

PLAINTIFFS
EXHIBIT
ETC-2512

Ethyl
Corporation

ANNUAL REPORTS TO SHAREHOLDERS

1972 TO 1976

ETC 16035

Ethyl

**ANNUAL
REPORTS**

**1972
TO
1976**

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Corpor

ANNUAL REPORTS

1972

ETC 16036

FINANCIAL HIGHLIGHTS*(In Thousands of Dollars Except Per Share of Common Stock)*

<i>Years Ended December 31</i>	1972	1971	Percent Increase
Net Sales	\$631,599	\$577,058	9.5
Income			
Before Extraordinary			
Items	44,707	38,240	17
Net	49,242	34,914	41
Depreciation, Depletion & Amortization	34,815	32,845	6
Cash Flow	89,648	72,273	24
Capital Expenditures	31,508	24,383	29
Working Capital	261,959	229,996	14
Per Share of Common Stock			
Income Before			
Extraordinary Items	\$ 4.03	\$ 3.36	20
Net Income	\$ 4.48	\$ 3.03	48
*Dividends	88½¢	84¢	5
Shareholders' Equity	\$25.17	\$21.64	16
Cash Flow	\$ 8.89	\$ 7.13	25
Average Number of Common Shares Outstanding	10,086,799	10,140,533	

*Current annual rate is 90¢.

CONTENTS

1	Message to Shareholders
4	Financial Results of 1972
9	Operations Review
20	Financial Statements
24	Notes to Financial Statements
26	Auditors' Report
27	Directors, Officers and Staff
28	Ten-Year Summary

ANNUAL MEETING

The annual meeting of Ethyl Corporation's shareholders will be held at the Company's corporate headquarters in Richmond, Va., at 11 a.m. on Thursday, April 26, 1973. Formal notices of the annual meeting, proxies and proxy statements will be mailed on or about March 30, 1973.

Message to Shareholders

In 1972, Ethyl had all-time record sales and income and earnings per share from operations. This performance continued a long series of growth dating back to the Albemarle Paper acquisition of Ethyl in 1962. Principal factors in the 1972 increases were substantial gains in the plastics, industrial chemicals and aluminum product lines. The year's performance underscores the success of the Company's continuing diversification program and effective cost control. The 1972 records were achieved despite the federal price freeze.

Net sales increased 9.5% over 1971 while income from operations rose 17%. Per-share income from operations was up 20% over the previous year. Net sales for 1972 were \$631.6 million, compared with \$577.1 million for 1971. Income from operations for 1972 was \$44.7 million, or \$4.03 a share, compared with \$38.2 million, or \$3.36 a share, for the previous year.

In the fourth quarter of 1972, Ethyl reported an extraordinary credit of \$4.5 million resulting from payment by the Canadian Province of New Brunswick for timberlands it expropriated in 1966 from a Canadian subsidiary. After this extraordinary credit, net income for 1972 totaled \$49.2 million, or \$4.48 a share. This compares with 1971 net income of \$34.9 million, or \$3.03 a share, which included an extraordinary charge of \$3.3 million for the shutdown of Oxford Paper's mill at Lawrence, Mass.

We will not attempt to cover all the details of our operations in this letter since they are included in the report, which we hope you will read.

This is the fourth annual report in which we have given you the status of the lead-in-gasoline controversy. On February 22, 1972, the Environmental Protection Agency (EPA) proposed regulations on which we reported to you in last year's annual report. EPA held public hearings in the spring in Washington, D.C., Houston, Texas, and Los Angeles, Calif. Ethyl's representatives testified before the Los Angeles hearing. In our testimony, we again stressed our belief that any reduction or removal of lead from gasoline would have serious adverse repercussions on this nation's economy, ecology and consuming public. Ethyl's testimony emphasized the invalidity of the EPA charges that lead antiknocks in gasoline pose a health hazard.

EPA announced on December 28, 1972, finalization of a regulation to make available one grade of lead-free gasoline by July 1, 1974. This regulation continues to be based on the assumption that catalytic converters will be installed and working on 1975 model cars. Ethyl has recognized for some time that U.S. motorists would have to accept lead-free gasoline and inefficient low-compression engines as long as the approach by the automobile manufacturers is to attempt to perfect noble metal catalytic converters as a means of removing unburned hydrocarbons from automobile exhaust.

