NEWMARKET CORP
Form 10-Q
July 29, 2009
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2009

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from __________ to __________

Commission File Number 1-32190

NEWMARKET CORPORATION

(Exact name of registrant as specified in its charter)

VIRGINIA	**20-0812170**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
330 SOUTH FOURTH STREET RICHMOND, VIRGINIA	**23218-2189**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code - (804) 788-5000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

Number of shares of common stock, without par value, outstanding as of June 30, 2009: 15,204,207.

Table of Contents

NEWMARKET CORPORATION

INDEX

	Page Number
PART I. FINANCIAL INFORMATION	
ITEM 1. Financial Statements (unaudited)	
Consolidated Statements of Income Second Quarter and Six Months Ended June 30, 2009 and June 30, 2008	3
Consolidated Balance Sheets June 30, 2009 and December 31, 2008	4
Consolidated Statements of Cash Flows Six Months Ended June 30, 2009 and June 30, 2008	5
Notes to Consolidated Financial Statements	6 - 32
ITEM 2. Management s Discussion and Analysis of Financial Condition and Results of Operations	33 - 42
ITEM 3. Quantitative and Qualitative Disclosures About Market Risk	42
ITEM 4. Controls and Procedures	42 - 43
PART II. OTHER INFORMATION	
ITEM 1. Legal Proceedings	44
ITEM 1A. Risk Factors	44
ITEM 4. Submission of Matters to a Vote of Security Holders	44 - 45
ITEM 6. Exhibits	45 - 46
SIGNATURES	47

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

NEWMARKET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per-share amounts)

(Unaudited)

	Second Quarter Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
Net sales	$ 370,921	$ 425,882	$ 708,049	$ 808,232
Cost of goods sold	259,508	343,689	505,562	644,436
Gross profit	111,413	82,193	202,487	163,796
Selling, general, and administrative expenses	29,256	30,499	55,523	59,272
Research, development, and testing expenses	21,092	21,879	39,846	42,108
Operating profit	61,065	29,815	107,118	62,416
Interest and financing expenses	2,859	2,873	5,795	5,888
Other (expense) income, net	(11,850)	300	(11,930)	679
Income before income tax expense	46,356	27,242	89,393	57,207
Income tax expense	15,698	9,618	30,047	19,811
Net income	$ 30,658	$ 17,624	$ 59,346	$ 37,396
Basic earnings per share	$ 2.02	$ 1.14	$ 3.90	$ 2.42
Diluted earnings per share	$ 2.01	$ 1.13	$ 3.89	$ 2.40
Shares used to compute basic earnings per share	15,204	15,488	15,204	15,473
Shares used to compute diluted earnings per share	15,242	15,556	15,242	15,557
Cash dividends declared per common share	$ 0.25	$ 0.20	$ 0.45	$ 0.40

See accompanying notes to the consolidated financial statements.

Table of Contents

NEWMARKET CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

(Unaudited)

	June 30 2009	December 31 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 112,048	$ 21,761
Trade and other accounts receivable, less allowance for doubtful accounts ($1,141 in 2009 and 2008)	208,086	203,551
Inventories:		
Finished goods	135,998	158,325
Raw materials	24,544	34,657
Stores, supplies and other	7,904	8,090
	168,446	201,072
Deferred income taxes	17,558	14,090
Prepaid expenses and other current assets	8,252	5,704
Total current assets	514,390	446,178
Property, plant and equipment, at cost	892,059	848,011
Less accumulated depreciation and amortization	619,969	606,275
Net property, plant and equipment	272,090	241,736
Prepaid pension cost	28	159
Deferred income taxes	42,631	37,744
Other assets and deferred charges	37,340	31,566
Intangibles, net of amortization and goodwill	49,479	54,069
Total assets	$ 915,958	$ 811,452
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 87,251	$ 60,505
Accrued expenses	59,230	63,715
Dividends payable	3,416	2,646
Book overdraft	2,410	999
Long-term debt, current portion	809	784
Income taxes payable	25,976	7,264
Total current liabilities	179,092	135,913
Long-term debt	218,200	236,378
Other noncurrent liabilities	159,002	148,038
Commitments and contingencies (Note 8)		
Shareholders equity:		

Common stock and paid-in capital (without par value); authorized shares - 80,000,000; Outstanding shares - 15,204,207 in 2009 and 15,199,207 in 2008	137	115
Accumulated other comprehensive loss	(79,735)	(95,750)
Retained earnings	439,262	386,758
	359,664	291,123
Total liabilities and shareholders equity	$ 915,958	$ 811,452

See accompanying notes to the consolidated financial statements.

