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540,193

339,401

477,481

Weighted average number of common shares outstanding - assuming dilution

8,595,506

8,537,806

8,540,777

8,394,413

Earnings per common share - Diluted

$ 0.09

$ 0.13

$ 0.18

$ 0.26

The Company had no stock options outstanding for the three and nine months ended September 30, 2012 and 2011, respectively, that were anti-dilutive and therefore not included in the diluted earnings per common share calculation.

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11. SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

On May 9, 2012, the Company issued stock awards covering 117,000 shares of common stock under its 2011 Omnibus Equity Compensation Plan. The Company recognized compensation expense based upon the average of the high and low trading price of its common stock on the issuance date.

On May 17, 2012, stock options with respect to 132,800 shares were exercised, and options related to 6,500 shares expired. Following the surrender of 68,073 shares in connection with a net exercise feature of the stock options, the Company issued an aggregate of 64,727 shares.

There was no stock compensation expense related to stock awards during the three months ended September 30, 2012 and 2011. Non cash stock based compensation recognized during the nine months ended September 30, 2012 and 2011 attributable to stock awards totaled approximately $223,000 and $321,000, respectively. Non cash stock compensation expense attributable to stock options was approximately $10,000 and $23,000 for the three months ended September 30, 2012 and 2011, respectively. Non cash stock compensation expense attributable to stock options was approximately $44,000 and $68,000 for the nine months ended September 30, 2012 and 2011, respectively.

At September 30, 2012, there was approximately $22,000 of unrecognized compensation expense related to stock options awarded to employees. This cost will be charged as compensation expense through 2013, as the stock options vest.

The following table provides information at September 30, 2012 regarding outstanding stock options under the Company's stock option plans as well as a grant made outside of the Company's stock option plans. As used in the table below, "2007 ISO" refers to the Company's 2007 Incentive Stock Option Plan, "2008 ISO" refers to the Company's 2008 Incentive Stock Option Plan, "2002 NQ" refers to the Company's 2002 Non-Qualified Stock Option Plan and "2008 NQ" refers to the Company's 2008 Non-Qualified Stock Option Plan.

Plan	Date Granted	Options Outstanding	Exercisable Options	Exercise Price	Expiration Date	Weighted Average Remaining Life
Non Plan	3/25/09	115,000	115,000	$ 0.55	3/24/14	1.5
2007 ISO	10/08/07	2,500	2,000	1.87	10/07/12	0.0
2007 ISO	12/17/07	141,000	109,700	1.32	12/16/12	0.2
2008 ISO	8/25/08	142,900	108,880	0.97	8/24/13	0.9
2002NQ	10/22/02	30,000	30,000	1.26	10/21/12	0.1
2002NQ	6/20/03	30,000	30,000	1.03	6/19/13	0.7
2002NQ	5/25/04	30,000	30,000	1.46	5/24/14	1.7
2002NQ	4/03/06	40,000	40,000	1.08	4/02/16	3.6
2002NQ	12/17/07	50,000	50,000	1.32	12/16/17	5.3
2008NQ	1/11/09	50,000	50,000	0.69	1/10/19	6.4
2008NQ	4/26/10	25,000	25,000	2.07	4/25/20	7.7
		656,400	590,580	$ 1.07		2.0

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

Forward-looking Statements:

Certain statements contained in this Quarterly Report on Form 10-Q, including without limitation, advertising and promotion expense, our ability to provide required capital to support inventory levels, the effect of price increases in petroleum-based or chemical-based raw materials on our margins, and the sufficiency of funds provided through operations and existing sources of financing to satisfy our cash requirements constitute forward-looking statements. For this purpose, any statements contained in this report that are not statements of historical fact may be deemed forward-looking statements. Without limiting the generality of the foregoing, words such as "believe," "may," "will," "expect," "anticipate," "intend," or "could," including the negative or other variations thereof or comparable terminology, are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors which may cause actual results to be materially different from those expressed or implied by such forward-looking statements. Factors that may affect these results include, but are not limited to, the highly competitive nature of our industry, reliance on certain key customers, changes in consumer demand for marine, recreational vehicle and automotive products, advertising and promotional efforts, exposure to market risks relating to changes in interest rates and foreign exchange rates, and other factors.

Overview:

We are principally engaged in manufacturing, marketing and distributing a broad line of appearance and maintenance products for boats, recreational vehicles, automobiles and home care under the Star brite® and other trademarks within the United States of America and Canada. In addition, we produce private label formulations of many of our products for various customers and provide custom blending and packaging services for these and other products. We sell our products through national retailers and to national and regional distributors who, in turn, sell our products to specialized retail outlets.

