

**CEO
CFO****Quaker**Issue:
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Not Just Selling Product To The Steel, Automotive, Aerospace, Bearings Or Pipes Industries, Quaker Chemical Corporation Operates As A Consultant, Customizing Their Specialty Chemicals To A Specific Customer's Needs

**Basic Materials
Specialty Chemicals
(KWR-NYSE)****Quaker Chemical Corporation****One Quaker Park
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Michael F. Barry
Chairman, CEO and President

BIO:

Michael F. Barry joined the Quaker Chemical Corp. in 1998. On October 4, 2008, Mr. Barry was named as Chief Executive Officer and President and was named as a Director. Prior to this position, he was the Company's Senior Vice President and Managing Director – North America, beginning January 2006. In that role, he was responsible for all aspects of the steel and metalworking/coatings businesses throughout North America, including two subsidiaries, AC Products, Inc. and Epmar Corporation. Mr. Barry was named Senior Vice President and Global Industry Leader – Metalworking

and Coatings in July 2005 with responsibility for the Company's global metalworking and coatings businesses through December 2005. From January 2004 through June 2005, he held the position of Vice President and Global Industry Leader – Industrial Metalworking and Coatings and from 1998 through August 2004, he held the position of Vice President and Chief Financial Officer.

Mr. Barry joined Quaker from Lyondell (formerly Arco Chemical) where he was Business Director for its Americas urethanes business and also held various finance and line management positions. In addition to graduating from Drexel University with a Bachelor of Science Degree in Chemical Engineering, he earned a Master's Degree with Distinction from The Wharton School of the University of Pennsylvania.

Company Profile:

Quaker Chemical Corporation is a leading global provider of process chemicals, chemical specialties, services, and technical expertise to a wide range of industries -- including steel, automotive, mining, aerospace, tube and pipe, coatings and construction materials. Our products, technical solutions, and chemical management services enhance our customers' processes, improve their product quality, and lower their costs. Quaker's headquarters is located near Philadelphia in Conshohocken, Pennsylvania.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Barry, Quaker has a long history; what is the vision and focus today?

Mr. Barry: "We have a long history. We have been around for over 90 years and have been steadily growing in our chosen markets. Between 2001 and 2008, we grew our revenue 13% per year on average, and then in October of last year the world really changed around us. Our focus since last October was really to make sure that we were going to remain a viable company long-term, and we took many actions in that direction. We focused on raising our margins to appropriate levels. We instituted two major cost reduction programs including reducing our workforce around the globe, which was unusual for us given our history in low turnover and how valuable our people are to us. It was painful, but it was what we had to do considering the market realities that we were facing, with over a third of our business being down. I am happy to say that we have come through this difficult period well, we are now profitable again and we have been generating very strong cash flow. In the first half of this year, we actually paid down 20% of our debt. We continue to pay dividends to shareholders, as we have done for 37 consecutive years, so it looks like at this stage that we are emerging from this difficult period in a strong position."

CEOCFO: Quaker is "the undisputed leader in the businesses you choose"; what areas are you focusing on, and what part of the mix do they make up?

Mr. Barry: "We supply chemical products and services to heavy industrial companies, predominantly the steel industry and the automobile industry, but really any company that has something to do with metal; aerospace, bearings, even people that make pipes. Basically, our

products are used in the manufacturing of steel, autos, engines, or metal body parts. Our chemical solutions help improve our customers' production processes, and lower their overall costs. Generally, even though we sell chemicals, we view ourselves more as consultants. We offer technical knowledge and expertise, so when a customer has a specific issue we actually develop a customized product just for them based on the conditions that they have and technical issues that they face. In addition, with our Chemical Management Service programs we have people working at the customer site full-time to help that customer to manage all chemicals in the facility, not just those from Quaker, and to help make sure that our chemicals are operating optimally in their systems."

CEOCFO: Would you give us an example of what you might have done for a customer as a customization?

Mr. Barry: "One of the things we have gotten into over the past number of years is what we call Chemical Management Services. It is predominantly in the auto industry; some of our big customers being GM, Chrysler and Ford. We manage all chemicals in the plant and the processes around them, and not just products from Quaker. We don't just manage the paperwork. How we really differentiate ourselves is through our site engineers in the plants, who become partners with the customer and actually come up with ways to change processes or use a different product to make the customer more efficient, more effective and lower their costs. Over time, at the various plants we reduce their chemical spend costs on average of 10% a year, and that is only a small part of it. We also, help them save money in ways not related to chemical usage as well. We have a lot of case studies on our website (www.quakerchem.com) where we actually show very specific examples. In steel mills, we can help our customer produce more steel or maybe produce a higher quality of steel, or solve an environmental problem. It depends on what is really driving that customer, and it is our knowledge and expertise, being intimate

with our customers, and developing custom solutions that differentiates us from the rest of the pack."

CEOCFO: How much of the business is custom, and how much is the selling of chemicals to distributors?

