NEWMARKET CORP
Form 10-Q
April 28, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2010

OR

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

For the transition period from _______________ to ________________

Commission File Number 1-32190

NEWMARKET CORPORATION

(Exact name of registrant as specified in its charter)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Number of shares of common stock, without par value, outstanding as of March 31, 2010: 15,042,440.

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

NEWMARKET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per-share amounts)

(Unaudited)

	Three Months Ended March 31	
	2010	**2009**
Revenue:		
Net sales - product	$ 392,265	$ 337,128
Rental revenue	2,861	0
	395,126	337,128
Costs:		
Cost of goods sold - product	273,628	246,054
Cost of rental	1,090	0
	274,718	246,054
Gross profit	120,408	91,074
Selling, general, and administrative expenses	30,574	26,267
Research, development, and testing expenses	21,083	18,754
Operating profit	68,751	46,053
Interest and financing expenses	3,949	2,936
Other expense, net	(2,311)	(80)
Income before income tax expense	62,491	43,037
Income tax expense	20,353	14,349
Net income	$ 42,138	$ 28,688
Basic earnings per share	$ 2.79	$ 1.89
Diluted earnings per share	$ 2.78	$ 1.88
Shares used to compute basic earnings per share	15,118	15,203
Shares used to compute diluted earnings per share	15,154	15,241
Cash dividends declared per common share	$ 0.375	$ 0.20

See accompanying notes to the consolidated financial statements.

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NEWMARKET CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

(Unaudited)

	March 31 2010	December 31 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 87,971	$ 151,831
Short-term investments	300	300
Trade and other accounts receivable, less allowance for doubtful accounts ($1,156 in 2010 and $1,195 in 2009)	214,026	214,887
Inventories:		
Finished goods	162,746	158,457
Raw materials	33,051	27,269
Stores, supplies and other	6,990	7,177
	202,787	192,903
Deferred income taxes	4,064	4,118
Prepaid expenses and other current assets	35,660	39,100
Total current assets	544,808	603,139
Property, plant and equipment, at cost	932,595	934,382
Less accumulated depreciation and amortization	633,537	631,967
Net property, plant and equipment	299,058	302,415
Prepaid pension cost	3,228	2,430
Deferred income taxes	36,756	34,670
Other assets and deferred charges	88,096	37,475
Intangibles, net of amortization and goodwill	42,885	45,063
Total assets	$ 1,014,831	$ 1,025,192
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 87,025	$ 88,186
Accrued expenses	56,571	63,775
Dividends payable	4,936	4,992
Book overdraft	2,994	2,230
Long-term debt, current portion	3,357	33,881
Income taxes payable	16,163	4,988
Total current liabilities	171,046	198,052
Long-term debt	215,611	216,200
Other noncurrent liabilities	154,457	152,755
Commitments and contingencies (Note 9)		

Shareholders equity:		
Common stock and paid-in capital (without par value); authorized shares - 80,000,000;		
Outstanding shares - 15,042,440 in 2010 and 15,209,989 in 2009	0	275
Accumulated other comprehensive loss	(81,477)	(74,784)
Retained earnings	555,194	532,694
	473,717	458,185
Total liabilities and shareholders' equity	$ 1,014,831	$ 1,025,192

See accompanying notes to the consolidated financial statements.

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NewMarket Corporation and Subsidiaries

Consolidated Statements of Shareholders Equity

(in thousands, except share amounts)

(unaudited)

