SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2001

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	23-0993790
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Elm and Lee Streets, Conshohocken, Pennsylvania 19428 - 0809
(Address of principal executive offices) (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 X No ___

APPLICABLE ONLY TO CORPORATE ISSUERS: 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 April 30, 2001	9,057,072

QUAKER CHEMICAL CORPORATION AND CONSOLIDATED SUBSIDIARIES

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Condensed Consolidated Balance Sheet at March 31, 2001 (unaudited) and December 31, 2000

Condensed Consolidated Statement of Income for the Three Months ended March 31, 2001 and 2000 (unaudited)

Condensed Consolidated Statement of Cash Flows for the Three Months ended March 31, 2001 and 2000 (unaudited)

Notes to Condensed Consolidated Financial Statements (unaudited)

* * * * * * * * * *

Quaker Chemical Corporation

Condensed Consolidated Balance Sheet

(dollars in thousands)

	March 31, 2001 (Unaudited)	December 31, 2000 *
ASSETS		
Current assets		
Cash and cash equivalents	$ 17,004	$ 16,552
Accounts receivable	53,184	54,401
Inventories		
Raw materials and supplies	10,274	11,872
Work-in-process and finished goods	10,551	10,844
Prepaid expenses and other current assets	8,263	9,512
Total current assets	99,276	103,181
Property, plant and equipment, at cost	92,635	108,034
Less accumulated depreciation	55,642	65,575
Total property, plant and equipment	36,993	42,459
Intangible assets	15,992	17,370
Investments in associated companies	10,806	5,925
Other assets	19,923	19,226
	$ 182,990	$ 188,161
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	$ 6,914	$ 2,914
Accounts and other payables	22,102	23,573
Accrued compensation	4,839	11,854
Other current liabilities	11,979	11,859
Total current liabilities	45,834	50,200
Long-term debt	22,244	22,295
Other noncurrent liabilities	22,891	22,382
Total liabilities	90,969	94,877
Minority interest in equity of subsidiaries	8,609	8,377
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	476	746
Retained earnings	105,935	103,760
Accumulated other comprehensive (loss)	(21,845)	(16,714)
	94,230	97,456
Treasury stock, shares held at cost; 2001-715,789, 2000-812,646	(10,818)	(12,549)
Total shareholders' equity	83,412	84,907
	$ 182,990	$ 188,161

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

* Condensed from audited financial statements.

Quaker Chemical Corporation

Condensed Consolidated Statement of Income
For the Three Months Ended March 31,

Unaudited
(dollars in thousands, except per share data)

	First Quarter 2001	First Quarter 2000
Net sales	$ 64,215	$ 66,994
Cost of goods sold	38,393	39,106
Gross Margin	25,822	27,888
Selling, general and administrative	19,723	21,636
Operating income	6,099	6,252
Other income, net	780	729
Interest expense, net	(221)	(290)
Income before taxes	6,658	6,691
Taxes on income	2,064	2,074
	4,594	4,617
Equity in net income of associated companies	280	267
Minority interest in net income of subsidiaries	(861)	(513)
Net income	$ 4,013	$ 4,371
Per share data:		
Net income - basic and diluted	$0.45	$0.49
Dividends declared	$0.205	$0.195
Based on weighted average number of shares outstanding:		
Basic	8,901,667	8,862,735
Diluted	8,963,929	8,928,394

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

Quaker Chemical Corporation

Condensed Consolidated Statement of Cash Flows
For the Three Months ended March 31,

	Unaudited (dollars in thousands) 2001	2000
Cash flows from operating activities		
Net income	$ 4,013	$ 4,371
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,162	1,295
Amortization	362	285
Equity in net income of associated companies	(280)	(267)
Minority interest in earnings of subsidiaries	861	513
Deferred compensation and other postretirement benefits	638	350
Other, net	2,073	872
Increase (decrease) in cash from changes in current assets and current liabilities:		
Accounts receivable, net	(734)	(899)
Inventories	1,068	741
Prepaid expenses and other current assets	(1,320)	(1,283)
Accounts payable and accrued liabilities	(6,370)	(455)
Change in repositioning liabilities	(244)	(30)
Net cash provided by operating activities	1,229	5,493
Cash flows from investing activities		
Investments in property, plant and equipment	(1,419)	(1,198)
Payments related to acquisitons	(1,450)	-
Other, net	(190)	-
Net cash used in investing activities	(3,059)	(1,198)
Cash flows from financing activities		
Net increase in short-term borrowings	4,000	612
Dividends paid	(1,816)	(1,741)
Treasury stock repurchased	-	(1,961)
Treasury stock issued	1,461	139
Other, net	(38)	9
Net cash provided by (used in) financing activities	3,607	(2,942)
Effect of exchange rate changes on cash	(1,325)	(651)
Net increase in cash and cash equivalents	452	702
Cash and cash equivalents at beginning of period	16,552	8,677
Cash and cash equivalents at end of period	$ 17,004	$ 9,379
Noncash investing activities:		
Contribution of property, plant & equipment to real estate joint venture	$ 4,239	$ -

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)
(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 2001 presentation. In the opinion of management, the financial statements reflect all adjustments (of a normal and recurring nature) which are necessary to present fairly the financial position, results of operations and cash flows for the interim periods. The results for the three months ended March 31, 2001 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, 2000.

