GOLDMAN SACHS GROUP INC
Form 424B2
October 05, 2018

Filed Pursuant to Rule 424(b)(2)
Registration Statement No. 333-219206
The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.
Subject to Completion. Dated October 4, 2018.
GS Finance Corp.
$
Autocallable Motif Capital National Defense 7 ER Index-Linked Notes due
guaranteed by
The Goldman Sachs Group, Inc.
The notes will not bear interest. Unless your notes are automatically called on any annual call observation date, the amount that you will be paid on your notes on the stated maturity date (expected to be October 24, 2025) will be based on the performance of the Motif Capital National Defense 7 ER Index as measured from the trade date (expected to be October 9, 2018) to and including the determination date (expected to be October 9, 2025). If the final level on the determination date is greater than the initial level (set on the trade date), the return on your notes will be the index return (the percentage increase or decrease in the final level from the initial level). If the final level is equal to or less than the initial level, you will receive the face amount of your notes at maturity.
Your notes will be automatically called if the closing level of the index on any call observation date (specified on page S-4) is greater than or equal to the applicable call level (specified on page S-4), resulting in a payment on the corresponding call payment date (the tenth business day after the call observation date) equal to the face amount of your notes plus the product of $1,000 times the applicable call return (specified on page S-4).
The index tracks the U.S. exchange-listed common equity of public companies that derive at least 10% of their revenue from defense-related sales, principally of weapons systems (and related technologies, equipment and services), to U.S. and foreign governments. Each company must be in one of the following sub-industry classifications: aerospace & defense, construction & engineering, construction machinery & heavy trucks, IT consulting & other services, electronic equipment & instruments or communications equipment. A company must include in its annual filing with the SEC a specified keyword related to the key initiatives and mission area categories identified annually by the U.S. Department of Defense or a specific reference to the U.S. Department of Defense. A company must also meet certain minimum market capitalization, price, average daily trading volume and historical information thresholds. See “The Index” on page S-30 for more information.
The index measures the extent to which the stocks and any money market position (described below) outperform 3-month USD LIBOR plus 0.75% per annum (accruing daily). If the index fails to outperform 3-month USD LIBOR plus 0.75% per annum (accruing daily) you will receive no return on your investment. LIBOR is being modified, see page S-18.
The index rebalances annually and the weights of the stocks are based on the percentage of each stock’s revenue derived from defense-related sales, subject to minimum and maximum index weight constraints of 0.1% and 10% or less of the index.
However, with respect to each index business day, if the realized volatility of the stocks for a 20 index business day look-back period exceeds 7%, the index will be rebalanced for that day by ratably reallocating all or a portion of the exposure to the stocks in the index to the money market position in an amount sufficient to reduce the realized volatility for such period to 7%. Realized volatility is the degree of variation in the daily closing prices of the aggregate of the stocks included in the index during the applicable 20 index business day look-back period.
The money market position reflects the returns accruing on a hypothetical cash investment in a notional money market account denominated in U.S. dollars that accrues interest at the notional interest rate, which is equal to 3-month USD LIBOR. The index may allocate its entire exposure to the money market position, the return on which will always be less than the sum of the return on 3-month USD LIBOR plus 0.75% per annum (accruing daily).

The greater the percentage of the index allocated to the money market position, the higher the return that will be required on the stocks in order to have a return on your investment. Historically, a very significant portion (up to approximately 92%) of the index consistently has been allocated to the money market position.

If your notes are not automatically called, at maturity, for each $1,000 face amount of your notes you will receive an amount in cash equal to:

- if the index return is positive (the final level is greater than the initial level), the sum of (i) $1,000 plus (ii) the product of (a) $1,000 times (b) the index return; or
- if the index return is zero or negative (the final level is equal to or less than the initial level), $1,000.

You should read the disclosure herein to better understand the terms and risks of your investment, including the credit risk of GS Finance Corp. and The Goldman Sachs Group, Inc. See page S-9.

The estimated value of your notes at the time the terms of your notes are set on the trade date is expected to be between $900 and $940 per $1,000 face amount. For a discussion of the estimated value and the price at which Goldman Sachs & Co. LLC would initially buy or sell your notes, if it makes a market in the notes, see the following page.

Original issue date:	expected to be October 12, 2018	Original issue price:	100% of the face amount*
Underwriting discount:	% of the face amount*	Net proceeds to the issuer:	% of the face amount

* The original issue price will be % for certain investors; see "Supplemental Plan of Distribution" on page S-63.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense. The notes are not bank deposits and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency, nor are they obligations of, or guaranteed by, a bank.

Goldman Sachs & Co. LLC

Prospectus Supplement No. dated , 2018.

Table of Contents

The issue price, underwriting discount and net proceeds listed above relate to the notes we sell initially. We may decide to sell additional notes after the date of this prospectus supplement, at issue prices and with underwriting discounts and net proceeds that differ from the amounts set forth above. The return (whether positive or negative) on your investment in notes will depend in part on the issue price you pay for such notes.

GS Finance Corp. may use this prospectus in the initial sale of the notes. In addition, Goldman Sachs & Co. LLC or any other affiliate of GS Finance Corp. may use this prospectus in a market-making transaction in a note after its initial sale. Unless GS Finance Corp. or its agent informs the purchaser otherwise in the confirmation of sale, this prospectus is being used in a market-making transaction.

Estimated Value of Your Notes

The estimated value of your notes at the time the terms of your notes are set on the trade date (as determined by reference to pricing models used by Goldman Sachs & Co. LLC (GS&Co.) and taking into account our credit spreads) is expected to be between $900 and $940 per $1,000 face amount, which is less than the original issue price. The value of your notes at any time will reflect many factors and cannot be predicted; however, the price (not including GS&Co.'s customary bid and ask spreads) at which GS&Co. would initially buy or sell notes (if it makes a market, which it is not obligated to do) and the value that GS&Co. will initially use for account statements and otherwise is equal to approximately the estimated value of your notes at the time of pricing, plus an additional amount (initially equal to $ per $1,000 face amount).

Prior to , the price (not including GS&Co.'s customary bid and ask spreads) at which GS&Co. would buy or sell your notes (if it makes a market, which it is not obligated to do) will equal approximately the sum of (a) the then-current estimated value of your notes (as determined by reference to GS&Co.'s pricing models) plus (b) any remaining additional amount (the additional amount will decline to zero on a straight-line basis from the time of pricing through). On and after , the price (not including GS&Co.'s customary bid and ask spreads) at which GS&Co. would buy or sell your notes (if it makes a market) will equal approximately the then-current estimated value of your notes determined by reference to such pricing models.

About Your Prospectus

The notes are part of the Medium-Term Notes, Series E program of GS Finance Corp. and are fully and unconditionally guaranteed by The Goldman Sachs Group, Inc. This prospectus includes this prospectus supplement and the accompanying documents listed below. This prospectus supplement constitutes a supplement to the documents listed below and should be read in conjunction with such documents:

- Prospectus supplement dated July 10, 2017
- Prospectus dated July 10, 2017

The information in this prospectus supplement supersedes any conflicting information in the documents listed above. In addition, some of the terms or features described in the listed documents may not apply to your notes.

Table of Contents

SUMMARY INFORMATION

We refer to the notes we are offering by this prospectus supplement as the "offered notes" or the "notes". Each of the offered notes has the terms described below and under "Specific Terms of Your Notes" on page S-24. Please note that in this prospectus supplement, references to "GS Finance Corp.", "we", "our" and "us" mean only GS Finance Corp. and do not include its subsidiaries or affiliates, references to "The Goldman Sachs Group, Inc.", our parent company, mean only The Goldman Sachs Group, Inc. and do not include its subsidiaries or affiliates and references to "Goldman Sachs" mean The Goldman Sachs Group, Inc. together with its consolidated subsidiaries and affiliates, including us. Also, references to the "accompanying prospectus" mean the accompanying prospectus, dated July 10, 2017, and references to the "accompanying prospectus supplement" mean the accompanying prospectus supplement, dated July 10, 2017, for Medium-Term Notes, Series E, in each case of GS Finance Corp. and The Goldman Sachs Group, Inc. References to the "indenture" in this prospectus supplement mean the senior debt indenture, dated as of October 10, 2008, as supplemented by the First Supplemental Indenture, dated as of February 20, 2015, each among us, as issuer, The Goldman Sachs Group, Inc., as guarantor, and The Bank of New York Mellon, as trustee. This indenture, as so supplemented and as further supplemented thereafter, is referred to as the "GSFC 2008 indenture" in the accompanying prospectus supplement.

Key Terms

Issuer: GS Finance Corp.

Guarantor: The Goldman Sachs Group, Inc.

Index: Motif Capital National Defense 7 ER Index (Bloomberg symbol, "MCDER Index"), as published by the index sponsor (including any index calculation agent acting on the index sponsor's behalf); see "The Index" on page S-30

Index calculation agent: Solactive AG

Index sponsor: Motif Capital Management, Inc.

Specified currency: U.S. dollars ("$")

Face amount: each note will have a face amount of $1,000; $ in the aggregate for all the offered notes; the aggregate face amount of the offered notes may be increased if the issuer, at its sole option, decides to sell an additional amount of the offered notes on a date subsequent to the date of this prospectus supplement

Denominations: $1,000 and integral multiples of $1,000 in excess thereof

Purchase at amount other than face amount: the amount we will pay you on a call payment date or the stated maturity date, as the case may be, for your notes will not be adjusted based on the issue price you pay for your notes, so if you acquire notes at a premium (or discount) to face amount and hold them to a call payment date or the stated maturity date, as the case may be, it could affect your investment in a number of ways. The return on your investment in such notes will be lower (or higher) than it would have been had you purchased the notes at face amount. See "Additional Risk Factors Specific to Your Notes — If You Purchase Your Notes at a Premium to Face Amount, the Return on Your Investment Will Be Lower Than the Return on Notes Purchased at Face Amount and the Impact of Certain Key Terms of the Notes Will Be Negatively Affected" on page S-19 of this prospectus supplement

Supplemental discussion of U.S. federal income tax consequences: the notes will be treated as debt instruments subject to the special rules governing contingent payment debt instruments for U.S. federal income tax purposes. Under this treatment, it is the opinion of Sidley Austin llp that if you are a U.S. individual or taxable entity, you generally should be required to pay taxes on ordinary income from the notes over their term based on the comparable yield for the notes. In addition, any gain you may recognize on the sale, exchange, redemption or maturity of the notes will be taxed as ordinary interest income.

Automatic call feature: if, as measured on any call observation date, the closing level of the index is greater than or equal to the applicable call level, your notes will be automatically called; if your notes are automatically called on any call observation date, on the corresponding call payment date, you will receive an amount in cash equal to the sum of (i) $1,000 plus (ii) the product of $1,000 times the applicable call return

Cash settlement amount (on any call payment date): if your notes are automatically called on a call observation date because the closing level of the index is greater than or equal to the applicable call level, for each $1,000 face amount of your notes, on the related call payment date, we will pay you an amount in cash equal to the sum of (i) $1,000 plus (ii) the product of $1,000 times the applicable call return.

Cash settlement amount (on the stated maturity date): if your notes are not automatically called, for each $1,000 face amount of notes, we will pay you on the stated maturity date an amount in cash equal to:

- if the index return is positive, the sum of (i) $1,000 plus (ii) the product of (a) $1,000 times (b) the index return; or
- if the index return is zero or negative, $1,000.

Call level: with respect to any call observation date, the applicable call level specified in the table set forth under "Call observation dates" below; as shown in such table, the call level increases the longer the notes are outstanding

Table of Contents

Call return: with respect to any call payment date, the call return for the related call observation date specified in the table set forth under “Call observation dates” below; as shown in such table, the call return increases the longer the notes are outstanding

Call observation dates (to be set on the trade date): expected to be the dates specified as such in the table below, commencing October 2019 and ending October 2024, subject to adjustment as described under “Specific Terms of Your Notes — Call Observation Dates” on page S-26

Call Observation Date	Call Level (Expressed as a Percentage of the Initial Index Level)	Call Return
October 9, 2019	102%	8%
October 9, 2020	104%	16%
October 11, 2021	106%	24%
October 10, 2022	108%	32%
October 9, 2023	110%	40%
October 9, 2024	112%	48%

Call payment dates (to be set on the trade date): expected to be the tenth business day after each call observation date, subject to adjustment as described under “Specific Terms of Your Notes — Call Payment Dates” on page S-25

Initial index level (to be set on the trade date):

Final index level: the closing level of the index on the determination date, except in the limited circumstances described under “Specific Terms of Your Notes — Payment of Principal on Stated Maturity Date — Consequences of a Non-Trading Day” on page S-26 and subject to adjustment as provided under “Specific Terms of Your Notes — Payment of Principal on Stated Maturity Date — Discontinuance or Modification of the Index” on page S-26

Closing level of the index: as described under “Specific Terms of Your Notes – Special Calculation Provisions – Closing Level of the Index” on page S-27.

Index return: the quotient of (i) the final index level minus the initial index level divided by (ii) the initial index level, expressed as a positive or negative percentage

Trade date: expected to be October 9, 2018

Original issue date (settlement date) (to be set on the trade date): expected to be October 12, 2018

Determination date (to be set on the trade date): expected to be October 9, 2025, subject to adjustment as described under “Specific Terms of Your Notes — Determination Date” on page S-25

Stated maturity date (to be set on the trade date): expected to be October 24, 2025, subject to postponement as described under “Specific Terms of Your Notes — Stated Maturity Date” on page S-25

No interest: the notes will not bear interest

No listing: the notes will not be listed on any securities exchange or interdealer market quotation system

Note calculation agent: GS&Co.

Business day: as described under “Specific Terms of Your Notes — Special Calculation Provisions — Business Day” on page S-27

Trading day: as described under “Specific Terms of Your Notes — Special Calculation Provisions — Trading Day” on page S-27

CUSIP no.: 40056EA32

ISIN no.: US40056EA329

FDIC: the notes are not bank deposits and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency, nor are they obligations of, or guaranteed by, a bank

Table of Contents

HYPOTHETICAL EXAMPLES

The following examples are provided for purposes of illustration only. They should not be taken as an indication or prediction of future investment results and are intended merely to illustrate the impact that the various hypothetical closing levels of the index on a call observation date and on the determination date could have on the cash settlement amount on a call payment date or on the stated maturity date, as the case may be, assuming all other variables remain constant.

The examples below are based on a range of index levels that are entirely hypothetical; no one can predict what the index level will be on any day throughout the life of your notes, and no one can predict what the closing level of the index will be on any call observation date or what the final index level will be on the determination date. The index has been highly volatile in the past — meaning that the index level has changed considerably in relatively short periods — and its performance cannot be predicted for any future period.

The information in the following examples assumes that the offered notes are purchased on the original issue date at the face amount and held to a call payment date or the stated maturity date, as the case may be. If you sell your notes in a secondary market prior to the stated maturity date, your return will depend upon the market value of your notes at the time of sale, which may be affected by a number of factors that are not reflected in the examples below such as the volatility of the index, the creditworthiness of GS Finance Corp., as issuer, and the creditworthiness of The Goldman Sachs Group, Inc., as guarantor. In addition, the estimated value of your notes at the time the terms of your notes are set on the trade date (as determined by reference to pricing models used by GS&Co.) is less than the original issue price of your notes. For more information on the estimated value of your notes, see "Additional Risk Factors Specific to Your Notes — The Estimated Value of Your Notes At the Time the Terms of Your Notes Are Set On the Trade Date (as Determined By Reference to Pricing Models Used By GS&Co.) Is Less Than the Original Issue Price Of Your Notes" on page S-9 of this prospectus supplement. The information in the examples also reflects the key terms and assumptions in the box below.

Key Terms and Assumptions	
Face amount	$1,000
No non-trading day occurs on any originally scheduled call observation date or the originally scheduled determination date	
No change in or affecting any of the underlying stocks or the method by which the index sponsor calculates the index	
Notes purchased on original issue date and held to a call payment date or the stated maturity date	

Moreover, we have not yet set the initial index level that will serve as the baseline for determining if the notes will be automatically called and the amount that we will pay on your notes on a call payment date or at maturity. We will not do so until the trade date. As a result, the initial index level may differ substantially from the index level prior to the trade date. For these reasons, the actual performance of the index over the life of your notes, particularly on each call observation date and the determination date, as well as the amount payable on a call payment date or at maturity, may bear little relation to the hypothetical examples shown below or to the historical index performance information or hypothetical performance data shown elsewhere in this prospectus supplement. For historical index performance information and hypothetical performance data of the index during recent periods, see "The Index —Closing Levels of the Index" on page S-49. Before investing in the offered notes, you should consult publicly available information to determine the level of the index between the date of this prospectus supplement and the date of your purchase of the offered notes.

Any rate of return you may earn on an investment in the notes may be lower than that which you could earn on a comparable investment in the underlying stocks.

Also, the hypothetical examples shown below do not take into account the effects of applicable taxes. Because of the U.S. tax treatment applicable to your notes, tax liabilities could affect the after-tax rate of return on your notes to a comparatively greater extent than the after-tax return on the underlying stocks.

Table of Contents

Hypothetical Cash Settlement Amount on a Call Payment Date

The following examples reflect hypothetical cash settlement amounts that you could receive on the applicable call payment dates. While there are six potential call payment dates with respect to your notes, the examples below only illustrate the amount you will receive, if any, on the first and second call payment date.

If, for example, your notes are automatically called on the first call observation date (i.e., on the first call observation date the closing level of the index is greater than or equal to 102% of the initial index level), the cash settlement amount that we would deliver for each $1,000 face amount of your notes on the applicable call payment date would be the sum of $1,000 plus the product of the applicable call return times $1,000. Therefore, for example, if the closing level of the index on the first call observation date were determined to be 120% of the initial index level, your notes would be automatically called and the cash settlement amount that we would deliver on your notes on the corresponding call payment date would be 108% of the face amount of your notes or $1,080 for each $1,000 face amount of your notes. Even if the closing level of the index on a call observation date exceeds the applicable call level, causing the notes to be automatically called, the cash settlement amount on the call payment date will be limited due to the applicable call return.

If, for example, the notes are not automatically called on the first call observation date and are automatically called on the second call observation date (i.e., on the first call observation date the closing level of the index is less than 102% of the initial index level and on the second call observation date the closing level of the index is greater than or equal to 104% of the initial index level), the cash settlement amount that we would deliver for each $1,000 face amount of your notes on the applicable call payment date would be the sum of $1,000 plus the product of the applicable call return times $1,000. Therefore, for example, if the closing level of the index on the second call observation date were determined to be 140% of the initial index level, your notes would be automatically called and the cash settlement amount that we would deliver on your notes on the corresponding call payment date would be 116% of the face amount of your notes or $1,160 for each $1,000 face amount of your notes. Even if the closing level of the index on a call observation date exceeds the applicable call level, causing the notes to be automatically called, the cash settlement amount on the call payment date will be limited due to the applicable call return.

