MODINE MANUFACTURING CO
Form 4
May 13, 2008

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
FELDMANN KLAUS A

(Last) (First) (Middle)

MODINE MANUFACTURING CO, 1500 DEKOVEN AVE

(Street)

RACINE, WI 53403

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
MODINE MANUFACTURING CO [MOD]

3. Date of Earliest Transaction (Month/Day/Year)
05/12/2008

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Regional VP - Europe

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common stock	05/12/2008		F		1,001 (1)	D	$ 17.72	32,596	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
FELDMANN KLAUS A MODINE MANUFACTURING CO 1500 DEKOVEN AVE RACINE, WI 53403			Regional VP - Europe	

Signatures

Dean R. Zakos, Attorney in Fact	05/13/2008
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Shares disposed of in a private transaction with the issuer to cover tax withholding.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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$

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$

1,591

$

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Total

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1,591

$

—

$

1,591

$

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Assets	Total Fair Value		Fair Value Measurements at December 31, 2017 Using Fair Value Hierarchy Level 1		Level 2		Level 3
Company-owned life insurance	$	1,594	$ —	$	1,594	$	—
Total	$	1,594	$ —	$	1,594	$	—

The fair values of Company-owned life insurance assets are based on quotes for like instruments with similar credit ratings and terms. The Company did not hold any Level 3 investments as of June 30, 2018 or December 31, 2017, respectively, so related disclosures have not been included.

Note 18 – Commitments and Contingencies

The Company previously disclosed in its Annual Report filed on Form 10-K for the year ended December 31, 2017 that AC Products, Inc. (“ACP”), a wholly owned subsidiary, has been operating a groundwater treatment system to hydraulically contain groundwater contamination emanating from ACP’s site, the principal contaminant of which is perchloroethylene (“PERC”). As of June 30, 2018, ACP believes it is close to meeting the conditions for closure of the groundwater treatment system, but continues to operate this system while in discussions with the relevant authorities. As of June 30, 2018, the Company believes that the range of potential-known liabilities associated with the balance of the ACP water remediation program is approximately $0.1 million to $1.0 million. The low and high ends of the range are based on the length of operation of the treatment system as determined by groundwater modeling. Costs of operation include the operation and maintenance of the extraction well, groundwater monitoring and program management.

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Explanation of Responses:

Quaker Chemical Corporation

Notes to Condensed Consolidated Financial Statements - Continued

(Dollars in thousands, except share and per share amounts, unless otherwise stated)

(Unaudited)

The Company previously disclosed in its Annual Report filed on Form 10-K for the year ended December 31, 2017 that an inactive subsidiary of the Company that was acquired in 1978 sold certain products containing asbestos, primarily on an installed basis, and is among the defendants in numerous lawsuits alleging injury due to exposure to asbestos. During the three and six months ended June 30, 2018, there have been no significant changes to the facts or circumstances of this matter previously disclosed, aside from on-going claims and routine payments associated with this litigation. Based on a continued analysis of the existing and anticipated future claims against this subsidiary, it is currently projected that the subsidiary's total liability over the next 50 years for these claims is approximately $1.9 million (excluding costs of defense).

The Company believes, although there can be no assurance regarding the outcome of other unrelated environmental matters, that it has made adequate accruals for costs associated with other environmental problems of which it is aware. Approximately $0.2 million was accrued at June 30, 2018 and December 31, 2017, respectively, to provide for such anticipated future environmental assessments and remediation costs. The Company is party to other litigation which management currently believes will not have a material adverse effect on the Company's results of operations, cash flows or financial condition.

Quaker Chemical Corporation

Management's Discussion and Analysis

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations*****.**

Executive Summary

Quaker Chemical Corporation is a leading global provider of process fluids, chemical specialties, and technical expertise to a wide range of industries, including steel, aluminum, automotive, mining, aerospace, tube and pipe, cans, and others. For 100 years, Quaker has helped customers around the world achieve production efficiency, improve product quality, and lower costs through a combination of innovative technology, process knowledge, and customized services. Headquartered in Conshohocken, Pennsylvania USA, Quaker serves businesses worldwide with a network of dedicated and experienced professionals whose mission is to make a difference.

The Company delivered a solid operating performance in the second quarter of 2018, as strong net sales coupled with an increased gross margin offset higher selling, general and administrative expenses ("SG&A"). Specifically, net sales increased 10% to $222.0 million in the second quarter of 2018 compared to $201.2 million in the second quarter of 2017 driven by volume growth, an increase due to selling price and product mix as well as a positive impact from foreign currency translation. This increase in net sales, coupled with a higher gross margin of 36.5% in the current quarter compared to 35.7% in the prior year quarter, drove an increase in the Company's gross profit of 13% quarter-over-quarter. The increase in the Company's gross margin quarter-over-quarter was primarily driven by pricing initiatives and the mix of certain products sold which more than offset raw material cost increases. In addition, current quarter operating income as a percentage of sales continued to benefit from the Company's discipline in managing its costs.

The Company's second quarter of 2018 net income and earnings per diluted share were $19.2 million and $1.44, respectively, compared to $11.9 million and $0.89 per diluted share, respectively, in the second quarter of 2017. During the second quarter of 2018, the Company incurred $4.5 million, or $0.29 per diluted share, of total costs associated with the Company's previously announced combination with Houghton International, Inc. ("Houghton") (herein referred to as "the Combination"), compared to $4.3 million, or $0.27 per diluted share of combination-related costs during the second quarter of 2017. The Company also recorded a tax adjustment of $1.2 million, or $0.09 per diluted share, in the second quarter of 2018 to decrease its initial fourth quarter of 2017 estimate of the one-time charge on deemed repatriation of undistributed earnings ("Transition Tax") for the U.S. Tax Cuts and Jobs Act ("U.S. Tax Reform"). Excluding the combination-related expenses in the current and prior year quarters and the second quarter of 2018 Transition Tax adjustment, noted above, as well as other non-core items in each period, the Company's strong current quarter operating performance coupled with a lower second quarter of 2018 effective tax rate, resulted in a 26% increase in its non-GAAP earnings per diluted share to $1.56 in the second quarter of 2018 compared to $1.24 in the prior year quarter. The Company's adjusted EBITDA was $32.2 million in the second quarter of 2018, an increase of 15% compared to the prior year period.