On the same date, EPA, citing a re-evaluation of its health position based on public hearings and comments received last year, issued a new proposal for regulations governing lead in gasoline for present cars. These revised regulations would gradually reduce lead in gasoline from the present average of about 2.25 grams per gallon to 1.25 grams per gallon between 1975 and 1978. This new proposal includes a one-year postponement of the previously proposed deadlines for the reductions. In announcing the re-proposed regulations, EPA's administrator admitted that a serious controversy exists among government medical experts as to whether there is any evidence of a health hazard from leaded gasoline. Accordingly, he called for 60 more

days of public comments on the subject, and asked specifically for analysis and comment by the scientific community on the entire controversy over lead regulations. Presumably, EPA will review its latest proposal in light of the comments to be received, and we cannot predict whether such proposal will be further revised or whether it will ever be made final.

EPA has estimated that the regulations now in force and proposed would result in about a 60% reduction of lead antiknocks used in gasoline in the U.S. by 1978. Continued penetration of expanding world markets would lessen any such impact on Ethyl's total antiknock sales. Even though lead antiknocks remain an important Ethyl product, our continuing diversification program has lessened the importance of such antiknock compounds. We believe Ethyl's record earnings in 1972—in the face of essentially level antiknock sales—reinforce this point.

Strong cash reserves enable Ethyl to continue to be in a position to capitalize on sound future investments. Management is initiating and reviewing opportunities for further expansion and diversification in areas that fit well with Ethyl. These opportunities include acquisitions as well as funding of internally generated projects. In 1973, we are appropriating about \$80 million for internal capital projects.

In short, we are very pleased to report a good, record year for Ethyl. We confidently expect 1973 to be even better. We remain genuinely appreciative of the continued loyalty and support of our employees, shareholders, customers and suppliers.

Floyd D. Gottwald, Jr. *Bruce C. Gottwald*

Floyd D. Gottwald, Jr.
Chairman of the Board,
Chief Executive Officer

Bruce C. Gottwald
President

February 26, 1973

*Executive Committee of
the Board of Directors*



F. D. Gottwald, Jr.
Chairman of the Board



Bruce C. Gottwald
President



F. D. Gottwald
Chairman—Executive Committee



Lawrence E. Blanchard, Jr.
Executive Vice President



Robert Herzog
Executive Vice President

Board of Directors



Dr. M. F. Gautreaux
Vice President
Research & Development



James M. Gill
Senior Vice President
Chemicals Group



A. B. Horn, Jr.
Vice President
International Division

Sidney Buford Scott
Partner
Scott & Stringfellow
Richmond, Va.



W. Thomas Rice
Chairman & Chief Executive Officer
Seaboard Coast Line Railroad Co.
Richmond, Va.



Dr. Clarence M. Neher
Senior Vice President
Plastics Division

S. Douglas Fleet
Retired Vice President



Joseph M. Lowry
Senior Vice President



Dr. Melvin M. Payne
President
National Geographic Society
Washington, D.C.



E. Claiborne Robins
Chairman of the Board
A. H. Robins Co.
Richmond, Va.



Robert T. Marsh, Jr.
Retired Chairman of the Board
First & Merchants National Bank
Richmond, Va.



Dr. George F. Kirby
President
Texas Eastern Transmission Corp
Houston, Texas



Andrew M. McBurney
Executive Vice President
Oxford Paper Company Division

Erwin H. Will
Honorary Chairman of the Board
Virginia Electric & Power Co
Richmond, Va.

Financial Results of 1972

Net Sales The following table sets forth Ethyl's net sales represented by each of its lines of business for the period 1968-1972:

Net Sales by Lines of Business (In Thousands of Dollars)

	1972		1971		1970		1969		1968	
	Net Sales	Percent of Total	Net Sales	Percent of Total	Net Sales	Percent of Total	Net Sales	Percent of Total	Net Sales	Percent of Total
Chemicals:										
Domestic . . .	\$240,553	38%	\$229,605	40%	\$226,843	41%	\$214,151	42%	\$203,199	40%
Foreign . . .	85,560	14	75,117	13	71,944	13	64,846	13	65,296	13
Plastics (a) . .	132,108	21	111,038	19	102,748	18	95,461	19	63,034	12
Paper (b) . . .	88,185	14	85,666	15	92,283	17	97,783	19	143,020	28
Aluminum (c) .	85,193	13	75,632	13	63,038	11	37,061	7	34,523	7
Total . . .	<u>\$631,599</u>	<u>100%</u>	<u>\$577,058</u>	<u>100%</u>	<u>\$556,856</u>	<u>100%</u>	<u>\$509,302</u>	<u>100%</u>	<u>\$509,072</u>	<u>100%</u>

(a) Includes IMCO Container Co. from August 1968 when that company was acquired.

