

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 1997

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
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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, 1997 8,645,122

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, 1997 and
December 31, 1996

Consolidated Statement of Income for the three months
ended March 31, 1997 and 1996

Consolidated Statement of Cash Flows for the three months
ended March 31, 1997 and 1996.

* * * * *

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 (see accompanying Management's Discussion and Analysis-Other Significant Items); 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. Certain reclassifications of prior years' data have been made to improve comparability.

Quaker Chemical Corporation

Consolidated Balance Sheet

(dollars in thousands)

	March 31, 1997 ---- (Unaudited)	December 31, 1996 ---- *
Assets		
Current assets		
Cash and cash equivalents	\$ 9,864	\$ 8,525
Accounts receivable	45,035	45,564
Inventories		
Raw materials and supplies	8,580	9,094
Work in process and finished goods	11,416	11,947
Deferred income taxes	4,446	4,840
Prepaid expenses and other current assets	8,553	6,582
	-----	-----
Total current assets	87,894	86,552
	-----	-----
Investments in and advances to associated companies	4,334	3,941
	-----	-----
Property, plant and equipment, at cost		
Land	6,336	6,586
Buildings and improvements	31,841	32,680
Machinery and equipment	56,701	58,220
Construction in progress	1,727	1,476
	-----	-----
	96,605	98,962
Less accumulated depreciation	54,272	55,002
	-----	-----
Total property, plant and equipment	42,333	43,960
	-----	-----
Goodwill, net	15,225	16,222
Deferred income taxes	9,556	9,278
Other noncurrent assets	5,475	5,655
	-----	-----
Total noncurrent assets	30,256	31,155
	-----	-----
	\$164,817	\$165,608
	=====	=====

* Condensed from audited financial statements.

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Quaker Chemical Corporation

Consolidated Balance Sheet

(dollars in thousands)

	March 31, 1997 ---- (Unaudited)	December 31, 1996 ---- *
Liabilities		
Current liabilities		
Short-term borrowings, current		
portion of long-term debt,		
notes payable and capital leases	\$21,148	\$17,404
Accounts payable	22,350	23,386
Dividends payable	1,520	1,508
Accrued liabilities	18,540	19,843

Estimated taxes on income	3,889	1,893
	-----	-----
Total current liabilities	67,447	64,034
	-----	-----
Long-term debt, notes payable and capital leases	5,218	5,182
Deferred income taxes	3,232	3,222
Accrued postretirement benefits	8,930	8,898
Other noncurrent liabilities	6,047	6,255
	-----	-----
Total noncurrent liabilities	23,427	23,557
	-----	-----
Total liabilities	90,874	87,591
	-----	-----
Minority interest in equity of subsidiaries	4,027	3,763
	-----	-----
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	647	634
Retained earnings	75,364	74,317
Unearned compensation	(394)	(459)
Foreign currency translation adjustments	903	6,475
	-----	-----
	86,184	90,631
Treasury stock, shares held at cost; 1997 - 1,021,706, 1996 - 1,044,452	(16,268)	(16,377)
	-----	-----
Total shareholders' equity	69,916	74,254
	-----	-----
	\$164,817	\$165,608
	=====	=====

* Condensed from audited financial statements

Quaker Chemical Corporation

Consolidated Statement of Income
Three Months Ended March 31,

	Unaudited (dollars in thousands except per share data)	
	1997	1996
	----	----
Net sales	\$ 58,543	\$ 58,203
	-----	-----
Costs and expenses		
Cost of goods sold	33,176	33,955
Selling, administrative and general expenses	21,495	21,085
	-----	-----
	54,671	55,040
	-----	-----
Income from operations	3,872	3,163
Other income, net	352	284
Interest expense	(425)	(500)
Interest income	60	92
	-----	-----
Income before taxes	3,859	3,039
Taxes on income	1,544	1,216
	-----	-----
	2,315	1,823
Equity in net income of associated companies	287	(43)
Minority interest in net income of subsidiaries	(35)	(104)
	-----	-----
Net income	\$ 2,567	\$ 1,676
	=====	=====
Per share data:		
Net income	\$0.30	\$0.19
Dividends declared	\$0.175	\$0.17
Based on weighted average number of shares outstanding	8,622,064	8,666,747