From a regional perspective, the Company's second quarter of 2018 operating performance was highlighted by strong volume growth, market share gains, higher gross margins and the positive impact of foreign exchange in the majority of its regions. Net sales increased in all four of the Company's regions quarter-over-quarter. This increase was driven by increases in selling price and product mix in all regions, while North America, Asia/Pacific and South America also benefited from strong volume growth and EMEA and Asia/Pacific benefited from the positive impact of foreign currency translation. These increases in net sales coupled with a higher gross margin in each of the Company's three

largest regions and a consistent gross margin in South America, drove an increase in operating earnings in all of the Company's regions quarter-over-quarter. See the Reportable Operating Segments Review, in the Operations section of this Item, below.

The Company generated net operating cash flow of $17.0 million in the second quarter of 2018, increasing its year-to-date net operating cash flow to $19.7 million compared to $20.8 million in the first six months of 2017. The decrease in net operating cash flow year-over-year was primarily due to higher cash invested in the Company's working capital primarily as a result of the Company's increase in net sales and related accounts receivable, partially offset by the Company's strong current year operating performance and a second quarter of 2018 cash dividend received from the Company's captive insurance company. The key drivers of the Company's operating cash flow and working capital are further discussed in the Company's Liquidity and Capital Resources section of this Item, below.

Overall, the Company is pleased to deliver another strong quarter. The Company experienced good operating conditions in all of its regions with broad net sales growth, primarily driven by higher volumes on solid production levels in the Company's major end markets and overall market share gains. In addition, the Company's gross margin improved for the second consecutive quarter as the benefit of recent pricing initiatives and the mix of product sold contributed to the highest quarterly gross margin for the Company since 2016. This operating performance coupled with the Company's continued discipline in managing SG&A drove a 15% increase in adjusted EBITDA and, coupled with a lower effective tax rate, resulted in a 26% increase in non-GAAP earnings per diluted share compared to the second quarter of 2017.

Quaker Chemical Corporation

Management's Discussion and Analysis

Looking forward to the second half of 2018, the Company intends to present a remedy for the Combination that meets the needs of both the U.S. and European regulatory authorities in the third quarter of 2018 and expects to receive the required regulatory approvals and close the Combination in the fourth quarter of 2018. As previously disclosed, the Combination is expected to approximately double the Company's annual sales and adjusted EBITDA, not including estimated synergies which are expected to meet or exceed $45 million once fully achieved by the third year after close. Depending upon the exact timing of the Combination's close, the Company anticipates it will realize a portion of Houghton's sales and adjusted EBITDA in 2018.

For Quaker's current business, the Company anticipates it will continue its solid first half of 2018 operating performance into the remaining two quarters of 2018. Specifically, the Company expects its solid product volume levels to continue and gross margin levels to be in the low to mid 36% range. The Company also expects that modestly growing global end markets, continued market share gains and the benefit of U.S. Tax Reform will continue to help offset various market challenges including potential foreign exchange headwinds and higher raw material costs. Overall, the Company remains confident in its future and expects 2018 to be another good year for the current Quaker business, and looks forward to the combined new company post-closing of the Combination.

Liquidity and Capital Resources

At June 30, 2018, Quaker had cash, cash equivalents and restricted cash of $111.0 million, including $20.7 million of restricted cash. Total cash, cash equivalents and restricted cash was $111.1 million at December 31, 2017, which included $21.2 million of restricted cash. The inclusion of restricted cash in total cash on the Company's Condensed Consolidated Statements of Cash Flows is the result of a change in presentation required by the Financial Accounting Standards Board. See Note 3 of Notes to Condensed Consolidated Financial Statements. The $0.1 million decrease was the net result of $19.7 million of cash provided by operating activities offset by $5.4 million of cash used in investing activities, $11.1 million of cash used in financing activities and a $3.3 million negative impact due to the effect of foreign exchange rate changes on cash.

Net cash provided by operating activities was $19.7 million in the first six months of 2018 compared to $20.8 million in the first six months of 2017. The $1.1 million decrease in net cash flows provided by operating activities was primarily the result of higher cash invested in the Company's working capital to support the Company's year-over-year sales increase, specifically higher levels of accounts receivable and inventory associated with the timing of the Company's increased net sales and expected sales quarter-over-quarter. This decrease in net cash flows provided by operating activities was partially offset by a second quarter of 2018 cash dividend received from the Company's captive insurance company as well as increased cash generation as a result of the Company's strong current year operating performance. The Company's operating cash flows for both the first six months of 2018 and 2017, respectively, were also impacted by the timing and amount of combination-related expenses and associated cash payments, described below. Finally, the six months ended June 30, 2017 included restructuring payments made as part of the Company's global restructuring program initiated in the fourth quarter of 2015 and completed during the first half of 2017, described below.

Net cash used in investing activities decreased from $10.5 million in the first six months of 2017 to $5.4 million in the first six months of 2018, primarily due to lower payments for acquisitions in the current year. During the first six months of 2017, the Company had cash outflows of $5.4 million for the acquisition of assets associated with a

business that markets, sells and manufactures certain metalworking fluids, whereas during the first six months of 2018, the Company paid $0.5 million for certain formulations and product technology in the mining industry for its North America reportable operating segment. In accordance with the terms of that acquisition agreement, an additional $0.5 million of the purchase price is expected to be paid within the next 12 months. In addition, the Company had higher cash proceeds from dispositions of assets during the first six months of 2018 as compared to the first six months of 2017, primarily as a result of $0.6 million of cash proceeds received during the second quarter of 2018 related to the sale of an available-for-sale asset. Lastly, the Company had slightly higher additions to property, plant and equipment during the first six months of 2018 as compared to the first six months of 2017, primarily due to higher expenditures for several small projects, as well as an increase in spending related to a new manufacturing facility in India that is expected to be completed during 2018.

Net cash used in financing activities was $11.1 million in the first six months of 2018 compared to cash used in financing activities of $3.7 million in the first six months of 2017. The approximate $7.4 million increase in net cash used in financing activities was primarily due to repayments of long-term debt of $0.3 million in the first six months of 2018 compared to proceeds from long-term debt of $6.4 million in the first six months of 2017. In addition, the Company paid cash dividends of $9.5 million during the first six months of 2018, a $0.3 million increase in cash dividends compared to the prior year period. Finally, during the first six months of 2018, one of the Company's less than 100% owned consolidated affiliates made a distribution to the noncontrolling affiliate shareholder of approximately $0.8 million. There were no similar distributions during the first six months of 2017.

