of actively engaging in business which would cause competitive harm to the Company (or any of its affiliates).

(c) Severability. The Manager acknowledges and agrees that all of the foregoing restrictions are reasonable as to the period of time and scope. However, if any paragraph, sentence, clause, or other provision is held invalid or unenforceable by a court of competent and relevant jurisdiction, such provision shall be deemed to be modified in a manner consistent with the intent of such original provision so as to make it valid and enforceable, and this Agreement and the application of such provision to persons and circumstances other than those with respect to which it would be invalid or unenforceable shall not be affected thereby.

(d) Remedies. The Manager agrees and recognizes that in the event of a breach or threatened breach of the provisions of the restrictive covenants contained in this Section 9, the Company may suffer irreparable harm, and monetary damages may not be an adequate remedy.

Therefore, if any breach occurs or is threatened, the Company shall be entitled to seek equitable remedies, including injunctive relief in any court of applicable jurisdiction notwithstanding the provisions of Section 11. In the event of any breach of the restrictive covenant contained in this Section 9, the term of the restrictive covenant specified herein shall be extended by a period of time equal to that period beginning on the date such violation commenced and ending when the activities constituting such violation cease. Furthermore, if a court or arbitration panel determines that the Manager has breached any of the provisions of this Section 9, the Company's obligations to pay amounts and continue the benefits under this Agreement to the Manager (and his dependents) shall immediately terminate.

10. Set-Off Mitigation.

Except as provided in Section 6, the Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense, or other claim, right, or action which the Company may have against the Manager or others. In no event shall the Manager be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Manager under any of the provisions of this Agreement.

11. Arbitration: Costs and Expenses of Enforcement.

(a) Arbitration. Except as otherwise provided in Sections 9(d) and 12, any controversy or claim arising out of or relating to this Agreement or the breach thereof which cannot promptly be resolved by the parties shall be promptly submitted to and settled exclusively by arbitration in the City of Philadelphia, Pennsylvania, in accordance with the laws of the Commonwealth of Pennsylvania by three arbitrators, one of whom shall be appointed by the Company, one by the Manager, and the third of whom shall be appointed by the first two arbitrators. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association, except with respect to the selection of arbitrators which shall be as provided in this Section 11. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

(b) Costs and Expenses. In the event that it shall be necessary or desirable for the Manager to retain legal counsel and/or incur other costs and expenses in connection with the enforcement of any and all of his rights under this Agreement, the Company shall pay (or the Manager shall be entitled to recover from the Company, as the case may be) his reasonable attorneys' fees and costs and expenses in connection with the enforcement of his said rights (including those incurred in or related to any arbitration proceedings provided for in subsection (a) and the enforcement of any arbitration award in court), regardless of the final outcome.

12. Limitation on Payment Obligation.

(a) For purposes of this Section 12, all terms capitalized but not otherwise defined herein shall have the meanings as set forth in Section 280G of the Internal Revenue Code of 1986, as amended, together with any applicable regulations thereunder (the "Code"). In addition:

- (i) the term "Parachute Payment" shall mean a payment described in Section 280G(b)(2)(A) or Section 280G(b)(2)(B) (including, but not limited to,

any stock option rights, stock grants, and other cash and noncash compensation amounts that are treated as payments under either such section) and not excluded under Section 280G(b)(4)(A) or Section 280G(b)(6) of the Code;

- (ii) the term "Reasonable Compensation" shall mean reasonable compensation for prior personal services as defined in Section 280G(b)(4)(B) of the Code and subject to the requirement that any such reasonable compensation must be established by clear and convincing evidence; and
- (iii) the portion of the "Base Amount" and the amount of "Reasonable Compensation" allocable to any "Parachute Payment" shall be determined in accordance with Section 280G(b)(3) and (4) of the Code.

(b) Notwithstanding any other provision of this Agreement, each Parachute Payment to be made to or for the benefit of the Manager, whether pursuant to this Agreement or otherwise, with respect to a Change in Control shall be reduced if and to the extent necessary so that the aggregate Present Value of all such Parachute Payments shall be at least one dollar (\$1.00) less than the greater of (i) three times the Manager's Base Amount and (ii) the aggregate Reasonable Compensation allocable to such Parachute Payments. Unless otherwise agreed by the Manager and the Company, any reduction in Parachute Payments caused by reason of this subsection (b) shall be made proportionately with respect to each such Parachute Payment.

This subsection (b) shall be interpreted and applied to limit the amounts otherwise payable to the Manager under this Agreement or otherwise only to the extent required to avoid any material risk of the imposition of excise taxes on the Manager under Section 4999 of the Code or the disallowance of a deduction to the Company under Section 280G(a) of the Code. In the making of any such interpretation and application, the Manager shall be presumed to be a disqualified individual for purposes of applying the limitations set forth in this subsection (b) without regard to whether or not the Manager meets the definition of disqualified individual set forth in Section 280G(c) of the Code. In the event that the Manager and the Company are unable to agree as to the application of this subsection (b), the Company's independent auditors shall select independent tax counsel to determine the amount of such limits. Such selection of tax counsel shall be subject to the Manager's consent, provided that the Manager shall not unreasonably withhold his consent. The determination of such tax counsel under this Section 12 shall be final and binding upon the Manager and the Company.

(c) Notwithstanding any other provision of this Agreement, no payment shall be made hereunder to or for the benefit of the Manager if and to the extent that such payments are determined to be illegal.

13. Notices.

Any notices, requests, demands, and other communications provided for by this Agreement shall be sufficient if in writing, and if hand delivered or if sent by registered or certified mail, if to the Manager, at the last address he had filed in writing with the Company or if to the Company, at its principal executive offices. Notices, requests, etc. shall be effective when actually received by the addressee or at such address.

14. Withholding.

Notwithstanding any provision of this Agreement to the contrary, the Company may, to the extent required by law, withhold applicable Federal, state and local income and other taxes from any payments due to the Manager hereunder.

15. Assignment and Benefit.

(a) This Agreement is personal to the Manager and shall not be assignable by the Manager, by operation of law, or otherwise without the prior written consent of the Company otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Manager's heirs and legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns, including, without limitation, any subsidiary of the Company to which the Company may assign any of its rights hereunder; provided, however, that no assignment of this Agreement by the Company, by operation of law, or otherwise shall relieve it of its obligations hereunder except an assignment of this Agreement to, and its assumption by, a successor pursuant to subsection (c).

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation operation of law, or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place, but, irrespective of any such assignment or assumption, this Agreement shall inure to the benefit of and be binding upon such a successor. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid.

16. Governing Law.

The provisions of this Agreement shall be construed in accordance with the laws of the Commonwealth of Pennsylvania without reference to principles of conflicts of laws.

17. Entire Agreement.

This Agreement represents the entire agreement and understanding of the parties with respect to the subject matter hereof, and it may not be altered or amended except by an agreement in writing executed by the Company and the Manager.

18. No Waiver.

The failure to insist upon strict compliance with any provision of this Agreement by any party shall not be deemed to be a waiver of any future noncompliance with such provision or of noncompliance with any other provision.

19. Severability.

In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect.

20. Indemnification.

The Company shall defend and hold the Manager harmless to the fullest extent permitted by applicable law in connection with any claim, action, suit, investigation or proceeding arising out of or relating to performance by the Manager of services for, or action of the Manager as a director, officer or employee of the Company or any parent, subsidiary or affiliate of the Company, or of any other person or enterprise at the Company's request. Expenses incurred by the Manager in defending a claim, action, suit or investigation or criminal proceeding shall be paid by the Company in advance of the final disposition thereof upon the receipt by the Company of an undertaking by or on behalf of the Manager to repay said amount unless it shall ultimately be determined that the Manager is entitled to be indemnified hereunder; provided, however, that this shall not apply to a nonderivative action commenced by the Company against the Manager.

IN WITNESS WHEREOF, the Manager has hereunto set his hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name and on its behalf and attested by its Secretary or Assistant Secretary, all as of the day and year first above written.

MANAGER

/s/ Mark Featherstone

Mark Featherstone

QUAKER CHEMICAL CORPORATION

By: /s/ Ronald J. Naples

Ronald J. Naples

Title Chairman & Chief Executive Officer

ATTEST:

/s/ D. Jeffrey Benoliel

D. Jeffrey Benoliel

CHANGE IN CONTROL AGREEMENT

THIS AGREEMENT, dated June 23, 2004, between QUAKER CHEMICAL CORPORATION, a Pennsylvania corporation (the "Company"), and Jose Luiz Bregolato (the "Manager"),

WITNESSETH THAT

WHEREAS, the Board of Directors of the Company has determined that it is in the best interests of the Company and its shareholders that the Company and its subsidiaries be able to attract, retain, and motivate highly qualified management personnel and, in particular, that they be assured of continuity of management in the event of any actual or threatened change in control of the Company; and

WHEREAS, the Board of Directors of the Company believes that the execution by the Company of change in control agreements with certain management personnel, including the Manager, is an important factor in achieving this desired end;

NOW, THEREFORE, IN CONSIDERATION of the mutual obligations and agreements contained herein and intending to be legally bound hereby, the Manager and the Company agree as follows:

1. Term of Agreement.

This Agreement shall become effective on May 14, 2004 (the "Effective Date"), and shall continue in effect through December 31, 2005; provided, however, that the term of this Agreement shall automatically be extended for one additional year beyond December 31, 2005, and successive one year periods thereafter, unless, not later than eighteen (18) months preceding the calendar year in which the term would otherwise automatically extend, the Company shall have given written notice to the Manager of intention not to extend this Agreement for an additional year, in which event this Agreement shall continue in effect until December 31 of the calendar year immediately preceding the calendar year in which the term would have otherwise automatically extended.

Notwithstanding any such notice not to extend, if a Change in Control (as defined in Section 2) occurs during the original or extended term of this Agreement, this Agreement shall remain in effect after a Change in Control until all obligations of the parties hereto under this Agreement shall have been satisfied.

2. Change in Control.

As used in this Agreement, a "Change in Control" of the Company shall be deemed to have occurred if:

(a) Any person (a "Person"), as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than (i) the Company and/or its wholly owned subsidiaries; (ii) any ESOP or other employee benefit plan of the Company and any trustee or other fiduciary in such capacity holding securities under such plan;

(iii) any corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company; or (iv) any other Person who, within the one year prior to the event which would otherwise be a Change in Control, is an executive officer of the Company or any group of Persons of which he voluntarily is a part), is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company’s then outstanding securities or such lesser percentage of voting power, but not less than 15%, as determined by the members of the Board of Directors of the Company who are independent directors (as defined in the New York Stock Exchange, Inc. Listed Company Manual); provided, however, that a Change in Control shall not be deemed to have occurred under the provisions of this subsection (a) by reason of the beneficial ownership of voting securities by members of the Benoliel family (as defined below) unless and until the beneficial ownership of all members of the Benoliel family (including any other individuals or entities who or which, together with any member or members of the Benoliel family, are deemed under Sections 13(d) or 14(d) of the Exchange Act to constitute a single Person) exceeds 50% of the combined voting power of the Company’s then outstanding securities;

(b) During any two-year period after the Effective Date, Directors of the Company in office at the beginning of such period plus any new Director (other than a Director designated by a Person who has entered into an agreement with the Company to effect a transaction within the purview of subsections (a) or (c)) whose election by the Board of Directors of the Company or whose nomination for election by the Company’s shareholders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the period or whose election or nomination for election was previously so approved shall cease for any reason to constitute at least a majority of the Board;

(c) The consummation of (i) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which the Company’s voting common shares (the “Common Shares”) would be converted into cash, securities, and/or other property, other than a merger of the Company in which holders of Common Shares immediately prior to the merger have the same proportionate ownership of voting shares of the surviving corporation immediately after the merger as they had in the Common Shares immediately before; or (ii) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets or earning power of the Company; or

(d) The Company’s shareholders or the Company’s Board of Directors shall approve the liquidation or dissolution of the Company.

As used in this Agreement, “members of the Benoliel family” shall mean Peter A. Benoliel, his wife and children and their respective spouses and children, and all trusts created by or for the benefit of any of them.

3. Entitlement to Change in Control Benefits; Certain Definitions.

The Manager shall be entitled to the benefits provided in this Agreement in the event the Manager’s employment with the Company or its affiliates is terminated under the circumstances

described in (a) or (b) below (a "Covered Termination"), provided the Manager executes and does not revoke a Release (as defined below).

(a) A Covered Termination shall have occurred within the meaning of this subsection (a) in the event the Manager's employment with the Company or its affiliates is terminated within two (2) years following a Change in Control by:

- (i) The Company or its affiliates without Cause (as defined below); or
- (ii) Resignation of the Manager for Good Reason (as defined below).

(b) A Covered Termination shall have occurred within the meaning of this subsection (b) in the event the Manager's employment with the Company or its affiliates is terminated by the Company or its affiliates without Cause within six months prior to a Change in Control and the Manager reasonably demonstrates after such Change in Control that such termination was at the request or suggestion of any individual or entity who or which has taken steps reasonably calculated to effect such Change in Control.

The Manager shall have no rights to any payments or benefits under this Agreement in the event the Manager's employment with the Company and its affiliates is terminated (i) as a result of death or Disability (as defined below), or (ii) by the Company or its affiliates for Cause. Except as provided in subsection (b), in the event the Manager's employment is terminated for any reason prior to a Change in Control, the Manager shall have no rights to any payments or benefits under this Agreement and, after any such termination, this Agreement shall be of no further force or effect.

"Cause" shall mean (i) the Manager's willful and material breach of the employment agreement, if any, between the Manager and the Company (after having received notice thereof and a reasonable opportunity to cure or correct), (ii) dishonesty, fraud, willful malfeasance, gross negligence, or other gross misconduct, in each case relating to the performance of the Manager's employment with the Company or its affiliates which is materially injurious to the Company, or (iii) conviction of or plea of guilty to a felony, such Cause to be determined, in each case, by a resolution approved by at least two-thirds of the Directors of the Company after having afforded the Manager a reasonable opportunity to appear before the Board of Directors of the Company and present his position.

"Disability" shall mean: (i) a physical or mental disability which, at least twenty-six (26) weeks after its commencement, is determined to be total and permanent by a physician selected by the Company or its insurers and reasonably acceptable to the Manager or the Manager's legal representative, or (ii) if the Company then has in effect a long-term disability plan covering employees generally, including the Manager, the definition of covered total and permanent "disability" set forth in such plan.

"Good Reason" shall mean any of the following actions without the Manager's consent, other than due to the Manager's death or Disability: (i) any reduction in the Manager's base salary from that provided immediately before the Covered Termination or, if higher, immediately before the Change in Control; (ii) any reduction in the Manager's bonus opportunity (including cash and noncash incentives) or increase in the goals or standards required to accrue that

opportunity, as compared to the opportunity and goals or standards in effect immediately before the Change in Control; (iii) a material adverse change in the nature or scope of the Manager's authorities, powers, functions, or duties from those in effect immediately before the Change in Control; (iv) a reduction in the Manager's benefits from those provided immediately before the Change in Control, disregarding any reduction under a plan or program covering employees generally that applies to all employees covered by the plan or program; or (v) the Manager being required to accept a primary employment location which is more than twenty-five (25) miles from the location at which he primarily was employed during the ninety (90) day period prior to a Change in Control.

"Release" shall mean a release (in a form satisfactory to the Company) of any and all claims against the Company and all related parties with respect to all matters arising out of the Manager's employment by the Company and its affiliates, or the termination thereof (other than claims for any entitlements under the terms of this Agreement or under any plans or programs of the Company under which the Manager has accrued a benefit). Notwithstanding any provision of this Agreement to the contrary, the Manager shall not be entitled to any payments or benefits under this Agreement unless the Manager executes and does not revoke a Release.

4. Severance Allowance.

(a) Amount of Severance Allowance. In the event of a Covered Termination, except as provided in Section 6, the Company shall pay or cause to be paid to the Manager in cash a severance allowance (the "Severance Allowance") equal to 1.5 times the sum of the amounts determined in accordance with the following paragraphs (i) and (ii):

- (i) An amount equivalent to the highest annualized base salary which the Manager was entitled to receive from the Company and its subsidiaries at any time during his employment prior to the Covered Termination; and
- (ii) An amount equal to the average of the aggregate annual amounts paid to the Manager under all applicable annual incentive compensation plans maintained by the Company and its affiliates (other than compensation relating to relocation expense; the grant, exercise, or settlement of stock options or performance incentive units or the sale or other disposition of shares received upon exercise or settlement of such options) during the three (3) calendar years prior to the year such Covered Termination occurs or, if higher, prior to the year such Change in Control occurs (provided, however, that (x) in determining the average amount paid under the annual incentive plan during such period there shall be excluded any year in which no amounts were paid to the Manager under that plan; and (y) there shall be excluded from such calculation any amounts paid to the Manager under any such incentive compensation plan as a result of the acceleration of such payments under such plan due to termination of the plan, a Change in Control, or a similar occurrence).

In no event shall any retention bonus or change in control or success fee be taken into account when determining the amount of the Severance Allowance hereunder.

(b) **Payment of Severance Allowance.** The Severance Allowance shall be paid to the Manager (i) in a lump sum within sixty (60) days after the date of any termination of the Manager covered by Section 3(a), or (ii) in the case of a termination described in Section 3(b), in a lump sum within sixty (60) days after the date of the Change in Control giving rise to such Covered Termination.

5. Outplacement and Welfare Benefits.

(a) **Outplacement.** Subject to Section 6, for a period of one year following a Covered Termination of the Manager (or the Change in Control resulting in a Covered Termination, if later), the Company shall make or cause to be made available to the Manager, at its expense, outplacement counseling and other outplacement services comparable to those available for the Company's senior managers prior to the Change in Control.

(b) **Welfare Benefits.** Subject to Section 6, for a period of 18 months following a Covered Termination of the Manager (or the Change in Control resulting in a Covered Termination, if later), the Manager and the Manager's dependents shall be entitled to participate in the Company's life, medical, and dental insurance plans at the Company's expense, in accordance with the terms of such plans at the time of such Covered Termination as if the Manager were still employed by the Company or its affiliates under this Agreement. If, however, life, medical, or dental insurance benefits are not paid or provided under any such plan to the Manager or his dependents because the Manager is no longer an employee of the Company or its subsidiaries, the Company itself shall, to the extent necessary, pay or otherwise provide for such benefits to the Manager and his dependents.

6. Effect of Other Employment.

In the event the Manager becomes employed (as defined below) during the period with respect to which benefits are continuing pursuant to Section 5: (a) the Manager shall notify the Company not later than the day such employment commences; and (b) the benefits provided for in Section 5 shall terminate as of the date of such employment. For the purposes of this Section 6, the Manager shall be deemed to have become "employed" by another entity or person only if the Manager becomes essentially a full-time employee of a person or an entity (not more than 30% of which is owned by the Manager and/or members of his family); and the Manager's "family" shall mean his parents, his siblings and their spouses, his children and their spouses, and the Manager's spouse and her parents and siblings. Nothing herein shall relieve the Company of its obligations for compensation or benefits accrued up to the time of termination provided for herein.

