

NEWMARKET CORP  
Form 10-K  
February 20, 2009  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

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

For the fiscal year ended December 31, 2008

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**

Edgar Filing: NEWMARKET CORP - Form 10-K

**Incorporated pursuant to the Laws of the Commonwealth of Virginia**

**Internal Revenue Service Employer Identification No. 20-0812170**

**330 South Fourth Street**

**Richmond, Virginia 23219-4350**

**804-788-5000**

**Securities registered pursuant to Section 12(b) of the Act:**

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
<b>COMMON STOCK, without par value</b>	<b>NEW YORK STOCK EXCHANGE</b>

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 definition of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one):

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 Act). Yes  No

Aggregate market value of voting stock held by non-affiliates of the registrant as of June 30, 2008 (the last business day of the registrant's most recently completed second fiscal quarter): \$816,599,607\*

Number of shares of Common Stock outstanding as of January 31, 2009: 15,203,207

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of NewMarket Corporation's definitive Proxy Statement for its 2009 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934 are incorporated by reference into Part III of this Annual Report on Form 10-K.

## Edgar Filing: NEWMARKET CORP - Form 10-K

\* In determining this figure, an aggregate of 3,164,616 shares of Common Stock as beneficially owned by Bruce C. Gottwald and members of his immediate family have been excluded and treated as shares held by affiliates. See Item 12. The aggregate market value has been computed on the basis of the closing price in the New York Stock Exchange Composite Transactions on June 30, 2008 as reported by *The Wall Street Journal*.

**Table of Contents**

**Form 10-K**

**Table of Contents**

**PART I**

Item 1.	<u>Business</u>	3
Item 1A.	<u>Risk Factors</u>	13
Item 1B.	<u>Unresolved Staff Comments</u>	20
Item 2.	<u>Properties</u>	20
Item 3.	<u>Legal Proceedings</u>	21
Item 4.	<u>Submission of Matters to a Vote of Security Holders</u>	22

**PART II**

Item 5.	<u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	23
Item 6.	<u>Selected Financial Data</u>	25
Item 7.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operation</u>	27
Item 7A.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	43
Item 8.	<u>Financial Statements and Supplementary Data</u>	45
Item 9.	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	98
Item 9A.	<u>Controls and Procedures</u>	98
Item 9B.	<u>Other Information</u>	99

**PART III**

Item 10.	<u>Directors, Executive Officers and Corporate Governance</u>	100
Item 11.	<u>Executive Compensation</u>	100
Item 12.	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	100
Item 13.	<u>Certain Relationships and Related Transactions, and Director Independence</u>	101
Item 14.	<u>Principal Accounting Fees and Services</u>	101

**PART IV**

Item 15.	<u>Exhibits, Financial Statement Schedules</u>	102
----------	--	-----

<u>Signatures</u>	105
-------------------	-----

---

**Table of Contents**

**PART I**

**ITEM 1. BUSINESS**

NewMarket Corporation (NewMarket) (NYSE:NEU) is a holding company which is the parent company of Afton Chemical Corporation (Afton), Ethyl Corporation (Ethyl), NewMarket Services Corporation (NewMarket Services), and NewMarket Development Corporation (NewMarket Development).

Each of our subsidiaries manages its own assets and liabilities. Afton encompasses the petroleum additives business, while Ethyl represents the sale and distribution of tetraethyl lead (TEL) in North America and certain petroleum additives manufacturing operations. NewMarket Development manages the property and improvements that we own in Richmond, Virginia. NewMarket Services provides various administrative services to NewMarket, Afton, Ethyl, and NewMarket Development. NewMarket Services departmental expenses and other expenses are billed to NewMarket and each subsidiary pursuant to services agreements between the companies.

References in this Annual Report on Form 10-K to we, our, and NewMarket are to NewMarket Corporation and its subsidiaries on a consolidated basis, unless the context indicates otherwise.

As a specialty chemicals company, Afton develops, manufactures, and blends highly formulated fuel and lubricant additive packages, and markets and sells these products worldwide. Afton is one of the largest global suppliers of lubricant additives and offers a broad line of fuel additives worldwide. Lubricant and fuel additives are necessary products for efficient maintenance and reliable operation of all vehicles and machinery. From custom-formulated chemical blends to market-general additive components, we believe Afton provides customers with products and solutions that make fuels burn cleaner, engines run smoother, and machines last longer.

Afton serves the petroleum additives market with six unique brands. HiTEC<sup>®</sup> petroleum additives are formulated to provide our customers with a measurable and sustainable marketing or cost advantage. The GREENBURN<sup>®</sup> product line provides formulated products to provide immediate, sustained, and economical performance features and emission reductions across the entire spectrum of fuels. The TecGARD<sup>®</sup> brand is specially formulated to meet the operating demands of the global metalworking industry. Our BioTEC<sup>®</sup> additives are designed specifically for the biofuels marketplace and the Axcel brand of products is a family of gear oil additives that brings benefits to plant utilization and inventory costs. The mmt<sup>®</sup> brand of additives provides refiners improved gasoline production efficiency and has been proven to provide significant environmental and vehicle performance benefits. All six brands are marketed worldwide by Afton employees and our valued distributors and representatives.

Afton has developed long-term relationships with its customers in every major region of the world, which Afton serves through seven manufacturing facilities in the Americas and Europe.

Afton has more than 275 employees dedicated to research and development who work closely with our customers to develop chemical formulations that are tailored to the customers' and the end-users' specific needs. Afton's portfolio of technologically-advanced, value-added products allows it to provide a full range of products and services to its customers.

Through Ethyl, we are one of the primary marketers of TEL in North America. On June 15, 2007, Ethyl and Innospec Inc. (Innospec) resolved all pending arbitration actions commenced in 2006 between the subsidiaries of Innospec and Ethyl arising out of the TEL marketing agreements and the North American TEL supply agreement between the companies and terminated the marketing agreements effective April 1, 2007.

NewMarket Development owns and manages all of the property holdings in Richmond, Virginia for NewMarket Corporation. We own approximately 64 acres of real estate in downtown Richmond, Virginia,

## **Table of Contents**

adjacent to our principal executive offices, which we have accumulated over many decades as the property became available. Of this total land holding, approximately seven acres, including those currently under construction, are the most desirable for further development should the demand arise in the community. In January 2007, Foundry Park I, LLC (Foundry Park I), a wholly-owned subsidiary of NewMarket Development, entered into a Deed of Lease Agreement with MeadWestvaco Corporation (MeadWestvaco) under which it will lease an office building which we are constructing on approximately three acres. We are constructing the building to the specifications of MeadWestvaco. The construction phase of this effort will last until late 2009, at which time MeadWestvaco will occupy the building and use it as their corporate headquarters. We have obtained financing for the construction phase. We have an open application for the permanent loan with agreed upon major terms and conditions, but no commitment for the permanent loan has been received. See Note 17 in the Notes to Consolidated Financial Statements for further information on a related interest rate lock agreement. During the construction phase, NewMarket Corporation is guaranteeing the obligation for the debt. It is our intention that the permanent loan will ultimately be structured as a non-recourse obligation to NewMarket Corporation, although the turmoil in the financial markets may affect our ability to secure such a non-recourse loan. For 2008 and most of 2009, we will be capitalizing the costs of the project and the financing expenses.

We were incorporated in the Commonwealth of Virginia in 2004. Our principal executive offices are located at 330 South Fourth Street, Richmond, Virginia, and our telephone number is (804) 788-5000. We employed 1,280 people at the end of 2008.

## **Business Segments**

Our business is composed of two primary segments, petroleum additives and real estate development. The petroleum additives segment is primarily represented by Afton and is discussed further below. Beginning in the first quarter 2008, we began reporting our real estate development activities (see discussion above) in segment operating profit. Because of the current immateriality of the real estate development segment, its results are reported in the All other category. Also included in the All other category are the continuing operations of the TEL business (primarily sales of TEL in North America), as well as certain contract manufacturing Ethyl provides to Afton and to third parties.

**Petroleum Additives** Petroleum additives are used in lubricating oils and fuels to enhance their performance in machinery, vehicles, and other equipment. We manufacture chemical components that are selected to perform one or more specific functions and blend those chemicals with other components to form additive packages for use in specified end-user applications. The petroleum additives market is an international marketplace, with customers ranging from oil companies and refineries to original equipment manufacturers (OEMs) and other specialty chemical companies. The petroleum additives segment includes common customers, is served by the same plants, shares common components or building blocks, and is supported with a common sales, as well as research and development, workforce.