The Company's primary credit facility ("the Credit Facility") is a $300.0 million syndicated multicurrency credit agreement with a group of lenders. During the second quarter of 2018, the Credit Facility was amended and restated to extend the maturity date from June 2019 to October 2019, and the Company anticipates further extending the Credit Facility maturity date to December 15, 2019 during the third quarter of 2018. The maximum amount available under the Credit Facility can be increased to $400.0 million at the Company's option if the lenders agree and the Company satisfies certain conditions. Borrowings under the Credit Facility generally

Quaker Chemical Corporation

Management's Discussion and Analysis

bear interest at a base rate or LIBOR rate plus a margin. The Credit Facility has certain financial and other covenants, with the key financial covenant requiring that the Company's consolidated net debt to adjusted EBITDA ratio cannot exceed 3.50 to 1. As of June 30, 2018, and December 31, 2017, the Company's net debt to adjusted EBITDA ratio was below 1.0 to 1, and the Company was also in compliance with all of its other covenants. As of June 30, 2018, and December 31, 2017, the Company had total credit facility borrowings of $46.2 million and $48.5 million, primarily under the Credit Facility. The Company's other debt obligations were primarily industrial development bonds and municipality-related loans as of June 30, 2018 and December 31, 2017, which includes a $5.0 million industrial development bond that matures in December 2018. The Company expects to repay the amount due for this bond at its maturity.

Quaker's management approved a global restructuring plan in the fourth quarter of 2015 (the "2015 Program") to reduce its operating costs. The Company completed all of the initiatives under the 2015 Program during the first half of 2017. The Company has not incurred costs in 2018 and does not expect to incur further restructuring charges under this program. During the six months ended June 30, 2017, the company incurred $0.7 million of cash payments utilizing operating cash flows for the settlement of these restructuring liabilities.

On April 4, 2017, Quaker entered into a share purchase agreement with Gulf Houghton Lubricants, Ltd. to purchase the entire issued and outstanding share capital of Houghton. The shares will be bought for aggregate purchase consideration consisting of: (i) $172.5 million in cash; (ii) a number of shares of common stock, $1.00 par value per share, of the Company comprising 24.5% of the common stock outstanding upon the closing of the Combination; and (iii) the Company's assumption of Houghton's net indebtedness as of the closing of the Combination, which was approximately $690 million at signing. See Note 2 to Condensed Consolidated Financial Statements.

In connection with the Combination, the Company secured $1.15 billion in commitments from Bank of America Merrill Lynch and Deutsche Bank to fund the purchase consideration and provide additional liquidity, and has since replaced these commitments with a syndicated bank agreement ("the New Credit Facility") with a group of lenders for $1.15 billion. The New Credit Facility is contingent upon and will not be effective until the closing of the Combination. The Company anticipates extending the bank commitment through December 15, 2018 during the third quarter of 2018. The New Credit Facility is comprised of a $400.0 million multicurrency revolver, a $600.0 million USD term loan and a $150.0 million EUR equivalent term loan, each with a five-year term from the date the New Credit Facility becomes effective. The maximum amount available under the New Credit Facility can be increased by $200.0 million at the Company's option if the lenders agree and the Company satisfies certain conditions. Borrowings under the New Credit Facility will bear interest at a base rate or LIBOR rate plus a margin, and the Company currently estimates the annual floating rate cost will be in the 3.50% to 3.75% range based on current market interest rates. The New Credit Facility will be subject to certain financial and other covenants, including covenants that the Company's consolidated net debt to adjusted EBITDA ratio cannot initially exceed 4.25 to 1 and the Company's consolidated adjusted EBITDA to interest expense ratio cannot be less than 3.0 to 1. Both the USD and EUR equivalent term loans will have quarterly principal amortization during their respective five-year terms, with 5% amortization of the principal balance due in years 1 and 2, 7.5% in year 3, and 10% in years 4 and 5, with the remaining principal amounts due at maturity. Until closing, the Company will incur certain interest costs paid to maintain the bank commitment ("ticking fees"), which began to accrue on September 29, 2017. The ticking fees bear an interest rate of 0.30% per annum.

The Company incurred $10.6 million of total combination-related expenses during the first six months of 2018, which includes $1.7 million of ticking fees as well as a $0.6 million gain on the sale of an available-for-sale asset, described in the Non-GAAP measures section of this Item below. The Company had net cash outflows related to these costs of $12.1 million during the six months ended June 30, 2018. Comparatively, during the six months ended June 30, 2017, combination-related expenses totaled $13.4 million and cash payments made were $10.1 million. During 2018, the Company currently estimates it will incur additional expenses and have associated cash outflows of approximately $30 to $35 million through closing of the Combination for similar combination-related expenses, including cash payments for bank fees which we expect to capitalize. In addition, post-closing of the combination, the Company expects it will incur additional costs and make associated cash payments to integrate the Company and Houghton and to begin realizing the Combination's total anticipated cost synergies, which we currently estimate to meet or exceed $45 million. The timing and an accurate range of these additional costs and cash payments post-closing are not estimable at this time. However, based on market precedent, the Company currently projects these costs and cash payments to approximate one times anticipated synergies, and the Company expects them to be incurred over a three-year period post-close.

The Company received regulatory approval for the Combination from China and Australia in 2017. In addition, at a shareholder meeting held during the third quarter of 2017, the Company's shareholders overwhelmingly approved the issuance of the new shares of the Company's common stock at closing of the Combination. Currently, the closing of the Combination is contingent upon customary closing conditions and the remaining regulatory approvals in the United States and Europe. The Company continues to be in productive discussions with the European Commission and Federal Trade Commission regarding the Combination and potential buyers for the product lines to be divested, and intends to present a remedy that meets the needs of both regulatory authorities in the third quarter of 2018. Based on the information available to date, the Company expects to receive approval from the regulatory

Quaker Chemical Corporation

Management's Discussion and Analysis

authorities and close the Combination in the fourth quarter of 2018. Given these contingencies and the overall timing of the Combination, the Company has not recorded any estimated costs for additional expenses that the Company expects, but had yet to incur as of June 30, 2018, related to the Combination.