	Common Stock and Paid in Capital		Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Shareholders Equity
	Shares	Amount			
Balance at December 31, 2008	15,199,207	$ 115	$ (95,750)	$ 386,758	$ 291,123
Comprehensive income:					
Net income				162,283	162,283
Changes in (net of tax):					
Foreign currency translation adjustments			17,816		17,816
Pension plans and other postretirement benefit adjustments:					
Prior service cost			200		200
Unrecognized gain			3,304		3,304
Transition obligation			9		9
Derivative net loss			(363)		(363)
Total comprehensive income					183,249
Cash dividends ($1.075 per share)				(16,347)	(16,347)
Stock options exercised	9,000	40			40
Issuance of stock	1,782	120			120
Balance at December 31, 2009	15,209,989	$ 275	$ (74,784)	$ 532,694	$ 458,185
Comprehensive income:					
Net income				42,138	42,138
Changes in (net of tax):					
Foreign currency translation adjustments			(7,080)		(7,080)
Pension plans and other postretirement benefit adjustments:					
Prior service cost			37		37
Unrecognized gain			719		719
Transition obligation			2		2
Derivative net loss			(371)		(371)
Total comprehensive income					35,445
Cash dividends ($0.375 per share)				(5,641)	(5,641)
Stock options exercised	1,000	4			4
Common stock repurchase	(168,549)	(279)		(13,997)	(14,276)
Balance at March 31, 2010	15,042,440	$ 0	$ (81,477)	$ 555,194	$ 473,717

See accompanying Notes to Consolidated Financial Statements.

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NEWMARKET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended March 31	
	2010	**2009**
Cash and cash equivalents at beginning of year	$ 151,831	$ 21,761
Cash flows from operating activities:		
Net income	42,138	28,688
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and other amortization	8,779	7,763
Amortization of deferred financing costs	358	280
Noncash environmental remediation and dismantling	128	1,953
Noncash pension benefits expense	3,379	3,462
Noncash postretirement benefits expense	768	705
Noncash foreign exchange loss	2,952	174
Deferred income tax benefit	(640)	(35)
Loss (gain) on derivative instruments - net	1,376	(585)
Working capital changes	(10,903)	61,653
Cash pension benefits contributions	(2,283)	(4,261)
Cash postretirement benefits contributions	(431)	(384)
Other, net	(2,825)	(2,744)
Cash provided from operating activities	42,796	96,669
Cash flows from investing activities:		
Capital expenditures	(4,631)	(8,194)
Foundry Park I capital expenditures	(2,046)	(7,111)
Acquisition of business	(43,748)	0
Deposits for interest rate lock agreement	0	(4,000)
Return of deposits for interest rate swap	4,210	0
Deposits for interest rate swap	(6,840)	0
Cash used in investing activities	(53,055)	(19,305)
Cash flows from financing activities:		
Repayment of Foundry Park I construction loan	(99,102)	0
Borrowing under Foundry Park I mortgage loan	68,400	0
Repayment of Foundry Park I mortgage loan	(207)	0
Draws on Foundry Park I construction loan	0	6,545
Repayments under revolving credit agreement	0	(41,900)
Repurchases of common stock	(14,276)	0
Dividends	(5,641)	(3,041)
Change in book overdraft, net	764	1,527
Payment for financed intangible asset	(250)	(250)
Debt issuance costs - Foundry Park I	(1,524)	0
Debt issuance costs	0	(303)
Proceeds from exercise of stock options	4	22

Payments on capital leases	(204)	(191)
Cash used in financing activities	(52,036)	(37,591)
Effect of foreign exchange on cash and cash equivalents	(1,565)	(2,024)
(Decrease) increase in cash and cash equivalents	(63,860)	37,749
Cash and cash equivalents at end of period	$ 87,971	$ 59,510

See accompanying notes to the consolidated financial statements.

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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 and shareholders equity as of March 31, 2010 and December 31, 2009, as well as our consolidated results of operations and cash flows for the three months ended March 31, 2010 and March 31, 2009. 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, 2009 (2009 Annual Report), as filed with the Securities and Exchange Commission (SEC). The results of operations for the three month period ended March 31, 2010 are not necessarily indicative of the results to be expected for the full year ending December 31, 2010. The December 31, 2009 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 March 31, 2010 and December 31, 2009, 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 37.5 cents per share for the three months ended March 31, 2010 and 20 cents per share for the three months ended March 31, 2009 were declared and paid as shown in the table below.

