



In for the

L O N G

haul



Ethyl Corporation
2000 Annual Report and Form 10-K

ABOUT THE COMPANY

Ethyl Corporation develops, manufactures, blends and delivers chemical additives that enhance the performance of petroleum products. From custom-formulated chemical blends to market general additive components, Ethyl provides the world with the technology to make fuels burn cleaner, engines run smoother and machines last longer.

FINANCIAL HIGHLIGHTS

(In Thousands Except Per-Share Amounts)

	2000	1999
OPERATIONS:		
Net Sales:		
Petroleum Additives	\$795,744	\$819,647
Tetraethyl Lead ^(a)	25,126	24,076
	<u>\$820,870</u>	<u>\$843,723</u>
Income After Income Taxes Before Nonrecurring Items	\$ 8,583	\$ 50,851
Nonrecurring Income After Income Taxes ^(b)	52,414	4,446
Net Income	<u>\$ 60,997</u>	<u>\$ 55,297</u>
PER COMMON SHARE:		
Basic and Diluted Earnings Per Share:		
Income After Income Taxes Before Nonrecurring Items	\$.10	\$.61
Nonrecurring Income After Income Taxes ^(b)	<u>.63</u>	<u>.05</u>
Net Income	<u>\$.73</u>	<u>\$.66</u>
Shares Used to Compute Basic and Diluted Earnings Per Share	83,462	83,465
(a) Nonrecurring Income (Loss) After Income Taxes:		
Tetraethyl lead (TEL) sales under the TEL marketing agreements are not recorded as sales by Ethyl.		
(b) Nonrecurring Income (Loss) After Income Taxes:		
Pension Contract Settlements	\$ 51,348	\$ -
Income Tax Election Credit	2,737	-
Income From Demutualization of MetLife, Inc.	2,580	-
Gain on Sale of Nonoperating Assets	1,459	-
Write-off of Plant Assets	(4,793)	-
Special Retirement Charge	(917)	-
Supply Contract Amendment	<u>-</u>	<u>4,446</u>
	<u>\$ 52,414</u>	<u>\$ 4,446</u>

TO OUR FELLOW SHAREHOLDERS

As a specialty chemical supplier to the global petroleum industry, Ethyl Corporation found the year 2000 to be a pivotal year for our business. Our two business segments, tetraethyl lead (TEL) and petroleum additives (PA), both turned in earnings that were down from the previous year. While the TEL business performed as expected, the performance for PA was lower than we anticipated. Specifically, the market dynamics for one of our key product lines, crankcase additives, deteriorated to such an extent we could no longer earn an adequate return.

We have made good progress in specialty areas such as automatic transmission fluids, hydraulic and gear oil additives, and MMT. But our higher volume crankcase business has struggled amidst price erosion, rising costs, and increased performance demand. Ethyl's strategy for the crankcase product line has been

Throughout the year, we tried several times to raise prices in crankcase, however competitive dynamics limited our success and we lost market share. The conditions in this difficult market no longer support our same cost structure and strategy. It is time we make changes to both.

to pursue selected growth opportunities while protecting our hard-earned, significant market share. In support of this strategy, throughout the 1990's we invested significantly in acquisitions, facility upgrades, product development, and extensive customer test programs.

Our approach also included actions that consolidated the petroleum additives industry, maintained leading technology, focused primarily on global accounts, and increased operating efficiency. While we delivered well against our strategy, raw material and development costs continued to increase, and supply exceeded demand.

Competitive pressure, coupled with the increased buying power of a consolidating oil industry, has crippled crankcase margins. In 2000, Ethyl's crankcase product line posted a loss.

The employees of Ethyl Corporation have performed dutifully and successfully to meet their objectives. It has been frustrating to watch so many talented people work so hard in a market that doesn't support their efforts. Throughout the year, we tried several times to raise prices in crankcase, however competitive dynamics limited our success and we lost market share. The conditions in this difficult market no longer support our same cost structure and strategy. It is time we make changes to both.

Toward that end, we are repositioning ourselves in the crankcase market with a greater focus on profitability as opposed to maintaining our historical market share. We are implementing a significant cost reduction plan that involves both workforce and operations reductions. This effort will result in lower fixed cost and higher capacity utilization, allowing us to compete more effectively within the realities of today's marketplace.

While continuing to support our crankcase customers' needs for technology, service, and support, we will redirect some of our energy toward our proven successes in drivetrain and industrial additives, gasoline additives, diesel fuel additives, MMT, and other fuel and lubricant additive components. We will further capitalize on our strengths in safety, environmental performance, quality, and supply. And we will continue to maximize the cash generated by TEL as its usage continues to phase down around the world.

Fuels, drivetrain, industrial, and components currently account for more than 50% of our business worldwide. With less dependence on crankcase and an increased emphasis on these more profitable areas, we should see first a stabilization of our earnings, then modest growth as we capitalize on our strengths. For Ethyl Corporation, the key to providing significantly improved shareholder value is to use these and other resources to reduce our debt load as quickly as possible.

Consequently, in July 2000 the board of directors voted to suspend the dividend and apply that cash to accelerate debt repayment. And in September, we began the process of unlocking the surplus funds in our largest employee pension plan, which will generate over \$50 million in cash for debt repayment in 2001. Along with continued strong cash flow from operations, these resources will allow us to repay \$200 million in debt over

With less dependence on crankcase and an increased emphasis on these more profitable areas, we should see first a stabilization of our earnings, then modest growth as we capitalize on our strengths.

**We believe these actions
will return higher earnings
and solid growth prospects
to the company, reversing
the trend of unsatisfactory
performance in our stock.**

the next 24 months, at which time we will renew our pursuit of other growth opportunities.

Throughout the 1990's, Ethyl invested heavily in the crankcase portion of our business, expecting to show increasing profits in an improving industry. Instead, industry overcapacity, competitive behavior, and oil industry consolidation have led to lower profits and our shareholders have suffered.

Now as we take the steps to be less reliant on the crankcase business, it is painful to have to implement a reduction in our terrific workforce. To those employees who will no longer be with us, we thank you for your dedication and greatly appreciate the contributions you have made. To those who remain, we look forward to providing a new and energized workplace that rewards innovation, diversity, and entrepreneurial spirit. Working together, we will create the best, long term, viable company that Ethyl can be.

We believe these actions will return higher earnings and solid growth prospects to the company, reversing the trend of unsatisfactory performance in our stock. We are excited about our future and look forward to once again creating value for all stakeholders in Ethyl Corporation.

Bruce C. Gottwald
Chairman and CEO

Thomas E. Gottwald
President and COO



NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual Meeting of the holders of shares of common stock, \$1.00 par value ("Ethyl Common Stock"), of Ethyl Corporation (the "Corporation") will be held in the restored gun foundry building of the Tredegar Iron Works, 500 Tredegar Street, Richmond, Virginia, on Wednesday, May 30, 2001, at 11:00 A.M., Eastern Daylight Time, for the following purposes:

1. To elect a Board of Directors to serve for the ensuing year;
2. To approve the designation by the Board of Directors of PricewaterhouseCoopers LLP as auditors for the fiscal year ending December 31, 2001; and
3. To transact such other business as may properly come before the meeting.

Holders of shares of Ethyl Common Stock of record at the close of business on March 27, 2001, will be entitled to vote at the meeting.

You are requested to fill in, sign, date and return the enclosed proxy promptly, regardless of whether you expect to attend the meeting. A postage-paid return envelope is enclosed for your convenience.

If you are present at the meeting, you may vote in person even if you already have sent in your proxy.

By Order of the Board of Directors

M. RUDOLPH WEST, *Secretary*

April 24, 2001

PROXY STATEMENT
for
ANNUAL MEETING OF SHAREHOLDERS
ETHYL CORPORATION

To be held May 30, 2001
Approximate date of mailing—April 24, 2001

Proxies in the form enclosed are solicited by the Board of Directors for the Annual Meeting of Shareholders to be held on Wednesday, May 30, 2001. Any person giving a proxy may revoke it at any time before it is voted by delivering another proxy, or written notice of revocation, to the Secretary of the Corporation at the Corporation's address listed below. A proxy, if executed and not revoked, will be voted, and, if it contains any specific instructions, will be voted in accordance with such instructions.

On March 27, 2001, the date for determining shareholders entitled to vote at the meeting, there were outstanding 83,454,650 shares of Ethyl Common Stock. Each share of Ethyl Common Stock is entitled to one vote. The holders of a majority of the shares of Ethyl Common Stock issued and outstanding as of the close of business on March 27, 2001 will constitute a quorum at the meeting.

The election of each nominee for director requires the affirmative vote of the holders of a plurality of the shares of Ethyl Common Stock voted in the election of directors. Votes that are withheld and shares held in street name that are not voted in the election of directors will not be included in determining the number of votes cast. Unless otherwise specified in the accompanying form of proxy, it is intended that votes will be cast for the election of all of the nominees as directors.

The cost of the solicitation of proxies will be borne by the Corporation. In addition to the use of the mails, proxies may be solicited personally or by telephone by regular employees of the Corporation. Corporate Investor Communications, Inc. has been engaged to assist in the solicitation of proxies. The Corporation will pay that firm \$7,000 for its services and reimburse its out-of-pocket expenses.

The Corporation's street address is 330 South Fourth Street, Richmond, Virginia 23219.

ELECTION OF DIRECTORS

Proxies will be voted for the election as directors for the ensuing year of the persons named below (or if for any reason unavailable, of such substitutes as the Board of Directors may designate). Each of the nominees presently is serving as a director. The Board has no reason to believe that any of the nominees will be unavailable.

