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 September 30, 2000

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 October 31, 2000 8,827,751

QUAKER CHEMICAL CORPORATION AND CONSOLIDATED SUBSIDIARIES

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

* * * * * * * * * *

Quaker Chemical Corporation

Condensed Consolidated Balance Sheet

	(dollars in thousands) September 30, 2000 (Unaudited)	December 31, 1999 *
ASSETS		
Current assets		
Cash and cash equivalents	$ 15,292	$ 8,677
Accounts receivable	56,933	55,132
Inventories		
Raw materials and supplies	12,318	12,140
Work-in-process and finished goods	10,513	11,217
Prepaid expenses and other current assets	7,991	9,075
Total current assets	103,047	96,241
Property, plant and equipment, at cost	104,786	108,924
Less accumulated depreciation	63,351	64,172
Total property, plant and equipment	41,435	44,752
Intangible assets	17,940	15,994
Investments in associated companies	6,407	5,773
Other assets	18,765	19,453
	$ 187,594	$ 182,213
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	$ 1,435	$ 431
Accounts and other payables	23,604	24,092
Accrued compensation	10,026	8,749
Other current liabilities	14,081	11,385
Total current liabilities	49,146	44,657
Long-term debt	25,167	25,122
Other noncurrent liabilities	24,723	23,117
Total liabilities	99,036	92,896
Minority interest in equity of subsidiaries	7,794	8,118
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	772	832
Retained earnings	102,135	93,655
Accumulated other comprehensive (loss)	(18,797)	(11,378)
	93,774	92,773
Treasury stock, shares held at cost; 2000-838,415, 1999-729,986	(13,010)	(11,574)
Total shareholders' equity	80,764	81,199
	$ 187,594	$ 182,213

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 period ended September 30,

	Unaudited (dollars in thousands, except per share data)			
	Three Months		Nine Months	
	2000	1999	2000	1999
Net sales	$ 66,043	$ 67,795	$ 198,312	$ 192,722
Cost of goods sold	37,914	37,135	113,067	106,768
Gross margin	28,129	30,660	85,245	85,954
Selling, general and administrative expenses	21,731	22,721	65,575	66,639
Net gain on exit of businesses	-	-	(1,473)	-
Litigation charge	-	-	1,500	-
Operating income	6,398	7,939	19,643	19,315
Other income, net	885	417	2,252	1,269
Interest expense, net	(276)	(611)	(888)	(1,549)
Income before taxes	7,007	7,745	21,007	19,035
Taxes on income	2,172	3,098	6,512	7,614
	4,835	4,647	14,495	11,421
Equity in net income of associated companies	364	268	1,035	764
Minority interest in net income of subsidiaries	(516)	(651)	(1,805)	(1,120)
Net income	$ 4,683	$ 4,264	$ 13,725	$ 11,065
Per share data:				
Net income - basic	$0.53	$0.48	$1.55	$1.24
Net income - diluted	$0.53	$0.48	$1.54	$1.24
Dividends declared	$0.205	$0.195	$0.595	$0.575
Based on weighted average number of shares outstanding:				
Basic	8,821,017	8,920,148	8,830,609	8,909,298
Diluted	8,886,501	8,969,095	8,896,199	8,956,610

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

Quaker Chemical Corporation

Condensed Consolidated Statement of Cash Flows
For the Nine Months ended September 30,

	Unaudited (dollars in thousands) 2000	1999
Cash flows from operating activities		
Net income	$ 13,725	$ 11,065
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,682	3,961
Amortization	1,048	789
Equity in net income of associated companies	(1,035)	(764)
Minority interest in earnings of subsidiaries	1,805	1,120
Deferred compensation and other postretirement benefits	1,354	691
Litigation charge	1,500	-
Net gain on exit of businesses	(1,473)	-
Other, net	338	777
Increase (decrease) in cash from changes in current assets and current liabilities:		
Accounts receivable, net	(5,848)	(6,406)
Inventories	(1,060)	(412)
Prepaid expenses and other current assets	(596)	(5,304)
Accounts payable and accrued liabilities	3,330	4,964
Change in repositioning liabilities	(308)	(1,883)
Net cash provided by operating activities	16,462	8,598
Cash flows from investing activities		
Investments in property, plant and equipment	(2,988)	(4,057)
Proceeds from sale of business	5,200	-
Payments related to acquisitions	(3,500)	-
Other, net	(1,216)	(184)
Net cash used in investing activities	(2,504)	(4,241)
Cash flows from financing activities		
Net increase in short-term borrowings	1,016	4,817
Dividends paid	(5,179)	(5,076)
Treasury stock repurchased	(1,961)	-
Other, net	131	210
Net cash used in financing activities	(5,993)	(49)
Effect of exchange rate changes on cash	(1,350)	(2,862)
Net increase in cash and cash equivalents	6,615	1,446
Cash and cash equivalents at beginning of period	8,677	10,213
Cash and cash equivalents at end of period	$ 15,292	$ 11,659