Year	Date Declared	Date Paid	Per Share Amount
2010	February 18, 2010	April 1, 2010	37.5 cents
2009	February 19, 2009	April 1, 2009	20 cents

2. Acquisition of Business

On March 5, 2010, Afton Chemical Corporation (Afton) completed the acquisition of the Polartech group of companies (Polartech). Polartech is a global company specializing in the supply of metalworking additives. The acquisition agreement included all physical assets of the Polartech business including headquarters, research and development, and manufacturing facilities in the United Kingdom, as well as manufacturing sites in India, China, and the United States.

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We paid approximately $43.7 million for the Polartech business and are in the process of performing a valuation of the assets acquired to determine the final purchase price allocation. We expect the purchase price will be allocated primarily to property, plant, and equipment, as well as definite-lived intangibles, with a small amount allocated to working capital. We expect to complete the purchase price allocation during the second quarter 2010. Currently, assets of $45.6 million are recorded in Other assets and deferred charges and liabilities of $1.8 million are recorded in Accrued expenses on the Consolidated Balance Sheets.

3. Asset Retirement Obligations

Our asset retirement obligations are related primarily to tetraethyl lead (TEL) operations. The following table illustrates the activity associated with our asset retirement obligations for the three months ended March 31, 2010 and March 31, 2009.

	2010	**2009**
	(in thousands)	
Asset retirement obligations, January 1	$ 3,031	$ 3,009
Accretion expense	39	58
Liabilities settled	0	(851)
Changes in expected cash flows and timing	0	272
Asset retirement obligations, March 31	$ 3,070	$ 2,488

4. Segment Information

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

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

Consolidated Revenue by Segment

(in millions)

	Three Months Ended March 31	
	2010	**2009**
Petroleum additives	$ 389.3	$ 334.8
Real estate development	2.9	0.0
All other	2.9	2.3
Consolidated revenue	$ 395.1	$ 337.1

Segment Operating Profit

(in millions)

	Three Months Ended March 31	
	2010	**2009**
Petroleum additives	$ 70.4	$ 50.1
Real estate development	1.8	(0.2)
All other	0.9	(0.5)
Segment operating profit	73.1	49.4
Corporate, general, and administrative expenses	(4.2)	(3.5)
Interest and financing expenses	(3.9)	(2.9)
Loss on interest rate swap agreement (a)	(2.4)	0.0
Other expense, net	(0.1)	0.0
Income before income taxes	$ 62.5	$ 43.0

(a) The 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.

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Segment Depreciation and Amortization

(in millions)

	Three Months Ended March 31	
	2010	2009
Petroleum additives	$ 7.5	$ 7.4
Real estate development	0.9	0.0
Corporate	0.7	0.6
Total depreciation and amortization	$ 9.1	$ 8.0

5. Pension and Postretirement Benefit Plans

During the three months ended March 31, 2010, we made cash contributions of approximately $600 thousand for domestic pension plans and approximately $400 thousand for domestic postretirement benefit plans. We expect to make total cash contributions in 2010 of approximately $11.5 million for our domestic pension plans and approximately $1.6 million for our domestic postretirement benefit plans.

We made cash contributions of approximately $1.7 million for our foreign pension plans and approximately $40 thousand for a foreign postretirement benefit plan during the three months ended March 31, 2010. During 2010, we expect to make total cash contributions of approximately $7 million for our foreign pension plans and approximately $150 thousand for our foreign postretirement benefit plan.

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

	Domestic			
	Pension Benefits		Postretirement Benefits	
	Three Months Ended March 31			
	2010	2009	2010	2009
	(in thousands)			
Service cost	$ 1,645	$ 1,398	$ 318	$ 277
Interest cost	2,118	1,955	848	875
Expected return on plan assets	(2,374)	(2,072)	(407)	(419)
Amortization of prior service cost	31	73	2	3
Amortization of net loss (gain)	830	627	(61)	(86)
Net periodic benefit cost	$ 2,250	$ 1,981	$ 700	$ 650