Table of Contents

Hypothetical Cash Settlement Amount at Maturity

If the notes are not automatically called on any call observation date (i.e., on each call observation date the closing level of the index is less than the applicable call level), the cash settlement amount we would deliver for each $1,000 face amount of your notes on the stated maturity date will depend on the performance of the index on the determination date, as shown in the table below. The table below shows the hypothetical cash settlement amounts that we would deliver on the stated maturity date in exchange for each $1,000 face amount of the notes if the final index level (expressed as a percentage of the initial index level) were any of the hypothetical levels shown in the left column.

The levels in the left column of the table below represent hypothetical final index levels and are expressed as percentages of the initial index level. The amounts in the right column represent the hypothetical cash settlement amounts, based on the corresponding hypothetical final index level (expressed as a percentage of the initial index level), and are expressed as percentages of the face amount of a note (rounded to the nearest one-hundredth of a percent). Thus, a hypothetical cash settlement amount of 100.00% means that the value of the cash payment that we would deliver for each $1,000 of the outstanding face amount of the offered notes on the stated maturity date would equal 100.00% of the face amount of a note, based on the corresponding hypothetical final index level (expressed as a percentage of the initial index level) and the assumptions noted above.

The Notes Have Not Been Automatically Called

Hypothetical Final Index Level (as Percentage of Initial Index Level)	Hypothetical Cash Settlement Amount at Maturity if the Notes Have Not Been Automatically Called on a Call Observation Date (as Percentage of Face Amount)
175.00%	175.00%
150.00%	150.00%
140.00%	140.00%
130.00%	130.00%
120.00%	120.00%
110.00%	110.00%
100.00%	100.00%
90.00%	100.00%
75.00%	100.00%
50.00%	100.00%
25.00%	100.00%
0.00%	100.00%

If, for example, the notes have not been automatically called on a call observation date and the final index level were determined to be 25.00% of the initial index level, the cash settlement amount that we would deliver on your notes at maturity would be 100.00% of the face amount of your notes, as shown in the table above. As a result, if you purchased your notes on the original issue date and held them to the stated maturity date, you would receive no return on your investment.

The following chart also shows a graphical illustration of the hypothetical cash settlement amounts (expressed as a percentage of the face amount of your notes) that we would pay on your notes on the stated maturity date, if the final index level (expressed as a percentage of the initial index level) were any of the hypothetical levels shown on the horizontal axis. The chart shows that any hypothetical final index level (expressed as a percentage of the initial index level) of less than 100.00% (the section left of the 100.00% marker on the horizontal axis) would result in a hypothetical cash settlement amount of 100.00% of the face amount of your notes.

Table of Contents

The cash settlement amounts shown above are entirely hypothetical; they are based on closing levels of the index that may not be achieved on a call observation date or the determination date, as the case may be, and on assumptions that may prove to be erroneous. The actual market value of your notes on a call payment date, the stated maturity date or at any other time, including any time you may wish to sell your notes, may bear little relation to the hypothetical cash settlement amounts shown above, and these amounts should not be viewed as an indication of the financial return on an investment in the offered notes. The hypothetical cash settlement amounts on notes held to a call payment date or the stated maturity date, as the case may be, in the examples above assume you purchased your notes at their face amount and have not been adjusted to reflect the actual issue price you pay for your notes. The return on your investment (whether positive or negative) in your notes will be affected by the amount you pay for your notes. If you purchase your notes for a price other than the face amount, the return on your investment will differ from, and may be significantly lower than, the hypothetical returns suggested by the above examples. Please read "Additional Risk Factors Specific to Your Notes — The Market Value of Your Notes May Be Influenced by Many Unpredictable Factors" on page S-19.

Payments on the notes are economically equivalent to the amounts that would be paid on a combination of other instruments. For example, payments on the notes are economically equivalent to a combination of an interest-bearing bond bought by the holder and one or more options entered into between the holder and us (with one or more implicit option premiums paid over time). The discussion in this paragraph does not modify or affect the terms of the notes or the U.S. federal income tax treatment of the notes, as described elsewhere in this prospectus supplement.

We cannot predict the actual closing levels of the index on each of the call observation dates or final index level on the determination date or what the market value of your notes will be on any particular trading day, nor can we predict the relationship between the index level and the market value of your notes at any time prior to the stated maturity date. The actual cash settlement amount that you will receive and the rate of return on the offered notes will depend on whether or not the notes are automatically called, the actual initial index level, which we will set on the trade date, and the actual closing level of the index on each call observation date and the actual final index level on the determination date, each as determined by the note calculation agent as described above. Moreover, the assumptions on which the hypothetical examples are based may turn out to be inaccurate. Consequently, the cash settlement amount to be paid in respect of your notes on a call payment date or the stated maturity date, as the case may be, may be very different from the information reflected in the examples above.

Table of Contents

ADDITIONAL RISK FACTORS SPECIFIC TO YOUR NOTES

An investment in your notes is subject to the risks described below, as well as the risks and considerations described in the accompanying prospectus and in the accompanying prospectus supplement. You should carefully review these risks and considerations as well as the terms of the notes described herein and in the accompanying prospectus and the accompanying prospectus supplement. Your notes are a riskier investment than ordinary debt securities. Also, your notes are not equivalent to investing directly in any underlying stocks, i.e., the stocks comprising the index to which your notes are linked. You should carefully consider whether the offered notes are suited to your particular circumstances.

The Estimated Value of Your Notes At the Time the Terms of Your Notes Are Set On the Trade Date (as Determined By Reference to Pricing Models Used By GS&Co.) Is Less Than the Original Issue Price Of Your Notes

The original issue price for your notes exceeds the estimated value of your notes as of the time the terms of your notes are set on the trade date, as determined by reference to GS&Co.'s pricing models and taking into account our credit spreads. Such estimated value on the trade date is set forth above under "Estimated Value of Your Notes"; after the trade date, the estimated value as determined by reference to these models will be affected by changes in market conditions, the creditworthiness of GS Finance Corp., as issuer, the creditworthiness of The Goldman Sachs Group, Inc., as guarantor, and other relevant factors. The price at which GS&Co. would initially buy or sell your notes (if GS&Co. makes a market, which it is not obligated to do), and the value that GS&Co. will initially use for account statements and otherwise, also exceeds the estimated value of your notes as determined by reference to these models. As agreed by GS&Co. and the distribution participants, this excess (i.e., the additional amount described under "Estimated Value of Your Notes") will decline to zero on a straight line basis over the period from the date hereof through the applicable date set forth above under "Estimated Value of Your Notes". Thereafter, if GS&Co. buys or sells your notes it will do so at prices that reflect the estimated value determined by reference to such pricing models at that time. The price at which GS&Co. will buy or sell your notes at any time also will reflect its then current bid and ask spread for similar sized trades of structured notes.

In estimating the value of your notes as of the time the terms of your notes are set on the trade date, as disclosed above under "Estimated Value of Your Notes", GS&Co.'s pricing models consider certain variables, including principally our credit spreads, interest rates (forecasted, current and historical rates), volatility, price-sensitivity analysis and the time to maturity of the notes. These pricing models are proprietary and rely in part on certain assumptions about future events, which may prove to be incorrect. As a result, the actual value you would receive if you sold your notes in the secondary market, if any, to others may differ, perhaps materially, from the estimated value of your notes determined by reference to our models due to, among other things, any differences in pricing models or assumptions used by others. See "— The Market Value of Your Notes May Be Influenced by Many Unpredictable Factors" below.

The difference between the estimated value of your notes as of the time the terms of your notes are set on the trade date and the original issue price is a result of certain factors, including principally the underwriting discount and commissions, the expenses incurred in creating, documenting and marketing the notes, and an estimate of the difference between the amounts we pay to GS&Co. and the amounts GS&Co. pays to us in connection with your notes. We pay to GS&Co. amounts based on what we would pay to holders of a non-structured note with a similar maturity. In return for such payment, GS&Co. pays to us the amounts we owe under your notes.

In addition to the factors discussed above, the value and quoted price of your notes at any time will reflect many factors and cannot be predicted. If GS&Co. makes a market in the notes, the price quoted by GS&Co. would reflect any changes in market conditions and other relevant factors, including any deterioration in our creditworthiness or perceived creditworthiness or the creditworthiness or perceived creditworthiness of The Goldman Sachs Group, Inc. These changes may adversely affect the value of your notes, including the price you may receive for your notes in any market making transaction. To the extent that GS&Co. makes a market in the notes, the quoted price will reflect the estimated value determined by reference to GS&Co.'s pricing models at that time, plus or minus its then current bid and ask spread for similar sized trades of structured notes (and subject to the declining excess amount described above).

Furthermore, if you sell your notes, you will likely be charged a commission for secondary market transactions, or the price will likely reflect a dealer discount. This commission or discount will further reduce the proceeds you would receive for your notes in a secondary market sale.

There is no assurance that GS&Co. or any other party will be willing to purchase your notes at any price and, in this regard, GS&Co. is not obligated to make a market in the notes. See "— Your Notes May Not Have an Active Trading Market" below.

Table of Contents

The Notes Are Subject to the Credit Risk of the Issuer and the Guarantor

Although the return on the notes will be based on the performance of the index, the payment of any amount due on the notes is subject to the credit risk of GS Finance Corp., as issuer of the notes, and the credit risk of The Goldman Sachs Group, Inc., as guarantor of the notes. The notes are our unsecured obligations. Investors are dependent on our ability to pay all amounts due on the notes, and therefore investors are subject to our credit risk and to changes in the market's view of our creditworthiness. Similarly, investors are dependent on the ability of The Goldman Sachs Group, Inc., as guarantor of the notes, to pay all amounts due on the notes, and therefore are also subject to its credit risk and to changes in the market's view of its creditworthiness. See "Description of the Notes We May Offer — Information About Our Medium-Term Notes, Series E Program — How the Notes Rank Against Other Debt" on page S-4 of the accompanying prospectus supplement and "Description of Debt Securities We May Offer — Guarantee by The Goldman Sachs Group, Inc." on page 42 of the accompanying prospectus.

You May Receive Only the Face Amount of Your Notes at Maturity

If the index return is zero or negative on the determination date, the return on your notes will be limited to the face amount.

Even if the amount paid on your notes at maturity exceeds the face amount of your notes, the overall return you earn on your notes may be less than you would have earned by investing in a note with the same stated maturity that bears interest at the prevailing market rate.

Your Notes Do Not Bear Interest

You will not receive any interest payments on your notes. As a result, even if the amount payable on your notes on a call payment date or the stated maturity date exceeds the face amount of your notes, the overall return you earn on your notes may be less than you would have earned by investing in a non-indexed debt security of comparable maturity that bears interest at a prevailing market rate.

The Cash Settlement Amount You Will Receive on a Call Payment Date or on the Stated Maturity Date is Not Linked to the Closing Level of the Index at Any Time Other Than on the Applicable Call Observation Date or the Determination Date, as the Case May Be

The cash settlement amount you will receive on a call payment date, if any, will be paid only if the closing level of the index on the applicable call observation date is greater than or equal to the applicable call level. Therefore, the closing level of the index on dates other than the call observation dates will have no effect on any cash settlement amount paid in respect of your notes on the call payment date. In addition, the cash settlement amount you will receive on the stated maturity date (if the notes were not previously automatically called) will be based on the closing level of the index on the determination date and, therefore, the closing level of the index on dates other than the determination date will have no effect on any cash settlement amount paid in respect of your notes on the stated maturity date. Therefore, for example, if the closing level of the index dropped precipitously on the determination date, the cash settlement amount for the notes may be significantly less than it otherwise would have been had the cash settlement amount been linked to the closing level of the index prior to such drop. Although the actual closing level of the index on the applicable call payment dates, the stated maturity date or at other times during the life of the notes may be higher than the closing level of the index on the call observation dates or the final index level on the determination date, you will not benefit from the closing level of the index at any time other than on the call observation dates or on the determination date.

The Cash Settlement Amount You Will Receive on a Call Payment Date Will Be Limited

Regardless of the closing level of the index on a call observation date, the cash settlement amount you may receive on a call payment date is limited. Even if the closing level of the index on a call observation date exceeds the applicable call level, causing the notes to be automatically called, the cash settlement amount on the call payment date will be limited due to the applicable call return. If your notes are automatically called on a call observation date, the maximum payment you will receive for each $1,000 face amount of your notes will depend on the applicable call return.

Your Notes Are Subject to Automatic Redemption

We will automatically call and redeem all, but not part, of your notes on a call payment date, if, as measured on any call observation date, the closing level of the index is greater than or equal to the applicable call level. Therefore, the term for your notes may be reduced and you will not receive any further payments on the notes since your notes will no longer be outstanding. You may not be able to reinvest the proceeds from an investment in the notes at a comparable return for a similar level of risk in the event the notes are called prior to maturity.

Table of Contents

The Index Measures the Performance of the Total Return Index Less the Sum of the Return on the Notional Interest Rate Plus 0.75% Per Annum (Accruing Daily)

Your notes are linked to the index. The index measures the performance of the total return index, which includes the underlying stocks and, in certain circumstances, the money market position, less the sum of the return on the notional interest rate plus 0.75% per annum (accruing daily). Increases in the level of the notional interest rate may offset in whole or in part increases in the levels of the underlying stocks. As a result, any return on the index — and thus on your notes — may be reduced or eliminated, which will have the effect of reducing the amount payable in respect of your notes. The total return index must produce positive returns at least as great as the sum of the return on the notional interest rate plus 0.75% per annum (accruing daily) before the index will have a positive return. If the index fails to outperform 3-month USD LIBOR plus 0.75% per annum (accruing daily) you will receive no return on your investment.

The index, through the total return index, may allocate its entire exposure to the money market position, the return on which will always be less than the sum of the return on 3-month USD LIBOR plus 0.75% per annum (accruing daily). The greater the percentage of the index allocated to the money market position, the higher the return that will be required on the underlying stocks in order to have a return on your investment. Historically, a very significant portion (up to approximately 92%) of the index exposure consistently has been to the money market position.

The Underlying Stocks are Concentrated in Six Sub-Industries Within the Industrials and Information Technology Sectors with Defense-Related Sales

The index is comprised of U.S. exchange-listed stocks of companies in six sub-industries within the industrials and information technology sectors that derive at least 10% of their revenue (and in some cases almost all of their revenue) from defense-related sales that may benefit from increased defense-related spending by the United States and foreign governments. Because these companies are concentrated in these six sub-industries within the industrials and information technology sectors (aerospace & defense, construction & engineering, construction machinery & heavy trucks, IT consulting & other services, electronic equipment & instruments and communications equipment), the index is more likely to be adversely affected by the negative performance of any of these sectors (particularly the industrials sector) or sub-industries (particularly the aerospace & defense sub-industry) than an index that has more diversified holdings across a larger number of sectors or sub-industries. Beyond that, the exposure of the index at any time could be limited to the money market position.

Further, as of the close of business on September 21, 2018, MSCI, Inc. and S&P Dow Jones Indices LLC updated the classification structure related to the sub-industries. Among other things, the update reclassified select companies previously classified in the information technology sector prior to September 21, 2018 (which included the IT consulting & other services, electronic equipment & instruments and communications equipment sub-industries) into a newly created communications services sector. Any company previously included in the IT consulting & other services, electronic equipment & instruments or communications equipment sub-industry prior to September 21, 2018 that is reclassified as a result of the updates will no longer be eligible for inclusion in the index. The classification structure changes are expected to be considered in connection with the June 2019 annual index review. It is not known if, or how, these updates could affect the index or its constituents at that time.

Although your investment in the notes will not result in the ownership or other direct interest in the underlying stocks that comprise the index, the return on your investment in the notes will be subject to certain risks and other factors similar to those associated with direct investments in the sectors and sub-industries represented by the underlying stocks and also will be subject to reduction by the sum of the return on the notional interest rate plus 0.75% per annum (accruing daily). For example, factors affecting companies in the industrials sector include government regulation, funding and spending and competition, both domestically and internationally, including competitive government contract bidding, world events, exchange rates, economic conditions, technological developments, liabilities for environmental damage and general civil liabilities. In addition, factors affecting companies in the information technology sector include rapid changes in technology product cycles, rapid product obsolescence, government regulation, funding and spending and competition, both domestically and internationally, including competitive government contract bidding and competition from foreign competitors with lower production costs. Technology companies are also heavily dependent on patent and intellectual property rights, the loss or impairment of which may adversely affect profitability.

Further, a company's defense-related business may fluctuate significantly from time to time as a result of the start and completion of existing and new contract awards. There are significant risks and uncertainties associated with contracting with the United States or foreign governments that could have a material adverse effect on the business, financial condition and results of operations of a company and, ultimately, the index. Government demand for products and services may fluctuate significantly. In addition, the bidding and awarding process for government contracts is highly competitive. There can be no assurance that any company will continue to be successful in procuring defense contracts from any government. Government contracts could be suspended or terminated at any time, may expire in the future and

Table of Contents

may not be replaced, which could reduce defense-related sales and be detrimental to a company's business, financial condition and results of operations and, ultimately, the index. The United States government generally has the ability to terminate contracts, in whole or in part, without prior notice, for its convenience or for default based on performance. Contract awards may also be subject to protests by competing bidders, which, if successful, could result in the revocation of any such contract, in whole or in part, and a company's inability to recover amounts expended in anticipation of initiating work under such contract.

Furthermore, defense contracts are subject to complex regulation with burdensome compliance requirements and a failure to comply, even inadvertently, could subject companies to contract termination, civil and criminal penalties, and possibly suspension from future government contracts. For example, United States government contracts and systems may be subject to audit and review by the Defense Contract Audit Agency and the Defense Contract Management Agency. These agencies review the performance of United States government contractors under such contracts, as well as such contractors' cost structure and compliance with laws and regulations applicable to United States government contractors.

Companies may also be subject to other risks specific to doing business with the United States or foreign governments, including uncertainty of economic conditions, changes in government policies and requirements that may reflect rapidly changing military and political developments, the availability of funds and the ability to meet specified performance thresholds. Multi-year contracts with the United States government may be conditioned upon the continued availability of congressional appropriations and are impacted by the uncertainty regarding federal budget pressure. In addition, changes in the way the United States or foreign governments solicit, negotiate, award and manage their contracts may adversely affect a company's existing contracts, awards of new contracts, financial performance and, ultimately, the index. Furthermore, the risks and uncertainties outlined above may change depending on a company's contractual relationship in a given situation (i.e., whether they are selling directly to the government as a prime contractor or acting as a sub-contractor to a prime contractor). In addition, contracting with foreign governments involves special risks. For example, contracts with foreign governments may be terminated or otherwise affected by deteriorating relations with the United States. The impact of any such termination would be adverse to the affected company and the index, and could be severe.