William W. Berry; age 68; director since 1983; Chairman of the Board of New England Independent System Operator (regional manager of electric bulk power generation and transmission systems) since June 1997, having served as an independent consultant from 1992-1997. Other directorship: Universal Corporation.

Phyllis L. Cothran; age 54; director since 1995; retired, having served as President and Chief Operating Officer of Trigon Healthcare, Inc., formerly Blue Cross and Blue Shield of Virginia, (health insurance company) from November 1990 to March 1997. Other directorship: Tredegar Corporation.

Bruce C. Gottwald; age 67; director since 1962; Chairman of the Board, Chairman of the Executive Committee and Chief Executive Officer of the Corporation since March 1, 1994. Other directorship: CSX Corporation.

Thomas E. Gottwald; age 40; director since 1994; President and Chief Operating Officer of the Corporation since March 1, 1994.

Gilbert M. Grosvenor; age 69; director since 1985; Chairman of the Board of Trustees of the National Geographic Society (magazine publisher and scientific society), having served as Chief Executive Officer of the National Geographic Society from 1980-1996. Other directorships: Saul Centers, Inc., Marriott International, Inc. and Chevy Chase Bank, F.S.B.

Sidney Buford Scott; age 68; director since 1959; Chairman of the Board of Scott & Stringfellow, Inc. (investment bankers and brokers).

Charles B. Walker; age 62; director since 1989; Vice Chairman of the Board and Chief Financial Officer of Albemarle Corporation (specialty chemicals company) since 1994; Former Vice Chairman of the Board from March 1, 1994 until January 31, 1998, and Chief Financial Officer and Treasurer of the Corporation from March 1, 1994 until October 1, 1997, having served as Treasurer of the Corporation since July 1, 1993. Other directorships: Albemarle Corporation and Nations Fund Trust/Nations Fund, Inc.

In 2000, each director attended at least 75% of the aggregate of (i) the total number of meetings of all committees of the Board on which the director then served and (ii) the total number of meetings of the Board of Directors. Seven meetings of the Corporation's Board of Directors were held during 2000.

The Corporation's executive committee currently consists of Messrs. Bruce C. Gottwald, Berry, Thomas E. Gottwald and Scott. During 2000, the executive committee did not meet.

Ms. Cothran and Messrs. Berry, Grosvenor and Scott currently serve on the Corporation's audit committee. During 2000, the audit committee met on six occasions. The audit committee reviews the Corporation's internal audit and financial reporting functions and the scope and results of the audit performed by the Corporation's independent accountants and matters relating thereto and reports thereon to the Board of Directors. The audit committee also reviews audit fees and recommends to the Board of Directors the engagement of the independent accountants of the Corporation. All the members of the audit committee are "independent" directors as defined by the rules of The New York Stock Exchange, the exchange on which shares of Ethyl Common Stock are listed.

The Corporation's nominating committee currently consists of Messrs. Grosvenor, Berry and Bruce C. Gottwald. The nominating committee did not meet during 2000. The nominating committee recommends candidates for election as directors and in some cases the election of officers. The Corporation's bylaws provide that a shareholder of the Corporation entitled to vote for the election of directors may nominate persons for election to the Board by mailing written notice to the Secretary of the Corporation not later than (i) with respect to an election to be held at an annual meeting of shareholders, 60 days prior to such meeting, and (ii) with respect to an election to be held at a special meeting of shareholders for the election of directors, the close of business on the seventh day following the date on which notice of such meeting is first given to shareholders. Such shareholder's notice shall include (i) the name and address of the shareholder and of each person to be nominated, (ii) a representation that the shareholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate each person specified, (iii) a description of all understandings between the shareholder and each nominee and any other person (naming such person) pursuant to which the nomination is to be made by the shareholder, (iv) such other information regarding each nominee as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had the nominee been nominated by the Board of Directors and (v) the consent of each nominee to serve as a director of the Corporation if so elected.

Messrs. Berry, Grosvenor and Scott and Ms. Cothran currently serve as the Corporation's bonus, salary and stock option committee. During 2000, the bonus, salary and stock option committee met on five occasions. This committee approves the salaries of management-level employees. It also approves all bonus awards, certain consultant agreements and initial salaries of new management-level personnel and grants options under the Corporation's incentive stock option plan (the "Incentive Stock Option Plan").

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Thomas E. Gottwald, President and director of the Corporation, is a son of Bruce C. Gottwald. The members of the family of Bruce C. Gottwald may be deemed to be control persons of the Corporation.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based solely on its review of the forms required by Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that have been received by the Corporation, the Corporation believes that there has been compliance with all filing requirements applicable to its officers, directors and beneficial owners of greater than 10% of Ethyl Common Stock, except that Mr. Scott inadvertently did not report in a timely manner the sale of shares owned by his wife, which he subsequently reported on a Form 5.

STOCK OWNERSHIP

The following table lists any person (including any "group" as that term is used in Section 13(d)(3) of the Exchange Act) who, to the knowledge of the Corporation, was the beneficial owner as of December 31, 2000, of more than 5% of the outstanding voting shares of the Corporation.

<u>Title of Class</u>	<u>Name and Address of Beneficial Owners</u>	<u>Number of Shares</u>	<u>Percent of Class</u>
Common Stock	Floyd D. Gottwald, Jr., and Bruce C. Gottwald (a) 330 South Fourth Street P.O. Box 2189 Richmond, Virginia 23219	21,002,330(b)(c)	25.17%

- (a) Floyd D. Gottwald, Jr. and Bruce C. Gottwald, who are brothers, may be deemed to be a "group" for purposes of Section 13(d)(3) of the Exchange Act, although there is no agreement between them with respect to the acquisition, retention, disposition or voting of Ethyl Common Stock.
- (b) As of December 31, 2000, Floyd D. Gottwald, Jr. and Bruce C. Gottwald had sole voting and investment power over all of the shares disclosed except 11,260,472 shares held by their wives, adult sons and in certain trust relationships as to which they disclaim beneficial ownership. This amount includes an aggregate of 4,272,607 shares of Ethyl Common Stock beneficially owned by the adult sons of Floyd D. Gottwald, Jr. and an aggregate of 4,647,269 shares of Ethyl Common stock beneficially owned by the adult sons of Bruce C. Gottwald. Floyd D. Gottwald, Jr., Bruce C. Gottwald and their adult sons have no agreement with respect to the acquisition, retention, disposition or voting of Ethyl Common Stock.
- (c) This amount includes any shares owned of record by Merrill Lynch, Pierce, Fenner & Smith Incorporated as Trustee under the Corporation's savings plan for the benefit of Bruce C. Gottwald and Thomas E. Gottwald. This amount does not include shares held by the Trustee of such plan for the benefit of employees of the Corporation other than Bruce C. Gottwald and Thomas E. Gottwald. Shares held under the Corporation's savings plan are voted by the Trustee in accordance with instructions solicited from employees participating in the plan. If a participating employee does not give the Trustee voting instructions, his or her shares generally are voted by the Trustee in accordance with the Board's recommendations to the shareholders. Because members of the family of Bruce C. Gottwald are executive officers and directors of the Corporation and are the largest shareholders of the Corporation, they may be deemed to be control persons of the Corporation and to have the capacity to control any such recommendation of the Board of Directors.

The following table sets forth as of January 31, 2001, the beneficial ownership of Ethyl Common Stock by all directors of the Corporation, the Chief Executive Officer and the four next most highly compensated executive officers (the “Named Executive Officers”) and all directors and officers of the Corporation as a group. Unless otherwise indicated, each person listed below has sole voting and investment power over all shares beneficially owned by him or her.

<u>Name of Beneficial Owner or Number of Persons in Group</u>	<u>Number of Shares with Sole Voting and Investment Power¹</u>	<u>Number of Shares with Shared Voting and Investment Power</u>	<u>Total Number of Shares</u>	<u>Percent of Class²</u>
William W. Berry	4,314	2,146 ³	6,460	
Phyllis L. Cothran	4,881	0	4,881	
Bruce C. Gottwald	4,987,224	620,985 ⁴	5,608,209	6.72%
Thomas E. Gottwald	595,440	3,215,681 ⁵	3,811,121	4.56%
Gilbert M. Grosvenor	4,804	0	4,804	
Alexander McLean	29,462	0	29,462	
Henry C. Page, Jr.	71,888	0	71,888	
Newton A. Perry	50,261	0	50,261	
Sidney Buford Scott	65,104	0	65,104	
Charles B. Walker	178,204	0	178,204	
Directors and officers as a group (22 persons)	6,344,484	3,851,096	10,217,500	12.19%

¹ The amounts in this column include shares of Ethyl Common Stock with respect to which certain persons had the right to acquire beneficial ownership within 60 days of January 31, 2001, pursuant to the Incentive Stock Option Plan: Thomas E. Gottwald: 80,000 shares; Alexander McLean: 10,000 shares; Henry C. Page, Jr.: 33,330; Newton A. Perry: 32,208 shares; Charles B. Walker: 118,452 shares; and directors and officers as a group: 381,250 shares.

² Except as indicated, each person or group owns less than 1% of Ethyl Common Stock.

³ Mr. Berry disclaims beneficial ownership of all 2,146 of such shares.

⁴ Mr. Bruce C. Gottwald disclaims beneficial ownership of all 620,985 of such shares.

⁵ Mr. Thomas E. Gottwald disclaims beneficial ownership of all 3,215,681 of such shares. This amount includes 3,186,101 shares of Ethyl Common Stock that Mr. Gottwald may be deemed to own beneficially. Such shares constitute Mr. Gottwald’s interest as beneficiary of a trust of which he is a co-trustee.