As of June 30, 2018, the Company's gross liability for uncertain tax positions, including interest and penalties, was $9.2 million. The Company cannot determine a reliable estimate of the timing of cash flows by period related to its uncertain tax position liability. However, should the entire liability be paid, the amount of the payment may be reduced by up to $5.1 million as a result of offsetting benefits in other tax jurisdictions.

The Company believes it is capable of supporting its operating requirements and funding its business objectives, including but not limited to, payments of dividends to shareholders, costs related to the Combination, pension plan contributions, capital expenditures, other business opportunities and other potential contingencies, through internally generated funds supplemented with debt or equity as needed.

Non-GAAP Measures

Included in this Form 10-Q filing are two non-GAAP (unaudited) financial measures: non-GAAP earnings per diluted share and adjusted EBITDA. The Company believes these non-GAAP financial measures provide meaningful supplemental information as they enhance a reader's understanding of the financial performance of the Company, are more indicative of future operating performance of the Company, and facilitate a better comparison among fiscal periods, as the non-GAAP financial measures exclude items that are not considered core to the Company's operations. Non-GAAP results are presented for supplemental informational purposes only and should not be considered a substitute for the financial information presented in accordance with GAAP. The following tables reconcile non-GAAP earnings per diluted share (unaudited) and adjusted EBITDA (unaudited) to their most directly comparable GAAP (unaudited) financial measures:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
GAAP earnings per diluted share attributable to Quaker Chemical Corporation common shareholders	$ 1.44	$ 0.89	$ 2.40	$ 1.42
Equity income in a captive insurance company per diluted share (a)	(0.08)	(0.04)	(0.05)	(0.08)
Houghton combination-related expenses per diluted share (b)	0.29	0.27	0.66	0.95
Transition Tax adjustment per diluted share (c)	(0.09)	—	(0.09)	—
U.S. pension plan settlement charge per diluted share (d)	—	0.09	—	0.09
Cost streamlining initiative per diluted share (e)	—	—	—	0.01
Currency conversion impacts of the Venezuelan bolivar fuerte per diluted share (f)	0.00	0.03	0.02	0.03
Non-GAAP earnings per diluted share (g)	$ 1.56	$ 1.24	$ 2.94	$ 2.42

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2018	**2017**	**2018**	**2017**
Net income attributable to Quaker Chemical Corporation	$ 19,246	$ 11,906	$ 31,978	$ 18,898
Depreciation and amortization	4,981	5,007	10,028	9,937
Interest expense (b)	1,602	780	3,294	1,436
Taxes on income before equity in net income of associated companies (c)	3,668	4,224	9,224	11,089
Equity income in a captive insurance company (a)	(1,015)	(435)	(643)	(1,027)
Houghton combination-related expenses (b)	3,681	4,338	8,890	13,413
U.S. pension plan settlement charge (d)	—	1,860	—	1,860
Cost streamlining initiative (e)	—	—	—	286
Currency conversion impacts of the Venezuelan bolivar fuerte (f)	26	340	244	340
Adjusted EBITDA	$ 32,189	$ 28,020	$ 63,015	$ 56,232
Adjusted EBITDA margin (%) (h)	14.5%	13.9%	14.5%	14.2%

(a) Equity income in a captive insurance company represents the after-tax income attributable to the Company's interest in Primex, Ltd. ("Primex"), a captive insurance company. The Company holds a 33% investment in and has significant influence over Primex, and therefore accounts for this interest under the equity method of accounting. The income attributable to Primex is not indicative of the future operating performance of the Company and is not considered core to the Company's operations.

Quaker Chemical Corporation

Management's Discussion and Analysis

(b) Houghton combination-related expenses include certain legal, environmental, financial, and other advisory and consultant costs incurred in connection with the strategic evaluation of, diligence on, and execution of the definitive agreement to combine with Houghton, as well as regulatory and shareholder approvals and integration planning associated with the pending Combination. These costs are not indicative of the future operating performance of the Company. Certain of these costs were considered non-deductible for the purpose of determining the Company's effective tax rate and, therefore, the earnings per diluted share amount reflects this impact. Also, included in the caption Houghton combination-related expenses for the three and six months ended June 30, 2018 is a $0.6 million gain on the sale of an available-for-sale asset. In addition, during the three and six months ended June 30, 2018, the Company incurred $0.9 million and $1.7 million of ticking fees, respectively, to maintain the bank commitment related to the pending Combination. There were no similar interest costs during the three or six months ended June 30, 2017. These interest costs are included in the caption Houghton combination-related expenses in the reconciliation of GAAP earnings per diluted share attributable to Quaker Chemical Corporation common shareholders to Non-GAAP earnings per diluted share above, but are included in the caption Interest expense in the reconciliation of Net income attributable to Quaker Chemical Corporation to Adjusted EBITDA above. See Note 2 of Notes to Condensed Consolidated Financial Statements, which appears in Item 1 of this Report.

(c) Transition Tax adjustment represents the tax benefit recorded by the Company as a result of changes to the Company's initial fourth quarter of 2017 estimate of the one-time charge on deemed repatriation of undistributed earnings associated with U.S. Tax Reform in December 2017. Specifically, the Company adjusted the amount estimated for the U.S. state impact of the gross deemed repatriation Transition Tax on previously untaxed accumulated and current earnings and profits of certain of the Company's foreign subsidiaries. The Transition Tax adjustment was based on guidance issued during the second quarter of 2018 by various state taxing authorities and was the result of a specific one-time event and is not indicative of future operating performance of the Company. Transition Tax adjustment is included within Taxes on income before equity in net income of associated companies in the reconciliation of Net income attributable to Quaker Chemical Corporation to Adjusted EBITDA. See Note 10 of Notes to Condensed Consolidated Financial Statements, which appears in Item 1 of this Report.

(d) U.S. pension plan settlement charge represents the expense recorded related to the Company's U.S. pension plan settlement to its vested terminated participants. This settlement charge represents the immediate recognition into expense of a portion of the unrecognized loss within accumulated other comprehensive loss ("AOCI") on the balance sheet in proportion to the share of the projected benefit obligation that was settled by these payments. This charge was the result of a specific one-time event and is not indicative of the future operating performance of the Company. See Note 8 of Notes to Condensed Consolidated Financial Statements, which appears in Item 1 of this Report.

(e) Cost streamlining initiative represents expenses associated with certain actions taken to reorganize the Company's corporate staff. Overall, these costs are non-core and are indirect operating expenses that are not attributable to the product sales of any respective reportable operating segment, and, therefore, are not indicative of the future operating performance of the Company.