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	Foreign			
	Pension Benefits		Postretirement Benefits	
	Three Months Ended March 31			
	2010	2009	2010	2009
	(in thousands)			
Service cost	$ 782	$ 608	$ 6	$ 3
Interest cost	1,387	1,188	36	33
Expected return on plan assets	(1,377)	(914)	0	0
Amortization of prior service cost	21	17	0	0
Amortization of transition (asset) obligation	(9)	(8)	13	11
Amortization of net loss	325	392	13	8
Settlement loss	0	198	0	0
Net periodic benefit cost	$ 1,129	$ 1,481	$ 68	$ 55

The settlement loss for the three months ended March 31, 2009 represents the termination of a pension plan of our Ethyl subsidiary in Belgium.

In March 2010, the Patient Protection and Affordable Care Act was signed into law, as was a related reconciliation bill. Included in the provisions of the laws are changes to the taxation related to the federal subsidy available to companies that provide retiree healthcare benefit plans that include a benefit that is at least actuarially equivalent to the benefits of Medicare Part D. Our retiree medical plan does include a drug subsidy benefit that is actuarially equivalent to Medicare Part D. However, we are not impacted by the changes in the taxation of the federal subsidy, as we assigned the subsidy to our insurance provider several years ago in consideration of premium determination. At the time we assigned the benefit to our insurance provider, we adjusted our deferred taxes accordingly. We are currently evaluating the provisions of the law and its impact on our company, but have made no adjustments to our financial statements as a result of the law.

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6. 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.

	Three Months Ended March 31	
	2010	**2009**
	(in thousands, except per- share amounts)	
Basic earnings per share		
Numerator:		
Net income	$ 42,138	$ 28,688
Denominator:		
Weighted-average number of shares of common stock outstanding	15,118	15,203
Basic earnings per share	$ 2.79	$ 1.89
Diluted earnings per share		
Numerator:		
Net income	$ 42,138	$ 28,688
Denominator:		
Weighted-average number of shares of common stock outstanding	15,118	15,203
Shares issuable upon exercise of stock options	36	38
Total shares	15,154	15,241
Diluted earnings per share	$ 2.78	$ 1.88

7. 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			
	March 31 2010		December 31 2009	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(in thousands)			
Amortizing intangible assets				
Formulas	$ 88,687	$ 59,970	$ 88,687	$ 58,700
Contracts	16,380	7,728	16,380	6,939
Customer base	5,440	785	5,440	666
Goodwill	861	0	861	0
	$ 111,368	$ 68,483	$ 111,368	$ 66,305

Amortization expense was (in millions):

Three months ended March 31, 2010	$ 2.2
Three months ended March 31, 2009	$ 2.4

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

2010	$ 8.3
2011	$ 8.0
2012	$ 6.8
2013	$ 6.6
2014	$ 5.6

We expect estimated annual amortization for the next five years will increase once the purchase price allocation is completed for the acquisition of the Polartech business.

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.

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8. Long-term Debt

Long-term debt consisted of the following:

	March 31 2010	December 31 2009
	(in thousands)	
Senior notes - 7.125% due 2016	$ 150,000	$ 150,000
Foundry Park I mortgage loan - due 2015	68,193	0
Foundry Park I construction loan - due 2010	0	99,102
Capital lease obligations	775	979
	218,968	250,081
Current maturities of long-term debt	(3,357)	(33,881)
	$ 215,611	$ 216,200

We had no outstanding borrowings under our revolving senior credit facility at March 31, 2010 or December 31, 2009. We had outstanding letters of credit of $13.1 million at March 31, 2010, resulting in the unused portion of the revolving senior credit facility amounting to $136.9 million.