We believe our success in the petroleum additives market is largely due to our ability to bring value to our customers. We accomplish this by understanding their needs and applying our technical capabilities, formulation expertise, broadly differentiated product offerings, and global distribution capabilities to meet those needs. We invest significantly in research and development in order to meet our customers' needs, and to adapt to the rapidly changing environment for new and improved products and services.

We view the petroleum additives marketplace as being comprised of two broad product groupings: lubricant additives and fuel additives. Lubricant additives are highly formulated chemical products that improve the performance, durability, and functionality of mineral oils, synthetic oils, and biodegradable oils, thereby enhancing the performance of machinery and engines. Fuel additives are chemical components and products that improve the refining process and performance of gasoline, diesel, biofuels, and other fuels, resulting in lower fuel costs, improved vehicle performance, reduced tailpipe or smokestack emissions, and improved power plant efficiency.

## Table of Contents

### *Lubricant Additives*

Lubricant additives are essential ingredients for lubricating oils. Lubricant additives are used in a wide variety of vehicle and industrial applications, including engine oils, automatic transmission fluids, gear oils, hydraulic oils, turbine oils, and in virtually any other application where metal-to-metal moving parts are utilized. Lubricant additives are organic and synthetic chemical components that enhance wear protection, prevent deposits, and protect against the hostile operating environment of an engine, transmission, axle, hydraulic pump, or industrial machine.

Lubricants are used in nearly every piece of operating machinery from heavy industrial equipment to vehicles. Lubricants provide a layer of insulation and protection between moving mechanical parts. Without this layer of protection, the normal functioning of machinery would not occur. Effective lubricants reduce downtime, prevent accidents, and increase efficiency. Specifically, lubricants serve the following main functions:

*Friction reduction* Friction is reduced by maintaining a thin film of lubricant between moving surfaces, preventing them from coming into direct contact with one another and reducing wear on moving machinery.

*Heat removal* Lubricants act as coolants by removing heat resulting from either friction or through contact with other, higher temperature materials.

*Containment of contaminants* Lubricants can be contaminated in many ways, especially over time. Lubricants are required to function by carrying contaminants away from the machinery and neutralizing the deleterious impact of the by-products of combustion.

The functionality of lubricants is created through an exact balance between a base fluid and performance enhancing additives. This balance is the goal of effective formulations achieved by experienced research professionals. We offer a full line of lubricant additive products, each of which is composed of component chemicals specially selected to perform desired functions. We manufacture most of the chemical components and blend these components to create formulated additives packages designed to meet industry and customer specifications. Lubricant additive components are generally classified based upon their intended functionality, including:

detergents, which clean moving parts of engines and machines, suspend oil contaminants and combustion by-products, and absorb acidic combustion products;

dispersants, which serve to inhibit the formation of sludge and particulates;

extreme pressure/antiwear agents, which reduce wear on moving engine and machinery parts;

viscosity index modifiers, which improve the viscosity and temperature characteristics of lubricants and help the lubricant flow evenly to all parts of an engine or machine; and

antioxidants, which prevent oil from degrading over time.

We are one of the leading global suppliers of specially formulated lubricant additives that combine some or all of the components described above to develop our products. Our products are highly formulated, complex chemical compositions derived from extensive research and testing to ensure all additive components work together to provide the intended results. Our products are engineered to meet specifications prescribed by either the industry generally or a specific customer. Purchasers of lubricant additives tend to be oil companies, distributors, refineries, and compounder/blenders.

## Edgar Filing: NEWMARKET CORP - Form 10-K

Key drivers of demand for lubricant additives include total vehicle miles driven, vehicle production, equipment production, the average age of vehicles on the road, new engine and driveline technologies, and drain/refill intervals.



## **Table of Contents**

We view our participation in the lubricant marketplace in three primary areas: engine oil additives, driveline additives, and industrial additives. Our view is not necessarily the same way our competitors view the market.

*Engine Oil Additives* The largest submarket within the lubricant additives marketplace is engine oils, which we estimate represents approximately 65% of the overall lubricant additives market volume, but a much lower percentage of the overall market profitability. The engine oils market's ultimate customers include consumers, service dealers, and OEMs. The extension of drain intervals has generally offset increased demand due to higher vehicle population and more miles driven. The primary functions of engine oil additives are to reduce friction, prevent wear, control formation of sludge and oxidation, and prevent rust. Engine oil additives are typically sold to lubricant manufacturers who combine them with a base oil fluid to meet internal, industry, and OEM specifications.

Key drivers of the engine oils market are the number of vehicles on the road, drain intervals for engine oils, engine and crankcase size, changes in engine design, and temperature and specification changes driven by the OEMs. Afton's goal is to continue to improve the profitability of this product line by developing additives that are specially formulated for the vehicles people drive and the way they drive them. Afton offers additives for oils that protect the modern engine and makes additives that are specially formulated to protect high mileage vehicles. Afton offers products that enhance the performance of mineral, part-synthetic, and fully-synthetic engine oils.

*Driveline Additives* The driveline additives submarket is comprised of additives designed for products such as automatic transmission fluids (ATF), gear oils, and tractor fluids. This submarket shares in the 35% of the market not covered by engine oils. ATFs primarily serve as the power transmission and heat transfer medium in the area of the transmission where the torque of the drive shaft is transferred to the gears of the vehicle. Gear additives lubricate gears, bearings, clutches, and bands in the gear-box and are used in vehicles, off-highway, hydraulic, and marine equipment. Other products in this area consist of hydraulic transmission fluids, universal tractor fluids, power steering fluids, shock absorber fluids, gear oils, lubricants for heavy machinery, and vehicle greases. These products must conform to highly prescribed specifications developed by vehicle OEMs for specific models or designs. These additives are generally sold to oil companies and often ultimately sold to vehicle OEMs for new vehicles (factory-fill). End-products are also sold to service dealers for aftermarket servicing (service-fill), as well as retailers and distributors.

Key drivers of the driveline additives marketplace are the number of vehicles manufactured, drain intervals for ATF and gear applications, changes in engine and transmission design and temperatures, and specification changes driven by the OEMs.

*Industrial Additives* The industrial additives submarket is comprised of additives designed for products for industrial applications such as hydraulic fluids, grease, industrial gear fluids, industrial specialty applications, and metalworking additives. This submarket also shares in the 35% of the market not covered by engine oils. These products must conform to industry specifications, OEM requirements and/or application and operating environment demands. Industrial additives are generally sold to oil companies, service dealers for aftermarket servicing, and distributors.

Key drivers of the industrial additives marketplace are gross domestic product growth and industrial production.

### *Fuel Additives*

Fuel additives are chemical compounds that are used to improve both the oil refining process and the performance of gasoline, diesel, residual, biofuels, and other fuels. Benefits of fuel additives in the oil refining process include reduced use of crude oil, lower processing costs, and improved fuel storage properties. Fuel performance benefits include ignition improvements, combustion efficiency, reduced emission particulates, fuel

## **Table of Contents**

economy improvements, and engine cleanliness, as well as protection against deposits in fuel injectors, intake valves, and the combustion chamber. Our fuel additives are extensively tested and designed to meet stringent industry, government, OEM, and individual customer requirements.

Many different types of additives are used in fuels. Their use is generally determined by customer, industry, OEM, and government specifications, and often differs from country to country. The types of fuel additives we offer include:

gasoline performance additives, which clean and maintain key elements of the fuel delivery systems, including fuel injectors and intake valves, in gasoline engines;

diesel fuel performance additives, which perform similar cleaning functions in diesel engines;

cetane improvers, which increase the cetane number (ignition quality) in diesel fuel by reducing the delay between injection and ignition;

stabilizers, which reduce or eliminate oxidation in fuel;

corrosion inhibitors, which minimize the corrosive effects of combustion by-products and prevent rust;

lubricity additives, which restore lubricating properties lost in the refining process;

cold flow improvers, which improve the pumping and flow of diesel in cold temperatures; and

octane enhancers, which increase octane ratings and decrease emissions.

We offer a broad line of fuel additives worldwide and sell our products to major fuel marketers and refiners, as well as independent terminals and other fuel blenders.

Key drivers in the fuel additive marketplace include total vehicle miles driven, the introduction of more sophisticated engines, regulations on emissions (both gasoline and diesel), quality of the crude oil slate and performance standards, and marketing programs of major oil companies.

### *Competition*

We believe we are one of the four largest manufacturers and suppliers in the petroleum additives marketplace.