In addition to all of the above, any particular financial or other benefit to a company from the procurement of a government contract may not impact such company, or the index, until after your notes mature. Similarly, the term of any government contract that is procured may be longer than the term of your notes and some or all of the payments under such contract may occur subsequent to the maturity of your notes.

The Index May Not Successfully Capture Exposure to Companies That May Benefit From Increased Defense-Related Spending by the United States and Foreign Governments

The index attempts to track U.S. exchange-listed stocks of companies in six sub-industries within the industrials and information technology sectors that may benefit from increased defense-related spending by the United States and foreign governments, subject to a limitation on volatility. As such, each year the index is rebalanced by calculating a company's exposure to revenue derived from defense-related sales. However, there is no guarantee that the methodology the index sponsor has implemented in order to determine a company's exposure will accurately capture (i) all such companies that have revenue derived from defense-related sales or (ii) the percentage of revenue derived from defense-related sales, which is used in determining a company's initial weight in the base index. In particular, pursuant to the index methodology, revenue is analyzed, and national defense revenue (theme revenue) is determined, in three sub-steps with three different theme revenue tests. However, if revenue is identified in the first sub-step, no review is conducted under the second or third sub-steps, even if additional theme revenue could have been (or would have been) identified in a later sub-step pursuant to its theme revenue test. Similarly, if revenue is not identified in the first sub-step, but is identified in the second sub-step, no review is conducted under the third sub-step, even if additional theme revenue could have been (or would have been) identified in the third sub-step pursuant to its theme revenue test.

Also, the volatility control may limit the index's ability to track the performance of such companies. The index may fail to realize gains that could occur as a result of reducing the exposure of the total return index to stocks that have experienced price volatility. As a result, if market conditions do not represent a continuation of prior observed trends, the level of the index, which is rebalanced into the money market position based on prior volatility trends, may decline. No assurance can be given that the investment methodology used to construct the index will outperform any alternative index that might be constructed from the underlying stocks. The index is different from an investment that seeks long-term exposure to a constant set of underlying stocks.

In addition, pursuant to its methodology and among other rules, the index excludes companies that derive less than 10% of their revenue from defense-related sales.

Table of Contents

Furthermore, as a result of the index methodology, a number of the top defense contractors with the United States government may not be included in the index. In particular, the index will exclude:

- large companies that derive significant revenue from defense-related sales, if such revenue does not satisfy the 10% test discussed above, even if their historical defense-related sales would be among the most likely to benefit from increased defense-related spending by the United States and foreign governments and even if the revenue, on a dollar basis, is equal to or greater than revenue from such defense-related sales reported by smaller companies;
- companies in sub-industries and/or sectors outside of the six identified sub-industries within the industrials and information technology sectors (aerospace & defense, construction & engineering, construction machinery & heavy trucks, IT consulting & other services, electronic equipment & instruments and communications equipment), such as defense contractors providing healthcare or housing services;

When identifying and evaluating nominees for director, the Governance Committee first examines whether current members of the Board are willing to continue their service. Current members of the Board with skills and experience that are relevant and who are willing to continue to serve are considered for renomination, balancing the value of continuity of service with that of obtaining a new perspective. If a current member does not choose to stand for reelection, the Governance Committee will not recommend that director for reelection. If the Governance Committee recommends an increase in the membership of the Board, it will identify the experience and personal capacities desired and will seek suggestions as to nominees from the current Board membership. In addition, and as has been done in the past, the Governance Committee may engage third parties to assist in the identification or evaluation of potential director nominees.

The Governance Committee will consider candidates recommended by the Company s shareholders and applies the same criteria in evaluating candidates nominated by shareholders as it does in evaluating candidates identified by Company sources. Any shareholder who wishes to recommend a prospective nominee for election to the Board to the Governance Committee may write to D. Jeffry Benoliel, Vice President Global Metalworking and Fluid Power and Corporate Secretary, Quaker Chemical Corporation, One Quaker Park, 901 E. Hector Street, Conshohocken, Pennsylvania 19428. Any request for consideration at next year s annual meeting must be submitted no later than December 5, 2012, and contain a statement of the proposed candidate s

Table of Contents

business experience, business affiliations and a confirmation of his or her willingness to be a nominee. No shareholder or group of shareholders recommended a director nominee for election at Quaker s 2012 annual meeting of shareholders.

Board Oversight of Risk

While the Board has the ultimate oversight responsibility for risk management, consistent with Quaker s By-Laws, the Board has delegated much of the responsibility for risk management to the standing Committees of the Board. The Audit Committee has oversight over financial risks, such as financial reporting and internal controls; compliance risks including oversight of the compliance program and disposition of certain complaints and/or violations of the Code of Conduct and Financial Code of Ethics; and operational risk such as loss of property, business interruption, and other exposures traditionally mitigated through insurance products. In addition, the Compensation/Management Development Committee is responsible for developing a balanced compensation system for all employees, including appropriate long-term and short-term incentive compensation targets that encourage a level of risk-taking behavior consistent with the overall financial/strategic goals of the Company, as well as oversight of the management, development and succession processes. Finally, from time to time, Quaker has faced other risks material to its business and, in those circumstances, the Board (or at times, the Executive Committee) is regularly informed and provides input and advice on actions being considered to mitigate exposures associated with those risks. As appropriate, the Board considers specific risk topics, including risks associated with our strategic plan, our capital structure, and our development activities. Further, the Board is routinely informed of developments at and affecting the Company that could affect our risk profile or other aspects of our business, through reports from our business units and otherwise. This oversight by the Board is designed to maintain an appropriate level of risk and to address new risks as they arise.

Communications with the Board of Directors; Corporate Governance Guidelines

Shareholders or other interested parties may communicate with any of our directors, including non-management directors, by writing to them c/o D. Jeffry Benoliel, Vice President Global Metalworking and Fluid Power and Corporate Secretary, at the address set forth above. All communications received will be forwarded to the Governance Committee and the addressee. The Board believes it is management s role to speak for Quaker and, accordingly, any such communication received will be shared with the Chief Executive Officer and other executive officers, as appropriate. The Company has adopted Corporate Governance Guidelines and other governance materials. Our Code of Conduct, Financial Code of Ethics, Corporate Governance Guidelines and Audit, Compensation/Management Development and Governance Committee Charters have been posted on and are available free of charge by accessing the Investors/Corporate Governance section of our Web site at *http://www.quakerchem.com* or by written request addressed to Quaker Chemical Corporation, One Quaker Park, 901 E. Hector Street, Conshohocken, Pennsylvania 19428, Attention: Irene M. Kisleiko, Assistant Secretary. The references to our Web site contained in this proxy statement are for informational purposes, and the content of the Web site is not incorporated by such references in this proxy statement.

Code of Conduct

The Company has a compliance program, the governing documents of which include a Code of Conduct (which is applicable to all of the Company s directors, executive officers and employees) and a Financial Code of Ethics for Senior Financial Officers (which is applicable to the Chief Executive Officer, Chief Financial Officer, Global Controller, Controllers of each of the Company s majority-owned affiliates, Assistant Global Controller and other individuals performing similar functions designated by the Company s Board of Directors). The Company s compliance program embodies the Company s global principles and practices relating to the ethical conduct of the Company s business and its longstanding commitment to fairness, honesty, integrity and full Company compliance with all laws affecting the Company s business.

13

Table of Contents

The Company s compliance program includes a means for employees, customers, suppliers, shareholders and other interested parties to submit confidential and anonymous reports of suspected or actual violations of the Company s Code of Conduct or the Financial Code of Ethics for Senior Financial Officers relating, among other things, to:

- accounting practices, internal accounting controls, or auditing matters and procedures;
- theft or fraud of any amount;
- insider trading;
- performance and execution of contracts;
- conflicts of interest;
- violations of securities and antitrust laws; and
- violations of the Foreign Corrupt Practices Act.

Any employee, shareholder or other interested party can call the Quaker Hotline at 1-800-869-9414 or 1-678-999-4552 from outside the United States. The Quaker Hotline is a toll-free telephone line dedicated solely to receiving questions and concerns and directing them to the appropriate authority for action. All calls are answered by an independent third-party service available 24 hours a day, seven days a week.

The Audit Committee oversees the administration of the Company s compliance program and is directly responsible for the disposition of all reported violations of the Financial Code of Ethics for Senior Financial Officers and complaints received regarding accounting, internal accounting controls or audit matters. In addition, the Audit Committee is responsible for the disposition of all violations of (and approves any waivers to) the Code of Conduct for directors and executive officers and for the disposition of other serious violations of the Code of Conduct. No such waivers were requested in 2011. We maintain a current copy of our Financial Code of Ethics for Senior Financial Officers and will promptly post any amendments to or waivers of our Financial Code of Ethics for Senior Financial Officers that apply to our Chief Executive Officer, Chief Financial Officer, Global Controller, each Controller at majority-owned affiliates, Assistant Global Controller and persons performing similar functions designated by the Company s Board of Directors on our Web site, *http://www.quakerchem.com*, under the heading Investors/Corporate Governance.

Meetings and Committees of the Board

Our Board of Directors has four standing committees, the Audit, Compensation/Management Development, Executive and Governance Committees. Each member of the Audit, Compensation/Management Development and Governance Committee is independent as defined for members of the respective committee in the listing standards of the NYSE and Quaker s Corporate Governance Guidelines. The Board has affirmatively determined that each member of the Audit Committee meets the criteria for an audit committee financial expert as defined by the Securities and Exchange Commission. The Board of Directors has adopted a charter for each of these committees other than the Executive Committee. Each committee reports its actions to the full Board at the Board s next regular meeting. A description of the duties of each committee follows the table below.

Committee Membership and Meetings Held in 2011

Name	**Audit**	**Compensation/ Management Development**	**Executive**	**Governance**
Joseph B. Anderson, Jr.	X			X
Patricia C. Barron		X		X
Michael F. Barry			X	
Donald R. Caldwell	X	X	CHAIR	
Robert E. Chappell			X	CHAIR
William R. Cook	CHAIR		X(1)	
Edwin J. Delattre		X		X
Jeffry D. Frisby	X	X		
Robert H. Rock		CHAIR	X	
Number of Meetings in 2011(2)	5	4	2	3

X Member. Each of the individuals listed in the table above held the committee memberships indicated throughout 2011, unless otherwise indicated.

(1) Committee member since May 11, 2011.

(2) The Board of Directors held six regular meetings in 2011. Each director attended, in person or by teleconference, at least 75% of the aggregate of all the meetings of the Board and the committee(s) on which he or she served during 2011.

Time is regularly scheduled for the independent directors to meet as a separate group. The Lead Director acts as chairperson during these sessions.

Quaker does not have a formal policy regarding attendance by members of the Board at its annual meeting of shareholders, but all directors are encouraged to attend. In 2011, all directors attended the annual meeting of shareholders.

Audit Committee:

Engages the independent registered public accounting firm and approves all audit and non-audit fees.

Reviews and discusses with management and the independent registered public accounting firm the annual and quarterly financial statements, including disclosures under Management s Discussion and Analysis of Financial Condition and Results of Operations.

Table of Contents

Discusses with management and the independent registered public accounting firm any audit problems or difficulties and management s response.
Reviews the internal audit plan and discusses with the internal auditor and the independent registered public accounting firm their assessment of the effectiveness of Quaker s internal controls.
Oversees the handling of matters relating to compliance with law and ethics, including adherence to the standards of business conduct and ethics required by Quaker s policies.
Provides oversight to the Chief Financial Officer and Risk Manager on matters relating to risk management generally.

Compensation/Management Development Committee:

Reviews management s compensation philosophies and policies.
Approves annual performance objectives for the CEO, evaluates the CEO s performance against objectives and makes a recommendation to the Board regarding the CEO s base salary.
Reviews performance evaluations and approves annual salaries for all executive officers, other than the CEO.
Approves annual incentive and long-term incentive award opportunities for all executive officers, including the CEO.
Administers Quaker s Global Annual Incentive Plan and Long-Term Performance Incentive Plan.
Reviews and evaluates management development and succession planning and oversees these processes.
Reviews and discusses with management disclosures under the Compensation Discussion and Analysis section of this proxy statement and makes recommendations to the Board for inclusion of the Compensation Discussion and Analysis section in this proxy statement and the Company s Annual Report on Form 10-K.

Executive Committee:

Acts for the Board in situations requiring prompt action when a meeting of the full Board is not feasible.
Makes recommendations to the Board about external corporate development programs.
Establishes guidelines regarding Quaker s capital structure and deployment of capital resources.

Governance Committee:

Evaluates the size and composition of the Board and recommends changes.
Reviews and recommends nominees for election as directors.
Reviews the Board s committee structure and recommends directors to serve as members of each committee.
Reviews and makes recommendations to the Board with respect to the compensation of the Company s directors.
Develops and reviews annually Quaker s Corporate Governance Guidelines.
Conducts annual performance evaluation of the Board and ensures each Board committee conducts its own annual self-evaluation.
Reviews and approves related party transactions and similar transactions and establishes policies and procedures for such transactions.

The Audit Committee, Compensation/Management Development Committee and Governance Committee each operates under a charter. These charters can be found on the Company s Web site at *http://www.quakerchem.com*, under the heading Investors/Corporate Governance.

Table of Contents

Compensation Committee Interlocks and Insider Participation

The individuals who served as members of the Compensation/Management Development Committee during the year ended December 31, 2011 are Robert H. Rock, Chairman, Patricia C. Barron, Donald R. Caldwell, Edwin J. Delattre and Jeffry D. Frisby, each of whom is an independent director. No member of the Compensation/Management Development Committee is or was an employee, or is or ever was an officer, of Quaker in 2011. During 2011, no executive officer of Quaker served as a director or a member of the compensation committee of another company, one of whose executive officers serves as a member of Quaker s Board of Directors or Compensation/Management Development Committee.

Table of Contents

Executive Compensation

Compensation Discussion and Analysis

Introduction

The purpose of the Compensation Discussion and Analysis section of this proxy statement is to explain to shareholders how and why compensation decisions are made for the executive officers listed in the Summary Compensation Table on page 34, below. When we use the term executive officers, we mean the Named Executive Officers for fiscal 2011, who are Michael F. Barry, Mark A. Featherstone, D. Jeffry Benoliel, Jan F. Nieman and Wilbert Platzer, as well as the Company s other senior officers.

Executive Summary

Quaker s Compensation/Management Development Committee (the Committee) has implemented executive compensation programs designed to reward performance. The Company is engaged in a highly specialized business with a broad global footprint, requiring a management team with specific skills and knowledge. The Committee believes that our compensation programs must be competitive in order to attract and retain high performance executives with the requisite skill set and performance orientation.

In fiscal 2011, Quaker s executive team successfully managed the Company through a sluggish economic environment and higher raw material costs to exceed our financial targets and post record sales and earnings numbers. Revenues increased by 26% over the prior year and there was a significant increase year over year in net income of 37%. In making decisions about fiscal 2011 salaries and performance targets, the Committee also considered fiscal 2010 corporate performance. Factors affecting the key components of our executive compensation programs for fiscal 2011 included:

- Adjusted net income is a key metric for the corporate component of the Company s annual cash incentive awards. Performance with respect to this metric for fiscal 2011 was between target and maximum levels and resulted in a payout representing 81% of the maximum payment for the corporate component of the annual cash incentive awards for the Named Executive Officers.
- Long-term incentives make up a significant portion of each of the Named Executive Officers compensation. In order to align the Named Executive Officers incentives with our shareholder returns, long-term incentives include equity awards, the value of which is directly linked to the performance of our stock, and cash awards where the amount payable is based on our total shareholder return as compared to a peer group. Our Named Executive Officers long-term incentive compensation for 2011 was consistent with that of 2010 reflecting the maintenance of our stock price year over year and because total shareholder return exceeded target for the three-year period ended in 2011.
- Based on our review of competitive benchmarking for compensation and our results of operations in 2010, we rewarded our Named Executive Officers with salary increases in 2011.

Quaker s overall compensation strategy and specific programs have not changed significantly since last year as we have strived to maintain a consistent year-over-year approach to ensure that our compensation remains predictable, competitive and fair. In particular, we have continued to:

- Use benchmarks for total direct compensation and long-term compensation to mitigate any possibility of inappropriate risk taking on the part of executives;
- Align senior level compensation with the long-term success of the Company by ensuring that the higher the position within management the more compensation is incentive-pay dependent and the more incentive pay is long-term oriented; and

Reward long-term performance with cash compensation measured by total shareholder return and stock-based compensation in order to align the interests of management with our shareholders.

Consistent with this approach, we seek and receive approval from our shareholders regarding incentive plans that are used to attract, motivate, retain and reward our executives. Two of our incentive plans were overwhelmingly approved by our shareholders at the 2011 annual meeting of shareholders.

The Committee continually reviews our executive compensation programs to ensure they achieve the desired goals of aligning our compensation practices to performance, pay practices in the Company s industry and prudent risk taking to achieve sustainable shareholder value creation. The Committee has determined that none of the Company s current compensation programs are likely to encourage excessive risk taking because the metrics in the Company s compensation plans are linked to corporate performance as it relates to set budgetary targets and because the plans are measured against identified peer comparison groups.

At the Company s 2011 annual meeting of shareholders, the shareholders voted on an advisory basis to approve the Company s compensation of our Named Executive Officers. The shareholders also voted to recommend an advisory vote on the Company s compensation once every three years and the Company intends to follow this recommendation. Given the significant level of support, the Board of Directors and Committee did not make any changes to our executive compensation policies and decisions at this time.

General Philosophy

Quaker, like many companies of similar size, relies on a small group of managers who have the requisite skills and knowledge to enable us to achieve our business strategies, operate as a globally integrated whole, and deliver value to our shareholders. To attract and retain talented senior level managers, we have adopted a compensation strategy that:

- provides opportunities for highly competitive levels of total compensation when merited by performance;
- creates incentives to perform over a multiple-year period; and
- aligns interests of the management team with those of our shareholders.

Quaker compensates its executive officers (who include for 2011 our Chairman, CEO and President and our vice presidents) through a total compensation package. This package consists of a mix of base salary, an annual cash incentive bonus, long-term incentives comprising both equity awards and cash payments, and a competitive benefits package comprising medical, life, disability and retirement using both qualified and non-qualified programs, where appropriate.