4

Table of Contents

NEWMARKET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended June 30	
	2009	**2008**
Cash and cash equivalents at beginning of year	$ 21,761	$ 71,872
Cash flows from operating activities:		
Net income	59,346	37,396
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and other amortization	15,568	13,618
Amortization of deferred financing costs	580	499
Noncash environmental remediation and dismantling	3,988	473
Noncash pension benefits expense	6,756	5,617
Noncash postretirement benefits expense	1,411	1,758
Noncash foreign exchange impact on the Consolidated Statements of Income	4,235	2,422
Deferred income tax benefit	(10,624)	(223)
Unrealized loss on derivative instruments - net	11,955	183
Gain on legal settlement		(3,227)
Working capital changes	76,887	(54,631)
Excess tax benefits from stock-based payment arrangements		(900)
Cash pension benefits contributions	(11,021)	(6,814)
Cash postretirement benefits contributions	(576)	(741)
Proceeds from legal settlement		3,227
Other, net	(3,776)	(1,524)
Cash provided from (used in) operating activities	154,729	(2,867)
Cash flows from investing activities:		
Capital expenditures	(15,138)	(13,198)
Foundry Park I capital expenditures	(23,822)	(18,798)
Deposit for interest rate lock agreement	(5,000)	
Proceeds from interest rate lock agreement	15,500	1,050
Deposit for interest rate swap	(15,850)	
Cash used in investing activities	(44,310)	(30,946)
Cash flows from financing activities:		
Draws on Foundry Park I construction loan	24,133	15,847
Net repayments under revolving credit agreement	(41,900)	
Repurchases of common stock		(6,811)
Dividends	(6,842)	(6,247)
Change in book overdraft, net	1,411	(2,209)
Payment for financed intangible asset	(500)	(500)
Debt issuance costs	(412)	
Proceeds from exercise of stock options	22	231
Excess tax benefits from stock-based payment arrangements		900
Payments on the capital lease	(386)	(363)

Cash (used in) provided from financing activities	(24,474)	848
Effect of foreign exchange on cash and cash equivalents	4,342	885
Increase (decrease) in cash and cash equivalents	90,287	(32,080)
Cash and cash equivalents at end of period	$ 112,048	$ 39,792

See accompanying notes to the consolidated financial statements.

Table of Contents

NEWMARKET CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Financial Statement Presentation

In the opinion of management, the accompanying consolidated financial statements of NewMarket Corporation and its subsidiaries contain all necessary adjustments for the fair presentation of, in all material respects, our consolidated financial position as of June 30, 2009, as well as our consolidated results of operations for the second quarter and six months ended June 30, 2009 and June 30, 2008 and our consolidated cash flows for the six months ended June 30, 2009 and June 30, 2008. All adjustments are of a normal, recurring nature, unless otherwise disclosed. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in the NewMarket Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2008 (2008 Annual Report), as filed with the Securities and Exchange Commission (SEC). The results of operations for the six month period ended June 30, 2009 are not necessarily indicative of the results to be expected for the full year ending December 31, 2009. The December 31, 2008 consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

Unless the context otherwise requires, all references to we, us, our, the Company and NewMarket are to NewMarket Corporation and its consolidated subsidiaries.

Certain amounts in the accompanying financial statements have been reclassified to conform to the current presentation. There was no effect on net income.

At both June 30, 2009 and December 31, 2008, we had a book overdraft for some of our disbursement cash accounts. A book overdraft represents transactions that have not cleared the bank accounts at the end of the reporting period. There are no agreements with the same banks to offset the presented balance. We transfer cash on an as-needed basis to fund these items as they clear the bank in subsequent periods.

Cash dividends totaling 45 cents per share for the six months ended June 30, 2009 and 40 cents per share for the six months ended June 30, 2008 were declared and paid as shown in the table below.

Year	Date Declared	Date Paid	Per Share Amount
2009	February 19, 2009	April 1, 2009	20 cents
	April 23, 2009	July 1, 2009	25 cents
2008	February 28, 2008	April 1, 2008	20 cents
	April 24, 2008	July 1, 2008	20 cents

During the six months ended June 30, 2009, we had noncash investing activity of $7.7 million related to capital expenditures incurred, but not paid, for the construction of the office building by Foundry Park I, LLC (Foundry Park I), as well as other capital projects of Afton Chemical Corporation (Afton).

Table of Contents

2. Asset Retirement Obligations

The following table illustrates the activity associated with our asset retirement obligations for the six months ended June 30, 2009 and June 30, 2008.

	2009	2008
	(in thousands)	
Asset retirement obligations, January 1	$ 3,009	$ 5,048
Liabilities incurred	2,000	
Accretion expense	98	153
Liabilities settled	(1,539)	(771)
Changes in expected cash flows and timing	(526)	(688)
Foreign currency impact		(7)
Asset retirement obligations, June 30	$ 3,042	$ 3,735

3. Segment Information

The tables below show our consolidated segment net sales, operating profit (including a reconciliation of segment operating profit to income before income taxes), and depreciation and amortization.

The All other category includes the continuing operations of the tetraethyl lead (TEL) business (primarily sales of TEL in North America), certain contract manufacturing Ethyl Corporation (Ethyl) provides to Afton and to third parties, as well as the real estate development activities.