In the lubricant additives submarket of petroleum additives, our major competitors are The Lubrizol Corporation, Infineum (a joint venture between ExxonMobil Chemical and Royal Dutch Shell plc), and Oronite (a subsidiary of Chevron). There are several other suppliers in the worldwide market who are competitors in their particular product areas.

The fuel additives submarket is fragmented and characterized by many competitors. While we participate in many facets of the fuel additives market, our competitors tend to be more narrowly focused. In the gasoline detergent market, we compete mainly against BASF AG, Oronite, and Lubrizol; in the cetane improver market, we compete mainly against Innospec, Groupe SNPE of France, and Exchem EPC Groupe of the U.K.; and in the diesel markets, we compete mainly against Lubrizol, Infineum, BASF, and Innospec.

## Edgar Filing: NEWMARKET CORP - Form 10-K

The competition among the participants in these industries is characterized by the need to provide customers with cost effective, technologically capable products that meet or exceed industry specifications. The need to continually increase technology performance and lower cost through formulation technology and cost improvement programs is vital for success in this environment.

## **Table of Contents**

### **Raw Materials and Product Supply**

We use a variety of raw materials and chemicals in our manufacturing and blending processes and believe the sources of these are adequate for our current operations. The most important raw materials for Afton are base oil, polyisobutylene, maleic anhydride, olefin copolymers, antioxidants, alcohols, and methacrylates.

As the performance requirements of our products become more complex, we often work with highly specialized suppliers. In some cases, we source from a single supplier. In cases where we decide to source from a single supplier, we manage our risk by maintaining safety stock of the raw material, qualifying alternate supply, or identifying a backup position. The backup position could take additional time to implement, but we are confident we could ensure continued supply for our customers. We continue to monitor the raw material supply situation and will adjust our procurement strategies as conditions require.

### **Research, Development, and Testing**

Research, development, and testing (R&D) provides the basis for our global petroleum additives technology. We develop products through a combination of chemical synthesis, formulation, engineering design and performance testing. In addition to products, R&D also provides our customers with technical support and product differentiation to assure total customer satisfaction.

We are committed to providing the most advanced products, comprehensive testing programs, and superior technical support to our customers and to OEMs worldwide. R&D expenditures, which totaled \$82 million in 2008, \$77 million in 2007, and \$70 million in 2006, are expected to grow again in 2009 in support of our core technology areas. R&D is growing in research and testing capacity and customer support capabilities with the addition of a new rig testing building to our Richmond, Virginia laboratory; the addition of a customer technical service facility in Shanghai, China; and the move of our Tsukuba, Japan formulation and testing center to a new, larger laboratory in the same area. The objective of the new Asia Pacific laboratories is to improve response time to customers and to develop additional products that meet the specific needs of the region.

Afton continues to develop new technology and products to meet the changing requirements of OEMs and to keep our customers well positioned for the future. A significant portion of our R&D investment is dedicated to the development of the next-generation additive technologies that will be required for future hardware designs, changing use patterns, and the technical differentiation of our customers' products.

In 2008, we continued to enhance our strong position in additive technologies for ATF, gear, and tractor fluids. New technologies were launched in multiple areas including step type automatic transmission fluids, dual clutch transmission fluids, fluids for off-road applications, and axle fluids. These new fluids offer enhanced hardware protection, durability, fuel economy, and increased driver satisfaction. We continue to conduct fundamental research into wear, pitting, frictional performance, noise vibration and harshness, and fuel economy improvements in support of our customers and new product development.

We also continued to broaden our product portfolio in the industrial lubricant area with the launch of new additive products and components designed to meet the changing needs of our industry and customers. New products introduced in 2008 included hydraulic additives, greases, and metalworking additives. New testing capacity has been added to allow us to better differentiate our customers' products.

New engine oil technologies continue to generate growth in both passenger car and heavy duty areas. Component development programs are generating new formulation options for future categories, and formulation developments for key category changes including, ILSAC GF5 and ACEA 2008, are well under way.

We developed new fuel additive products for both gasoline and diesel fuels that enhance both the performance and effectiveness of our additive solutions. Changing fuel specifications, the increasing use of

---

## **Table of Contents**

bio-fuels, and new hardware technologies such as direct injection gasoline, and high-speed direct injection (HSDI) diesel offer opportunities for innovation on the additive side. New products directed toward enhanced injector cleanliness in modern HSDI engines and approval tests are complete and are being introduced to the market. We have expanded our product offerings in the finished fuel additive area by both internal development and acquisition.

### **Intellectual Property**

Our intellectual property, including our patents, licenses, and trademarks, is an important component of our business. We actively protect our inventions, new technologies, and product developments by filing patent applications or maintaining trade secrets. We currently own approximately 1,500 issued or pending United States and foreign patents. The use of technology covered by several of these patents and trade secrets is licensed to others through a royalty-generating licensing program. In addition, we have acquired the rights under patents and inventions of others through licenses or otherwise. We take care to respect the intellectual property rights of others and we believe our products do not infringe upon those rights. We vigorously participate in patent opposition proceedings around the world, where necessary, to secure a technology base free of infringement. We believe our patent position is strong, aggressively managed, and sufficient for the conduct of our business.

We also have several hundred trademark registrations throughout the world for our marks, including NewMarket®, Afton Chemical®, Ethyl®, mmt®, HiTEC®, TecGARD®, GREENBURN®, and BioTEC®, as well as several pending trademark and service mark applications, including Axcel .

### **Commitment to Environmental and Safety Excellence**

We are committed to continuous improvement and vigilant management of the health and safety of our employees, neighbors, and customers, as well as the stewardship of the environment. One way our companies demonstrate this is through our commitment to the principles of the American Chemistry Council (ACC) Responsible Care® program. In 2006, the Environmental, Health, Safety and Security Management Systems of both Afton and Ethyl were certified by an independent auditing process as established by the ACC as a requirement of membership. Additionally, Afton's Sauget, Illinois and Feluy, Belgium plants were certified to the environmental standard ISO 14001. Sauget also continues to be an OSHA Star VPP (Voluntary Protection Program) location.

Safety and environmental responsibility are a way of life at NewMarket enhancing operations, the way we work, and the relationships we maintain with our customers and our communities. Our executive management meetings begin with a review of our environmental and safety performance.

Our objective is to establish a culture where our employees understand that good environmental and safety performance is good business and understand that environmental compliance and safety is their personal responsibility.

Our worldwide injury/illness recordable rate (which is the number of injuries per 200,000 hours worked) in 2008 was 0.84. The rate in 2007 was 0.87 and the 2006 rate was 0.99. We plan to continue to demonstrate our safety culture with continuous improvement in our safety record. This represents a focused effort by all of our employees. We are extremely proud of our accomplishments in the safety area, especially when compared to safety records in other industries.

As members of the ACC, Afton and Ethyl provide data on twelve metrics used to track environmental, safety, energy use, and product stewardship performance of ACC member companies. These can be viewed at [www.responsiblecare-us.com](http://www.responsiblecare-us.com). The information on this website is not, and shall not be deemed to be, a part of this Annual Report on Form 10-K or incorporated by reference in this Annual Report on Form 10-K or any other filings we make with the Securities and Exchange Commission (SEC).

---

**Table of Contents**

**Environmental**

We operate under policies that we believe comply with federal, state, local, and foreign requirements regarding the handling, manufacture, and use of materials. One or more regulatory agencies may classify some of these materials as hazardous or toxic. We also believe that we comply in all material respects with laws, regulations, statutes, and ordinances protecting the environment, including those related to the discharge of materials. We expect to continue to comply in all material respects.

We regularly review the status of significant existing or potential environmental issues. We accrue and expense our proportionate share of environmental remediation and monitoring costs in accordance with Statement of Financial Accounting Standards (SFAS) No. 5 and Financial Accounting Standards Board Interpretation No. 14, as clarified by the American Institute of Certified Public Accountants Statement of Position 96-1. As necessary, we adjust our accruals based on current information.

Total gross liabilities accrued at year-end for environmental remediation were \$21 million for 2008 and \$22 million for 2007. In addition to the accruals for environmental remediation, we also had accruals for dismantling and decommissioning costs of \$1 million at December 31, 2008 and \$3 million at December 31, 2007. The decrease in these amounts between 2008 and 2007 primarily reflects remediation activities at various environmental sites.

As new technology becomes available, it may be possible to reduce accrued amounts. While we believe that we are fully accrued for known environmental issues, it is possible that unexpected future costs could have a significant financial impact on our financial position and results of operations.

