

QUAKER CHEMICAL CORP  
Form 11-K  
June 29, 2005

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D. C. 20549**

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**FORM 11-K**

x **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2004

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-7154

A. Full title of plan and the address of the plan, if different from that of the issuer named below:

**Quaker Chemical Corporation**  
**Retirement Savings Plan**

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

# **Quaker Chemical Corporation**

**One Quaker Park**

**901 Hector Street**

**Conshohocken, PA 19428**

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**Quaker Chemical Corporation**

**Retirement Savings Plan**

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**Report of Independent Registered Public Accounting Firm**

**To the Participants and Administrator of the**

**Quaker Chemical Corporation Retirement Savings Plan**

We have audited the accompanying statements of net assets available for benefits of the Quaker Chemical Corporation Retirement Savings Plan (the Plan) as of December 31, 2004 and 2003, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Quaker Chemical Corporation Retirement Savings Plan as of December 31, 2004 and 2003, and the changes in its net assets available for benefits for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ ASHER & COMPANY, Ltd.

**Philadelphia, Pennsylvania**

**May 31, 2005**

**QUAKER CHEMICAL CORPORATION****RETIREMENT SAVINGS PLAN**

## Statements of Net Assets Available for Benefits

	As of December 31,	
	2004	2003
Investments, at fair value		
Registered investment companies:		
Columbia Small Cap Fund, Inc.	\$ 1,557,087 *	\$ 1,312,190
Vanguard 500 Index Fund	11,853,393 *	10,560,393 *
Vanguard Balanced Index Fund	838,093	533,459
Vanguard Extended Market Index Fund	599,481	142,227
Vanguard International Growth Fund	757,943	476,085
Vanguard LifeStrategy Conservative Growth Fund	113,469	15,715
Vanguard LifeStrategy Growth Fund	328,024	178,482
Vanguard LifeStrategy Income Fund	247,918	25,392
Vanguard LifeStrategy Moderate Growth Fund	306,841	40,340
Vanguard Total Bond Market Index Fund	3,476,324*	3,610,883*
Vanguard U.S. Growth Fund	1,234,881	1,081,716
Vanguard Windsor II Fund	1,378,384	827,486
	<u>22,691,838</u>	<u>18,804,368</u>
Vanguard Retirement Savings Trust	4,330,650*	4,509,080*
Quaker Chemical Corporation Stock Fund #	2,955,005*	3,201,057*
Participant Loans	459,679	342,867
Vanguard Brokerage Option		
Common Stock	73,355	34,820
Registered Investment Companies	25,826	2,675
	<u>30,536,353</u>	<u>26,894,867</u>
Total investments		
Receivables		
Employer s contributions	60,713	72,914
Participant contributions	7,733	10,995
	<u>68,446</u>	<u>83,909</u>
Total Receivables		
Liabilities		
Vanguard Brokerage Option		
Due to broker for securities purchased	11,925	
	<u>11,925</u>	
Net assets available for benefits	<u>\$ 30,592,874</u>	<u>\$ 26,978,776</u>

\* Represents 5% or more of net assets available for benefits.

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# A portion of this investment option is nonparticipant-directed.

The accompanying notes are an integral part of the financial statements.

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**Quaker Chemical Corporation**
**Retirement Savings Plan**

## Statements of Changes in Net Assets Available for Benefits

	<b>Year Ended December 31,</b>	
	<b>2004</b>	<b>2003</b>
<b>Additions</b>		
Investment income:		
Interest and dividend income, investments	\$ 700,549	\$ 608,509
Interest income, participant loans	23,674	23,647
Net appreciation in fair value of investments	944,099	3,871,394
	<u>1,668,322</u>	<u>4,503,550</u>
<b>Contributions:</b>		
Employer	685,666	647,099
Participant	2,807,421	2,555,003
	<u>3,493,087</u>	<u>3,202,102</u>
<b>Total additions</b>	<u>5,161,409</u>	<u>7,705,652</u>
<b>Deductions</b>		
Payment of benefits	1,547,311	983,174
<b>Total deductions</b>	<u>1,547,311</u>	<u>983,174</u>
<b>Net increase</b>	3,614,098	6,722,478
Net assets available for plan benefits:		
Beginning of year	26,978,776	20,256,298
<b>End of year</b>	<u>\$ 30,592,874</u>	<u>\$ 26,978,776</u>

The accompanying notes are an integral part of the financial statements.