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

The following table presents information relating to total compensation of the Named Executive Officers for the fiscal years ended December 31, 2000, 1999 and 1998.

<u>Name and Principal Position</u>	<u>Year</u>	<u>Annual Compensation</u>			<u>Long-Term Compensation</u>		<u>All Other Compensation</u>
		<u>Salary</u>	<u>Bonus</u>	<u>Other Annual Compensation</u>	<u>Restricted Stock Awards</u>	<u>Options/SARs</u>	
Bruce C. Gottwald	2000	\$770,000	\$ —	\$ —	\$ —	—	\$38,500 ¹
Chairman of the Board and	1999	770,000	—	—	—	—	38,500
Chief Executive Officer	1998	770,000	—	—	—	—	38,500
Thomas E. Gottwald	2000	\$411,800	\$ —	\$ —	\$ —	—	\$20,590 ²
President and	1999	396,000	—	—	—	—	19,800
Chief Operating Officer	1998	396,000	100,000	—	—	—	19,800
Henry C. Page, Jr.	2000	\$273,400	\$ —	\$ —	\$ —	—	\$13,670 ³
Vice President—Human	1999	273,400	35,000	—	—	—	13,670
Resources and External Affairs	1998	262,900	35,000	—	—	—	13,145
Newton A. Perry	2000	\$260,000	\$ —	\$ —	\$ —	—	\$13,000 ⁴
Senior Vice President	1999	252,500	75,000	—	—	—	12,625
Antiknocks	1998	250,000	150,000	—	—	—	12,500
Alexander McLean	2000	\$246,800	\$ —	\$ —	\$ —	—	\$12,340 ⁵
Senior Vice President	1999	239,675	75,000	—	—	—	11,984
Petroleum Additives	1998	237,300	50,000	—	—	—	9,835

¹ Includes contributions to the Corporation's savings plan (\$8,500, \$8,000 and \$8,000) and accruals in the Corporation's excess benefit plan (\$30,000, \$30,500 and \$30,500) for 2000, 1999 and 1998, respectively.

² Includes contributions to the Corporation's savings plan (\$8,500, \$8,000 and \$8,000) and accruals in the Corporation's excess benefit plan (\$12,090, \$11,800 and \$11,800) for 2000, 1999 and 1998, respectively.

³ Includes contributions to the Corporation's savings plan (\$8,500, \$8,000 and \$8,000) for 2000, 1999 and 1998, respectively, and accruals in the Corporation's excess benefit plan (\$5,170, \$5,670 and \$5,145) for 2000, 1999 and 1998, respectively.

⁴ Includes contributions to the Corporation's savings plan (\$8,500, \$8,000 and \$8,000) for 2000, 1999 and 1998, respectively, and accruals in the Corporation's excess benefit plan (\$4,500, \$4,625 and \$4,500) for 2000, 1999 and 1998, respectively.

⁵ Includes contributions to the Corporation's savings plan (\$8,500, \$8,000 and \$8,000) for 2000, 1999 and 1998, respectively, and accruals in the Corporation's excess benefit plan (\$3,840, \$3,984 and \$1,835) for 2000, 1999 and 1998, respectively.

OPTION/SAR GRANTS IN LAST FISCAL YEAR

There were no option or stock appreciation right (“SAR”) grants to the Named Executive Officers during the last fiscal year.

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FY-END OPTION/SAR VALUE

The following table presents information concerning stock option and SAR exercises by the Named Executive Officers and fiscal year end option/SAR values.

Name	Shares Acquired On Exercise (#)	Value Realized (\$)	Number of Securities Underlying Unexercised Options/SARs at FY-End (#)		Value of Unexercised In-The-Money Options/ SARs at FY-End (\$)¹	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Bruce C. Gottwald	0	\$0	0	0	\$0	\$0
Thomas E. Gottwald	0	0	80,000²	320,000²	0	0
Henry C. Page, Jr.	0	0	33,330²	80,000²	0	0
Newton A. Perry	0	0	32,208²	80,000²	0	0
Alexander McLean	0	0	10,000²	115,000²	0	0

¹ These values are based on \$1.4375, the closing price of Ethyl Common Stock on the New York Stock Exchange on December 29, 2000.

² Each of these options relates to Ethyl Common Stock and includes a tandem SAR.

RETIREMENT BENEFITS

The following table illustrates under the Corporation’s pension plan for salaried employees the estimated benefits upon retirement at age 65, determined as of December 31, 2000, to persons with specified earnings and years of pension benefit service. To the extent benefits payable at retirement exceed amounts that may be payable under applicable provisions of the Internal Revenue Code of 1986, as amended (the “Code”), they will be paid under the Corporation’s excess benefit or supplemental retirement plans, as applicable. This table includes the amounts that would be payable under such plans.

Pension Plan Table*

Final Average Earnings	Years of Pension Benefit Service and Estimated Annual Benefits							
	10	15	20	25	30	35	40	45
\$ 300,000	\$ 43,600	\$ 65,395	\$ 87,195	\$108,990	\$130,790	\$152,590	\$174,385	\$196,185
\$ 350,000	51,100	76,645	102,195	127,740	153,290	178,840	204,385	229,935
\$ 400,000	58,600	87,895	117,195	146,490	175,790	205,090	234,385	263,685
\$ 450,000	66,100	99,145	132,195	165,240	198,290	231,340	264,385	297,435
\$ 500,000	73,600	110,395	147,195	183,990	220,790	257,590	294,385	331,185
\$ 550,000	81,100	121,645	162,195	202,740	243,290	283,840	324,385	364,935
\$ 600,000	88,600	132,895	177,195	221,490	265,790	310,090	354,385	398,685
\$ 650,000	96,100	144,145	192,195	240,240	288,290	336,340	384,385	432,435
\$ 700,000	103,600	155,395	207,195	258,990	310,790	362,590	414,385	466,185
\$ 750,000	111,100	166,645	222,195	277,740	333,290	388,840	444,385	499,935
\$ 800,000	118,600	177,895	237,195	296,490	355,790	415,090	474,385	533,685
\$ 850,000	126,100	189,145	252,195	315,240	378,290	441,340	504,385	567,435
\$ 900,000	133,600	200,395	267,195	333,990	400,790	467,590	534,385	601,185
\$ 950,000	141,100	211,645	282,195	352,740	423,290	493,840	564,385	634,935
\$1,000,000	148,600	222,895	297,195	371,490	445,790	520,090	594,385	668,685

*Assumes attainment of age 65 in 2000 and Social Security Covered Compensation of \$35,100.

The benefit formula under the pension plans is based on the participant's final-average earnings, which are defined as the average of the highest three consecutive calendar years' earnings (base pay plus 50% of incentive bonuses paid in any fiscal year) during the 10 consecutive calendar years immediately preceding the date of determination. The years of pension benefit service for each of the executive officers named in the above compensation table as of December 31, 2000, are: Bruce C. Gottwald, 45; Thomas E. Gottwald, 9; Henry C. Page, Jr., 18; Newton A. Perry, 32; and Alexander McLean, 12. Benefits under the pension plans are computed on the basis of a life annuity with 60 months guaranteed payments. The benefits listed in the above compensation table are not subject to deduction for Social Security or other offset payments.

Mr. McLean, who was previously employed by Ethyl Petroleum Additives Limited, a subsidiary of the Corporation located in the United Kingdom, also participated in the Ethyl Petroleum Additives Limited Pension Plan (the "Additives Plan"). The formula under the Additives Plan is equal to 1.6667% times pensionable salary times years of service. Mr. McLean has 7.833 years of service under that plan. This accrued benefit as of April 30, 1997, is \$47,028 per year, payable at age 65. This amount has been converted from British pounds to U.S. dollars at the conversion rate of 1£:\$1.4897 as of December 29, 2000. The amount payable under the Additives Plan is offset from the amount payable under the pension plan described above.

EXCESS BENEFIT PLANS

The Corporation maintains excess benefit plans (the "Excess Plans") in the form of nonqualified pension plans that provide eligible individuals the difference between the benefits they actually accrue under the qualified employee pension and savings plans of the Corporation and the benefits they would have accrued under such plans but for the maximum benefit and annual addition limitations and the limitation on compensation that may be recognized thereunder under the Code. All benefits under the Excess Plans vest upon a Change in Control of the Corporation, as defined in the Excess Plans. Participants in the Excess Plans receive their benefits in the form elected under the qualified employee pension plans of the Corporation or under certain circumstances in a lump sum payment.

Mr. Walker, who retired as an officer and employee of the Corporation on January 31, 1998, will receive a series of payments that are equivalent to the present value of his accrued benefits under the Excess Plans plus any earnings on the funds designed for such payments. This arrangement is in lieu of any benefits under the Excess Plans.

COMPENSATION OF DIRECTORS

Each non-employee director is paid (i) \$1,000 for attendance at each Board meeting and (ii) \$600 for attendance at each meeting of a committee of the Board of which he or she is a member. In addition, each such director has been paid a quarterly fee of \$5,000. Effective April 1, 2001, the quarterly fee will be \$3,000. Employee members of the Board of Directors are not paid separately for their service on the Board or its committees.

Any director retiring from the Board after age 60 with at least five years' service on the Board will receive \$12,000 per year for life, payable in quarterly installments. The service requirement for this benefit may be waived under certain circumstances. Any director retiring under other circumstances will receive \$12,000 per year, payable in quarterly installments, commencing no earlier than age 60, for a period not to exceed his years of service on the Board. The payment period limitation on this benefit may be waived in certain circumstances. Such retirement payments to former directors may be discontinued under certain circumstances.