We spent approximately \$17 million in 2008, \$18 million in 2007, and \$16 million in 2006 for ongoing environmental operating and clean-up costs, excluding depreciation of previously capitalized expenditures. These environmental operating and clean-up expenses are included in cost of goods sold.

For capital expenditures on pollution prevention and safety projects, we spent \$7 million in 2008, as well as 2007, and \$6 million in 2006.

Our estimate of the effects of complying with governmental pollution prevention and safety regulations is subject to:

potential changes in applicable statutes and regulations (or their enforcement and interpretation);

uncertainty as to the success of anticipated solutions to pollution problems;

uncertainty as to whether additional expense may prove necessary; and

potential for emerging technology to affect remediation methods and reduce associated costs.

We are subject to liabilities associated with the investigation and cleanup of hazardous substances, as well as personal injury, property damage, or natural resource damage arising from the release of, or exposure to, such hazardous substances. Further, we may have environmental liabilities imposed in many situations without regard to violations of laws or regulations. These liabilities may also be imposed jointly and severally (so that a responsible party may be held liable for more than its share of the losses involved, or even the entire loss) and may be imposed on many different entities with a relationship to the hazardous substances at issue, including, for example, entities that formerly owned or operated the property and entities that arranged for the disposal of the hazardous substances at an affected property. We are subject to many environmental laws, including the federal Comprehensive Environmental Response, Compensation and Liability Act, commonly known as CERCLA or Superfund, in the United States, and similar foreign and state laws.

**Table of Contents**

Under CERCLA, we are currently considered a potentially responsible party (PRP), at several sites, ranging from a *de minimis* PRP or a minor PRP, to an involvement considered greater than the minor PRP involvement. At some of these sites, the remediation methodology, as well as the proportionate shares of each PRP, has been well established. Other sites are not as mature, which makes it more difficult to reasonably estimate our share of the future clean-up or remediation costs. In 2000, the Environmental Protection Agency (EPA) named us as a PRP 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 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. We do not believe there is any additional information available as a basis for revision of the liability that we have established. The amount accrued for this site is not material. We also have several other sites where we are in the process of environmental remediation and monitoring.

**Geographic Areas**

We have operations in the United States, Europe, Asia, Latin America, Australia, India, the Middle East, and Canada. The economies are stable in most of the countries where we operate. In countries with more political or economic uncertainty, we generally minimize our risk of loss by utilizing U.S. Dollar-denominated transactions, letters of credit, and prepaid transactions. We also participate in selective foreign currency forward contracts at certain times. Our foreign customers consist of financially viable government organizations, as well as both large and smaller companies.

The table below reports net sales and long-lived assets by geographic area. Except for the United States, no country exceeded 10% of net sales during any year. The United States was the only country that exceeded 10% of long-lived assets in any year. We assign revenues to geographic areas based on the location to which the product was shipped. The change in net sales during the three-year period is discussed more fully in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operation.

**Geographic Areas**

*(in millions of dollars)*

	2008	2007	2006
<b>Net sales</b>			
United States	\$ 625	\$ 564	\$ 517
Foreign	992	811	746
Consolidated net sales	\$ 1,617	\$ 1,375	\$ 1,263
<b>Long-lived assets (a)</b>			
United States	\$ 267	\$ 203	\$ 191
Foreign	29	26	31
Total long-lived assets	\$ 296	\$ 229	\$ 222

(a) Long-lived assets include property, plant, and equipment, net of depreciation, as well as intangible assets and prepayments for services, both net of amortization.

Net sales to one customer of our petroleum additives segment exceeded 10% of total net sales in 2008 and 2007. Net sales to two customers of our petroleum additives segment exceeded 10% of total net sales in 2006. Sales to Royal Dutch Shell plc and its affiliates (Shell) amounted to \$261 million (16% of total net sales) in

**Table of Contents**

2008, \$202 million (15% of total net sales) in 2007, and \$169 million (13% of total net sales) in 2006. Sales to BP plc and its affiliates (BP) amounted to \$127 million (10% of total net sales) in 2006. These net sales represent a wide-range of products sold to these two customers in multiple regions of the world.

**Availability of Reports Filed with the Securities and Exchange Commission and Corporate Governance Documents**

Our internet website address is *www.newmarket.com*. We make available, free of charge through our website, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (Exchange Act), as soon as reasonably practicable after such documents are electronically filed with, or furnished to, the SEC. In addition, our Corporate Governance Guidelines, Code of Conduct, and the charters of our Audit; Compensation; and Nominating and Corporate Governance Committees, are available on our website and are available in print, without charge, to any shareholder upon request by contacting our Corporate Secretary at NewMarket Corporation, 330 South Fourth Street, Richmond, Virginia 23219. The information on our website is not, and shall not be deemed to be, a part of this Annual Report on Form 10-K or incorporated by reference in this Annual Report on Form 10-K or any other filings we make with the SEC.

**Executive Officers of the Registrant**

The names and ages of all executive officers as of February 20, 2009 follow.

<b>Name</b>	<b>Age</b>	<b>Positions</b>
Thomas E. Gottwald	48	President and Chief Executive Officer (Principal Executive Officer)
David A. Fiorenza	59	Vice President and Treasurer (Principal Financial Officer)
Steven M. Edmonds	56	Vice President General Counsel
Bruce R. Hazelgrove, III	48	Vice President Corporate Resources
Wayne C. Drinkwater	62	Controller (Principal Accounting Officer)
M. Rudolph West	55	Secretary
C. S. Warren Huang	59	President, Afton Chemical Corporation
Alexander McLean	52	Senior Vice President, Afton Chemical Corporation

Our officers hold office until the meeting of the Board of Directors following the next annual shareholders meeting. All of the officers, with the exception of C.S. Warren Huang and Alexander McLean, have served in these capacities with NewMarket or were employed by Ethyl in similar capacities for at least the last five years. Mr. Huang and Mr. McLean have both been employed by Afton or Ethyl for at least the last five years in various senior management capacities.



## **Table of Contents**

### **ITEM 1A. RISK FACTORS**

Our business is subject to many factors that could materially adversely affect our future performance and cause our actual results to differ materially from those expressed or implied by forward-looking statements made in this Annual Report on Form 10-K. Those risk factors are outlined below.

#### **Competition could adversely affect our operating results.**

We face intense competition in certain of the product lines and markets in which we compete. We expect that our competitors will develop and introduce new and enhanced products, which could cause a decline in the market acceptance of certain products we manufacture. In addition, as a result of price competition, we may be compelled to reduce the prices for some of our products, which could adversely affect our margins and profitability. Competitive pressures can also result in the loss of major customers. Our inability to compete successfully could have a material adverse effect on our results of operations, financial condition, and cash flows in any given period. In addition, some of our competitors may have greater financial, technological, and other resources than we have. Some of our competitors may also be able to maintain greater operating and financial flexibility than we are able to maintain. As a result, these competitors may be able to better withstand changes in conditions within our industry, changes in the prices for raw materials, and changes in general economic conditions.

#### **Sudden or sharp raw materials price increases may adversely affect our profit margins.**

We utilize a variety of raw materials in the manufacture of our products, including base oil, polyisobutylene, maleic anhydride, olefin copolymers, antioxidants, alcohols, and methacrylates. Our profitability is sensitive to changes in the costs of these materials caused by changes in supply, demand or other market conditions, over which we have little or no control. Political and economic conditions in the Middle East and Latin America have caused, and may continue to cause, the cost of our raw materials to fluctuate. War, armed hostilities, terrorist acts, civil unrest, or other incidents may also cause a sudden or sharp increase in the cost of our raw materials. We cannot assure you that we will be able to pass on to our customers any future increases in raw material costs in the form of price increases for our products.

#### **Availability of raw materials and transportation systems could have a material adverse effect on our operations.**

The chemical industry can experience some tightness of supply of certain materials or transportation systems. Any significant disruption in supply could affect our ability to obtain raw materials or transportation systems. This could have a material adverse effect on our operations.

#### **Our reliance on a small number of significant customers may have a material adverse effect on our results of operations.**

Our principal customers are major multinational oil companies. The oil industry is characterized by the concentration of a few large participants as a result of consolidation. The loss of a significant customer or a material reduction in purchases by a significant customer could have a material adverse effect on our results of operations, financial condition, and cash flow.