NOTE 2 - WEIGHTED AVERAGE SHARES OUTSTANDING

	Three Months Ended March 31	
	Basic	Diluted
2001	8,901,667	8,963,929
2000	8,862,735	8,928,394

The difference between basic and diluted weighted average shares outstanding results from the assumption that dilutive stock options outstanding were exercised.

NOTE 3 - BUSINESS SEGMENTS

The Company's reportable segments are as follows:

(1) Metalworking process chemicals - products used as lubricants for various heavy industrial and manufacturing applications.

(2) Coatings - temporary and permanent coatings for metal products and chemical milling maskants.

(3) Other chemical products - primarily chemicals used in the manufacturing of paper in 2000, as well as other various chemical products.

Segment data includes direct segment costs as well as general operating costs, including depreciation, allocated to each segment based on net sales.

The table below presents information about the reported segments for the three months ending March 31:

	Metalworking Process Chemicals	Coatings	Other Chemical Products	Total
2001				
Net sales	$59,093	$4,071	$1,051	$64,215
Operating income	12,337	1,087	328	13,752
2000				
Net sales	$60,215	$3,999	$2,780	$66,994
Operating income (loss)	14,076	1,031	(25)	15,082

Operating income comprises revenue less related costs and expenses. Non-operating expenses 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.

A reconciliation of total segment operating income to total consolidated income before taxes, for the three months ended March 31 is as follows:

	2001	2000
Total operating income for reportable segments	$13,752	$15,082
Non-operating expenses	(6,129)	(7,250)
Depreciation and amortization	(1,524)	(1,580)
Interest expense	(492)	(478)
Interest income	271	188
Other income, net	780	729
Consolidated income before taxes	$ 6,658	$ 6,691

NOTE 4 - COMPREHENSIVE INCOME

The following table summarizes comprehensive (loss) income for the three months ended March 31:

	2001	2000
Net income	$ 4,013	$ 4,371
Foreign currency translation adjustments	(5,131)	(2,372)
Comprehensive (loss) income	$(1,118)	$ 1,999

NOTE 5 - REPOSITIONING AND INTEGRATION CHARGES

In the fourth quarter of 1998, the Company announced and implemented a repositioning and integration plan to better align its organizational structure with market demands, improve operational performance and reduce costs.

The components of the 1998 pre-tax repositioning and integration charge included severance and other benefit costs, and early pension and other postretirement benefits. The liabilities for early pension and other postretirement benefits are included in the Company's pension and postretirement benefits obligations.

The repositioning accrual had a balance of $244 at December 31, 2000. That liability was paid in the first quarter of 2001.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

Net cash flows provided by operating activities were $1.2 million in the first three months of 2001 compared to cash flows provided by operating activities of $5.5 million in the same period of 2000. The decrease was primarily due to the timing of payments related to certain year-end 2000 accrued expenses, as well as a decrease in the change in accounts payable.

Net cash flows used in investing activities increased to $3.1 million in the first three months of 2001 compared to cash flows used in investing activities of $1.2 million in the same period of 2000. This increase was primarily related to the acquisition from the Company's Canadian licensee of rights to market to, sell to, and service certain Canadian customers.

Expenditures for property, plant, and equipment totaling $1.4 million in the first quarter of 2001 were consistent with the first quarter of 2000. In January 2001, the Company contributed the entire Conshohocken site, the location of its corporate headquarters, to a real estate joint venture of which the Company is a 50% partner. The contribution totaling approximately $4.2 million was recorded as an Investment in associated companies on the Company's Condensed Consolidated Balance Sheet. This noncash transaction did not impact earnings and was excluded from the Condensed Consolidated Statement of Cash Flows. The joint venture was organized to renovate certain of the existing buildings at the site as well as to build new office space. A portion of the space will be leased to the Company, with the balance to be leased to unaffiliated third parties. Renovation is being funded by a construction loan secured in part by a mortgage on the Conshohocken site, which loan had an outstanding balance at March 31, 2001 of approximately $2.8 million.

Net cash flows provided by financing activities were $3.6 million for the first three months of 2001 compared with net cash flows used in financing activities of $2.9 million for the same period of the prior year. The net change was primarily due to $4.0 million in short-term borrowings and approximately $1.4 million of proceeds from shares issued upon exercise of stock options in 2001, compared to approximately $2.0 million paid to purchase shares of stock under the Company's stock repurchase program in 2000.