Under the Directors' Stock Plan, on each July 1, each non-employee director is awarded that number of whole shares of Ethyl Common Stock that, when multiplied by the closing price of Ethyl Common Stock on the immediately preceding business day, as reported in *The Wall Street Journal*, shall as nearly as possible equal but not exceed \$2,000. The shares of Ethyl Common Stock awarded under the Directors' Stock Plan are nonforfeitable and the recipient directors immediately and fully vest in Ethyl Common Stock issued under the Director's Stock Plan. Subject only to such limitations on transfer as may be specified by applicable securities laws, directors may sell their shares under the Directors' Stock Plan at any time. The Directors' Stock Plan provides that no awards may be made after July 1, 2001.

Non-employee directors may defer, in ten percent increments, all or part of their retainer fee and meeting fees into either a deferred cash account or a deferred stock account (the "Deferred Compensation Plan"), or a percentage of the fees into each of the accounts, both of which are unfunded and maintained for recordkeeping purposes only. Distributions under the Deferred Compensation Plan, paid in a single sum or in up to ten annual installments, cannot begin within two years of the beginning of the deferral year. The maximum aggregate number of shares of Ethyl Common Stock that may be issued under the Deferred Compensation Plan is 100,000 shares.

BONUS, SALARY AND STOCK OPTION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Bonus, Salary and Stock Option Committee of the Board of Directors (the “Committee”), which performs the function of a compensation committee, consists of Messrs. Berry (Chairman), Grosvenor and Scott and Ms. Cothran. The Committee is delegated the power to administer the compensation program of the Corporation applicable to its executive officers, including the Chief Executive Officer. Accordingly, the Committee submits this report on executive compensation to the shareholders.

Overall Objectives

The objectives of the Corporation’s executive compensation program are to:

- Provide balanced, competitive total compensation that will enable the Corporation to attract, motivate and retain highly qualified executives;
- Provide incentives for enhancing the profitability of the Corporation by rewarding executives for meeting individual and corporate goals; and
- Align the financial interests of the executives closely to those of the shareholders by encouraging executive ownership of Ethyl Common Stock.

Elements of the Program

The Committee believes the interests of the shareholders will be best served if the compensation program consists of cash compensation and equity ownership, with a significant portion of compensation depending upon performance. The program includes: base salary, annual bonuses in cash or cash and stock, and stock options with performance vesting and SARs. The Committee considers all elements of the program when setting appropriate compensation.

The Corporation seeks to maintain its executive compensation packages around the mid-range of those offered generally in the job markets in which the Corporation competes for talent and experience.

Because of the extremely difficult market conditions that the Corporation has experienced in the last several years and the low trading pricing of Ethyl Common Stock, the Committee has not been awarding any stock options. More recently the Corporation has been concentrating on streamlining operations with the focus of employment and compensation decisions directed at reducing costs.

Competitive Market

The Corporation has used compensation surveys provided by compensation consultants in determining the market for executive pay. The surveys include companies that are larger and smaller than the Corporation. Some of the surveys are limited to companies in the petroleum or chemical businesses, including, but not limited to, companies shown on the Performance Graph. Other surveys include companies in other industries. References to the “market” in this report refer to the survey data.

Base Salaries

Base salaries have been based on evaluations of past and current Corporation operating profits and individual contribution to the Corporation’s success, market data for comparable positions and salary levels of the Corporation’s peer group companies and alignment of salary and organization within the Corporation. The Committee considers each of the individual factors but does not assign a specific value to each factor, and a subjective element is acknowledged in evaluating each executive’s contribution. Salary survey data from the Corporation’s peer group companies indicated the Corporation’s executive level compensation to be within the ranges of compensation offered by peer group companies.

Annual Bonuses

The annual bonus program has been designed to motivate and reward performance measured against individual, division, department and corporate objectives. Annual bonus awards are determined by the Committee in conjunction with senior management, and are based on evaluation of the performance, level of responsibility and leadership of the individual executive in relation to overall corporate results. For 2000, no bonuses were paid to any of the executive officers.

Stock Options

Under the Incentive Stock Option Plan approved by the shareholders, the Committee, in its discretion, may grant options to purchase shares of Ethyl Common Stock (with or without related SARs) to any executive of the Corporation or any subsidiary who has contributed or can be expected to contribute to the Corporation's profits and growth. The Committee determines the amount of the grant, the term of the options and the requisite conditions for exercise. The Committee did not grant any options under the Incentive Stock Option Plan during 2000.

CEO Compensation

In keeping with the objective of improving long-term performance and shareholder value, the Chief Executive Officer, as a major shareholder, strongly advocates pay for performance. The CEO asked not to be considered for a salary increase and the Committee concurred with his recommendation. Compensation survey data places the CEO's total compensation for 2000 within the range of the size-adjusted median of companies surveyed by the Corporation's compensation consultants.

The Committee believes that the CEO continues to take necessary strategic steps to position the Corporation for the future in an extremely difficult competitive environment. As with the other executive officers, he did not receive a bonus for 2000.

Section 162(m)

Section 162(m) of the Code provides certain criteria for the tax deductibility of compensation in excess of \$1 million paid to the Corporation's executive officers. To meet the criteria applicable to performance-based compensation (as defined in Section 162(m) of the Code), certain of the Corporation's benefit plans would have to be amended to limit the Committee's discretion to determine individual awards based on individual performance factors and other factors as the Committee may determine, from time to time, to be relevant.

The Committee believes that the flexibility on awards is an important feature of the plans and one that serves the best interests of the Corporation by allowing the Committee to recognize and motivate individual executive officers as circumstances warrant. Further, the Committee currently does not anticipate that there will be any compensation subject to the loss of tax deductibility. Consequently, the Committee does not propose at the present time to amend any plan to comply with the performance-based criteria.

THE BONUS, SALARY AND STOCK OPTION COMMITTEE

William W. Berry, Chairman
Gilbert M. Grosvenor
Sidney Buford Scott
Phyllis L. Cothran

March 19, 2001

AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors (the “Audit Committee”) is composed of four independent directors and operates under a written charter adopted by the Board of Directors, a copy of which is attached to this proxy statement as *Appendix A*. The Audit Committee reviews audit fees and recommends to the Board of Directors, subject to shareholder ratification, the selection of the Corporation’s independent accountants. Management is responsible for the Corporation’s internal controls and the financial reporting process. The independent accountants are responsible for performing an independent audit of the Corporation’s consolidated financial statements in accordance with generally accepted auditing standards and for issuing a report thereon. The Audit Committee’s responsibility is to monitor and oversee these processes and to report thereon to the Board of Directors. In this context, the Audit Committee has met and held discussions with management and PricewaterhouseCoopers LLP, the Corporation’s independent accountants.

Management represented to the Audit Committee that the Corporation’s consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and PricewaterhouseCoopers.

The Audit Committee has discussed with PricewaterhouseCoopers the matters required to be discussed by Statement on Auditing Standards No. 61 (Codification of Statements on Accounting Standards), including the scope of the auditor’s responsibilities, significant accounting adjustments and any disagreements with management.

The Audit Committee also has received the written disclosures and the letter from PricewaterhouseCoopers relating to the independence of that firm as required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and has discussed with PricewaterhouseCoopers that firm’s independence from the Corporation.

Based upon the Audit Committee’s discussions with management and PricewaterhouseCoopers and the Audit Committee’s review of the representation of management and the report of PricewaterhouseCoopers to the Audit Committee, the Audit Committee recommended that the Board of Directors include the audited consolidated financial statements in the Corporation’s Annual Report on Form 10-K for the year ended December 31, 2000 filed with the Securities and Exchange Commission.

During the fiscal year ended December 31, 2000, PricewaterhouseCoopers billed the Corporation the fees set forth below in connection with services rendered by that firm to the Corporation.

Audit Fees. For professional services rendered by PricewaterhouseCoopers for the audit of the Corporation’s annual financial statements for the fiscal year ended December 31, 2000, and the reviews of the financial statements included in the Corporation’s Quarterly Reports on Form 10-Q for the fiscal year ended December 31, 2000, PricewaterhouseCoopers billed the Corporation fees in the aggregate amount of \$608,000.

Financial Information Systems Design and Implementation Fees. For the fiscal year ended December 31, 2000, PricewaterhouseCoopers rendered professional services to the Corporation in connection with (i) directly or indirectly operating, or supervising the operation of the Corporation’s information system or managing the Corporation’s local area network, (ii) designing or implementing a hardware or software system that aggregates source data underlying the Corporation’s financial statements or generates information that is significant to the Corporation’s financial statements taken as a whole and (iii) assessing, designing and implementing internal accounting controls and risk management controls. PricewaterhouseCoopers billed the Corporation fees in the aggregate amount of \$133,600 for the services described above.

All Other Fees. For professional services other than those described above for the fiscal year ended December 31, 2000, PricewaterhouseCoopers billed the Corporation fees in the aggregate amount of \$333,800. This amount includes an aggregate amount of \$117,000 that PricewaterhouseCoopers billed for services rendered

in connection with the performance of internal audit procedures for the Corporation. In addition to performing an independent audit of the Corporation's consolidated financial statements, PricewaterhouseCoopers has been engaged by the Corporation to conduct internal audit projects under the direction of the Corporation.

