

NEWMARKET CORP
Form 10-Q
October 27, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 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)

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VIRGINIA
(State or other jurisdiction of
incorporation or organization)

20-0812170
(I.R.S. Employer
Identification No.)

330 SOUTH FOURTH STREET

RICHMOND, VIRGINIA
(Address of principal executive offices)

23218-2189
(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 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

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

Number of shares of common stock, without par value, outstanding as of September 30, 2009: 15,207,989.

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NEWMARKET CORPORATION

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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)**

	Third Quarter Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Net sales	\$ 417,832	\$ 440,604	\$ 1,125,881	\$ 1,248,836
Cost of goods sold	274,865	367,026	780,427	1,011,462
Gross profit	142,967	73,578	345,454	237,374
Selling, general, and administrative expenses	27,618	28,476	83,141	87,748
Research, development, and testing expenses	21,602	19,471	61,448	61,579
Operating profit	93,747	25,631	200,865	88,047
Interest and financing expenses	2,909	2,966	8,704	8,854
Other (expense) income, net	(3,804)	222	(15,734)	901
Income before income tax expense	87,034	22,887	176,427	80,094
Income tax expense	30,347	6,415	60,394	26,226
Net income	\$ 56,687	\$ 16,472	\$ 116,033	\$ 53,868
Basic earnings per share	\$ 3.73	\$ 1.08	\$ 7.63	\$ 3.49
Diluted earnings per share	\$ 3.72	\$ 1.07	\$ 7.61	\$ 3.48
Shares used to compute basic earnings per share	15,208	15,306	15,205	15,418
Shares used to compute diluted earnings per share	15,245	15,365	15,243	15,493
Cash dividends declared per common share	\$ 0.25	\$ 0.20	\$ 0.70	\$ 0.60

See accompanying notes to the consolidated financial statements.

Table of Contents**NEWMARKET CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(In thousands, except share amounts)

(Unaudited)

	September 30 2009	December 31 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 133,770	\$ 21,761
Short-term investments	300	
Trade and other accounts receivable, less allowance for doubtful accounts (\$1,141 in 2009 and 2008)	229,603	203,551
Inventories:		
Finished goods	144,371	158,325
Raw materials	30,582	34,657
Stores, supplies and other	7,504	8,090
	182,457	201,072
Deferred income taxes	27,677	14,090
Prepaid expenses and other current assets	9,141	5,704
Total current assets	582,948	446,178
Property, plant and equipment, at cost	922,941	848,011
Less accumulated depreciation and amortization	629,492	606,275
Net property, plant and equipment	293,449	241,736
Prepaid pension cost	36	159
Deferred income taxes	40,154	37,744
Other assets and deferred charges	41,283	31,566
Intangibles, net of amortization and goodwill	47,271	54,069
Total assets	\$ 1,005,141	\$ 811,452
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 100,447	\$ 60,505
Accrued expenses	66,992	63,715
Dividends payable	3,319	2,646
Book overdraft	2,896	999
Long-term debt, current portion	86,055	784
Income taxes payable	22,341	7,264
Total current liabilities	282,050	135,913
Long-term debt	150,358	236,378
Other noncurrent liabilities	160,283	148,038

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Commitments and contingencies (Note 8)

Shareholders' equity:

Common stock and paid-in capital (without par value); authorized shares - 80,000,000; Outstanding shares - 15,207,989 in 2009 and 15,199,207 in 2008	266	115
Accumulated other comprehensive loss	(79,963)	(95,750)
Retained earnings	492,147	386,758
	412,450	291,123
Total liabilities and shareholders' equity	\$ 1,005,141	\$ 811,452

See accompanying notes to the consolidated financial statements.

Table of Contents**NEWMARKET CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)****(Unaudited)**

	Nine Months Ended September 30	
	2009	2008
Cash and cash equivalents at beginning of year	\$ 21,761	\$ 71,872
Cash flows from operating activities:		
Net income	116,033	53,868
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and other amortization	23,485	20,449
Amortization of deferred financing costs	887	749
Noncash environmental remediation and dismantling	4,025	811
Noncash pension benefits expense	10,147	8,797
Noncash postretirement benefits expense	1,982	2,014
Noncash foreign exchange loss	551	3,978
Deferred income tax (benefit) expense	(19,491)	3,857
Unrealized loss (gain) on derivative instruments - net	15,884	(356)
Gain on legal settlement		(3,227)
Working capital changes	67,283	(69,908)
Excess tax benefits from stock-based payment arrangements		(900)
Cash pension benefits contributions	(17,308)	(10,996)
Cash postretirement benefits contributions	(1,005)	(1,423)
Proceeds from legal settlement		3,227
Other, net	(7,856)	623
Cash provided from operating activities	194,617	11,563
Cash flows from investing activities:		
Capital expenditures	(26,506)	(21,831)
Foundry Park I capital expenditures	(40,403)	(29,046)
Purchase of short-term investment	(300)	
Acquisition of business		(14,721)
Deposits for interest rate lock agreement	(5,000)	
Return of deposits for interest rate lock agreement	15,500	1,050
Return of deposits for interest rate swap	9,930	
Deposits for interest rate swap	(29,900)	
Cash used in investing activities	(76,679)	(64,548)
Cash flows from financing activities:		
Draws on Foundry Park I construction loan	41,735	25,083
Net (repayments) borrowings under revolving credit agreement	(41,900)	31,800
Repurchases of common stock		(26,810)
Dividends	(10,644)	(12,090)
Change in book overdraft, net	1,897	(1,637)
Payment for financed intangible asset	(750)	(750)
Debt issuance costs	(412)	

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Proceeds from exercise of stock options	31	246
Excess tax benefits from stock-based payment arrangements		900
Payments on the capital lease	(584)	(548)
Cash (used in) provided from financing activities	(10,627)	16,194
Effect of foreign exchange on cash and cash equivalents	4,698	(1,590)
Increase (decrease) in cash and cash equivalents	112,009	(38,381)
Cash and cash equivalents at end of period	\$ 133,770	\$ 33,491

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 September 30, 2009, as well as our consolidated results of operations for the third quarter and nine months ended September 30, 2009 and September 30, 2008 and our consolidated cash flows for the nine months ended September 30, 2009 and September 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 nine month period ended September 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 September 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 70 cents per share for the nine months ended September 30, 2009 and 60 cents per share for the nine months ended September 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
	July 30, 2009	October 1, 2009	25 cents
2008	February 28, 2008	April 1, 2008	20 cents
	April 24, 2008	July 1, 2008	20 cents
	July 31, 2008	October 1, 2008	20 cents

Table of Contents**NEWMARKET CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

During the nine months ended September 30, 2009, we had noncash investing activity of \$5.8 million related to capital expenditures incurred, but not paid, for the construction of the office building by Foundry Park I, LLC (Foundry Park I).

2. Asset Retirement Obligations

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

	2009	2008
	<i>(in thousands)</i>	
Asset retirement obligations, January 1	\$ 3,009	\$ 5,048
Liabilities incurred	2,000	
Accretion expense	135	220
Liabilities settled	(1,539)	(1,070)
Changes in expected cash flows and timing	(526)	(417)
Foreign currency impact		(8)
Asset retirement obligations, September 30	\$ 3,079	\$ 3,773

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 Chemical Corporation (Afton) and to third parties, as well as the real estate development activities.

The real estate development operating segment represents the construction of the office building by Foundry Park I. Total segment assets of the real estate development operating segment amounted to \$104.0 million at September 30, 2009 and \$62.9 million at December 31, 2008. Additions to long-lived assets for the real estate development operating segment were \$41.1 million for nine months 2009. Since its inception, there has been no sales revenue and an insignificant operating loss of the real estate development operating segment, as the building has been under construction. We expect to begin recognizing rental revenue beginning in 2010.

