

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, 1996

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

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Not Applicable

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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   
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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 August 12, 1996

8,558,242  
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PART I. FINANCIAL INFORMATION

QUAKER CHEMICAL CORPORATION AND CONSOLIDATED SUBSIDIARIES

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

Consolidated Balance Sheet at June 30, 1996 and  
December 31, 1995

Consolidated Statement of Income for the six months  
ended June 30, 1996 and 1995

Consolidated Statement of Income for the three months  
ended June 30, 1996 and 1995

Consolidated Statement of Cash Flows for the six months  
ended June 30, 1996 and 1995.

NOTE TO CONDENSED FINANCIAL INFORMATION

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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)

	June 30, 1996 ----- (Unaudited)	December 31, 1995 ----- *
Assets -----		
Current assets		
Cash and cash equivalents	\$ 10,438	\$ 7,230
Accounts receivable	50,202	46,965
Inventories		
Raw materials and supplies	7,581	10,964
Work in process and finished goods	11,573	10,669
Deferred income taxes	1,885	1,415
Prepaid expenses and other current assets	8,155	10,132
	-----	-----
	89,834	87,375
	-----	-----
Investments in and advances to associated companies	8,389	10,058
	-----	-----
Property, plant and equipment, at cost		
Land	6,776	7,279
Buildings and improvements	38,331	40,232
Machinery and equipment	69,258	70,010
Construction in progress	1,867	1,068
	-----	-----
	116,232	118,589
Less accumulated depreciation	61,472	62,280
	-----	-----
	54,760	56,309
	-----	-----
Excess of cost over net assets of acquired companies	18,092	18,973
Deferred income taxes	5,226	5,349
Other noncurrent assets	6,811	7,344
	-----	-----
	30,129	31,666
	-----	-----
	\$183,112	\$185,408
	=====	=====

\* Condensed from audited financial statements.

Quaker Chemical Corporation

Consolidated Balance Sheet

(dollars in thousands)

	June 30 1996 ----- (Unaudited)	December 31, 1995 ----- *
<b>Liabilities</b>		
-----		
<b>Current liabilities</b>		
Short-term borrowings, current portion of long-term debt, notes payable and capital leases	\$ 23,790	\$ 25,548
Accounts payable	20,528	20,969
Dividends payable		1,473
Accrued liabilities	14,276	12,392
Estimated taxes on income	3,533	486
	-----	-----
<b>Total current liabilities</b>	<b>62,127</b>	<b>60,868</b>
	-----	-----
Long-term debt, notes payable and capital leases	7,592	9,300
Deferred income taxes	3,175	2,977
Accrued postretirement benefits	8,815	8,809
Other noncurrent liabilities	6,236	6,432
	-----	-----
<b>Total noncurrent liabilities</b>	<b>25,818</b>	<b>27,518</b>
	-----	-----
	<b>87,945</b>	<b>88,386</b>
	-----	-----
Minority interest in equity of subsidiaries	3,992	3,030
	-----	-----
<b>Shareholders' equity</b>		
-----		
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	768	780
Retained earnings	90,702	87,852
Unearned compensation	(591)	(722)
Foreign currency translation adjustments	7,913	12,333
	-----	-----
	<b>108,456</b>	<b>109,907</b>
Treasury stock, shares held at cost; 1996 - 1,109,123, 1995 - 853,809	(17,281)	(15,915)
	-----	-----
	<b>91,175</b>	<b>93,992</b>
	-----	-----
	<b>\$183,112</b>	<b>\$185,408</b>
	=====	=====

\* Condensed from audited financial statements

Quaker Chemical Corporation  
Consolidated Statement of Income  
Six Months Ended June 30,