7. Other Payments and Benefits.

Within (30) business days after the Covered Termination (or the Change in Control resulting in a Covered Termination, if later), the Company shall pay or cause to be paid to the Manager the aggregate of: (a) the Manager's earned but unpaid base salary through the Covered Termination at the rate in effect on the date of the Covered Termination, or if higher, at the rate in effect at any time during the 90-day period preceding the Change in Control; (b) any unpaid bonus or annual incentive payable to the Manager in respect of the calendar year ending prior to the Covered Termination; (c) the pro rata portion of any and all unpaid bonuses and annual

incentive awards for the calendar year in which the Covered Termination occurs, said pro rata portion to be calculated on the fractional portion (the numerator of said fraction being the number of days between January 1 and the date of the Covered Termination, and the denominator of which is 365) of the amount of bonuses or awards which would have been payable had the Covered Termination not occurred in such calendar year; and (d) the pro rata portion of any and all awards under the Company's long term incentive plan for the performance period(s) in which the Covered Termination occurs, said pro rata portion to be calculated on the fractional portion (the numerator of said fraction being the number of days between the first day of the applicable performance period and the date of the Covered Termination, and the denominator of which is the total number of days in the applicable performance period) of the amount of the award which would have been payable had (i) the Covered Termination not occurred, and (ii) the target level of performance been achieved for the applicable performance period. The Manager shall be entitled to receive any other payments or benefits that the Manager is entitled to pursuant to the express terms of any compensation or benefit plan or arrangement of the Company or any of its affiliates; provided that the Severance Allowance (x) shall be in lieu of any severance payments to which the Manager might otherwise be entitled under the terms of any severance pay plan, policy, or arrangement maintained by the Company or the employment agreement, if any, between the Manager and the Company, and (y) shall be credited against any severance payments to which the Manager may be entitled by statute.

8. Death After Covered Termination.

In the event the Manager dies after a Covered Termination occurs, (a) any payments due to the Manager under Section 4 and the first sentence of Section 7 and not paid prior to the Manager's death shall be made to the person or persons who may be designated by the Manager in writing or, in the event he fails to so designate, to the Manager's personal representatives, and (b) the Manager's dependents shall be eligible for the welfare benefits described in Section 5(b).

9. Confidentiality and Noncompetition.

(a) Confidential Information. The Manager acknowledges that information concerning the method and conduct of the Company's (and any affiliate's) business, including, without limitation, strategic and marketing plans, budgets, corporate practices and procedures, financial statements, customer and supplier information, formulae, formulation information, application technology, manufacturing information, and laboratory test methods and all of the Company's (and any affiliate's) manuals, documents, notes, letters, records, and computer programs ("Proprietary Business Information"), are the sole and exclusive property of the Company (and/or the Company's affiliates, as the case may be) and are likely to constitute, contain or reveal trade secrets ("Trade Secrets") of the Company (and/or the Company's affiliate's, as the case may be). The term "Trade Secrets" as used herein does not include Proprietary Business Information that is known or becomes known to the public through no act or failure to act on the part of the Manager, or which can be clearly shown by written records to have been known by the Manager prior to the commencement of his employment with the Company.

- (i) The Manager agrees that at no time during or following his employment with the Company will he use, divulge, or pass on, directly or through any other individual or entity, any Trade Secrets.

(ii) Upon termination of the Manager's employment with the Company regardless of the reason for the termination of the Manager's employment hereunder, or at any other time upon the Company's request, the Manager agrees to forthwith surrender to the Company any and all materials in his possession or control which constitute or contain any Proprietary Business Information.

(b) Noncompetition. The Manager agrees that during his employment and for a period of one (1) year thereafter, regardless of the reason for the termination of the Manager's employment, he will not:

- (i) directly or indirectly, together or separately or with any third party, whether as an individual proprietor, partner, stockholder, officer, director, joint venturer, investor, or in any other capacity whatsoever actively engage in business or assist anyone or any firm in business as a manufacturer, seller, or distributor of specialty chemical products or chemical management services which are the same, like, similar to, or which compete with the products and services offered by the Company (or any of its affiliates);
- (ii) recruit or solicit any employee of the Company (or any of its affiliates) or otherwise induce such employee to leave the employ of the Company (or any of its affiliates) or to become an employee or otherwise be associated with his or any firm, corporation, business or other entity with which he is or may become associated; or
- (iii) solicit, directly or indirectly, for himself or as agent or employee of any person, partnership, corporation, or other entity (other than for the Company), any then or former customer, supplier, or client of the Company with the intent of actively engaging in business which would cause competitive harm to the Company (or any of its affiliates).

(c) Severability. The Manager acknowledges and agrees that all of the foregoing restrictions are reasonable as to the period of time and scope. However, if any paragraph, sentence, clause, or other provision is held invalid or unenforceable by a court of competent and relevant jurisdiction, such provision shall be deemed to be modified in a manner consistent with the intent of such original provision so as to make it valid and enforceable, and this Agreement and the application of such provision to persons and circumstances other than those with respect to which it would be invalid or unenforceable shall not be affected thereby.

(d) Remedies. The Manager agrees and recognizes that in the event of a breach or threatened breach of the provisions of the restrictive covenants contained in this Section 9, the Company may suffer irreparable harm, and monetary damages may not be an adequate remedy. Therefore, if any breach occurs or is threatened, the Company shall be entitled to seek equitable remedies, including injunctive relief in any court of applicable jurisdiction notwithstanding the provisions of Section 11. In the event of any breach of the restrictive covenant contained in this Section 9, the term of the restrictive covenant specified herein shall be extended by a period of

time equal to that period beginning on the date such violation commenced and ending when the activities constituting such violation cease. Furthermore, if a court or arbitration panel determines that the Manager has breached any of the provisions of this Section 9, the Company's obligations to pay amounts and continue the benefits under this Agreement to the Manager (and his dependents) shall immediately terminate.

10. Set-Off Mitigation.

Except as provided in Section 6, the Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense, or other claim, right, or action which the Company may have against the Manager or others. In no event shall the Manager be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Manager under any of the provisions of this Agreement.

11. Arbitration: Costs and Expenses of Enforcement.

(a) Arbitration. Except as otherwise provided in Sections 9(d) and 12, any controversy or claim arising out of or relating to this Agreement or the breach thereof which cannot promptly be resolved by the parties shall be promptly submitted to and settled exclusively by arbitration in the City of Philadelphia, Pennsylvania, in accordance with the laws of the Commonwealth of Pennsylvania by three arbitrators, one of whom shall be appointed by the Company, one by the Manager, and the third of whom shall be appointed by the first two arbitrators. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association, except with respect to the selection of arbitrators which shall be as provided in this Section 11. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

(b) Costs and Expenses. In the event that it shall be necessary or desirable for the Manager to retain legal counsel and/or incur other costs and expenses in connection with the enforcement of any and all of his rights under this Agreement, the Company shall pay (or the Manager shall be entitled to recover from the Company, as the case may be) his reasonable attorneys' fees and costs and expenses in connection with the enforcement of his said rights (including those incurred in or related to any arbitration proceedings provided for in subsection (a) and the enforcement of any arbitration award in court), regardless of the final outcome.

12. Limitation on Payment Obligation.

(a) For purposes of this Section 12, all terms capitalized but not otherwise defined herein shall have the meanings as set forth in Section 280G of the Internal Revenue Code of 1986, as amended, together with any applicable regulations thereunder (the "Code"). In addition:

- (i) the term "Parachute Payment" shall mean a payment described in Section 280G(b)(2)(A) or Section 280G(b)(2)(B) (including, but not limited to, any stock option rights, stock grants, and other cash and noncash compensation amounts that are treated as payments under either such section) and not excluded under Section 280G(b)(4)(A) or Section 280G(b)(6) of the Code;

- (ii) the term "Reasonable Compensation" shall mean reasonable compensation for prior personal services as defined in Section 280G(b)(4)(B) of the Code and subject to the requirement that any such reasonable compensation must be established by clear and convincing evidence; and
- (iii) the portion of the "Base Amount" and the amount of "Reasonable Compensation" allocable to any "Parachute Payment" shall be determined in accordance with Section 280G(b)(3) and (4) of the Code.

(b) Notwithstanding any other provision of this Agreement, each Parachute Payment to be made to or for the benefit of the Manager, whether pursuant to this Agreement or otherwise, with respect to a Change in Control shall be reduced if and to the extent necessary so that the aggregate Present Value of all such Parachute Payments shall be at least one dollar (\$1.00) less than the greater of (i) three times the Manager's Base Amount and (ii) the aggregate Reasonable Compensation allocable to such Parachute Payments. Unless otherwise agreed by the Manager and the Company, any reduction in Parachute Payments caused by reason of this subsection (b) shall be made proportionately with respect to each such Parachute Payment.

This subsection (b) shall be interpreted and applied to limit the amounts otherwise payable to the Manager under this Agreement or otherwise only to the extent required to avoid any material risk of the imposition of excise taxes on the Manager under Section 4999 of the Code or the disallowance of a deduction to the Company under Section 280G(a) of the Code. In the making of any such interpretation and application, the Manager shall be presumed to be a disqualified individual for purposes of applying the limitations set forth in this subsection (b) without regard to whether or not the Manager meets the definition of disqualified individual set forth in Section 280G(c) of the Code. In the event that the Manager and the Company are unable to agree as to the application of this subsection (b), the Company's independent auditors shall select independent tax counsel to determine the amount of such limits. Such selection of tax counsel shall be subject to the Manager's consent, provided that the Manager shall not unreasonably withhold his consent. The determination of such tax counsel under this Section 12 shall be final and binding upon the Manager and the Company.

(c) Notwithstanding any other provision of this Agreement, no payment shall be made hereunder to or for the benefit of the Manager if and to the extent that such payments are determined to be illegal.

13. Notices.

Any notices, requests, demands, and other communications provided for by this Agreement shall be sufficient if in writing, and if hand delivered or if sent by registered or certified mail, if to the Manager, at the last address he had filed in writing with the Company or if to the Company, at its principal executive offices. Notices, requests, etc. shall be effective when actually received by the addressee or at such address.

14. Withholding.

Notwithstanding any provision of this Agreement to the contrary, the Company may, to the extent required by law, withhold applicable Federal, state and local income and other taxes from any payments due to the Manager hereunder.

15. Assignment and Benefit.

(a) This Agreement is personal to the Manager and shall not be assignable by the Manager, by operation of law, or otherwise without the prior written consent of the Company otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Manager's heirs and legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns, including, without limitation, any subsidiary of the Company to which the Company may assign any of its rights hereunder; provided, however, that no assignment of this Agreement by the Company, by operation of law, or otherwise shall relieve it of its obligations hereunder except an assignment of this Agreement to, and its assumption by, a successor pursuant to subsection (c).

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation operation of law, or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place, but, irrespective of any such assignment or assumption, this Agreement shall inure to the benefit of and be binding upon such a successor. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid.

16. Governing Law.

The provisions of this Agreement shall be construed in accordance with the laws of the Commonwealth of Pennsylvania without reference to principles of conflicts of laws.

17. Entire Agreement.

This Agreement represents the entire agreement and understanding of the parties with respect to the subject matter hereof, and it may not be altered or amended except by an agreement in writing executed by the Company and the Manager.

18. No Waiver.

The failure to insist upon strict compliance with any provision of this Agreement by any party shall not be deemed to be a waiver of any future noncompliance with such provision or of noncompliance with any other provision.

19. Severability.

In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect.

20. Indemnification.

The Company shall defend and hold the Manager harmless to the fullest extent permitted by applicable law in connection with any claim, action, suit, investigation or proceeding arising out of or relating to performance by the Manager of services for, or action of the Manager as a director, officer or employee of the Company or any parent, subsidiary or affiliate of the Company, or of any other person or enterprise at the Company's request. Expenses incurred by the Manager in defending a claim, action, suit or investigation or criminal proceeding shall be paid by the Company in advance of the final disposition thereof upon the receipt by the Company of an undertaking by or on behalf of the Manager to repay said amount unless it shall ultimately be determined that the Manager is entitled to be indemnified hereunder; provided, however, that this shall not apply to a nonderivative action commenced by the Company against the Manager.

IN WITNESS WHEREOF, the Manager has hereunto set his hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name and on its behalf and attested by its Secretary or Assistant Secretary, all as of the day and year first above written.

MANAGER

/s/ Jose Luiz Bregolato

Jose Luiz Bregolato

QUAKER CHEMICAL CORPORATION

By: /s/ Ronald J. Naples

Ronald J. Naples

Title: Chairman and Chief Executive Officer

ATTEST:

/s/ D. Jeffrey Benoliel

D. Jeffrey Benoliel

CHANGE IN CONTROL AGREEMENT

THIS AGREEMENT, dated June 18, 2004, between QUAKER CHEMICAL CORPORATION, a Pennsylvania corporation (the "Company"), and Rex Curtis (the "Manager"),

WITNESSETH THAT

WHEREAS, the Board of Directors of the Company has determined that it is in the best interests of the Company and its shareholders that the Company and its subsidiaries be able to attract, retain, and motivate highly qualified management personnel and, in particular, that they be assured of continuity of management in the event of any actual or threatened change in control of the Company; and

WHEREAS, the Board of Directors of the Company believes that the execution by the Company of change in control agreements with certain management personnel, including the Manager, is an important factor in achieving this desired end;

NOW, THEREFORE, IN CONSIDERATION of the mutual obligations and agreements contained herein and intending to be legally bound hereby, the Manager and the Company agree as follows:

1. Term of Agreement.

This Agreement shall become effective on May 14, 2004 (the "Effective Date"), and shall continue in effect through December 31, 2005; provided, however, that the term of this Agreement shall automatically be extended for one additional year beyond December 31, 2005, and successive one year periods thereafter, unless, not later than eighteen (18) months preceding the calendar year in which the term would otherwise automatically extend, the Company shall have given written notice to the Manager of intention not to extend this Agreement for an additional year, in which event this Agreement shall continue in effect until December 31 of the calendar year immediately preceding the calendar year in which the term would have otherwise automatically extended.

Notwithstanding any such notice not to extend, if a Change in Control (as defined in Section 2) occurs during the original or extended term of this Agreement, this Agreement shall remain in effect after a Change in Control until all obligations of the parties hereto under this Agreement shall have been satisfied.

2. Change in Control.

As used in this Agreement, a "Change in Control" of the Company shall be deemed to have occurred if:

(a) Any person (a "Person"), as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than (i) the Company and/or its wholly owned subsidiaries; (ii) any ESOP or other employee benefit plan of the Company and any trustee or other fiduciary in such capacity holding securities under such plan;

(iii) any corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company; or (iv) any other Person who, within the one year prior to the event which would otherwise be a Change in Control, is an executive officer of the Company or any group of Persons of which he voluntarily is a part), is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company’s then outstanding securities or such lesser percentage of voting power, but not less than 15%, as determined by the members of the Board of Directors of the Company who are independent directors (as defined in the New York Stock Exchange, Inc. Listed Company Manual); provided, however, that a Change in Control shall not be deemed to have occurred under the provisions of this subsection (a) by reason of the beneficial ownership of voting securities by members of the Benoliel family (as defined below) unless and until the beneficial ownership of all members of the Benoliel family (including any other individuals or entities who or which, together with any member or members of the Benoliel family, are deemed under Sections 13(d) or 14(d) of the Exchange Act to constitute a single Person) exceeds 50% of the combined voting power of the Company’s then outstanding securities;

(b) During any two-year period after the Effective Date, Directors of the Company in office at the beginning of such period plus any new Director (other than a Director designated by a Person who has entered into an agreement with the Company to effect a transaction within the purview of subsections (a) or (c)) whose election by the Board of Directors of the Company or whose nomination for election by the Company’s shareholders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the period or whose election or nomination for election was previously so approved shall cease for any reason to constitute at least a majority of the Board;

(c) The consummation of (i) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which the Company’s voting common shares (the “Common Shares”) would be converted into cash, securities, and/or other property, other than a merger of the Company in which holders of Common Shares immediately prior to the merger have the same proportionate ownership of voting shares of the surviving corporation immediately after the merger as they had in the Common Shares immediately before; or (ii) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets or earning power of the Company; or

(d) The Company’s shareholders or the Company’s Board of Directors shall approve the liquidation or dissolution of the Company.

As used in this Agreement, “members of the Benoliel family” shall mean Peter A. Benoliel, his wife and children and their respective spouses and children, and all trusts created by or for the benefit of any of them.

3. Entitlement to Change in Control Benefits; Certain Definitions.

The Manager shall be entitled to the benefits provided in this Agreement in the event the Manager’s employment with the Company or its affiliates is terminated under the circumstances

described in (a) or (b) below (a "Covered Termination"), provided the Manager executes and does not revoke a Release (as defined below).

(a) A Covered Termination shall have occurred within the meaning of this subsection (a) in the event the Manager's employment with the Company or its affiliates is terminated within two (2) years following a Change in Control by:

- (i) The Company or its affiliates without Cause (as defined below); or
- (ii) Resignation of the Manager for Good Reason (as defined below).

(b) A Covered Termination shall have occurred within the meaning of this subsection (b) in the event the Manager's employment with the Company or its affiliates is terminated by the Company or its affiliates without Cause within six months prior to a Change in Control and the Manager reasonably demonstrates after such Change in Control that such termination was at the request or suggestion of any individual or entity who or which has taken steps reasonably calculated to effect such Change in Control.

The Manager shall have no rights to any payments or benefits under this Agreement in the event the Manager's employment with the Company and its affiliates is terminated (i) as a result of death or Disability (as defined below), or (ii) by the Company or its affiliates for Cause. Except as provided in subsection (b), in the event the Manager's employment is terminated for any reason prior to a Change in Control, the Manager shall have no rights to any payments or benefits under this Agreement and, after any such termination, this Agreement shall be of no further force or effect.

"Cause" shall mean (i) the Manager's willful and material breach of the employment agreement, if any, between the Manager and the Company (after having received notice thereof and a reasonable opportunity to cure or correct), (ii) dishonesty, fraud, willful malfeasance, gross negligence, or other gross misconduct, in each case relating to the performance of the Manager's employment with the Company or its affiliates which is materially injurious to the Company, or (iii) conviction of or plea of guilty to a felony, such Cause to be determined, in each case, by a resolution approved by at least two-thirds of the Directors of the Company after having afforded the Manager a reasonable opportunity to appear before the Board of Directors of the Company and present his position.

"Disability" shall mean: (i) a physical or mental disability which, at least twenty-six (26) weeks after its commencement, is determined to be total and permanent by a physician selected by the Company or its insurers and reasonably acceptable to the Manager or the Manager's legal representative, or (ii) if the Company then has in effect a long-term disability plan covering employees generally, including the Manager, the definition of covered total and permanent "disability" set forth in such plan.

"Good Reason" shall mean any of the following actions without the Manager's consent, other than due to the Manager's death or Disability: (i) any reduction in the Manager's base salary from that provided immediately before the Covered Termination or, if higher, immediately before the Change in Control; (ii) any reduction in the Manager's bonus opportunity (including

cash and noncash incentives) or increase in the goals or standards required to accrue that opportunity, as compared to the opportunity and goals or standards in effect immediately before the Change in Control; (iii) a material adverse change in the nature or scope of the Manager's authorities, powers, functions, or duties from those in effect immediately before the Change in Control; (iv) a reduction in the Manager's benefits from those provided immediately before the Change in Control, disregarding any reduction under a plan or program covering employees generally that applies to all employees covered by the plan or program; or (v) the Manager being required to accept a primary employment location which is more than twenty-five (25) miles from the location at which he primarily was employed during the ninety (90) day period prior to a Change in Control.