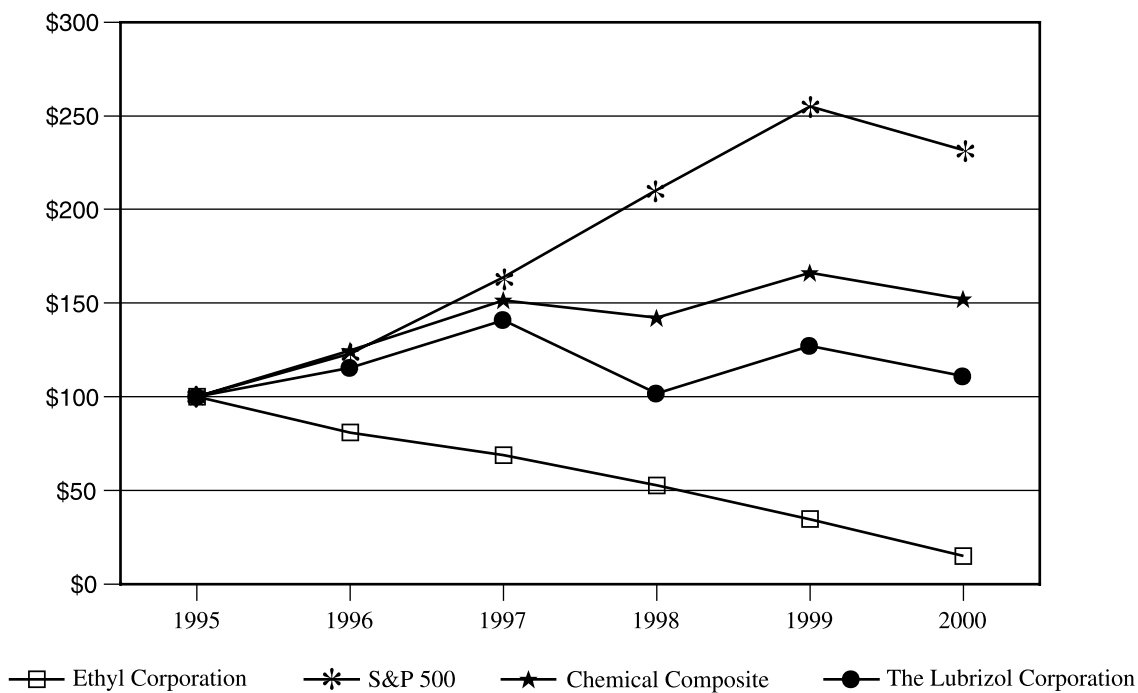
The Audit Committee has considered whether the provision of services described above under "Financial Information Systems Design and Implementation Fees" and "All Other Fees" is compatible with maintaining the independence of PricewaterhouseCoopers.

THE AUDIT COMMITTEE

Phyllis L. Cothran, Chairman
William W. Berry
Gilbert M. Grosvenor
Sidney Buford Scott

March 26, 2001

PERFORMANCE GRAPH
 Comparison of Five-Year Cumulative Total Return*
 Performance through December 31, 2000



*Assumes \$100 invested on last day of December 1995. Dividends are reinvested quarterly.

The Corporation included a comparison with The Lubrizol Corporation, which is the only other corporation listed on The New York Stock Exchange with lubricant additives as a primary business.

DESIGNATION OF AUDITORS

The Board of Directors has designated PricewaterhouseCoopers LLP, certified public accountants, as the Corporation's independent auditors for the year 2001, subject to shareholder approval. Coopers & Lybrand, L.L.P., which was the predecessor of PricewaterhouseCoopers, has audited the Corporation's financial statements since 1962 and those of the former Ethyl Corporation (Delaware) from 1947 to 1962. A representative of PricewaterhouseCoopers is expected to be present at the annual meeting with an opportunity to make a statement and to be available to respond to appropriate questions.

PricewaterhouseCoopers' principal function is to audit the consolidated financial statements of the Corporation and its subsidiaries and, in connection with that audit, to review certain related filings with the Securities and Exchange Commission and to conduct limited reviews of the financial statements included in the Corporation's quarterly reports.

PROPOSALS FOR 2002 ANNUAL MEETING

Under the regulations of the Securities and Exchange Commission, any shareholder desiring to make a proposal to be acted upon at the 2002 annual meeting of shareholders must present such proposal to the Corporation at its principal office in Richmond, Virginia, not later than December 26, 2001, in order for the proposal to be considered for inclusion in the Corporation's proxy statement. The Corporation anticipates holding the 2002 annual meeting on Thursday, April 25, 2002.

The Corporation's bylaws provide that, in addition to any other applicable requirements, for business to be properly brought before the annual meeting by a shareholder, the shareholder must give timely notice in writing to the Secretary of the Corporation not later than 60 days prior to the meeting. As to each matter, the notice should contain (i) a brief description of the matter and the reasons for addressing it at the annual meeting, (ii) the name, record address of and number of shares beneficially owned by the shareholder proposing such business and (iii) any material interest of the shareholder in such business.

OTHER MATTERS

The Board of Directors is not aware of any matters to be presented for action at the meeting other than as set forth herein. However, if any other matters properly come before the meeting, or any adjournment thereof, the person or persons voting the proxies will vote them in accordance with their best judgment.

By Order of the Board of Directors

M. RUDOLPH WEST, *Secretary*

Ethyl Corporation Audit Committee Charter

Introduction

The Board of Directors (“Board”) continuously reviews current trends and best practice in relation to corporate governance. The Board has constituted an Audit Committee to assist the Board in fulfilling its responsibilities in the following areas:

- Effective management of financial risks;
- Reliable management and financial reporting processes;
- Compliance with laws and regulations; and
- Maintenance of an effective and efficient audit.

This Charter sets out the specific responsibilities delegated by the Board to the Audit Committee and details the manner in which the Audit Committee will operate.

Responsibilities

Effective Management of Financial Risks

To be aware of the current areas of greatest financial risk and that management is effectively assessing and managing the risks.

To satisfy itself that effective systems of accounting and internal control are established and maintained to manage financial risk.

To satisfy itself regarding the integrity and prudence of management control systems, including the review of policies and/or practices.

To inform the Board of any matters that may significantly impact the financial condition or affairs of the company, and help assess the related risks and planned actions to manage those risks, including specific project reviews of returns on investment and capital employed at appropriate periods of 1-3-5 years following the approval of projects.

Reliable Management and Financial Reporting Processes

To review and assess the adequacy of management reporting to the Board in terms of the quantity, quality and timing of financial information, as well as related financial disclosures and decisions, necessary to understand and report internally and externally on the company’s operations and financial condition.

To review the entity’s accounting policies and practices in the light of evolving requirements of accounting principles in accordance with Generally Accepted Accounting Practices in the US, the Securities and Exchange Commission (SEC), and the American Institute of Certified Public Accountants (AICPA), and other relevant requirements.

To review, or cause the Committee or the Chairman of the Committee to review, with the financial management of the Corporation and the Corporation’s independent accountants the financial statements prior to the public release of the Corporation’s earnings.

To discuss with the independent accountants the matters required to be discussed by the Generally Accepted Auditing Standards (SAS No. 61) relating to the conduct of the audit.

To include in the Corporation's proxy or information statements relating to annual meetings of shareholders at which directors are to be elected (or special meetings or written consent in lieu of such meetings), a report of the Audit Committee that complies with the SEC's regulations for such reports.

To review filings made with SEC and other published documents containing the Corporation's financial statements and consider whether the information contained in such documents is consistent with the information contained in the Corporation's internal financial statements.

Compliance with Laws and Regulations

To be updated with developments and changes in the law relating to the responsibilities and liabilities of Directors and to monitor and review the extent to which the Board is meeting its obligations.

To monitor developments and changes in the various rules, regulations and laws which relate generally to the entity's business operations and to monitor and review the extent to which the entity is complying with such laws.

Maintenance of Effective and Efficient Audit Processes

To recommend to the Board the appointment of external auditors, recognizing that the external auditor is ultimately accountable to the Board of Directors.

To review the appointment, replacement, reassignment, or dismissal of the members of the Corporation's internal auditing department.

To review the efficiency and effectiveness of both the internal and external auditors in relation to their respective responsibilities.

To monitor that there have been no unjustified restrictions or limitations placed on the auditors.

To assess that the scope of the audits (external and internal) are adequate, ensuring emphasis is placed on areas where the Audit Committee, management or the auditors believe special emphasis is necessary.

To review and assess the findings of the internal and external auditors and the planned actions and timetable proposed by management in response to the findings.

Other Responsibilities

To discuss and review with the Corporation's independent accountants their ultimate accountability to the Board and the Audit Committee.

To ensure that the Corporation's independent accountants submit on a periodic basis to the Audit Committee a formal written statement delineating all relationships between the independent accountants and the Corporation as required by the Independence Standards Board.

To engage actively in a dialogue with the Corporation's independent accountants with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent accountants and recommend that the Board take appropriate action in response to the independent accountants' report to satisfy itself of the independent accountants' independence.

To report any matter identified during the course of carrying out its duties that the Audit Committee considers should be brought to the attention of the Board.

To perform or undertake on behalf of the Board any such other tasks or actions as the Board may from time to time authorize.

Administration Matters

Membership and Attendance at Meetings

The Audit Committee will comprise four members of the Board, each of whom shall be an Independent Director in accordance with the Rules of the New York Stock Exchange. All members of the Audit Committee shall have a requisite working familiarity with basic finance and accounting practices in compliance with the Rules of the New York Stock Exchange. In addition, at least one member of the Committee will have accounting or related financial management expertise. A quorum shall be three.

The members of the Audit Committee shall be elected by the Board annually and shall serve for one year or until their successors are elected and qualified. The members of the Audit Committee may designate a Chairman by majority vote of the full Audit Committee.