Administrative Practices

The Committee is responsible for overseeing and developing the compensation and management development programs for the Company. Consistent with its charter, the Committee is composed solely of members of our Board of Directors who meet the objective requirements for independence under our Corporate Governance Guidelines and the listing standards of the NYSE. Five members of our Board, Patricia C. Barron, Donald R. Caldwell, Edwin J. Delattre, Jeffry D. Frisby and Robert H. Rock (Chairman) currently sit on the Committee. The

Committee s responsibilities include the evaluation of, approval of, or recommendation to Quaker s Board of Directors with respect to, the plans, policies, and programs related to the compensation of the Company s executive officers and, in their discretion, the engagement of an outside compensation consultant. The Committee works closely with members of management in fulfilling its duties. Management provides the necessary information and coordinates with the Committee s outside consultants, when appropriate, to ensure that the Committee is sufficiently informed when taking action or recommending action on compensation matters. As discussed below, benchmarking data is used prior to making any such decisions. The Committee s charter describes in full the Committee s authority, responsibilities and specific powers and can be accessed on the Company s Web site at *http://www.quakerchem.com,* under the heading Investors/Corporate Governance.

Table of Contents

To the extent possible, the Committee strives to structure the compensation of our executives to ensure that the compensation paid to executive officers is deductible for Federal income tax purposes. The Committee may choose to provide compensation that is not deductible in order to retain or to secure the services of key executives when it determines that it is in Quaker s best interests to do so. Section 162(m) of the Internal Revenue Code, as amended (the Code), imposes a $1,000,000 limit on the amount of compensation deductible by Quaker in regard to compensation paid to certain of our executive officers. Although the reported total compensation of Mr. Barry for 2011 in the Summary Compensation Table below was in excess of $1,000,000, the $1,000,000 threshold for Section 162(m) was not exceeded. This is due to the fact that performance-based compensation and the increase in Mr. Barry s pension value are not included in determining whether the 162(m) threshold is exceeded for 2011.

Benchmarking Data

To assist Quaker in establishing a total direct compensation package comprising base salary, an annual cash incentive bonus and long-term incentives, the Committee engaged Dolmat Connell & Partners, now called Connell & Partners, a division of Gallagher Benefit Services (Connell), a nationally recognized human resources consulting firm. Connell conducts executive compensation studies and analyses and provided the Committee with benchmarking data and counsel on compensation trends and issues. Connell provided no other services to the Company other than advising the Committee on executive compensation matters and advising the Governance Committee on board compensation matters.

Due to our size and diverse businesses, we have not identified one specific peer group that is appropriate to use in defining market total direct compensation for our executive officers. Therefore, our primary benchmarks for 2011 total direct compensation for our executive officers were derived from compensation information provided by Connell that is a blend of Peer Group compensation data and broader group data comprising a composite of credible, published executive compensation surveys. The Peer Group data reflects the Peer Group developed by Connell and approved by the Committee in the summer of 2010 and includes data for 12 publicly-traded firms in the chemicals industry, similar in size (as measured by revenue and market capitalization) to Quaker. The Peer Group companies are: Aceto Corporation, Buckeye Technologies Inc., Cabot Microelectronics Corporation, Calgon Carbon Corporation, Hawkins, Inc., Innophos Holdings, Inc., Innospec Inc., LSB Industries, Inc., OM Group, Inc., OMNOVA Solutions Inc., Rogers Corporation, and Spartech Corporation. Long-term incentive compensation for the Vice President Global Metalworking and Fluid Power and Corporate Secretary used only the composite survey data because of insufficient sample in the Peer Group data. Data for the international Managing Directors is from surveys for their respective geographies. Though the Committee closely analyzes the data provided by Connell, it exercised its discretion in the weight it assigned to this data.

Generally, we previously aimed to set total direct compensation assuming target level performance for incentives at the 50th percentile against the comparables and at maximum level at the 75th percentile of the comparative group. Based on information from Connell, we modified our approach in 2011. We now generally aim to benchmark total direct compensation solely to the market 50th percentiles. We believe the philosophy of targeting total direct compensation solely to the market 50th percentiles reduces the possibility of excessive risk taking on the part of executives in order to achieve performance targets at the maximum levels. This approach is the starting point of the analysis as other factors are taken into consideration, including experience, breadth of responsibilities, tenure in the position, whether the position held is for succession planning purposes, overall individual performance, and internal equity. We do not assign a particular weight to any of these factors but exercise discretion in this regard.

Based on the Committee s assessment of their relative experience and performance, Messrs. Nieman s and Platzer s targeted total direct compensation for 2011 was between the 50th and 75th percentiles of the comparative data as provided by Connell. Messrs. Barry s and Featherstone s targeted total direct compensation for 2011 was at or near the 25th percentile of benchmark levels. Mr. Benoliel s targeted total direct compensation for 2011 was between the 25th and 50th percentiles of benchmark levels.

Table of Contents

The actual total direct compensation for Messrs. Nieman and Platzer was between the 50th and 75th percentiles of the comparative data provided by Connell. Mr. Benoliel s actual total direct compensation was at or near the 50th percentile of benchmark levels. Messrs. Barry s and Featherstone s total direct compensation was between the 25th and 50th percentiles of benchmark levels. The actual total direct compensation reflected the bonus payouts and long-term compensation paid as a result of the earnings results achieved by the Company as outlined herein.

Allocating Between Current and Long-Term Compensation

The Committee, in seeking to ensure the appropriate focus on performance and risk, developed guidelines in consultation with Connell for executive officers for allocating the desired total direct compensation package among base salary, an annual cash incentive bonus, and long-term incentives. As a general philosophy, these guidelines provide that the higher the position within management the more total compensation is incentive-pay dependent and the more the incentive pay is long-term oriented. This is done to better align senior level compensation with the long-term success of the Company. These guidelines are reviewed regularly to ensure their marketplace competitiveness.

In the case of Mr. Barry, the guidelines range for base salary from 27% to 41% of total compensation, for annual cash incentive bonus from 20% to 22% of total compensation, and for long-term incentives from 39% to 51% of total compensation. The applicable guidelines for our other executive officers range for base salary from 50% to 68% of total compensation, for annual cash incentive bonus from 15% to 21% of total compensation, and for long-term compensation from 15% to 30% of total compensation.

Base Salary

Each year, the Committee reviews and discusses base salaries of our executive officers. The Committee s final determination of salary increases depends on a number of factors, including market data reported by Connell, specific position responsibilities and scope, experience and tenure, current job performance, and Quaker s overall financial results. In the case of some of our foreign-based executive officers, salary increases may be a result of legal mandates of a particular country or region which influence the final determinations of the Committee even when similar increases were not granted to officers of comparable positions residing in the United States. Based on its analysis of the factors, in 2011 the Committee recommended, and the Board approved, salary increases for the Named Executive Officers. Mr. Barry s salary increase is described below under the heading Chief Executive Officer Compensation. The other Named Executive Officers base salary increases and total base salary received for 2011 are described in the table below:

Named Executive Officer	Initial Base Salary Rate ($)	New Base Salary Rate ($)	Base Salary Received ($)
Mark A. Featherstone	257,301	262,447(2)	261,375
D. Jeffry Benoliel	292,600	305,767(2)	303,024
Jan F. Nieman(1)	240,576	252,865(3)	250,817
Wilbert Platzer(1)	270,458	283,981(4)	281,727

(1)

Mr. Nieman s compensation is paid in Chinese Renminbi and E.U. Euros and Mr. Platzer s compensation is paid in E.U. Euros. All foreign currency amounts reflected in this table were converted to U.S. Dollars at the spot rate in effect on December 31, 2011.

(2) Salary increases effective March 16, 2011.

Table of Contents

(3) Mr. Nieman received a cost of living increase on January 1, 2011 and a merit increase on March 1, 2011.

(4) Salary increase effective March 1, 2011.

Annual Cash Incentive Bonus

The second component of the total direct compensation package is the annual cash incentive bonus, which is determined under the Global Annual Incentive Plan (GAIP). The GAIP is intended to provide associates of Quaker or a subsidiary of Quaker with an opportunity to receive incentive bonuses based on the achievement of pre-established goals. Bonuses under the GAIP may be paid in cash or in Quaker common stock, although we generally pay the GAIP bonus in cash, absent unusual circumstances.

The maximum bonus that an eligible associate may earn under the GAIP for a year is a percentage of the associate s base salary. Those percentages for performance during 2011 (resulting in the GAIP payment in 2012) are shown in the chart below. The bonus earned is based on achievement of two types of objectives: corporate financial objectives and individual objectives. Corporate financial objectives are typically determined based on the budget for the coming year with the target bonus (55% of the maximum) set at or around budgeted consolidated net income. The actual bonus varies depending on the level of performance. The individual objectives are further divided into two types of goals: regional objectives for regional associates (Mr. Nieman and Mr. Platzer) and individual objectives for non-regional associates (Messrs. Barry, Featherstone and Benoliel). Regional executive officers have the opportunity to earn up to a maximum of 12.5% (which represents 182% of target) of their base salary on achievement of their regional objectives as opposed to a maximum of 6.875% for individual objectives for non-regional associates (excluding the CEO who can earn a higher amount as explained below). To achieve the maximum regional bonus, regional operating income must exceed budgeted levels and other regional financial and non-financial goals must be met. In addition, because the total amount of an individual s GAIP bonus can never exceed his or her overall maximum bonus opportunity, if the sum of the actual corporate bonus earned and the regional bonus earned exceeds the overall maximum opportunity, the regional bonus earned is reduced by the amount necessary to reduce the sum of the two components to the individual s overall maximum opportunity. The rationale for providing this opportunity to regional executive officers is to reward them with up-side potential in years where there is strong performance in the applicable region but overall corporate performance is lower due to weakness in other regions or other factors negatively impacting the corporate component of the bonus. The specific corporate financial goals and individual goals, respectively, for performance during 2011 are discussed below under the headings Corporate Financial Goals and Individual Goals.

Table of Contents

The following chart shows, as a percentage of base salary, the maximum potential bonus and the bonus amounts payable on target achievement and maximum achievement, allocated between corporate and individual objectives for 2011. The table also shows the percentage of base salary actually paid as a result of achievement during 2011.

Named Executive Officer	Maximum GAIP Bonus (as a % of base salary)(1)	Corporate Financial Objectives (as a % of base salary)			Individual Objectives (as a % of base salary)			Total GAIP Bonus Earned and Paid ($)
		Target	Maximum	Achieved(2)	Target	Maximum(1)	Achieved(3)	
Michael F. Barry	120(4)	56.25	101.25	95.25	18.75	N/A	18.75	627,000
Mark A. Featherstone	50	20.625	43.125	34.925	6.875	N/A	6.875	109,703
D. Jeffry Benoliel	50	20.625	43.125	34.925	6.875	N/A	6.875	127,811
Jan F. Nieman	50	20.625	43.125	34.925	6.875	12.5	6.875(5)	105,047
Wilbert Platzer	50	20.625	43.125	34.925	6.875	12.5	6.875(5)	118,704

(1) The maximum bonus payable on account of achieving corporate financial objectives and individual objectives will not exceed the overall maximum GAIP bonus opportunity. If the sum of an individual s actual corporate bonus earned and individual or regional bonus earned exceeds his or her maximum GAIP bonus opportunity, the individual or regional bonus earned is reduced by the amount necessary to reduce the sum of the two components to the individual s maximum GAIP bonus opportunity.

(2) The Company s adjusted net income was $41.7 million. Accordingly, all participants earned an award between the target and maximum levels for the corporate component of the GAIP bonus, receiving an award equal to 81% of the maximum amount for the corporate component of such bonus. See Corporate Financial Goals below for further details.

(3) The Company determined that Messrs. Barry, Featherstone and Benoliel each achieved 100% of their individual (personal) goals and, therefore, 100% of the target portion of the GAIP bonus attributable to individual goals. (For non-regional associates, no more than target may be achieved for individual goals.)

(4) In 2011, Mr. Barry s maximum annual incentive award opportunity was 120% of his base salary. The applicable maximum annual award percentage for our other executive officers is 50% of base salary per their employment agreements. The Committee determined that the CEO should be provided with a higher GAIP maximum earning opportunity because his leadership role in the global organization and level of responsibility and experience warrants the greater percentage opportunity.

(5) The performance of both Mr. Nieman and Mr. Platzer for individual regional goals was at a level equal to 100% of the 182% maximum regional opportunity they could have earned as explained in detail below.

Corporate Financial Goals

The corporate financial goals for 2011 GAIP bonuses were based on the Company s consolidated net income and were set at $36.4 million of net income at threshold (the level at which the bonus pool began to accumulate), $40.5 million of net income at target, and $42.4 million of net income at maximum. The Committee selected these net income levels, which were approved by the Board, because of their correlation to the 2011 budgeted adjusted net income of $40.5 million, the level of improvement over the 2010 reported net income of

Table of Contents

$31.8 million, and the challenge of achieving these targets in an uncertain business and economic environment. Since the final net income level fell between the target and maximum levels shown above, interpolation was used to calculate the bonus payout.

When the Committee set the 2011 GAIP targets, it also approved certain significant non-budgeted business circumstances for which adjustment could be made by the Committee to the reported net income for purposes of calculating the award. They included site consolidation expenditures for consolidating U.S. manufacturing locations beyond budgeted amounts, customer bankruptcies or plant shutdowns; change in accounting principles, unusual factors driving an increased tax rate; non-recurring adjustments to income such as asset write-downs or write-offs, restructuring and related charges and first-year acquisition costs/losses or gains; adverse legal judgments, settlements, litigation expenses, and legal (including VAT assessments) and environmental reserves; expenditures for discretionary Board initiated or approved corporate actions, plans or major initiatives, including individual personnel actions; and changes in exchange rates.

In 2011, reported net income was $43.6 million, exceeding the GAIP maximum goal of $42.4 million. Under such net income level, a corporate award of 100% of the maximum potential would be earned. However, the Committee considered three non-budgeted items and adjusted the actual payout percentage. The Committee used its discretion to adjust the net income amount downward to reflect a non-cash gain that occurred as a result of Quaker s mid-year acquisition of the remaining portion of its Mexican affiliate, while adjusting the net income amount upward to adjust for increased reserves and unbudgeted environmental costs for an environmental matter and for certain unbudgeted expenses related to acquisitions. Accordingly, taking into account the three adjustments made by the Committee, all participants earned an award between the target and maximum levels equal to 81% of the maximum potential for the corporate component of the GAIP bonus.

Individual Goals

When setting the individual goals under the GAIP, the Committee receives specific input from the CEO and reviews the approved operating plan for the upcoming fiscal year. The CEO also recommends the goals for the other Named Executive Officers and works with the Committee to determine his own individual goals. The Committee works closely with the CEO to review and analyze the selected performance metrics and the probabilities and risks of achieving these metrics. Ultimately, the Committee approves the individual goals for the CEO and the other Named Executive Officers. For 2011, the Committee determined that these goals were difficult for the Named Executive Officers to achieve but achievable with significant effort by them.

In 2011, Mr. Barry s individual goals included, among others things, achieving the 2011 financial plan (with key focus areas being net income and net cash flow); executing the Company s strategic plan for each respective business segment; increasing organizational strength; making successful acquisitions, if appropriate; enhancing product technology; and providing appropriate governance and risk management for the Company. Because the Committee determined that Mr. Barry had met 100% of his established individual goals, he was awarded 100% of his personal objectives portion of the GAIP bonus. The majority of Mr. Barry s goals were qualitative in nature and thus no quantitative measures were used in the evaluation of his performance of these goals. However, one of Mr. Barry s goals did have two quantitative components: Mr. Barry achieved the 2011 financial plan because both actual net income and net cash flow (which is defined as the change in net debt (with net debt defined as the change in gross debt, less cash and cash equivalents)) exceeded budgeted numbers of $40.5 million and $(5.4) million, respectively. Actual net income was $43.6 million and actual net cash flow was $18.6 million.

The individual goals of the other executive officers were a mix of limited quantitative performance objectives (for the regional associates) and managerial goals, such as achieving regional operating budgets; achieving working capital and capital expenditure targets; maintaining all key customer business; executing the Company s strategic plan for each respective business segment involved; improving safety awareness and performance; advancing the Company s investor relations program; improving our business strategy and product development process across the organization; ensuring timely and accurate SEC reporting and high quality

internal reporting and achieving SOX compliance. The corporate Named Executive Officers (Messrs. Benoliel and Featherstone) achieved 100% of their maximum opportunity on their individual components of the annual bonus as they achieved 100% of their individual goals as outlined below. The regional Named Executive Officers (Messrs. Nieman and Platzer) achieved over 100% of their 182% maximum opportunity on their regional components of the annual bonus as they achieved many, but not all, of their regional goals as outlined below. Mr. Nieman s region was slightly below the target goal for regional profitability (which goal was weighted higher than the other goals in determining the percentage regional opportunity obtained), but he met various other regional goals to earn 100% of his 182% regional bonus opportunity. Similarly, Mr. Platzer s region was below the target goal on profitability (which goal was weighted higher than the other goals in determining the percentage regional opportunity obtained), but he met various other regional goals to earn 100% of his 182% regional bonus opportunity.

For 2011, the Named Executive Officers (other than Mr. Barry) had the following individual or regional goals:

Mr. Featherstone had one quantitative and nine qualitative individual goals: (i) achieving budgeted net income and net cash flow; (ii) increasing financial flexibility and ensuring continued access to capital markets at a reasonable cost to the Company; (iii) supporting special projects, including acquisition opportunities; (iv) ensuring timely and accurate SEC reporting, compliance with SOX and high quality internal reporting and performance monitoring tools; (v) successfully transitioning a new tax director and increased support for tax accounting; (vi) successfully implementing an ERP system upgrade and the transitioning of a new chief information officer; (vii) providing advice and counsel to the CEO; (viii) providing guidance and support to each geographic region and each managing director; (ix) continuing to foster improvements in the methodology and tools for the Company s value added profit analysis in order to drive such analysis to the product line and customer levels; and (x) continuing to enhance our investor relations program.

Mr. Benoliel had six qualitative individual goals that focused on business strategy and product development processes across the organization and for certain specific business segments, including steel, metalworking, fluid power and the can business. Mr. Benoliel was also instrumental in the successful acquisition of the remaining interest in the Company s Mexican affiliate, assisted in the implementation of the Company s global marketing plan, and managed various Board and legal matters.

Mr. Nieman had seven regional goals: (i) achieving the operating income and contribution margin budgets for the region he supervises; (ii) achieving working capital and capital expenditure targets; (iii) maintaining all key customer business; (iv) executing the Company s strategic plan for each respective business segment for his region; (v) improving the region s strategic positioning; (vi) improving safety awareness and performance for the region he supervises; and (vii) achieving SOX compliance. Mr. Nieman achieved 129% of his 182% opportunity, but received an award equal to 100% of such opportunity as his region did not meet all of its profitability goals.