Table of Contents**NEWMARKET CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****Segment Net Sales****(in millions)**

	Third Quarter Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Petroleum additives	\$ 413.7	\$ 437.2	\$ 1,116.7	\$ 1,238.8
All other	4.1	3.4	9.2	10.0
Consolidated net sales	\$ 417.8	\$ 440.6	\$ 1,125.9	\$ 1,248.8

Segment Operating Profit**(in millions)**

	Third Quarter Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Petroleum additives (a)	\$ 96.3	\$ 28.1	\$ 214.0	\$ 97.5
All other	1.0	0.5	(1.3)	1.0
Segment operating profit	97.3	28.6	212.7	98.5
Corporate, general, and administrative expenses	(3.3)	(3.3)	(12.1)	(10.9)
Interest and financing expenses	(2.9)	(3.0)	(8.7)	(8.9)
Unrealized loss on interest rate swap agreement (b)	(3.8)		(15.7)	
Other (expense) income, net	(0.3)	0.6	0.2	1.4
Income before income taxes	\$ 87.0	\$ 22.9	\$ 176.4	\$ 80.1

- (a) *Petroleum additives segment operating profit for nine months 2008 includes a gain of \$3.2 million from a class action lawsuit related to raw materials.*
- (b) *The unrealized loss on the interest rate swap agreement represents the change, since the beginning of the reporting period, in 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 interest rate swap, and accordingly, any change in the fair value is immediately recognized in earnings.*

Table of Contents**NEWMARKET CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****Segment Depreciation and Amortization****(in millions)**

	Third Quarter Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Petroleum additives	\$ 7.6	\$ 6.4	\$ 22.4	\$ 19.3
All other		0.1	0.1	0.1
Corporate	0.6	0.6	1.9	1.8
Total depreciation and amortization	\$ 8.2	\$ 7.1	\$ 24.4	\$ 21.2

4. Pension and Postretirement Benefit Plans

During the nine months ended September 30, 2009, we made cash contributions of approximately \$10.8 million for domestic pension plans and approximately \$900 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.

We made cash contributions of approximately \$6.5 million for our foreign pension plans and approximately \$100 thousand for a foreign postretirement benefit plan during the nine months ended September 30, 2009. During 2009, we expect to make total cash contributions of approximately \$8 million for our foreign pension plans and approximately \$150 thousand for our foreign postretirement benefit plan.

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NEWMARKET CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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

	Pension Benefits		Domestic Postretirement Benefits	
	Third Quarter Ended September 30			
	2009	2008	2009	2008
	<i>(in thousands)</i>			
Service cost	\$ 1,493	\$ 1,420	\$ 260	\$ 191
Interest cost	2,041	1,938	806	716
Expected return on plan assets	(2,301)	(1,931)	(388)	(413)
Amortization of prior service cost	72	73	1	2
Amortization of net loss (gain)	672	559	(169)	(300)
	\$ 1,977	\$ 2,059	\$ 510	\$ 196

	Pension Benefits		Domestic Postretirement Benefits	
	Nine Months Ended September 30			
	2009	2008	2009	2008
	<i>(in thousands)</i>			
Service cost	\$ 4,290	\$ 3,986	\$ 814	\$ 758
Interest cost	5,951	5,622	2,556	2,619
Expected return on plan assets	(6,444)	(5,839)	(1,226)	(1,244)
Amortization of prior service cost	217	219	6	8
Amortization of net loss (gain)	1,927	1,415	(340)	(313)
	\$ 5,941	\$ 5,403	\$ 1,810	\$ 1,828

Table of Contents**NEWMARKET CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

	Foreign			
	Pension Benefits		Postretirement Benefits	
	Third Quarter Ended September 30			
	2009	2008	2009	2008
	<i>(in thousands)</i>			
Service cost	\$ 673	\$ 741	\$ 3	\$ 5
Interest cost	1,321	1,469	37	32
Expected return on plan assets	(1,024)	(1,450)		
Amortization of prior service cost	19	20		
Amortization of transition asset	(9)	(9)	12	12
Amortization of net loss	434	350	9	11
	\$ 1,414	\$ 1,121	\$ 61	\$ 60

	Foreign			
	Pension Benefits		Postretirement Benefits	
	Nine Months Ended September 30			
	2009	2008	2009	2008
	<i>(in thousands)</i>			
Service cost	\$ 1,904	\$ 2,251	\$ 9	\$ 14
Interest cost	3,732	4,469	104	100
Expected return on plan assets	(2,880)	(4,423)		
Amortization of prior service cost	53	62		
Amortization of transition asset	(25)	(29)	34	39
Amortization of net loss	1,224	1,064	25	33
Settlement loss	198			
	\$ 4,206	\$ 3,394	\$ 172	\$ 186

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

Table of Contents**NEWMARKET CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****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.

	Third Quarter Ended		Nine Months Ended	
	September 30		September 30	
	2009	2008	2009	2008
	<i>(in thousands, except per-share amounts)</i>			
Basic earnings per share				
Numerator:				
Net income	\$ 56,687	\$ 16,472	\$ 116,033	\$ 53,868
Denominator:				
Weighted-average number of shares of common stock outstanding	15,208	15,306	15,205	15,418
Basic earnings per share	\$ 3.73	\$ 1.08	\$ 7.63	\$ 3.49
Diluted earnings per share				
Numerator:				
Net income	\$ 56,687	\$ 16,472	\$ 116,033	\$ 53,868
Denominator:				
Weighted-average number of shares of common stock outstanding	15,208	15,306	15,205	15,418
Shares issuable upon exercise of stock options	37	59	38	75
Total shares	15,245	15,365	15,243	15,493
Diluted earnings per share	\$ 3.72	\$ 1.07	\$ 7.61	\$ 3.48

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NEWMARKET CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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			
	September 30 2009		December 31 2008	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	<i>(in thousands)</i>			
Amortizing intangible assets				
Formulas	\$ 88,687	\$ 57,430	\$ 88,687	\$ 53,476
Contracts	16,380	6,150	16,380	3,687
Customer base	5,440	517	5,440	136
Goodwill	861		861	
	\$ 111,368	\$ 64,097	\$ 111,368	\$ 57,299

Amortization expense for the third quarter and nine month periods was (in millions):

Third quarter ended September 30, 2009	\$ 2.2
Nine months ended September 30, 2009	\$ 6.8
Third quarter ended September 30, 2008	\$ 1.5
Nine months ended September 30, 2008	\$ 4.6

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**NEWMARKET CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****7. Long-term Debt**

Long-term debt consisted of the following:

	September 30 2009	December 31 2008
	<i>(in thousands)</i>	
Senior notes - 7.125% due 2016	\$ 150,000	\$ 150,000
Foundry Park I construction loan - due 2010	85,234	43,499
Revolving credit facility - due 2011		41,900
Capital lease obligations	1,179	1,763
	236,413	237,162
Current maturities of long-term debt	(86,055)	(784)
	\$ 150,358	\$ 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 September 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 \$4.6 million at September 30, 2009, resulting in the unused portion of the revolving credit facility amounting to \$134.7 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.

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.

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NEWMARKET CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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 \$7.6 million at September 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 \$10.1 million at September 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 \$8.0 million at September 30, 2009 and \$6.7 million at December 31, 2008 for environmental remediation, dismantling, and decontamination. Included in these amounts are \$7.7 million at September 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 September 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 \$11.3 million at September 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 \$2.8 million at September 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 \$3.4 million at September 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 \$2.0 million.

The remaining environmental liabilities are not discounted.

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.