**Quaker Chemical Corporation**

**Retirement Savings Plan**

Notes to Financial Statements

**NOTE 1 DESCRIPTION OF PLAN**

The following description of the Quaker Chemical Corporation Retirement Savings Plan (the Plan) provides only general information. The Plan document is a more complete description of the Plan's provisions.

**General**

The Plan is a defined contribution plan for certain U.S. employees of the Quaker Chemical Corporation (the Company) and adopting affiliates. The Plan is administered by the Pension Committee appointed by the Company's Board of Directors, and is subject to the Employee Retirement Income Security Act of 1974 (ERISA).

Employees of the Company and employees designated as United Lubricants Corporation (ULC) participants are eligible to participate in the Plan on their first day of employment or as soon as administratively practicable thereafter, unless specified differently in any bargaining unit agreement. Employees designated as AC Products, Inc. (AC) participants are eligible to participate in the Plan on the first day of the month coincident with or next following the employee's completion of one year of service.

**Contributions**

Participants may elect to contribute on a before-tax basis any whole percentage of their compensation, up to 50%, during the year, not to exceed the annual Internal Revenue Code limits. The Company matches 50% of each participant's contribution up to 6% of compensation, except for those participants designated by the Company as AC participants. The first 50% of the match can be allocated by each participant to any investment options available in the Plan. The second 50% of the Company match will be allocated to the Quaker Chemical Corporation Stock Fund (the Company Stock Fund); and upon reaching age 50, participants may reallocate the second 50% to other available investments options within the Plan.

The Company's Board of Directors (AC's Board of Directors with respect to AC participants) reserves the right to make future discretionary contributions, which would be allocated on the basis of eligible participants' base compensation. Upon completing 1 year of service, each participant shall be eligible to receive discretionary contributions on the first day of the month coinciding with or next following the date on which the participant meets the 1 year of service requirement.



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Participants who are eligible to make contributions and who have or will attain age 50 before the end of the Plan year shall be eligible to make catch-up contributions in accordance with, and subject to the limitations of the Internal Revenue Code Section 414(v). No Company matching contributions shall be made with respect to catch-up contributions.

### Participant Accounts

Each participant's account is credited with the participant's contribution and allocation of (a) the Company's contributions and (b) Plan earnings.

**Quaker Chemical Corporation**

**Retirement Savings Plan**

Notes to Financial Statements

Participant Loans

Participants may borrow from their fund accounts (other than amounts invested in the Company Stock Fund) an amount limited to the lesser of \$50,000 or 50% of the participant's vested account balance. The loans bear interest at a rate equal to the prevailing rate of interest charged for similar loans by lending institutions in the community plus 1%. The term of each participant loan generally may not exceed five years. Interest rates at December 31, 2004 range from 5.00% to 10.50%.

Payment of Benefits

Generally, upon separation of service, for any reason, a participant may receive a lump sum amount equal to the value of the participant's account. If a participant's vested account balance exceeds \$5,000, the participant may defer payment until the first of the month coincident with or next following attainment of age 65.

Hardship Withdrawals

Participants who receive a hardship withdrawal from their account will not be eligible to make contributions for 6 months following the receipt of the hardship withdrawal.

Vesting

Participants are fully vested in all Company and employee voluntary contributions plus actual earnings upon entering the Plan.

Forfeitures

As of the last day of each Plan year, any forfeited amounts shall, in the discretion of the Company, be used to reduce future Company matching contributions or pay any administrative expenses of the Plan.

Plan Termination

Although it has not expressed any intent to do so, the Company has the right to terminate the Plan subject to the provisions of ERISA. In the event of termination, participants shall remain 100% vested in their employer contributions.

**NOTE 2 SUMMARY OF ACCOUNTING POLICIES**

Basis of Accounting

The Plan's financial statements are prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**Quaker Chemical Corporation****Retirement Savings Plan**

## Notes to Financial Statements

## Investments Valuation and Income Recognition

The Plan's investments are stated at fair value. Shares of registered investment companies are valued at quoted market prices which represent the net asset value of shares held by the Plan at year-end. Units of the Retirement Savings Trust are valued at net asset value at year-end. The Company Stock Fund is valued at its year-end unit closing price (comprised of year-end market price plus uninvested cash position). Equities are valued at last quoted sales price as of the close of trading at year-end; such securities not traded on the year-end date are valued at the last quoted bid prices. Fixed income securities are valued using the last quoted bid price. Participant loans are valued at cost which approximates fair value.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is accrued when earned. Dividend income is recorded on the ex-dividend date. Capital gain distributions are included in dividend income.