Mr. Platzer had seven regional goals: (i) achieving the operating income and contribution margin budgets for the regions he supervises; (ii) achieving working capital and capital expenditure targets; (iii) maintaining all key customer business; (iv) executing the Company s strategic plan for each respective business segment for his region; (v) improving the region s strategic positioning; (vi) improving safety awareness and performance for the region he supervises; and (vii) achieving SOX compliance. Mr. Platzer achieved 103% of his 182% opportunity, but received an award equal to 100% of such opportunity as his region did not meet all of its profitability goals.

Long-Term Incentives

Under the Company s Long-Term Performance Incentive Plan (LTIP), stock options, restricted stock, long-term cash payments and other types of awards can be made to participants. This plan is intended to assist us in attracting, retaining and motivating employees, non-employee directors and consultants through the use of compensation that rewards long-term performance. The use of stock-based compensation in our long-term

Table of Contents

incentive plan balances the cash-based annual incentive bonus and cash portion of our long-term performance plan. The Committee believes that stock ownership by management and equity-based performance compensation arrangements are useful tools to align the interests of management with those of Quaker s shareholders. Under the LTIP, a three-year performance period is used. Generally, employees selected as award recipients hold key positions impacting the long-term success of Quaker and its subsidiaries. These awards are based on overlapping three-year performance periods, so a new program starts each year and a payment is made each year, if earned.

Under the Company s LTIP, Mr. Barry and the other Named Executive Officers were awarded options, time-based restricted stock, and a target cash award for the 2009-2011 performance period. Payment of the cash award was dependent upon achieving a pre-determined targeted performance over the three-year period based on the Company s relative total shareholder return (TSR) as compared to the TSR of the S&P SmallCap 600 (Materials Group). The threshold for the TSR target was relative performance at the 30th percentile of the comparison group, target was at the 50th percentile, and maximum was at the 85th percentile. For this period, Quaker s TSR equated to a ranking in the 84th percentile of the comparison group warranting a payout of 98.3% of maximum. For these purposes, TSR is calculated by using the one-month average stock price at the end of the performance period, divided by the one-month average stock price at the beginning of the performance period, plus any dividends paid over that period.

The Committee reviewed current trends in long-term compensation practices with Connell. The most recent review confirmed that Quaker s practices were generally consistent with those of other public companies and are as follows:

- Provide for three types of awards (cash, restricted stock and options) to senior executives, including each of the Named Executive Officers, but limit awards for lower level executives to cash and restricted stock.
- The cash portion of the Company s LTIP will be performance-based. The performance criteria for the cash payment is a single metric, relative total shareholder return over the applicable period as compared to the S&P SmallCap 600 (Materials Group). By tying the cash award to shareholder value, it allows a market metric to be used as a performance measure without accounting complications.
- Restricted stock will be time-based and would vest at the end of three years assuming continued employment of the grantee. These restricted shares would be eligible for dividends payable at the time dividends are paid generally.
- Options will vest in three equal installments over a three-year performance period commencing with the anniversary of the date of grant.

The relative value of each of the three categories of awards is roughly equal at the time of grant assuming target performance for the cash portion. The starting point for determining the Named Executive Officers LTIP award is to first determine the percentage of base pay for each position at the 50th percentile of market comparables. Similar to the other components of total direct compensation, other factors in determining the actual percentage of base salary are taken into consideration such as experience, breadth of responsibilities, tenure in the position, whether the position held is for succession planning purposes, overall individual performance, and internal equity. Based on recommendations from the Committee s outside compensation consultants as to typical plan design, the Committee decided to divide the total LTIP award into three components, allocated equally (based on fair value) to stock options, restricted stock and a target cash award.

In the first quarter of 2011, the Committee selected participants for the 2011-2013 performance period, including all of the Named Executive Officers. The specific amount of each award was determined based on market data provided by Connell, as well as the relative position and role of each executive officer within the Quaker organizational structure, influence on long-term results, past practice, performance factors independent of the terms and amounts of awards previously granted, and policy targets for the mix of compensation between base salary, annual and long-term incentives. The Committee determined that the use of the percentage of base salary has at times caused internal inequity issues. To mitigate this dynamic, the Committee decided to use market data related to a percentage of base salary with application of an absolute value in making awards

26

Table of Contents

determination for similarly valued positions of Vice President, Chief Financial Officer and Treasurer; Vice President and Managing Director Europe; Vice President and Managing Director Asia/Pacific; and Vice President Global Metalworking and Fluid Power and Corporate Secretary. The Committee agreed with the proposed recommendations for total LTIP valuation of each executive. The target award for Mr. Barry was 140% of base salary while for the other Named Executive Officers the range was 43% to 51% of base salary. The comparative data indicated that the CEO s LTIP target awards percentage should be higher than the other Named Executive Officers because his leadership role in the global organization and level of responsibility and experience warrants the greater percentage opportunity.

For the 2011-2013 performance period, Mr. Barry received a long-term incentive grant of a target cash award opportunity of $256,667, 6,627 shares of restricted stock and 17,726 options. The other Named Executive Officers each received target cash award opportunities of $43,333, restricted stock of 1,119 shares and options of 2,993 shares.

The exercise price of options awarded under the LTIP is not less than 100% of the fair market value of a share of Quaker common stock on the date the option was granted, which is defined as the last sale price for a share of common stock as quoted on the NYSE for that date or, if not reported on the NYSE for that date, as quoted on the principal exchange on which the common stock is listed or traded, and if no such sales are made on that date, then on the next preceding date on which there are such sales.

Chief Executive Officer Compensation

The Committee generally uses the same factors in determining the compensation of the CEO as it does for the other executive officers. The Committee considers CEO compensation in the Peer Group and the benchmarking data provided by Connell as a starting point for determining competitive compensation. The Committee then, in consultation with the CEO, develops Company performance objectives for the CEO and periodically assesses the performance of the CEO. The Committee also evaluates how much the CEO should be compensated in relation to the other Company executives, but the Committee has not adopted any formula limiting the level of CEO compensation as compared to other executives. Based on Mr. Barry s level of responsibility, experience, market data and the Company s performance, the Committee determined that Mr. Barry s pay was in an appropriate range in absolute terms and as compared to the other executive officers. Mr. Barry s base salary at the start of 2011 was $500,000 and, based on the factors listed above, he received a raise effective March 16, 2011 to $550,000. Accordingly, the total base salary Mr. Barry received for 2011 was $539,583. Additionally, in recognition of the record Company results in 2011, the consistent increase in shareholder value created over the past few years, and Mr. Barry being below the 50% of base salary compensation benchmark, he received a raise effective on March 16, 2012 to $625,000. For more information on the terms of Mr. Barry s employment and compensation, please refer to the section below titled Mr. Barry s Employment Agreement.

For 2011, the Committee also increased Mr. Barry s incentive pay. Mr. Barry s total bonus potential under the GAIP was increased to 75% of his base salary at target and 120% of his base salary at maximum if all goals are met. For 2012, Mr. Barry s total bonus potential under the GAIP was increased to 80% of his base salary at target and 145% of his base salary at maximum if all goals are met. For the 2011-2013 performance period, Mr. Barry received a long-term incentive grant of a target award opportunity of $770,000 which equates to 140% of his base salary. For the 2012-2014 performance period, Mr. Barry received a long-term incentive grant of a target award opportunity of $800,000 which equates to 128% of his new base salary of $625,000. The Committee determined that these increases in Mr. Barry s incentive compensation were warranted due not only to his heightened responsibility and experience, but also due to market data, the Company s continued strong financial and overall performance, and the consistent increase in shareholder value over the past few years.

Table of Contents

Stock Ownership Policy

To align the interests of executive officers with the interests of our shareholders, each of the Named Executive Officers must maintain a minimum ownership in Quaker stock. For the CEO, the minimum is five times his base salary and for our other Named Executive Officers the minimum is one and one-half times the executive s base salary. The ownership levels must be attained by the end of five years after the later of the appointment of the person as an executive officer (including the Named Executive Officers) or the date the policy was modified. All of the Named Executive Officers were in compliance with the new ownership policy when last tested in May 2011.

Retirement Benefits

U.S. Qualified Defined Benefit Plan

Before 2006, nearly all of Quaker s U.S. employees were covered by a non-contributory qualified defined benefit retirement plan. The plan when originally adopted had a traditional final pay formula for calculating a participant s benefit which had been modified over the years. In 2001, a new formula was adopted. It is an accrual-based formula providing for annual credits of 3% to 7% of an employee s salary depending on age and service, with interest on the balance accruing based on the average rate of interest on 30-year treasury bonds (or 3.79%, if more). Participants who have reached the age of 60 and have at least 10 years of service are eligible for early retirement. The pension benefit is now calculated based on the benefit accrued under the old formula as of December 31, 2000, and then under the new formula commencing January 1, 2001. Effective December 31, 2005, the pension plan benefits were frozen for all non-union participants, including all U.S. based executive officers, resulting in no further increase in pension benefits for compensation or service after such date.

Foreign Plans

Mr. Nieman s and Mr. Platzer s retirement benefits are provided under a defined benefit pension plan maintained by the Company s Netherlands operating subsidiary. The salary ceiling for the calculation of Mr. Nieman s and Mr. Platzer s retirement benefits remains at Euros 250,000. Since 2004, the Netherlands plan has a career average pay formula that provides for a target retirement benefit of 80% of career average salary assuming employment of 40 years. In 2004, the formula was modified freezing salary levels at then current levels for pension purposes, with annual increases according to the wage index. To the extent the increase in inflation exceeds 3%, half of the excess will be added to the assumed rate of annual increases with a maximum of 4%. Prior to 2004, the plan was a final salary plan and provided 70% of final salary assuming employment of 40 years. For pension purposes, pensionable salary is defined as 14.02 times monthly salary. Pension liabilities under this plan are funded through an insurance policy.

Nonqualified Supplemental Retirement Income Program

We also provide supplemental retirement income to certain of our U.S. based executive officers. Executive officers are designated by the Committee to participate in the Supplemental Retirement Income Program (SRIP).

At this time, Mr. Barry and Mr. Benoliel are the only active executive officers participating in the SRIP. It provides an annual benefit of 50% of the participant s pre-tax average annual compensation, reduced by three offsets and further reduced if the participant completes fewer than 30 years of service. This benefit is generally payable over the participant s lifetime, starting within seven months after the participant s retirement (on account of disability or after attaining age 62), or starting after the participant s 65th birthday (if the participant s employment terminates after five years of participation but before retirement). Other benefit forms are 36 monthly installments (if payments start after the participant attains age 65) or monthly payments over the lifetime of the participant with a lump sum payable to his or her surviving beneficiary. However, benefits are payable in a lump sum if the present value of the participant s benefit does not exceed a Code limit ($16,500 for distributions in 2011) or if the participant dies or a change in control occurs.

Table of Contents

Average annual compensation is defined for this program as the average of the participant s annual base compensation and annual bonuses paid in the three calendar years (of the last ten) in which such amounts were the highest. The offsets are the participant s annual Social Security benefit (based on certain assumptions), the annual benefit payable to the participant over his or her lifetime under the qualified defined benefit retirement plan discussed above, and the aggregate amount of the qualified non-elective contributions made on the participant s behalf under the Quaker Chemical Corporation Retirement Savings Plan (plus assumed earnings) expressed as an annual benefit payable over the participant s lifetime. The service reduction is equal to 3.333% for each year (or partial year) of service fewer than 30 completed by the participant.

For the two original (and currently the only) active participants in SRIP, their accrued benefit is the greatest of:

1. if employed by the Company at age 55, the benefit payable under the formula set forth in the SRIP as in effect prior to January 1, 2005, based on the original participant s salary plus bonus and years of employment when he attains age 55; or

2. the sum of the benefit the original participant would have accrued as of December 31, 2006, under the formula set forth in the SRIP as in effect prior to January 1, 2005, based on the original participant s salary plus bonus and years of employment at December 31, 2006, plus the benefit the original participant accrues under the new formula, described above, but disregarding service completed before 2007; or

3. the amount determined under the new formula described above.

The year-over-year increases in the present value of the retirement benefits realized in 2011, as reflected in the Summary Compensation Table on page 34 of this proxy statement, for Mr. Barry and Mr. Benoliel, were primarily due to a decrease in the discount rate applied in calculating the present value benefit and an increase in SRIP compensation.

Mr. Barry is entitled to receive additional service and age credit (18 months, in the case of termination other than on account of death, disability or by us for cause or a covered termination, as the latter term is defined in his Change in Control Agreement and 24 months in the event of a covered termination, as such term is defined in his Change in Control Agreement) for all purposes under the SRIP, including for purposes of determining Mr. Barry s eligibility for the age 55 formula described in 1, above.

Severance and Change in Control Benefits

The Committee believes that appropriate severance and change in control benefits are an important part of the total compensation benefits package because they enhance our ability to compete for talent and foster stability in our management. Quaker has entered into employment agreements with each of our Named Executive Officers, pursuant to which severance benefits are payable to Messrs. Barry, Featherstone, Benoliel and Platzer, and has entered into change in control agreements with each of our executive officers, including each of the Named Executive Officers, pursuant to which the executive officers will receive certain benefits if they are terminated within a specified period following (or with respect to Messrs. Nieman and Platzer, a specified period before) a change in control of Quaker. In determining amounts payable, the Committee seeks to provide severance benefits sufficient to allow our executives time to find a comparable position elsewhere and change in control benefits sufficient to induce our executives to support a change in control transaction fully and remain with us despite any risk of termination after the transaction.

Mr. Barry s Employment Agreement

Mr. Barry is employed pursuant to an employment agreement that automatically renews for one-year terms unless either Quaker or Mr. Barry gives 90 days prior notice of non-renewal. In accordance with the terms of the employment agreement, the Committee reviews and adjusts Mr. Barry s annual base salary each year. The total base salary Mr. Barry received for 2011 was $539,583. Mr. Barry is eligible to participate in our GAIP and LTIP.

Table of Contents

Mr. Barry s employment agreement provides that upon the termination of his employment for any reason, except for death or disability, or by us for cause, or a covered termination, as this latter term is defined in his Change in Control Agreement, Quaker will pay him 18 monthly severance payments that, in the aggregate, are equal to 150% of his base salary at the time of termination plus bonus equal to the average annual bonus earned under Quaker s annual incentive compensation in the applicable three-year period, excluding from the average any year in which no amounts were paid. In general, this three-year period is the year of termination and the two preceding years (if Mr. Barry received a bonus in the year of his termination), or otherwise, the three calendar years prior to his termination.

In addition to the payments described above, Mr. Barry is entitled to 18 months of medical and dental coverage at a level equal to the coverage provided before his date of termination of employment and the severance allowance will be taken into account in determining his retirement benefit under the SRIP. In addition, an additional 18 months of service and age will be credited in determining this retirement benefit. See the discussion under the caption Potential Payments Upon Termination or Change in Control on page 40 of this proxy statement.

Cause is defined under Mr. Barry s employment agreement as either willful and material breach of the terms of his employment agreement (after having received notice thereof and a reasonable opportunity to cure or correct) or dishonesty, fraud, willful malfeasance, gross negligence or other gross misconduct, in each case relating to the performance of Mr. Barry s duties to Quaker that is materially injurious to the Company, or a conviction of or guilty plea to a felony. A covered termination is termination of Mr. Barry s employment within two years following a change in control by the Company without cause or by Mr. Barry for good reason (as defined in the change of control agreement between the Company and Mr. Barry).

In the case of termination of employment because of disability, Mr. Barry will be entitled to 50% of base salary during the period that benefits are payable under our long-term disability plan. In the case of termination of employment because of death, Mr. Barry s beneficiary would receive in a lump sum the higher of two times his annual base salary for the year in which his death occurred or the death benefit (as a multiple of base salary) to which any other executive officer would be entitled. The Company currently has a program in which all Named Executive Officers participate entitling each to a death benefit equal to 100% of base salary in the year of death and 50% of base salary in each of the four years thereafter. Mr. Barry would be entitled to the death benefit as it provides a greater benefit than that provided under his employment agreement. See the discussion under the caption Potential Payments Upon Termination or Change in Control on page 40 of this proxy statement.

In the case of a termination (other than for death, disability, by us for cause, or by Mr. Barry other than for good reason) within two years following a change in control, Mr. Barry would be entitled to payment equal to two times the sum of his highest annualized base salary during his employment plus an amount equal to the greater of (i) the average of the annual amounts paid to him under all bonus and annual incentive plans during the applicable three calendar year period described in Mr. Barry s change in control agreement, excluding from the average any year in which no amounts were paid, or (ii) the target bonus which would have otherwise been payable to Mr. Barry for the calendar year in which the change in control transaction occurred. In general, this three-year period is the year of termination and the prior two years (if Mr. Barry received a bonus in the year of his termination) or, otherwise, the three calendar years prior to his termination. In addition, Mr. Barry would be entitled to receive (i) his earned but unpaid base salary through the date of termination at the current rate, or if higher, at the rate in effect at any time during the 90-day period preceding the change in control; (ii) any unpaid bonus or annual incentive payable to him in respect of the calendar year ending prior to termination; (iii) the pro rata portion of any and all unpaid bonuses and annual incentive awards for the calendar year in which the termination occurs which would have been payable had the target level of performance been achieved for the calendar year; and (iv) the pro rata portion of any and all awards under the LTIP for the performance period(s) in which the termination occurs, which would have been payable had the target level of performance been achieved for the performance period. In addition, Mr. Barry s severance allowance will be taken into account in determining his retirement benefit under the SRIP and an additional 24 months of service and age will be

Table of Contents

credited in determining this retirement benefit. Mr. Barry is also entitled to one-year outplacement services and participation in our medical, dental and life insurance programs as if still employed for a period of two years. The Committee believes that providing benefits for Mr. Barry s termination within two years following a change in control is fair because he has the broadest responsibility and accountability in ensuring the success of our business and would be crucial to retain in any change in control. This is consistent with our philosophy of tying compensation to level of responsibility and influence over the Company s results and performance. See the discussion under the caption Potential Payments Upon Termination or Change in Control on page 40 of this proxy statement.

Mr. Barry s employment agreement contains a confidentiality and an 18-month non-competition provision, in the event of termination for any reason. In addition, Mr. Barry s change in control agreement contains a confidentiality and a 24-month non-competition provision, in the event of termination for any reason. If a court were to determine that he breached these provisions, the Company s obligations to make payments under the agreements would terminate.