"Release" shall mean a release (in a form satisfactory to the Company) of any and all claims against the Company and all related parties with respect to all matters arising out of the Manager's employment by the Company and its affiliates, or the termination thereof (other than claims for any entitlements under the terms of this Agreement or under any plans or programs of the Company under which the Manager has accrued a benefit). Notwithstanding any provision of this Agreement to the contrary, the Manager shall not be entitled to any payments or benefits under this Agreement unless the Manager executes and does not revoke a Release.

4. Severance Allowance.

(a) **Amount of Severance Allowance.** In the event of a Covered Termination, except as provided in Section 6, the Company shall pay or cause to be paid to the Manager in cash a severance allowance (the "Severance Allowance") equal to 1.5 times the sum of the amounts determined in accordance with the following paragraphs (i) and (ii):

- (i) An amount equivalent to the highest annualized base salary which the Manager was entitled to receive from the Company and its subsidiaries at any time during his employment prior to the Covered Termination; and
- (ii) An amount equal to the average of the aggregate annual amounts paid to the Manager under all applicable annual incentive compensation plans maintained by the Company and its affiliates (other than compensation relating to relocation expense; the grant, exercise, or settlement of stock options or performance incentive units or the sale or other disposition of shares received upon exercise or settlement of such options) during the three (3) calendar years prior to the year such Covered Termination occurs or, if higher, prior to the year such Change in Control occurs (provided, however, that (x) in determining the average amount paid under the annual incentive plan during such period there shall be excluded any year in which no amounts were paid to the Manager under that plan; and (y) there shall be excluded from such calculation any amounts paid to the Manager under any such incentive compensation plan as a result of the acceleration of such payments under such plan due to termination of the plan, a Change in Control, or a similar occurrence).

In no event shall any retention bonus or change in control or success fee be taken into account when determining the amount of the Severance Allowance hereunder.

(b) Payment of Severance Allowance. The Severance Allowance shall be paid to the Manager (i) in a lump sum within sixty (60) days after the date of any termination of the Manager covered by Section 3(a), or (ii) in the case of a termination described in Section 3(b), in a lump sum within sixty (60) days after the date of the Change in Control giving rise to such Covered Termination.

5. Outplacement and Welfare Benefits.

(a) Outplacement. Subject to Section 6, for a period of one year following a Covered Termination of the Manager (or the Change in Control resulting in a Covered Termination, if later), the Company shall make or cause to be made available to the Manager, at its expense, outplacement counseling and other outplacement services comparable to those available for the Company's senior managers prior to the Change in Control.

(b) Welfare Benefits. Subject to Section 6, for a period of 18 months following a Covered Termination of the Manager (or the Change in Control resulting in a Covered Termination, if later), the Manager and the Manager's dependents shall be entitled to participate in the Company's life, medical, and dental insurance plans at the Company's expense, in accordance with the terms of such plans at the time of such Covered Termination as if the Manager were still employed by the Company or its affiliates under this Agreement. If, however, life, medical, or dental insurance benefits are not paid or provided under any such plan to the Manager or his dependents because the Manager is no longer an employee of the Company or its subsidiaries, the Company itself shall, to the extent necessary, pay or otherwise provide for such benefits to the Manager and his dependents.

6. Effect of Other Employment.

In the event the Manager becomes employed (as defined below) during the period with respect to which benefits are continuing pursuant to Section 5: (a) the Manager shall notify the Company not later than the day such employment commences; and (b) the benefits provided for in Section 5 shall terminate as of the date of such employment. For the purposes of this Section 6, the Manager shall be deemed to have become "employed" by another entity or person only if the Manager becomes essentially a full-time employee of a person or an entity (not more than 30% of which is owned by the Manager and/or members of his family); and the Manager's "family" shall mean his parents, his siblings and their spouses, his children and their spouses, and the Manager's spouse and her parents and siblings. Nothing herein shall relieve the Company of its obligations for compensation or benefits accrued up to the time of termination provided for herein.

7. Other Payments and Benefits.

Within (30) business days after the Covered Termination (or the Change in Control resulting in a Covered Termination, if later), the Company shall pay or cause to be paid to the Manager the aggregate of: (a) the Manager's earned but unpaid base salary through the Covered Termination at the rate in effect on the date of the Covered Termination, or if higher, at the rate

in effect at any time during the 90-day period preceding the Change in Control; (b) any unpaid bonus or annual incentive payable to the Manager in respect of the calendar year ending prior to the Covered Termination; (c) the pro rata portion of any and all unpaid bonuses and annual incentive awards for the calendar year in which the Covered Termination occurs, said pro rata portion to be calculated on the fractional portion (the numerator of said fraction being the number of days between January 1 and the date of the Covered Termination, and the denominator of which is 365) of the amount of bonuses or awards which would have been payable had the Covered Termination not occurred in such calendar year; and (d) the pro rata portion of any and all awards under the Company's long term incentive plan for the performance period(s) in which the Covered Termination occurs, said pro rata portion to be calculated on the fractional portion (the numerator of said fraction being the number of days between the first day of the applicable performance period and the date of the Covered Termination, and the denominator of which is the total number of days in the applicable performance period) of the amount of the award which would have been payable had (i) the Covered Termination not occurred, and (ii) the target level of performance been achieved for the applicable performance period. The Manager shall be entitled to receive any other payments or benefits that the Manager is entitled to pursuant to the express terms of any compensation or benefit plan or arrangement of the Company or any of its affiliates; provided that the Severance Allowance (x) shall be in lieu of any severance payments to which the Manager might otherwise be entitled under the terms of any severance pay plan, policy, or arrangement maintained by the Company or the employment agreement, if any, between the Manager and the Company, and (y) shall be credited against any severance payments to which the Manager may be entitled by statute.

8. Death After Covered Termination.

In the event the Manager dies after a Covered Termination occurs, (a) any payments due to the Manager under Section 4 and the first sentence of Section 7 and not paid prior to the Manager's death shall be made to the person or persons who may be designated by the Manager in writing or, in the event he fails to so designate, to the Manager's personal representatives, and (b) the Manager's dependents shall be eligible for the welfare benefits described in Section 5(b).

9. Confidentiality and Noncompetition.

(a) **Confidential Information.** The Manager acknowledges that information concerning the method and conduct of the Company's (and any affiliate's) business, including, without limitation, strategic and marketing plans, budgets, corporate practices and procedures, financial statements, customer and supplier information, formulae, formulation information, application technology, manufacturing information, and laboratory test methods and all of the Company's (and any affiliate's) manuals, documents, notes, letters, records, and computer programs ("Proprietary Business Information"), are the sole and exclusive property of the Company (and/or the Company's affiliates, as the case may be) and are likely to constitute, contain or reveal trade secrets ("Trade Secrets") of the Company (and/or the Company's affiliate's, as the case may be). The term "Trade Secrets" as used herein does not include Proprietary Business Information that is known or becomes known to the public through no act or failure to act on the part of the Manager, or which can be clearly shown by written records to have been known by the Manager prior to the commencement of his employment with the Company.

- (i) The Manager agrees that at no time during or following his employment with the Company will he use, divulge, or pass on, directly or through any other individual or entity, any Trade Secrets.
- (ii) Upon termination of the Manager's employment with the Company regardless of the reason for the termination of the Manager's employment hereunder, or at any other time upon the Company's request, the Manager agrees to forthwith surrender to the Company any and all materials in his possession or control which constitute or contain any Proprietary Business Information.

(b) Noncompetition. The Manager agrees that during his employment and for a period of one (1) year thereafter, regardless of the reason for the termination of the Manager's employment, he will not:

- (i) directly or indirectly, together or separately or with any third party, whether as an individual proprietor, partner, stockholder, officer, director, joint venturer, investor, or in any other capacity whatsoever actively engage in business or assist anyone or any firm in business as a manufacturer, seller, or distributor of specialty chemical products or chemical management services which are the same, like, similar to, or which compete with the products and services offered by the Company (or any of its affiliates);
- (ii) recruit or solicit any employee of the Company (or any of its affiliates) or otherwise induce such employee to leave the employ of the Company (or any of its affiliates) or to become an employee or otherwise be associated with his or any firm, corporation, business or other entity with which he is or may become associated; or
- (iii) solicit, directly or indirectly, for himself or as agent or employee of any person, partnership, corporation, or other entity (other than for the Company), any then or former customer, supplier, or client of the Company with the intent of actively engaging in business which would cause competitive harm to the Company (or any of its affiliates).

(c) Severability. The Manager acknowledges and agrees that all of the foregoing restrictions are reasonable as to the period of time and scope. However, if any paragraph, sentence, clause, or other provision is held invalid or unenforceable by a court of competent and relevant jurisdiction, such provision shall be deemed to be modified in a manner consistent with the intent of such original provision so as to make it valid and enforceable, and this Agreement and the application of such provision to persons and circumstances other than those with respect to which it would be invalid or unenforceable shall not be affected thereby.

(d) Remedies. The Manager agrees and recognizes that in the event of a breach or threatened breach of the provisions of the restrictive covenants contained in this Section 9, the Company may suffer irreparable harm, and monetary damages may not be an adequate remedy.

Therefore, if any breach occurs or is threatened, the Company shall be entitled to seek equitable remedies, including injunctive relief in any court of applicable jurisdiction notwithstanding the provisions of Section 11. In the event of any breach of the restrictive covenant contained in this Section 9, the term of the restrictive covenant specified herein shall be extended by a period of time equal to that period beginning on the date such violation commenced and ending when the activities constituting such violation cease. Furthermore, if a court or arbitration panel determines that the Manager has breached any of the provisions of this Section 9, the Company's obligations to pay amounts and continue the benefits under this Agreement to the Manager (and his dependents) shall immediately terminate.

10. Set-Off Mitigation.

Except as provided in Section 6, the Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense, or other claim, right, or action which the Company may have against the Manager or others. In no event shall the Manager be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Manager under any of the provisions of this Agreement.

11. Arbitration: Costs and Expenses of Enforcement.

(a) Arbitration. Except as otherwise provided in Sections 9(d) and 12, any controversy or claim arising out of or relating to this Agreement or the breach thereof which cannot promptly be resolved by the parties shall be promptly submitted to and settled exclusively by arbitration in the City of Philadelphia, Pennsylvania, in accordance with the laws of the Commonwealth of Pennsylvania by three arbitrators, one of whom shall be appointed by the Company, one by the Manager, and the third of whom shall be appointed by the first two arbitrators. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association, except with respect to the selection of arbitrators which shall be as provided in this Section 11. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

(b) Costs and Expenses. In the event that it shall be necessary or desirable for the Manager to retain legal counsel and/or incur other costs and expenses in connection with the enforcement of any and all of his rights under this Agreement, the Company shall pay (or the Manager shall be entitled to recover from the Company, as the case may be) his reasonable attorneys' fees and costs and expenses in connection with the enforcement of his said rights (including those incurred in or related to any arbitration proceedings provided for in subsection (a) and the enforcement of any arbitration award in court), regardless of the final outcome.

12. Limitation on Payment Obligation.

(a) For purposes of this Section 12, all terms capitalized but not otherwise defined herein shall have the meanings as set forth in Section 280G of the Internal Revenue Code of 1986, as amended, together with any applicable regulations thereunder (the "Code"). In addition:

- (i) the term "Parachute Payment" shall mean a payment described in Section 280G(b)(2)(A) or Section 280G(b)(2)(B) (including, but not limited to,

any stock option rights, stock grants, and other cash and noncash compensation amounts that are treated as payments under either such section) and not excluded under Section 280G(b)(4)(A) or Section 280G(b)(6) of the Code;

- (ii) the term "Reasonable Compensation" shall mean reasonable compensation for prior personal services as defined in Section 280G(b)(4)(B) of the Code and subject to the requirement that any such reasonable compensation must be established by clear and convincing evidence; and
- (iii) the portion of the "Base Amount" and the amount of "Reasonable Compensation" allocable to any "Parachute Payment" shall be determined in accordance with Section 280G(b)(3) and (4) of the Code.

(b) Notwithstanding any other provision of this Agreement, each Parachute Payment to be made to or for the benefit of the Manager, whether pursuant to this Agreement or otherwise, with respect to a Change in Control shall be reduced if and to the extent necessary so that the aggregate Present Value of all such Parachute Payments shall be at least one dollar (\$1.00) less than the greater of (i) three times the Manager's Base Amount and (ii) the aggregate Reasonable Compensation allocable to such Parachute Payments. Unless otherwise agreed by the Manager and the Company, any reduction in Parachute Payments caused by reason of this subsection (b) shall be made proportionately with respect to each such Parachute Payment.

This subsection (b) shall be interpreted and applied to limit the amounts otherwise payable to the Manager under this Agreement or otherwise only to the extent required to avoid any material risk of the imposition of excise taxes on the Manager under Section 4999 of the Code or the disallowance of a deduction to the Company under Section 280G(a) of the Code. In the making of any such interpretation and application, the Manager shall be presumed to be a disqualified individual for purposes of applying the limitations set forth in this subsection (b) without regard to whether or not the Manager meets the definition of disqualified individual set forth in Section 280G(c) of the Code. In the event that the Manager and the Company are unable to agree as to the application of this subsection (b), the Company's independent auditors shall select independent tax counsel to determine the amount of such limits. Such selection of tax counsel shall be subject to the Manager's consent, provided that the Manager shall not unreasonably withhold his consent. The determination of such tax counsel under this Section 12 shall be final and binding upon the Manager and the Company.

(c) Notwithstanding any other provision of this Agreement, no payment shall be made hereunder to or for the benefit of the Manager if and to the extent that such payments are determined to be illegal.

13. Notices.

Any notices, requests, demands, and other communications provided for by this Agreement shall be sufficient if in writing, and if hand delivered or if sent by registered or certified mail, if to the Manager, at the last address he had filed in writing with the Company or if to the Company, at its principal executive offices. Notices, requests, etc. shall be effective when actually received by the addressee or at such address.

14. Withholding.

Notwithstanding any provision of this Agreement to the contrary, the Company may, to the extent required by law, withhold applicable Federal, state and local income and other taxes from any payments due to the Manager hereunder.

15. Assignment and Benefit.

(a) This Agreement is personal to the Manager and shall not be assignable by the Manager, by operation of law, or otherwise without the prior written consent of the Company otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Manager's heirs and legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns, including, without limitation, any subsidiary of the Company to which the Company may assign any of its rights hereunder; provided, however, that no assignment of this Agreement by the Company, by operation of law, or otherwise shall relieve it of its obligations hereunder except an assignment of this Agreement to, and its assumption by, a successor pursuant to subsection (c).

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation operation of law, or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place, but, irrespective of any such assignment or assumption, this Agreement shall inure to the benefit of and be binding upon such a successor. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid.

16. Governing Law.

The provisions of this Agreement shall be construed in accordance with the laws of the Commonwealth of Pennsylvania without reference to principles of conflicts of laws.

17. Entire Agreement.

This Agreement represents the entire agreement and understanding of the parties with respect to the subject matter hereof, and it may not be altered or amended except by an agreement in writing executed by the Company and the Manager.

18. No Waiver.

The failure to insist upon strict compliance with any provision of this Agreement by any party shall not be deemed to be a waiver of any future noncompliance with such provision or of noncompliance with any other provision.

19. Severability.

In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect.

20. Indemnification.

The Company shall defend and hold the Manager harmless to the fullest extent permitted by applicable law in connection with any claim, action, suit, investigation or proceeding arising out of or relating to performance by the Manager of services for, or action of the Manager as a director, officer or employee of the Company or any parent, subsidiary or affiliate of the Company, or of any other person or enterprise at the Company's request. Expenses incurred by the Manager in defending a claim, action, suit or investigation or criminal proceeding shall be paid by the Company in advance of the final disposition thereof upon the receipt by the Company of an undertaking by or on behalf of the Manager to repay said amount unless it shall ultimately be determined that the Manager is entitled to be indemnified hereunder; provided, however, that this shall not apply to a nonderivative action commenced by the Company against the Manager.

IN WITNESS WHEREOF, the Manager has hereunto set his hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name and on its behalf and attested by its Secretary or Assistant Secretary, all as of the day and year first above written.

MANAGER

/s/ Rex Curtis

Rex Curtis

QUAKER CHEMICAL CORPORATION

By: /s/ Ronald J. Naples

Ronald J. Naples

Title: Chairman & Chief Executive Officer

ATTEST:

/s/ D. Jeffrey Benoliel

D. Jeffrey Benoliel

AMENDMENT NO. 1 TO EMPLOYMENT AGREEMENT
DATED MARCH 11, 1999 BETWEEN
QUAKER CHEMICAL CORPORATION AND RONALD J. NAPLES

WHEREAS, Quaker Chemical Corporation, a Pennsylvania corporation (the "Company"), and Ronald J. Naples ("Executive") entered into an Employment Agreement dated March 11, 1999 (the "Employment Agreement");

WHEREAS, the term of the Employment Agreement automatically extended for the one-year period beginning January 1, 2004 pursuant to Paragraph 3 thereof; and

WHEREAS, the Company and Executive wish to amend the Employment Agreement in accordance with Paragraph 21 thereof to (i) provide that the annual bonus award and long-term incentive award(s) payable upon a covered termination of employment during one or more performance periods shall be based on the target award for the applicable performance period (and not actual performance), so that such determination will be consistent with the determination for other executive officers, the Company's administrative burden in determining the amount of the awards will be eased, and Executive will have a measure of assurance regarding the determination of the awards, and (ii) correct a typographical error;

NOW THEREFORE, in consideration of the mutual obligations and agreements contained herein and intending to be legally bound hereby, the Company and Executive agree that the Employment Agreement is amended as follows effective July 21, 2004:

1. Paragraphs 11(e)(ii) and (iii) are amended to read as follows:

(ii) The Company shall pay to Executive, within ninety (90) days after the end of the calendar year in which the Severance Event occurred, the pro rata portion of any and all bonuses and annual incentive awards for the calendar year in which the Severance Event occurred, said pro rata portion to be calculated on the fractional portion (the numerator of said fraction being the number of days between January 1 and the date of the Severance Event, and the denominator of which is 365) of the target bonuses and annual incentive awards for such calendar year.

(iii) The Company shall pay to Executive, within ninety (90) days after the end of the calendar year in which the Severance Event occurred the pro rata portion of any and all awards under the Incentive Plan or other long-term incentive based compensation plans in which Executive is then participating. The pro rata portion shall be calculated on the fractional portion (the numerator of said fraction being the number of days between the first day of the applicable performance period and the date of the Severance Event, and the denominator of which is the total number of days in the applicable performance period) of the amount of the award which would have been payable had (i) the Severance Event not occurred, and (ii) the target level of performance been achieved for the applicable performance period.

2. The reference to "Paragraph 11" in the first sentence of Paragraph 12(a) is hereby changed to refer to "Paragraph 12."

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Amendment No. 1 to the March 11, 1999 Employment Agreement as of the day and year first written above.

/s/ Ronald J. Naples

Ronald J. Naples

QUAKER CHEMICAL CORPORATION

By: /s/ Robert H. Rock

Robert H. Rock, Chairman
Compensation/Management Development Committee

ATTEST:

/s/ D. Jeffry Benoiel

D. Jeffry Benoiel

MEMORANDUM OF EMPLOYMENT

Effective: June 30, 2004

NAME: Mr. Neal E. Murphy
ADDRESS: 1004 Rock Creek Road
West Chester, PA 19380

The parties to this Memorandum of Employment ("Agreement") are **NEAL MURPHY** and Quaker Chemical Corporation, a Pennsylvania corporation ("Quaker").

