

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, 1994

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, 1994 9,260,785

This report contains a total of 9 pages.

PART I. FINANCIAL INFORMATION

QUAKER CHEMICAL CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONDENSED FINANCIAL INFORMATION

The following condensed financial statements are filed as part
of this quarterly report on Form 10-Q:

Consolidated balance sheet at March 31, 1994 and
December 31, 1993

Consolidated statement of income for the three months

ended March 31, 1994 and 1993

Consolidated statement of cash flows for the three months
ended March 31, 1994 and 1993

* * * * *

NOTE TO CONDENSED FINANCIAL INFORMATION

The attached condensed financial information has been prepared in accordance with instructions for Form 10-Q and, therefore, does not include all financial note information which might be necessary for a fair presentation in accordance with generally accepted accounting principles. Such condensed financial information is unaudited, but in the opinion of management, includes all adjustments, consisting only of normal recurring adjustments and accruals, necessary for a fair presentation of results for the periods indicated. The net income reported for the periods should not necessarily be regarded as indicative of net income on an annualized basis; however, significant variations from the results for the same period of the previous year, if any, have been disclosed in the accompanying management's discussion and analysis.

QUAKER CHEMICAL CORPORATION

CONSOLIDATED BALANCE SHEET

(DOLLARS IN THOUSANDS)

	MARCH 31, 1994 ----- (UNAUDITED)	DEC 31, 1993 ----- *
ASSETS -----		
CURRENT ASSETS		
CASH AND CASH EQUIVALENTS	\$ 15,354	\$ 19,293
SHORT-TERM INVESTMENTS		1,000
ACCOUNTS RECEIVABLE	40,568	37,108
INVENTORIES		
WORK IN PROCESS AND FINISHED GOODS	9,902	9,278
RAW MATERIALS AND SUPPLIES	7,631	8,269
DEFERRED TAXES	2,414	2,857
OTHER CURRENT ASSETS	6,407	6,582
	-----	-----
TOTAL CURRENT ASSETS	82,276	84,387
	-----	-----
INVESTMENTS IN ASSOCIATED COMPANIES, AT EQUITY	9,992	6,224
	-----	-----
PROPERTY, PLANT AND EQUIPMENT		
LAND	6,559	6,440
BUILDINGS AND IMPROVEMENTS	36,247	35,590
MACHINERY AND EQUIPMENT	64,115	63,066
CONSTRUCTION IN PROGRESS	3,581	1,980
	-----	-----
	110,502	107,076
LESS ACCUMULATED DEPRECIATION	52,961	50,525
	-----	-----
	57,541	56,551
	-----	-----
EXCESS OF COST OVER NET ASSETS OF ACQUIRED COMPANIES, NET	14,373	14,472
DEFERRED TAXES	4,792	4,788
OTHER NONCURRENT ASSETS	4,019	4,563
	-----	-----
	23,184	23,823
	-----	-----
	\$172,993	\$170,985
	=====	=====

* CONDENSED FROM AUDITED FINANCIAL STATEMENTS.

QUAKER CHEMICAL CORPORATION

CONSOLIDATED BALANCE SHEET

(DOLLARS IN THOUSANDS)

	MARCH 31, 1994	DEC 31, 1993
	----- (UNAUDITED)	----- *
LIABILITIES AND SHAREHOLDERS' EQUITY		

CURRENT LIABILITIES		
SHORT-TERM BORROWINGS AND CURRENT PORTION OF LONG-TERM DEBT AND CAPITAL LEASE	\$ 8,969	\$ 4,953
ACCOUNTS PAYABLE	16,474	18,117
DIVIDENDS PAYABLE	1,435	1,432
ACCRUED LIABILITIES	16,225	17,727
ESTIMATED TAXES ON INCOME	149	413
	-----	-----
TOTAL CURRENT LIABILITIES	43,252	42,642
	-----	-----
LONG-TERM DEBT AND CAPITAL LEASE	14,338	16,095
DEFERRED TAXES ON INCOME	3,004	3,043
ACCRUED POSTRETIREMENT BENEFITS	9,043	8,968
OTHER NONCURRENT LIABILITIES	6,947	6,840
	-----	-----
TOTAL NONCURRENT LIABILITIES	33,332	34,946
	-----	-----
	76,584	77,588
	-----	-----
MINORITY INTEREST IN EQUITY OF SUBSIDIARIES	2,225	2,014
	-----	-----
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	568	529
RETAINED EARNINGS	84,301	83,498
EQUITY ADJUSTMENT FROM FOREIGN CURRENCY TRANSLATION	5,318	3,577
	-----	-----
	99,852	97,268
TREASURY STOCK, SHARES HELD AT COST; 1994 - 405,611, 1993 - 458,375	(5,668)	(5,885)
	-----	-----
	94,184	91,383
	-----	-----
	\$172,993	\$170,985
	=====	=====

* CONDENSED FROM AUDITED FINANCIAL STATEMENTS.