## Payment of Benefits

Benefits are recorded when paid.

**NOTE 3 NONPARTICIPANT-DIRECTED INVESTMENTS**

The Company directs a portion of its matching contribution to the Company Stock Fund. Information about the net assets and components of the changes in net assets relating to the nonparticipant-directed portion of this Company Stock Fund is as follows:

	<b>As of December 31,</b>	
	<b>2004</b>	<b>2003</b>
<b>Net Assets:</b>		
Company Stock Fund	\$ 1,258,048	\$ 1,223,710
	<b>Year Ended December 31,</b>	
	<b>2004</b>	<b>2003</b>

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Changes in Net Assets:		
Interest & dividend income	\$ 37,412	\$ 27,874
Net (depreciation) appreciation	(236,488)	304,302
Contributions	342,787	320,093
Distributions	(109,373)	(58,394)
	<u>\$ 34,338</u>	<u>\$ 593,875</u>

**Quaker Chemical Corporation**

**Retirement Savings Plan**

Notes to Financial Statements

**NOTE 4 RELATED PARTY TRANSACTIONS**

The Plan invests in shares of mutual funds and a collective trust managed by an affiliate of Vanguard Fiduciary Trust Company ( VFTC ). VFTC acts as trustee for only those investments as defined by the Plan. Transactions in such investments qualify as party-in-interest transactions and are exempt from the prohibited transaction rules.

**NOTE 5 INVESTMENTS**

The Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value as follows:

	<b>Year Ended December 31,</b>	
	<b>2004</b>	<b>2003</b>
Registered investment companies	\$ 1,554,156	\$ 3,057,890
Common stock	(610,057)	813,504
	<b>\$ 944,099</b>	<b>\$ 3,871,394</b>

**NOTE 6 PLAN EXPENSES**

Substantially all administrative expenses, including audit fees, are paid by the Company.

**NOTE 7 TAX STATUS**

The Internal Revenue Service has determined and informed the Company by letter dated December 4, 2003 that the Plan is qualified under Internal Revenue Code ( IRC ) Section 401(a).



**QUAKER CHEMICAL CORPORATION****RETIREMENT SAVINGS PLAN**

Schedule of Assets (Held at End of Year)

As of December 31, 2004

Quaker Chemical Corporation Retirement Savings Plan, EIN 23-0993790

Attachment to Form 5500, Schedule H, Part IV, Line i:

<u>Identity of Issue</u>	<u>Investment Type</u>	<u>Current Value</u>
Columbia Small Cap Fund, Inc.	Registered Investment Company	\$ 1,557,087
* Vanguard 500 Index Fund	Registered Investment Company	11,853,393
* Vanguard Balanced Index Fund	Registered Investment Company	838,093
* Vanguard Extended Market Index Fund	Registered Investment Company	599,481
* Vanguard International Growth Fund	Registered Investment Company	757,943
* Vanguard LifeStrategy Conservative Growth Fund	Registered Investment Company	113,469
* Vanguard LifeStrategy Growth Fund	Registered Investment Company	328,024
* Vanguard LifeStrategy Income Fund	Registered Investment Company	247,918
* Vanguard LifeStrategy Moderate Growth Fund	Registered Investment Company	306,841
* Vanguard Total Bond Market Index Fund	Registered Investment Company	3,476,324
* Vanguard U.S. Growth Fund	Registered Investment Company	1,234,881
* Vanguard Windsor II Fund	Registered Investment Company	1,378,384
* Vanguard Brokerage Option	Vanguard Brokerage Option	99,181
* Vanguard Retirement Savings Trust	Common/Collective Trust	4,330,650
* Quaker Chemical Corporation **	Common Stock Fund	2,955,005
* Quaker Chemical Corporation Retirement Savings Plan	Participant Loans (5.00% - 10.50%)	459,679
<b>Total assets held for investment purposes</b>		<b>\$ 30,536,353</b>

\* Party in Interest

\*\* In part, a nonparticipant-directed investment, for which cost is \$2,379,666



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Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed by the undersigned hereunto duly authorized.

Quaker Chemical Corporation

Retirement Savings Plan

June 29, 2005

By: /s/ Michael F. Barry  
Vice President and Global Industry Leader  
Industrial Metalworking and Coatings

June 29, 2005

By: /s/ D. Jeffry Benoliel  
Vice President, Secretary and General Counsel

June 29, 2005

By: /s/ Neal E. Murphy  
Vice President, Chief Financial Officer and  
Treasurer