(f) Currency conversion impact of the Venezuelan bolivar fuerte represents losses incurred at the Company's Venezuelan affiliate as a result of changes in Venezuela's foreign exchange markets and controls leading to specific devaluations of the Venezuelan bolivar fuerte which are not indicative of the future operating performance of the Company.

(g) Within the Company's calculation of Non-GAAP earnings per diluted share above, each reconciling item includes the impact of any current and deferred income tax expense (benefit) as applicable. The income tax expense (benefit) related to these items was determined utilizing the applicable rates in the taxing jurisdictions in which these adjustments occurred.

(h) The Company calculates Adjusted EBITDA margin as the percentage of Adjusted EBITDA into consolidated net sales.

Operations

Consolidated Operations Review – Comparison of the Second Quarter of 2018 with the Second Quarter of 2017

Net sales grew $20.8 million or 10% in the second quarter of 2018, increasing to $222.0 million compared to $201.2 million in the second quarter of 2017. The Company's second quarter of 2018 net sales benefited from increases in volume of 5%, selling price and product mix of approximately 3%, and a positive impact from foreign currency translation of 2% or $4.5 million.

Costs of goods sold ("COGS") in the second quarter of 2018 of $141.0 million increased 9% from $129.3 million in the second quarter of 2017. The increase in COGS was primarily due to the increase in product volumes, noted above, the impact of foreign currency translation and changes in product mix quarter-over-quarter.

Gross profit in the second quarter of 2018 increased $9.1 million or 13% from the second quarter of 2017. The increase in gross profit was primarily due to the increase in net sales and product volumes, noted above, as well as a higher gross margin of 36.5% in the second quarter of 2018 compared to 35.7% in the second quarter of 2017. The increase in the Company's gross margin quarter-over-quarter was primarily driven by pricing initiatives and the mix of certain products sold which more than offset raw material cost increases.

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SG&A in the second quarter of 2018 increased $4.5 million compared to the second quarter of 2017 due to increases from foreign currency translation and higher labor-related costs, primarily related to annual merit increases as well as the amount and timing of incentive based compensation accruals related to the Company's strong operating performance.

During the second quarter of 2018, the Company incurred $4.3 million of legal, financial, and other advisory and consultant expenses for integration planning and regulatory approvals related to the pending combination with Houghton. Comparatively, the Company incurred $4.3 million of combination-related expenses during the second quarter of 2017 related to costs similar to the current quarter and due diligence-related costs. See the Non-GAAP Measures section of this Item, above.

Operating income in the second quarter of 2018 was $22.6 million compared to $17.9 million in the second quarter of 2017. The increase in operating income was due to strong net sales and gross profit increases, noted above, partially offset by an increase in SG&A not related to the pending Houghton combination.

The Company had other income, net, of $0.3 million in the second quarter of 2018 compared to other expense, net, of $1.6 million in the second quarter of 2017. The quarter-over-quarter change was primarily due to a second quarter of 2017 U.S. pension plan settlement charge of $1.9 million described in the Non-GAAP measures section of this Item, above. In addition, the Company incurred higher foreign currency transaction losses in the current quarter as compared to the second quarter of 2017, however this was generally offset by a second quarter of 2018 gain on the sale of an available-for-sale asset of $0.6 million, included in the Non-GAAP measures section of this Item, above.

Interest expense increased $0.8 million in the second quarter of 2018 compared to the second quarter of 2017, primarily due to current quarter costs incurred to maintain the bank commitment for the pending Houghton Combination, described in the Non-GAAP measures section of this Item, above. The Company did not incur similar interest costs in the second quarter of 2017. The Company had a relatively consistent level of interest income in both the second quarters of 2018 and 2017, respectively.

The Company's effective tax rates for the second quarters of 2018 and 2017 were 16.8% and 26.2%, respectively. Both the Company's second quarters of 2018 and 2017 effective tax rates include the impact of Houghton combination-related expenses, noted above, certain of which were considered non-deductible for the purpose of determining the Company's effective tax rate. In addition, the Company's second quarter of 2018 effective tax rate includes a $1.2 million Transition Tax adjustment, described in the Non-GAAP measures section of this Item, above. Excluding the current quarter Transition Tax adjustment and the impact of combination-related expenses in both quarters, the Company estimates that its second quarters of 2018 and 2017 effective tax rates would have been approximately 22% and 27%, respectively. This decrease quarter-over-quarter was primarily due to the decrease in the U.S. statutory tax rate from 35% in the prior period to 21% in the current quarter. The Company has experienced and expects to continue to experience volatility in its effective tax rates due to several factors including the timing of tax audits and the expiration of applicable statutes of limitations as they relate to uncertain tax positions, the unpredictability of the timing and amount of certain incentives in various tax jurisdictions, the treatment of certain acquisition-related costs and the timing and amount of certain share-based compensation-related tax benefits, among other factors.

Equity in net income of associated companies ("equity income") increased $0.8 million in the second quarter of 2018 compared to the second quarter of 2017. The primary driver of the increase was higher earnings from the Company's interest in a captive insurance company in the current quarter. In addition, the Company recorded a lower currency conversion charge quarter-over-quarter to write down the Company's equity investment in its Venezuelan affiliate due to the on-going devaluation of the Venezuelan bolivar fuerte in each period. See the Non-GAAP Measures section of this Item, above.

Net income attributable to noncontrolling interest decreased $0.3 million in the second quarter of 2018 compared to the second quarter of 2017, primarily due to the Company's purchase of the remaining interest in its India joint venture in December 2017.

Foreign exchange negatively impacted the Company's second quarter of 2018 earnings by less than 1% or $0.01 per diluted share, including the positive impact from foreign currency translation net of higher foreign currency transaction losses quarter-over-quarter.

Consolidated Operations Review – Comparison of the First Six Months of 2018 with the First Six Months of 2017

Net sales for the first six months of 2018 of $434.0 million increased 10% compared to net sales of $396.1 million for the first six months of 2017. The $37.9 million increase in net sales was the result of a 3% increase in volumes, a 3% increase due to selling price and product mix and a positive impact from foreign currency translation of 4% or $15.5 million.

COGS in the first six months of 2018 of $277.6 million increased 10% from $253.4 million in the first six months of 2017. The increase in COGS was primarily due to the increase in product volumes, noted above and the impact of foreign currency translation.