On January 29, 2010, we paid off the outstanding balance of $99.1 million on the Foundry Park I construction loan with proceeds of $68.4 million from the Foundry Park I mortgage loan agreement, as well as cash on hand of $30.7 million. On January 28, 2010, Foundry Park I entered into a mortgage loan agreement in the amount of $68.4 million. The loan, which is collateralized by the Foundry Park I office building, is for a period of five years, with two thirteen-month extension options. NewMarket Corporation is fully guaranteeing the loan. The mortgage loan bears interest at a variable rate of LIBOR plus a margin of 400 basis points, with a minimum LIBOR of 200 basis points. Concurrently with the closing of the mortgage loan, Foundry Park I obtained an interest rate swap to effectively convert the variable interest rate of the loan to a fixed interest rate by setting LIBOR at 2.642 for five years. Further information on the interest rate swap is in Note 10. Principal payments on the loan are being made monthly based on a 15-year amortization schedule, with all remaining amounts due in five years, unless we exercise the extension options.

We were in compliance with all covenants under our debt agreements at March 31, 2010 and December 31, 2009.

9. 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 2009 Annual Report in Note 19.

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.

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 received notice of approval from the EPA of their October 2009 Human Health Risk Assessment. Additionally, the PRPs have submitted their Feasibility Study (FS) to the EPA Remedy review board. We have accrued our estimated proportional share of the expenses for the 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. We do not believe there is any additional information available as a basis for revision of the liability that we have established. 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 $7.4 million at March 31, 2010 and $7.5 million at December 31, 2009. We based these amounts on the best estimate of future costs discounted at approximately 3% in both 2010 and 2009. An inflation factor is included in the estimate. The undiscounted liability was $9.6 million at March 31, 2010 and $9.7 million at December 31, 2009. The expected payments over the next five years amount to approximately $700 thousand in 2010 and $600 thousand for each of the years 2011 through 2014. Expected payments thereafter amount to approximately $6.5 million.

At a plant site in Houston, Texas, we have accruals of $7.8 million at March 31, 2010 and $7.9 million at December 31, 2009 for environmental remediation, dismantling, and decontamination. Included in these amounts are $7.5 million at March 31, 2010 and $7.6 million at December 31, 2009 for remediation. Of the total remediation, $7.1 million at March 31, 2010 and $7.2 million at December 31, 2009 relates to remediation of groundwater and soil. The accruals for this site are discounted at approximately 3% at both March 31, 2010 and December 31, 2009. The accruals include an inflation factor. The undiscounted accrual for this site was $11.1 million at March 31, 2010 and $11.2 million at December 31, 2009. The expected payments over the next five years are approximately $300 thousand in 2010, $600 thousand in 2011, $2.3 million in 2012, and $200 thousand for each of 2013 and 2014. Expected payments thereafter amount to approximately $7.5 million.

At a superfund site in Louisiana, we have an accrual of $2.5 million at March 31, 2010 and $2.6 million at December 31, 2009 for environmental remediation. The accrual for this site was discounted at approximately 3% at both March 31, 2010 and December 31, 2009 and included an inflation factor. The undiscounted accrual for this site was $3.1 million at March 31, 2010 and $3.2 million at December 31, 2009. The expected payments over the next five years amount to approximately $300 thousand in 2010, $400 thousand in 2011, and $200 thousand each for years 2012 through 2014. Expected payments thereafter amount to approximately $1.8 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

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are currently fully accrued for known environmental issues, it is possible that unexpected future costs could have a significant impact on our financial position and results of operations.

Our total accruals for environmental remediation were approximately $21.7 million at March 31, 2010 and $22.0 million at December 31, 2009. In addition to the accruals for environmental remediation, we also have accruals for dismantling and decommissioning costs of $500 thousand at both March 31, 2010 and December 31, 2009.

Letters of Credit and Guarantees

We have outstanding guarantees with several financial institutions in the amount of $34.8 million at March 31, 2010. The guarantees are secured by letters of credit, as well as cash collateral. A small amount of guarantees is unsecured. The outstanding letters of credit amounted to $13.1 million at March 31, 2010, all of which were issued under the letter of credit sub-facility of our revolving credit facility. The letters of credit primarily relate to insurance guarantees and performance guarantees. We renew letters of credit as necessary. The remaining amounts represent additional performance, lease, custom and excise tax guarantees, as well as a cash deposit of $17.9 million related to the Goldman Sachs Bank USA (Goldman Sachs) interest rate swap. The cash deposit is recorded in Other assets and deferred charges on the Consolidated Balance Sheet. Expiration dates of the letters of credit and certain guarantees range from 2010 to 2011. 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.