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 2000 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. These financial statements should be read in conjunction with the Annual Report to Shareholders and Form 10-K for the year ended December 31, 1999.

Note 2 - Weighted Average Shares Outstanding

	Three Months Ended September 30		Nine Months Ended September 30	
	Basic	Diluted	Basic	Diluted
2000	8,821,017	8,886,501	8,830,609	8,896,199
1999	8,920,148	8,969,095	8,909,298	8,956,610

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 - produces products used as lubricants for various heavy industrial and manufacturing applications.

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

(3) Other chemical products - primarily includes chemicals used in the manufacturing of paper 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 nine months ending September 30:

	Metalworking Process Chemicals	Coatings	Other Chemical Products	Total
2000				
Net sales	$180,048	$13,126	$5,138	$198,312
Operating income(loss)	45,309	3,297	(630)	47,976
1999				
Net sales	$169,285	$13,998	$9,439	$192,722
Operating income	40,133	4,457	483	45,073

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 nine months ended September 30 is as follows:

	2000	1999
Total operating income for reportable segments	$ 47,976	$ 45,073
Non-operating expenses	(23,576)	(21,008)
Net gain on exit of businesses	1,473	-
Litigation charge	(1,500)	-
Depreciation and amortization	(4,730)	(4,750)
Interest expense	(1,529)	(1,815)
Interest income	641	266
Other income, net	2,252	1,269
Consolidated income before taxes	$ 21,007	$ 19,035

Note 4 - Comprehensive Income

The following table summarizes comprehensive income for the three months ended September 30:

	2000	1999
Net income	$ 4,683	$4,264
Foreign currency translation adjustments	(3,812)	1,452
Comprehensive income	$ 871	$5,716

The following table summarizes comprehensive income (loss) for the nine months ended September 30:

	2000	1999
Net income	$13,725	$ 11,065
Foreign currency translation adjustments	(7,419)	(12,070)
Comprehensive income (loss)	$ 6,306	$ (1,005)

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 activity in the repositioning accrual follows:

Repositioning accruals at December 31, 1999	$ 572
Benefit payments in 2000	(308)
Remaining liability at September 30, 2000	$ 264

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 $16.5 million in the first nine months of 2000 compared to cash flows provided by operating activities of $8.6 million in the same period of 1999. The increase was primarily due to higher operating income, as well as changes in several working capital items.

Net cash flows used in investing activities were $2.5 million in the first nine months of 2000 compared to cash flows used in investing activities of $4.2 million in the same period of 1999. This decrease was primarily related to proceeds from the sale of the U.S. pulp and paper business, and a decrease in investments in property, plant and equipment, offset by a contingent purchase payment related to the 1998 Brazilian acquisition.

Net cash flows used in financing activities were $6.0 million for the first nine months of 2000 compared with net cash flows used in financing activities of $0.1 million for the same period of the prior year. The net change was primarily due to a $3.8 million reduction in short-term borrowings and approximately $2.0 million paid to purchase shares of stock under the Company's stock repurchase program.

Operations

Comparison of Nine Months 2000 with Nine Months 1999

Consolidated net sales for the first nine months of 2000 increased by approximately three percent over 1999 results. Sales would have shown an additional five percent increase absent the impact of foreign currency fluctuations experienced in 2000. The increase was primarily due to strong demand in metalworking process chemicals markets in all regions, particularly in Brazil. This increase was offset by lost revenues related to the sale of the U.S. pulp and paper business and by reductions in the coatings segment revenues, resulting from lower maskant sales due to reduced aircraft production.