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NEWMARKET CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Our total accruals for environmental remediation were approximately \$22.3 million at September 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 September 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 \$27.8 million at September 30, 2009. The guarantees are secured by letters of credit, as well as cash collateral. The outstanding letters of credit amounted to \$4.6 million at September 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 \$20.0 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.

In June 2009, Principal and Foundry Park I 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 terminated the loan application and related rate lock agreement and 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.

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NEWMARKET CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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.

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NEWMARKET CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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 \$84.0 million at September 30, 2009 and \$52.9 million at December 31, 2008 and accretes to approximately \$94.0 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.

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 \$700 thousand at September 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 \$2.0 million, net of tax, at September 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 \$80 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 above 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 at 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 \$20.0 million at September 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.

In December 2008, we entered into \$16.8 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 through December 2009. The outstanding Euro-denominated foreign currency forward contracts amounted to \$4.2 million at September 30, 2009 and \$16.8 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.

Table of Contents**NEWMARKET CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

We elected not to use hedge accounting for both the Goldman Sachs interest rate swap and the forward contracts, and therefore, immediately recognize 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 September 30, 2009 and December 31, 2008.

Fair Value of Derivative Instruments**(in thousands)**

	Asset Derivatives				Liability Derivatives			
	September 30, 2009		December 31, 2008		September 30, 2009		December 31, 2008	
	Balance Sheet	Fair Value	Balance Sheet	Fair Value	Balance Sheet	Fair Value	Balance Sheet	Fair Value
<u>Derivatives Designated as Hedging Instruments</u>								
Construction loan interest rate swap		\$		\$	Accrued expenses	\$ 1,459	Accrued expenses	\$ 3,231
<u>Derivatives Not Designated as Hedging Instruments</u>								
Goldman Sachs interest rate swap		\$		\$	Other long-term liabilities	\$ 15,748		\$
Foreign currency forward contracts		\$	Trade and other accounts receivable	\$ 164	Accrued expenses	\$ 181		\$

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

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NEWMARKET CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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) Third Quarter Ended		Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) Third Quarter Ended		Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) Third Quarter Ended	
	September 30 2009	September 30 2008		September 30 2009	September 30 2008		September 30 2009	September 30 2008
Construction loan interest rate swap	\$ (164)	\$ (248)		\$	\$	Other (expense) income, net	\$ 72	\$ 41
	Nine Months Ended September 30			Nine Months Ended September 30		Other (expense) income, net	Nine Months Ended September 30	
	2009	2008		2009	2008		2009	2008
Construction loan interest rate swap	\$ (528)	\$ (389)		\$	\$		\$ 45	\$ (62)

Not Designated Derivatives

(in thousands)

Derivatives Not Designated as Hedging Instruments	Derivative	Location of Gain (Loss) Recognized in Income on Derivative			
		Third Quarter Ended		Nine Months Ended	
		September 30 2009	September 30 2008	September 30 2009	September 30 2008
Goldman Sachs interest rate swap	Other (expense) income, net	\$ (3,817)	\$	\$ (15,748)	\$

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Foreign currency forward contracts	Cost of goods sold	\$ (183)	\$	\$ (346)	\$
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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.

Table of Contents**NEWMARKET CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

As of September 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 \$16.5 million. We have minimum collateral posting thresholds with one of our derivative counterparties and have posted cash collateral of \$20.0 million as of September 30, 2009. If required, we could have settled our obligations under the agreements at their termination value of \$16.5 million at September 30, 2009.

10. Comprehensive Income and Accumulated Other Comprehensive Loss

The components of comprehensive income consist of the following:

	Third Quarter Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
	<i>(in thousands)</i>			
Net income	\$ 56,687	\$ 16,472	\$ 116,033	\$ 53,868
Other comprehensive income, net of tax				
Pension plans and other postretirement benefits adjustments	278	2,352	1,826	3,533
Unrealized loss on derivative instruments	(102)	(155)	(329)	(243)
Foreign currency translation adjustments	(404)	(11,632)	14,290	(8,100)
Other comprehensive income	(228)	(9,435)	15,787	(4,810)
Comprehensive income	\$ 56,459	\$ 7,037	\$ 131,820	\$ 49,058

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

	September 30 2009	December 31 2008
	<i>(in thousands)</i>	
Pension plans and other postretirement benefit adjustments	\$ (61,742)	\$ (63,568)
Accumulated loss on derivative instruments	(2,630)	(2,301)
Foreign currency translation adjustments	(15,591)	(29,881)
Accumulated other comprehensive loss	\$ (79,963)	\$ (95,750)

11. Fair Value Measurements

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

Table of Contents**NEWMARKET CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

	Carrying Amount in Consolidated Balance Sheets	Fair Value	Fair Value Measurements Using		
			Level 1	Level 2	Level 3
			September 30, 2009		
Cash and cash equivalents	\$ 133,770	\$ 133,770	\$ 133,770	\$	\$
Short-term investments	\$ 300	\$ 300	\$ 300	\$	\$
Foreign currency forward contracts liability	\$ (180,538)	\$ (180,538)	\$	\$ (180,538)	\$
Interest rate swaps liability	\$ 17,206	\$ 17,206	\$	\$ 17,206	\$
			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 September 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.

	September 30, 2009		December 31, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current maturities	\$ (236,413)	\$ (229,491)	\$ (237,162)	\$ (199,315)

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NEWMARKET CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

12. Recently Issued Accounting Pronouncements

In October 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2009-13, Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements a consensus of the FASB Emerging Issues Task Force (ASU 2009-13). ASU 2009-13 amends the criteria for revenue recognition of multi-deliverable arrangements and expands the required disclosures of those arrangements. ASU 2009-13 is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. We are evaluating any potential impact on our financial statements.

In September 2009, the FASB issued Accounting Standard Update 2009-12, Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) (ASU 2009-12). ASU 2009-12 clarifies the use of net asset value in determining fair value of an investment and requires certain disclosures pertaining to those investments. ASU 2009-12 is effective for interim and annual periods ending after December 31, 2009. We are evaluating any potential impact on our financial statements.

In August 2009, the FASB issued Accounting Standards Update 2009-05, Fair Value Measurements and Disclosures (Topic 820) Measuring Liabilities at Fair Value (ASU 2009-05). ASU 2009-05 provides clarification in measuring the fair value of a liability. ASU 2009-05 is effective beginning October 1, 2009. We currently do not expect ASU 2009-05 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. FAS 167 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. 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. FAS 166 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.

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

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Gamble s Hill Landing, LLC
Gamble s Hill Tredegar, LLC

Gamble s Hill Third Street, LLC

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NEWMARKET CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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 third quarter and nine months ended September 30, 2009 and September 30, 2008, Consolidating Balance Sheets as of September 30, 2009 and December 31, 2008, and Condensed Consolidating Statements of Cash Flows for the nine months ended September 30, 2009 and September 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 their results of operations or financial positions 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****Third Quarter Ended September 30, 2009****(in thousands)**

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Total Consolidating Adjustments	Consolidated
Net sales	\$	\$ 231,097	\$ 186,735	\$	\$ 417,832
Cost of goods sold		66,170	208,695		274,865
Gross profit (loss)		164,927	(21,960)		142,967
Selling, general, and administrative expenses	1,121	22,646	3,851		27,618
Research, development, and testing expenses		16,662	4,940		21,602
Operating (loss) profit	(1,121)	125,619	(30,751)		93,747
Interest and financing expenses (income)	3,005	(163)	67		2,909
Other (expense) income, net	(3,842)	68	(30)		(3,804)
(Loss) income before income tax (benefit) expense and equity income of subsidiaries	(7,968)	125,850	(30,848)		87,034
Income tax (benefit) expense	(5,567)	47,361	(11,447)		30,347
Equity income of subsidiaries	59,088			(59,088)	
Net income (loss)	\$ 56,687	\$ 78,489	\$ (19,401)	\$ (59,088)	\$ 56,687