Critical accounting estimates:

See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Estimates" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2011 for information regarding the Company's critical accounting estimates.

Results of Operations:

Three Months Ended September 30, 2012 Compared to the Three Months Ended September 30, 2011

Net sales were approximately $10,262,000 for the three months ended September 30, 2012 compared to approximately $9,884,000 during the corresponding period in 2011, an increase of $378,000 or 3.8%. The increase in sales primarily reflected increased sales of winterizing products (antifreeze) to marine customers. In addition, we continued to realize sales growth of our enzyme fuel treatment product, Star Tron®, into the automotive and small engine markets. These increases were partially offset by decreased sales to some of our largest customers as a result of their continuation of inventory reduction programs in our sector during the third quarter of 2012.

Cost of goods sold and gross profit – Cost of goods sold increased by approximately $459,000 or 7.0% to approximately $6,997,000 during the three months ended September 30, 2012, from approximately $6,538,000 during the same period in 2011. We had a higher mix of lower margin sales of antifreeze in the third quarter 2012 compared to the comparative quarter 2011. In addition, the allocation of fixed manufacturing costs over our lower inventory levels, as a result of our planned inventory reduction, led to higher per unit costs of sales. Inventories at

September 30, 2012 were $9,535,000 compared to $10,660,000 at September 30, 2011, a decrease of $1,125,000. The increase in cost of goods sold also reflects our increased sales volume.

Gross profit decreased by approximately $81,000 for the three months ended September 30, 2012, as compared to the same period in 2011, as a the result of the factors described above.

Advertising and promotion expenses increased to approximately $783,000 for the three months ended September 30, 2012 from $476,000 during the corresponding period in 2011, an increase of approximately $307,000 or 64.5%. As a percentage of net sales, advertising and promotion expense was approximately 7.6% in the third quarter of 2012 compared to approximately 4.8% in the third quarter of 2011. The increase in advertising expenditures was designed to increase consumer awareness of Star Tron® products into new markets, including automotive, power sports, motorcycle, small engine and outdoor power equipment markets. We sponsored several television programs and purchased print advertisements in several national magazines targeted to automotive, boating and engine maintenance and repair enthusiasts, as well as in specific industry magazines. In addition, we increased expenditures for customer cooperative advertising allowances to promote our Star Tron and Star brite products in their sales promotion flyers.

Selling and administrative expenses increased by approximately $65,000 or 5.2%, from approximately $1,241,000 during the three months ended September 30, 2011 to approximately $1,306,000 during the same period in 2012. The increase in expenses was directly attributable to the Company's selling activities, including travel and entertainment expenses and an increase in the allowance for doubtful accounts, reflecting increased accounts receivable balances. As a percentage of net sales, selling and administrative expenses were 12.7% and 12.6% for the third quarter of 2012 and 2011, respectively.

Interest expense decreased by approximately $13,000 to approximately $22,000 during the three months ended September 30, 2012, compared to approximately $35,000 during the three months ended September 30, 2011. The decrease reflects the lower average borrowings as a result of decreased inventory levels.

Operating income – As a result of the foregoing, operating income was approximately $1,175,000 in the third quarter of 2012 compared to approximately $1,628,000 in the 2011 period, a decrease of $453,000 or 27.8% predominately as a result of lower gross margins and higher advertising spending.

Income taxes - We had income tax expense in the third quarter of 2012 of approximately $389,000, or 33.8% of pretax income, compared to approximately $479,000, or 29.8% of pretax income, during the corresponding period in 2011. The lower 2011 income tax rate reflects a one time benefit related to state income taxes.

Net income and Net income attributable to Ocean Bio-Chem, Inc. - As a result of the items mentioned above, net income for the third quarter of 2012 decreased by approximately $367,000, or 32.6%, to $761,000 from approximately $1,128,000 in the third quarter of 2011. Net income attributable to Ocean Bio-Chem. Inc. decreased by approximately $367,000, or 32.3%, to $771,000 in the third quarter 2012, from approximately $1,138,000 in 2011.

Nine Months Ended September 30, 2012 Compared to the Nine Months Ended September 30, 2011

Net sales were approximately $24,148,000 for the nine months ended September 30, 2012 compared to approximately $24,834,000 during the corresponding period in 2011, a decrease of $686,000 or 2.8%. We believe the sales decrease principally reflects a determination by some of our largest customers to reduce their inventory levels in our sector. This decrease was partially offset by increased sales of winterizing products (antifreeze), as described above in the discussion of results for the three months ended September 30, 2012.