OPERATIONS

COMPARISON OF FIRST QUARTER 2001 WITH FIRST QUARTER 2000

Consolidated net sales for the first quarter of 2001 were $64.2 million, a four percent decrease compared to the first quarter of 2000. The sales comparison was negatively impacted by a decline in U.S sales due to a softening U.S. economy, as well as unfavorable foreign currency translations and the sale of the U.S. pulp and paper business in May 2000. Without the impacts of the stronger dollar and excluding the net sales of the U.S. pulp and paper business during the relevant period, consolidated net sales would have increased three percent, with strong growth in all regions, except the U.S.

Cost of sales increased as a percentage of sales from 58 percent in 2000 to 60 percent in 2001 primarily as a result of increases in raw material and freight costs, product mix changes, and lower sales which resulted in higher manufacturing costs as a percentage of sales.

Overall selling, general and administrative expenses were approximately nine percent lower in the first quarter of 2001 compared to the same period in 2000. This was primarily due to continued cost containment efforts, the sale of the U.S. pulp and paper business in 2000, as well as positive foreign exchange impacts.

Other income primarily reflects foreign exchange gains in Europe, partially offset by lower license revenue. Net interest expense is more favorable in 2001 compared to the prior year due to higher interest income. Minority interest was significantly higher in the first quarter of 2001 compared with the same period last year, primarily due to higher net income from the joint ventures in Brazil and Australia.

The effective tax rate for 2001 is currently 31%, which is consistent with the prior year.

OTHER SIGNIFICANT ITEMS

On March 30, 2001, the Company acquired from its Canadian licensee, H. L. Blachford, Ltd., rights to market to, sell to, and service all Canadian integrated steel makers and certain accounts in the Canadian metalworking market. The purchase price totaling approximately $1.4 million, together with a five-year earn-out provision of five percent on net sales to certain accounts purchased, resulted in goodwill of $1.0 million, which is being amortized over 20 years.

Euro Conversion

On January 1, 1999, 11 of the 15 member countries of the European Union established fixed conversion rates between their existing currencies ("legacy currencies") and one common currency - the euro. The euro trades on currency exchanges and may be used in business transactions. Beginning in January 2002, new euro-denominated bills and coins will be issued, and legacy currencies will be withdrawn from circulation. The Company's operating subsidiaries affected by the euro conversion have established plans to address the systems and business issues raised by the euro currency. The Company anticipates that the euro conversion will not have a material adverse impact on its financial condition or results of operations.

Forward-Looking and Cautionary Statements

Except for historical information and discussions, statements contained in this Form 10-Q may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those projected in such statements.

Such risks and uncertainties include, but are not limited to, significant increases in raw material costs, worldwide economic and political conditions, and foreign currency fluctuations that may affect worldwide results of operations. Furthermore, the Company is subject to the same business cycles as those experienced by steel, automobile, aircraft, appliance or durable goods manufacturers.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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

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. Incorporated by reference is the information in "Liquidity and Capital Resources" in Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 8 of the Notes to Consolidated Financial Statements on pages 7 and 24, respectively, of the Registrant's 2000 Annual Report filed on Form 10-K. Accordingly, if interest rates rise significantly, the cost of short-term debt to Quaker will increase. This can have a material adverse effect on Quaker depending on the extent of Quaker's short-term borrowings. As of March 31, 2001, Quaker had $4.0 million in short-term borrowings.

Foreign Exchange Risk. A significant portion of Quaker's revenues and earnings is generated by its foreign subsidiaries. Incorporated by reference is the information concerning Quaker's non-U.S. activities appearing in Note 11 of the Notes to Consolidated Financial Statements on pages 27 through 29 of the Registrant's 2000 Annual Report filed on Form 10-K. All such subsidiaries use the local currency as their functional currency. Accordingly, Quaker's financial results are affected by risks typical of international 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 adversely affected.

In the past, Quaker has used, on a limited basis, forward exchange contracts to hedge foreign currency transactions and foreign exchange options to reduce exposure to changes in foreign exchange rates. The amount of any gain or loss on these derivative financial instruments was immaterial. During the quarter ended March 31, 2001, Quaker was not a party to any derivative financial instruments. Therefore, adoption of SFAS No. 133, as amended by SFAS No. 138, did not have a material impact on Quaker's operating results or financial position as of March 31, 2001. Incorporated by reference is the information concerning Quaker's Significant Accounting Policies appearing in Note 1 of the Notes to Consolidated Financial Statements on page 17 of the Registrant's 2000 Annual Report filed on Form 10-K.

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. Quaker has not been, nor is it currently a party to, any derivative financial instrument relative to commodities.

PART II. OTHER INFORMATION

Items 1,2,3,4 and 5 of Part II are inapplicable and have been omitted.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.
None

(b) Reports on Form 8-K.
No reports on Form 8-K were filed during the quarter for which this report is filed.

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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: May 11, 2001