WHEREAS, Quaker desires to employ you and you desire to be employed by Quaker;

WHEREAS, both parties wish to define and clarify all terms and conditions of the employment relationship; and

WHEREAS, both parties want to avoid any disputes over any terms and conditions of the employment relationship;

NOW THEREFORE, intending to be legally bound, and in consideration of the mutual covenants contained herein, the parties agree as follows:

1. Duties.

It is understood that you will devote your entire working time and attention to Quaker's business affairs, perform your duties to the reasonable satisfaction of your immediate supervisor or manager, and use your best efforts on Quaker's behalf. In addition, you agree not to engage in any other commercial activity that is actually or potentially in competition with Quaker, unless Quaker consents in writing to such activity.

2. Compensation

Quaker agrees to pay you a base salary, which shall be payable either semimonthly or hourly, commencing on your date of hire. Your initial rate of base salary is set forth in an addendum, which is attached hereto and made a part hereof. In addition, you will be entitled to participate, to the extent eligible, in any retirement and stock purchase plans and shall be entitled to vacations, paid holidays, and medical, dental, and other benefits as are made generally available by Quaker to its full-time employees. Your salary and/or any benefits being made available to you may be changed at any time at Quaker's sole option, and any such change shall not affect any provision of this Agreement. Any changes to your salary shall be set forth in a revised addendum, a copy of which will be sent to you.

3. Term of Employment.

Your employment with Quaker may be terminated on thirty (30) days' written notice by either party, with or without cause or reason whatsoever. Within thirty (30) days after termination of your employment, you will be given an accounting of all monies due you.

4. Covenant Not to Disclose.

You acknowledge that the identity of Quaker's (and any of Quaker's affiliates') customers, the requirements of such customers, pricing and payment terms quoted and charged to such customers, the identity of Quaker's suppliers and terms of supply (and the suppliers and related terms of supply of any of Quaker's customers for which management services are being provided), information concerning the method and conduct of Quaker's (and any affiliate's) business such as formulae, formulation information, application technology, manufacturing information, marketing information, strategic and marketing plans, financial information, financial statements (audited and unaudited), budgets, corporate practices and procedures, research and development efforts, and laboratory test methods and all of Quaker's (and its affiliates') manuals, documents, notes, letters, records, and computer programs are Quaker's trade secrets ("Trade Secrets") and are Quaker's (and/or any of its affiliates', as the case may be) sole and exclusive property. You agree that at no time during or following your employment with Quaker will you appropriate for your own use, divulge or pass on, directly or through any other individual or entity or to any third party, any Quaker Trade Secrets. Upon termination of your employment with Quaker and prior to final payment of all monies due to you under Paragraph 2 or at any other time upon Quaker's request, you agree to surrender immediately to Quaker any and all materials in your possession or control which include or contain any Quaker Trade Secrets.

5. Covenant Not to Compete.

In consideration of your employment with Quaker and the training you are

to receive from Quaker, you agree that during your employment with Quaker and for a period of one (1) year thereafter, regardless of the reason for your termination, you will not:

a. directly or indirectly, together or separately or with any third party, whether as an employee, individual proprietor, partner, stockholder, officer, director, or investor, or in a joint venture or any other capacity whatsoever, actively engage in business or assist anyone or any firm in business as a manufacturer, seller, or distributor of chemical specialty products which are the same, like, similar to, or which compete with Quaker (or any of its affiliates') products or services; and

b. at the Chemical Management Services sites to which you are, have, or will specifically ever be assigned in the future, directly or indirectly, together or separately or with any third party, whether as an employee, individual proprietor, partner, stockholder, officer, director, or investor, or in a joint venture or any other capacity whatsoever, actively engage in business or assist anyone or any firm in business as a provider of chemical management services which are the same, like, similar to, or which compete with Quaker (or any of its affiliates') services; and

c. recruit or solicit any Quaker employee or otherwise induce such employee to leave Quaker's employ, or to become an employee or otherwise be associated with you or any firm, corporation, business, or other entity with which you are or may become associated; and

d. solicit or induce any of Quaker's suppliers of products and/or services (or a supplier of products and/or services of a customer who is being provided or solicited for the provision of chemical management services by Quaker) to terminate or alter its contractual relationship with Quaker (and/or any such customer).

The parties consider these restrictions reasonable, including the period of time during which the restrictions are effective. However, if any restriction or the period of time specified should be found to be unreasonable in any court proceeding, then such restriction shall be modified or the period of time shall be shortened as is found to be reasonable so that the foregoing covenant not to compete may be enforced. You agree that in the event of a breach or threatened breach by you of the provisions of the restrictive covenants contained in Paragraph 4 or in this Paragraph 5, Quaker will suffer irreparable harm, and monetary damages may not be an adequate remedy. Therefore, if any breach occurs, or is threatened, in addition to all other remedies available to Quaker, at law or in equity, Quaker shall be entitled as a matter of right to specific performance of the covenants contained herein by way of temporary or permanent injunctive relief. In the event of any breach of the restrictive covenant contained in this Paragraph 5, the term of the restrictive covenant shall be extended by a period of time equal to that period beginning on the date such violation commenced and ending when the activities constituting such violation cease.

6. Contractual Restrictions.

You represent and warrant to Quaker that: (a) there are no restrictions, agreements, or understandings to which you are a party that would prevent or make unlawful your employment with Quaker and (b) your employment by Quaker shall not constitute a breach of any contract, agreement, or understanding, oral or written, to which you are a party or by which you are bound.

7. Inventions

All improvements, modifications, formulations, processes, discoveries or inventions (“Inventions”), whether or not patentable, which were originated, conceived or developed by you solely or jointly with others (a) during your working hours or at Quaker’s expense or at Quaker’s premises or at a customer’s premises or (b) during your employment with Quaker and additionally, for a period of one year thereafter, and which relate to (i) Quaker’s business or (ii) any research, products, processes, devices, or machines under actual or anticipated development or investigation by Quaker at the earlier of (i) that time or (ii) as the date of termination of employment, shall be Quaker’s sole property. You shall promptly disclose to Quaker all Inventions that you conceive or become aware of at any time during your employment with Quaker and shall keep complete, accurate, and authentic notes, data and records of all Inventions and of all work done by you solely or jointly with others, in the manner directed by Quaker. You hereby transfer and assign to Quaker all of your right, title, and interest in and to any and all Inventions which may be conceived or developed by you solely or jointly with others during your employment with Quaker. You shall assist Quaker in applying, obtaining, and enforcing any United States Letters Patent and Foreign Letters Patent on any such Inventions and to take such other actions as may be necessary or desirable to protect Quaker’s interests therein. Upon request, you shall execute any and all applications, assignments, or other documents that Quaker deems necessary and desirable for such purposes. You have attached hereto a list of unpatented inventions that you have made or conceived prior to your employment with Quaker, and it is agreed that those inventions shall be excluded from the terms of this Agreement.

8. Miscellaneous

This Agreement constitutes the entire integrated agreement concerning the subjects covered herein. In case any provision of this Agreement shall be invalid, illegal, or otherwise unenforceable, the validity, legality, and enforceability of the remaining provisions shall not thereby be affected or impaired. You may not assign any of your rights or obligations under this Agreement without Quaker’s prior written consent. This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Pennsylvania without regard to any conflict of laws. This Agreement shall be binding upon you, your heirs, executors, and administrators and shall inure to the benefit of Quaker as well as its successors and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year first above written.

ATTEST:

QUAKER CHEMICAL CORPORATION

/s/ W. Timothy Haines

By: /s/ Ronald J. Naples

(Quaker Representative)

(Quaker Representative)

WITNESS:

/s/ Neal E. Murphy

(Person who witnesses your signature)

Neal Murphy

May 28, 2004

Mr. Neal E. Murphy
1004 Rock Creek Road
West Chester, PA 19380

Dear Neal:

I am pleased to offer you the position of Vice President, Chief Financial Officer, reporting to me.

If the terms and conditions of this offer are satisfactory, please sign and return one copy of this letter to my attention no later than June 30, 2004. The details of this offer are as follows:

- Start Date:** We anticipate that you will be able to begin your new position as soon as possible after we agree on your employment.
- Base Salary:** Your salary will be payable on a semi-monthly basis at the rate of \$10,950.00, which is annualized at \$262,800.00. You will be eligible for your next salary increase in March of 2005.
- Annual Bonus:** For your position, you are eligible to participate in the Global Annual Incentive Plan (GAIP). Your annual cash bonus is up to a maximum of 50% of your base salary with a mid/target of 28%.
For 2004, as an exception to the GAIP, your earned bonus will not be prorated based on your hire date. In addition, you will receive a guaranteed minimum GAIP payment of \$75,000.00, to be paid in March 2005.
- Long Term Bonus:** You are eligible to participate in the Long Term Incentive Plan (LTIP).
For the 2004-2006 LTIP cycle, you will be granted 8,525 options, a target award of 1,615 shares of Quaker common stock, and a target cash award of \$36,900.00. The shares and cash target award may range up to 200% of target based on plan performance. Awards paid in March 2007 will not be prorated. Vesting for the stock options will be 50% at the end of the first year, and 25% at the end of the second and third years.
Ongoing, a three year LTIP plan is set each year. Your target award will be equal to 50% of base salary, to be divided among options, stock, and cash (under current plan) at the discretion of the Compensation/Management Development Committee of the Board of Directors.
- Transition Payments:** You will receive one time special payments of \$50,000.00 within approximately seven (7) days of joining Quaker, \$50,000.00 at the completion of your first year anniversary, and \$50,000.00 at the completion of your second year anniversary. These payments are subject to all withholdings.

In addition, you will receive 10,000 options within approximately seven (7) days of joining Quaker, of which 3,500 options will vest after two years, 3,500 options will vest after three years, and 3,000 options will vest after four years.

Other Items:

You will be eligible to participate in Quaker's SERP. Currently, plan entry begins at 55 years of age, however, we are in the process of rethinking eligibility and benefits of that plan. You will be allowed 12 months notice/severance if you are asked to leave Quaker for other than cause. You will be recommended to the Compensation/Management Development Committee of the Board of Directors for a change-of-control agreement.

Benefits:

Quaker offers a Flexible Benefits Program. This gives you the opportunity to choose from a variety of options creating a customized benefits package. Eligibility begins on the first of the month following your date of hire. The following benefits are part of the program. In each of these areas, you are offered a range of options so you may choose the ones that make the most sense for your personal situation.

- Medical (comparison enclosed)
- Dental (summary enclosed)
- Life & AD&D Insurance
- Long-term Disability
- Health Care and Dependent Care Flexible Spending Accounts (FSAs)

In addition to these flexible benefits, Quaker also offers the following benefit plans:

- The Retirement Account
- Retirement Savings Plan (401K)

Enrollment for Quaker benefits is done online on a web-based system hosted by Marsh@Work. Enclosed are step-by-step enrollment instructions for accessing the site. You should be able to access the site within a day of your actual start date. You have 30 days from your actual start date to make your elections and fully confirm them online. If this is not done prior to 30 days from your actual start date, you can not enroll again until the next scheduled open enrollment period for the full calendar year.

Vacation / Holidays:

For 2004, you will be eligible for two weeks of vacation. You will be eligible for four weeks of vacation annually beginning in 2005. The company currently has 11 1/2 paid holidays.

Business Casual:

Please note that Quaker has a Business Casual Dress policy.

Drug Screening / Pre-employment Physical:

This offer is contingent upon satisfactory results of a pre-employment physical and drug screening. Please call the Clinic Network at Health Resources at 1-800-756-0245 to make your appointment. You will have 72 hours from the time you receive this letter to obtain your pre-employment physical and drug screening. Failure to do so will result in rescinding of this offer.

**Non-Smoking
Clause:**

Please note that Quaker is a non-smoking company that does not allow associates to smoke in any of its facilities.

Exclusivity:

You hereby undertake to work exclusively for Quaker Chemical, and its subsidiaries. Furthermore, as a condition of employment, we expect you to sign the attached Memorandum of Employment. It contains restrictive covenants, some of which may continue after employment with Quaker. Accordingly, you should carefully review the agreement and, if you desire, consult with an attorney. Please sign the Memorandum of Employment and return it to me.

This offer of employment is extended through June 30, 2004. The offer is contingent upon your producing documents for the company's inspection that are sufficient to establish your employment eligibility in the United States prior to the commencement of your employment as required by law.

Neal, this is an exciting time in the life of Quaker Chemical Corporation, and we are confident that you will contribute to our future growth and success. If you have any questions regarding this offer, please feel free to contact me at (800) 523-7010, ext. 4107.

Again, please acknowledge formal acceptance of this offer by signing in the space provided and returning a copy of this letter to my personal attention.

Sincerely,

/s/ Ronald J. Naples

Ronald J. Naples
Chairman and CEO

I hereby accept the offer as given above and will commence my employment on July 26, 2004. I understand and acknowledge that this offer does not create an employment contract between the company and me; nor does it guarantee employment for any period of time; nor does it guarantee any particular terms and/or conditions of employment other than those specified above. I further understand and acknowledge that my employment relationship between the company and me will be "at will" and completely voluntary with both parties.

/s/ Neal E. Murphy

Neal E. Murphy

June 23, 2004

Date

CHANGE IN CONTROL AGREEMENT

THIS AGREEMENT, dated July 22, 2004, between QUAKER CHEMICAL CORPORATION, a Pennsylvania corporation (the "Company"), and Neal E. Murphy (the "Manager"),

WITNESSETH THAT

WHEREAS, the Board of Directors of the Company has determined that it is in the best interests of the Company and its shareholders that the Company and its subsidiaries be able to attract, retain, and motivate highly qualified management personnel and, in particular, that they be assured of continuity of management in the event of any actual or threatened change in control of the Company; and

WHEREAS, the Board of Directors of the Company believes that the execution by the Company of change in control agreements with certain management personnel, including the Manager, is an important factor in achieving this desired end;

NOW, THEREFORE, IN CONSIDERATION of the mutual obligations and agreements contained herein and intending to be legally bound hereby, the Manager and the Company agree as follows:

1. Term of Agreement.

This Agreement shall become effective on July 22, 2004 (the "Effective Date"), and shall continue in effect through December 31, 2006; provided, however, that the term of this Agreement shall automatically be extended for one additional year beyond December 31, 2006, and successive one year periods thereafter, unless, not later than eighteen (18) months preceding the calendar year in which the term would otherwise automatically extend, the Company shall have given written notice to the Manager of intention not to extend this Agreement for an additional year, in which event this Agreement shall continue in effect until December 31 of the calendar year immediately preceding the calendar year in which the term would have otherwise automatically extended.

Notwithstanding any such notice not to extend, if a Change in Control (as defined in Section 2) occurs during the original or extended term of this Agreement, this Agreement shall remain in effect after a Change in Control until all obligations of the parties hereto under this Agreement shall have been satisfied.

2. Change in Control.

As used in this Agreement, a "Change in Control" of the Company shall be deemed to have occurred if:

(a) Any person (a "Person"), as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than (i) the Company and/or its wholly owned subsidiaries; (ii) any ESOP or other employee benefit plan of the

Company and any trustee or other fiduciary in such capacity holding securities under such plan; (iii) any corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company; or (iv) any other Person who, within the one year prior to the event which would otherwise be a Change in Control, is an executive officer of the Company or any group of Persons of which he voluntarily is a part), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding securities or such lesser percentage of voting power, but not less than 15%, as determined by the members of the Board of Directors of the Company who are independent directors (as defined in the New York Stock Exchange, Inc. Listed Company Manual); provided, however, that a Change in Control shall not be deemed to have occurred under the provisions of this subsection (a) by reason of the beneficial ownership of voting securities by members of the Benoliel family (as defined below) unless and until the beneficial ownership of all members of the Benoliel family (including any other individuals or entities who or which, together with any member or members of the Benoliel family, are deemed under Sections 13(d) or 14(d) of the Exchange Act to constitute a single Person) exceeds 50% of the combined voting power of the Company's then outstanding securities;

(b) During any two-year period after the Effective Date, Directors of the Company in office at the beginning of such period plus any new Director (other than a Director designated by a Person who has entered into an agreement with the Company to effect a transaction within the purview of subsections (a) or (c)) whose election by the Board of Directors of the Company or whose nomination for election by the Company's shareholders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the period or whose election or nomination for election was previously so approved shall cease for any reason to constitute at least a majority of the Board;

(c) The consummation of (i) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which the Company's voting common shares (the "Common Shares") would be converted into cash, securities, and/or other property, other than a merger of the Company in which holders of Common Shares immediately prior to the merger have the same proportionate ownership of voting shares of the surviving corporation immediately after the merger as they had in the Common Shares immediately before; or (ii) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets or earning power of the Company; or

(d) The Company's shareholders or the Company's Board of Directors shall approve the liquidation or dissolution of the Company.

As used in this Agreement, "members of the Benoliel family" shall mean Peter A. Benoliel, his wife and children and their respective spouses and children, and all trusts created by or for the benefit of any of them.

3. Entitlement to Change in Control Benefits; Certain Definitions.

The Manager shall be entitled to the benefits provided in this Agreement in the event the Manager's employment with the Company or its affiliates is terminated under the circumstances

described in (a) or (b) below (a "Covered Termination"), provided the Manager executes and does not revoke a Release (as defined below).

(a) A Covered Termination shall have occurred within the meaning of this subsection (a) in the event the Manager's employment with the Company or its affiliates is terminated within two (2) years following a Change in Control by:

- (i) The Company or its affiliates without Cause (as defined below); or
- (ii) Resignation of the Manager for Good Reason (as defined below).

(b) A Covered Termination shall have occurred within the meaning of this subsection (b) in the event the Manager's employment with the Company or its affiliates is terminated by the Company or its affiliates without Cause within six months prior to a Change in Control and the Manager reasonably demonstrates after such Change in Control that such termination was at the request or suggestion of any individual or entity who or which has taken steps reasonably calculated to effect such Change in Control.

The Manager shall have no rights to any payments or benefits under this Agreement in the event the Manager's employment with the Company and its affiliates is terminated (i) as a result of death or Disability (as defined below), or (ii) by the Company or its affiliates for Cause. Except as provided in subsection (b), in the event the Manager's employment is terminated for any reason prior to a Change in Control, the Manager shall have no rights to any payments or benefits under this Agreement and, after any such termination, this Agreement shall be of no further force or effect.

"Cause" shall mean (i) the Manager's willful and material breach of the employment agreement, if any, between the Manager and the Company (after having received notice thereof and a reasonable opportunity to cure or correct), (ii) dishonesty, fraud, willful malfeasance, gross negligence, or other gross misconduct, in each case relating to the performance of the Manager's employment with the Company or its affiliates which is materially injurious to the Company, or (iii) conviction of or plea of guilty to a felony, such Cause to be determined, in each case, by a resolution approved by at least two-thirds of the Directors of the Company after having afforded the Manager a reasonable opportunity to appear before the Board of Directors of the Company and present his position.