Other Named Executive Officers

Messrs. Featherstone, Benoliel and Platzer are each entitled to severance under their respective employment agreements if the Company terminates their employment (other than in the case of termination for cause, disability, death or retirement) equal to 12 months base salary at their then current rate of salary. In addition, Mr. Nieman and Mr. Platzer are entitled to severance prescribed by law in foreign jurisdictions which, if greater, would be in lieu of any severance due under any agreements with Quaker. Cause is defined in Mr. Platzer s employment agreement as: (i) willful and continued failure (following written notice) of the executive to perform his duties under the employment agreement; or (ii) the willful engaging by the executive in a continued course of misconduct which is materially injurious to Quaker, monetarily or otherwise. In the case of Mr. Featherstone and Mr. Benoliel, cause is defined as: (i) willful and material breach of the memorandum of employment; (ii) dishonesty, fraud, willful malfeasance, gross negligence or other gross misconduct, in each case relating to the performance of duties which is materially injurious to Quaker; or (iii) conviction of or plea of guilty to a felony. Messrs. Featherstone, Benoliel and Platzer are also entitled to reasonable outplacement assistance under their respective employment agreements. Messrs. Featherstone s, Benoliel s and Platzer s severance payments are contingent upon signing a form of release satisfactory to Quaker. None of the Named Executive Officers are entitled to severance under their employment agreements if they terminate their employment voluntarily, even if for good reason. Under their respective employment agreements, Mr. Benoliel would receive any severance payments in semi-monthly installments and Mr. Featherstone and Mr. Platzer would receive any severance payments in a lump sum.

Quaker has entered into change in control agreements with each of its Named Executive Officers. Under these agreements (Mr. Barry s is described above), the officers other than Mr. Barry are entitled, if terminated (other than for disability, death, by us for cause, or by the executive officer other than for good reason) within two years following (or within six months before, with respect to Messrs. Nieman and Platzer) a change in control, to severance in an amount equal to 1.5 times the sum of highest annualized base salary plus an amount equal to the average of the total annual amounts paid to the executive under all applicable annual incentive compensation plans during the applicable three calendar year period described in the change in control agreements, excluding from the average any year in which no amounts were paid. In general, this three-year period is the year of termination and the prior two years (for Mr. Featherstone and Mr. Benoliel, if the executive received a bonus in the year of the executive s termination) or, otherwise, the three calendar years prior to his termination. See the discussion under the caption Potential Payments Upon Termination or Change in Control on page 40 of this proxy statement. In addition, these executive officers are entitled to receive (i) earned but unpaid base salary through the termination at the rate in effect on the date of termination or, if higher, at the rate in effect at any time during the 90-day period preceding the change in control; (ii) any unpaid bonus or annual incentive payable to the executive in respect of the calendar year ending prior to the termination; (iii) the pro rata portion of any and all unpaid bonuses and annual incentive awards for the calendar year in which the termination

Table of Contents

occurs based on target performance for Messrs. Featherstone, Benoliel, Nieman and Platzer; and (iv) the pro rata portion of any and all awards under the Company s LTIP for the performance period(s) in which the termination occurs, which would have been payable had the target level performance been achieved for the performance period.

In addition to the amounts described above, our other Named Executive Officers are also entitled to one-year outplacement services and participation in our medical, dental and life insurance programs as if still employed for a period of 18 months. Mr. Nieman and Mr. Platzer are also entitled to receive additional payments as prescribed by the law in the foreign jurisdiction in which they are located. These benefits will be paid or provided only if the executive officer signs a general release of claims. In addition, the benefits and payments will be discontinued if the executive officer violates the confidentiality provisions of his respective change in control agreement (at any time) or the non-compete provisions of the change in control agreement (during employment or the one-year period thereafter).

In the change in control agreements cause is defined as: (i) the willful and material breach of the employment agreement between the executive and Quaker (after having received notice and the reasonable opportunity to correct); (ii) dishonesty, fraud, willful malfeasance, gross negligence or other gross misconduct, in each case relating to the performance of the executive s employment with Quaker which is materially injurious to Quaker; or (iii) conviction of or plea of guilty to a felony. Good reason includes, other than by reason of executive s death or disability: (i) any reduction in the executive s base salary from that provided immediately before the covered termination or, if higher, immediately before a change in control; (ii) any reduction in the executive s bonus opportunity (including cash or noncash incentives) or increase in the goals or standards required to accrue that opportunity, as compared to the opportunity and goals or standards in effect immediately before the change in control; (iii) a material adverse change in the nature or scope of the executive s authorities, powers, functions or duties from those in effect immediately before the change in control; (iv) a reduction in the executive s benefits from those provided immediately before the change in control, disregarding any reduction under a plan or program covering employees generally that applies to all employees covered by the plan or program; or (v) the executive being required to accept a primary employment location which is more than 25 miles from the location at which he was primarily employed during the 90-day period prior to a change in control.

Other Benefits on Termination

In addition to the payments and benefits discussed above, the executive officers are entitled to the payments and benefits that are available to all employees on termination of employment, including vested benefits under the Company s qualified defined benefit retirement plan and 401(k) plan, short-term and long-term disability benefits (in the event of disability), and life insurance benefits (in the case of death).

Perquisites and Other Benefits

As a general matter, the Company does not provide perquisites to its executive officers, other than an allowance for financial planning services. In Asia and Europe, consistent with regional compensation practices, cars are provided to mid and upper level managers, including Mr. Nieman and Mr. Platzer. Additionally, Mr. Nieman receives certain expatriate, relocation and transition benefits while he works for the Company in China. For more details on these perquisites, please refer to footnote 4 to the Summary Compensation Table.

Table of Contents

Compensation Committee Report

The Compensation/Management Development Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement and in Quaker s Annual Report on Form 10-K for the fiscal year ended December 31, 2011 for filing with the Securities and Exchange Commission.

Compensation/Management Development Committee

Robert H. Rock, Chairman

Patricia C. Barron

Donald R. Caldwell

Edwin J. Delattre

Jeffry D. Frisby

Table of Contents

Summary Compensation Table

The table below summarizes the total compensation awarded to, paid to, or earned by each of our executive officers who are named in the table. In this proxy statement, we sometimes refer to this group of individuals as our Named Executive Officers.

Name and Principal Position (a)	Year (b)	Salary ($)(c)	Bonus ($)(d)	Stock Awards(1) ($)(e)	Option Awards(1) ($)(f)	Non-Equity Incentive Plan Compensation(2) ($)(g)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings(3) ($)(h)	All Other Compensation(4) ($)(i)	Total ($)(j)
Michael F. Barry	2011	539,583	0	247,651	247,662	966,135	828,000	67,863	2,896,894
Chairman of the Board, Chief Executive Officer and President	2010	489,583	0	165,465	311,916	701,853	709,000	73,733	2,451,550
	2009	450,000	0	154,650	158,527	626,393	341,000	52,874	1,783,444
Mark A. Featherstone	2011	261,375	0	41,817	41,817	199,307	1,000	24,292	569,608
Vice President, Chief Financial Officer and Treasurer	2010	255,488	0	38,374	72,330	209,321	5,000	29,131	609,644
	2009	248,600	0	40,859	41,885	149,850	4,000	16,590	501,784
D. Jeffry Benoliel	2011	303,024	0	41,817	41,817	192,034	271,000	26,132	875,824
Vice President Global Metalworking and Fluid	2010	289,975	0	38,374	72,330	196,700	265,000	32,496	894,875
Power and Corporate Secretary	2009	280,000	0	29,286	30,019	183,362	182,000	22,841	727,508
Jan F. Nieman(5)	2011	274,250	0	41,817	41,817	166,150	185,777	332,440	1,042,251
Vice President and Managing Director Asia/Pacific									
Wilbert Platzer(5)	2011	313,019	0	41,817	41,817	202,721	203,716	36,737	839,827
Vice President and Managing Director Europe	2010	302,463	0	38,374	72,330	215,952	230,020	32,830	891,969
	2009	319,235	0	38,462	39,425	201,525	36,607	38,808	674,062

(1) The amounts in columns (e) and (f) reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 for outstanding equity awards under the Company s Long-Term Performance Incentive Plan (LTIP). Assumptions used in the calculation of these amounts for 2011 are included in Note 15 of Notes to Consolidated Financial Statements contained in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

(2)

The amounts in column (g) are incentive cash bonuses earned in 2011 and payable in 2012 under the LTIP ($339,135 for Mr. Barry; $89,604 for Mr. Featherstone; $64,223 for Mr. Benoliel; $61,103 for Mr. Nieman; and $84,017 for Mr. Platzer) and the Company s Global Annual Incentive Plan (GAIP) ($627,000 for Mr. Barry; $109,703 for Mr. Featherstone; $127,811 for Mr. Benoliel; $105,047 for Mr. Nieman and $118,704 for Mr. Platzer). Also includes for 2010 and 2009, cash bonuses earned under the Company s LTIP and GAIP. All bonuses for foreign-based participants are paid by the applicable local foreign affiliate.

(3) The amounts shown in column (h) reflect the actuarial increase in the present value of the Named Executive Officer s benefits under all pension plans established by the Company determined by using the interest rate and mortality rate assumptions consistent with those used in the Company s financial statements. See Note 13 of Notes to Consolidated Financial Statements contained in the Company s Annual Report on Form 10-K for the year ended December 31, 2011. The increase in the present value of Mr. Barry s and Mr. Benoliel s benefits under all pension plans established by the Company was primarily due to an additional year of service for purposes of SRIP, an increase in SRIP compensation and a decrease in the discount rate applied in calculating the present value of SRIP benefit.

Table of Contents

(4) Includes employer contributions by the Company to the U.S. based Named Executive Officers pursuant to the Company s Retirement Savings Plan (for 2011, $14,744 for Mr. Barry; $14,700 for Mr. Featherstone; and $14,700 for Mr. Benoliel; for 2010, $19,556 for Mr. Barry; $19,600 for Mr. Featherstone; and $19,600 for Mr. Benoliel; and for 2009, $9,630 for Mr. Barry; $8,593 for Mr. Featherstone; and $8,867 for Mr. Benoliel).

Includes the costs associated with the use of a Company-provided automobile consistent with regional compensation practices in Asia for Mr. Nieman ($32,110 for 2011) and in Europe for Mr. Platzer ($24,802, $22,047 and $27,694 for 2011, 2010 and 2009, respectively).

Includes for Mr. Neiman in 2011 $110,306 as a housing allowance, $33,343 for his children s schooling expenses, a $54,427 hardship allowance, a $59,922 cost of living allowance, reimbursement of housing and home leave expenses and a Dutch government tax and children s allowance.

Includes dividends paid on time-based restricted stock awards (for 2011, $42,064 for Mr. Barry; $8,817 for Mr. Featherstone; $7,932 for Mr. Benoliel; $10,497 for Mr. Nieman; and $8,521 for Mr. Platzer; for 2010, $40,406 for Mr. Barry; $9,081 for Mr. Featherstone; $9,396 for Mr. Benoliel; and $9,364 for Mr. Platzer; and for 2009, $35,856 for Mr. Barry; $7,322 for Mr. Featherstone; $10,474 for Mr. Benoliel; and $9,653 for Mr. Platzer).

Includes the costs associated with financial planning services (for 2011, $7,309 for Mr. Barry; $775 for Mr. Featherstone; $3,500 for Mr. Benoliel; $3,500 for Mr. Nieman; and $3,414 for Mr. Platzer; for 2010, $6,848 for Mr. Barry; $450 for Mr. Featherstone; and $3,500 for Mr. Benoliel; for 2009, $2,196 for Mr. Barry; $675 for Mr. Featherstone; and $3,500 for Mr. Benoliel). Includes the payment for unused vacation for Mr. Barry of $3,746, $6,923 and $5,192 in 2011, 2010 and 2009, respectively.

(5) Includes a representation allowance and a holiday allowance (for 2011, $2,113 and $21,319 for Mr. Nieman, and $7,346 and $23,947 for Mr. Platzer; for 2010, $3,608 and $23,413 for Mr. Platzer; for 2009, $3,903 and $24,703 for Mr. Platzer). Mr. Nieman s compensation and benefits are paid in both Chinese Renminbi and E.U. Euros. Mr. Platzer s compensation is paid in E.U. Euros. All foreign currency amounts reflected in this table were converted to U.S. Dollars at the spot rate in effect on December 31 of the year for which the information is reported.

Table of Contents

Grants of Plan-Based Awards

Provided below is information on grants made in 2011 to the Named Executive Officers under the Company s Long-Term Performance Incentive Plan. In March 2011, awards for the 2011-2013 period were made to the Named Executive Officers consisting of options vesting in approximately three equal installments over the three-year period, time-based restricted stock vesting after the three-year period, and a cash bonus opportunity. See discussion under the heading Long-Term Incentives under the Compensation Discussion and Analysis section on page 25 of this proxy statement.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (2)	All Other Option Awards: Number of Securities Underlying Options (3)	Exercise or Base Price of Option Awards(4)	Grant Date Fair Value of Stock and Option Awards (5)
	Grant Date	Threshold	Target	Maximum	Threshold	Target	Maximum				
Name (a)	(b)	($)(c)	($)(d)	($)(e)	(#)(f)	(#)(g)	(#)(h)	(#)(i)	(#)(j)	($/Sh)(k)	($)(l)
Michael F. Barry	3/1/11	102,667	256,667	513,334	0	0	0	6,627	17,726	37.37	495,313
Mark A. Featherstone	3/1/11	17,333	43,333	86,666	0	0	0	1,119	2,993	37.37	83,634
D. Jeffry Benoliel	3/1/11	17,333	43,333	86,666	0	0	0	1,119	2,993	37.37	83,634
Jan F. Nieman	3/1/11	17,333	43,333	86,666	0	0	0	1,119	2,993	37.37	83,634
Wilbert Platzer	3/1/11	17,333	43,333	86,666	0	0	0	1,119	2,993	37.37	83,634

(1) The amounts shown in column (c) reflect the minimum payment level under the Company s LTIP, which is 20% of the maximum amount shown in column (e). The amount shown in column (e) is 200% of each target amount shown in column (d). The value or maturation of a performance incentive unit is determined by performance over a three-year period based on relative total shareholder return against a pre-determined peer group.

(2) The amounts shown in column (i) for awards granted on March 1, 2011 reflect the number of shares of time-based restricted stock awarded under the LTIP with full vesting on March 1, 2014.

(3) The amounts shown in column (j) reflect the combination of incentive and non-qualified options which were issued under the LTIP. These options vest one-third on each of the first, second and third anniversaries of the grant date, commencing on March 1, 2012.

(4) With respect to the awards granted on March 1, 2011 under the provisions of the LTIP, the exercise price of the option is equal to the fair market value, which is defined as the last reported sale price on the grant date.

(5) The amounts included in column (l) represent the full grant date fair value of the awards computed in accordance with FASB ASC Topic 718. Assumptions used in the calculation of these amounts are described in Note 15 of Notes to Consolidated Financial Statements contained in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Table of Contents

Outstanding Equity Awards at Fiscal Year-End

	Option Awards					Stock Awards			
Name (a)	Number of Securities Underlying Unexercised Options(1) (#) Exercisable (b)	Number of Securities Underlying Unexercised Options(1) (#) Unexercisable (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)(d)	Option Exercise Price ($)(e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#)(g)	Market Value of Shares or Units of Stock That Have Not Vested(2) ($)(h)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(i)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(j)
Michael F. Barry	8,507	0	0	19.45	1/29/2015	6,000(3)	233,340	0	0
	27,819	25,219	0	6.93	2/25/2016	22,316(4)	867,869		
	16,336	32,670	0	18.82	1/26/2017	8,792(6)	341,921		
	0	17,726	0	37.37	3/1/2018	6,627(7)	257,724		
Mark A. Featherstone	3,069	0	0	19.45	1/29/2015	5,896(4)	229,295	0	0
	12,327	6,663	0	6.93	2/25/2016	2,039(6)	79,297		
	3,788	7,576	0	18.82	1/26/2017	1,119(7)	43,518		
	0	2,993	0	37.37	3/1/2018				
D. Jeffry Benoliel	1,917	0	0	19.45	1/29/2015	4,226(4)	164,349	0	0
	4,776	4,775	0	6.93	2/25/2016	2,039(6)	79,297		
	0	7,576	0	18.82	1/26/2017	1,119(7)	43,518		
	0	2,993	0	37.37	3/1/2018				
Jan F. Nieman	0	4,561	0	6.93	2/25/2016	2,500(5)	97,225	0	0
	0	7,576	0	18.82	1/26/2017	4,036(4)	156,960		
	0	2,993	0	37.37	3/1/2018	2,039(6)	79,297		
						1,119(7)	43,518		
Wilbert Platzer	12,544	6,272	0	6.93	2/25/2016	5,550(4)	215,840	0	0
	3,788	7,576	0	18.82	1/26/2017	2,039(6)	79,297		
	0	2,993	0	37.37	3/1/2018	1,119(7)	43,518		

(1) These options have a seven-year term. The vesting schedules for each of the grants whose expiration dates are listed follow: for January 29, 2015, February 25, 2016, January 26, 2017 and March 1, 2018, one-third on each of the first, second and third anniversaries of the grant date. For options expiring on January 29, 2015, the grant date is January 29, 2008. For options expiring February 25, 2016, the grant date is February 25, 2009. For options expiring January 26, 2017, the grant date is January 26, 2010. For options expiring on March 1, 2018, the grant date is March 1, 2011.

(2) Reflects amounts based on the closing market price of the Company s common stock on the NYSE of $38.89 per share on December 30, 2011.

(3) Time-based restricted stock award granted under the LTIP which vests in two equal annual installments commencing on July 1, 2012 and July 1, 2013.

(4) Time-based restricted stock awards granted under the LTIP with full vesting on February 25, 2012.

(5) Time-based restricted stock award granted under the LTIP which vests in two equal installments on June 19, 2012 and June 19, 2013.

(6) Time-based restricted stock awards granted under the LTIP with full vesting on January 26, 2013.

(7) Time-based restricted stock awards granted under the LTIP with full vesting on March 1, 2014.

Table of Contents

Option Exercises and Stock Vested

This table shows the number and value of stock options exercised and stock awards vested during 2011 by the Named Executive Officers.