#### **Our customers are concentrated in the lubricant and fuel industries and, as a result, our reliance on that industry is significant.**

Most of our customers are primarily engaged in the fuel and lubricant industries. This concentration of customers affects our overall risk profile, since our customers will be similarly affected by changes in economic, geopolitical, and industry conditions. Many factors affect the level of our customers' spending on our products, including, among others, general business conditions, changes in technology, interest rates, gasoline prices, and consumer confidence in future economic conditions. A sudden or

**Table of Contents**

protracted downturn in these industries could adversely affect the buying power and purchases by our customers.

**We may be unable to respond effectively to technological changes in our industry.**

Our future business success will depend upon our ability to maintain and enhance our technological capabilities, develop and market products and applications that meet changing customer needs, and successfully anticipate or respond to technological changes on a cost-effective and timely basis. Our industry is characterized by frequent changes in industry performance standards, which affect the amount and timing of our research and development costs and other technology-related costs. As a result, the life cycle of our products is often hard to predict. Further, technological changes in some or all of our customers' products or processes may make our products obsolete. Any inability to anticipate, respond to, or utilize changing technologies could have a material adverse effect on our results of operations, financial condition, and cash flow in any given period.

**We may not be able to complete future acquisitions or successfully integrate future acquisitions into our business, which could result in unanticipated expenses and losses.**

As part of our business growth strategy, we intend to pursue acquisitions and joint venture opportunities. Our ability to implement this component of our growth strategy will be limited by our ability to identify appropriate acquisition or joint venture candidates and our financial resources, including available cash and borrowing capacity. The expense incurred in completing acquisitions or entering into joint ventures, the time it takes to integrate an acquisition, or our failure to integrate businesses successfully, could result in unanticipated expenses and losses. Furthermore, we may not be able to realize any of the anticipated benefits from acquisitions or joint ventures.

The process of integrating acquired operations into our existing operations may result in unforeseen operating difficulties and may require significant financial resources that would otherwise be available for the ongoing development or expansion of existing operations.

**Several of our products are produced solely at one facility, and a significant disruption or disaster at such a facility could have a material adverse effect on our results of operations.**

Several of the products we sell are produced only in one location. We are dependent upon the continued safe operation of these production facilities. These production facilities are subject to various hazards associated with the manufacture, handling, storage, and transportation of chemical materials and products, including leaks and ruptures, explosions, fires, inclement weather and natural disasters, unscheduled downtime, and environmental hazards. Some of our products involve the manufacture and handling of a variety of reactive, explosive, and flammable materials. Many of these hazards could cause a disruption in the production of our products. We cannot assure you that these facilities will not experience these types of hazards and disruptions in the future or that these incidents will not result in production delays or otherwise have an adverse effect on our results of operations, financial condition or cash flows in any given period.

**We face risks related to our foreign operations that may negatively affect our business.**

In 2008, net sales to customers outside of the United States accounted for approximately 61% of total net sales. We do business in all major regions of the world, some of which do not have stable economies or governments. In particular, we sell and market products in countries experiencing political and economic instability in the Middle East, Asia Pacific, and Latin America. Our international operations are subject to international business risks, including unsettled political conditions, expropriation, import and export restrictions, increases in royalties, exchange controls, national and regional labor strikes, taxes, government royalties, inflationary economies and currency exchange rate fluctuations, and changes in laws and policies governing operations of foreign-based

## **Table of Contents**

companies (such as restrictions on repatriation of earnings or proceeds from liquidated assets of foreign subsidiaries). The occurrence of any one or a combination of these factors may increase our costs or have other adverse effects on our business.

### **We are exposed to fluctuations in foreign exchange rates, which may adversely affect our results of operations.**

We conduct our business in the local currency of most of the countries in which we operate. The financial condition and results of operations of our foreign operating subsidiaries are reported in the relevant local currency and then translated to U.S. Dollars at the applicable currency exchange rate for inclusion in our consolidated financial statements. Changes in exchange rates between these foreign currencies and the U.S. Dollar will affect the recorded levels of our assets and liabilities as foreign assets and liabilities are translated into U.S. Dollars for presentation in our financial statements, as well as our net sales, cost of goods sold, and operating margins. The primary foreign currencies in which we have exchange rate fluctuation exposure are the European Union Euro, British Pound Sterling, Japanese Yen, and Canadian Dollar. Exchange rates between these currencies and U.S. Dollars have fluctuated significantly in recent years and may do so in the future.

### **Our failure to protect our intellectual property rights could adversely affect our future performance and growth.**

Protection of our proprietary processes, methods, compounds, and other technologies is important to our business. We depend upon our ability to develop and protect our intellectual property rights to distinguish our products from those of our competitors. Failure to protect our existing intellectual property rights may result in the loss of valuable technologies or having to pay other companies for infringing on their intellectual property rights. We rely on a combination of patent, trade secret, trademark, and copyright law, as well as judicial enforcement, to protect such technologies. We currently own approximately 1,500 issued and pending U.S. and foreign patents. Some of these patents are licensed to others. In addition, we have acquired the rights under patents and inventions of others through licenses or otherwise. We have developed, and may in the future develop, technologies with universities or other academic institutions, or with the use of government funding. In such cases, the academic institution or the government may retain certain rights to the developed intellectual property. We also own several hundred trademark and service mark registrations throughout the world for our marks, including NewMarket®, Afton Chemical®, Ethyl®, HiTEC®, TecGARD®, GREENBURN® BioTEC®, and mmt®, as well as pending trademark and service mark applications, including Axcel . In the event that we are unable to continue using certain of our marks, we may be forced to rebrand our products, which could result in the loss of brand recognition, and could require us to devote resources to advertise and market brands. In particular, the loss of our HiTEC® mark would have a material adverse effect on our business.

We cannot assure you that the measures taken by us to protect these assets and rights will provide meaningful protection for our trade secrets or proprietary manufacturing expertise or that adequate remedies will be available in the event of an unauthorized use or disclosure of our trade secrets or manufacturing expertise. We cannot assure you that any of our intellectual property rights will not be challenged, invalidated, circumvented, or rendered unenforceable. Furthermore, we cannot assure you that any pending patent application filed by us will result in an issued patent, or if patents are issued to us, that those patents will provide meaningful protection against competitors or against competitive technologies. The failure of our patents or other measures to protect our processes, apparatuses, technology, trade secrets and proprietary manufacturing expertise, methods, and compounds could have an adverse effect on our results of operations, financial condition, and cash flow.

We could face patent infringement claims from our competitors or others alleging that our processes or products infringe on their proprietary technologies. If we were found to be infringing on the proprietary technology of others, we may be liable for damages, and we may be required to change our processes,

**Table of Contents**

to redesign our products partially or completely, to pay to use the technology of others or to stop using certain technologies or producing the infringing product entirely. Even if we ultimately prevail in an infringement suit, the existence of the suit could prompt customers to switch to products that are not the subject of infringement suits. We may not prevail in any intellectual property litigation and such litigation may result in significant legal costs or otherwise impede our ability to produce and distribute key products.

**Our business is subject to government regulation and could be adversely affected by future governmental regulation.**

We are subject to regulation by local, state, federal, and foreign governmental authorities. In some circumstances, before we may sell certain products, these authorities must approve these products, our manufacturing processes, and facilities. We are also subject to ongoing reviews of our products, manufacturing processes, and facilities by governmental authorities.

In order to obtain regulatory approval of certain new products, we must, among other things, demonstrate to the relevant authority that the product is safe and effective for its intended uses and that we are capable of manufacturing the product in accordance with current regulations. The process of seeking approvals can be costly, time consuming, and subject to unanticipated and significant delays. There can be no assurance that approvals will be granted to us on a timely basis, or at all. Any delay in obtaining, or any failure to obtain or maintain, these approvals would adversely affect our ability to introduce new products and to generate net sales from those products.

New laws and regulations, including climate change regulations, may be introduced in the future that could result in additional compliance costs, seizures, confiscation, recall, or monetary fines, any of which could prevent or inhibit the development, distribution, and sale of our products. If we fail to comply with applicable laws and regulations, we may be subject to civil remedies, including fines, injunctions, and recalls or seizures, any of which could have an adverse effect on our results of operations, financial condition, and cash flows.

Our business and our customers are subject to significant new regulations under the European Commission's Registration, Evaluation and Authorization of Chemicals (REACH) regulation. REACH became effective on June 1, 2007. It imposes obligations on European Union manufacturers and importers of chemicals and other products into the European Union to compile and file comprehensive reports, including testing data, on each chemical substance, perform chemical safety assessments, and obtain pre-market authorization with respect to certain substances of particularly high concern. The new regulation imposes significant additional burdens on chemical producers and importers, and, to a lesser extent, downstream users of chemical substances and preparations. Our manufacturing presence and sales activities in the European Union will likely require us to incur significant additional compliance costs.