(b) Includes Albemarle Paper Company through October 1968. Sales of Albemarle Paper Company were \$4,573,000 or about 9% of net sales for 1968.

(c) Includes Capitol Products Corporation since 1970. The acquisition of that company was completed in March 1970.

Profit Contribution The following table shows, with respect to the Company's lines of business, the respective operating profits before income taxes, extraordinary items and certain corporate expenses that are not practical to identify with a particular line of business:

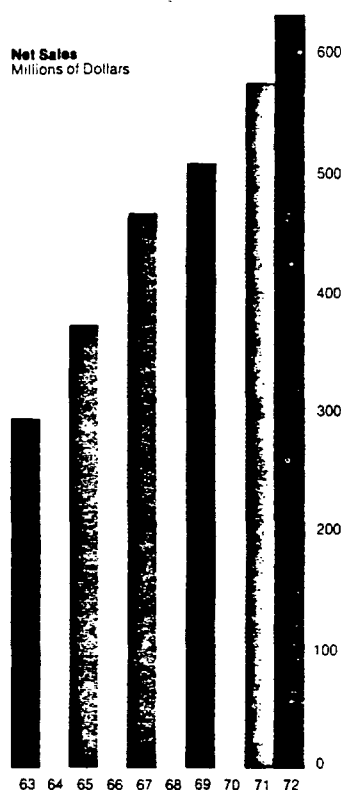
Operating Profit by Lines of Business After Identifiable Corporate Expenses (In Thousands of Dollars)

	1972		1971		1970		1969		1968	
	Operating Profit	Percent of Operating Profit	Operating Profit	Percent of Operating Profit	Operating Profit	Percent of Operating Profit	Operating Profit	Percent of Operating Profit	Operating Profit	Percent of Operating Profit
Chemicals:										
Domestic . . .	\$ 73,542	60%	\$ 71,966	66%	\$ 66,936	68%	\$ 63,007	69%	\$ 63,459	65%
Foreign . . .	20,627	17	17,649	16	15,345	16	11,664	13	12,943	14
Plastics (a) . .	14,554	12	11,349	10	7,406	8	7,963	9	909	1
Paper (b) . . .	1,921	2	970	1	3,413	3	5,228	6	12,823	14
Aluminum (c) .	11,197	9	8,021	7	4,471	5	3,048	3	3,288	3
Total . . .	<u>\$121,841</u>	<u>100%</u>	<u>\$109,955</u>	<u>100%</u>	<u>\$ 97,571</u>	<u>100%</u>	<u>\$ 90,910</u>	<u>100%</u>	<u>\$ 93,422</u>	<u>100%</u>

(a), (b), (c) Refer to respective notes under table of "Net Sales by Lines of Business."

The operating profits used for purposes of the above table include charges for general and administrative and research and development expenses at the Corporate level which are identifiable with each line of business but do not include charges that are not practical to identify with lines of business. The latter comprise financing costs net of interest earned, and other unallocated charges including research and development expense in new product areas and oil and gas exploration costs, as shown in the following table:

	(In Thousands of Dollars)				
	1972	1971	1970	1969	1968
Net Financing Costs	\$10,941	\$12,563	\$10,208	\$ 7,696	\$10,811
Other Unallocated Charges—Net	24,766	23,576	17,132	17,170	21,500
Total	<u>\$35,707</u>	<u>\$36,139</u>	<u>\$27,340</u>	<u>\$24,866</u>	<u>\$32,311</u>



Within the chemicals line of business, Petroleum and Industrial Chemicals often utilize joint facilities for manufacture, research and development and in many instances are interrelated in terms of raw materials, intermediates and by-products. Consequently while sales of chemical products can be determined accurately without allocations, it is not practicable in management's judgment to make accurate allocations within the chemicals line of business to determine the relative contribution to the Company's operating profits by classes of chemical products. Because lead antiknocks (the principal contributor to chemical sales and profits) are interrelated with certain other chemical products, any substantial reduction or elimination of the use of lead antiknocks in gasoline would adversely affect the costs and profitability of the Company's other present chemicals business as well.