Table of Contents**NewMarket Corporation and Subsidiaries****Consolidating Statements of Income****Third Quarter Ended September 30, 2008****(in thousands)**

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Total Consolidating Adjustments	Consolidated
Net sales	\$	\$ 238,452	\$ 202,152	\$	\$ 440,604
Cost of goods sold		203,953	163,073		367,026
Gross profit		34,499	39,079		73,578
Selling, general, and administrative expenses	1,099	23,003	4,374		28,476
Research, development, and testing expenses		15,206	4,265		19,471
Operating (loss) profit	(1,099)	(3,710)	30,440		25,631
Interest and financing expenses (income)	3,102	(306)	170		2,966
Other income, net	11	59	152		222
(Loss) income before income tax (benefit) expense and equity income of subsidiaries	(4,190)	(3,345)	30,422		22,887
Income tax (benefit) expense	(2,550)	(707)	9,672		6,415
Equity income of subsidiaries	18,112			(18,112)	
Net income (loss)	\$ 16,472	\$ (2,638)	\$ 20,750	\$ (18,112)	\$ 16,472

Table of Contents**NewMarket Corporation and Subsidiaries****Consolidating Statements of Income****Nine Months Ended September 30, 2009****(in thousands)**

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Total Consolidating Adjustments	Consolidated
Net sales	\$	\$ 628,203	\$ 497,678	\$	\$ 1,125,881
Cost of goods sold		305,482	474,945		780,427
Gross profit		322,721	22,733		345,454
Selling, general, and administrative expenses	3,474	68,783	10,884		83,141
Research, development, and testing expenses		47,675	13,773		61,448
Operating (loss) profit	(3,474)	206,263	(1,924)		200,865
Interest and financing expenses (income)	8,991	(495)	208		8,704
Other (expense) income, net	(15,759)	42	(17)		(15,734)
(Loss) income before income tax (benefit) expense and equity income of subsidiaries	(28,224)	206,800	(2,149)		176,427
Income tax (benefit) expense	(15,129)	77,874	(2,351)		60,394
Equity income of subsidiaries	129,128			(129,128)	
Net income	\$ 116,033	\$ 128,926	\$ 202	\$ (129,128)	\$ 116,033

Table of Contents**NewMarket Corporation and Subsidiaries****Consolidating Statements of Income****Nine Months Ended September 30, 2008****(in thousands)**

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Total Consolidating Adjustments	Consolidated
Net sales	\$	\$ 666,330	\$ 582,506	\$	\$ 1,248,836
Cost of goods sold		502,765	508,697		1,011,462
Gross profit		163,565	73,809		237,374
Selling, general, and administrative expenses	3,587	71,319	12,842		87,748
Research, development, and testing expenses		46,538	15,041		61,579
Operating (loss) profit	(3,587)	45,708	45,926		88,047
Interest and financing expenses (income)	9,159	(859)	554		8,854
Other income, net	347	12	542		901
(Loss) income before income tax (benefit) expense and equity income of subsidiaries	(12,399)	46,579	45,914		80,094
Income tax (benefit) expense	(7,960)	18,903	15,283		26,226
Equity income of subsidiaries	58,307			(58,307)	
Net income	\$ 53,868	\$ 27,676	\$ 30,631	\$ (58,307)	\$ 53,868

Table of Contents**NewMarket Corporation and Subsidiaries****Consolidating Balance Sheets****September 30,2009****(in thousands)**

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Total Consolidating Adjustments	Consolidated
ASSETS					
Cash and cash equivalents	\$ 31,900	\$ 45,456	\$ 56,414	\$	\$ 133,770
Short-term investments	300				300
Trade and other accounts receivable, net		113,527	116,076		229,603
Amounts due from affiliated companies	(4,183)	236,909	38,798	(271,524)	
Inventories		100,100	82,357		182,457
Deferred income taxes	2,519	6,713	18,445		27,677
Prepaid expenses and other current assets	3,617	4,035	1,489		9,141
Total current assets	34,153	506,740	313,579	(271,524)	582,948
Amounts due from affiliated companies		19,879	7,500	(27,379)	
Property, plant and equipment, at cost		766,918	156,023		922,941
Less accumulated depreciation & amortization		513,644	115,848		629,492
Net property, plant and equipment		253,274	40,175		293,449
Investment in consolidated subsidiaries	678,555			(678,555)	
Prepaid pension cost			36		36
Deferred income taxes	35,939	959	3,256		40,154
Other assets and deferred charges	24,388	15,404	1,491		41,283
Intangibles, net of amortization and goodwill		47,271			47,271
Total assets	\$ 773,035	\$ 843,527	\$ 366,037	\$ (977,458)	\$ 1,005,141

LIABILITIES AND SHAREHOLDERS EQUITY

Accounts payable	\$ 11	\$ 63,825	\$ 36,611	\$	\$ 100,447
Accrued expenses	11,400	40,492	15,100		66,992
Dividends payable	3,319				3,319
Book overdraft		2,896			2,896
Amounts due to affiliated companies	108,039	77,037	86,448	(271,524)	
Long-term debt, current portion		86,055			86,055
Income taxes payable	(9,901)	28,432	3,810		22,341
Total current liabilities	112,868	298,737	141,969	(271,524)	282,050
Long-term debt	150,000	358			150,358
Amounts due to affiliated companies		7,500	19,879	(27,379)	
Other noncurrent liabilities	97,717	44,272	18,294		160,283

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Total liabilities	360,585	350,867	180,142	(298,903)	592,691
Shareholders' equity:					
Common stock and paid-in capital	266	318,215	75,479	(393,694)	266
Accumulated other comprehensive loss	(79,963)	(17,312)	(37,607)	54,919	(79,963)
Retained earnings	492,147	191,757	148,023	(339,780)	492,147
Total shareholders' equity	412,450	492,660	185,895	(678,555)	412,450
Total liabilities and shareholders' equity	\$ 773,035	\$ 843,527	\$ 366,037	\$ (977,458)	\$ 1,005,141

Table of Contents**NewMarket Corporation and Subsidiaries****Consolidating Balance Sheets****December 31, 2008****(in thousands)**

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Total Consolidating Adjustments	Consolidated
ASSETS					
Cash and cash equivalents	\$	\$ 4,408	\$ 17,353	\$	\$ 21,761
Trade and other accounts receivable, net	1,307	102,982	99,262		203,551
Amounts due from affiliated companies	233,526	261,153	33,748	(528,427)	
Inventories		97,742	103,330		201,072
Deferred income taxes	2,134	8,204	3,752		14,090
Prepaid expenses and other current assets	2,865	1,885	954		5,704
Total current assets	239,832	476,374	258,399	(528,427)	446,178
Amounts due from affiliated companies		19,783	7,500	(27,283)	
Property, plant and equipment, at cost		713,384	134,627		848,011
Less accumulated depreciation & amortization		500,507	105,768		606,275
Net property, plant and equipment		212,877	28,859		241,736
Investment in consolidated subsidiaries	531,400			(531,400)	
Prepaid pension cost			159		159
Deferred income taxes	31,767	(926)	6,903		37,744
Other assets and deferred charges	4,982	25,406	1,178		31,566
Intangibles, net of amortization and goodwill		54,069			54,069
Total assets	\$ 807,981	\$ 787,583	\$ 302,998	\$ (1,087,110)	\$ 811,452
LIABILITIES AND SHAREHOLDERS EQUITY					
Accounts payable	\$ 219	\$ 41,996	\$ 18,290	\$	\$ 60,505
Accrued expenses	10,131	43,819	9,765		63,715
Dividends payable	2,646				2,646
Book overdraft		999			999
Amounts due to affiliated companies	227,274	245,456	55,697	(528,427)	
Long-term debt, current portion		784			784
Income taxes payable		1,656	5,608		7,264
Total current liabilities	240,270	334,710	89,360	(528,427)	135,913
Long-term debt	191,900	44,478			236,378
Amounts due to affiliated companies		7,500	19,783	(27,283)	
Other noncurrent liabilities	84,688	42,438	20,912		148,038
Total liabilities	516,858	429,126	130,055	(555,710)	520,329