Segment Net Sales

(in millions)

	Second Quarter Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
Petroleum additives	$ 368.2	$ 421.0	$ 703.0	$ 801.6
All other	2.7	4.9	5.0	6.6
Consolidated net sales	$ 370.9	$ 425.9	$ 708.0	$ 808.2

Table of Contents

Segment Operating Profit

(in millions)

	Second Quarter Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
Petroleum additives (a)	$ 67.6	$ 31.6	$ 117.7	$ 69.4
All other	(1.6)	2.0	(2.3)	0.5
Segment operating profit	66.0	33.6	115.4	69.9
Corporate, general, and administrative expenses	(5.3)	(3.6)	(8.8)	(7.5)
Interest and financing expenses	(2.9)	(2.9)	(5.8)	(5.9)
Unrealized loss on derivative instrument (b)	(11.9)		(11.9)	
Other income, net	0.5	0.1	0.5	0.7
Income before income taxes	$ 46.4	$ 27.2	$ 89.4	$ 57.2

(a) Petroleum additives segment operating profit for six months 2008 includes a gain of $3.2 million from a class action lawsuit related to raw materials.

(b) The unrealized loss on derivative instrument represents the fair value of an interest rate swap which we entered into on June 25, 2009. We are not using hedge accounting to record the derivative, and accordingly, any change in the fair value is immediately recognized in earnings.

Segment Depreciation and Amortization

(in millions)

	Second Quarter Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
Petroleum additives	$ 7.4	$ 6.5	$ 14.8	$ 12.9
Corporate	0.7	0.6	1.3	1.2
Total depreciation and amortization	$ 8.1	$ 7.1	$ 16.1	$ 14.1

4. Pension and Postretirement Benefit Plans

During the six months ended June 30, 2009, we made cash contributions of approximately $6.2 million for domestic pension plans and approximately $500 thousand for domestic postretirement benefit plans. We expect to make total cash contributions in 2009 of approximately $15 million for our domestic pension plans and approximately $1 million for our domestic postretirement benefit plans.

Table of Contents

We made cash contributions of approximately $4.8 million for our foreign pension plans and approximately $70 thousand for a foreign postretirement benefit plan during the six months ended June 30, 2009. During 2009, we expect to make total cash contributions of approximately $8 million for our foreign pension plans and approximately $140 thousand for our foreign postretirement benefit plan.

The tables below present information on periodic benefit cost for our pension and postretirement benefit plans.

	Domestic			
	Pension Benefits		Postretirement Benefits	
	Second Quarter Ended June 30			
	2009	2008	2009	2008
	(in thousands)			
Service cost	$ 1,399	$ 1,283	$ 277	$ 283
Interest cost	1,955	1,842	875	952
Expected return on plan assets	(2,071)	(1,954)	(419)	(415)
Amortization of prior service cost	72	73	2	3
Amortization of net loss (gain)	628	428	(85)	(7)
	$ 1,983	$ 1,672	$ 650	$ 816

	Domestic			
	Pension Benefits		Postretirement Benefits	
	Six Months Ended June 30			
	2009	2008	2009	2008
	(in thousands)			
Service cost	$ 2,797	$ 2,566	$ 554	$ 567
Interest cost	3,910	3,684	1,750	1,903
Expected return on plan assets	(4,143)	(3,908)	(838)	(831)
Amortization of prior service cost	145	146	5	6
Amortization of net loss (gain)	1,255	856	(171)	(13)
	$ 3,964	$ 3,344	$ 1,300	$ 1,632

Table of Contents

	Foreign			
	Pension Benefits		Postretirement Benefits	
	Second Quarter Ended June 30			
	2009	2008	2009	2008
	(in thousands)			
Service cost	$ 623	$ 757	$ 3	$ 4
Interest cost	1,223	1,503	34	34
Expected return on plan assets	(942)	(1,484)		
Amortization of prior service cost	17	21		
Amortization of transition asset	(8)	(10)	11	14
Amortization of net loss	398	357	8	11
	$ 1,311	$ 1,144	$ 56	$ 63

	Foreign			
	Pension Benefits		Postretirement Benefits	
	Six Months Ended June 30			
	2009	2008	2009	2008
	(in thousands)			
Service cost	$ 1,231	$ 1,510	$ 6	$ 9
Interest cost	2,411	3,000	67	68
Expected return on plan assets	(1,856)	(2,973)		
Amortization of prior service cost	34	42		
Amortization of transition asset	(16)	(20)	22	27
Amortization of net loss	790	714	16	22
Settlement loss	198			
	$ 2,792	$ 2,273	$ 111	$ 126

The settlement loss for the six months ended June 30, 2009 represents the termination of a pension plan of our Ethyl subsidiary in Belgium.

Table of Contents

5. Earnings Per Share

Basic and diluted earnings per share are calculated as shown in the table below. Options are not included in the computation of diluted earnings per share when the option exercise price exceeds the average market price of the underlying common share, as the impact on earnings per share would be anti-dilutive. We had no anti-dilutive options that were excluded from the calculation of earnings per share for any period presented.

	Second Quarter Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
	(in thousands, except per-share amounts)			
Basic earnings per share				
Numerator:				
Net income	$ 30,658	$ 17,624	$ 59,346	$ 37,396
Denominator:				
Weighted-average number of shares of common stock outstanding	15,204	15,488	15,204	15,473
Basic earnings per share	$ 2.02	$ 1.14	$ 3.90	$ 2.42
Diluted earnings per share				
Numerator:				
Net income	$ 30,658	$ 17,624	$ 59,346	$ 37,396
Denominator:				
Weighted-average number of shares of common stock outstanding	15,204	15,488	15,204	15,473
Shares issuable upon exercise of stock options	38	68	38	84
Total shares	15,242	15,556	15,242	15,557
Diluted earnings per share	$ 2.01	$ 1.13	$ 3.89	$ 2.40

Table of Contents

6. Intangibles, net of amortization

The following table provides certain information related to our intangible assets. All of the intangibles relate to the petroleum additives segment.