QUAKER CHEMICAL CORPORATION

CONSOLIDATED STATEMENT OF INCOME

FOR THE PERIOD ENDED MARCH 31,

UNAUDITED
(DOLLARS IN THOUSANDS
EXCEPT PER SHARE FIGURES)

	1994	1993
INCOME		
NET SALES	\$ 45,093	\$ 48,361
OTHER INCOME, NET	358	203
	-----	-----
	45,451	48,564
	-----	-----
COSTS AND EXPENSES		
COST OF GOODS SOLD	25,383	27,822
SELLING, ADMINISTRATIVE AND GENERAL EXPENSES	16,354	16,945
	-----	-----
	41,737	44,767
	-----	-----
INCOME FROM OPERATIONS	3,714	3,797
INTEREST EXPENSE	(330)	(380)
INTEREST INCOME	136	469
	-----	-----
INCOME BEFORE TAXES	3,520	3,886
TAXES ON INCOME	1,408	1,477
	-----	-----
	2,112	2,409
EQUITY IN NET INCOME OF ASSOCIATED COMPANIES	237	415
MINORITY INTEREST IN NET INCOME OF SUBSIDIARIES	(100)	(100)
	-----	-----
NET INCOME	\$ 2,249	\$ 2,724
	=====	=====
PER SHARE:		
NET INCOME	\$0.24	\$0.30
DIVIDENDS	\$0.16	\$0.15
BASED ON WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	9,252,727	9,198,536

QUAKER CHEMICAL CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED MARCH 31,

UNAUDITED
(DOLLARS IN THOUSANDS)

	1994	1993
CASH FLOWS FROM OPERATING ACTIVITIES	\$ (1,105)	\$ 2,681
CASH FLOWS FROM INVESTING ACTIVITIES		
SHORT-TERM INVESTMENTS	1,000	(471)
DIVIDENDS FROM ASSOCIATED COMPANIES	551	277
INVESTMENT IN ASSOCIATED COMPANY	(3,319)	
PURCHASE OF PROPERTY, PLANT AND EQUIPMENT	(2,147)	(1,373)
OTHER	47	72
NET CASH USED IN INVESTING ACTIVITIES	(3,868)	(1,495)
CASH FLOWS FROM FINANCING ACTIVITIES		
SHORT-TERM DEBT INCURRED	4,000	1,500
CAPITAL LEASE INCURRED		879
REPAYMENT OF SHORT-TERM DEBT	(49)	(434)
REPAYMENT OF LONG-TERM DEBT	(1,667)	
REPAYMENT OF CAPITAL LEASE	(101)	(610)
DIVIDENDS PAID	(1,433)	(1,379)
TREASURY STOCK ISSUED	256	233
OTHER	(3)	93
NET CASH PROVIDED FROM FINANCING ACTIVITIES	1,003	282
EFFECT OF EXCHANGE RATE CHANGES ON CASH	31	(178)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,939)	1,290
CASH AND CASH EQUIVALENTS AT:		
BEGINNING OF PERIOD	19,293	24,373
END OF PERIOD	\$ 15,354	\$ 25,663
CASH PAID FOR:		
INCOME TAXES	\$ 1,264	\$ 1,237
INTEREST	556	650

* * * * *

Management's Discussion and Analysis of

Financial Condition and Results of Operations

Liquidity and Capital Resources

The working capital ratio at March 31, 1994 was 1.9 to 1 as compared to 2.0 to 1 at December 31, 1993, reflecting the continuation of an adequate level of liquidity necessary to support operations. The company's net cash position (cash and cash equivalents plus short-term investments less short-term borrowings and current portion of long-term debt and capital lease) declined \$9.0 million during the quarter. This was due primarily to a cash investment of approximately \$3.3 million in a joint venture and increased short-term borrowings in the U.S. associated with (i) seasonal cash needs, (ii) the replacement of maturing long-term obligations with short-term debt, and (iii) increases in non-cash (primarily accounts receivable) working capital. Working capital decreased \$2.7 million during the quarter mainly as a result of the aforementioned reduction in net cash.

During March, 1994, the company entered into an agreement for the creation of the above-noted joint venture with Fluid Recycling Services Company which is expected to enhance the Total Fluid Management (TFM) capabilities of the company. In addition to the initial contribution, additional investments are expected over the next few years based on the growth of the venture.

Comparison of First Quarter 1994 with First Quarter 1993

Consolidated net sales for the first quarter of 1994 decreased \$3.3 million (7%) while income from operations decreased \$.1 million (2%) when compared to the first quarter of 1993. The decrease in sales was due to a 3% decline in volume; a 2% reduction associated with currency translation; and declines of 1% each from price and product mix, and the net result of acquisitions and divestitures. The decrease in the volume for the quarter was mainly a result of a reduction in orders shipped to the People's Republic of China (PRC) as that country worked down an earlier inventory buildup; the European recession's impact on customer production levels, particularly in the steel and automotive markets of Southern Europe; and the adverse effect of the continued slump in the aircraft and aerospace industry. Shipments to the PRC are expected to resume in the second quarter, hopefully, under a more consistent order pattern. The company continues to be challenged with pricing pressures in key markets and increased customer efficiencies in the usage of chemical products. While operating conditions in the United States appear healthy, uncertainty exists as to whether or not the current pace of industrial activity can continue given the Federal Reserve Board's recent actions to restrain inflation. In Europe, though there have been modest signs of improvement in some of our markets, it is difficult to predict the timing of an overall recovery.

Operating margins as a percentage of sales were comparable to first quarter 1993 as improved sales mix, lower raw material costs, and cost savings associated with the company's 1993 repositioning program offset the negative leverage effect of fixed costs on reduced sales volume. The after-tax financial benefit generated in the first quarter 1994 from the 1993 repositioning program was approximately \$.05 per share. Interest income declined mainly as a result of lower cash holdings by the company. The effective tax rate in the first quarter of 1994 increased slightly versus first quarter 1993 primarily as a result of foreign taxes on earnings at rates different than the U.S. federal tax rates. The decrease in equity in net income from associated companies was primarily due to lower earnings from the company's Japanese affiliate which is being hampered by sluggish demand in the Japanese steel industry. The negative influence of currency translation on first quarter 1994 net income was \$.01 per share.

PART II. OTHER INFORMATION

Items 1-5 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 report on Form 8-K was filed during the
quarter for which this report is filed.

* * * * *

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)

JOSEPH F. SPANIER

Joseph F. Spanier, officer duly
authorized to sign this report,
Corporate Controller and
Principal Financial Officer

Date: May 13, 1994