Gross profit for the first six months of 2018 increased $13.7 million or 10% from the first six months of 2017, primarily driven by the increase in net sales and product volumes, noted above. The Company's gross margin of 36.0% in the first six months of 2018 was consistent with its gross margin in the first six months of 2017.

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SG&A for the first six months of 2018 increased $6.4 million compared to the first six months of 2017 primarily due to the same factors noted in the quarter-over-quarter discussion, above, including the impact of foreign currency translation and higher labor-related costs. These increases in SG&A year-over-year were partially offset by a first quarter of 2017 cost streamlining initiative described in the Non-GAAP measures section of this Item, above.

During the first six months of 2018, the Company incurred $9.5 million of legal, financial, and other advisory and consultant expenses for integration planning and regulatory approvals related to the pending combination with Houghton. Comparatively, the Company incurred $13.4 million of combination-related expenses during the first six months of 2017 related to costs similar to the current year and due diligence-related costs. See the Non-GAAP Measures section of this Item, above.

Operating income in the first six months of 2018 was $42.8 million compared to $31.7 million in the first six months of 2017. The increase in operating income was due to strong net sales and gross profit increases as well as lower Houghton combination-related expenses, noted above, partially offset by an increase in SG&A not related to the Houghton combination.

The Company had other expense, net, of $0.1 million in the first six months of 2018 compared to $1.7 million in the first six months of 2017. The decrease in other expense, net, was primarily due to the prior year U.S. pension plan settlement charge and a current year gain on the sale of an available-for-sale asset, both of which are included in the Non-GAAP measures section of this Item, above, partially offset by higher foreign currency transaction losses in the current year.

Interest expense increased $1.9 million during the first six months of 2018 compared to the first six months of 2017, primarily due to current year costs incurred to maintain the bank commitment for the pending Houghton combination, described in the Non-GAAP measures section of this Item, above. The Company did not incur similar interest costs in the first six months of 2017. Interest income was consistent at $1.1 million in both the first six months of 2018 and 2017.

The Company's effective tax rates for the first six months of 2018 and 2017 were 22.8% and 37.4%, respectively. Similar to the quarter-over-quarter discussion, above, the Company's first six months of 2018 and 2017 effective tax rates include the impact of Houghton combination-related expenses in both periods, certain of which were considered non-deductible for the purpose of determining the Company's effective tax rate, as well as the current year Transition Tax adjustment, described in the Non-GAAP measures section of this Item, above. Excluding the current year Transition Tax adjustment and the impact of non-deductible combination-related expenses in each period, the Company estimates that its first six months of 2018 and 2017 effective tax rates would have been approximately 24% and 27%, respectively. The decrease in the Company's effective tax rate year-over-year was primarily due to a lower U.S. statutory tax rate of 21% in the current year compared to 35% in the prior year.

Equity income decreased $0.5 million in the first six months of 2018 compared to the first six months of 2017. The decrease was primarily due to lower earnings from the Company's interest in a captive insurance company in the current year, partially offset by higher currency conversion charges in the prior year to write down the Company's equity investment in its Venezuelan affiliate, both described in the Non-GAAP measures section of this Item, above.

The Company had a $0.9 million decrease in net income attributable to noncontrolling interest in the first six months of 2018 compared to the first six months of 2017, primarily due to the purchase of the remaining interest in its India joint venture during December 2017.

Foreign exchange positively impacted the Company's first six months of 2018 earnings by approximately 2% or $0.06 per diluted share, including the positive impact from foreign currency translation net of higher foreign currency transaction losses year-over-year.

Reportable Operating Segments Review - Comparison of the Second Quarter of 2018 with the Second Quarter of 2017

The Company sells its industrial process fluids, chemical specialties and technical expertise to a wide range of industries in a global product portfolio throughout its four segments: (i) North America, (ii) EMEA, (iii) Asia/Pacific and (iv) South America.

North America

North America represented approximately 44% of the Company's consolidated net sales in the second quarter of 2018. The segment's net sales were $97.4 million, an increase of $7.1 million or 8% compared to the second quarter of 2017. The increase in net sales was primarily due to higher volumes of 4% and an increase in selling price and product mix of 4%. The impact of foreign currency translation was less than 1%. This segment's operating earnings, excluding indirect expenses, were $23.2 million, an increase of $3.6 million or 18% compared to the second quarter of 2017. The increase in operating earnings quarter-over-quarter was the result of higher gross profit on the higher net sales noted above, coupled with an increase in gross margin due to changes in product mix and the impact of past pricing initiatives. The segment's current quarter operating earnings were slightly impacted by higher SG&A, primarily due to higher labor costs associated with annual merit increases and improved segment performance.

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EMEA

EMEA represented approximately 27% of the Company's consolidated net sales in the second quarter of 2018. The segment's net sales were $60.2 million, an increase of $5.7 million or 10% compared to the second quarter of 2017. The increase in net sales was primarily due to the positive impact of foreign currency translation of 8% and increases in selling price and product mix of approximately 2%, with volumes relatively consistent quarter-over-quarter. The foreign exchange impact was primarily due to the strengthening of the euro against the U.S. dollar as this exchange rate averaged 1.19 in the second quarter of 2018 compared to 1.10 in the second quarter of 2017. This segment's operating earnings, excluding indirect expenses, were $9.1 million, an increase of $0.9 million or 11% compared to the second quarter of 2017. The increase in operating earnings quarter-over-quarter was driven by higher gross profit, on the higher net sales, noted above, as well as a slightly higher gross margin in the current quarter. Partially offsetting the increase in gross profit was higher SG&A in the second quarter of 2018 compared to the prior year quarter, which was primarily due to the impact of foreign currency translation as well as higher labor costs associated with annual merit increases.

Asia/Pacific

Asia/Pacific represented approximately 25% of the Company's consolidated net sales in the second quarter of 2018. The segment's net sales were $55.3 million, an increase of $7.6 million or 16% compared to the second quarter of 2017. The increase in net sales was primarily due to higher volumes of 10%, an increase in selling price and product mix of approximately 2% and the positive impact of foreign currency translation of 4%. The foreign exchange impact was primarily due to the strengthening of the Chinese renminbi against the U.S. dollar as this exchange rate averaged 6.38 in the second quarter of 2018 compared to 6.86 in the second quarter of 2017. This segment's operating earnings, excluding indirect expenses, were $14.6 million, an increase of $2.8 million or 24% compared to the second quarter of 2017. The increase in operating earnings was primarily driven by higher gross profit on the increased net sales, noted above, as well as a slightly higher gross margin in the current quarter. Partially offsetting the increase in gross profit was higher SG&A in the second quarter of 2018 compared to the prior year quarter, which was primarily due to the impact of foreign currency translation as well as higher labor costs associated with annual merit increases and improved segment performance.