	Identifiable Intangibles			
	June 30 2009		December 31 2008	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
		(in thousands)		
Amortizing intangible assets				
Formulas	$ 88,687	$ 56,160	$ 88,687	$ 53,476
Contracts	16,380	5,362	16,380	3,687
Customer base	5,440	367	5,440	136
Goodwill	861		861	
	$ 111,368	$ 61,889	$ 111,368	$ 57,299

Amortization expense for the second quarter and six month periods was (in millions):

Second quarter ended June 30, 2009	$ 2.2
Six months ended June 30, 2009	$ 4.6
Second quarter ended June 30, 2008	$ 1.6
Six months ended June 30, 2008	$ 3.1

Estimated annual amortization expense related to our intangible assets for the next five years is expected to be (in millions):

2009	$ 8.9
2010	$ 8.3
2011	$ 8.0
2012	$ 6.9
2013	$ 6.6

We amortize the cost of the customer base intangible by an accelerated method and the cost of the remaining intangible assets by the straight-line method over their estimated economic lives. We generally amortize contracts over 1.5 to 10 years and formulas, as well as the customer base, over 20 years.

Table of Contents

7. Long-term Debt

Long-term debt consisted of the following:

	June 30 2009	December 31 2008
	(in thousands)	
Senior notes - 7.125% due 2016	$ 150,000	$ 150,000
Foundry Park I construction loan - due 2010	67,632	43,499
Revolving credit facility - due 2011		41,900
Capital lease obligations	1,377	1,763
	219,009	237,162
Current maturities of long-term debt	(809)	(784)
	$ 218,200	$ 236,378

On January 5, 2009, we entered into a Supplement Agreement to the Second Amended and Restated Revolving Credit Agreement to increase the commitment level of the revolving credit facility by $5 million. Subsequently, on March 24, 2009, we entered into a Second Amendment to the Second Amended and Restated Revolving Credit Agreement (Second Amendment). The Second Amendment increased the commitment level by an additional $5 million, increased the letter of credit commitment level from $50 million to $75 million, increased the interest rate paid for borrowings, and amended certain defined terms and covenant calculations. On March 24, 2009, we entered into a Supplement Agreement to the Second Amended and Restated Revolving Credit Agreement to increase the commitment level of the revolving credit facility by $2.25 million. On April 20, 2009, we entered into an agreement to add an additional lender under our revolving credit facility and increase the commitment level by $10 million. Subsequently, on June 30, 2009, that lender increased its commitment level by another $10 million.

All of these transactions resulted in a commitment level of $139.25 million at June 30, 2009. We paid financing costs of $400 thousand related to these transactions, which will be amortized over the remaining term of the revolving credit facility. We had outstanding letters of credit of $4.3 million at June 30, 2009, resulting in the unused portion of the revolving credit facility amounting to $135.0 million.

8. Contractual Commitments and Contingencies

Except as discussed below, there have been no significant changes in our contractual commitments and contingencies from those reported in our 2008 Annual Report in Note 17 of the Notes to Consolidated Financial Statements.

Litigation

We are involved in legal proceedings that are incidental to our business and include administrative or judicial actions seeking remediation under environmental laws, such as Superfund. Some of these legal proceedings relate to environmental matters and involve governmental authorities. For further information, see Environmental below.

Table of Contents

While it is not possible to predict or determine with certainty the outcome of any legal proceeding, we believe the outcome of any of these proceedings, or all of them combined, will not result in a material adverse effect on our consolidated financial condition or results of operations.

Environmental

During 2000, the U.S. Environmental Protection Agency (EPA) named us as a potentially responsible party (PRP) under Superfund law for the clean-up of soil and groundwater contamination at the Sauget Area 2 Site in Sauget, Illinois. Without admitting any fact, responsibility, fault, or liability in connection with this site, we are participating with other PRPs in site investigations and feasibility studies.

The Sauget Area 2 Site PRPs are currently working with the EPA to submit an acceptable Remedial Investigation and Feasibility Study (RI/FS) to the EPA, which we expect to occur in late 2009. We have accrued our estimated proportional share of the expenses for the RI/FS, as well as our best estimate of our proportional share of the remediation liability proposed in our ongoing discussions and submissions with the agencies involved. The amount currently accrued for this site is not material.

At a former TEL plant site located in Louisiana, we have completed significant environmental remediation, although we will be monitoring and treating the site for an extended period. The accrual for this site was $7.9 million at June 30, 2009 and $8.8 million at December 31, 2008. We based these amounts on the best estimate of future costs discounted at approximately 3% in 2009 and 2% in 2008. An inflation factor is included in the estimate. The undiscounted liability was $10.3 million at June 30, 2009 and $9.6 million at December 31, 2008. The expected payments over the next five years amount to approximately $800 thousand in 2010 and $600 thousand for each of the years 2011 through 2014. Expected payments thereafter amount to approximately $7 million.