Unaudited  
(dollars in thousands  
except per share data)  
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	1996 ----	1995 ----
Income		
Net sales	\$117,989	\$113,562
Other income, net	820	900
	-----	-----
	118,809	114,462
	-----	-----
Costs and expenses		
Cost of goods sold	68,190	67,835
Selling, administrative and general expenses	42,504	38,675
	-----	-----
	110,694	106,510
	-----	-----
Income from operations	8,115	7,952
Interest expense	(1,008)	(735)
Interest income	196	150
	-----	-----
Income before taxes	7,303	7,367
Taxes on income	2,921	2,925
	-----	-----
	4,382	4,442
Equity in net income of associated companies	102	197
Minority interest in net income of subsidiaries	(160)	(253)
	-----	-----
Net income	\$ 4,324 =====	\$ 4,386 =====
Per share data:		
Net income	\$0.50	\$0.50
Dividends declared	\$0.17	\$0.31
Based on weighted average number of shares outstanding	8,666,161	8,812,602

Quaker Chemical Corporation

Consolidated Statement of Income  
Three Months Ended June 30,

	Unaudited (dollars in thousands except per share data)	
	1996	1995
	----	----
Income		
Net sales	\$ 59,786	\$ 59,035
Other income, net	536	746
	-----	-----
	60,322	59,781
	-----	-----
Costs and expenses		
Cost of goods sold	34,235	35,111
Selling, administrative and general expenses	21,419	20,154
	-----	-----
	55,654	55,265
	-----	-----
Income from operations	4,668	4,516
Interest expense	(508)	(403)
Interest income	104	61
	-----	-----
Income before taxes	4,264	4,174
Taxes on income	1,705	1,664
	-----	-----
	2,559	2,510
Equity in net income of associated companies	145	107
Minority interest in net income of subsidiaries	(56)	(146)
	-----	-----
Net income	\$ 2,648	\$ 2,471
	=====	=====
Per share data:		
Net income	\$0.31	\$0.28
Dividends declared	*	\$0.17
Based on weighted average number of shares outstanding	8,665,575	8,804,016

\* Dividends for the second quarter of 1996 were declared and paid in July 1996 at a rate of \$0.17 per share.

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Quaker Chemical Corporation

Consolidated Statement of Cash Flows  
For the Six Months Ended June 30,

	Unaudited (dollars in thousands)	
	1996	1995
	----	----
Cash flows from operating activities		
Net income	\$ 4,324	\$ 4,386
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	3,151	3,346
Amortization	1,080	1,094
Equity in net income of associated companies	(102)	(197)
Minority interest in earnings of subsidiaries	160	253

Deferred income taxes	103	31
Deferred compensation and other postretirement benefits	668	455
Net change in repositioning liability	(618)	(564)
Other, net	393	(28)
Increase (decrease) in cash from changes in current assets and liabilities net of acquisitions and divestitures:		
Accounts receivable	(4,170)	(5,622)
Inventories	2,060	(1,573)
Prepaid expenses and other current assets	1,317	(3,174)
Accounts payable and accrued liabilities	725	(92)
Estimated taxes on income	3,065	90
	-----	-----
Net cash provided by (used in) operating activities	12,156	(1,595)
	-----	-----
Cash flows from investing activities		
Dividends from associated companies	1,078	50
Investments in property, plant, equipment and other assets	(2,937)	(4,942)
Companies acquired excluding cash		(6,404)
Investments in and advances to associated companies	(720)	(623)
Proceeds from the sale of patent, production technology and other assets	683	2,000
Other, net		(75)
	-----	-----
Net cash used in investing activities	(1,896)	(9,994)
	-----	-----
Cash flows from financing activities		
Net (decrease) increase in short-term borrowings	(1,034)	13,545
Repayment of long-term debt, notes payable and capital leases	(2,408)	(1,692)
Dividends paid	(1,474)	(3,003)
Treasury stock issued	209	340
Treasury stock acquired	(1,587)	(516)
Other, net		(141)
	-----	-----
Net cash (used in) provided by financing activities	(6,294)	8,533
	-----	-----
Effect of exchange rate changes on cash	(758)	(174)
	-----	-----
Net increase (decrease) in cash and cash equivalents	3,208	(3,230)
Cash and cash equivalents at beginning of period	7,230	11,345
	-----	-----
Cash and cash equivalents at end of period	\$10,438	\$ 8,115
	=====	=====
Supplemental cash flow information		
Cash paid during the year for:		
Income taxes	\$ 2,050	\$ 2,285
Interest	1,087	751

Management's Discussion and Analysis of

Financial Condition and Results of Operations

Liquidity and Capital Resources

Net cash flow provided by (used in) operating activities amounted to \$12.2 million in the first half of 1996 compared to (\$1.6) million in the same period of 1995. The improvement was principally due to better management of operating working capital and the timing of a tax refund in Europe.