The Audit Committee may invite such other persons (e.g., Chief Financial Officer, Corporate Controller, Director of Business Assurance) as it deems appropriate.

Internal and external audit shall normally make presentations to the Audit Committee at its meetings.

The Secretary of the Audit Committee shall be the Secretary of the entity or such other person as nominated by the Board.

Meetings

Face to face or telephonic meetings shall be held at least four times a year or more frequently as circumstances dictate. Special meetings of the Audit Committee may be convened as required. The internal or external auditors may request a meeting if they consider that one is necessary.

The proceedings of these meetings will be documented in minutes.

It is expected that regular reports will be received on matters to be defined by the Audit Committee but are likely to include:

- Internal audit reports
- Compliance certifications
- Security and fraud reports
- External audit reports
- Significant SEC and IRS communications
- Annual Audit Committee Charter review

The Audit Committee shall meet at least annually with the Corporation's management, the members of the Corporation's internal auditing department and the Corporation's independent accountants in executive sessions to discuss any matters that the Audit Committee or each of these groups believe should be discussed privately.

Board Reporting

The Audit Committee should report to the Board as necessary and should report annually to the Board summarizing the activities of the Audit Committee during the previous financial year.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent accountant. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent accountants or to assure compliance with laws and regulations.

[THIS PAGE INTENTIONALLY LEFT BLANK]

**UNITED STATES SECURITIES AND EXCHANGE
COMMISSION**
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2000

OR

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

Commission file number 1-5112

ETHYL CORPORATION

Incorporated pursuant to the Laws of the Commonwealth of Virginia

Internal Revenue Service Employer Identification No. **54-0118820**

**330 South Fourth Street P. O. Box 2189
Richmond, Virginia 23218-2189**

804-788-5000

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

Title of each class	Name of each exchange on which registered
COMMON STOCK, \$1 Par Value	NEW YORK STOCK EXCHANGE PACIFIC STOCK EXCHANGE

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

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 at least 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.

Aggregate market value of voting stock held by non-affiliates of the registrant as of March 31, 2001: \$93,678,480.00.*

Number of shares of Common Stock outstanding as of March 31, 2001: 83,454,650

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Ethyl Corporation's definitive Proxy Statement for its 2001 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934 (the Proxy Statement) are incorporated by reference into Part III of this Form 10-K.

*In determining this figure, an aggregate of 21,002,330 shares of Common Stock reported in the registrant's Proxy Statement for the 2001 Annual Meeting of Shareholders as beneficially owned by Floyd D. Gottwald, Jr., Bruce C. Gottwald, and the members of their immediate families 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 March 30, 2001, as reported by *The Wall Street Journal*.

Form 10-K
Table of Contents

Form 10-K Cover Page	1
Part I	
Item 1. Business	3
Item 2. Properties	9
Item 3. Legal Proceedings	10
Item 4. Submission of Matters to a Vote of Security Holders	10
Part II	
Item 5. Market for Registrant’s Common Equity and Related Stockholder Matters	11
Item 6. Selected Financial Data	12
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation	14
Item 7a. Quantitative and Qualitative Disclosures About Market Risk	20
Item 8. Financial Statements and Supplementary Data	22
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	48
Part III	
Item 10. Directors and Executive Officers of the Registrant	49
Item 11. Executive Compensation	49
Item 12. Security Ownership of Certain Beneficial Owners and Management	49
Item 13. Certain Relationships and Related Transactions	49
Part IV	
Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K	50
Signatures	52

PART I

ITEM 1. BUSINESS

Ethyl Corporation develops, manufactures, blends, and markets fuel and lubricant additives technology and products around the world. We also distribute tetraethyl lead (TEL), a gasoline octane enhancer, primarily through marketing agreements. A review of these operations is included in the Business Segments section. We are incorporated in Virginia and employed approximately 1,500 people at year-end 2000.

Recent Developments

Our crankcase additives business has been a key factor in our declining petroleum additives earnings over the last few years. The crankcase industry has suffered from overcapacity, low to no growth, and severe price erosion. Even as the supply of some crankcase components has tightened, the market has been weakened further due to substantial raw material cost increases, unfavorable currency conditions, and the pricing leverage of the consolidating oil industry.

Ethyl's strategy for the crankcase product line has been to pursue selected growth opportunities while defending our market position. At the same time, we have invested in acquisitions and research to support our customers with cost-effective, leading-edge technology and service. We relied on this strategy anticipating an eventual turnaround in the pricing of crankcase additives. In December 2000, Ethyl announced a 15% price increase for all products manufactured for passenger car and diesel engine motor oil. We were not successful in implementing this increase. Crankcase industry conditions have continued to erode causing the return on investment in our crankcase business to be unsatisfactory. These factors were the primary contributors to the loss of our crankcase positions at Pennzoil-Quaker State Company, Equilon Enterprises LLC, and Exxon Mobil Corporation.

Ethyl is committed to returning profitability to the crankcase product line while providing our customers the technology and services they need. We will implement a new business model for petroleum additives that includes a workforce and operations reduction to be completed by mid-year 2001. Earnings for 2001 will depend upon the timing and completion of the cost and workforce reduction and will likely include a number of one-time charges.

We completed new Amended and Restated Senior Secured Credit Facilities amounting to \$540 million with our lenders in early April. The interest rate under this agreement is higher than our previous agreement. The new agreement is collateralized. The new agreement is discussed further in Note 23 and a copy is included as Exhibit 4.1 to this filing.

Cash flows from operations remain strong, enabling us to reduce debt about \$52 million during the last six months of 2000, for a total of \$240 million of debt repayment in the last three years. Over the next 24 months, we intend to repay \$200 million of debt.

In the third quarter, we announced the termination, at December 31, 2000, of an overfunded U.S. salaried employee pension plan. The proceeds from the plan will be used to establish a new, fully funded pension plan for U.S. salaried employees with comparable provisions and benefit formula. The surplus not used to fund the new plan will be subject to the usual corporate income taxes as well as a 20% excise tax. The proceeds remaining after taxes, currently estimated at \$50-60 million depending upon the market value of pension assets, will be used for debt repayment. The process remains subject to regulatory approval and is anticipated to conclude by third quarter 2001. In future years, Ethyl will report reduced noncash pension income, since the amount of surplus in the new pension plan will be less than that in the terminated plan.

On July 27, 2000, the Board of Directors suspended our dividend. This action improves cash flow for debt reduction.

During 2000, Ethyl's Swiss subsidiaries entered marketing agreements, which were effective January 1, 2000, with Alcor Chemie AG and Alcor Chemie Vertriebs AG (Alcor), to market and sell TEL outside North America and the European Economic Area. The Associated Octel Company Limited (Octel) purchased Alcor in the fall of 1999. These agreements are similar to the marketing agreements we currently have in place with Octel. On April 19, 2000, we made a payment of \$39 million to Alcor as a prepayment for services provided under the terms of the marketing agreements. This payment was funded under our loan agreements and is being amortized over a period of ten years using a declining balance method. The proceeds earned by Ethyl under these marketing agreements are reflected in the Consolidated Statements of Income in the caption, "TEL Marketing Agreements Services."

Business Segments

Ethyl reports our business in two distinct segments: petroleum additives and tetraethyl lead. We divide our business this way due to the operational differences between the two business units. The petroleum additives business operates in a market that we actively review for opportunities, while TEL is a mature product marketed primarily through third party agreements.

Petroleum Additives—Petroleum additives are used in lubricants or fuels and have many different applications. The petroleum additives market is highly competitive with three other major companies, as well as a number of smaller companies in the industry.

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, gear axle, or hydraulic pump. Our lubricant additives are used in oils, fluids, and greases. Ethyl additives are rigorously tested and meet or exceed the most stringent oil industry, government, and original equipment manufacturer (OEM) specifications. We sell lubricant additives to major oil marketers and independent lubricant manufacturers around the world.

Lubricant additive technology applications include:

Driveline

- automatic transmission fluids
- automotive and commercial gear oils

Industrial

- hydraulic oils
- turbine oils
- slideway oils
- specialty lubricants

Crankcase

- passenger car engine oils
- light and heavy duty diesel engine oils
- railroad and marine, medium-speed diesel engine oils

Fuel additives are chemical components that improve the refining process and performance of gasoline, diesel, and other fuels. Benefits of fuel additives in the refining process include reduced use of crude oil during refining and improved fuel storage properties. Fuel performance benefits include fuel ignition improvements, emissions reduction, and protection against deposits for fuel injectors, intake valves, and the combustion chamber. Ethyl fuel additives are also tested extensively and meet stringent industry, government, and OEM requirements.

Ethyl sells fuel additives worldwide to major fuel marketers and refiners, as well as independent terminals and other fuel blenders. Fuel additive applications include:

- gasolines
- diesel fuels
- aviation fuels
- racing fuels
- power generation fuels
- heating oils

Tetraethyl Lead—TEL is an octane enhancer used in gasoline. Ignition qualities and operating performance of gasoline improve with higher levels of octane. When introduced in the 1920s, TEL was used to prevent “engine knock,” a condition of poor combustion timing causing loss of engine power. In the 1970s, automobile manufacturers began including emissions control technology in vehicles to comply with the Clean Air Act. When the surface metal of the catalytic converter in emissions control systems was deemed incompatible with lead, unleaded gasoline became the fuel standard in the United States with other countries following.

TEL is marketed to petroleum refiners, through our agreements with Octel, in all world areas except for North America and the European Economic Area. We continue to sell and compete in North America and the European Economic Area. Because the market is declining, there are a limited number of companies in the industry.