At a plant site in Houston, Texas, we have accruals of $8.1 million at June 30, 2009 and $6.7 million at December 31, 2008 for environmental remediation, dismantling, and decontamination. Included in these amounts are $7.8 million at June 30, 2009 and $5.8 million at December 31, 2008 for remediation. The increase in the accruals between 2008 and 2009 primarily relate to additional costs expected to be incurred for the closure of a landfill on the plant site. The accruals for this site are discounted at approximately 3% at June 30, 2009 and approximately 4% at December 31, 2008 for a portion of the site. The accruals include an inflation factor. The undiscounted accrual for this site was $11.4 million at June 30, 2009 and $7.8 million at December 31, 2008. The expected payments over the next five years are approximately $500 thousand in 2010, $800 thousand in 2011, $2.6 million in 2012, and $200 thousand for each of 2013 and 2014. Expected payments thereafter amount to approximately $6.8 million.

At a superfund site in Louisiana, we have an accrual of $2.9 million at June 30, 2009 and $3.3 million at December 31, 2008 for environmental remediation. The accrual for this site was discounted at approximately 3% and included an inflation factor. The undiscounted accrual for this site was $3.5 million at June 30, 2009 and $3.3 million at December 31, 2008. The expected payments over the next five years amount to approximately $600 thousand in 2010 and $200 thousand each for years 2011 through 2014. Expected payments thereafter amount to approximately $2 million.

The remaining environmental liabilities are not discounted.

Table of Contents

We accrue for environmental remediation and monitoring activities for which costs can be reasonably estimated and are probable. These estimates are based on an assessment of the site, available clean-up methods, and prior experience in handling remediation. While we believe we are currently fully accrued for known environmental issues, it is possible that unexpected future costs could have a significant impact on our financial position and results of operations.

Our total accruals for environmental remediation were approximately $22.7 million at June 30, 2009 and $20.6 million at December 31, 2008. In addition to the accruals for environmental remediation, we also have accruals for dismantling and decommissioning costs of $500 thousand at June 30, 2009 and $1.3 million at December 31, 2008.

Letters of Credit and Guarantees

We have outstanding guarantees with several financial institutions in the amount of $23.0 million at June 30, 2009. The guarantees are secured by letters of credit, as well as cash collateral. The outstanding letters of credit amounted to $4.3 million at June 30, 2009, all of which were issued under the letter of credit sub-facility of our revolving credit facility. See Note 7 in the Notes to Consolidated Financial Statements. The letters of credit primarily relate to insurance guarantees. We renew letters of credit as necessary. The remaining amounts represent performance, lease, custom and excise tax guarantees, as well as a cash deposit of $15.9 million related to the Goldman Sachs Bank USA (Goldman Sachs) interest rate swap. The cash deposit is recorded in Other assets and deferred charges on the Consolidated Balance Sheet. See Note 9 in the Notes to Consolidated Financial Statements. Expiration dates range from 2009 to 2012. Some of the guarantees have no expiration date.

We cannot estimate the maximum amount of potential liability under the guarantees. However, we accrue for potential liabilities when a future payment is probable and the range of loss can be reasonably estimated.

Interest Rate Lock Agreement

The construction loan for the Foundry Park I project to construct an office building for MeadWestvaco is being financed by a group of banks and matures in August 2010. Prior to commencing construction, we took actions to identify the possible permanent lending source after construction. To that end, Foundry Park I entered into an Application with Principal Commercial Funding II, LLC (Principal) dated February 26, 2007 which outlined the terms and conditions under which Principal would provide permanent, fixed-rate financing in the maximum amount of $116,000,000 amortized over 25 years with all amounts due 13.5 years after the date of the loan. The Application was not a loan commitment due to the lengthy time period of thirty-four months until the completion of the building. In order to obtain a fixed-rate loan, we entered into a rate lock agreement with Principal dated February 26, 2007. Principal simultaneously entered into a hedge with a third party based mainly on the forward rates of ten-year Treasuries. We were not a party to that hedging agreement. Under the rate lock agreement, we agreed to post a deposit with Principal and to increase the amount of that deposit if the exposure to Principal on their hedge increased.

Principal and Foundry Park I have determined that the loan terms set forth in the Application could not be syndicated based on current market conditions. As a result, Principal and Foundry Park I have terminated the loan application and related rate lock agreement and have mutually released each other from their respective rights and obligations under those arrangements. While we are

currently investigating alternative financing to replace the Foundry Park I project construction loan when it matures and believe that we can obtain financing on acceptable terms, we cannot predict the financing terms which will be available at that time. See Note 9 in the Notes to Consolidated Financial Statements for additional information on the termination of the rate lock agreement and subsequent entry into an interest rate swap with Goldman Sachs related to the Foundry Park I project. All amounts which we had deposited with Principal under the rate lock agreement have effectively been returned to us at the termination of the rate lock agreement as Principal transferred the deposited funds to Goldman Sachs as collateral for the interest rate swap related to the Foundry Park I project.