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Shareholders' equity:

Common stock and paid-in capital	115	317,234	74,909	(392,143)	115
Accumulated other comprehensive loss	(95,750)	(17,723)	(52,122)	69,845	(95,750)
Retained earnings	386,758	58,946	150,156	(209,102)	386,758
Total shareholders' equity	291,123	358,457	172,943	(531,400)	291,123
Total liabilities and shareholders' equity	\$ 807,981	\$ 787,583	\$ 302,998	\$ (1,087,110)	\$ 811,452

Table of Contents**NewMarket Corporation and Subsidiaries****Condensed Consolidating Statements of Cash Flows****Nine Months Ended September 30, 2009****(in thousands)**

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Total Consolidating Adjustments	Consolidated
Cash provided from operating activities	\$ (13,226)	\$ 161,666	\$ 46,177	\$	\$ 194,617
Cash flows from investing activities:					
Capital expenditures		(14,101)	(12,405)		(26,506)
Foundry Park I capital expenditures		(40,403)			(40,403)
Purchase of short-term investment	(300)				(300)
Deposits for interest rate lock agreement		(5,000)			(5,000)
Return of deposits for interest rate lock agreement		15,500			15,500
Return of deposits for interest rate swap	9,930				9,930
Deposits for interest rate swap	(29,900)				(29,900)
Decrease in intercompany loans		(403)		403	
Cash dividends from subsidiaries	118,321			(118,321)	
Cash provided from (used in) investing activities	98,051	(44,407)	(12,405)	(117,918)	(76,679)
Cash flows from financing activities:					
Draws on Foundry Park I construction loan		41,735			41,735
Net repayments under revolving credit agreement	(41,900)				(41,900)
Dividends	(10,644)	(118,321)		118,321	(10,644)
Change in book overdraft, net		1,897			1,897
Payment for financed intangible asset		(750)			(750)
Debt issuance costs	(412)				(412)
Proceeds from exercise of stock options	31				31
Financing from affiliated companies			13,402	(13,402)	
Repayment of intercompany note payable			(12,999)	12,999	
Payments on the capital lease		(584)			(584)
Cash used in (provided from) financing activities	(52,925)	(76,023)	403	117,918	(10,627)
Effect of foreign exchange on cash and cash equivalents		(188)	4,886		4,698
Increase in cash and cash equivalents	31,900	41,048	39,061		112,009
Cash and cash equivalents at beginning of year		4,408	17,353		21,761
Cash and cash equivalents at end of period	\$ 31,900	\$ 45,456	\$ 56,414	\$	\$ 133,770

Table of Contents**NewMarket Corporation and Subsidiaries****Condensed Consolidating Statements of Cash Flows****Nine Months Ended September 30, 2008****(in thousands)**

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Total Consolidating Adjustments	Consolidated
Cash (used in) provided from operating activities	\$ (37,269)	\$ 49,621	\$ (789)	\$	\$ 11,563
Cash flows from investing activities:					
Capital expenditures		(15,086)	(6,745)		(21,831)
Foundry Park I capital expenditures		(29,046)			(29,046)
Acquisition of business		(14,721)			(14,721)
Return of deposits for interest rate lock agreement		1,050			1,050
Decrease (increase) in intercompany loans		313	(5,500)	5,187	
Cash dividends from subsidiaries	24,424			(24,424)	
Cash provided from (used in) investing activities	24,424	(57,490)	(12,245)	(19,237)	(64,548)
Cash flows from financing activities:					
Draws on Foundry Park I construction loan		25,083			25,083
Net borrowings under revolving credit agreement	31,800				31,800
Repurchases of common stock	(26,810)				(26,810)
Dividends	(12,090)	(24,424)		24,424	(12,090)
Change in book overdraft, net	(22)	(1,615)			(1,637)
Payment for financed intangible asset		(750)			(750)
Proceeds from exercise of stock options	246				246
Excess tax benefits from stock-based payment arrangements	900				900
Repayment of intercompany note payable			(313)	313	
Financing from affiliated companies		5,500		(5,500)	
Payments on the capital lease		(548)			(548)
Cash (used in) provided from financing activities	(5,976)	3,246	(313)	19,237	16,194
Effect of foreign exchange on cash and cash equivalents		(305)	(1,285)		(1,590)
Decrease in cash and cash equivalents	(18,821)	(4,928)	(14,632)		(38,381)
Cash and cash equivalents at beginning of year	18,899	13,673	39,300		71,872
Cash and cash equivalents at end of period	\$ 78	\$ 8,745	\$ 24,668	\$	\$ 33,491

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14. Subsequent Events

We have performed an evaluation of subsequent events through our filing of the Quarterly Report on Form 10-Q on October 27, 2009.

On October 22, 2009, our Board of Directors declared a quarterly dividend in the amount of 37.5 cents per share on our common stock. The dividend is payable January 1, 2010 to shareholders of record at the close of business on December 15, 2009.

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ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
Forward-Looking Statements

The following discussion contains forward-looking statements about future events and expectations within the meaning of the Private Securities Litigation Reform Act of 1995. We have based these forward-looking statements on our current expectations and projections about future results. When we use words in this document, such as anticipates, intends, plans, believes, estimates, expects, should, could, may, similar expressions, we do so to identify forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements we make regarding future prospects of growth in the petroleum additives market, other trends in the petroleum additives market, our ability to maintain or increase our market share, and our future capital expenditure levels.

We believe our forward-looking statements are based on reasonable expectations and assumptions, within the bounds of what we know about our business and operations. However, we offer no assurance that actual results will not differ materially from our expectations due to uncertainties and factors that are difficult to predict and beyond our control.

These factors include, but are not limited to, changes in the demand for our products, increases in product cost and our ability to increase prices, timing of sales orders, gain or loss of significant customers, competition from other manufacturers and resellers, resolution of environmental liabilities, significant changes in new product introduction, the impact of fluctuations in foreign exchange rates on reported results of operations, changes in various markets, geopolitical risks in certain of the countries in which we conduct business, our ability to complete the construction of the office building for MeadWestvaco within budget and in a timely manner and obtain replacement financing for the construction loan, changes in credit market conditions, and other factors detailed from time to time in the reports we file with the SEC, including the risk factors in Item 1A, Risk Factors, in the 2008 Annual Report. Readers are urged to review and consider carefully the disclosures we make in our filings with the SEC.

You should keep in mind that any forward-looking statement made by us in this discussion or elsewhere speaks only as of the date on which we make it. New risks and uncertainties arise from time to time, and it is impossible for us to predict these events or how they may affect us. We have no duty to, and do not intend to, update or revise the forward-looking statements in this discussion after the date hereof, except as may be required by law. In light of these risks and uncertainties, you should keep in mind that the events described in any forward-looking statement, made in this discussion or elsewhere, might not occur.

Overview

Operations during the first nine months of 2009 continued to generate very strong results with operating profit in our petroleum additives segment increasing significantly over the first nine months of 2008. Our financial position remains strong. During the year, we have paid down \$41.9 million of outstanding debt on our revolving credit facility and our cash increased to \$133.8 million, which was \$112.0 million higher than the December 31, 2008 balance.