Quaker Chemical Corporation

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

	Unaudited	
	(dollars in thousands)	
	1997	1996
	----	----
Cash flows from operating activities		
Net income	\$2,567	\$1,676
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,189	1,525
Amortization	508	546
Equity in net (income) loss of associated companies	(287)	43
Minority interest in earnings of subsidiaries	35	104
Deferred income taxes	(228)	(214)
Deferred compensation and other postretirement benefits	262	202
Net change in repositioning liability	(1,923)	(265)
Other, net	(17)	269
Increase (decrease) in cash from changes in current assets and liabilities net of acquisitions and divestitures:		
Accounts receivable	(1,260)	(3,613)
Inventories	415	545
Prepaid expenses and other current assets	(1,790)	(266)
Accounts payable and accrued liabilities	593	1,002
Estimated taxes on income	2,154	47
	-----	-----
Net cash provided by operating activities	2,218	1,601
	-----	-----
Cash flows from investing activities		
Dividends from associated companies		735
Investments in property, plant, equipment and other assets	(1,221)	(1,111)
Investments in and advances to associated companies	(120)	(330)
Proceeds from the sale of assets		339
	-----	-----
Net cash used in investing activities	(1,341)	(367)
	-----	-----
Cash flows from financing activities		
Net increase in short-term borrowings and notes payable	5,541	5,268
Repayment of long-term debt, notes payable and capital leases	(1,729)	(1,892)
Dividends paid	(1,520)	(1,474)
Treasury stock issued	122	105
	-----	-----
Net cash provided by financing activities	2,414	2,007
	-----	-----
Effect of exchange rate changes on cash	(1,952)	(923)
	-----	-----
Net increase in cash and cash equivalents	1,339	2,318
Cash and cash equivalents at beginning of period	8,525	7,230
	-----	-----
Cash and cash equivalents at end of period	\$9,864	\$9,548
	=====	=====
Supplemental cash flow information		
Cash paid during the quarter for:		
Income taxes	\$ 171	\$ 981
Interest	431	617

Management's Discussion and Analysis of
Financial Condition and Results of Operations

Liquidity and Capital Resources

Net cash flow provided by operating activities amounted to \$2.2 million in the first quarter of 1997 compared to \$1.6 million in the same period of 1996. The improvement was principally due to a better operating performance offset by payments related to the 1996 repositioning program.

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 leases) decreased \$2.4 million primarily as a result of increased short-term borrowings associated with the replacement of maturing long-term debt and seasonal cash needs. The current ratio at March 31, 1997 was 1.3 to 1 as compared to 1.4 to 1 at December 31, 1996, down slightly due to the increased short-term borrowings.

Operations

Comparison of First Quarter 1997 with First Quarter 1996

Consolidated net sales for the first quarter of 1997 increased by 1% over the first quarter of 1996. The increase in sales was the net result of a 3% increase due to pricing initiatives and product sales mix; a 3% increase in volume; and a 5% decrease due to foreign currency translation rates.

Operating income improved 22% to \$3.9 million as compared to \$3.2 million in the same period of 1996. The 22% improvement was mainly attributable to better European results, which benefited from strong demand from European steel customers and improved pricing, and early benefits associated with the 1996 repositioning of operations. The Company's gross profit margin as a percentage of sales increased 1.6% mainly as a result of benefits associated with the consolidation of manufacturing operations in the United States, improved pricing, particularly in Europe, stable raw material costs and changes in sales mix. Selling, administrative and general expenses increased 2% over 1996.

Net interest costs decreased slightly due to decreased financing costs associated with lower overall debt levels. Other income increased due to higher license fee income. The increase in equity in net income from associated companies was primarily due to reduced losses incurred by the Company's Fluid Recycling Services joint venture. Earnings per share of \$.30 were 58% higher than the prior year despite a negative foreign currency translation impact of approximately \$.05 per share due to the strengthening of the dollar, primarily against the Dutch guilder.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

On or about October 24, 1996, Petrolite Corporation and its subsidiary, Petrolite Holdings, Inc. (collectively, "Petrolite") filed a Demand for Arbitration with the American Arbitration Association and a Petition with the Circuit Court for the County of St. Louis, State of Missouri, against the Registrant and certain of its subsidiaries (collectively, the "Company"). The actions arise out of a Technology Purchase Agreement (the "Agreement") between Petrolite and the Company dated April 13, 1993, as amended, pursuant to which the Company sold various assets, including a patent (the "Patent"), to Petrolite for a purchase price of approximately \$8.5 million plus an obligation to pay royalties. In a suit brought by Petrolite against Baker Hughes, Inc., et al. for infringement of the Patent, the United States District Court for the Western District of Oklahoma (No. CIV-94-311-M) affirmed by the United States Court of Appeals for the Federal Circuit (No. 95-1447) declared all of the claims of the Patent invalid as a result of sales allegedly made by the Company more than one year prior to the filing of the Patent application. In its actions against the Company, Petrolite seeks damages in an unspecified amount, rescission of the Agreement, costs, and other relief. The Company believes that it has complete and meritorious defenses to the Petrolite actions and intends to vigorously defend the actions and deny liability and to pursue a claim against Petrolite for royalties. The bases for the Company's position include, but are not limited to, the Company specifically made no representations or warranties with respect to the validity of the Patent, all sales made by the Company prior to filing the Patent application were disclosed to Petrolite prior to closing under the Agreement and the findings made by the Court in Petrolite's suit with Baker Hughes, Inc. were the result of the failure of Petrolite's counsel to take certain required actions in the handling of the case.

Items 2, 3, 4 and 5 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.
A report on Form 8-K was filed on February 20, 1997.
No other reports on Form 8-K were 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)

/s/ Richard J. Fagan

Richard J. Fagan, officer duly
authorized to sign this report,
Controller, Treasurer and Principal
Financial and Chief Accounting Officer

Date: May 14, 1997

3-MOS
DEC-31-1997
MAR-31-1997
9,864
0
43,832
1,203
19,996
87,894
96,605
54,272
164,817
67,447
5,000
9,664
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0
60,252
164,817
58,543
58,543
33,176
54,671
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0
425
3,859
1,544
2,567
0
0
0
2,567
0.30
0.30