9. Derivatives and Hedging Activities

Accounting Policy for Derivative Instruments and Hedging Activities

We record all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether we have elected to designate a derivative in a hedging relationship and apply hedge accounting, and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. We may enter into derivative contracts that are intended to economically hedge certain of our risk, even though hedge accounting does not apply or we elect not to apply hedge accounting. We do not enter into derivative instruments for speculative purposes.

Risk Management Objective of Using Derivatives

We are exposed to certain risks arising from both our business operations and economic conditions. We primarily manage our exposures to a wide variety of business and operational risks through management of our core business activities.

We manage certain economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of our debt funding, as well as through the use of derivative financial instruments. Specifically, we have entered into interest rate swaps to manage our exposure to interest rate movements.

Our foreign operations expose us to fluctuations of foreign exchange rates. These fluctuations may impact the value of our cash receipts and payments as compared to our reporting currency, the U.S. Dollar. To manage this exposure, we sometimes enter into foreign currency forward contracts to minimize currency exposure due to cash flows from foreign operations.

Cash Flow Hedge of Interest Rate Risk

We have entered into an interest rate swap to manage our exposure to interest rate movements on the Foundry Park I construction loan and add stability to capitalized interest expense. Further information on the construction loan is in our 2008 Annual Report in Note 12 of the Notes to Consolidated Financial Statements. The interest rate swap related to the Foundry
Park I

construction loan is designated and qualifies as a cash flow hedge. As such, the effective portion of changes in the fair value of the swap is recorded in accumulated other comprehensive loss and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of changes in the fair value of the swap is recognized immediately in earnings. We assess the effectiveness of the construction loan interest rate swap quarterly by comparing the changes in the fair value of the derivative hedging instrument with the change in present value of the expected future cash flows of the hedged transaction.

The construction loan interest rate swap involves the receipt of variable-rate amounts based on LIBOR in exchange for fixed-rate payments over the life of the agreement without exchange of the underlying notional amount. The fixed-rate payments are at a rate of 4.975%. The notional amount of the construction loan interest rate swap was approximately $72.5 million at June 30, 2009 and $52.9 million at December 31, 2008 and accretes to approximately $94 million over the term of the swap. The accreting notional amount is necessary to maintain the swap notional at an amount that represents approximately 85% of the projected construction loan principal balance over the loan term. The maturity date of the construction loan interest rate swap is January 1, 2010.

Information on the amounts and location in our financial statements of the fair value, loss in other comprehensive income, and ineffectiveness of the construction loan interest rate swap is shown in the tables below. The unrealized loss, net of tax, related to the fair value of the construction loan interest rate swap and recorded in accumulated other comprehensive loss in shareholders equity on the Consolidated Balance Sheets, amounted to approximately $1.2 million at June 30, 2009 and $1.9 million at December 31, 2008. Also recorded as a component of accumulated other comprehensive loss in shareholders equity on the Consolidated Balance Sheets was the net amount of swap receipts and payments made since the inception of the construction loan interest rate swap. This amounted to approximately $1.4 million, net of tax, at June 30, 2009 and $400 thousand, net of tax, at December 31, 2008. Any amounts remaining in accumulated other comprehensive loss related to the construction loan interest rate swap will be recognized in the Consolidated Statements of Income over the depreciable life of the office building beginning at the completion of the construction project, which is currently expected to be late 2009. Approximately $43 thousand currently recognized in accumulated other comprehensive loss is expected to be reclassified into earnings over the next twelve months.

Non-designated Hedges

On June 25, 2009, we entered into an interest rate swap with Goldman Sachs in the notional amount of $97 million and with a maturity date of January 19, 2022 (Goldman Sachs interest rate swap). NewMarket entered into the Goldman Sachs interest rate swap in connection with the termination of a loan application and related rate lock agreement between Foundry Park I and Principal. See Note 8 for further information on the transaction between Foundry Park I and Principal. When the rate lock agreement was originally executed in 2007, Principal simultaneously entered into an interest rate swap with a third party to hedge Principal s exposure to fluctuation in the ten-year Treasuries rate. Upon the termination on June 25, 2009 of the rate lock agreement, Goldman Sachs both assumed Principal s position with the third party and entered into an offsetting interest rate swap with NewMarket. Under the terms of this interest rate swap, NewMarket will make fixed rate payments of 5.3075% and Goldman Sachs will make variable rate payments based on three month LIBOR. We have collateralized this exposure through cash deposits posted with Goldman Sachs amounting to $15.9 million at June 30, 2009. This transaction effectively preserves the impact of the original rate lock agreement for the possible application to a future loan amount of $97 million of a similar structure.

Table of Contents

In December 2008, we entered into $17 million of Euro-denominated forward contracts to minimize foreign currency exposure from expected cash flows from foreign operations. The forward contracts obligate us to sell Euros for U.S. Dollars at a fixed exchange rate of 1.403, which was agreed to at the inception of the contracts. These contracts have maturity dates from January 2009 to December 2009. The outstanding Euro-denominated foreign currency forward contracts amounted to $8 million at June 30, 2009 and $17 million at December 31, 2008. Any foreign currency rate change that affects the fair value of any of these forward contract transactions is offset by a corresponding change in the value of the Euro-denominated transactions.

We elected not to use hedge accounting for both the Goldman Sachs interest rate swap and the forward contracts, and therefore immediately recognized any change in the fair value of these derivative financial instruments directly in earnings.