Table of Contents**Results of Operations***Net Sales*

Our consolidated net sales for the third quarter 2009 amounted to \$417.8 million, representing a decrease of approximately 5% from the 2008 third quarter level of \$440.6 million. Nine months 2009 consolidated net sales decreased 10% to \$1,125.9 million as compared to \$1,248.8 million for nine months 2008. The table below shows our consolidated segment net sales.

Segment Net Sales

(in millions)

	Third Quarter Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Petroleum additives	\$ 413.7	\$ 437.2	\$ 1,116.7	\$ 1,238.8
All other	4.1	3.4	9.2	10.0
Consolidated net sales	\$ 417.8	\$ 440.6	\$ 1,125.9	\$ 1,248.8

Petroleum Additives Segment

Petroleum additives net sales for the third quarter 2009 of \$413.7 million decreased \$23.5 million, or approximately 5%, from \$437.2 million for the third quarter 2008. The decrease in sales reflects reductions in total product shipments of 3%. A decrease in shipments in lubricant additives product lines more than offset a moderate increase in fuel additives product line shipments. Also, included in the reduction in net sales between the 2009 and 2008 third quarter periods is an unfavorable foreign currency impact of approximately \$8 million. This unfavorable impact from foreign exchange reflects the strengthening of the U.S. Dollar between the two third quarter periods versus the other currencies in which we conduct business. In addition to the unfavorable impacts from lower product shipments and foreign currency, selling prices were also lower when comparing the two third quarter periods.

Nine months 2009 petroleum additive net sales of \$1,116.7 million were approximately 10% lower than nine months 2008 results of \$1,238.8 million. Similar to the third quarter results, the decrease between the two nine months periods reflects lower product shipments and a significant unfavorable foreign currency impact of \$33.3 million. Product shipments were approximately 16% lower for nine months 2009 than the same 2008 period. The decrease was primarily in the lubricant additives product lines. These factors were partially offset by higher selling prices which were implemented during 2008. The decrease in net sales for the nine months 2009 period reflects the impact of the worldwide economic slowdown and the destocking by our customers late in 2008 and early 2009. While product shipments were lower in 2009 than in 2008, product shipments have improved each quarter in 2009 increasing 16% between the first quarter 2009 and second quarter 2009 and increasing 14% between the second quarter 2009 and third quarter 2009. We believe product shipments are now near normal levels that were typical before the worldwide economic slowdown.

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The table below details the approximate components of the decrease between the two third quarter and nine months periods.

	Third Quarter (in millions)	Nine Months (in millions)
Period ended September 30, 2008	\$ 437.2	\$ 1,238.8
Decrease in shipments and changes in product mix	(4.1)	(163.3)
Change in selling prices, customer mix, and foreign currency	(19.4)	41.2
Period ended September 30, 2009	\$ 413.7	\$ 1,116.7

Segment Operating Profit

NewMarket evaluates the performance of the petroleum additives business based on segment operating profit. NewMarket Services Corporation (NewMarket Services) departments and other expenses are charged to NewMarket and each subsidiary pursuant to service agreements between the companies. Depreciation on segment property, plant, and equipment, as well as amortization of segment intangible assets is included in segment operating profit.

The All other category includes the real estate development operating segment, as well as the operations of the TEL business (primarily sales of TEL in North America) and certain contract manufacturing that Ethyl provides to Afton and to third parties. Each of these is currently immaterial to operating profit.

The table below reports segment operating profit for the third quarter and nine months ended September 30, 2009 and September 30, 2008.

Segment Operating Profit

(in millions)

	Third Quarter Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Petroleum additives	\$ 96.3	\$ 28.1	\$ 214.0	\$ 97.5
All other	\$ 1.0	\$ 0.5	\$ (1.3)	\$ 1.0

Petroleum Additives Segment

The petroleum additives operating profit increased \$68.2 million when comparing third quarter 2009 to third quarter 2008 and \$116.5 million when comparing nine months 2009 to nine months 2008. The operating profit margin was 23.3% for third quarter 2009 and 6.4% for third quarter 2008. Similarly, the petroleum additives operating profit margin was 19.2% for nine months 2009 and 7.9% for nine months 2008. The 2008 nine months period included a gain of \$3.2 million resulting from a legal settlement related to raw materials. The third quarter 2009 and nine months 2009 results are significantly higher across all major product lines.

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While selling prices are lower when comparing third quarter 2009 and third quarter 2008, operating margins, as discussed above, for third quarter 2009 are significantly improved over third quarter 2008 due primarily to the lower raw material costs and a favorable foreign currency impact of approximately \$4 million. Product shipments, which are discussed in the Net Sales section, were slightly lower during third quarter 2009 than third quarter 2008. During the third quarter 2009, we have experienced increasing raw material costs and tightening in the availability of certain raw materials, as well as compression of selling prices.

The most significant favorable factors when comparing operating profit for the two nine months periods were lower raw material costs and higher selling prices. While partially offset by selling price reductions made this year, the overall increase in selling prices for the 2009 nine months period is the result of actions taken throughout 2008 to raise selling prices in response to higher raw material costs. The key unfavorable factors were lower shipments and foreign currency impacts. Foreign currency resulted in an unfavorable impact of approximately \$9 million when comparing operating profit from nine months 2009 with nine months 2008.

SG&A decreased approximately \$500 thousand or 2% for third quarter 2009, while R&D increased approximately \$2.1 million or 11% when compared to the same 2008 period. For nine months 2009, SG&A decreased \$5.4 million or 7%, and R&D was essentially unchanged compared to nine months 2008. The changes for both the third quarter periods and nine months periods included a significant favorable foreign currency impact. We continue to invest in SG&A and R&D to support our customers' programs and to develop the technology required to remain a leader in this industry.

The following discussion references the Consolidated Financial Statements beginning on page 3 of this Quarterly Report on Form 10-Q.

Interest and Financing Expenses

Interest and financing expenses were \$2.9 million for third quarter 2009 and \$3.0 million for third quarter 2008. Nine months 2009 amounted to \$8.7 million, while nine months 2008 was \$8.9 million.

Average interest rates for the third quarter 2009 were slightly higher than third quarter 2008, while average debt during third quarter 2009 was lower as we had no debt drawn on the revolving credit facility during third quarter 2009. Amortization of deferred financing costs was higher due to the cost related to increased commitment levels achieved on the revolving credit facility. See Note 7 in the Notes to Consolidated Financial Statements.

Nine months 2009 average interest rates were essentially unchanged from the same 2008 period. The benefit of lower average debt for nine months 2009 when compared to nine months 2008 was substantially offset by higher amortization of deferred financing costs in 2009.

Other (Expense) Income, Net

Other expense, net for third quarter 2009 was \$3.8 million, while nine months 2009 was \$15.7 million. The amount in both 2009 periods represents an unrealized loss on a derivative instrument representing an interest rate swap recorded at fair value, which we entered into on June 25, 2009. See Note 9 in the Notes to Consolidated Financial Statements for additional information on the interest rate swap. Other income, net was \$200 thousand for third quarter 2008 and \$900 thousand for nine months 2008 and primarily represented investment income earned on excess cash.

Income Tax Expense

Income tax expense was \$30.3 million for the third quarter 2009 and \$6.4 million for third quarter 2008. The effective tax rate was 34.9% for third quarter 2009 and 28.0% for third quarter 2008.

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The increase in income before income tax expense resulted in an increase of \$18.0 million in income taxes, while the higher effective tax rate in 2009 as compared to 2008 resulted in an increase of approximately \$5.9 million in income taxes when comparing the third quarter 2009 and 2008 periods.