"Disability" shall mean: (i) a physical or mental disability which, at least twenty-six (26) weeks after its commencement, is determined to be total and permanent by a physician selected by the Company or its insurers and reasonably acceptable to the Manager or the Manager's legal representative, or (ii) if the Company then has in effect a long-term disability plan covering employees generally, including the Manager, the definition of covered total and permanent "disability" set forth in such plan.

"Good Reason" shall mean any of the following actions without the Manager's consent, other than due to the Manager's death or Disability: (i) any reduction in the Manager's base salary from that provided immediately before the Covered Termination or, if higher, immediately before the Change in Control; (ii) any reduction in the Manager's bonus opportunity (including

cash and noncash incentives) or increase in the goals or standards required to accrue that opportunity, as compared to the opportunity and goals or standards in effect immediately before the Change in Control; (iii) a material adverse change in the nature or scope of the Manager's authorities, powers, functions, or duties from those in effect immediately before the Change in Control; (iv) a reduction in the Manager's benefits from those provided immediately before the Change in Control, disregarding any reduction under a plan or program covering employees generally that applies to all employees covered by the plan or program; or (v) the Manager being required to accept a primary employment location which is more than twenty-five (25) miles from the location at which he primarily was employed during the ninety (90) day period prior to a Change in Control.

"Release" shall mean a release (in a form satisfactory to the Company) of any and all claims against the Company and all related parties with respect to all matters arising out of the Manager's employment by the Company and its affiliates, or the termination thereof (other than claims for any entitlements under the terms of this Agreement or under any plans or programs of the Company under which the Manager has accrued a benefit). Notwithstanding any provision of this Agreement to the contrary, the Manager shall not be entitled to any payments or benefits under this Agreement unless the Manager executes and does not revoke a Release.

4. Severance Allowance.

(a) **Amount of Severance Allowance.** In the event of a Covered Termination, except as provided in Section 7, the Company shall pay or cause to be paid to the Manager in cash a severance allowance (the "Severance Allowance") equal to 1.5 times the sum of the amounts determined in accordance with the following paragraphs (i) and (ii):

- (i) An amount equivalent to the highest annualized base salary which the Manager was entitled to receive from the Company and its subsidiaries at any time during his employment prior to the Covered Termination; and
- (ii) An amount equal to the average of the aggregate annual amounts paid to the Manager under all applicable annual incentive compensation plans maintained by the Company and its affiliates (other than compensation relating to relocation expense; the grant, exercise, or settlement of stock options or performance incentive units or the sale or other disposition of shares received upon exercise or settlement of such options) during the three (3) calendar years prior to the year such Covered Termination occurs or, if higher, prior to the year such Change in Control occurs (provided, however, that (x) in determining the average amount paid under the annual incentive plan during such period there shall be excluded any year in which no amounts were paid to the Manager under that plan; and (y) there shall be excluded from such calculation any amounts paid to the Manager under any such incentive compensation plan as a result of the acceleration of such payments under such plan due to termination of the plan, a Change in Control, or a similar occurrence).

In no event shall any retention bonus or change in control or success fee be taken into account when determining the amount of the Severance Allowance hereunder.

(b) Payment of Severance Allowance. The Severance Allowance shall be paid to the Manager (i) in a lump sum within sixty (60) days after the date of any termination of the Manager covered by Section 3(a), or (ii) in the case of a termination described in Section 3(b), in a lump sum within sixty (60) days after the date of the Change in Control giving rise to such Covered Termination.

5. Outplacement and Welfare Benefits.

(a) Outplacement. Subject to Section 7, for a period of one year following a Covered Termination of the Manager (or the Change in Control resulting in a Covered Termination, if later), the Company shall make or cause to be made available to the Manager, at its expense, outplacement counseling and other outplacement services comparable to those available for the Company's senior managers prior to the Change in Control.

(b) Welfare Benefits. Subject to Section 7, for a period of 18 months following a Covered Termination of the Manager (or the Change in Control resulting in a Covered Termination, if later), the Manager and the Manager's dependents shall be entitled to participate in the Company's life, medical, and dental insurance plans at the Company's expense, in accordance with the terms of such plans at the time of such Covered Termination as if the Manager were still employed by the Company or its affiliates under this Agreement. If, however, life, medical, or dental insurance benefits are not paid or provided under any such plan to the Manager or his dependents because the Manager is no longer an employee of the Company or its subsidiaries, the Company itself shall, to the extent necessary, pay or otherwise provide for such benefits to the Manager and his dependents.

6. Acceleration of Transition Payments.

In the event of a Covered Termination of the Manager (or the Change in Control resulting in a Covered Termination, if later), Manager shall be entitled to receive within thirty (30) days after the date of termination of the Manager or Change of Control, as applicable, in a lump sum (subject to withholding), amounts still owed as transition payments per the terms of Manager offer letter dated May 28, 2004.

7. Effect of Other Employment.

In the event the Manager becomes employed (as defined below) during the period with respect to which benefits are continuing pursuant to Section 5: (a) the Manager shall notify the Company not later than the day such employment commences; and (b) the benefits provided for in Section 5 shall terminate as of the date of such employment. For the purposes of this Section 7, the Manager shall be deemed to have become "employed" by another entity or person only if the Manager becomes essentially a full-time employee of a person or an entity (not more than 30% of which is owned by the Manager and/or members of his family); and the Manager's "family" shall mean his parents, his siblings and their spouses, his children and their spouses, and the Manager's spouse and her parents and siblings. Nothing herein shall relieve the Company of its obligations for compensation or benefits accrued up to the time of termination provided for herein.

8. Other Payments and Benefits.

Within (30) business days after the Covered Termination (or the Change in Control resulting in a Covered Termination, if later), the Company shall pay or cause to be paid to the Manager the aggregate of: (a) the Manager's earned but unpaid base salary through the Covered Termination at the rate in effect on the date of the Covered Termination, or if higher, at the rate in effect at any time during the 90-day period preceding the Change in Control; (b) any unpaid bonus or annual incentive payable to the Manager in respect of the calendar year ending prior to the Covered Termination; (c) the pro rata portion of any and all unpaid bonuses and annual incentive awards for the calendar year in which the Covered Termination occurs, said pro rata portion to be calculated on the fractional portion (the numerator of said fraction being the number of days between January 1 and the date of the Covered Termination, and the denominator of which is 365) of the target bonuses or annual incentive awards for such calendar year; and (d) the pro rata portion of any and all awards under the Company's long term incentive plan for the performance period(s) in which the Covered Termination occurs, said pro rata portion to be calculated on the fractional portion (the numerator of said fraction being the number of days between the first day of the applicable performance period and the date of the Covered Termination, and the denominator of which is the total number of days in the applicable performance period) of the amount of the award which would have been payable had (i) the Covered Termination not occurred, and (ii) the target level of performance been achieved for the applicable performance period. The Manager shall be entitled to receive any other payments or benefits that the Manager is entitled to pursuant to the express terms of any compensation or benefit plan or arrangement of the Company or any of its affiliates; provided that the Severance Allowance (x) shall be in lieu of any severance payments to which the Manager might otherwise be entitled under the terms of any severance pay plan, policy, or arrangement maintained by the Company or the employment agreement, if any, between the Manager and the Company, and (y) shall be credited against any severance payments to which the Manager may be entitled by statute.

9. Death After Covered Termination.

In the event the Manager dies after a Covered Termination occurs, (a) any payments due to the Manager under Section 4 and the first sentence of Section 8 and not paid prior to the Manager's death shall be made to the person or persons who may be designated by the Manager in writing or, in the event he fails to so designate, to the Manager's personal representatives, and (b) the Manager's dependents shall be eligible for the welfare benefits described in Section 5(b).

10. Confidentiality and Noncompetition.

(a) Confidential Information. The Manager acknowledges that information concerning the method and conduct of the Company's (and any affiliate's) business, including, without limitation, strategic and marketing plans, budgets, corporate practices and procedures, financial statements, customer and supplier information, formulae, formulation information, application technology, manufacturing information, and laboratory test methods and all of the Company's (and any affiliate's) manuals, documents, notes, letters, records, and computer

programs ("Proprietary Business Information"), are the sole and exclusive property of the Company (and/or the Company's affiliates, as the case may be) and are likely to constitute, contain or reveal trade secrets ("Trade Secrets") of the Company (and/or the Company's affiliate's, as the case may be). The term "Trade Secrets" as used herein does not include Proprietary Business Information that is known or becomes known to the public through no act or failure to act on the part of the Manager, or which can be clearly shown by written records to have been known by the Manager prior to the commencement of his employment with the Company.

- (i) The Manager agrees that at no time during or following his employment with the Company will he use, divulge, or pass on, directly or through any other individual or entity, any Trade Secrets.
- (ii) Upon termination of the Manager's employment with the Company regardless of the reason for the termination of the Manager's employment hereunder, or at any other time upon the Company's request, the Manager agrees to forthwith surrender to the Company any and all materials in his possession or control which constitute or contain any Proprietary Business Information.

(b) Noncompetition. The Manager agrees that during his employment and for a period of one (1) year thereafter, regardless of the reason for the termination of the Manager's employment, he will not:

- (i) directly or indirectly, together or separately or with any third party, whether as an individual proprietor, partner, stockholder, officer, director, joint venturer, investor, or in any other capacity whatsoever actively engage in business or assist anyone or any firm in business as a manufacturer, seller, or distributor of specialty chemical products or chemical management services which are the same, like, similar to, or which compete with the products and services offered by the Company (or any of its affiliates);
- (ii) recruit or solicit any employee of the Company (or any of its affiliates) or otherwise induce such employee to leave the employ of the Company (or any of its affiliates) or to become an employee or otherwise be associated with his or any firm, corporation, business or other entity with which he is or may become associated; or
- (iii) solicit, directly or indirectly, for himself or as agent or employee of any person, partnership, corporation, or other entity (other than for the Company), any then or former customer, supplier, or client of the Company with the intent of actively engaging in business which would cause competitive harm to the Company (or any of its affiliates).

(c) Severability. The Manager acknowledges and agrees that all of the foregoing restrictions are reasonable as to the period of time and scope. However, if any paragraph, sentence, clause, or other provision is held invalid or unenforceable by a court of competent and relevant jurisdiction, such provision shall be deemed to be modified in a manner consistent with the intent of such original provision so as to make it valid and enforceable, and this Agreement and the application of such provision to persons and circumstances other than those with respect to which it would be invalid or unenforceable shall not be affected thereby.

(d) Remedies. The Manager agrees and recognizes that in the event of a breach or threatened breach of the provisions of the restrictive covenants contained in this Section 10, the Company may suffer irreparable harm, and monetary damages may not be an adequate remedy. Therefore, if any breach occurs or is threatened, the Company shall be entitled to seek equitable remedies, including injunctive relief in any court of applicable jurisdiction notwithstanding the provisions of Section 12. In the event of any breach of the restrictive covenant contained in this Section 10, the term of the restrictive covenant specified herein shall be extended by a period of time equal to that period beginning on the date such violation commenced and ending when the activities constituting such violation cease. Furthermore, if a court or arbitration panel determines that the Manager has breached any of the provisions of this Section 10, the Company's obligations to pay amounts and continue the benefits under this Agreement to the Manager (and his dependents) shall immediately terminate.

11. Set-Off Mitigation.

Except as provided in Section 7, the Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense, or other claim, right, or action which the Company may have against the Manager or others. In no event shall the Manager be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Manager under any of the provisions of this Agreement.

12. Arbitration: Costs and Expenses of Enforcement.

(a) Arbitration. Except as otherwise provided in Sections 10(d) and 13, any controversy or claim arising out of or relating to this Agreement or the breach thereof which cannot promptly be resolved by the parties shall be promptly submitted to and settled exclusively by arbitration in the City of Philadelphia, Pennsylvania, in accordance with the laws of the Commonwealth of Pennsylvania by three arbitrators, one of whom shall be appointed by the Company, one by the Manager, and the third of whom shall be appointed by the first two arbitrators. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association, except with respect to the selection of arbitrators which shall be as provided in this Section 12. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

(b) Costs and Expenses. In the event that it shall be necessary or desirable for the Manager to retain legal counsel and/or incur other costs and expenses in connection with the enforcement of any and all of his rights under this Agreement, the Company shall pay (or the Manager shall be entitled to recover from the Company, as the case may be) his reasonable attorneys' fees and costs and expenses in connection with the enforcement of his said rights (including those incurred in or related to any arbitration proceedings provided for in subsection (a) and the enforcement of any arbitration award in court), regardless of the final outcome.

13. Limitation on Payment Obligation.

(a) For purposes of this Section 13, all terms capitalized but not otherwise defined herein shall have the meanings as set forth in Section 280G of the Internal Revenue Code of 1986, as amended, together with any applicable regulations thereunder (the "Code"). In addition:

- (i) the term "Parachute Payment" shall mean a payment described in Section 280G(b)(2)(A) or Section 280G(b)(2)(B) (including, but not limited to, any stock option rights, stock grants, and other cash and noncash compensation amounts that are treated as payments under either such section) and not excluded under Section 280G(b)(4)(A) or Section 280G(b)(6) of the Code;
- (ii) the term "Reasonable Compensation" shall mean reasonable compensation for prior personal services as defined in Section 280G(b)(4)(B) of the Code and subject to the requirement that any such reasonable compensation must be established by clear and convincing evidence; and
- (iii) the portion of the "Base Amount" and the amount of "Reasonable Compensation" allocable to any "Parachute Payment" shall be determined in accordance with Section 280G(b)(3) and (4) of the Code.

(b) Notwithstanding any other provision of this Agreement, each Parachute Payment to be made to or for the benefit of the Manager, whether pursuant to this Agreement or otherwise, with respect to a Change in Control shall be reduced if and to the extent necessary so that the aggregate Present Value of all such Parachute Payments shall be at least one dollar (\$1.00) less than the greater of (i) three times the Manager's Base Amount and (ii) the aggregate Reasonable Compensation allocable to such Parachute Payments. Unless otherwise agreed by the Manager and the Company, any reduction in Parachute Payments caused by reason of this subsection (b) shall be made proportionately with respect to each such Parachute Payment.

This subsection (b) shall be interpreted and applied to limit the amounts otherwise payable to the Manager under this Agreement or otherwise only to the extent required to avoid any material risk of the imposition of excise taxes on the Manager under Section 4999 of the Code or the disallowance of a deduction to the Company under Section 280G(a) of the Code. In the making of any such interpretation and application, the Manager shall be presumed to be a disqualified individual for purposes of applying the limitations set forth in this subsection (b) without regard to whether or not the Manager meets the definition of disqualified individual set forth in Section 280G(c) of the Code. In the event that the Manager and the Company are unable to agree as to the application of this subsection (b), the Company's independent auditors shall select independent tax counsel to determine the amount of such limits. Such selection of tax counsel shall be subject to the Manager's consent, provided that the Manager shall not unreasonably withhold his consent. The determination of such tax counsel under this Section 12 shall be final and binding upon the Manager and the Company.

(c) Notwithstanding any other provision of this Agreement, no payment shall be made hereunder to or for the benefit of the Manager if and to the extent that such payments are determined to be illegal.

14. Notices.

Any notices, requests, demands, and other communications provided for by this Agreement shall be sufficient if in writing, and if hand delivered or if sent by registered or certified mail, if to the Manager, at the last address he had filed in writing with the Company or if to the Company, at its principal executive offices. Notices, requests, etc. shall be effective when actually received by the addressee or at such address.

15. Withholding.

Notwithstanding any provision of this Agreement to the contrary, the Company may, to the extent required by law, withhold applicable Federal, state and local income and other taxes from any payments due to the Manager hereunder.

16. Assignment and Benefit.

(a) This Agreement is personal to the Manager and shall not be assignable by the Manager, by operation of law, or otherwise without the prior written consent of the Company otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Manager's heirs and legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns, including, without limitation, any subsidiary of the Company to which the Company may assign any of its rights hereunder; provided, however, that no assignment of this Agreement by the Company, by operation of law, or otherwise shall relieve it of its obligations hereunder except an assignment of this Agreement to, and its assumption by, a successor pursuant to subsection (c).

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation operation of law, or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place, but, irrespective of any such assignment or assumption, this Agreement shall inure to the benefit of and be binding upon such a successor. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid.

17. Governing Law.

The provisions of this Agreement shall be construed in accordance with the laws of the Commonwealth of Pennsylvania without reference to principles of conflicts of laws.

18. Entire Agreement.

This Agreement represents the entire agreement and understanding of the parties with respect to the subject matter hereof, and it may not be altered or amended except by an agreement in writing executed by the Company and the Manager.

19. No Waiver.

The failure to insist upon strict compliance with any provision of this Agreement by any party shall not be deemed to be a waiver of any future noncompliance with such provision or of noncompliance with any other provision.

20. Severability.

In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect.

21. Indemnification.

The Company shall defend and hold the Manager harmless to the fullest extent permitted by applicable law in connection with any claim, action, suit, investigation or proceeding arising out of or relating to performance by the Manager of services for, or action of the Manager as a director, officer or employee of the Company or any parent, subsidiary or affiliate of the Company, or of any other person or enterprise at the Company's request. Expenses incurred by the Manager in defending a claim, action, suit or investigation or criminal proceeding shall be paid by the Company in advance of the final disposition thereof upon the receipt by the Company of an undertaking by or on behalf of the Manager to repay said amount unless it shall ultimately be determined that the Manager is entitled to be indemnified hereunder; provided, however, that this shall not apply to a nonderivative action commenced by the Company against the Manager.

IN WITNESS WHEREOF, the Manager has hereunto set his hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name and on its behalf and attested by its Secretary or Assistant Secretary, all as of the day and year first above written.

MANAGER

/s/ Neal E. Murphy

Neal E. Murphy

QUAKER CHEMICAL CORPORATION

By: /s/ Ronald J. Naples

Ronald J. Naples

Title: Chairman & Chief Executive Officer

ATTEST:

/s/ D. Jeffry Benoliel

D. Jeffry Benoliel

QUAKER CHEMICAL CORPORATION
1995 NAPLES SUPPLEMENTAL RETIREMENT INCOME PROGRAM AND AGREEMENT
(As Amended and Restated Effective May 14, 2004)

1. Background

Quaker Chemical Corporation (the "Company") and Ronald J. Naples ("Naples") entered into the Quaker Chemical Corporation 1995 Naples Supplemental Retirement Income Program and Agreement (the "Program"), effective as of October 2, 1995, to provide Naples with an improved retirement program that enhances the Company's ability to retain the services of Naples as well as to reflect Naples' achievements and valued contributions to the Company. This amendment and restatement of the Program reflects (i) changes made to the 1995 Program by the employment agreement between the Company and Naples effective as of January 1, 1999, (ii) changes made to the Quaker Chemical Corporation Pension Plan effective as of January 1, 2001, and (iii) the Compensation/Management Development Committee's May 14, 2004 determination to permit Naples to elect an actuarial equivalent joint and survivor annuity form of payment.

2. Administration

The Program is a non-qualified and unfunded plan of deferred compensation for Federal income tax purposes and an unfunded program maintained for a select member of management who is also a highly compensated employee, for purposes of the Employee Retirement Income Security Act of 1974, as amended. The Program shall be administered by the Company's Compensation/Management Development Committee (the "Committee") whose determinations shall be final, binding and conclusive. As the Program contemplates payment of benefits on a post-retirement basis, the Company will continue to maintain on the Company's books and records an accrual of the benefits earned pursuant to the Program according to Generally Accepted Accounting Principles.