**Political, economic, and regulatory factors concerning one of our products, mmt<sup>®</sup>, could adversely affect our sales of mmt<sup>®</sup>.**

The EPA studied mmt<sup>®</sup> and determined that it does not cause or contribute to the failure of vehicle emission systems. The Canadian government has made similar findings. However, the EPA is requiring additional testing to fill some data gaps, including potential risks to public health, and a change in current determinations could have a material adverse effect on our results of operations. In addition, certain industry groups are urging greater regulation of all metal-based gasoline additives, including mmt<sup>®</sup>. In 2002, the Alliance of Automobile Manufacturers (AAM) issued a fleet test report on mmt<sup>®</sup> based on tests conducted by the AAM, the Association of International Automobile Manufacturers, and the Canadian Vehicle Manufacturers' Association. The report alleges that mmt<sup>®</sup> significantly raises vehicle emissions, increases fuel emissions, increases fuel consumption, and impairs the proper operation of vehicle emission control systems. In December 2003, the government of Canada released its Proposed Framework for an Independent Third-Party Review of New Information on the Effects of

## **Table of Contents**

mmt<sup>®</sup> Vehicle Emissions. In its proposal, the Canadian government provided no timetable for the commencement or completion of the review. Substantially all of our customers in Canada have suspended the use of mmt<sup>®</sup>, pending the results of the government of Canada-sponsored independent third-party review. To date, the government of Canada has not initiated the review. We expect that the European Union will also review all metal-based petroleum additives, including mmt<sup>®</sup>, for their impact on pollution abatement technology. Increased government regulation of mmt<sup>®</sup>, if it occurs, or additional studies evaluating mmt<sup>®</sup>, even if government regulation does not occur, could have a material adverse effect on our sales of that product.

### **Legal proceedings and other claims could impose substantial costs on us.**

We are involved in numerous administrative and legal proceedings that result from, and are incidental to, the conduct of our business. From time to time, these proceedings involve environmental, product liability, TEL, premises asbestos liability, and other matters. See Item 3, Legal Proceedings. We have insurance coverage that we believe would be available to mitigate potential damages in many of these proceedings. However, there is no assurance that our available insurance will cover these claims, that our insurers will not challenge coverage for certain claims, or that final damage awards will not exceed our available insurance coverage. Any of the foregoing could have a material adverse effect on our results of operations, financial condition, and cash flows in any given period.

### **Environmental matters could have a substantial negative impact on our results of operations.**

As a manufacturer and distributor of chemical products, we are generally subject to extensive local, state, federal, and foreign environmental, safety, and health laws and regulations concerning, among other things, emissions to the air, discharges to land and water, the generation, handling, treatment, and disposal of hazardous waste and other materials, and remediation of contaminated soil, surface, and ground water. Our operations entail the risk of violations of those laws and regulations, many of which provide for substantial fines and criminal sanctions for violations. We believe that we comply in all material respects with laws, regulations, statutes, and ordinances protecting the environment, including those related to the discharge of materials. However, we cannot assure you that we have been or will be at all times in compliance with all of these requirements.

In addition, these requirements, and the enforcement or interpretation of these requirements, may become more stringent in the future. Although we cannot predict the ultimate cost of compliance with any such requirements, the costs could be material. Non-compliance could subject us to material liabilities, such as government fines, damages arising from third-party lawsuits, or the suspension and potential cessation of non-compliant operations. We may also be required to make significant site or operational modifications at substantial cost. Future developments could also restrict or eliminate the use of or require us to make modifications to our products, which could have an adverse effect on our results of operations, financial condition, and cash flows in any given period.

At any given time, we are involved in claims, litigation, administrative proceedings, and investigations of various types in a number of jurisdictions involving potential environmental liabilities, including clean-up costs associated with waste disposal sites, natural resource damages, property damage, and personal injury. We cannot assure you that the resolution of these environmental matters will not have an adverse effect on our results of operations, financial condition, and cash flows in any given period.

There may be environmental problems associated with our properties of which we are unaware. Some of our properties contain, or may have contained in the past, on-site facilities or underground tanks for the storage of chemicals, hazardous materials, and waste products that could create a potential for release of hazardous substances or contamination of the environment. The discovery of environmental liabilities attached to our properties could have a material adverse effect on our results of operations, financial condition, and cash flows.

## **Table of Contents**

We may also face liability arising from current or future claims alleging personal injury, product liability, property damage due to exposure to chemicals or other hazardous substances, such as premises asbestos, at or from our facilities. We may also face liability for personal injury, product liability, property damage, natural resource damage, or clean-up costs for the alleged migration of contaminants or hazardous substances from our facilities or for future accidents or spills. A significant increase in the number or success of these claims could adversely affect our financial condition, results of operations, and cash flows. For further discussion of some related claims, see Item 1, **Business Environmental**.

The ultimate costs and timing of environmental liabilities are difficult to predict. Liability under environmental laws relating to contaminated sites can be imposed retroactively and on a joint and several basis. A liable party could be held responsible for all costs at a site, whether currently or formerly owned or operated regardless of fault, knowledge, timing of the contamination, cause of the contamination, percentage of contribution to the contamination, or the legality of the original disposal. We could incur significant costs, including clean-up costs, natural resource damages, civil or criminal fines and sanctions, and third-party claims, as a result of past or future violations of, or liabilities under, environmental laws.

### **We have been identified, and in the future may be identified, as a PRP in connection with state and federal laws regarding environmental clean-up projects.**

We are subject to the federal, state and local environmental laws under which we may be designated as a PRP. As a PRP, we may be liable for a share of the costs associated with cleaning up hazardous waste sites, such as a landfill to which we may have sent waste.

In *de minimis* PRP matters and in some minor PRP matters, we generally negotiate a consent decree to pay an apportioned settlement. This relieves us of any further liability as a PRP, except for remote contingencies. We are also a PRP at sites where our liability may be in excess of the *de minimis* or minor PRP levels. Most sites where we are a PRP represent environmental issues that are quite mature. The sites have been investigated, and in many cases, the remediation methodology, as well as the proportionate shares of each PRP, has been established. Other sites are not as mature, which makes it more difficult to reasonably estimate our share of future clean-up or remediation costs. Generally, environmental remediation and monitoring will go on for an extended period. As a result, we may incur substantial expenses for all these sites over a number of years.

Liability for investigation and remediation of hazardous substance contamination at currently or formerly owned or operated facilities or at third-party waste disposal sites is joint and several. Currently, we are involved in active remediation efforts at several sites where we have been named a PRP. If other PRPs at these sites are unable to contribute to the remediation costs, we could be held responsible for some, or all, of their portion of the remediation costs, in addition to the portions for which we have already accounted.

### **Our financial results will vary according to the timing of customer orders and other external factors, which reduces your ability to gauge our performance.**

External factors beyond our control, such as customer orders, product shipment dates, and other factors can cause shifts in net sales and income from quarter to quarter. These external factors can magnify the impact of industry cycles. As a result, our income and cash flows may fluctuate significantly on a quarter-to-quarter basis, and your ability to gauge trends in our business may be impaired.

### **Restrictive covenants in our debt instruments may adversely affect our business.**

Our senior credit agreement, senior notes, and construction loan contain restrictive covenants. These covenants may constrain our activities and limit our operational and financial flexibility. The failure to comply with these covenants could result in an event of default, which, if not cured or waived, could have a material adverse effect on our business, financial condition, and results of operations.

**Table of Contents**

**Our business is subject to hazards common to chemical businesses, any of which could interrupt our production or our transportation systems and adversely affect our results of operations.**

Our business is subject to hazards common to chemical manufacturing, storage, handling, and transportation, including explosions, fires, inclement weather, natural disasters, mechanical failure, unscheduled downtime, transportation interruptions, remediation, chemical spills, discharges or releases of toxic or hazardous substances or gases, and other risks. These hazards can cause personal injury and loss of life, severe damage to, or destruction of, property and equipment, and environmental contamination. In addition, the occurrence of material operating problems at our facilities due to any of these hazards may diminish our ability to meet our output goals. Accordingly, these hazards and their consequences could have a material adverse effect on our operations as a whole, including our results of operations, and cash flows, both during and after the period of operational difficulties.