Nine months 2009 income tax expense was \$60.4 million with an effective tax rate of 34.2%. Income tax expense for nine months 2008 was \$26.2 million with an effective tax rate of 32.7%. The increase in income before income tax expense from 2008 to 2009 resulted in an increase of \$31.6 million. The higher effective tax rate for nine months 2009 resulted in an increase in income tax expense of \$2.6 million.

The lower effective tax rates for both third quarter 2008 and nine months 2008 includes the benefit of \$1 million related to the completion of the review of certain years by the Internal Revenue Service. The increased effective tax rates in both third quarter 2009 and nine months 2009 reflect the higher proportion of domestic earnings in 2009, which are subject to both U.S. federal and state income taxes.

Cash Flows, Financial Condition, and Liquidity

Cash and cash equivalents at September 30, 2009 were \$133.8 million, which was an increase of \$112.0 million since December 31, 2008 and included a \$4.7 million favorable impact from foreign currency translation.

We expect that cash from operations, together with borrowing available under our revolving credit facility, will continue to be sufficient to cover our operating expenses for the foreseeable future.

Cash Flows Operating Activities

Cash flows provided from operating activities for the nine months 2009 were \$194.6 million and included a decrease of \$67.3 million in working capital, including lower inventories, as well as higher accounts payable and higher income taxes payable. The decrease in working capital was partially offset by an increase in accounts receivable. The decrease in inventories reflects the results of our efforts to lower inventories in response to the decreased demand for our products. The increase in accounts payable reflects a normal increase from an unusually low level of accounts payable at December 31, 2008. The increase in income taxes payable reflects the higher earnings levels in 2009. The increase in accounts receivable is due to the increased sales levels for third quarter 2009 compared to fourth quarter 2008.

Including cash and the current portion of long-term debt, we had working capital of \$300.9 million at September 30, 2009 and \$310.3 million at December 31, 2008. The current ratio was 2.07 to 1 at September 30, 2009 and 3.28 to 1 at December 31, 2008. In addition to the working capital factors discussed above, the change in the current portion of long-term debt had a significant effect on working capital levels resulting from the construction loan becoming payable within one year.

Cash Flows Investing Activities

Cash used in investing activities was \$76.7 million during nine months 2009 and included a net return of funds of \$10.5 million for a deposit related to the interest rate lock agreement, which is discussed below, as well as net funding of \$20.0 million for a deposit related to the Goldman Sachs interest rate swap. Further information on the interest rate swap is discussed below and in

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Note 9 in the Notes to Consolidated Financial Statements. Excluding the construction of the office building by Foundry Park I, we funded capital expenditures of \$26.5 million through September 30, 2009. We estimate our total capital spending during 2009, excluding the capital expenditures by Foundry Park I, will be approximately \$40 million. We expect to continue to finance capital spending, excluding the expenditures for the construction of the office building by Foundry Park I, through cash on hand and cash provided from operations, together with borrowing available under our revolving credit facility.

Capital expenditures during nine months 2009 related to the Foundry Park I project amounted to \$40.4 million. We expect capital expenditures in 2009 related to the construction of the office building will be approximately \$59 million which will be substantially borrowed under our construction loan.

Cash Flows Financing Activities

Cash used in financing activities during nine months 2009 amounted to \$10.6 million. The use of cash included the funding of dividends of \$10.6 million, as well as debt issuance costs of \$400 thousand and a payment of \$750 thousand on the fourth quarter 2006 acquisition of an intangible asset. Our book overdraft increased \$1.9 million.

We had total long-term debt, including the current portion, of \$236.4 million at September 30, 2009, representing a decrease of approximately \$800 thousand in our total debt since December 31, 2008. The decrease resulted from the payment of \$41.9 million under the revolving credit facility and \$600 thousand on capital leases, which was substantially offset by borrowings on the construction loan of \$41.7 million.

In addition to the Foundry Park I construction loan which is discussed below, at September 30, 2009, we had outstanding senior notes in the aggregate principal amount of \$150 million that bear interest at a fixed rate of 7.125% and are due in 2016.

At September 30, 2009, we also had a \$139.25 million revolving credit facility for general corporate purposes that bears interest at variable rates. The revolving credit facility includes a \$75 million sub-facility for letters of credit. The facility matures on December 21, 2011. At September 30, 2009, we had no outstanding borrowings under the revolving credit facility. We had outstanding letters of credit of \$4.6 million at September 30, 2009, resulting in the unused portion of the revolver amounting to \$134.7 million.

Both the senior notes and the revolving credit facility contain covenants, representations, and events of default that management considers typical of credit agreements of this nature. We were in compliance with these covenants as of both September 30, 2009 and December 31, 2008.

As a percentage of total capitalization (total debt and shareholders' equity), our total debt percentage decreased from 44.9% at the end of 2008 to 36.4% at September 30, 2009. The change in the percentage was primarily the result of an increase in shareholders' equity, as well as the small decrease in debt. The increase in shareholders' equity reflects our earnings, partially offset by the impact of dividend payments. Normally, we repay any outstanding long-term debt with cash from operations or refinancing activities.

Foundry Park I Construction Loan and Interest Rate Swap

Foundry Park I and NewMarket Corporation entered into a construction loan agreement with a group of banks on August 7, 2007 to borrow up to \$116 million to fund the development and construction of an office building. The construction loan bears interest at LIBOR plus a margin of

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140 basis points. The term of the loan is for a period of 36 months and is unconditionally guaranteed by NewMarket Corporation. No principal reduction payment is due during the construction period. As a condition of the construction loan and concurrently with the closing of the loan, Foundry Park I also obtained interest rate risk protection in the form of an interest rate swap. The interest rate swap is discussed in Note 9 in the Notes to Consolidated Financial Statements.

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 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.

In June 2009, Principal and Foundry Park I 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 terminated the loan application and related rate lock agreement and 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 for additional information on the termination of the rate lock agreement and subsequent entry into an interest rate swap 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.

Critical Accounting Policies

This report, as well as the 2008 Annual Report, includes a discussion of our accounting principles, as well as methods and estimates used in the preparation of our financial statements. We believe these discussions and financial statements fairly represent the financial position and operating results of our company in all material respects. The purpose of this portion of our discussion is to further emphasize some of the more critical areas where a significant change in facts and circumstances in our operating and financial environment might cause a change in reported financial results.

Intangibles, Net of Amortization and Goodwill

We have certain identifiable intangibles, as well as goodwill, amounting to \$47.3 million at September 30, 2009. These intangibles relate to our petroleum additives business and, except for the goodwill, are being amortized over periods with up to approximately twenty years of remaining life. We continue to assess the market related to these intangibles, as well as their specific values, and have concluded the values and amortization periods are appropriate. We also

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evaluate these intangibles for any potential impairment when significant events or circumstances occur that might impair the value of these assets. These evaluations continue to support the value at which these identifiable intangibles are carried on our financial statements. However, if conditions were to substantially deteriorate in this market, it could possibly cause a reduction in the periods of the amortization charge or result in a noncash write-off of a portion of the intangibles' carrying value. A reduction in the amortization period would have no effect on cash flows. We do not anticipate such a change in the market conditions.

Environmental and Legal Proceedings

We believe our environmental accruals are appropriate for the exposures and regulatory guidelines under which we currently operate. While we currently do not anticipate significant changes to the many factors that could impact our environmental requirements, we continue to keep our accruals consistent with these requirements as they change.

While it is not possible to predict or determine with certainty the outcome of any legal proceeding, it is our opinion, based on our current knowledge, that we will not experience materially adverse effects on our results of operations or financial condition as a result of any pending or threatened proceeding.