3. Basic Program Concept

The benefits payable under the Program are based on a formula which will provide the maximum supplemental retirement income benefit to Naples if he shall remain employed by the Company for 15 or more years. If Naples' employment with the Company is less than 15 years, the retirement income benefit will be reduced by 2.667% for each full and fractional year less than 15 years of employment with the Company. For purposes of the Program, employment with any corporation, partnership or other entity of which 40% or more of the voting power is held, directly or indirectly, by the Company, shall be deemed employment with the Company. Naples' rights to benefits under the Program shall continue to be fully vested and nonforfeitable.

4. Benefit Calculation

The supplemental retirement income benefit payable under the Program shall be determined as follows:

First Calculation

Salary Plus Bonus (hereinafter defined)

- less Actual Social Security taxes paid on Salary Plus Bonus.
- less Applicable state income tax on Salary Plus Bonus at the rate in effect on the Payment Commencement Date (hereinafter defined).
- less Federal income tax on Salary Plus Bonus, calculated at the tax rate for a joint return with no dependents in effect on the Payment Commencement Date.
- less Local taxes on Salary Plus Bonus, where applicable, at the rate in effect on the Payment Commencement Date.

Computation of the above will generate the "Net Pre-Retirement Income."

Second Calculation

Pension (hereinafter defined)

- plus Social Security benefit payable to Naples at age 65, assuming that he is married, that he and his spouse are the same age, and that Naples continues employment to age 65 at the level of compensation in effect at termination of Naples' employment with the Company.
- less State income tax on Pension and Social Security benefits at the actual rate in effect on the Payment Commencement Date.
- less Federal income tax on Pension and Social Security benefits based on the tax rate for a joint return with no dependents in effect on the Payment Commencement Date.
- less Applicable local taxes on Pension and Social Security benefits at the actual rate in effect on the Payment Commencement Date.

Computation of the above will generate the "Net After-Retirement Income."

Third Calculation

The benefit payable hereunder, in the form of a single life annuity, will be equal to the amount (if any) by which the Net After-Retirement Income is less than 80% of the Net Pre-Retirement Income. As indicated above, the benefit shall be further reduced by 2.667% for each full and fractional year of employment with the Company less than 15.

Definitions

For purposes of the Program, Salary Plus Bonus means the higher of (a) the final year of base salary prior to the termination of Naples' employment with the Company, plus the average of the highest three of the last five years of annual incentive bonuses earned prior to the termination of Naples' employment with the Company; or (b) the average of the three highest consecutive years of base salary and annual incentive bonuses during the period of Naples' employment with the Company. Contributions

made to the Company's Retirement Savings Plan (or any other plan of deferred compensation sponsored by the Company) other than elective pre-tax contributions by Naples shall not be included within the definition of Salary Plus Bonus. Moreover, none of the income realized by Naples pursuant to his participation in the 1995 Restricted Stock Plan and Agreement or in any stock option plan sponsored by the Company shall be included in the definition of Salary Plus Bonus.

For purposes of the Program, Pension means the benefit payable from the Quaker Chemical Corporation Pension Plan, as amended and restated effective January 1, 2001, or any successor thereto (the "Qualified Pension Plan"), based on Naples' Accrued Benefit (including Naples' Prior Pension Benefit and Cash Balance Benefit, as such terms are defined in the Qualified Pension Plan) as of the Payment Commencement Date; and determined (i) the form of the "single life annuity" option, and (ii) as if such benefit were payable at the Payment Commencement Date (or the actual commencement date, if earlier, under the Qualified Pension Plan), adjusted in accordance with the actuarial assumptions set forth in the Qualified Pension Plan in the event such date is prior to Naples' Normal Retirement Date.

For purposes of the Program, Normal Retirement Date means the first day of the month coincident with or next following Naples' 65th birthday.

5. Payments and Term

Benefits payable under the Program shall be made in equal monthly installments, shall be made for Naples' life only, and shall terminate on the first day of the month following Naples' death. Alternatively, Naples may elect prior to the Payment Commencement Date and in accordance with procedures established by the Committee, to receive benefits payable under the Program in the form of a joint and survivor annuity. Such joint and survivor annuity shall be the actuarial equivalent (hereinafter defined) of the benefit payable in the form of a single life annuity, shall be made in equal monthly installments during Naples' lifetime, with a survivor annuity for the life of the spouse to whom Naples is married on the Payment Commencement Date. The survivor annuity shall be 50%, 75% or 100% (as elected by Naples prior to the Benefit Commencement Date) of the amount of the annuity payable during the joint lives of Naples and his spouse and shall be payable only if Naples' spouse survives him. No benefit shall be payable hereunder in the event Naples dies prior to the Payment Commencement Date. To the extent benefits payable hereunder are paid through an insurance product, "actuarial equivalent" shall be determined under the terms of the insurance product; otherwise, "actuarial equivalent" shall have the meaning set forth in the Qualified Pension Plan (for purposes of converting one form of annuity to another form of annuity) as of the Payment Commencement Date.

The payment of benefits under this Program shall commence on the latest of (a) the first day of the month subsequent to the termination of Naples' employment with the Company, (b) the first day of the month subsequent to Naples' attainment of age 60, or (c) the first day of any month as of which Naples' elects to have deferred payment made in accordance with this Section 5 (the "Payment Commencement Date"). Naples may make an election to defer payment under this Section 5 provided: (i) such election is made at least 12 months prior to the date payment would have commenced absent a deferral election; and (ii) the additional deferral period is at

least five years from the date payment would have commenced absent a deferral election. In the event payments hereunder commence on a date other than Naples' Normal Retirement Date, no adjustment shall be made to the benefit payable hereunder to reflect the fact that the benefit is being paid before or after Naples' Normal Retirement Date.

6. Successors and Assigns

The benefits payable under the Program shall be binding contractual obligations of the Company and such obligation shall be binding on any successor company resulting from any acquisition, merger, reorganization, or amalgamation of the Company with or into any other company or juridical entity.

7. Construction

The place of administration of this Program shall be in the Commonwealth of Pennsylvania and the validity, construction, interpretation, administration and effect of the Program, and rights relating to this Program shall be determined solely in accordance with the laws of the Commonwealth of Pennsylvania (without reference to principles of conflicts of laws).

Entered into August 4, 2004, effective as of May 14, 2004.

/s/ Ronald J. Naples

Ronald J. Naples

QUAKER CHEMICAL CORPORATION

By: /s/ Robert H. Rock

Robert H. Rock, Chairman
Compensation/Management Development Committee

CHANGE IN CONTROL AGREEMENT

THIS AGREEMENT, dated August 5, 2004, between QUAKER CHEMICAL CORPORATION, a Pennsylvania corporation (the "Company"), and Joseph W. Bauer (the "Manager"),

WITNESSETH THAT

WHEREAS, the Board of Directors of the Company has determined that it is in the best interests of the Company and its shareholders that the Company and its subsidiaries be able to attract, retain, and motivate highly qualified management personnel and, in particular, that they be assured of continuity of management in the event of any actual or threatened change in control of the Company; and

WHEREAS, the Board of Directors of the Company believes that the execution by the Company of change in control agreements with certain management personnel, including the Manager, is an important factor in achieving this desired end;

NOW, THEREFORE, IN CONSIDERATION of the mutual obligations and agreements contained herein and intending to be legally bound hereby, the Manager and the Company agree as follows:

1. Term of Agreement.

This Agreement shall become effective on May 14, 2004 (the "Effective Date"), and shall continue in effect through December 31, 2005; provided, however, that the term of this Agreement shall automatically be extended for one additional year beyond December 31, 2005, and successive one year periods thereafter, unless, not later than eighteen (18) months preceding the calendar year in which the term would otherwise automatically extend, the Company shall have given written notice to the Manager of intention not to extend this Agreement for an additional year, in which event this Agreement shall continue in effect until December 31 of the calendar year immediately preceding the calendar year in which the term would have otherwise automatically extended. Notwithstanding any such notice not to extend, if a Change in Control (as defined in Section 2) occurs during the original or extended term of this Agreement, this Agreement shall remain in effect after a Change in Control until all obligations of the parties hereto under this Agreement shall have been satisfied.

2. Change in Control.

As used in this Agreement, a "Change in Control" of the Company shall be deemed to have occurred if:

(a) Any person (a "Person"), as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than (i) the Company and/or its wholly owned subsidiaries; (ii) any ESOP or other employee benefit plan of the Company and any trustee or other fiduciary in such capacity holding securities under such plan;

(iii) any corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company; or (iv) any other Person who, within the one year prior to the event which would otherwise be a Change in Control, is an executive officer of the Company or any group of Persons of which he voluntarily is a part), is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company’s then outstanding securities or such lesser percentage of voting power, but not less than 15%, as determined by the members of the Board of Directors of the Company who are independent directors (as defined in the New York Stock Exchange, Inc. Listed Company Manual); provided, however, that a Change in Control shall not be deemed to have occurred under the provisions of this subsection (a) by reason of the beneficial ownership of voting securities by members of the Benoliel family (as defined below) unless and until the beneficial ownership of all members of the Benoliel family (including any other individuals or entities who or which, together with any member or members of the Benoliel family, are deemed under Sections 13(d) or 14(d) of the Exchange Act to constitute a single Person) exceeds 50% of the combined voting power of the Company’s then outstanding securities;

(b) During any two-year period after the Effective Date, Directors of the Company in office at the beginning of such period plus any new Director (other than a Director designated by a Person who has entered into an agreement with the Company to effect a transaction within the purview of subsections (a) or (c)) whose election by the Board of Directors of the Company or whose nomination for election by the Company’s shareholders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the period or whose election or nomination for election was previously so approved shall cease for any reason to constitute at least a majority of the Board;

(c) The consummation of (i) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which the Company’s voting common shares (the “Common Shares”) would be converted into cash, securities, and/or other property, other than a merger of the Company in which holders of Common Shares immediately prior to the merger have the same proportionate ownership of voting shares of the surviving corporation immediately after the merger as they had in the Common Shares immediately before; or (ii) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets or earning power of the Company; or

(d) The Company’s shareholders or the Company’s Board of Directors shall approve the liquidation or dissolution of the Company.

As used in this Agreement, “members of the Benoliel family” shall mean Peter A. Benoliel, his wife and children and their respective spouses and children, and all trusts created by or for the benefit of any of them.

3. Entitlement to Change in Control Benefits; Certain Definitions.

The Manager shall be entitled to the benefits provided in this Agreement in the event the Manager's employment with the Company or its affiliates is terminated under the circumstances described in (a) or (b) below (a "Covered Termination"), provided the Manager executes and does not revoke a Release (as defined below).

(a) A Covered Termination shall have occurred within the meaning of this subsection (a) in the event the Manager's employment with the Company or its affiliates is terminated within two (2) years following a Change in Control by:

- (i) The Company or its affiliates without Cause (as defined below); or
- (ii) Resignation of the Manager for Good Reason (as defined below).

(b) A Covered Termination shall have occurred within the meaning of this subsection (b) in the event the Manager's employment with the Company or its affiliates is terminated by the Company or its affiliates without Cause within six months prior to a Change in Control and the Manager reasonably demonstrates after such Change in Control that such termination was at the request or suggestion of any individual or entity who or which has taken steps reasonably calculated to effect such Change in Control.

The Manager shall have no rights to any payments or benefits under this Agreement in the event the Manager's employment with the Company and its affiliates is terminated (i) as a result of death or Disability (as defined below), or (ii) by the Company or its affiliates for Cause. Except as provided in subsection (b), in the event the Manager's employment is terminated for any reason prior to a Change in Control, the Manager shall have no rights to any payments or benefits under this Agreement and, after any such termination, this Agreement shall be of no further force or effect.

"Cause" shall mean (i) the Manager's willful and material breach of the employment agreement, if any, between the Manager and the Company (after having received notice thereof and a reasonable opportunity to cure or correct), (ii) dishonesty, fraud, willful malfeasance, gross negligence, or other gross misconduct, in each case relating to the performance of the Manager's employment with the Company or its affiliates which is materially injurious to the Company, or (iii) conviction of or plea of guilty to a felony, such Cause to be determined, in each case, by a resolution approved by at least two-thirds of the Directors of the Company after having afforded the Manager a reasonable opportunity to appear before the Board of Directors of the Company and present his position.

"Disability" shall mean: (i) a physical or mental disability which, at least twenty-six (26) weeks after its commencement, is determined to be total and permanent by a physician selected by the Company or its insurers and reasonably acceptable to the Manager or the Manager's legal representative, or (ii) if the Company then has in effect a long-term disability plan covering employees generally, including the Manager, the definition of covered total and permanent "disability" set forth in such plan.

“Good Reason” shall mean any of the following actions without the Manager’s consent, other than due to the Manager’s death or Disability: (i) any reduction in the Manager’s base salary from that provided immediately before the Covered Termination or, if higher, immediately before the Change in Control; (ii) any reduction in the Manager’s bonus opportunity (including cash and noncash incentives) or increase in the goals or standards required to accrue that opportunity, as compared to the opportunity and goals or standards in effect immediately before the Change in Control; (iii) a material adverse change in the nature or scope of the Manager’s authorities, powers, functions, or duties from those in effect immediately before the Change in Control; (iv) a reduction in the Manager’s benefits from those provided immediately before the Change in Control, disregarding any reduction under a plan or program covering employees generally that applies to all employees covered by the plan or program; or (v) the Manager being required to accept a primary employment location which is more than twenty-five (25) miles from the location at which he primarily was employed during the ninety (90) day period prior to a Change in Control.

“Release” shall mean a release (in a form satisfactory to the Company) of any and all claims against the Company and all related parties with respect to all matters arising out of the Manager’s employment by the Company and its affiliates, or the termination thereof (other than claims for any entitlements under the terms of this Agreement or under any plans or programs of the Company under which the Manager has accrued a benefit). Notwithstanding any provision of this Agreement to the contrary, the Manager shall not be entitled to any payments or benefits under this Agreement unless the Manager executes and does not revoke a Release.

4. Severance Allowance.

(a) Amount of Severance Allowance. In the event of a Covered Termination, except as provided in Section 7, the Company shall pay or cause to be paid to the Manager in cash a severance allowance (the “Severance Allowance”) equal to two times the sum of the amounts determined in accordance with the following paragraphs (i) and (ii):

- (i) An amount equivalent to the highest annualized base salary which the Manager was entitled to receive from the Company and its subsidiaries at any time during his employment prior to the Covered Termination; and
- (ii) An amount equal to the average of the aggregate annual amounts paid to the Manager under all applicable annual incentive compensation plans maintained by the Company and its affiliates (other than compensation relating to relocation expense; the grant, exercise, or settlement of stock options or performance incentive units or the sale or other disposition of shares received upon exercise or settlement of such options) during the three (3) calendar years prior to the year such Covered Termination occurs or, if higher, prior to the year such Change in Control occurs (provided, however, that (x) in determining the average amount paid under the annual incentive plan during such period there shall be excluded any year in which no amounts were paid to the Manager under that plan; and (y) there shall be excluded from such calculation any amounts paid to the Manager under any such incentive compensation plan as a result of the acceleration of such payments under such plan due to termination of the plan, a Change in Control, or a similar occurrence).

In no event shall any retention bonus or change in control or success fee be taken into account when determining the amount of the Severance Allowance hereunder.

(b) Payment of Severance Allowance. The Severance Allowance shall be paid to the Manager (i) in a lump sum within sixty (60) days after the date of any termination of the Manager covered by Section 3(a), or (ii) in the case of a termination described in Section 3(b), in a lump sum within sixty (60) days after the date of the Change in Control giving rise to such Covered Termination.

5. Outplacement and Welfare Benefits.

(a) Outplacement. Subject to Section 7, for a period of one year following a Covered Termination of the Manager (or the Change in Control resulting in a Covered Termination, if later), the Company shall make or cause to be made available to the Manager, at its expense, outplacement counseling and other outplacement services comparable to those available for the Company's senior managers prior to the Change in Control.

(b) Welfare Benefits. Subject to Section 7, for a period of 24 months following a Covered Termination of the Manager (or the Change in Control resulting in a Covered Termination, if later), the Manager and the Manager's dependents shall be entitled to participate in the Company's life, medical, and dental insurance plans at the Company's expense, in accordance with the terms of such plans at the time of such Covered Termination as if the Manager were still employed by the Company or its affiliates under this Agreement. If, however, life, medical, or dental insurance benefits are not paid or provided under any such plan to the Manager or his dependents because the Manager is no longer an employee of the Company or its subsidiaries, the Company itself shall, to the extent necessary, pay or otherwise provide for such benefits to the Manager and his dependents.

6. Supplemental Retirement Income Program.

In the event of a Covered Termination, Manager shall be entitled to receive a supplemental retirement benefit determined under the provisions of the Quaker Chemical Corporation Supplemental Retirement Income Program (the "SRIP"), regardless of whether Manager has otherwise satisfied the requirements for eligibility to participate in or to receive benefits under the SRIP. Such benefit shall be paid to Manager in the form of a single life annuity commencing as of the first day of the month following the Covered Termination, and shall be based on service and compensation through the date of the Covered Termination. The following rules shall apply in determining Manager's benefit under the SRIP:

(a) All reductions for applicable taxes shall be based on tax rates in effect on the payment commencement date.

(b) Manager's projected Social Security benefits payable at age 65 shall be determined assuming that Manager continued employment to age 65 at the level of compensation in effect immediately prior to the Covered Termination.

(c) Manager's projected benefits payable from the Company's qualified pension plan at age 65 shall equal his actual accrued benefit under the Quaker Chemical Corporation Pension Plan or any successor thereto (including his Prior Plan Benefit and Cash Balance Benefit, as such terms are defined in such plan as currently in effect), in the form of a single life annuity commencing at age 65.

(d) The amount of the benefit shall be reduced by 5/9% for each month by which the payment commencement date precedes Manager's 65th birthday.

7. Effect of Other Employment.

In the event the Manager becomes employed (as defined below) during the period with respect to which benefits are continuing pursuant to Section 5: (a) the Manager shall notify the Company not later than the day such employment commences; and (b) the benefits provided for in Section 5 shall terminate as of the date of such employment. For the purposes of this Section 7, the Manager shall be deemed to have become "employed" by another entity or person only if the Manager becomes essentially a full-time employee of a person or an entity (not more than 30% of which is owned by the Manager and/or members of his family); and the Manager's "family" shall mean his parents, his siblings and their spouses, his children and their spouses, and the Manager's spouse and her parents and siblings. Nothing herein shall relieve the Company of its obligations for compensation or benefits accrued up to the time of termination provided for herein.