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) increased \$5.0 million primarily as a result of decreases in short-term borrowings and operating working capital. The current ratio was 1.4 to 1 at June 30, 1996, unchanged from December 31, 1995.

Operations

Comparison of Six Months 1996 with Six Months 1995

Consolidated net sales for the first half of 1996 increased approximately 4% over the first half of 1995, mainly due to the effects of improved pricing and product sales mix. The increase in sales was the net result of a 5% increase in pricing and product sales mix; a 3% increase due to business acquisitions; a 3% decrease in volume; and a 1% decrease due to translation rates.

Income from operations was 2% higher than the first half of 1995. The Company's gross profit margin as a percentage of sales increased 2% mainly as a result of the aforementioned benefits of improved pricing, particularly in Europe, a more profitable sales mix and stable raw material costs. Selling, administrative and general expenses as a percent of sales were 1.7% higher than 1995 primarily as a result of planned increases in operating expenses related to geographic and product growth areas and strategic initiatives.

Net interest costs rose due to increased financing costs associated with higher debt levels carried into 1996 related to the financing of a 1995 acquisition and other operating needs. Other income decreased primarily because of decreased license fee income. The decrease in equity in net income from associated companies was due to losses incurred by the Company's FRS joint venture related to increased costs of new business development and staff reorganization along with delays in new business startups. Earnings per share of \$.50 were even with those of the prior year despite a negative currency translation impact of approximately \$.03 per share due to the strengthening of the dollar against the major European currencies.

Comparison of Second Quarter 1996 with Second Quarter 1995

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Consolidated net sales for the second quarter of 1996 increased 1% while comparative income from operations improved 3% versus the second quarter of 1995. The increase in sales was the net result of a 4% increase in price and sales mix; a 2% increase due to acquisitions offset by a 2% decrease in volume; and a 3% decrease due to currency translation.

The reasons for changes in operating margin percentages and net interest costs in the second quarter 1996 versus the second quarter 1995 are basically the same as those previously mentioned for the comparative six-month periods. Other income decreased in the quarter mainly as a result of the absence of positive exchange impacts recorded in 1995. The increase in equity in net income from associated companies was primarily due to solid performances from joint ventures in Mexico and Venezuela offset in part by losses incurred by the Company's FRS joint venture.

Other Significant Items

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The Company remains cautiously optimistic about customer production levels and raw material inflation over the balance of the year. However, the principal challenges still facing the Company are the highly competitive nature of the pricing environment in the Company's major markets and the effective management of the Company's FRS joint venture.

Given these factors, the Company announced its intention to implement a series of measures that should improve manufacturing capacity utilization, customer responsiveness, operating efficiencies, and financial results. These measures include the consolidation of manufacturing operations in the United States into one facility, and the consolidation of certain manufacturing, research and other functional activities in Europe. These actions should result in a pretax charge in the second half of 1996 in the range of \$23 million (approximately \$15 million after tax or \$1.75 per share), about two-thirds of which will consist of non-cash items. If these measures are completed as planned, the Company expects annualized pretax cost savings of approximately \$4 million, a substantial portion of which the Company now believes it will be able to realize in 1997.

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PART II. OTHER INFORMATION

Items 1, 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.  
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)

/s/ THOMAS F. KIRK

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Thomas F. Kirk, officer duly  
authorized to sign this report,  
Vice President and Chief Financial  
Officer

Date: August 14, 1996

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DEC-31-1996  
JUN-30-1996  
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89,834  
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