Cost of goods sold and gross profit – Our gross profit percentage (gross profit as a percentage of net sales) decreased by 1.3% in the first nine months of 2012 as compared to the same period in 2011. The decrease reflects increased per unit cost of sales, as a result of our planned inventory reduction that is described in the discussion of results for the three months ended September 30, 2012, as well as lower sales volumes. In addition, the decrease reflects the higher mix of lower margin products (antifreeze).

Advertising and promotion expenses increased to approximately $1,890,000 for the nine months ended September 30, 2012 from approximately $1,506,000 during the corresponding period in 2011, an increase of approximately $384,000 or 25.5%. As a percentage of net sales, advertising and promotion expense increased from 6.1% during the nine months of 2011 to 7.8% in the nine months of 2012. The significant year to date increase occurred in the third quarter and reflected the factors addressed above in the discussion of results for the quarter ended September 30, 2012.

Selling and administrative expenses decreased by approximately $53,000 or 1.3%, from approximately $4,018,000 during the nine months ended September 30, 2011 to approximately $3,965,000 during the same period in 2012. The decrease is due to decreased non-cash stock-based compensation. As a percentage of net sales, selling and administrative expenses increased from 16.2% to 16.4% due to lower year to date sales.

Interest expense decreased by approximately $32,000 to $76,000 during the nine months ended September 30, 2012, compared to approximately $108,000 during the nine months ended September 30, 2011. The decrease reflects the impact of the July 2011 refinancing of both our short term borrowing and long term debt at lower interest rates, as well as lower average borrowings as a result of lower average monthly inventory levels.

Operating income – As a result of the foregoing, operating income was approximately $2,416,000 in the first nine months of 2012 compared to approximately $3,309,000 in the 2011 period, a decrease of $893,000 or 27.0%.

Income taxes - The Company had income tax expense in the first nine months of 2012 of approximately $871,000, or 37.2% of pretax income, compared to approximately $1,107,000, or 34.2% of pretax income, during the corresponding period in 2011. The lower 2011 income tax rate reflects a one time benefit related to state income taxes.

Net income and Net income attributable to Ocean Bio-Chem, Inc. - As a result of the items mentioned above, net income for the first nine months of 2012 decreased by approximately $664,000, or 31.1%, to $1,469,000 from approximately $2,133,000 during the corresponding period in 2011. Net income attributable to Ocean Bio-Chem. Inc. decreased by approximately $677,000, or 31.1%, to $1,498,000 in the first nine months of 2012, from approximately $2,175,000 in 2011.

Liquidity and capital resources:

Our cash balance was approximately $775,000 at September 30, 2012 compared to approximately $585,000 at December 31, 2011. At September 30, 2012, we had $1,700,000 in short-term borrowings outstanding under our revolving line of credit compared to $850,000 outstanding at December 31, 2011.

Net cash used in operating activities during the nine months ended September 30, 2012 was approximately $63,000 compared to net cash used in operating activities of approximately $1,903,000 for the nine months ended September 30, 2011. The improvement reflects our inventory management efforts. During the nine months ended September 30, 2011, we increased inventory by approximately $2,967,000 in anticipation of higher petroleum prices, and higher seasonal sales of winterizing products. During the nine months ended September 30, 2012, we determined to modestly reduce inventory levels, particularly due to decreased purchases by some of our largest customers which, as noted above, are engaged in inventory reduction programs. We reduced inventory levels by approximately $83,000 during the nine months ending September 30, 2012, and by approximately $1,125,000 as compared to September 30, 2011. These cash flow improvements were partially offset by lower net income and lower non-cash charges.

Net cash used in investing activities was approximately $374,000 for the nine months ended September 30, 2012 compared to approximately $276,000 for the nine months ended September 30, 2011. We continue to invest in our manufacturing facilities as we deem appropriate.

Net cash provided by financing activities was approximately $627,000 for the nine months ended September 30, 2012 compared to net cash provided of approximately $2,376,000 during the nine months ended September 30, 2011. During the nine months ended September 30, 2012, we borrowed $850,000 under our revolving line of credit, and received approximately $78,000 from the exercise of stock options, which was partially offset by approximately $301,000 used for scheduled payments of principal on our long-term debt. During the first nine months of 2011 we borrowed $3,400,000 on our revolving line of credit.