	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise(1)	Number of Shares Acquired on Vesting	Value Realized on Vesting(6)
Name (a)	(#)(b)	($)(c)	(#)(d)	($)(e)
Michael F. Barry	6,830	227,852	5,824(2)	236,707
Mark A. Featherstone	1,000	30,700	2,037(3)	76,652
D. Jeffry Benoliel	3,788	71,252	3,148(4)	124,609
Jan F. Nieman	10,757	268,714	4,098(5)	159,558
Wilbert Platzer	3,275	80,401	2,174(3)	81,808

(1) Reflects the difference between the exercise price of the option and the last reported sale price for a share of common stock as quoted on the NYSE on the date of exercise. The value of exercising stock options can be realized in cash or in stock. Of the value realized on exercise, the following amounts reflect the value in cash (through the simultaneous market sale of the shares acquired on exercise): Mr. Nieman, $268,714 and Mr. Platzer, $80,401 and the following amounts reflect the value from the acquisition of shares upon exercise: Mr. Barry, $227,852; Mr. Benoliel, $71,252; and Mr. Featherstone, $30,700.

(2) Consists of (i) 2,824 shares of a time-based restricted stock award under the LTIP, which vested 100% on January 29, 2011 and (ii) 3,000 shares of a time-based restricted stock award of 15,000 shares under the LTIP, which vested 20% on July 1, 2011.

(3) Represents time-based restricted stock awards which vested under the LTIP on January 29, 2011.

(4) Consists of (i) 1,273 shares of a time-based restricted stock award under the LTIP, which vested on January 29, 2011 and (ii) 1,875 shares of a time-based restricted stock award of 7,500 shares under the LTIP, 25% which vested on June 23, 2011.

(5) Consists of (i) 1,598 shares of a time-based restricted stock award under the LTIP, which vested on January 29, 2011 and (ii) 2,500 shares of a time-based restricted stock award of 5,000 shares under the LTIP, 50% which vested on June 19, 2011.

(6) Amounts reflect the closing price of the Company s common stock on January 29, 2011 of $37.63 per share; on June 19, 2011 of $39.77 per share; on June 23, 2011 of $40.91 per share; and on July 1, 2011 of $43.48 per share.

Table of Contents

Pension Benefits

The table below shows the present value of accumulated benefits payable to each of the Named Executive Officers, and the number of years of service credited to each under each of the Pension Plans and the Supplemental Retirement Income Program under which they are (or may be) entitled to receive payments and benefits. For information on the material assumptions used in quantifying the present value of the accrued pension benefit, see Note 13 of Notes to Consolidated Financial Statements contained in the Company s Annual Report on Form 10-K for the year ended December 31, 2011. Also, see discussion under the heading Retirement Benefits under the Compensation Discussion and Analysis section on page 28 of this proxy statement.

Name (a)	Plan Name (b)	Number of Years Credited Service(2) (#)(c)	Present Value of Accumulated Benefit ($)(d)	Payments During Last Fiscal Year ($)(e)
Michael F. Barry	U.S. Pension Plan	6.0833	68,000	0
	Supplemental Retirement Income Program	13	2,616,000	0
Mark A. Featherstone	U.S. Pension Plan	3.5833	39,000	0
D. Jeffry Benoliel	U.S. Pension Plan	9.6667	139,000	0
	Supplemental Retirement Income Program	16	1,167,000	0
Jan F. Nieman (1)	The Netherlands Pension Plan	25.9167	768,373	0
Wilbert Platzer(1)	The Netherlands Pension Plan	25.4167	1,058,829	0

(1) Mr. Nieman s and Mr. Platzer s retirement benefits are provided under a defined benefit pension plan maintained by the Company s Netherlands operating subsidiary. Mr. Platzer s pension benefit includes amounts accrued over nine years with a prior employer.

(2) In all cases, other than Mr. Nieman and Mr. Platzer, years of credited service do not exceed the executive s period of employment with the Company (and affiliates). Years of credited service may be less than actual service because (i) benefits under the U.S. qualified defined benefit plan were frozen effective December 31, 2005 or (ii) a definition of years of credited service under the applicable plan takes into account less than full years of employment.

Table of Contents

Potential Payments Upon Termination or Change in Control

Provided below in both tabular and narrative form are estimated potential payments to each of our Named Executive Officers under various scenarios, assuming the termination of employment and, where applicable, change in control occurred on December 31, 2011. Except for the Supplemental Retirement Income Program, the amounts shown are aggregate estimated amounts, and have not been calculated as a present value or otherwise adjusted for varying payment dates. For information on material assumptions used in quantifying the present value of the Supplemental Retirement Income Program benefit, see Note 13 of Notes to Consolidated Financial Statements contained in the Company s Annual Report on Form 10-K for the year ended December 31, 2011. The amounts shown are estimates of the amounts that would be paid; the actual amounts to be paid can only be determined at the time of the executive s separation from the Company (or a change in control, if applicable). Also, see the discussion under the heading Severance and Change in Control Benefits in the Compensation Discussion and Analysis on page 29 of this proxy statement.

Named Executive Officers Estimated Payments and Benefits

Upon Termination of Employment in Connection With a Change in Control

	Michael F. Barry	Mark A. Featherstone	D. Jeffry Benoliel	Jan Nieman(1)	Wilbert Platzer(1)
Severance Allowance ($)	2,190,146[(2)]	583,384	673,376	807,569[(3)]	951,264[(3)]
Annual Bonus ($)	412,500	72,881	82,879	69,233	80,869
Performance Incentive Units ($)	372,664	86,612	73,702	71,323	83,935
Restricted Stock Awards (time-based vesting) ($)[(4)]	1,700,854	352,110	287,164	377,000	338,654
Stock Options ($)[(5)]	1,488,630	369,549	309,209	302,369	357,053
Medical/Dental/Life Insurance ($)[(6)]	40,314	31,050	31,590	0	0
Outplacement Assistance ($)[(7)]	8,500	8,500	8,500	8,500	8,500
Supplemental Retirement Income Program ($)[(8)]	2,449,000	0	558,000	0	0
Total	8,662,607[(9)]	1,504,086[(9)]	2,024,419[(9)]	1,635,993[(10)]	1,820,275[(10)]

(1) Amounts due in foreign currency were converted to U.S. dollars for the purposes of this table at the spot rate in effect on December 30, 2011.

(2) The severance allowance has been reduced to the extent necessary to avoid imposition of the excise tax under Code section 4999 (assuming reduction of the severance allowance is the least economically detrimental to the executive). The amount of the reduction is $30,873 for Mr. Barry. No reduction was required to the severance allowance of any of the other Named Executive Officers.

(3) These are the estimated amounts to which Messrs. Nieman and Platzer may be entitled under the law of The Netherlands. The severance amount is the product of (a), (b) and (c), where (a) is the sum of the monthly base salary (after excluding vacation allowance) and the monthly average of the annual GAIP bonus for the prior three years, (b) is 20.5 months and (c) is the severance factor (in this case, 1.5). These amounts may be adjusted upward (using a severance factor of 2.0) or downward by a Dutch court depending on the circumstances triggering the termination. To the extent a court-ordered severance payment exceeds the amount of Mr. Nieman s or Mr. Platzer s severance allowance under his change in control agreement, no severance allowance would be payable under his change in control agreement. The severance allowance determined under Mr. Platzer s change in control agreement is estimated at $686,341. The severance allowance determined under Mr. Nieman s change in control agreement is estimated at $571,439. Mr. Nieman s and Mr. Platzer s change in control agreements provide that payments contingent on a change in control will

be reduced to the extent necessary to avoid imposition of the excise tax under Code section 4999. Whether such a reduction is required depends on the amount of their severance. No reduction would be required if Mr. Nieman s or Mr. Platzer s severance does not exceed the estimated amount determined under his change in control agreement.

(4) This amount reflects the closing market price of our common stock on December 30, 2011 ($38.89) multiplied by the number of shares that would become vested on termination or change in control.

(5) This amount reflects the number of shares for which options would become vested on a change in control, multiplied by the positive difference (if any) between the closing market price of our common stock on December 30, 2011 ($38.89) and the exercise price of the option. Options that were vested before December 31, 2011 are shown in the Outstanding Equity Awards at Fiscal Year-End Table on page 37 of this proxy statement.

(6) This amount reflects the value of medical, dental and life insurance coverage for 24 months (Mr. Barry) and for 18 months for the other Named Executive Officers, all based on our current costs for these benefits. Messrs. Nieman and Platzer are not entitled to continuation of these benefits since the Dutch statutory formula is used to determine severance.

(7) This amount is the estimated value of providing outplacement counseling and services during 2012.

(8) Amount shown is the December 31, 2011 present value of the estimated benefit payable if, on December 31, 2011, a change in control occurred. The December 31, 2011 present value of the Supplemental Retirement Income Program benefit payable in the case of Mr. Barry s disability is $4,411,000, in the case of Mr. Barry s death is $1,992,000, in the case of Mr. Barry s resignation is $2,002,000 and in case Mr. Barry is terminated from employment by the Company other than for cause or disability is $2,405,000. The December 31, 2011 present value of the Supplemental Retirement Income Program benefit payable in the case of Mr. Benoliel s disability is $1,326,000, in the case of Mr. Benoliel s death is $558,000 and in the case of Mr. Benoliel s termination is $565,000.

(9) If the change in control falls within the meaning of Code Section 409A, severance payments are made in a lump sum. For any other change in control, severance payments are made in monthly installments.

(10) All severance payments are made in a lump sum.

Termination Other than for Cause, Disability, Death or Retirement

Under the terms of their employment agreements, Messrs. Featherstone, Benoliel and Platzer are entitled to severance benefits and 12 months of outplacement services if the Company terminates their employment (for other than cause, disability, death or retirement) and the termination is not in connection with a change in control. In addition, Mr. Barry is entitled to participate in Quaker s medical and dental plans for 18 months after termination on the same basis as an active employee. In the case of such a termination, Mr. Barry is entitled to a multiple of 1.5 times his base salary and bonus paid during a three-year period as described in his employment agreement. In the case of such a termination, Messrs. Featherstone, Benoliel and Platzer are entitled to severance equal to 12 months of base salary as of the termination date. The severance amounts payable under such circumstances are as follows: $1,665,764 (Mr. Barry); $262,447 (Mr. Featherstone); $305,767 (Mr. Benoliel); and $308,119 (Mr. Platzer). In the case of Mr. Platzer, the statutory amounts determined under the law of The Netherlands would be paid, if higher (see Note (3) to the above chart). Mr. Nieman would be paid the statutory amounts determined under the law of The Netherlands (see Note (3) to the above chart).

Termination as a Result of Death or Disability

If employment were terminated on December 31, 2011, as a result of death or disability (as defined in the respective plan), the amounts shown above for Annual Bonus (assuming target performance is attained), Restricted Stock Awards (time-based vesting) and Stock Options would be paid. In the case of death on December 31, 2011, a death benefit would be paid in 2011 of $550,000 (Mr. Barry), $262,447 (Mr. Featherstone),

$305,767 (Mr. Benoliel), $308,119 (Mr. Platzer), or $272,671 (Mr. Nieman), plus 50% of base salary during each of the following four years (2012-2015) (Mr. Barry, $275,000; Mr. Featherstone, $131,224; Mr. Benoliel $152,884; Mr. Platzer, $154,059; and Mr. Nieman, $136,336).

Table of Contents

Director Compensation

The Governance Committee is charged with reviewing and making recommendations to the Board of Directors with respect to director compensation. The Company uses a combination of cash and stock-based compensation to attract and retain candidates on the Board. Director compensation is targeted at the median of the relevant comparison groups consistent with the positioning of executive officer compensation. In the past, in making this determination, the Governance Committee has used certain industry-wide data obtained by Quaker s management to set compensation.

For the 2011-2012 Board year, each independent director received an annual cash retainer of $40,000 and a time-based restricted stock award equal to $46,000, issued in June 2011, which vests in a single installment a year from the date of issuance assuming continued Board membership. In addition, each independent director received $1,250 for each Board and Board committee meeting he or she attended, and the chairperson of each Board committee received the following additional compensation: Audit Committee, $10,000; Compensation/Management Development Committee, $6,000; Executive Committee, $4,000; and Governance Committee, $6,000. The Lead Director received an annual retainer of $15,000.

Currently, each director is required to beneficially own at least 7,500 shares of Quaker s common stock. All of our directors are in compliance with the stock ownership requirements. However, should a director s share ownership fall below the minimum, 75% of the annual cash retainer would be paid in shares of Quaker s common stock until the threshold is met. Directors who beneficially own the required number of shares of Quaker common stock may elect to receive payment of a percentage (up to 100%) of their annual cash retainer in shares of Quaker common stock.

Table of Contents

Director Compensation

Name[1] (a)	Fees Earned or Paid in Cash(2) ($)(b)	Stock Awards(3) ($)(c)	Option Awards ($)(d)	Non-Equity Incentive Plan Compensation ($)(e)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($)(f)	All Other Compensation(4) ($)(g)	Total ($)(h)
Joseph B. Anderson, Jr.	57,500	45,990	0	0	0	1,188	104,678
Patricia C. Barron	71,250	45,990	0	0	0	1,188	118,428
Donald R. Caldwell	69,000	45,990	0	0	0	1,188	116,178
Robert E. Chappell	63,500	45,990	0	0	0	1,188	110,678
William R. Cook	67,500	45,990	0	0	0	1,188	114,678
Edwin J. Delattre	55,000	45,990	0	0	0	1,188	102,178
Jeffry D. Frisby	57,500	45,990	0	0	0	1,188	104,678
Robert H. Rock	61,000	45,990	0	0	0	1,188	108,178

(1) Mr. Barry is not included in this table. Mr. Barry is an employee of the Company and thus receives no compensation for his service as a director.

(2) Under the terms of the Director Stock Ownership Plan, the following directors were paid a portion of their retainer in shares of the Company s common stock in lieu of cash, valued at $43.25 per share on June 1, 2011 (the retainer payment date) as follows: Mr. Caldwell received 462 shares in lieu of $19,981.50 in cash and Mr. Chappell received 924 shares in lieu of $39,963 in cash.

(3) The amounts reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 for outstanding equity awards under the Company s LTIP.

(4) The amounts in this column for each director include dividends paid on unvested time-based restricted stock awards.

43

Table of Contents

Compensation Policies and Practices Risk Assessment

The Committee conducted a risk assessment in 2011 that concluded that none of our compensation practices are reasonably likely to have a material adverse effect on the Company s business or operations. In order to assess risk as it relates to compensation, management conducted a global audit of all compensation practices, including base pay philosophies and corporate and regional bonus plans. This global audit consisted of an examination of both the Company s regional pay practices and bonus plans and the corporate-wide compensation programs. Management, including the Vice President Human Resources, reported the results of this audit to the Committee, which found that none of the Company s current compensation programs would be likely to encourage excessive risk taking because the metrics in the Company s compensation plans are linked to corporate performance as it relates to set budgetary targets and because the plans are measured against identified peer comparison groups. After a discussion with management about these findings, the Committee thereafter determined that the Company s compensation practices were not likely to have a material adverse effect on the Company s business or operations.

Stock Ownership of Certain Beneficial Owners and Management

Certain Beneficial Owners

The following table shows how much of Quaker s common stock is beneficially owned by each person known to us to be the beneficial owner of more than 5% of Quaker s common stock as of December 31, 2011. Each beneficial owner has sole voting and sole dispositive power for the shares listed, except as noted.

Name and Address	Number of Shares Beneficially Owned	Approximate Percent of Class	Number of Votes(5)
BlackRock, Inc.(1) 40 East 52nd Street New York, NY 10022	979,820	7.6	979,820
Eagle Asset Management, Inc.(2) 800 Carillon Parkway St. Petersburg, FL 33716	1,192,046	9.3	1,192,046
Royce & Associates, LLC(3) 745 Fifth Avenue	1,189,507	9.2	1,189,507

New York, NY 10151			
Vanguard Group, Inc.[4]	652,255	5.1	652,255
100 Vanguard Boulevard			
Malvern, PA 19355			

(1) As reported in Schedule 13G/A filed on February 10, 2012 by BlackRock, Inc. with the Securities and Exchange Commission.

(2) As reported in Schedule 13G/A filed on January 25, 2012 by Eagle Asset Management, Inc. with the Securities and Exchange Commission.

(3) As reported in Schedule 13G/A filed January 20, 2012 by Royce & Associates, LLC with the Securities and Exchange Commission.

(4) As reported in Schedule 13G filed on February 10, 2012 by Vanguard Group, Inc. with the Securities and Exchange Commission. Vanguard Group, Inc. has the sole power to vote or direct to vote 18,595 shares, the sole power to dispose of or to direct the disposition of 633,660 shares and shared power to dispose or to direct the disposition of 18,595 shares.

(5) These shares, which are held in street name, are presumed under Article 5 of the Company s Articles of Incorporation to be entitled to one vote per share.

Table of Contents

Management

The following table shows the number of shares of Quaker s common stock beneficially owned by each of our directors, our nominees for director and the Named Executive Officers named in the Summary Compensation Table on page 34 and by all of our directors (including our nominees for director) and executive officers as a group. The information in the table is as of March 9, 2012. Each director and executive officer has sole voting and sole dispositive power over the common stock listed opposite his or her name, unless we have indicated otherwise.

Name	Aggregate Number of Shares Beneficially Owned	Approximate Percent of Class(1)	Number of Votes
Joseph B. Anderson, Jr.	10,003	*	10,003
Patricia C. Barron	24,475	*	25,413
Michael F. Barry	238,121(2)	1.8	443,879
Donald R. Caldwell	14,772	*	14,772
Robert E. Chappell	21,088	*	110,314
William R. Cook	19,810	*	19,810
Edwin J. Delattre	15,183(3)	*	15,183
Jeffry D. Frisby	10,884	*	10,884
Robert H. Rock	15,345	*	21,267
Mark A. Featherstone	65,633(2)	*	52,158
D. Jeffry Benoliel	123,812(2)	*	829,601
Jan F. Nieman	27,482(2)	*	18,135
Wilbert Platzer	50,989(2)	*	116,686
All directors and officers as a group (19 persons)	696,824(2)	5.3	1,738,259(4)

* Less than 1%.

(1) Based upon 13,113,555 shares outstanding, adjusted to reflect options currently exercisable or exercisable within 60 days of the record date by the named person or the group, as applicable.

(2) Includes the following respective numbers of shares subject to options that are currently exercisable or exercisable within 60 days of the record date: 72,306 shares in the case of Mr. Barry; 28,633 shares in the case of Mr. Featherstone; 16,254 shares in the case of Mr. Benoliel; 9,347 shares in the case of Mr. Nieman; 27,390 shares in the case of Mr. Platzer; and 165,115 shares in the case of all directors and officers as a group.

(3) Includes 14,067 shares in the case of Dr. Delattre held jointly with his spouse with whom he shares voting and dispositive power.

(4) Represents 8.0% of all votes entitled to be cast at the meeting, based on information available on March 9, 2012.