Cost of sales increased as a percent of sales from 55 percent to 57 percent as a result of raw material increases and product mix changes in non-core business lines.

Minority interest was significantly higher in the first nine months of 2000 compared with the same period last year, due to higher net income from the joint ventures in Brazil and China. Lower interest expense in 2000 compared with 1999 reflects lower overall short-term borrowings and increased interest income. Other income reflects increased rental income and foreign exchange gains in 2000 versus 1999.

The effective tax rate for 2000 is 31% compared with 40% in 1999. The decrease in the effective tax rate is primarily due to the implementation of several global tax planning initiatives, the most significant of which is related to the Company's net operating loss carryforward position in Brazil. The impact of the tax planning initiatives in Brazil are being magnified as these operations become more profitable. The estimated tax rate for the year 2000 is dependent on many factors, including but not limited to the profitability of the Company's foreign operations.

Comparison of Third Quarter 2000 with Third Quarter 1999

Consolidated net sales for the third quarter of 2000 decreased by approximately three percent compared to 1999 results, primarily due to unfavorable foreign currency translations and the sale of the U.S. pulp and paper business. Without the impacts of the stronger dollar and the sale of the U.S. pulp and paper business, consolidated net sales would have increased five percent, with broad-based growth in all regions.

Cost of sales increased as a percent of sales as a result of increases in raw material and freight costs, as well as non-recurring charges in U.S. manufacturing.

Overall selling, general and administrative expenses were approximately four percent lower in the third quarter of 2000 compared to the same period in 1999. This was due to continued cost containment programs and positive foreign exchange impacts, offset by inflation, organizational development activities, and new market development initiatives.

Minority interest was lower in the third quarter of 2000 compared with the same period last year, primarily due to lower net income from the joint venture in Brazil. Lower interest expense in 2000 compared with 1999 reflects lower overall short-term borrowings and increased interest income. Other income reflects increased license revenue.

Other Significant Items

As part of the Company's ongoing review of the strategic position of certain business units and related assets to be substantially completed by the end of this year, the Company recorded valuation reserves for certain assets of $0.9 million in the second quarter 2000. Additionally, on May 31, 2000, the Company completed the sale of its U.S. pulp and paper business for $5.2 million in cash. The Company recorded a gain on the sale of $2.4 million. Effective May 31, 2000, the Company recorded an accrual of $1.0 million for the involuntary termination of twenty-three employees. As of September 30, 2000 the remaining balance of that accrual was $0.5 million.

During the latter part of the second quarter of 2000, it was discovered during an internal environmental audit that AC Products, Inc. had failed to properly report its air emissions. In response, (i) an internal investigation of all environmental, health and safety matters at AC Products, Inc. was conducted and (ii) AC Products, Inc. has voluntarily disclosed to regulators and taken steps to correct all environmental, health and safety issues discovered to date. AC Products, Inc. has established a reserve of $1.5 million to cover estimated past fees, underpayment penalties, expenses, and other quantifiable liabilities associated with this matter. Though the reserve taken is currently expected to cover known liabilities to date, the Company cannot be certain liabilities in the form of fines, penalties and damages will not be incurred in excess of the amount reserved.

On October 16, 2000, the Company sold its Quaker Computer Solutions (QCS) business. The sale of QCS is not expected to have a material effect on future results.

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 16 and 26, respectively, of the Registrant's 1999 Annual Report to Shareholders, the incorporated portion of which is included as Exhibit 13 to the 1999 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 September 30, 2000, Quaker had $1.4 million in short-term borrowings.

Foreign Exchange Risk. A significant portion of Quaker's revenues and earnings is generated by its non-U.S. operations of 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 Page 28 and 29 of the Registrant's 1999 Annual Report to Shareholders, the incorporated portion of which is included as Exhibit 13 to the 1999 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 not material, and there are no contracts or options outstanding at September 30, 2000. 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 22 of the Registrant's 1999 Annual Report to Shareholders, the incorporated portion of which is included as Exhibit 13 to the 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.
Exhibit 27-Financial Data Schedule

(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: November 14, 2000

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SEP-30-2000
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