10. 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.

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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

In January 2010, we entered into an interest rate swap to manage our exposure to interest rate movements on the Foundry Park I mortgage loan and add stability to interest expense. Further information on the mortgage loan is in Note 8. We also had 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. The Foundry Park I construction loan interest rate swap matured on January 1, 2010. Further information on the construction loan is in our 2009 Annual Report in Note 13. Both interest rate swaps are designated and qualify as a cash flow hedge. As such, the effective portion of changes in the fair value of the swaps is recorded in accumulated other comprehensive loss and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. Any ineffective portion of changes in the fair value of the swap is recognized immediately in earnings. We assess the effectiveness of the mortgage loan interest rate swap quarterly, just as we assessed 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.

Both interest rate swaps involve 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 2.642% for the mortgage loan interest rate swap, while the fixed-rate payments on the construction loan interest rate swap were at a rate of 4.975%. The notional amount of the mortgage loan interest rate swap was $68.4 million at origination and approximately $68.2 million at March 31, 2010. The notional amount of the mortgage loan swap amortizes to approximately $53.7 million over the term of the swap. The amortizing notional amount is necessary to maintain the swap notional at an amount that matches the declining mortgage loan principal balance over the loan term. The mortgage loan interest swap matures on January 25, 2015. The notional amount of the construction loan interest rate swap was approximately $94.0 million at December 31, 2009, just prior to its January 1, 2010 maturity. The accreting notional amount was necessary to maintain the construction loan interest rate swap notional at an amount that represents approximately 85% of the projected construction loan principal balance over the loan term.

The unrealized loss, net of tax, related to the fair value of the mortgage loan interest rate swap is recorded in accumulated other comprehensive loss in shareholders equity on the Consolidated Balance Sheets, amounted to approximately $384 thousand at March 31, 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 amounted to approximately $37 thousand at December 31, 2009. Also recorded as a component of accumulated other comprehensive loss in shareholders equity on the Consolidated Balance Sheets was the accumulated losses related to the construction loan interest rate swap. This amounted to approximately $2.6 million, net of tax, at both March 31, 2010 and December 31, 2009. The amounts remaining in accumulated other comprehensive

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loss related to the construction loan interest rate swap are being recognized in the Consolidated Statements of Income over the depreciable life of the office building beginning in January 2010. Approximately $100 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 Commercial Funding II, LLC (Principal). See Note 19 in our 2009 Annual Report 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 $17.9 million at March 31, 2010. 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 obligated 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 had maturity dates through December 2009. There were no outstanding foreign currency forward contracts at March 31, 2010 or December 31, 2009.

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

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The table below presents the fair value of our derivative financial instruments, as well as their classification on the Consolidated Balance Sheets as of March 31, 2010 and December 31, 2009.

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Fair Value of Derivative Instruments

(in thousands)

	Asset Derivatives				Liability Derivatives			
	March 31, 2010		December 31, 2009		March 31, 2010		December 31, 2009	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives Designated as Hedging Instruments								
Mortgage loan interest rate swap		$ 0		$ 0	Accrued expenses and Other long-term liabilities	$ 770		$ 0
Construction loan interest rate swap		$ 0		$ 0		$ 0	Accrued expenses	$ 421
Derivatives Not Designated as Hedging Instruments								
Goldman Sachs interest rate swap		$ 0		$ 0	Accrued expenses and Other long-term liabilities	$ 13,797	Other long-term liabilities	$ 11,440

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

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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) Three Months Ended March 31		Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) Three Months Ended March 31		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) Three Months Ended March 31	
	2010	2009		2010	2009		2010	2009
Mortgage loan interest rate swap	$ (913)	$ 0	Interest and financing expenses	$ (284)	$ 0		$ 0	$ 0
Construction loan interest rate swap	$ 0	$ (138)	Cost of rental	$ (21)	$ 0	Other expense, net	$ 0	$ (77)