Table of Contents

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely on (i) our review of reports submitted to us during and with respect to the year ended December 31, 2011, filed with the Securities and Exchange Commission pursuant to Section 16(a) of the Securities Exchange Act of 1934 (the 1934 Act), including any amendment thereto and (ii) written representations of Quaker s directors and officers, Quaker believes that, with one exception, all reports required to be filed under Section 16(a) of the 1934 Act, with respect to transactions in Quaker s common stock through December 31, 2011, were filed on a timely basis. Ms. Patricia C. Barron filed a late Form 4 relating to two transactions.

Certain Relationships and Related Transactions

The Board recognizes that related party transactions may present a heightened risk of conflicts of interest and/or improper valuation or the perception thereof. Nevertheless, the Board also recognizes that there are situations when related party transactions are consistent with the best interests of the Company. Accordingly, the Governance Committee, on the Board s authority, has adopted a written policy to govern the review and approval of all related party transactions involving the Company.

The policy requires all related party transactions involving $50,000 or more be reviewed by the Governance Committee. Related parties are defined as any director, nominee for director, senior officer (including all Named Executive Officers), and any immediate family member of the foregoing. Prior to entering into a transaction with Quaker subject to the Governance Committee s review, the related party must make a written submission to Quaker s General Counsel setting forth the facts and circumstances of the proposed transaction, including, among other things, the proposed aggregate value of such transaction, the benefits to Quaker, and an assessment of whether the proposed transaction is on terms comparable to those available from an unrelated third party. The Governance Committee (or, when urgent action is required, that Committee s Chair) will evaluate all of the foregoing information to determine whether the transaction is in the best interests of Quaker and its shareholders, as the Committee (or Chair) determines in good faith.

Related Party Transactions

In early 2008, AC Products, Inc., one of Quaker s subsidiaries, began selling certain products at Triumph Fabrications-Hot Springs, Inc. Triumph Fabrications is one of a number of companies that are part of Triumph Aerospace Systems Group, a subsidiary of Triumph Group, Inc., whose President and Chief Operating Officer is Jeffry D. Frisby, a Quaker Director. Triumph Fabrications is a leading manufacturer of sheet metal parts and assemblies used in the aviation industry. AC Products is the leading supplier of chemical milling maskants to the aerospace industry. The annual sales in 2011 to this account were approximately $694,023 and such sales are continuing in 2012. The Governance Committee reviewed and approved this transaction consistent with the policy described above and the Committee is updated annually.

Proposal 2 Ratification of Appointment of Independent Registered Public Accounting Firm

---

The Board of Directors has selected PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2012. There is no requirement that the Board s selection of PricewaterhouseCoopers LLP be submitted to our shareholders for ratification or approval. The Board, however, believes that Quaker s shareholders should be given an opportunity to express their views on the selection. While the Board is not bound by a vote against ratifying PricewaterhouseCoopers LLP, the Board may take a vote against PricewaterhouseCoopers LLP into consideration in future years when selecting our independent registered public accounting firm. PricewaterhouseCoopers LLP, an independent registered public accounting firm, has audited our financial statements since 1968.

Table of Contents

We anticipate that representatives of PricewaterhouseCoopers LLP will be present at the meeting and, if present, we will give them the opportunity to make a statement if they desire to do so. We also anticipate that the representatives will be available to respond to appropriate questions from shareholders.

Audit Fees

Audit fees charged to us by PricewaterhouseCoopers LLP for audit services rendered during the years ended December 31, 2010 and 2011 for the integrated audit of our financial statements and our internal controls over financial reporting included in our Annual Report on Form 10-K, the review of the financial statements included in our quarterly reports on Form 10-Q, and foreign statutory audit requirements totaled $1,209,000 and $1,477,961, respectively.

Audit-Related Fees

Audit-related fees charged to us by PricewaterhouseCoopers LLP for audit-related services rendered, primarily related to foreign statutory audit-related assistance, certifications and other audit-related services, during the years ended December 31, 2010 and 2011, totaled $22,000 and $138,500, respectively.

Tax Fees

Tax fees charged to us by PricewaterhouseCoopers LLP for tax services rendered, primarily related to tax compliance, during the years ended December 31, 2010 and 2011, totaled $167,000 and $120,025, respectively.

All Other Fees

There were no other fees charged to us by PricewaterhouseCoopers LLP for any other products or services provided during the year ended December 31, 2010. During 2011, the fees billed to us by PricewaterhouseCoopers LLP for all other services were $5,200 and were primarily related to accounting research software purchased by the Company from PricewaterhouseCoopers LLP.

Pre-Approval Policy

The Audit Committee has adopted a policy governing the pre-approval of services provided by Quaker s independent registered public accounting firm. The policy expressly prohibits non-audit services for which engagement is not permitted by applicable law and regulations, including internal audit outsourcing and expert services. A list of prohibited and permitted services is set forth in the policy. Permitted services under the policy include audit and audit-related services, internal control-related consulting, tax-related services and consulting services not related to information systems design and implementation. Audit and audit-related services include, among other things, services related to securities filings, accounting and financial reporting consultations, statutory audits, acquisition and divestiture-related due diligence and benefit plan audits. Internal control-related consulting is limited to assessing and recommending improvements to Quaker s internal control structure, procedures or policies. Tax-related services are limited to tax compliance and planning. All services provided by Quaker s independent registered public accounting firm must be pre-approved by the Audit Committee though the committee s authority may be delegated to one or more of its members.

All of the fees paid to PricewaterhouseCoopers LLP during the years ended December 31, 2010 and 2011, were pre-approved by the Audit Committee in accordance with its pre-approval policy.

The Board of Directors recommends that you vote FOR ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2012.

Report of the Audit Committee

The Audit Committee of Quaker s Board of Directors oversees Quaker s financial reporting process on behalf of the Board of Directors and acts pursuant to the Audit Committee Charter, which is available at *http://www.quakerchem.com* by accessing the Investors/Corporate Governance section of our Web site. Our Board has appointed to this Audit Committee four members, each of whom the Board of Directors has affirmatively determined qualifies as an independent director under the current listing standards of the NYSE and Quaker s Corporate Governance Guidelines.

As stated in our charter, the Audit Committee s job is one of oversight. It is not the duty of the Audit Committee to prepare Quaker s financial statements or plan or conduct audits to determine that Quaker s financial statements are complete and accurate and are in accordance with generally accepted accounting principles or that Quaker s internal controls over financial reporting are adequate. Financial management (including the internal auditing function) of Quaker is responsible for preparing the financial statements and maintaining internal controls and the independent registered public accounting firm is responsible for the audit of the annual financial statements and the internal controls and rendering an opinion as to the foregoing. In carrying out our oversight responsibilities, the Audit Committee is not providing any special assurance as to Quaker s financial statements or internal controls or any professional certification as to the outside auditor s work.

This Audit Committee reviewed and discussed with management Quaker s audited financial statements for the year ended December 31, 2011. This Audit Committee has also discussed with PricewaterhouseCoopers LLP, Quaker s independent registered public accounting firm, the matters required to be discussed by Statement of Auditing Standards No. 61, as amended by AICPA Professional Standards, Vol. 1, AU Section 380, as adopted by the Public Company Accounting Oversight Board in Rule 3200T, Communication with Audit Committees, which includes, among other items, matters related to the conduct of the audit of Quaker s financial statements. This Audit Committee has also received the written disclosures and the letter from PricewaterhouseCoopers LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding PricewaterhouseCoopers LLP s communications with this Audit Committee concerning its independence from Quaker and its related entities, and has discussed with PricewaterhouseCoopers LLP its independence from Quaker and its related entities.

Based on the review and discussions referred to above, this Audit Committee recommended to Quaker s Board of Directors that Quaker s audited financial statements be included in Quaker s Annual Report on Form 10-K for the year ended December 31, 2011 for filing with the Securities and Exchange Commission.

Audit Committee

William R. Cook, Chairman

Joseph B. Anderson, Jr.

Donald R. Caldwell

Jeffry D. Frisby

Table of Contents

General

Availability of Form 10-K and Annual Report to Shareholders

Rules of the SEC require us to provide our annual report to shareholders for fiscal year 2011, which includes our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, to each shareholder who receives this proxy statement. We will also provide copies of the same material to brokers, dealers, banks, voting trustees and their nominees for the benefit of their beneficial owners of record. **Additional copies of the Annual Report, including our Annual Report on Form 10-K are available without charge to shareholders upon written request to: Quaker Chemical Corporation, One Quaker Park, 901 E. Hector Street, Conshohocken, Pennsylvania 19428, Attention: Irene M. Kisleiko, Assistant Secretary.**

Shareholder Proposals

To be considered for inclusion in next year s proxy statement, a shareholder proposal must be in writing and received by us no later than December 5, 2012. If a shareholder proposal to be considered at next year s meeting, but not included in the proxy statement, is not received by us on or before February 18, 2013, the persons appointed as proxies may exercise their discretionary voting authority with respect to the proposal. All proposals should be submitted in writing to: Quaker Chemical Corporation, One Quaker Park, 901 E. Hector Street, Conshohocken, Pennsylvania 19428, Attention: Corporate Secretary.

A proxy form is enclosed for your use. Please complete, date, sign and return the proxy at your earliest convenience in the enclosed envelope, which requires no postage if mailed in the United States. A prompt return of your proxy will be appreciated.

By Order of the Board of Directors,

D. Jeffry Benoliel

Vice President Global Metalworking and

Fluid Power and Corporate Secretary

Conshohocken, Pennsylvania

March 30, 2012

Table of Contents

APPENDIX A

SHAREHOLDER VOTING ADMINISTRATIVE PROCEDURES

Voting Rights

At the Annual Meeting of Shareholders held May 6, 1987, shareholders approved an amendment to the Articles of Incorporation, pursuant to which the holders of the Company s $1.00 par value Common Stock on May 7, 1987 (the Effective Date) became entitled to 10 votes per share of Common Stock with respect to such shares, and any shares of Common Stock acquired after the Effective Date, subject to certain exceptions. Persons who become shareholders after the Effective Date shall only be entitled to one vote per share until such shares have been owned beneficially for a period of at least 36 consecutive calendar months, dating from the first day of the first full calendar month on or after the date the holder acquires beneficial ownership of such shares (the Holding Period). Each change in beneficial ownership with respect to a particular share will begin a new 1 vote Holding Period for such share. A change in beneficial ownership will occur whenever any change occurs in the person or group of persons having or sharing the voting and/or investment power with respect to such shares within the meaning of Rule 13d-3 of the General Rules and Regulations under the Securities Exchange Act of 1934. Under the amendment, a share of Common Stock held of record on a record date shall be presumed to be owned beneficially by the record holder and for the period shown by the shareholder records of the Company. A share of Common Stock held of record in street or nominee name by a broker, clearing agency, voting trustee, bank, trust company, or other nominee shall be presumed to have been held for a period of less than the required 36-month Holding Period. A shareholder may indicate that he or she has had beneficial ownership of his or her shares throughout the requisite Holding Period by completing and executing the affidavit accompanying the Company s proxy card. The Company and its Board of Directors, however, has the right to request evidence of such ownership, as it may deem appropriate. The amendment also provides that no change in beneficial ownership will be deemed to have occurred solely as a result of any of the following:

(1) a transfer by any gift, devise, bequest, or otherwise through the laws of inheritance or descent;

(2) a transfer by a trustee to a trust beneficiary under the terms of the trust;

(3) the appointment of a successor trustee, guardian, or custodian with respect to a share; or

(4) a transfer of record or a transfer of a beneficial interest in a share where the circumstances surrounding such transfer clearly demonstrate that no material change in beneficial ownership has occurred.

Maintaining Records

The Company s registrar and transfer agent, American Stock Transfer & Trust Company, LLC, maintains the Company s register of shareholders. A single register is maintained, but individual holdings are coded to indicate automatically the number of votes that the records of the Company indicate each shareholder is entitled to cast. Internal mechanisms automatically convert the voting rights on a 10-to-1 ratio for those shareholders who have held their shares for the required Holding Period.

Proxy Administration

Proxy cards will be mailed to all shareholders, and each proxy card will reflect the number of votes that the records of the Company indicate the shareholder is entitled to cast, not the number of shares held. If a shareholder has deposited shares with brokers, clearing agencies, voting trusts, banks, and other nominees, the shareholder will be presumed to be entitled to one vote per share. Subject to the Board s right to request evidence it may deem appropriate for proof of ownership during the required Holding Period, if a shareholder completes and executes the affidavit accompanying the proxy card stating that he or she has held his or her shares for the Holding Period, the number of votes that may be cast will increase to 10 votes per share. Similarly, if a shareholder believes that he or she is entitled to 10 votes per share by virtue of falling within one of the exceptions set forth above, the shareholder should complete and execute the affidavit accompanying the proxy card. In all instances, the Company and its Board of Directors reserve the right to request, at any time, any evidence of ownership during the Holding Period they may deem appropriate. If it appears from experience that

Table of Contents

the present process is inadequate or is being abused, the Company and its Board of Directors reserve the right at any time to require that a particular shareholder provide additional evidence that one of the exceptions is applicable.

Where an affidavit is completed and executed and, if requested, the shareholder presents satisfactory evidence as requested, the shareholder records will be adjusted as appropriate. Any shareholder requested to submit evidence will be advised as to any action taken or not taken, which will be sent by ordinary mail to the shareholder or, if available, communicated through electronic means to the shareholder.

Special proxy cards are not used, and no special or unusual procedures are required in order properly to execute and deliver the proxy card for tabulation.

Voting Procedures

There are several methods a shareholder can use to cast his or her vote.

If the shareholder is a shareholder of record, he or she can vote: (1) in person, by attending the Annual Meeting of Shareholders; (2) via the Internet, by visiting www.proxyvote.com and following the instructions provided; (3) by telephone, using the toll-free number listed on the proxy card; or (4) by mail, by marking, signing and dating a proxy card and returning it in the postage-paid envelope provided.

If the shareholder is the beneficial owner of shares held in street name, he or she can vote: (1) in person, by first obtaining a proxy card issued in his or her name from his or her broker and bringing that proxy card to the meeting, together with a copy of a brokerage statement reflecting stock ownership as of the record date, the stock acquisition date and valid identification; (2) via the Internet, by visiting www.proxyvote.com and following the instructions provided; (3) by telephone, only if he or she agrees with the voting rights of his or her proxy, by using the toll-free number found on the proxy card; or (4) by mail, by marking, signing and dating the proxy card and returning it in the postage-paid envelope provided.

Summary

The procedures set forth above have been reviewed and approved by representatives of various brokers and banks, as well as counsel to the Company.

The Company believes these procedures are an efficient way to address the complications involved in casting and tabulating votes under the Company s system of differing votes per share, but the Company reserves the right to change them for this year s Annual Meeting or future meetings if experience indicates a need for revision.

If a shareholder has questions concerning the Shareholder Voting Administrative Procedures, please contact Irene M. Kisleiko, the Company s Assistant Secretary, at (610) 832-4119.

Table of Contents

QUAKER CHEMICAL CORPORATION

ATTN: D. JEFFRY BENOLIEL

ONE QUAKER PARK

901 E. HECTOR STREET

CONSHOHOCKEN, PA 19428

VOTE BY INTERNET - www.proxyvote.com
Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

M41793-P21906 KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

QUAKER CHEMICAL CORPORATION	**For All**	**Withhold All**	**For All Except**	To withhold authority to vote for any individual nominee(s), mark For All Except and write the number(s) of the nominee(s) on the line below.
The Board of Directors recommends you vote FOR the following:				
Vote on Directors	¨	¨	¨	

1. Election of Directors

Nominees:

01) Donald R. Caldwell
02) William R. Cook
03) Jeffrey D. Frisby

Vote on Proposal

The Board of Directors recommends you vote FOR the following proposal:	**For**	**Against**	**Abstain**
2. Ratification of the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for 2012.	¨	¨	¨

NOTE: Such other business as may properly come before the meeting or any adjournment thereof.

For address changes and/or comments, please check this box and write them on the back where indicated. ¨

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

Signature [PLEASE SIGN WITHIN BOX] Date Signature (Joint Owners) Date

Table of Contents

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:

The Notice and Proxy Statement and 2011 Annual Report to Shareholders are available at www.proxyvote.com.

M41794-P21906

QUAKER CHEMICAL CORPORATION

Annual Meeting of Shareholders

May 9, 2012 8:30 AM

This proxy is solicited by the Board of Directors

The undersigned hereby appoints Michael F. Barry and William R. Cook, and each of them, proxies of the undersigned, to attend the Annual Meeting of Shareholders of Quaker Chemical Corporation, a Pennsylvania corporation (the Company), to be held at the Company s headquarters located at One Quaker Park, 901 E. Hector Street, Conshohocken, Pennsylvania, on May 9, 2012 at 8:30 A.M., and any adjournment thereof, and with all powers the undersigned would possess if present, to vote.

The undersigned hereby also acknowledges receipt of the Notice of Annual Meeting of Shareholders, the Proxy Statement with respect to said Meeting, and the Company s Annual Report on Form 10-K for the year ended December 31, 2011.

This proxy, when properly executed, will be voted in the manner directed by the Shareholders. If no such directions are made, this proxy will be voted For the election of the nominees listed in Proposal 1 for the Board of Directors, and For Proposal 2.

Address Changes/Comments:

(If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side.)

Continued and to be signed on reverse side

March 30, 2012

Dear Quaker Shareholder:

If you are a registered shareholder of Quaker Common Stock, your enclosed proxy card shows the number of votes you are entitled to cast not the number of shares that you own. If you are a beneficial holder (own your shares through a broker, bank or nominee), your voting instruction card shows the number of shares that you own.

In accordance with the Company s Articles of Incorporation, holders of Common Stock are entitled to 10 votes per share for each share of Common Stock which they have owned for at least 36 consecutive months (or three years). Shares which have been owned for less than three years entitle the holder to one vote per share.

There are some exceptions to the above ownership requirements and those exceptions are listed in Appendix A Shareholder Voting Administrative Procedures to the enclosed Proxy Statement.

Since Quaker has no means of tracking ownership of shares held in street or nominee name, we presume that any shares owned through broker, bank or nominee have been held for less than three years and, therefore, are entitled to one vote per share.

Registered shareholders should review the number of votes that are listed on the proxy card. For all shares purchased by you before March 1, 2009 (36 months before the record date), you are entitled to 10 votes per share. For all shares purchased by you after March 1, 2009, you are entitled to one vote per share.

Any shareholder may seek change by following the instructions outlined in Appendix A to the enclosed Proxy Statement. If you have any questions, please contact Irene M. Kisleiko, Assistant Corporate Secretary, at 610-832-4119.

Thank you.

Table of Contents

Table of Contents