South America

South America represented approximately 4% of the Company's consolidated net sales in the second quarter of 2018. The segment's net sales were $9.1 million, an increase of $0.4 million or 5% compared to the second quarter of 2017. The increase in net sales was primarily due to higher volumes of 8% and an increase in selling price and product mix of 16%, partially offset by the negative impact of foreign currency translation of approximately 19%. The foreign exchange impact was primarily due to the weakening of the Brazilian real and Argentinian peso against the U.S. dollar as these exchange rates averaged 3.60 and 23.38 in the second quarter of 2018 compared to 3.21 and 15.70 in the second quarter of 2017, respectively. This segment's operating earnings, excluding indirect expenses, were $1.1 million, an increase of $0.1 million or 5% compared to the second quarter of 2017. The increase in operating earnings was driven by higher gross profit on the increased net sales, noted above. The segment's gross margin in each period was relatively consistent. Partially offsetting the increase in gross profit was higher SG&A in the second quarter of 2018 compared to the prior year quarter, which was primarily due to higher labor costs associated with annual merit

increases partially offset by the impact of foreign currency translation.

Reportable Operating Segments Review - Comparison of the First Six Months of 2018 with the First Six Months of 2017

North America

North America represented approximately 44% of the Company's consolidated net sales in the first six months of 2018. The segment's net sales were $189.2 million, an increase of $11.5 million or approximately 7% compared to the first six months of 2017. The increase in net sales was primarily due to higher volumes of 3% and an increase in selling price and product mix of 4%. The impact of foreign currency translation was less than 1%. This reportable segment's operating earnings, excluding indirect expenses, were $43.6 million, an increase of $3.3 million or 8% compared to the first six months of 2017. The increase during the first six months of 2018 was mainly driven by higher gross profit on the increased net sales, noted above, on a relatively consistent gross margin in each period. Partially offsetting the increase in gross profit was higher SG&A in the first six months of 2018 compared to the prior year, which was primarily due to higher labor costs associated with annual merit increases and improved segment performance.

EMEA

EMEA represented approximately 28% of the Company's consolidated net sales in the first six months of 2018. The segment's net sales were $122.2 million, an increase of $13.8 million or 13% compared to the first six months of 2017. The increase in net sales was primarily due to the positive impact of foreign currency translation of 11% and increases in selling price and product mix of 5%, partially offset by lower volumes of 3%. The year-to-date volume comparison is impacted by an atypically high sales pattern in EMEA during the first quarter of 2017. The foreign exchange impact was primarily due to a strengthening of the euro against the U.S. dollar as this exchange rate averaged 1.21 in the first six months of 2018 compared to 1.08 in the first six months of 2017. This

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reportable segment's operating earnings, excluding indirect expenses, were $19.4 million, an increase of $1.9 million or 11% compared to the first six months of 2017. The increase during the first six months of 2018 was the result of higher gross profit on the increased net sales, noted above, on a relatively consistent gross margin in each period. Partially offsetting the increase in gross profit was higher SG&A in the first six months of 2018 compared to the prior year, which was primarily due to the impact of foreign currency translation as well as higher labor costs associated with annual merit increases.

Asia/Pacific

Asia/Pacific represented approximately 24% of the Company's consolidated net sales in the first six months of 2018. The segment's net sales were $104.1 million, an increase of $11.3 million or 12% compared to the first six months of 2017. The increase in net sales was primarily due to higher volumes of 9% and the positive impact of foreign currency translation of 5% partially offset by decreases in selling price and product mix of 2%. The foreign exchange impact was primarily due to the strengthening of the Chinese renminbi against the U.S. dollar as this exchange rate averaged 6.37 in the first six months of 2018 compared to 6.87 in the first six months of 2017. This reportable segment's operating earnings, excluding indirect expenses, were $26.8 million, an increase of $4.7 million or 21% compared to the first six months of 2017. The increase during the first six months of 2018 was the result of higher gross profit on the increased net sales, noted above, coupled with a slightly higher gross margin. Partially offsetting the increase in gross profit was higher SG&A in the first six months of 2018 compared to the prior year, which was primarily due to the impact of foreign currency translation as well as higher labor costs associated with annual merit increases and improved segment performance.

South America

South America represented approximately 4% of the Company's consolidated net sales in the first six months of 2018. The segment's net sales were $18.5 million, an increase of $1.3 million or 8% compared to the first six months of 2017. The increase in net sales was primarily due to higher volumes of 10% and an increase in selling price and product mix of 10% partially offset by the negative impact of foreign currency translation of approximately 12%. The foreign exchange impact was primarily due to the weakening of the Brazilian real and Argentinian peso against the U.S. dollar as these exchange rates averaged 3.41 and 21.24 in the first six months of 2018 compared to 3.18 and 15.68 in the first six months of 2017, respectively. This reportable segment's operating earnings, excluding indirect expenses, were $1.7 million, a decrease of $0.1 million compared to the first six months of 2017. The segment's lower operating earnings in the first six months of 2018 was the result of a lower gross margin on selling price and product mix, raw material changes and impacts from foreign currency translation, partially offset by the increase in net sales, noted above. In addition, the segment's SG&A increased slightly year-over-year, primarily due to annual merit increases.

Factors That May Affect Our Future Results

(Cautionary Statements Under the Private Securities Litigation Reform Act of 1995)

Certain information included in this Report and other materials filed or to be filed by Quaker with the SEC (as well as information included in oral statements or other written statements made or to be made by us) contain or may contain

forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements can be identified by the fact that they do not relate strictly to historical or current facts. We have based these forward-looking statements on our current expectations about future events. These forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, anticipations, intentions, financial condition, results of operations, future performance and business, including:

- statements relating to our business strategy;
- our current and future results and plans; and
- statements that include the words “may,” “could,” “should,” “would,” “believe,” “expect,” “anticipate,” “estimate,” “in or other similar expressions.