**We could be required to make additional contributions to our pension funds, which may be underfunded due to any underperformance of the equities markets.**

Our pension plan asset allocation is predominantly weighted towards equities. Cash contribution requirements to our pension plans are sensitive to changes in our plans' actual return on assets. Reductions in our plans' expected return on assets due to poor performance of the equities markets could cause our pension plans to be underfunded and require us to make additional cash contributions.

**The insurance that we maintain may not fully cover all potential exposures.**

We maintain property, business interruption, and casualty insurance, but such insurance may not cover all risks associated with the hazards of our business and is subject to limitations, including deductibles and maximum liabilities covered. We may incur losses beyond the limits, or outside the coverage, of our insurance policies, including liabilities for environmental remediation. In the future, we may not be able to obtain coverage at current levels, and our premiums may increase significantly on coverage that we maintain.

**The occurrence or threat of extraordinary events, including natural disasters and domestic and international terrorist attacks may disrupt our operations, decrease demand for our products, and increase our expenses.**

Chemical-related assets may be at greater risk of future terrorist attacks than other possible targets in the United States and throughout the world. Federal legislation could impose significant new site security requirements specifically on chemical manufacturing facilities that may increase our overhead expenses. The significance of the cost will depend upon how our manufacturing facilities are classified by the federal government. That classification is pending. Federal regulations have also been enacted to increase the security of the transportation of hazardous chemicals in the United States.

The occurrence of extraordinary events, including future terrorist attacks and the outbreak or escalation of hostilities, cannot be predicted, and their occurrence can be expected to continue to affect negatively the economy in general, and specifically the markets for our products. The resulting damage from a direct attack on our assets or assets used by us could include loss of life and property damage. In addition, available insurance coverage may not be sufficient to cover all of the damage incurred or, if available, may be prohibitively expensive.

**The worldwide economic slowdown and the turbulent financial markets may adversely affect our business.**

Worldwide economic problems have become more pronounced in the fourth quarter of 2008 resulting in a significant decrease in demand for our products. Although many of our products are not discretionary, as equipment and engines require their use, the forecast of demand for our products in this economic environment is difficult.

**Table of Contents**

**Development, construction, and permanent financing risks associated with Foundry Park I could adversely affect our financial results.**

We own approximately 64 acres of real estate in downtown Richmond, Virginia, adjacent to our principal executive offices, which we have accumulated over many decades as the property became available. Of this total land holding, approximately seven acres, including those currently under construction, are the most desirable for further development should the demand arise in the community. In January 2007, Foundry Park I entered into a Deed of Lease Agreement with MeadWestvaco under which MeadWestvaco will lease an office building that we are constructing on approximately three acres of this real property. Our development and construction activities may subject us to the following risks:

we may be unable to obtain, or suffer delays in obtaining, necessary governmental permits and authorizations, including building occupancy permits;

we may incur development and construction costs that exceed our original estimates;

we may be unable to complete a project on schedule, which could result in increased construction costs and penalties;

we may be unable to obtain the permanent financing on favorable terms; and

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.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

Our principal operating properties are shown below. Unless indicated, we own the research, development, and testing facilities and manufacturing properties, which primarily support the petroleum additives business segment.

**Research, Development, and Testing**

Richmond, Virginia  
 Bracknell, England (*leased*)  
 Tsukuba, Japan (*leased*)  
 Ashland, Virginia (*leased*)  
 Shanghai, China (*leased*)

**Manufacturing and Distribution**

Feluy, Belgium (*lubricant additives*)  
 Houston, Texas (*lubricant and fuel additives; also TEL storage and distribution*)  
 Orangeburg, South Carolina (*fuel additives*)  
 Port Arthur, Texas (*lubricant additives*)  
 Rio de Janeiro, Brazil (*petroleum additives storage and distribution; leased*)  
 Sarnia, Ontario, Canada (*fuel additives*)  
 Sauget, Illinois (*lubricant and fuel additives*)

We own our corporate headquarters located in Richmond, Virginia, and generally lease our regional and sales offices located in a number of areas worldwide.



## Edgar Filing: NEWMARKET CORP - Form 10-K

We own approximately 64 acres of real estate in downtown Richmond, Virginia, adjacent to our principal executive offices, which we have accumulated over many decades as the property became available. Of this total

## **Table of Contents**

land holding, approximately seven acres, including those currently under construction, are the most desirable for further development should the demand arise in the community. In January 2007, Foundry Park I entered into a Deed of Lease Agreement with MeadWestvaco under which it will lease an office building which we are constructing on approximately three acres.

### **Production Capacity**

We believe our plants and supply agreements are sufficient to meet expected sales levels. Operating rates of the plants vary with product mix and normal sales swings. We believe that our facilities are well maintained and in good operating condition.

### **ITEM 3. 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.

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 financial condition or results of operations.

#### *Asbestos*

Like many other companies, we are a defendant in personal injury lawsuits involving exposure to asbestos. These cases involve exposure to asbestos in premises owned or operated, or formerly owned or operated, by subsidiaries of NewMarket. We have never manufactured, sold, or distributed products that contain asbestos. Nearly all of these cases are pending in Texas, Louisiana, or Illinois and involve multiple defendants. We maintain an accrual for these proceedings, as well as a receivable for expected insurance recoveries.

During 2005, we entered into an agreement with Travelers Indemnity Company (Travelers) resolving certain long-standing issues regarding our coverage for certain premises asbestos claims. In addition, our agreement with Travelers provides a procedure for allocating defense and indemnity costs with respect to certain future premises asbestos claims. The lawsuit we had previously filed against Travelers in the Southern District of Texas was dismissed. We also settled our outstanding receivable from Albemarle Corporation (Albemarle) for certain premises asbestos liability obligations.

The accrual for our premises asbestos liability related to currently asserted claims is based on the following assumptions and factors:

We are often one of many defendants. This factor influences both the number of claims settled against us and also the indemnity cost associated with such resolutions.

The estimated percent of claimants in each case that will actually, after discovery, make a claim against us, out of the total number of claimants in a case, is based on a level consistent with past experience and current trends.

We utilize average comparable plaintiff cost history as the basis for estimating pending premises asbestos related claims. These claims are filed by both former contractors employees, and former employees who worked at past and present company locations. We also include an estimated inflation factor in the calculation.

No estimate is made for unasserted claims.

**Table of Contents**

The estimated recoveries from insurance and Albemarle for these cases are based on, and are consistent with, the 2005 settlement agreements.

Based on the above assumptions, we have provided an undiscounted liability related to premises asbestos claims of \$13 million at both year-end 2008 and year-end 2007. The liabilities related to asbestos claims are included in accrued expenses (current portion) and other noncurrent liabilities on the balance sheet. Certain of these costs are recovered through our insurance coverage and agreement with Albemarle. The receivable for these recoveries related to premises asbestos liabilities was \$9.5 million at December 31, 2008 and \$9.0 million at December 31, 2007. These receivables are included in trade and other accounts receivable for the current portion. The noncurrent portion is included in other assets.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

There were no issues submitted to a vote of security holders during the fourth quarter of 2008.

**Table of Contents****PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock, with no par value, has traded on the New York Stock Exchange (NYSE) under the symbol NEU since June 21, 2004 when we became the parent holding company of Ethyl, Afton, NewMarket Services, and their subsidiaries.

There were 15,199,207 shares of our common stock outstanding as of December 31, 2008. We had 3,335 shareholders of record at December 31, 2008.

During the period January 2, 2008 through January 7, 2008, we purchased 124,855 shares of our common stock at an average price per share of \$54.55, including transaction fees. The purchase of these shares was under the share repurchase program approved by our Board of Directors on October 25, 2007. The Board of Directors approved a share repurchase program that authorized management to repurchase up to \$50 million of NewMarket Corporation's outstanding common stock until December 31, 2009, as market conditions warranted and covenants under our existing agreements permitted. The share repurchase program allowed us to conduct the share repurchases in the open market and in privately negotiated transactions. The repurchase program did not require NewMarket to acquire any specific number of shares. This repurchase plan was terminated on July 31, 2008.

Also on July 31, 2008, our Board of Directors approved a share repurchase program that authorizes management to repurchase up to \$100 million of NewMarket Corporation's outstanding common stock until December 31, 2010, as market conditions warrant and covenants under our existing agreements permit. We may conduct the share repurchases in the open market and in privately negotiated transactions. The repurchase program does not require NewMarket to acquire any specific number of shares and may be terminated or suspended at any time. During the period August 4, 2008 through August 12, 2008, we purchased 316,168 shares of common stock at an average price of \$63.26, including transaction fees, under this authorization. Approximately \$80 million remains available under the authorization at December 31, 2008. There were no repurchases under this authorization during the fourth quarter 2008.