*****

The table below presents the fair value of our derivative financial instruments, as well as their classification on the Consolidated Balance Sheets as of June 30, 2009 and December 31, 2008.

Fair Value of Derivative Instruments

(in thousands)

	Asset Derivatives				Liability Derivatives			
	June 30, 2009		December 31, 2008		June 30, 2009		December 31, 2008	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives Designated as Hedging Instruments								
Construction loan interest rate swap		$		$	Accrued expenses	$ 2,280	Accrued expenses	$ 3,231
Derivatives Not Designated as Hedging Instruments								
Goldman Sachs interest rate swap		$		$	Other long-term liabilities	$ 11,931		$
Foreign currency forward contracts	Trade and other accounts receivable	$ 3	Trade and other accounts receivable	$ 164		$		$

Table of Contents

The tables below present the effect of our derivative financial instruments on the Consolidated Statements of Income.

Effect of Derivative Instruments on the Consolidated Statements of Income

Designated Cash Flow Hedges

(in thousands)

Derivatives in Cash Flow Hedging Relationship	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion) Second Quarter Ended June 30		Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) Second Quarter Ended June 30		Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectivness Testing)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) Second Quarter Ended June 30	
	2009	2008		2009	2008		2009	2008
Construction loan interest rate swap	$ (226)	$ 814		$	$	Other (expense) income, net	$ 50	$ 138
	Six Months Ended June 30			Six Months Ended June 30			Six Months Ended June 30	
	2009	2008		2009	2008		2009	2008
Construction loan interest rate swap	$ (364)	$ (141)		$	$	Other (expense) income, net	$ (27)	$ (103)

Effect of Derivative Instruments on the Consolidated Statements of Income

Not Designated Derivatives

(in thousands)

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative			
		Second Quarter Ended June 30		Six Months Ended June 30	
		2009	2008	2009	2008
Goldman Sachs interest rate swap	Other (expense) income, net	$ (11,931)	$	$ (11,931)	$
Foreign currency forward contracts	Cost of goods sold	$ 658	$	$ (161)	$

19

Table of Contents

Credit-risk-related Contingent Features

We have an agreement with one of our derivative counterparties that contains a provision which specifies that if we default on any of our indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then we could be declared in default on our derivative obligations. We also have a separate agreement with another one of our derivative counterparties that contains a provision where we could be declared in default on our derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to our default on the indebtedness.

As of June 30, 2009, the fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was $13.2 million. We have minimum collateral posting thresholds with one of our derivative counterparties and have posted cash collateral of $15.9 million as of June 30, 2009. If required, we could have settled our obligations under the agreements at their termination value of $13.2 million at June 30, 2009.

10. Comprehensive Income and Accumulated Other Comprehensive Loss

The components of comprehensive income consist of the following:

	Second Quarter Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
	(in thousands)			
Net income	$ 30,658	$ 17,624	$ 59,346	$ 37,396
Other comprehensive income, net of tax				
Pension plans and other postretirement benefits adjustments	711	590	1,548	1,181
Unrealized (loss) gain on derivative instruments	(141)	508	(227)	(88)
Foreign currency translation adjustments	18,569	268	14,694	3,532
Other comprehensive income	19,139	1,366	16,015	4,625
Comprehensive income	$ 49,797	$ 18,990	$ 75,361	$ 42,021

The components of accumulated other comprehensive loss consist of the following:

	June 30 2009	December 31 2008
	(in thousands)	
Pension plans and other postretirement benefit adjustments	$ (62,020)	$ (63,568)
Accumulated loss on derivative instruments	(2,528)	(2,301)
Foreign currency translation adjustments	(15,187)	(29,881)
Accumulated other comprehensive loss	$ (79,735)	$ (95,750)

Table of Contents

11. Fair Value Measurements

The following table provides information on those assets and liabilities measured at fair value on a recurring basis. No events occurred during the six months ended June 30, 2009, requiring adjustment to the recognized balances of assets or liabilities which are recorded at fair value on a nonrecurring basis.

	Carrying Amount in Consolidated Balance Sheets	Fair Value	Fair Value Measurements Using		
			Level 1	Level 2	Level 3
			June 30, 2009		
Cash and cash equivalents	$ 112,048	$ 112,048	$ 112,048	$	$
Foreign currency forward contracts asset	$ 3	$ 3	$	$ 3	$
Interest rate swaps liability	$ 14,211	$ 14,211	$	$ 14,211	$
			December 31, 2008		
Cash and cash equivalents	$ 21,761	$ 21,761	$ 21,761	$	$
Foreign currency forward contracts asset	$ 164	$ 164	$	$ 164	$
Interest rate swap liability	$ 3,231	$ 3,231	$	$ 3,231	$

We determine the fair value of the derivative instruments shown in the table above by using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each instrument. The analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs.

The fair value of the interest rate swaps is determined using the market standard methodology of netting the discounted future fixed cash receipts and the discounted expected variable cash payments. The variable cash payments are based on an expectation of future interest rates derived from observable market interest rate curves. The fair value of the foreign currency forward contracts is based on interest differentials between the geographical areas and market forward points. In determining the fair value measurements, we incorporate credit valuation adjustments to appropriately reflect both our nonperformance risk and the counterparties nonperformance risk.

Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustment associated with the derivatives utilizes Level 3 inputs. These Level 3 inputs include estimates of current credit spreads to evaluate the likelihood of default by both us and the counterparties to the derivatives. As of June 30, 2009, we have assessed the significance of the impact of the credit valuation adjustment on the overall valuation of our derivatives and have determined that the credit valuation adjustment is not significant to the overall valuation of the derivatives. Accordingly, we have determined that our derivative valuations should be classified in Level 2 of the fair value hierarchy.

We record the value of our long-term debt at historical cost. The estimated fair value of our long-term debt is shown in the table below and is based primarily on estimated current rates available to us for debt of the same remaining duration and adjusted for nonperformance risk and credit risk.

	June 30, 2009		December 31, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current maturities	$ (219,009)	$ (202,982)	$ (237,162)	$ (199,315)

12. Recently Issued Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued Financial Accounting Standard No. 166, Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140 (FAS 166). FAS 166 clarifies the information that an entity must provide in its financial statements surrounding a transfer of financial assets and the effect of the transfer on its financial position, financial performance, and cash flows. This Statement is effective as of the beginning of the annual period beginning after November 15, 2009. We currently do not expect FAS 166 to have a significant impact on our financial statements.

In June 2009, the FASB issued Financial Accounting Standard No. 167, Amendments to FASB Interpretation No. 46(R) (FAS 167). FAS 167 clarifies and improves financial reporting by entities involved with variable interest entities. This Statement is effective as of the beginning of the annual period beginning after November 15, 2009. We currently do not expect FAS 167 to have a significant impact on our financial statements.

In June 2009, the FASB issued Financial Accounting Standard No. 168, The *FASB Accounting Standards Codification*™ and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162 (FAS 168). In addition in June 2009, the FASB issued Accounting Standards Update No. 2009-01, Topic 205 Generally Accepted Accounting Principles - amendments based on Statement of Financial Accounting Standards No. 168 The *FASB Accounting Standards Codification*™ and the Hierarchy of Generally Accepted Accounting Principles (ASU 2009-1). Both FAS 168 and ASU 2009-1 recognize the *FASB Accounting Standards Codification*™ as the source of authoritative U.S. generally accepted accounting principles to be utilized by nongovernmental entities. FAS 168 and ASU 2009-1 are effective for interim and annual periods ending after September 15, 2009.

13. Consolidating Financial Information

The 7.125% senior notes due 2016 are fully and unconditionally guaranteed by certain of our subsidiaries (Guarantor Subsidiaries) on a joint and several unsecured senior basis. The Guarantor Subsidiaries include all of our existing and future wholly-owned domestic restricted subsidiaries. The Guarantor Subsidiaries and the subsidiaries that do not guarantee the senior notes (the Non-Guarantor Subsidiaries) are wholly-owned by NewMarket Corporation (the Parent Company). The Guarantor Subsidiaries consist of the following:

Ethyl Corporation	Afton Chemical Corporation
Ethyl Asia Pacific LLC	Afton Chemical Asia Pacific LLC
Ethyl Canada Holdings, Inc.	Afton Chemical Canada Holdings, Inc.
Ethyl Export Corporation	Afton Chemical Japan Holdings, Inc.

Ethyl Interamerica Corporation	Afton Chemical Additives Corporation
Ethyl Ventures, Inc.	Afton Chemical Intangibles LLC
Interamerica Terminals Corporation	The Edwin Cooper Corporation
NewMarket Development Corporation	NewMarket Investment Company
NewMarket Services Corporation	Old Town LLC
Foundry Park I, LLC	Foundry Park II, LLC
Gamble s Hill, LLC	Gamble s Hill Lab, LLC
Gamble s Hill Landing, LLC	Gamble s Hill Third Street, LLC
Gamble s Hill Tredegar, LLC	

We conduct all of our business and derive essentially all of our income from our subsidiaries. Therefore, our ability to make payments on the senior notes or other obligations is dependent on the earnings and the distribution of funds from our subsidiaries. There are no restrictions on the ability of any of our domestic subsidiaries to transfer funds to the Parent Company.

The following sets forth the Consolidating Statements of Income for the second quarter and six months ended June 30, 2009 and June 30, 2008, Consolidating Balance Sheets as of June 30, 2009 and December 31, 2008, and Condensed Consolidating Statements of Cash Flows for the six months ended June 30, 2009 and June 30, 2008 for the Parent Company, the Guarantor Subsidiaries, and Non-Guarantor Subsidiaries. The financial information is based on our understanding of the SEC s interpretation and application of Rule 3-10 of the SEC Regulation S-X.

The financial information may not necessarily be indicative of results of operations or financial position had the Guarantor Subsidiaries or Non-Guarantor Subsidiaries operated as independent entities. The Parent Company accounts for investments in these subsidiaries using the equity method.

Table of Contents

NewMarket Corporation and Subsidiaries

Consolidating Statements of Income

Second Quarter Ended June 30, 2009

(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Total Consolidating Adjustments	Consolidated
Net sales	$				