Such statements include information relating to current and future business activities, operational matters, capital spending, and financing sources. From time to time, forward-looking statements are also included in Quaker’s other periodic reports on Forms 10-K, 10-Q and 8-K, press releases, and other materials released to, or statements made to, the public.

Any or all of the forward-looking statements in this Report and in any other public statements we make may turn out to be wrong. This can occur as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties. Many factors discussed in this Report will be important in determining our future performance. Consequently, actual results may differ materially from those that might be anticipated from our forward-looking statements.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. However, any further disclosures made on related subjects in Quaker’s subsequent reports on Forms 10-K, 10-Q, 8-K and other related filings should be consulted. Our forward-looking statements are subject to risks, uncertainties and assumptions about us and our operations that are subject to change based on various important factors, some of which are beyond our control. A

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major risk is that demand for the Company's products and services is largely derived from the demand for its customers' products, which subjects the Company to uncertainties related to downturns in a customer's business and unanticipated customer production shutdowns. Other major risks and uncertainties include, but are not limited to, significant increases in raw material costs, customer financial stability, worldwide economic and political conditions, foreign currency fluctuations, significant changes in applicable tax rates and regulations, future terrorist attacks and other acts of violence. Other factors could also adversely affect us, including factors related to the previously announced pending Houghton combination and the risk that the transaction may not receive regulatory approval or that regulatory approval may include conditions or other terms not acceptable to us. Furthermore, the Company is subject to the same business cycles as those experienced by steel, automobile, aircraft, appliance, and durable goods manufacturers. These risks, uncertainties, and possible inaccurate assumptions relevant to our business could cause our actual results to differ materially from expected and historical results. Other factors beyond those discussed in this Report, including those related to the Combination, could also adversely affect us including, but not limited to:

- the risk that a required regulatory approval will not be obtained or is subject to conditions that are not anticipated or acceptable to us;
- the potential that regulatory authorities may require that we make divestitures in connection with the Combination of a greater amount than we anticipated, which would result in a smaller than anticipated combined business;
- the risk that a closing condition to the Combination may not be satisfied in a timely manner;
- risks associated with the financing of the Combination;
- the occurrence of any event, change or other circumstance that could give rise to the termination of the share purchase agreement;
- potential adverse effects on Quaker Chemical's business, properties or operations caused by the implementation of the Combination;
- Quaker Chemical's ability to promptly, efficiently and effectively integrate the operations of Houghton and Quaker Chemical;
- risks related to each company's distraction from ongoing business operations due to the Combination; and,
- the outcome of any legal proceedings that may be instituted against the companies related to the Combination.

Therefore, we caution you not to place undue reliance on our forward-looking statements. For more information regarding these risks and uncertainties as well as certain additional risks that we face, you should refer to the Risk Factors detailed in Item 1A of our Form 10-K for the year ended December 31, 2017, as well as the proxy statement the Company filed on July 31, 2017 and in our quarterly and other reports filed from time to time with the SEC. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We have evaluated the information required under this Item that was disclosed in Part II, Item 7A, of our Annual Report on Form 10-K for the year ended December 31, 2017, and we believe there has been no material change to that information.

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures. As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), our management, including our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our principal executive officer and our principal financial officer have concluded that as of the end of the period covered by this report our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were effective.

Changes in internal control over financial reporting. As required by Rule 13a-15(d) under the Exchange Act, our management, including our principal executive officer and principal financial officer, has evaluated our internal control over financial reporting to determine whether any changes to our internal control over financial reporting occurred during the quarter ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, no such changes to our internal control over financial reporting occurred during the quarter ended June 30, 2018.

PART II.

OTHER INFORMATION

Items 1A, 3, 4 and 5 of Part II are inapplicable and have been omitted.

Item 1. Legal Proceedings.

Incorporated by reference is the information in Note 18 of the Notes to the Condensed Consolidated Financial Statements in Part I, Item 1, of this Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table sets forth information concerning shares of the Company's common stock acquired by the Company during the period covered by this report:

Period	(a) Total Number of Shares Purchased (1)	(b) Average Price Paid Per Share (2)	(c) Total Number of Shares Purchased as part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (3)
April 1 - April 30	**307**	**$ 150.31**	**—**	**$ 86,865,026**
May 1 - May 31	**—**	**$ —**	**—**	**$ 86,865,026**
June 1 - June 30	**2,137**	**$ 156.17**	**—**	**$ 86,865,026**
Total	**2,444**	**$ 155.44**	**—**	**$ 86,865,026**

(1) All of these shares were acquired from employees upon their surrender of Quaker shares in payment of the exercise price of employee stock options exercised or for the payment of taxes upon exercise of employee stock options or the vesting of restricted stock.

(2) The price paid for shares acquired from employees pursuant to employee benefit and share-based compensation plans is, in each case, based on the closing price of the Company's common stock on the date of exercise or vesting as specified by the plan pursuant to which the applicable option or restricted stock was granted.

(3) On May 6, 2015, the Board of Directors of the Company approved, and the Company announced, a new share repurchase program pursuant to which the Company is authorized to repurchase up to $100,000,000 of Quaker Chemical Corporation common stock (the "2015 Share Repurchase Program"). The 2015 Share Repurchase Program, which replaced the Company's other share repurchase plans then in effect, has no expiration date. There were no shares acquired by the Company pursuant to the 2015 Share Repurchase Program during the quarter ended June 30, 2018.

Item 6. Exhibits.

(a) Exhibits

31.1	–	Certification of Chief Executive Officer of the Company pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
31.2	–	Certification of Chief Financial Officer of the Company pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
32.1	–	Certification of Chief Executive Officer of the Company Pursuant to 18 U.S. C. Section 1350
32.2	–	Certification of Chief Financial Officer of the Company Pursuant to 18 U.S. C. Section 1350
101.INS	–	XBRL Instance Document
101.SCH	–	XBRL Extension Schema Document
101.CAL	–	XBRL Calculation Linkbase Document
101.DEF	–	XBRL Definition Linkbase Document
101.LAB	–	XBRL Label Linkbase Document
101.PRE	–	XBRL Presentation Linkbase Document

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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/ Mary Dean Hall

Date: July 30, 2018

Mary Dean Hall, Vice President, Chief Financial Officer and Treasurer (officer duly authorized on behalf of, and principal financial officer of, the Registrant)