Since it is a mature product, we expect the market for TEL to decline at an average rate of about 15% annually. Ethyl’s marketing agreements with Octel help us manage this shrinking market by providing efficiencies of operation.

Raw Materials and Product Supply

We use a variety of raw materials in our manufacturing processes. Base oil, poly isobutylene, olefin copolymers, antioxidants, and alcohols are the most significant of these raw materials. Generally, we purchase major raw materials under long-term contracts with multi-source suppliers and believe the availability of the raw materials is sufficient for our operations.

We have the following long-term agreements for finished products:

- DSM Copolymer, Inc. supplies olefin copolymer viscosity index improvers
- Octel supplies TEL
- Albemarle Corporation supplies MMT and antioxidants

Research, Development, and Testing

Ethyl’s research, development, and testing (R&D) provides the basis for our global petroleum additives technology. Through product development and performance testing, Ethyl R&D provides our customers technology and support for desired product performance. In 2000, Ethyl R&D performed more internal engine, bench, and rig tests than ever before in pursuit of several new technology categories, including GF-3 for passenger car engine oils and PC-9 for heavy duty diesel engine oils. Compared to spending for R&D of \$67 million in 1999, costs rose in 2000 to \$73 million.

The new products introduced in 2000 focused on the changing crankcase specifications as well as new diesel fuel and gasoline additive technology that reduce deposits and emissions. Highlights for other new

lubricant products include continuing work on additive packages for the Continuously Variable Transmission or CVT, and new gear oil chemistry that is nearing OEM approval.

Looking ahead, as we implement the new petroleum additives business model, Ethyl plans to reduce R&D expenditures for certain crankcase products to keep our research and support services relevant to the marketplace. As for the development and testing of our other product lines, Ethyl remains committed to providing some of the most advanced, comprehensive test programs in the industry to support our customers worldwide.

Patents and Trademarks

Ethyl actively protects our inventions, new technologies, and product developments. We currently own approximately 1,000 issued United States and foreign patents, with a significant number of additional patents pending. Some of these patents are licensed to others. In addition, Ethyl has acquired the rights under patents and inventions of others through licenses. We believe our patent position is strong, aggressively managed, and sufficient for the conduct of our business.

Environmental

Ethyl operates under policies that 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 comply with all laws, regulations, statutes, and ordinances protecting the environment, including those related to the discharge of materials. We expect to continue to comply in every material respect.

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 FASB Statement No. 5 and FASB 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 additional information.

Total gross liabilities for environmental issues at year-end were \$28 million for 2000 and \$38 million for 1999. We expect to receive insurance reimbursements for a portion of the amounts. As new technology becomes available, it may be possible to reduce accrued amounts. While we are currently fully accrued for known environmental issues, it is possible that unexpected future costs could have a significant impact.

Ethyl spent \$12.4 million in 2000 for environmental operating and clean-up costs, excluding depreciation of previously capitalized expenditures. We spent \$14 million in 1999 and \$17 million in 1998. Of these amounts, the ongoing costs of operations were \$11.7 million in 2000, \$13 million in 1999, and \$15 million in 1998. The balance represents clean-up, or remediation and monitoring costs. In the next year, we expect environmental operating and remediation costs to be about the same as 2000.

On capital expenditures for pollution prevention and safety projects, we spent \$3 million in both 2000 and 1999, and \$7 million in 1998. Over the next few years, we expect these capital expenditures to be about the same as 2000.

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

- Potential changes in applicable statutes and regulations
- Uncertainty as to the success of anticipated solutions to pollution problems
- Uncertainty as to whether additional expense may prove necessary
- Potential for emerging technology to affect remediation methods and reduce associated costs

Ethyl is subject to the federal Superfund law and similar state laws under which we may be designated as a potentially responsible party (PRP). As a PRP, we may be liable for a share of the costs associated with cleaning up hazardous waste sites.

In *de minimis* PRP matters and in some minor PRP matters, Ethyl generally negotiates a consent decree to pay an apportioned settlement. This relieves us of any further liability as a PRP, except for remote contingencies. Costs for a *de minimis* participant are less than \$50,000. Costs for a minor participant are less than \$300,000.

Most Superfund 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 have been established. The financial viability of the other PRPs is reasonably assured. Ethyl has previously accrued the estimated expense of the remediation and monitoring of these sites. Generally, remediation and monitoring will go on for an extended period.

During 2000, the Environmental Protection Agency (EPA) named Ethyl as a PRP under Superfund law for the clean-up of soil and groundwater contamination at the Sauget Area 2 Site in Sauget, Illinois. Without admitting any fact, responsibility, fault, or liability in connection with this site, Ethyl has agreed to participate with other PRPs in a site investigation and feasibility study. We are responsible for 6.47% of the study cost and have accrued for the estimated expenses. Because of the early stage, we cannot make a reasonable estimate of the total cost of the investigation, remediation, or Ethyl's share of responsibilities related to the site clean-up. As additional facts become known, we will accrue and pay our proportionate share of remediation costs, if any.

At another site in the United States, Ethyl and the other PRPs had previously appointed a management company to facilitate the remediation and monitoring of the site. During 2000, the management company informed us of a favorable change in the necessary work at the site. This change should result in significantly lower monitoring costs over the next 15 years.

Ethyl also owns several other environmental sites where we are in the process of remediation and monitoring. At the largest United States site, we have substantially completed remediation and will be monitoring the site for an extended period. In addition, we have identified TEL bulk storage facilities in the United States, Canada, Europe, and Singapore for dismantling and remediation. While we have not yet established a firm time line for the work at these facilities, we expect that Europe and Singapore will be complete within the next year.

Segment Assets

The following table shows asset information by segment and the reconciliation to consolidated assets. Segment assets consist of accounts receivable, inventory, and long-lived assets. Long-lived assets include property, plant, and equipment, net of depreciation; intangible assets and prepayment for services, both net of amortization.

Segment Assets and Related Information

	<u>2000</u>	<u>1999</u>	<u>1998</u>
	(in millions of dollars)		
Segment assets			
Petroleum additives	\$ 579	\$667	\$ 720
Tetraethyl lead	69	55	82
	<u>648</u>	<u>722</u>	<u>802</u>
Cash and cash equivalents	5	16	9
Restricted cash	1	-	-
Other accounts receivable	21	4	9
Deferred income taxes	8	13	15
Prepaid expenses	5	5	6
Prepaid pension cost	225	127	110
Other assets and deferred charges	89	104	131
	<u>\$1,002</u>	<u>\$991</u>	<u>\$1,082</u>
Additions to long-lived assets			
Petroleum additives (a)	\$ 15	\$ 15	\$ 70
Tetraethyl lead (b)	39	-	-
Other long-lived assets	1	1	-
	<u>\$ 55</u>	<u>\$ 16</u>	<u>\$ 70</u>
Depreciation and amortization			
Petroleum additives	\$ 54	\$ 58	\$ 57
Tetraethyl lead (b)	8	2	2
Other long-lived assets	4	5	4
	<u>\$ 66</u>	<u>\$ 65</u>	<u>\$ 63</u>

- (a) Petroleum additives additions to long-lived assets include increases in segment intangibles as a result of the recognition of a portion of the note payable to Texaco. The amount of this noncash transaction was \$43 million in 1998.
- (b) The \$39 million addition to TEL long-lived assets relates to the prepayment for services paid to Alcor. The amortization of the prepayment for services was \$7 million in 2000.

Geographic Areas

Ethyl has operations in the United States, Europe, Asia, and Latin America, as well as in Australia 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 have also participated in selective foreign currency forward contracts. Our foreign customers mainly consist of financially viable government organizations and large companies.

The table below reports net sales and long-lived assets by geographic area. No transfers occurred between segments during the three years shown. Except for the United States, no country exceeded 10% of net sales or long-lived assets in any year. Ethyl allocated revenues to geographic areas based on the location to which the product was shipped. The reduction in net sales from 1998 partially results from TEL sales made through the marketing agreements with Octel not being recorded as sales by Ethyl.

Geographic Areas

	<u>2000</u>	<u>1999</u>	<u>1998</u>
	(in millions of dollars)		
Net Sales			
United States	\$404	\$399	\$440
Foreign	417	445	534
	<u>\$821</u>	<u>\$844</u>	<u>\$974</u>
Long-lived assets			
United States	\$333	\$378	\$421
Foreign	77	54	70
	<u>\$410</u>	<u>\$432</u>	<u>\$491</u>

ITEM 2. PROPERTIES

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

Research and Development:

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

Manufacturing:

Feluy, Belgium
 Houston, Texas (*also provides TEL storage and distribution*)
 Natchez, Mississippi
 Orangeburg, South Carolina (*idled facility, leased land*)
 Port Arthur, Texas
 Rio de Janeiro, Brazil
 Sarnia, Ontario
 Sauget, Illinois

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

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. Our facilities are well maintained and in good operating condition.

Under our supply optimization plan, Ethyl continuously evaluates production facilities. In February 2001, we announced a new business strategy related to our crankcase business (see Recent Developments). As part of this business plan, we are going to indefinitely idle a small plant in Natchez, Mississippi, and the crankcase portions of the plants in Houston, Texas and Rio de Janeiro, Brazil. We evaluated all crankcase assets for impairment in accordance with FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and determined a writedown of these facilities was not appropriate for the year 2000 financial statements.

During 2000, we permanently idled the facility in Orangeburg, South Carolina and wrote its value down to zero. We concluded that the market for the product that was produced at the facility had not grown as anticipated and that available supply and production facilities were adequate for demand of the product.