Effect of Derivative Instruments on the Consolidated Statements of

Income Not Designated Derivatives

(in thousands)

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative Three Months Ended March 31	
		2010	2009
Goldman Sachs interest rate swap	Other expense, net	$ (2,357)	$ 0
Foreign currency forward contracts	Cost of goods sold - product	$ 0	$ 497

Credit-risk-related Contingent Features

We have agreements with both of our current derivative counterparties that contain a provision where we could be declared in default on our derivative obligations if repayment of indebtedness is accelerated by the lender due to our default on the indebtedness.

As of March 31, 2010, the fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was $13.9 million. We have minimum collateral posting thresholds with one of our derivative counterparties and have posted cash collateral of $17.9 million as of March 31, 2010. If required, we could have settled our obligations under the agreements at their termination value of $13.9 million at March 31, 2010.

11. Comprehensive Income and Accumulated Other Comprehensive Loss

The components of comprehensive income consist of the following:

	Three Months Ended March 31	
	2010	2009
	(in thousands)	
Net income	$ 42,138	$ 28,688
Other comprehensive income, net of tax		
Pension plans and other postretirement benefits adjustments (net of tax expense of $400 thousand in 2010 and $429 thousand in 2009)	758	837
Unrealized loss on derivative instruments (net of tax benefits of $236 thousand in 2010 and $52 thousand in 2009)	(371)	(86)
Foreign currency translation adjustments (net of tax benefits of $838 thousand in 2010 and $1.5 million in 2009)	(7,080)	(3,875)
Other comprehensive loss	(6,693)	(3,124)
Comprehensive income	$ 35,445	$ 25,564

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

	March 31 2010	December 31 2009
	(in thousands)	
Pension plans and other postretirement benefit adjustments	$ (59,297)	$ (60,055)
Accumulated loss on derivative instruments	(3,035)	(2,664)
Foreign currency translation adjustments	(19,145)	(12,065)
Accumulated other comprehensive loss	$ (81,477)	$ (74,784)

12. 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 three months ended March 31, 2010, requiring adjustment to the recognized balances of assets or liabilities which are recorded at fair value on a nonrecurring basis.

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	Carrying Amount in Consolidated Balance Sheets	Fair Value	Fair Value Measurements Using Level 1	Level 2	Level 3
	March 31, 2010				
Cash and cash equivalents	$ 87,971	$ 87,971	$ 87,971	$ 0	$ 0
Short-term investments	$ 300	$ 300	$ 300	$ 0	$ 0
Interest rate swaps liability	$ 14,567	$ 14,567	$ 0	$ 14,567	$ 0
	December 31, 2009				
Cash and cash equivalents	$ 151,831	$ 151,831	$ 151,831	$ 0	$ 0
Short-term investments	$ 300	$ 300	$ 300	$ 0	$ 0
Interest rate swap liability	$ 11,861	$ 11,861	$ 0	$ 11,861	$ 0

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. 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 March 31, 2010, 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.

	March 31, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current maturities	$ (218,968)	$ (221,762)	$ (250,081)	$ (243,354)

13. 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 currently do not expect ASU 2009-13 to have a material impact on our financial statements.

14. 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 100% owned domestic restricted subsidiaries. The Guarantor Subsidiaries and the subsidiaries that do not guarantee the senior notes (the Non-Guarantor Subsidiaries) are 100% owned by NewMarket Corporation (the Parent Company). The Guarantor Subsidiaries consist of the following:

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

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 three months ended March 31, 2010 and March 31, 2009; Consolidating Balance Sheets as of March 31, 2010 and December 31, 2009; and Condensed Consolidating Statements of Cash Flows for the three months ended March 31, 2010 and March 31, 2009 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.

NewMarket Corporation and Subsidiaries

Consolidating Statements of Income

Three Months Ended March 31, 2010

(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Total Consolidating Adjustments