8. Other Payments and Benefits.

Within (30) business days after the Covered Termination (or the Change in Control resulting in a Covered Termination, if later), the Company shall pay or cause to be paid to the Manager the aggregate of: (a) the Manager's earned but unpaid base salary through the Covered Termination at the rate in effect on the date of the Covered Termination, or if higher, at the rate in effect at any time during the 90-day period preceding the Change in Control; (b) any unpaid bonus or annual incentive payable to the Manager in respect of the calendar year ending prior to the Covered Termination; (c) the pro rata portion of any and all unpaid bonuses and annual incentive awards for the calendar year in which the Covered Termination occurs, said pro rata portion to be calculated on the fractional portion (the numerator of said fraction being the number of days between January 1 and the date of the Covered Termination, and the denominator of which is 365) of the target bonuses or annual incentive awards for such calendar year; and (d) the pro rata portion of any and all awards under the Company's long term incentive plan for the performance period(s) in which the Covered Termination occurs, said pro rata portion to be calculated on the fractional portion (the numerator of said fraction being the number of days between the first day of the applicable performance period and the date of the Covered Termination, and the denominator of which is the total number of days in the applicable performance period) of the amount of the award which would have been payable had (i) the Covered Termination not occurred, and (ii) the target level of performance been achieved for the applicable performance period. The Manager shall be entitled to receive any other payments or benefits that the Manager is entitled to pursuant to the express terms of any compensation or benefit plan or arrangement of the Company or any of its affiliates; provided that the Severance Allowance (x) shall be in lieu of any severance payments to which the Manager might otherwise

be entitled under the terms of any severance pay plan, policy, or arrangement maintained by the Company or the employment agreement, if any, between the Manager and the Company, and (y) shall be credited against any severance payments to which the Manager may be entitled by statute.

9. Death After Covered Termination.

In the event the Manager dies after a Covered Termination occurs, (a) any payments due to the Manager under Section 4 and the first sentence of Section 8 and not paid prior to the Manager's death shall be made to the person or persons who may be designated by the Manager in writing or, in the event he fails to so designate, to the Manager's personal representatives, and (b) the Manager's dependents shall be eligible for the welfare benefits described in Section 5(b).

10. Confidentiality and Noncompetition.

(a) Confidential Information. The Manager acknowledges that information concerning the method and conduct of the Company's (and any affiliate's) business, including, without limitation, strategic and marketing plans, budgets, corporate practices and procedures, financial statements, customer and supplier information, formulae, formulation information, application technology, manufacturing information, and laboratory test methods and all of the Company's (and any affiliate's) manuals, documents, notes, letters, records, and computer programs ("Proprietary Business Information"), are the sole and exclusive property of the Company (and/or the Company's affiliates, as the case may be) and are likely to constitute, contain or reveal trade secrets ("Trade Secrets") of the Company (and/or the Company's affiliate's, as the case may be). The term "Trade Secrets" as used herein does not include Proprietary Business Information that is known or becomes known to the public through no act or failure to act on the part of the Manager, or which can be clearly shown by written records to have been known by the Manager prior to the commencement of his employment with the Company.

- (i) The Manager agrees that at no time during or following his employment with the Company will he use, divulge, or pass on, directly or through any other individual or entity, any Trade Secrets.
- (ii) Upon termination of the Manager's employment with the Company regardless of the reason for the termination of the Manager's employment hereunder, or at any other time upon the Company's request, the Manager agrees to forthwith surrender to the Company any and all materials in his possession or control which constitute or contain any Proprietary Business Information.

(b) Noncompetition. The Manager agrees that during his employment and for a period of one (1) year thereafter, regardless of the reason for the termination of the Manager's employment, he will not:

- (i) directly or indirectly, together or separately or with any third party, whether as an individual proprietor, partner, stockholder, officer, director, joint venturer, investor, or in any other capacity whatsoever actively

engage in business or assist anyone or any firm in business as a manufacturer, seller, or distributor of specialty chemical products or chemical management services which are the same, like, similar to, or which compete with the products and services offered by the Company (or any of its affiliates);

- (ii) recruit or solicit any employee of the Company (or any of its affiliates) or otherwise induce such employee to leave the employ of the Company (or any of its affiliates) or to become an employee or otherwise be associated with his or any firm, corporation, business or other entity with which he is or may become associated; or
- (iii) solicit, directly or indirectly, for himself or as agent or employee of any person, partnership, corporation, or other entity (other than for the Company), any then or former customer, supplier, or client of the Company with the intent of actively engaging in business which would cause competitive harm to the Company (or any of its affiliates).

(c) Severability. The Manager acknowledges and agrees that all of the foregoing restrictions are reasonable as to the period of time and scope. However, if any paragraph, sentence, clause, or other provision is held invalid or unenforceable by a court of competent and relevant jurisdiction, such provision shall be deemed to be modified in a manner consistent with the intent of such original provision so as to make it valid and enforceable, and this Agreement and the application of such provision to persons and circumstances other than those with respect to which it would be invalid or unenforceable shall not be affected thereby.

(d) Remedies. The Manager agrees and recognizes that in the event of a breach or threatened breach of the provisions of the restrictive covenants contained in this Section 10, the Company may suffer irreparable harm, and monetary damages may not be an adequate remedy. Therefore, if any breach occurs or is threatened, the Company shall be entitled to seek equitable remedies, including injunctive relief in any court of applicable jurisdiction notwithstanding the provisions of Section 12. In the event of any breach of the restrictive covenant contained in this Section 10, the term of the restrictive covenant specified herein shall be extended by a period of time equal to that period beginning on the date such violation commenced and ending when the activities constituting such violation cease. Furthermore, if a court or arbitration panel determines that the Manager has breached any of the provisions of this Section 10, the Company's obligations to pay amounts and continue the benefits under this Agreement to the Manager (and his dependents) shall immediately terminate.

11. Set-Off Mitigation

Except as provided in Section 7, the Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense, or other claim, right, or action which the Company may have against the Manager or others. In no event shall the Manager be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Manager under any of the provisions of this Agreement.

12. Arbitration: Costs and Expenses of Enforcement.

(a) Arbitration. Except as otherwise provided in Sections 10(d) and 13, any controversy or claim arising out of or relating to this Agreement or the breach thereof which cannot promptly be resolved by the parties shall be promptly submitted to and settled exclusively by arbitration in the City of Philadelphia, Pennsylvania, in accordance with the laws of the Commonwealth of Pennsylvania by three arbitrators, one of whom shall be appointed by the Company, one by the Manager, and the third of whom shall be appointed by the first two arbitrators. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association, except with respect to the selection of arbitrators which shall be as provided in this Section 12. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

(b) Costs and Expenses. In the event that it shall be necessary or desirable for the Manager to retain legal counsel and/or incur other costs and expenses in connection with the enforcement of any and all of his rights under this Agreement, the Company shall pay (or the Manager shall be entitled to recover from the Company, as the case may be) his reasonable attorneys' fees and costs and expenses in connection with the enforcement of his said rights (including those incurred in or related to any arbitration proceedings provided for in subsection (a) and the enforcement of any arbitration award in court), regardless of the final outcome.

13. Limitation on Payment Obligation.

(a) For purposes of this Section 13, all terms capitalized but not otherwise defined herein shall have the meanings as set forth in Section 280G of the Internal Revenue Code of 1986, as amended, together with any applicable regulations thereunder (the "Code"). In addition:

- (i) the term "Parachute Payment" shall mean a payment described in Section 280G(b)(2)(A) or Section 280G(b)(2)(B) (including, but not limited to, any stock option rights, stock grants, and other cash and noncash compensation amounts that are treated as payments under either such section) and not excluded under Section 280G(b)(4)(A) or Section 280G(b)(6) of the Code;
- (ii) the term "Reasonable Compensation" shall mean reasonable compensation for prior personal services as defined in Section 280G(b)(4)(B) of the Code and subject to the requirement that any such reasonable compensation must be established by clear and convincing evidence; and
- (iii) the portion of the "Base Amount" and the amount of "Reasonable Compensation" allocable to any "Parachute Payment" shall be determined in accordance with Section 280G(b)(3) and (4) of the Code.

(b) Notwithstanding any other provision of this Agreement, each Parachute Payment to be made to or for the benefit of the Manager, whether pursuant to this Agreement or otherwise, with respect to a Change in Control shall be reduced if and to the extent necessary so that the aggregate Present Value of all such Parachute Payments shall be at least one dollar

(\$1.00) less than the greater of (i) three times the Manager's Base Amount and (ii) the aggregate Reasonable Compensation allocable to such Parachute Payments. Unless otherwise agreed by the Manager and the Company, any reduction in Parachute Payments caused by reason of this subsection (b) shall be made proportionately with respect to each such Parachute Payment.

This subsection (b) shall be interpreted and applied to limit the amounts otherwise payable to the Manager under this Agreement or otherwise only to the extent required to avoid any material risk of the imposition of excise taxes on the Manager under Section 4999 of the Code or the disallowance of a deduction to the Company under Section 280G(a) of the Code. In the making of any such interpretation and application, the Manager shall be presumed to be a disqualified individual for purposes of applying the limitations set forth in this subsection (b) without regard to whether or not the Manager meets the definition of disqualified individual set forth in Section 280G(c) of the Code. In the event that the Manager and the Company are unable to agree as to the application of this subsection (b), the Company's independent auditors shall select independent tax counsel to determine the amount of such limits. Such selection of tax counsel shall be subject to the Manager's consent, provided that the Manager shall not unreasonably withhold his consent. The determination of such tax counsel under this Section 13 shall be final and binding upon the Manager and the Company.

(c) Notwithstanding any other provision of this Agreement, no payment shall be made hereunder to or for the benefit of the Manager if and to the extent that such payments are determined to be illegal.

14. Notices.

Any notices, requests, demands, and other communications provided for by this Agreement shall be sufficient if in writing, and if hand delivered or if sent by registered or certified mail, if to the Manager, at the last address he had filed in writing with the Company or if to the Company, at its principal executive offices. Notices, requests, etc. shall be effective when actually received by the addressee or at such address.

15. Withholding.

Notwithstanding any provision of this Agreement to the contrary, the Company may, to the extent required by law, withhold applicable Federal, state and local income and other taxes from any payments due to the Manager hereunder.

16. Assignment and Benefit.

(a) This Agreement is personal to the Manager and shall not be assignable by the Manager, by operation of law, or otherwise without the prior written consent of the Company otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Manager's heirs and legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns, including, without limitation, any subsidiary of the Company to which the Company may assign any of its rights hereunder; provided, however, that no assignment of this Agreement by the Company, by operation of law, or otherwise shall relieve it of its obligations hereunder except an assignment of this Agreement to, and its assumption by, a successor pursuant to subsection (c).

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation operation of law, or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place, but, irrespective of any such assignment or assumption, this Agreement shall inure to the benefit of and be binding upon such a successor. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid.

17. Governing Law.

The provisions of this Agreement shall be construed in accordance with the laws of the Commonwealth of Pennsylvania without reference to principles of conflicts of laws.

18. Entire Agreement.

This Agreement represents the entire agreement and understanding of the parties with respect to the subject matter hereof, and it may not be altered or amended except by an agreement in writing executed by the Company and the Manager.

19. No Waiver.

The failure to insist upon strict compliance with any provision of this Agreement by any party shall not be deemed to be a waiver of any future noncompliance with such provision or of noncompliance with any other provision.

20. Severability.

In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect.

21. Indemnification.

The Company shall defend and hold the Manager harmless to the fullest extent permitted by applicable law in connection with any claim, action, suit, investigation or proceeding arising out of or relating to performance by the Manager of services for, or action of the Manager as a director, officer or employee of the Company or any parent, subsidiary or affiliate of the Company, or of any other person or enterprise at the Company's request. Expenses incurred by the Manager in defending a claim, action, suit or investigation or criminal proceeding shall be paid by the Company in advance of the final disposition thereof upon the receipt by the Company of an undertaking by or on behalf of the Manager to repay said amount unless it shall ultimately be determined that the Manager is entitled to be indemnified hereunder; provided, however, that this shall not apply to a nonderivative action commenced by the Company against the Manager.

IN WITNESS WHEREOF, the Manager has hereunto set his hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name and on its behalf and attested by its Secretary or Assistant Secretary, all as of the day and year first above written.

MANAGER

/s/ Joseph W. Bauer

Joseph W. Bauer

QUAKER CHEMICAL CORPORATION

By: /s/ Ronald J. Naples

Ronald J. Naples

Title: Chairman and Chief Executive Officer

ATTEST:

/s/ D. Jeffry Benoliel

D. Jeffry Benoliel

CHANGE IN CONTROL AGREEMENT

THIS AGREEMENT, dated August 5, 2004, between QUAKER CHEMICAL CORPORATION, a Pennsylvania corporation (the "Company"), and Michael F. Barry (the "Manager"),

WITNESSETH THAT

WHEREAS, the Board of Directors of the Company has determined that it is in the best interests of the Company and its shareholders that the Company and its subsidiaries be able to attract, retain, and motivate highly qualified management personnel and, in particular, that they be assured of continuity of management in the event of any actual or threatened change in control of the Company; and

WHEREAS, the Board of Directors of the Company believes that the execution by the Company of change in control agreements with certain management personnel, including the Manager, is an important factor in achieving this desired end;

NOW, THEREFORE, IN CONSIDERATION of the mutual obligations and agreements contained herein and intending to be legally bound hereby, the Manager and the Company agree as follows:

1. Term of Agreement.

This Agreement shall become effective on May 14, 2004 (the "Effective Date"), and shall continue in effect through December 31, 2005; provided, however, that the term of this Agreement shall automatically be extended for one additional year beyond December 31, 2005, and successive one year periods thereafter, unless, not later than eighteen (18) months (sixteen (16) months with respect to the automatic extension that would otherwise begin on January 1, 2006) preceding the calendar year in which the term would otherwise automatically extend, the Company shall have given written notice to the Manager of intention not to extend this Agreement for an additional year, in which event this Agreement shall continue in effect until December 31 of the calendar year immediately preceding the calendar year in which the term would have otherwise automatically extended. Notwithstanding any such notice not to extend, if a Change in Control (as defined in Section 2) occurs during the original or extended term of this Agreement, this Agreement shall remain in effect after a Change in Control until all obligations of the parties hereto under this Agreement shall have been satisfied.

2. Change in Control.

As used in this Agreement, a "Change in Control" of the Company shall be deemed to have occurred if:

(a) Any person (a "Person"), as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than (i) the Company and/or its wholly owned subsidiaries; (ii) any ESOP or other employee benefit plan of the

Company and any trustee or other fiduciary in such capacity holding securities under such plan; (iii) any corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company; or (iv) any other Person who, within the one year prior to the event which would otherwise be a Change in Control, is an executive officer of the Company or any group of Persons of which he voluntarily is a part), is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company’s then outstanding securities or such lesser percentage of voting power, but not less than 15%, as determined by the members of the Board of Directors of the Company who are independent directors (as defined in the New York Stock Exchange, Inc. Listed Company Manual); provided, however, that a Change in Control shall not be deemed to have occurred under the provisions of this subsection (a) by reason of the beneficial ownership of voting securities by members of the Benoliel family (as defined below) unless and until the beneficial ownership of all members of the Benoliel family (including any other individuals or entities who or which, together with any member or members of the Benoliel family, are deemed under Sections 13(d) or 14(d) of the Exchange Act to constitute a single Person) exceeds 50% of the combined voting power of the Company’s then outstanding securities;

(b) During any two-year period after the Effective Date, Directors of the Company in office at the beginning of such period plus any new Director (other than a Director designated by a Person who has entered into an agreement with the Company to effect a transaction within the purview of subsections (a) or (c)) whose election by the Board of Directors of the Company or whose nomination for election by the Company’s shareholders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the period or whose election or nomination for election was previously so approved shall cease for any reason to constitute at least a majority of the Board;

(c) The consummation of (i) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which the Company’s voting common shares (the “Common Shares”) would be converted into cash, securities, and/or other property, other than a merger of the Company in which holders of Common Shares immediately prior to the merger have the same proportionate ownership of voting shares of the surviving corporation immediately after the merger as they had in the Common Shares immediately before; or (ii) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets or earning power of the Company; or

(d) The Company’s shareholders or the Company’s Board of Directors shall approve the liquidation or dissolution of the Company.

As used in this Agreement, “members of the Benoliel family” shall mean Peter A. Benoliel, his wife and children and their respective spouses and children, and all trusts created by or for the benefit of any of them.

3. **Entitlement to Change in Control Benefits; Certain Definitions.**

The Manager shall be entitled to the benefits provided in this Agreement in the event the Manager's employment with the Company or its affiliates is terminated under the circumstances described in (a) or (b) below (a "Covered Termination"), provided the Manager executes and does not revoke a Release (as defined below).

(a) A Covered Termination shall have occurred within the meaning of this subsection (a) in the event the Manager's employment with the Company or its affiliates is terminated within two (2) years following a Change in Control by:

- (i) The Company or its affiliates without Cause (as defined below); or
- (ii) Resignation of the Manager for Good Reason (as defined below).

(b) A Covered Termination shall have occurred within the meaning of this subsection (b) in the event the Manager's employment with the Company or its affiliates is terminated by the Company or its affiliates without Cause within six months prior to a Change in Control and the Manager reasonably demonstrates after such Change in Control that such termination was at the request or suggestion of any individual or entity who or which has taken steps reasonably calculated to effect such Change in Control.

The Manager shall have no rights to any payments or benefits under this Agreement in the event the Manager's employment with the Company and its affiliates is terminated (i) as a result of death or Disability (as defined below), or (ii) by the Company or its affiliates for Cause. Except as provided in subsection (b), in the event the Manager's employment is terminated for any reason prior to a Change in Control, the Manager shall have no rights to any payments or benefits under this Agreement and, after any such termination, this Agreement shall be of no further force or effect.

"Cause" shall mean (i) the Manager's willful and material breach of the employment agreement, if any, between the Manager and the Company (after having received notice thereof and a reasonable opportunity to cure or correct), (ii) dishonesty, fraud, willful malfeasance, gross negligence, or other gross misconduct, in each case relating to the performance of the Manager's employment with the Company or its affiliates which is materially injurious to the Company, or (iii) conviction of or plea of guilty to a felony, such Cause to be determined, in each case, by a resolution approved by at least two-thirds of the Directors of the Company after having afforded the Manager a reasonable opportunity to appear before the Board of Directors of the Company and present his position.

"Disability" shall mean: (i) a physical or mental disability which, at least twenty-six (26) weeks after its commencement, is determined to be total and permanent by a physician selected by the Company or its insurers and reasonably acceptable to the Manager or the Manager's legal representative, or (ii) if the Company then has in effect a long-term disability plan covering employees generally, including the Manager, the definition of covered total and permanent "disability" set forth in such plan.

“Good Reason” shall mean any of the following actions without the Manager’s consent, other than due to the Manager’s death or Disability: (i) any reduction in the Manager’s base salary from that provided immediately before the Covered Termination or, if higher, immediately before the Change in Control; (ii) any reduction in the Manager’s bonus opportunity (including cash and noncash incentives) or increase in the goals or standards required to accrue that opportunity, as compared to the opportunity and goals or standards in effect immediately before the Change in Control; (iii) a material adverse change in the nature or scope of the Manager’s authorities, powers, functions, or duties from those in effect immediately before the Change in Control; (iv) a reduction in the Manager’s benefits from those provided immediately before the Change in Control, disregarding any reduction under a plan or program covering employees generally that applies to all employees covered by the plan or program; or (v) the Manager being required to accept a primary employment location which is more than twenty-five (25) miles from the location at which he primarily was employed during the ninety (90) day period prior to a Change in Control.

“Release” shall mean a release (in a form satisfactory to the Company) of any and all claims against the Company and all related parties with respect to all matters arising out of the Manager’s employment by the Company and its affiliates, or the termination thereof (other than claims for any entitlements under the terms of this Agreement or under any plans or programs of the Company under which the Manager has accrued a benefit). Notwithstanding any provision of this Agreement to the contrary, the Manager shall not be entitled to any payments or benefits under this Agreement unless the Manager executes and does not revoke a Release.