ITEM 3. LEGAL PROCEEDINGS

Ethyl was served as a defendant in two cases filed in the Circuit Court for Baltimore City, Maryland, on September 22, 1999. Both cases claim damages attributable to lead. The cases were *Cofield et al. v. Lead Industries Association, Inc., et al.* and *Smith et al. v. Lead Industries Association, Inc., et al.* *Cofield* is no longer a named plaintiff in the first case and the case is now identified as *Young*. *Young* seeks recovery for alleged property damage from lead paint, which Ethyl never produced or distributed. *Smith* is for alleged personal injuries for six children from lead exposure due to lead paint and dust from tailpipe emissions due to leaded gasoline. Ethyl has strong defenses and is vigorously defending the cases.

Ethyl and our subsidiaries are involved in other legal proceedings. These legal proceedings are incidental to our business and include administrative or judicial actions seeking remediation under environmental laws such as Superfund. These proceedings also include premises asbestos cases and product liability cases. While it is not possible to predict or determine the outcome of these proceedings, it is our opinion that Ethyl and our subsidiaries will not experience materially adverse effects on our results of operations or financial condition.

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 2000.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Ethyl's common stock is traded on the New York and Pacific stock exchanges under the symbol EY. A total of 400 million shares of common stock is authorized, of which 83,454,650 shares were outstanding as of December 31, 2000. The registered shareholders were 11,654 at December 31, 2000 and 12,453 at December 31, 1999.

The following table shows the high and low prices of our common stock each quarter, as well as the dividends declared. On July 27, 2000, the Board of Directors suspended our dividend.

	2000			
	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
High	\$ 4.00	\$ 3.69	\$ 2.81	\$ 2.00
Low	\$ 2.69	\$ 2.19	\$ 1.44	\$ 1.31
Dividends declared per share	\$.0625	\$.0625	\$ -	\$ -

	1999			
	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
High	\$ 6.69	\$ 6.00	\$ 6.00	\$ 5.13
Low	\$ 4.19	\$ 4.13	\$ 3.88	\$ 3.50
Dividends declared per share	\$.0625	\$.0625	\$.0625	\$.0625

ITEM 6. SELECTED FINANCIAL DATA

Ethyl Corporation & Subsidiaries

Five Year Summary

Introduction to the Five Year Summary: The following Five Year Summary includes the results of the worldwide lubricant additives business of Texaco, since its acquisition on February 29, 1996. The financial position and other data after that date reflect the impact of this acquisition.

	Years Ended December 31				
	2000	1999	1998	1997	1996
(in thousands except per-share amounts)					
Results of Operations					
Net sales	\$ 820,870	\$ 843,723	\$ 974,190	\$1,063,615	\$1,149,651
Costs and expenses	804,535	788,889	871,768	923,691	979,972
TEL marketing agreements services	36,619	53,993	14,944	-	-
Special items income (expense), net (1)	76,009	7,200	4,885	-	-
Operating profit	128,963	116,027	122,251	139,924	169,679
Interest and financing expenses	36,075	35,506	40,409	25,668	24,268
Other (expense) income, net (2)	(2,793)	601	24,519	(4,274)	361
Income before income taxes	90,095	81,122	106,361	109,982	145,772
Income taxes	29,098	25,825	35,782	32,452	52,800
Net income	<u>\$ 60,997</u>	<u>\$ 55,297</u>	<u>\$ 70,579</u>	<u>\$ 77,530</u>	<u>\$ 92,972</u>
Financial Position and Other Data					
Total assets	\$1,001,639	\$ 991,380	\$1,082,239	\$1,080,472	\$1,106,905
Operations:					
Working capital	\$ 93,909	\$ 161,766	\$ 213,862	\$ 218,686	\$ 246,254
Current ratio	1.46 to 1	1.80 to 1	2.20 to 1	2.21 to 1	2.36 to 1
Depreciation and amortization	\$ 66,256	\$ 65,125	\$ 63,310	\$ 61,752	\$ 61,919
Capital expenditures	13,828	13,793	22,738	43,496	29,403
Acquisitions of businesses	-	-	-	-	133,032
Gross margin as a % of net sales	20.1	23.0	25.6	28.4	30.0
Research, development, and testing expenses (3)	\$ 72,941	\$ 66,957	\$ 67,363	\$ 71,172	\$ 71,723
Long-term debt (4)	356,053	407,134	531,859	594,429	325,480
Common and other shareholders' equity (4)	259,413	215,209	187,002	144,598	439,900
Long-term debt as a % of total capitalization (4)	57.9	65.4	74.0	80.4	42.5
Net income as a % of average shareholders' equity	25.7	27.5	42.6	21.5	21.9
Common Stock					
Basic and diluted earnings per share (5)	\$.73	\$.66	\$.85	\$.71	\$.78
Shares used to compute basic earnings per share	83,462	83,465	83,465	109,793	118,444
Shares used to compute diluted earnings per share	83,462	83,465	83,465	109,800	118,448
Cash dividends declared per share (6)	\$.125	\$.25	\$.25	\$.44	\$.50
Equity per share (4)	\$ 3.11	\$ 2.58	\$ 2.24	\$ 1.73	\$ 3.71

Notes to the Five Year Summary

- (1) The special items in 2000 include a benefit of \$81 million (\$51 million after income taxes) related to settlements of certain pension contracts resulting in the recognition of noncash gains; a \$4 million benefit (\$3 million after income taxes) related to the demutualization of MetLife, Inc.; an \$8 million charge (\$5 million after income taxes) for the write-off of plant assets; and a \$1.4 million special retirement charge (\$900 thousand after income taxes). The special item in 1999 consists of a supply contract amendment (\$4 million after income taxes). The special items in 1998 consist of a benefit of \$9 million, net of related expenses, (\$6 million after income taxes) due to a settlement with the Canadian government partially offset by a charge related to an enhanced retirement offer of \$4 million (\$3 million after income taxes).
- (2) Other (expense) income, net for 2000 includes a \$3 million charge related to the equity loss in Envera LLC (\$2 million after income taxes) offset by a \$2 million gain (\$1 million after income taxes) on the sale of a nonoperating asset. Other income for 1998 includes a \$15 million gain on the sale of a nonoperating asset (\$9 million after income taxes) and \$8 million income related to the settlement of a federal income tax audit (\$6 million after income taxes). Other expense for 1997 includes a charge related to nonoperating assets of about \$6 million (\$3 million after income taxes) resulting from impairment losses of \$16 million offset by gains on sales of \$10 million.
- (3) Research and development expenses, based on the technical accounting definition, were \$40 million in 2000, \$41 million for 1999, \$40 million for 1998, \$42 million for 1997, and \$47 million for 1996.
- (4) In 1997, the increase in long-term debt and long-term debt as a percentage of total capitalization, as well as the decrease in shareholders' equity and equity per share, reflect the effects of the stock buy-back that took place on October 2, 1997. Ethyl acquired about 35 million shares of our common stock in accordance with the stock buy-back offer. We financed the total transaction cost of about \$329 million under our loan agreement. We base equity per share on the number of common shares outstanding at the end of each year.
- (5) We restated the earnings per share figures and number of shares used to compute earnings per share in accordance with FASB Statement No. 128, adopted effective December 31, 1997.
- (6) The decrease in cash dividends declared in 2000 reflects the suspension of the dividend effective July 27, 2000. The decrease in cash dividends declared in 1997 reflects the reduction of the annual cash dividend rate to \$.25 per share from \$.50 per share effective for the dividend declared on October 30, 1997 and paid on January 1, 1998.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Comments

Some of the information presented constitutes forward-looking comments within the meaning of the Private Securities Litigation Reform Act of 1995. The forward-looking comments may focus on future objectives or expectations about future performance and may include statements about trends or anticipated events.

Ethyl believes our forward-looking comments are based on reasonable expectations and assumptions, within the bounds of what we know about our business and operations. However, Ethyl offers 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, a significant rise in interest rates, resolution of environmental liabilities, or changes in the demand for Ethyl's products. Other factors include 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, or the impact of consolidation of the petroleum additives industry.

RESULTS OF OPERATIONS

Net Sales

Consolidated net sales in 2000 were lower than both 1999 and 1998. The table below shows net sales by segment for the last three years.

As noted in the discussion in Recent Developments, conditions in the crankcase industry have continued to erode, causing the return on our investment in the crankcase business to be unsatisfactory. These factors were the primary contributors to the loss of our crankcase positions at Pennzoil-Quaker State Company, Equilon Enterprises LLC, and Exxon Mobil Corporation, which will impact sales in 2001.

In 2000, net sales to three customers of our petroleum additives segment exceeded 10% of total net sales. Those customers were Equilon amounting to \$110 million (13% of total net sales), Pennzoil-Quaker State also amounting to \$110 million (13% of total net sales), and ExxonMobil amounting to \$93 million (11% of total net sales). A significant portion of the sales to these three customers were for crankcase products.

The petroleum additives segment reported net sales in 1999 of \$118 million (14% of total net sales) to Equilon and \$102 million (12% of total net sales) to Pennzoil-Quaker State.

In 1998, the petroleum additives segment included net sales to Texaco and its worldwide subsidiaries and affiliates of \$143 million (15% of total net sales) and net sales to Shell and its worldwide subsidiaries and affiliates of \$100 million (10% of net sales).

No other customer accounted for over 10% of Ethyl's total net sales in any year.

Net Sales By Segment

	<u>2000</u>	<u>1999</u>	<u>1998</u>
	(in millions of dollars)		
Petroleum additives	\$796	\$820	\$857
Tetraethyl lead	25	24	117
Consolidated net sales	<u>\$821</u>	<u>\$844</u>	<u>\$974</u>