Mr. Barry: "I would say 85% plus is custom."

CEOCFO: Do you see growth in the global area and are their areas geographically where you would like to be involved?

Mr. Barry: "We are pretty much everywhere where people build autos or make steel. We are in over 20 countries with feet on the ground. Our global reach is especially helpful in a time like this, for example, China or India weren't im-

"We are pretty much everywhere where people build autos or make steel. We are in over 20 countries with feet on the ground. Our global reach is especially helpful in a time like this, for example, China or India weren't impacted as much as the rest of the world by the recent global economic crisis. These countries are still growing, and over the past few months our positive results in these countries helped to make up for some of our profitability short fall in the US and Europe. Now we are back to being profitable in all regions." - Michael F. Barry

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CEOCFO: What is the competitive landscape like for Quaker Chemical?

Mr. Barry: "We certainly have competitors. It has been an interesting phenomenon in the last six months, as we have seen some of our competitors react a little differently than we did, and use this as a time to cut services to their customers. This has led to new opportunities, not only for us, but maybe for some others. We also think it has been an opportune time to get in front of prospective customers, as they are slower in their own production schedule and have time to

trial new products. So we have more trials going on at one time now than we have probably ever had in our history."

CEOCFO: When you are working with the companies, do they tend to just come back to you routinely for their needs or is it on a project-by-project basis?

Mr. Barry: "Our type of business has a long sales cycle. So if you are not in a customer site already, it takes a while, one or two years, between the first introduction through a product trial to when we actually have a sale. You have to see what the impact is longer-term on our type of products, and make sure they don't rust the machinery or their products. So once you are in a customer facility there is a lot of inertia in staying there, and there is both good and bad to that. Our focus is to maintain long-term relationships with our customers and continue to do a very good job so they have no reason to change supplier partners."

CEOCFO: What is new in the chemical industry?

Mr. Barry: "We certainly have spent a fair amount on R&D on developing new products, so we are continually updating our product line. Again, our products are very customized and customers turn to

Quaker for our technical expertise. For example, about five or six years ago a certain kind of bacteria was breaking out in some of our customers' facilities because of a certain product that the chemical companies tend to use, so we -- as well as other people in the industry -- developed new technology to kill that bacteria. Another example is our ability to adapt our products as auto companies use different metals or alloys in their own production. We continue to invest in R&D to offer products that best serve our customers."

CEOCFO: What are some of the challenges of operating globally?

Mr. Barry: "Our people are the number-one asset in our company, so we want to retain the talented people that we have. Because we are knowledge-based company, they are so important to our busi-

ness. I just completed two overseas trips in the past eight months, and tried to visit and talk to as many of our people as possible, but it is really tough because they are all over the world. We produce video messages, hard copy company publications, use email, and hold in-person meetings to communicate with our people. We feel this is important, because we want to make sure our people understand what is going on, understand our strategy, know what we are doing and what we need them to be doing. We also want to know what is on their minds, and hear what suggestions they have for Management. It is certainly a challenge for us because of our global reach. We are a rather complex company but we are very small. Communicating efficiently and consistently around the globe is a constant challenge.”

CEOCFO: What’s ahead?

Mr. Barry: “We are excited about getting through this difficult period with a stronger balance sheet, and we are back to profitable levels, so we are very happy about that. We are also very excited about the opportunities in front of us. In some ways, we are in very old, established

businesses, but we have many opportunities for growth. Growth both in our base businesses of Steels and Metalworking as well as in new initiatives, such as Mining and Coatings. We feel we have differentiated technology in numerous areas.”

CEOCFO: Do you see acquisitions in the future?

Mr. Barry: “We do see consolidation in our industry, and would like to be very active in helping to lead it. We are actively working on that, but it takes two to tango. We made a series of acquisitions in the early 2000’s, and coming out of the last recession. We would like to do the same coming out of this recession.”

CEOCFO: Why should potential investors pay attention to Quaker Chemical?

Mr. Barry: “We think one area is our dividend. We have paid a dividend for 37 consecutive years. Even during this extremely difficult period, we maintain our dividend, so from an investment perspective, we are a stock with a long track record, and even under extreme circumstances we continue to pay dividends. There is certainly no guarantee that that will always pay them going forward, but

certainly our track record speaks for itself. The other reason is our position in our industries and the growth potential that we see, not only at our base businesses but in new businesses.”

CEOCFO: Is Wall Street paying attention now?

Mr. Barry: “We announced our earnings at the end of July, and over the past couple of weeks our stock has increased over 40%. People are pleasantly surprised at the level of earnings we reported in the 2nd Quarter and the amount of cash flow that we generated.”

CEOCFO: Final thoughts, what should people reading about Quaker Chemical remember most?

Mr. Barry: “We are very proud of our history and excited about our future. We have talented associates throughout our global company, and we have a very strong business model. We are well positioned to continue our strong growth rate, and prosper in the future. We are a great company to work for as well as to invest in.”



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