4. Severance Allowance.

(a) Amount of Severance Allowance. In the event of a Covered Termination, except as provided in Section 7, the Company shall pay or cause to be paid to the Manager in cash a severance allowance (the “Severance Allowance”) equal to 1.5 times the sum of the amounts determined in accordance with the following paragraphs (i) and (ii):

- (i) An amount equivalent to the highest annualized base salary which the Manager was entitled to receive from the Company and its subsidiaries at any time during his employment prior to the Covered Termination; and
- (ii) An amount equal to the average of the aggregate annual amounts paid to the Manager under all applicable annual incentive compensation plans maintained by the Company and its affiliates (other than compensation relating to relocation expense; the grant, exercise, or settlement of stock options or performance incentive units or the sale or other disposition of shares received upon exercise or settlement of such options) during the three (3) calendar years prior to the year such Covered Termination occurs or, if higher, prior to the year such Change in Control occurs (provided, however, that (x) in determining the average amount paid under the annual incentive plan during such period there shall be excluded any year in which no amounts were paid to the Manager under that plan; and (y) there shall be excluded from such calculation any amounts paid to the Manager under any such incentive compensation plan as a result of the acceleration of such payments under such plan due to termination of the plan, a Change in Control, or a similar occurrence).

In no event shall any retention bonus or change in control or success fee be taken into account when determining the amount of the Severance Allowance hereunder.

(b) Payment of Severance Allowance. The Severance Allowance shall be paid to the Manager (i) in a lump sum within sixty (60) days after the date of any termination of the Manager covered by Section 3(a), or (ii) in the case of a termination described in Section 3(b), in a lump sum within sixty (60) days after the date of the Change in Control giving rise to such Covered Termination.

5. Outplacement and Welfare Benefits

(a) Outplacement. Subject to Section 7, for a period of one year following a Covered Termination of the Manager (or the Change in Control resulting in a Covered Termination, if later), the Company shall make or cause to be made available to the Manager, at its expense, outplacement counseling and other outplacement services comparable to those available for the Company's senior managers prior to the Change in Control.

(b) Welfare Benefits. Subject to Section 7, for a period of 18 months following a Covered Termination of the Manager (or the Change in Control resulting in a Covered Termination, if later), the Manager and the Manager's dependents shall be entitled to participate in the Company's life, medical, and dental insurance plans at the Company's expense, in accordance with the terms of such plans at the time of such Covered Termination as if the Manager were still employed by the Company or its affiliates under this Agreement. If, however, life, medical, or dental insurance benefits are not paid or provided under any such plan to the Manager or his dependents because the Manager is no longer an employee of the Company or its subsidiaries, the Company itself shall, to the extent necessary, pay or otherwise provide for such benefits to the Manager and his dependents.

6. Supplemental Retirement Income Program

In the event of a Covered Termination, Manager shall be entitled to receive a supplemental retirement benefit determined under the provisions of the Quaker Chemical Corporation Supplemental Retirement Income Program (the "SRIP"), regardless of whether Manager has otherwise satisfied the requirements for eligibility to participate in or to receive benefits under the SRIP. Such benefit, determined in the form of a single life annuity commencing at age 65, shall be based on service and compensation through the date of the Covered Termination. The following rules shall apply in determining Manager's benefit under the SRIP:

(a) All reductions for applicable taxes shall be based on tax rates in effect on the payment commencement date.

(b) Manager's projected Social Security benefits payable at age 65 shall be determined assuming that Manager continued employment to age 65 at the level of compensation in effect immediately prior to the Covered Termination.

(c) Manager's projected benefits payable from the Company's qualified pension plan at age 65 shall equal his actual accrued benefit under the Quaker Chemical Corporation Pension Plan or any successor thereto (including his Prior Plan Benefit and Cash Balance Benefit, as such terms are defined in such plan as currently in effect), in the form of a single life annuity commencing at age 65.

Such benefit shall be paid to Manager in the form of a single life annuity commencing at Manager's attainment of age 65 in the event a Change in Control occurs after December 31, 2005. Notwithstanding any provision of the SRIP to the contrary, in the event a Change in Control occurs in 2004 or 2005, such benefit shall be paid in a lump sum distribution within 60 days of Manager's Covered Termination in an amount equal to the present value of the benefit payable in the form of a single life annuity commencing at age 65. Notwithstanding any provision of the SRIP to the contrary, such present value shall be determined using the discount rate set forth in Treas. Reg. §1.280G-1 Q/A-32 (or any successor thereto) and such other actuarial assumptions necessary for determining present value as set forth in the Quaker Chemical Corporation Pension Plan (or any successor thereto).

7. Effect of Other Employment.

In the event the Manager becomes employed (as defined below) during the period with respect to which benefits are continuing pursuant to Section 5: (a) the Manager shall notify the Company not later than the day such employment commences; and (b) the benefits provided for in Section 5 shall terminate as of the date of such employment. For the purposes of this Section 7, the Manager shall be deemed to have become "employed" by another entity or person only if the Manager becomes essentially a full-time employee of a person or an entity (not more than 30% of which is owned by the Manager and/or members of his family); and the Manager's "family" shall mean his parents, his siblings and their spouses, his children and their spouses, and the Manager's spouse and her parents and siblings. Nothing herein shall relieve the Company of its obligations for compensation or benefits accrued up to the time of termination provided for herein.

8. Other Payments and Benefits.

Within (30) business days after the Covered Termination (or the Change in Control resulting in a Covered Termination, if later), the Company shall pay or cause to be paid to the Manager the aggregate of: (a) the Manager's earned but unpaid base salary through the Covered Termination at the rate in effect on the date of the Covered Termination, or if higher, at the rate in effect at any time during the 90-day period preceding the Change in Control; (b) any unpaid bonus or annual incentive payable to the Manager in respect of the calendar year ending prior to the Covered Termination; (c) the pro rata portion of any and all unpaid bonuses and annual incentive awards for the calendar year in which the Covered Termination occurs, said pro rata portion to be calculated on the fractional portion (the numerator of said fraction being the number of days between January 1 and the date of the Covered Termination, and the denominator of which is 365) of the target bonuses or annual incentive awards for such calendar year; and (d) the pro rata portion of any and all awards under the Company's long term incentive plan for the performance period(s) in which the Covered Termination occurs, said pro rata

portion to be calculated on the fractional portion (the numerator of said fraction being the number of days between the first day of the applicable performance period and the date of the Covered Termination, and the denominator of which is the total number of days in the applicable performance period) of the amount of the award which would have been payable had (i) the Covered Termination not occurred, and (ii) the target level of performance been achieved for the applicable performance period. The Manager shall be entitled to receive any other payments or benefits that the Manager is entitled to pursuant to the express terms of any compensation or benefit plan or arrangement of the Company or any of its affiliates; provided that the Severance Allowance (x) shall be in lieu of any severance payments to which the Manager might otherwise be entitled under the terms of any severance pay plan, policy, or arrangement maintained by the Company or the employment agreement, if any, between the Manager and the Company, and (y) shall be credited against any severance payments to which the Manager may be entitled by statute.

9. Death After Covered Termination.

In the event the Manager dies after a Covered Termination occurs, (a) any payments due to the Manager under Section 4 and the first sentence of Section 8 and not paid prior to the Manager's death shall be made to the person or persons who may be designated by the Manager in writing or, in the event he fails to so designate, to the Manager's personal representatives, and (b) the Manager's dependents shall be eligible for the welfare benefits described in Section 5(b).

10. Confidentiality and Noncompetition.

(a) **Confidential Information.** The Manager acknowledges that information concerning the method and conduct of the Company's (and any affiliate's) business, including, without limitation, strategic and marketing plans, budgets, corporate practices and procedures, financial statements, customer and supplier information, formulae, formulation information, application technology, manufacturing information, and laboratory test methods and all of the Company's (and any affiliate's) manuals, documents, notes, letters, records, and computer programs ("Proprietary Business Information"), are the sole and exclusive property of the Company (and/or the Company's affiliates, as the case may be) and are likely to constitute, contain or reveal trade secrets ("Trade Secrets") of the Company (and/or the Company's affiliate's, as the case may be). The term "Trade Secrets" as used herein does not include Proprietary Business Information that is known or becomes known to the public through no act or failure to act on the part of the Manager, or which can be clearly shown by written records to have been known by the Manager prior to the commencement of his employment with the Company.

- (i) The Manager agrees that at no time during or following his employment with the Company will he use, divulge, or pass on, directly or through any other individual or entity, any Trade Secrets.
- (ii) Upon termination of the Manager's employment with the Company regardless of the reason for the termination of the Manager's employment hereunder, or at any other time upon the Company's request, the Manager agrees to forthwith surrender to the Company any and all materials in his possession or control which constitute or contain any Proprietary Business Information.

(b) Noncompetition. The Manager agrees that during his employment and for a period of one (1) year thereafter, regardless of the reason for the termination of the Manager's employment, he will not:

- (i) directly or indirectly, together or separately or with any third party, whether as an individual proprietor, partner, stockholder, officer, director, joint venturer, investor, or in any other capacity whatsoever actively engage in business or assist anyone or any firm in business as a manufacturer, seller, or distributor of specialty chemical products or chemical management services which are the same, like, similar to, or which compete with the products and services offered by the Company (or any of its affiliates);
- (ii) recruit or solicit any employee of the Company (or any of its affiliates) or otherwise induce such employee to leave the employ of the Company (or any of its affiliates) or to become an employee or otherwise be associated with his or any firm, corporation, business or other entity with which he is or may become associated; or
- (iii) solicit, directly or indirectly, for himself or as agent or employee of any person, partnership, corporation, or other entity (other than for the Company), any then or former customer, supplier, or client of the Company with the intent of actively engaging in business which would cause competitive harm to the Company (or any of its affiliates).

(c) Severability. The Manager acknowledges and agrees that all of the foregoing restrictions are reasonable as to the period of time and scope. However, if any paragraph, sentence, clause, or other provision is held invalid or unenforceable by a court of competent and relevant jurisdiction, such provision shall be deemed to be modified in a manner consistent with the intent of such original provision so as to make it valid and enforceable, and this Agreement and the application of such provision to persons and circumstances other than those with respect to which it would be invalid or unenforceable shall not be affected thereby.

(d) Remedies. The Manager agrees and recognizes that in the event of a breach or threatened breach of the provisions of the restrictive covenants contained in this Section 10, the Company may suffer irreparable harm, and monetary damages may not be an adequate remedy. Therefore, if any breach occurs or is threatened, the Company shall be entitled to seek equitable remedies, including injunctive relief in any court of applicable jurisdiction notwithstanding the provisions of Section 12. In the event of any breach of the restrictive covenant contained in this Section 10, the term of the restrictive covenant specified herein shall be extended by a period of time equal to that period beginning on the date such violation commenced and ending when the activities constituting such violation cease. Furthermore, if a court or arbitration panel determines that the Manager has breached any of the provisions of this Section 10, the Company's obligations to pay amounts and continue the benefits under this Agreement to the Manager (and his dependents) shall immediately terminate.

11. Set-Off Mitigation.

Except as provided in Section 7, the Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense, or other claim, right, or action which the Company may have against the Manager or others. In no event shall the Manager be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Manager under any of the provisions of this Agreement.

12. Arbitration: Costs and Expenses of Enforcement.

(a) Arbitration. Except as otherwise provided in Sections 10(d) and 13, any controversy or claim arising out of or relating to this Agreement or the breach thereof which cannot promptly be resolved by the parties shall be promptly submitted to and settled exclusively by arbitration in the City of Philadelphia, Pennsylvania, in accordance with the laws of the Commonwealth of Pennsylvania by three arbitrators, one of whom shall be appointed by the Company, one by the Manager, and the third of whom shall be appointed by the first two arbitrators. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association, except with respect to the selection of arbitrators which shall be as provided in this Section 12. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

(b) Costs and Expenses. In the event that it shall be necessary or desirable for the Manager to retain legal counsel and/or incur other costs and expenses in connection with the enforcement of any and all of his rights under this Agreement, the Company shall pay (or the Manager shall be entitled to recover from the Company, as the case may be) his reasonable attorneys' fees and costs and expenses in connection with the enforcement of his said rights (including those incurred in or related to any arbitration proceedings provided for in subsection (a) and the enforcement of any arbitration award in court), regardless of the final outcome.

13. Limitation on Payment Obligation.

(a) Application. This Section 13 shall not apply in the event a Change in Control occurs in 2004 or 2005. This Section 13 shall apply in the event a Change in Control occurs after December 31, 2005.

(b) Definitions. For purposes of this Section 13, all terms capitalized but not otherwise defined herein shall have the meanings as set forth in Section 280G of the Internal Revenue Code of 1986, as amended, together with any applicable regulations thereunder (the "Code"). In addition:

- (i) the term "Parachute Payment" shall mean a payment described in Section 280G(b)(2)(A) or Section 280G(b)(2)(B) (including, but not limited to, any stock option rights, stock grants, and other cash and noncash compensation amounts that are treated as payments under either such section) and not excluded under Section 280G(b)(4)(A) or Section 280G(b)(6) of the Code;

- (ii) the term "Reasonable Compensation" shall mean reasonable compensation for prior personal services as defined in Section 280G(b)(4)(B) of the Code and subject to the requirement that any such reasonable compensation must be established by clear and convincing evidence; and
- (iii) the portion of the "Base Amount" and the amount of "Reasonable Compensation" allocable to any "Parachute Payment" shall be determined in accordance with Section 280G(b)(3) and (4) of the Code.

(c) Limitation. Notwithstanding any other provision of this Agreement, each Parachute Payment to be made to or for the benefit of the Manager, whether pursuant to this Agreement or otherwise, with respect to a Change in Control that occurs after December 31, 2005 shall be reduced if and to the extent necessary so that the aggregate Present Value of all such Parachute Payments shall be at least one dollar (\$1.00) less than the greater of (i) three times the Manager's Base Amount and (ii) the aggregate Reasonable Compensation allocable to such Parachute Payments. Unless otherwise agreed by the Manager and the Company, any reduction in Parachute Payments caused by reason of this subsection (c) shall be made proportionately with respect to each such Parachute Payment.

This subsection (c) shall be interpreted and applied to limit the amounts otherwise payable to the Manager under this Agreement or otherwise with respect to a Change in Control that occurs after December 31, 2005 only to the extent required to avoid any material risk of the imposition of excise taxes on the Manager under Section 4999 of the Code or the disallowance of a deduction to the Company under Section 280G(a) of the Code. In the making of any such interpretation and application, the Manager shall be presumed to be a disqualified individual for purposes of applying the limitations set forth in this subsection (c) without regard to whether or not the Manager meets the definition of disqualified individual set forth in Section 280G(c) of the Code. In the event that the Manager and the Company are unable to agree as to the application of this subsection (c), the Company's independent auditors shall select independent tax counsel to determine the amount of such limits. Such selection of tax counsel shall be subject to the Manager's consent, provided that the Manager shall not unreasonably withhold his consent. The determination of such tax counsel under this Section 13 shall be final and binding upon the Manager and the Company.

(d) Illegal Payments. Notwithstanding any other provision of this Agreement, no payment shall be made hereunder to or for the benefit of the Manager if and to the extent that such payments are determined to be illegal.

14. Notices.

Any notices, requests, demands, and other communications provided for by this Agreement shall be sufficient if in writing, and if hand delivered or if sent by registered or certified mail, if to the Manager, at the last address he had filed in writing with the Company or if to the Company, at its principal executive offices. Notices, requests, etc. shall be effective when actually received by the addressee or at such address.

15. Withholding.

Notwithstanding any provision of this Agreement to the contrary, the Company may, to the extent required by law, withhold applicable Federal, state and local income and other taxes from any payments due to the Manager hereunder.

16. Assignment and Benefit.

(a) This Agreement is personal to the Manager and shall not be assignable by the Manager, by operation of law, or otherwise without the prior written consent of the Company otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Manager's heirs and legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns, including, without limitation, any subsidiary of the Company to which the Company may assign any of its rights hereunder; provided, however, that no assignment of this Agreement by the Company, by operation of law, or otherwise shall relieve it of its obligations hereunder except an assignment of this Agreement to, and its assumption by, a successor pursuant to subsection (c).

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation operation of law, or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place, but, irrespective of any such assignment or assumption, this Agreement shall inure to the benefit of and be binding upon such a successor. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid.

17. Governing Law.

The provisions of this Agreement shall be construed in accordance with the laws of the Commonwealth of Pennsylvania without reference to principles of conflicts of laws.

18. Entire Agreement.

This Agreement represents the entire agreement and understanding of the parties with respect to the subject matter hereof, and it may not be altered or amended except by an agreement in writing executed by the Company and the Manager.

19. No Waiver.

The failure to insist upon strict compliance with any provision of this Agreement by any party shall not be deemed to be a waiver of any future noncompliance with such provision or of noncompliance with any other provision.

20. Severability.

In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect.

21. Indemnification.

The Company shall defend and hold the Manager harmless to the fullest extent permitted by applicable law in connection with any claim, action, suit, investigation or proceeding arising out of or relating to performance by the Manager of services for, or action of the Manager as a director, officer or employee of the Company or any parent, subsidiary or affiliate of the Company, or of any other person or enterprise at the Company's request. Expenses incurred by the Manager in defending a claim, action, suit or investigation or criminal proceeding shall be paid by the Company in advance of the final disposition thereof upon the receipt by the Company of an undertaking by or on behalf of the Manager to repay said amount unless it shall ultimately be determined that the Manager is entitled to be indemnified hereunder; provided, however, that this shall not apply to a nonderivative action commenced by the Company against the Manager.

IN WITNESS WHEREOF, the Manager has hereunto set his hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name and on its behalf and attested by its Secretary or Assistant Secretary, all as of the day and year first above written.

MANAGER

/s/ Michael F. Barry

Michael F. Barry

QUAKER CHEMICAL CORPORATION

By: /s/ Ronald J. Naples

Ronald J. Naples

Title: Chairman & Chief Executive Officer

ATTEST:

/s/ D. Jeffrey Benoliel

D. Jeffrey Benoliel

CERTIFICATION OF CHIEF EXECUTIVE OFFICER OF THE COMPANY PURSUANT TO RULE 13A-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934

I, Ronald J. Naples, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Quaker Chemical Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2004

/s/ Ronald J. Naples

Ronald J. Naples
Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER OF THE COMPANY PURSUANT TO RULE 13A-14(A) OF THE SECURITIES EXCHANGE
ACT OF 1934**

I, Michael F. Barry, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Quaker Chemical Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2004

/s/ Michael F. Barry

Michael F. Barry
Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S. C. SECTION 1350

The undersigned hereby certifies that the Form 10-Q Quarterly Report of Quaker Chemical Corporation (the "Company") for the quarterly period ended June 30, 2004 filed with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 6, 2004

/s/ Ronald J. Naples

Ronald J. Naples

Chief Executive Officer of Quaker Chemical Corporation

CERTIFICATION PURSUANT TO 18 U.S. C. SECTION 1350

The undersigned hereby certifies that the Form 10-Q Quarterly Report of Quaker Chemical Corporation (the "Company") for the quarterly period ended June 30, 2004 filed with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 6, 2004

/s/ Michael F. Barry

Michael F. Barry

Chief Financial Officer of Quaker Chemical Corporation