Pension Plans and Other Postretirement Benefits

We use assumptions to record the impact of the pension and postretirement plans in the financial statements. These assumptions include the discount rate, expected long-term rate of return on plan assets, rate of compensation increase, and health care cost trend rate. A change in any one of these assumptions could result in different results for the plans. We develop these assumptions after considering available information that we deem relevant. Information is provided on the pension and postretirement plans in Note 18 of the 2008 Annual Report. In addition, further disclosure on the effect of changes in these assumptions is provided in the "Financial Position and Liquidity" section of Part II, Item 7 of the 2008 Annual Report.

Income Taxes

We file consolidated U.S. federal income and both consolidated and individual state income tax returns, as well as individual foreign income tax returns, under which assumptions may be made to determine the deductibility of certain costs. We make estimates related to the impact of tax positions taken on our financial statements when we believe the tax position is more likely than not to be upheld on audit. In addition, we make certain assumptions in the determination of the estimated future recovery of deferred tax assets.

Recently Issued Accounting Pronouncements

For a full discussion of the more significant pronouncements which may impact our financial statements, see Note 12 in the Notes to Consolidated Financial Statements.

Outlook

The performance of our business for the first nine months of this year has been outstanding. We have actively managed our business during very challenging economic times and are confident in our strategy to serve our customers by helping them succeed in their marketplace by providing innovative solutions. We feel our financial results are a measure of how we are performing against that strategy.

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We believe that our overall business has returned to more historical levels of demand. We further believe that the contraction associated with destocking and shrinking demand due to economic conditions has ended. For the first nine months of 2009, our product shipments were 16% lower than the first nine months of last year. When considering only the third quarter, our shipments were only 3% lower. While we are still somewhat cautious in our outlook for demand due to an uncertain economic outlook for the world, we are encouraged by the third quarter results. Our plants are running at very high rates, raw material costs are beginning to increase, which is a general trend we expect going forward, and we are experiencing some tightness in raw material availability. Additionally, we are spending at a higher rate in R&D and in Health and Environmental areas in support of our customers, as well as in response to various legislative changes around the world.

In late July, we announced that we are expanding our supply chain capabilities by investing in a manufacturing facility in Singapore. This new plant will enable us to better serve our customers in that region with shorter lead-times and improved security of supply. In addition, the facility will allow us to manufacture to the specifications of our customers in the region with our most current technology. While the initial capacity will represent a small increase to our overall global production capacity, the facility will be scalable, allowing us to add capacity as demand in that region grows. We expect that this facility will be in production during the first half of 2010, with the majority of the cash being spent in 2009.

Our project to construct a multi-story office building for MeadWestvaco continues to progress as expected. The project will be completed later this year. We are continuing our efforts to find financing to replace the construction loan, which is due in August 2010.

As we have communicated in the past, we intend to leverage our financial strength to increase shareholder value by growing the business, with acquisitions being an area of primary interest. Our primary focus in the acquisition area remains on the petroleum additives industry. It is our view that this industry will provide the greatest opportunity for a good return on our investment while minimizing risk. We remain focused on this strategy and will evaluate any future opportunities. Nonetheless, we are patient in this pursuit and intend to make the right acquisition for our company if and when the opportunity arises. Meanwhile, we believe we have many internal opportunities for growth from both geographical and product line extensions. As cash builds on our balance sheet, we will continue to evaluate all alternative uses for that cash to enhance shareholder value, including potential stock repurchases and dividends.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Other than our foreign currency risk and the entry into an interest rate swap, there have been no significant changes in our market risk from the information provided in the 2008 Annual Report.

At September 30, 2009, we had \$4.2 million in Euro-denominated foreign currency forward contracts outstanding. With other variables held constant, a hypothetical 10% adverse change in the September 30, 2009 forward Euro rates would have resulted in a decrease of approximately \$400 thousand in the value of the contracts.

On June 25, 2009, we entered into an interest rate swap with Goldman Sachs. We recorded the derivative at fair value, which amounted to \$15.7 million at September 30, 2009. Any change in fair value is recognized immediately in earnings. With other variables held constant, a hypothetical 50 basis point adverse parallel shift in the LIBOR yield curve would have resulted in an increase of approximately \$5 million in the fair value liability of the interest rate swap.

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ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain a system of internal control over financial reporting to provide reasonable, but not absolute, assurance of the reliability of the financial records and the protection of assets. Our controls and procedures include written policies and procedures, careful selection and training of qualified personnel, and an internal audit program. We use a third-party firm, separate from our independent registered public accounting firm, to assist with internal audit services.

We work closely with the business groups, operations personnel, and information technology to ensure transactions are recorded properly. Environmental and legal staff are consulted to determine the appropriateness of our environmental and legal liabilities for each reporting period. We regularly review the regulations and rule changes that affect our financial disclosures.

Our disclosure control procedures include signed representation letters from our regional officers, as well as senior management.

We have formed a Financial Disclosure Committee, which is made up of the president of Afton, the general counsel of NewMarket, and the controller of NewMarket. The committee, as well as regional management, makes representations with regard to the financial statements that, to the best of their knowledge, the report does not contain any misstatement of a material fact or omit a material fact that is necessary to make the statements not misleading with respect to the periods covered by the report.

The committee and the regional management also represent, to the best of their knowledge, that the financial statements and other financial information included in the report fairly present, in all material respects, the financial condition, results of operations and cash flows of the company as of and for the periods presented in the report.

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (the Exchange Act), we carried out an evaluation, with the participation of our management, including our principal executive officer and our principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined under Rule 13a-15(e)) under the Exchange Act as of the end of the period covered by this report. Based upon that evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures are effective.

There has been no change in our internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act, during the quarter ended September 30, 2009, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II Other Information

ITEM 1. Legal Proceedings

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 in Part I, Item 1 of our 2008 Annual Report.

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.

ITEM 1A. Risk Factors

While we attempt to identify, manage, and mitigate risks and uncertainties associated with our business to the extent practical under the circumstances, some level of risk and uncertainty will always be present. Part I, Item 1A of our 2008 Annual Report describes some of the risks and uncertainties associated with our business. These risks and uncertainties have the potential to materially affect our results of operations and our financial condition. We do not believe that there have been any material changes to the risk factors previously disclosed in our 2008 Annual Report except as highlighted below.

Development, construction, and permanent financing risks associated with Foundry Park I could adversely affect our financial results we may incur losses, which could be material, for breakage fees under an interest rate lock agreement in connection with our application for permanent financing.

As previously discussed in this Quarterly Report on Form 10-Q, during the second quarter 2009, Principal and Foundry Park I terminated the interest rate lock agreement. As a result, this risk factor no longer exists.

We may incur losses, which could be material, related to the Goldman Sachs interest rate swap if the forward rates for three month LIBOR decrease significantly.

ITEM 6. Exhibits

Exhibit 3.1	Articles of Incorporation (incorporated by reference to Exhibit 3.1 to Form 10-K (File No. 1-32190) filed March 14, 2005)
Exhibit 3.2	NewMarket Corporation Bylaws Amended and Restated effective April 23, 2009 (incorporated by reference to Exhibit 3.1 to Form 8-K (File No. 1-32190) filed February 23, 2009)
Exhibit 31(a)	Certification pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Thomas E. Gottwald

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Exhibit 31(b)	Certification pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by David A. Fiorenza
Exhibit 32(a)	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Thomas E. Gottwald
Exhibit 32(b)	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by David A. Fiorenza

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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 its behalf by the undersigned thereunto duly authorized.

NEWMARKET CORPORATION

(Registrant)

Date: October 27, 2009

By: /s/ D. A. FIORENZA
David A. Fiorenza
Vice President and Treasurer
(Principal Financial Officer)

Date: October 27, 2009

By: /s/ WAYNE C. DRINKWATER
Wayne C. Drinkwater
Controller
(Principal Accounting Officer)

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EXHIBIT INDEX

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