As shown in the table below, cash dividends declared and paid totaled 80 cents per share for the twelve months ended December 31, 2008 and 57.5 cents per share for the twelve months ended December 31, 2007.

<b>Year</b>	<b>Date Declared</b>	<b>Date Paid</b>	<b>Per Share Amount</b>
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
	October 23, 2008	January 2, 2009	20 cents
2007	February 22, 2007	April 2, 2007	12.5 cents
	April 26, 2007	July 2, 2007	12.5 cents
	July 20, 2007	October 1, 2007	12.5 cents
	October 25, 2007	January 2, 2008	20 cents

The declaration and payment of dividends is subject to the discretion of our Board of Directors. Future dividends will depend on various factors, including our financial condition, earnings, cash requirements, legal requirements, restrictions in agreements governing our outstanding indebtedness, and other factors deemed relevant by our Board of Directors. For a discussion of the restrictions on our ability to declare and pay dividends, see Note 12 in the Notes to Consolidated Financial Statements.

**Table of Contents**

The following table shows the high and low prices of our common stock on the NYSE for each of the last eight quarters.

	<b>2008</b>			
	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>
High	\$ 76.94	\$ 93.57	\$ 73.41	\$ 52.88
Low	\$ 42.79	\$ 61.52	\$ 49.44	\$ 23.37

  

	<b>2007</b>			
	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>
High	\$ 60.36	\$ 50.43	\$ 51.82	\$ 58.76
Low	\$ 39.47	\$ 38.81	\$ 40.40	\$ 45.07

The performance graph showing the five-year cumulative total return on our common stock as compared to Lubrizol, specialty chemical companies, and the S&P 500 is shown below. The graph assumes \$100 invested on the last day of December 2003. Dividends are assumed to be reinvested quarterly.

**Performance Graph****Comparison of Five-Year Cumulative Total Return**

**Performance through December 31, 2008**

**Table of Contents****ITEM 6. SELECTED FINANCIAL DATA****NewMarket Corporation and Subsidiaries****Five Year Summary**

	<b>Years Ended December 31</b>				
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<i>(in thousands except per-share amounts)</i>				
<b>Results of Operations</b>					
Net sales	\$ 1,617,431	\$ 1,374,874	\$ 1,263,297	\$ 1,075,544	\$ 894,109
Costs and expenses	1,501,071	1,266,251	1,178,665	1,037,490	878,020
Special item income, net (1) (2) (3)			14,825	11,668	13,245
Operating profit	116,360	108,623	99,457	49,722	29,334
Interest and financing expenses	12,046	11,557	15,403	16,849	18,254
Loss on early extinguishment of debt (4)			11,209		
Other income, net (5)	1,012	3,358	7,117	925	324
Income from continuing operations before income taxes	105,326	100,424	79,962	33,798	11,404
Income tax expense (benefit) (6) (7)	32,099	21,874	27,651	6,166	(489)
Income from continuing operations	73,227	78,550	52,311	27,632	11,893
Income from operations of discontinued business (net of tax) (8)		16,771	5,211	14,749	21,165
Net income	\$ 73,227	\$ 95,321	\$ 57,522	\$ 42,381	\$ 33,058
<b>Financial Position and Other Data</b>					
Total assets	\$ 811,452	\$ 770,934	\$ 744,793	\$ 701,532	\$ 676,195
Operations:					
Working capital	\$ 310,265	\$ 317,380	\$ 301,777	\$ 244,912	\$ 220,072
Current ratio	3.28 to 1	2.79 to 1	2.88 to 1	2.47 to 1	2.57 to 1
Depreciation and amortization	\$ 28,968	\$ 29,126	\$ 31,592	\$ 36,396	\$ 44,775
Capital expenditures	\$ 74,619	\$ 36,656	\$ 26,161	\$ 17,830	\$ 14,650
Gross profit as a % of net sales	19.4	21.6	20.9	18.6	19.9
Research, development, and testing expenses (9)	\$ 81,752	\$ 76,834	\$ 70,263	\$ 65,394	\$ 65,356
Total debt	\$ 237,162	\$ 157,797	\$ 153,439	\$ 153,829	\$ 184,438
Common and other shareholders' equity	\$ 291,123	\$ 317,007	\$ 301,402	\$ 266,060	\$ 231,882
Total debt as a % of total capitalization (debt plus equity)	44.9	33.2	33.7	36.6	44.3
Net income as a % of average shareholders' equity	24.1	30.8	20.3	17.0	15.3
<b>Common Stock</b>					
Basic earnings per share:					
Income from continuing operations	\$ 4.77	\$ 4.66	\$ 3.04	\$ 1.62	\$ .70
Income from operations of discontinued business (net of tax) (8)		1.00	.30	.87	1.25
Net income	\$ 4.77	\$ 5.66	\$ 3.34	\$ 2.49	\$ 1.95
Diluted earnings per share:					
Income from continuing operations	\$ 4.75	\$ 4.63	\$ 3.00	\$ 1.60	\$ .69
Income from operations of discontinued business (net of tax) (8)		.99	.30	.85	1.23
Net income	\$ 4.75	\$ 5.62	\$ 3.30	\$ 2.45	\$ 1.92
Shares used to compute basic earnings per share	15,362	16,841	17,223	17,028	16,916

Edgar Filing: NEWMARKET CORP - Form 10-K

Shares used to compute diluted earnings per share	15,430	16,957	17,407	17,320	17,199
Equity per share	\$ 19.15	\$ 20.37	\$ 17.43	\$ 15.58	\$ 13.66
Cash dividends declared per share	\$ .80	\$ .575	\$ .50	\$	\$

---

**Table of Contents**

**Notes to the Five Year Summary**

- (1) Special item income, net was \$14.8 million in 2006 and included a \$5.3 million gain related to an earn-out agreement for certain pharmaceutical intellectual property that we sold in 1994; a \$3.3 million gain associated with a legal settlement related to transportation charges; a \$5.5 million gain resulting from a class action lawsuit related to raw materials; a \$2.5 million loss from a legal settlement; and a \$3.3 million gain on the sale of property.
- (2) Special item income, net was \$12 million in 2005 and included an aggregate \$8 million gain on the sales of corporate property and a \$4 million gain on an insurance settlement related to our premises asbestos liabilities.
- (3) The special item in 2004 was \$13 million income and represents the gain on the environmental insurance settlement.
- (4) In December 2006, we purchased \$149.75 million of the outstanding \$150 million aggregate principal amount of our 8.875% senior notes due 2010 in a tender offer. As a result of the transaction, we recognized a loss of \$11 million on the early extinguishment of debt. This loss included the write-off of unamortized deferred financing costs of \$2.6 million and cash paid of \$8.6 million related to the premium and other costs of the purchase of the senior notes. Subsequently in December 2006, we issued \$150 million aggregate principal amount of our 7.125% senior notes due in 2016.
- (5) Other income, net in both 2008 and 2007 consists primarily of investment income. Other income, net in 2006 includes a gain of \$4 million for interest on an income tax settlement, as well as \$2 million investment income.
- (6) Income tax expense in 2007 includes a special item of \$9.5 million primarily representing a reversal of deferred tax provisions that were previously provided on the undistributed earnings of certain foreign subsidiaries.
- (7) Income tax expense in 2005 and 2004 includes a favorable impact of approximately \$1 million from the settlement of certain tax years with the IRS.
- (8) Discontinued operations for all years reflect the April 1, 2007 termination of all marketing agreements between the subsidiaries of Ethyl and Innospec. The gain on the termination of this business was \$22.8 million (\$14.6 million after tax). The remaining amounts reflect the after-tax earnings of this business.
- (9) Of the total research, development, and testing expenses, the portion related to new products and processes was \$44 million in 2008, \$42 million in 2007, \$37 million in 2006, \$34 million in 2005, and \$33 million in 2004.



**Table of Contents**

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION**  
**Forward-Looking Statements**

The following discussion, as well as other discussions in this Annual Report on Form 10-K, 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, will, and similar expressions, we do so to identify forward-looking statements. Forward-looking statements include statements we make regarding future prospects of growth 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, timing of sales orders, gain or loss of significant customers, competition from other manufacturers, resolution of environmental liabilities, changes in the demand for our products, significant changes in new product introduction, increases in product cost, 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, and our ability to complete the construction of the office building for MeadWestvaco Corporation within budget and in a timely manner. In addition, certain risk factors are also discussed in Item 1A, Risk Factors.

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 li