Under the credit agreement among us, our subsidiary, Kinpak, Inc. and Regions Bank (and, pursuant to an Equipment Finance Addendum to the Credit Agreement, Regions Equipment Finance Corporation (“REFCO”)), we have borrowings under a term loan, which is payable, together with interest at the fixed rate of 3.54% per annum, in 72 consecutive monthly payments of $37,511, with the final payment on July 6, 2017. At September 30, 2012, the remaining principal balance on the term loan was $1,996,968. In addition, the credit agreement provides for a revolving line of credit, under which we may borrow up to the lesser of (i) $6 million and (ii) a borrowing base equal to 80% of eligible accounts receivable plus 50% of eligible inventory. Interest on the revolving line of credit is payable at the 30 day LIBOR rate plus 1.74% per annum (unless our debt service coverage ratio (net profit plus taxes, interest, depreciation, amortization and rent expense divided by debt service plus interest and lease/rent expense) falls below 2.0 to 1, in which case interest will be payable at the 30 day LIBOR rate plus 2.75% per annum). In no event will the interest rate be less than 2.0% per annum. Outstanding amounts under the revolving line of credit are payable on demand. If no demand is made, we may repay and reborrow funds from time to time.

Interest on amounts borrowed under the revolving line of credit is payable in monthly installments on outstanding average balances, with all outstanding principal and interest payable on July 6, 2014. At September 30, 2012, the outstanding balance under the revolving line of credit was $1,700,000.

The Credit Agreement contains various covenants, including financial covenants requiring a minimum debt service coverage ratio of 1.75 to 1.00, tested on a rolling four-quarter basis, and a maximum debt to capitalization ratio (funded debt divided by the sum of total net worth and funded debt) of 0.75 to 1, tested quarterly. At September 30, 2012, we were in compliance with these covenants. Our obligations under the Credit Agreement are secured by our accounts receivable and inventory, as well as real property and equipment at Kinpak's Montgomery, Alabama facility.

See notes 6 and 7 to the condensed consolidated financial statements included in this report for additional information.

In addition to the revolving line of credit and term loan, we have obtained financing through capital leases for both manufacturing and office equipment, totaling approximately $42,200 and $62,400 at September 30, 2012 and December 31, 2011, respectively.

We sell our products in the Canadian market and are subject to currency fluctuations relating to the Canadian dollar. We do not engage in currency hedging and address currency risk as a pricing issue. In the nine months ended September 30, 2012, we recorded $6,356 in foreign currency translation adjustments (increasing shareholders' equity by $6,356) as a result of the strengthening of the Canadian dollar in relation to the US dollar.

During the past few years, we have introduced a number of new products to our customers. At times, new product introductions have required us to increase our overall inventory and have resulted in lower inventory turnover rates. The effects of reduced inventory turnover have not been material to our overall operations. We believe that we can continue to provide, through our operations and financing arrangements, all required capital to support increased inventory levels.

Many of the raw materials that we use in the manufacturing process are petroleum-based or chemical-based and are subject to fluctuating prices. The nature of our business does not enable us to pass through the price increases to our national retailers and distributors as promptly as we experience increases in raw material costs. This may, at times, adversely affect our margins.

At September 30, 2012 and through the date of this report, we did not and do not have any material commitments for capital expenditures or inventories, nor do we have any other present commitment that is likely to result in our liquidity increasing or decreasing in any material way.

We believe that funds provided through operations and its existing sources of financing will be sufficient to satisfy our cash requirements over at least the next twelve months.

Item 3.Quantitative and Qualitative Disclosures about Market Risk

Not applicable

Item 4.Controls and Procedures

Evaluation of Disclosure Controls and Procedures:

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") at the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures as of the end of the period covered by this report are effective to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Exchange Act are (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and (ii) accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding the disclosure.

Change in Internal Controls over Financial Reporting:

No change in internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1A. – Risk Factors

In addition to the information set forth in this report, you should carefully consider the factors discussed in Item 1A, "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2011, which could materially affect the Company's business, financial condition or future results.

Item 6. – Exhibits

Exhibit No.	Description
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act. *
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act. *
32.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(b) under the Exchange Act and 18 U.S.C. Section 1350. *
32.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(b) under the Exchange Act and 18 U.S.C. Section 1350. *
101	The following materials from Ocean Bio-Chem, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of

September 30, 2012 and December 31, 2011, (ii) Condensed Consolidated Statements of Operations for the three months and nine months ended September, 2012 and 2011, (iii) Condensed Consolidated Statements of Comprehensive Income for the three months and nine months ended September 30, 2012 and 2011; (iv) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2012 and 2011 and (v) Notes to Condensed Consolidated Financial Statements. .

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* Filed herewith.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on behalf by the Undersigned thereunto duly authorized.

		OCEAN BIO-CHEM, INC.
Dated:	November 14, 2012	/s/ Peter G. Dornau Peter G. Dornau Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)
Dated:	November 14, 2012	/s/ Jeffrey S. Barocas Jeffrey S. Barocas Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)