Net Sales by Classes of Similar Products (In Thousands of Dollars)

The following table sets forth the amounts and percentages of net sales of each of the classes of similar products for the 1968-72 period:

Classes of Similar Products	1972		1971		1970		1969		1968	
	Net Sales	Percent of Total	Net Sales	Percent of Total	Net Sales	Percent of Total	Net Sales	Percent of Total	Net Sales	Percent of Total
Chemicals:										
Petroleum . . .	\$225,993	36%	\$222,166	39%	\$229,119	41%	\$213,840	42%	\$210,807	42%
Industrial . . .	100,120	16	82,556	14	69,668	13	65,157	13	57,688	11
Plastics (a) . . .	132,108	21	111,038	19	102,748	18	95,461	19	63,034	12
Paper (b) . . .	88,185	14	85,666	15	92,283	17	97,783	19	143,020	28
Aluminum (c) . . .	85,193	13	75,632	13	63,038	11	37,061	7	34,523	7
Total . . .	<u>\$631,599</u>	<u>100%</u>	<u>\$577,058</u>	<u>100%</u>	<u>\$556,856</u>	<u>100%</u>	<u>\$509,302</u>	<u>100%</u>	<u>\$509,072</u>	<u>100%</u>

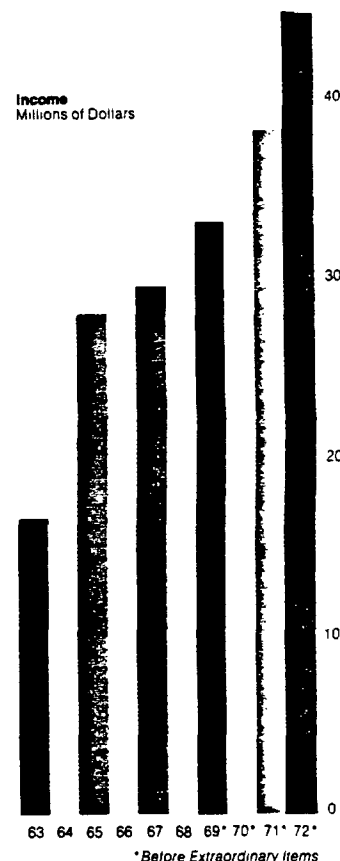
(a), (b), (c) Refer to respective notes under table of "Net Sales by Lines of Business."

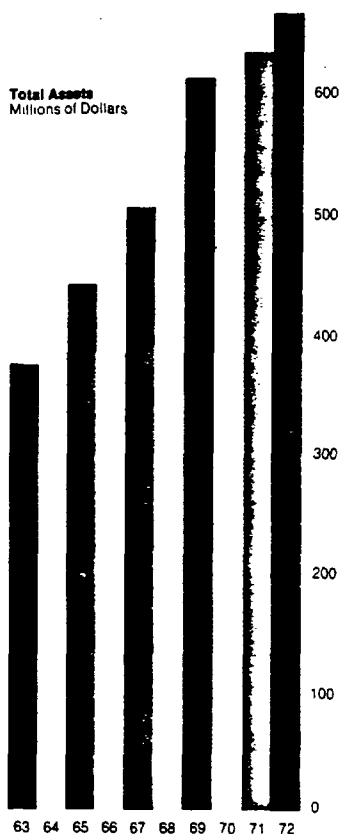
Lead antiknock compounds (which comprise substantially all of the Petroleum Chemicals sales shown above) remain the Company's principal product and contribute to operating profits a substantially higher percentage than their 34% contribution to net sales.

Income and Earnings Per Share from Operations Reach Record Highs Income from operations for 1972 amounted to a record \$44,707,000 compared with income from operations of \$38,240,000 for 1971. The 1972 income from operations was equal to a record \$4.03 per share, based on the average of 10,086,799 shares of common stock outstanding during 1972, treating common stock options and warrants as common stock equivalents. It compares with income from operations of \$3.36 per share for 1971, on the basis of the average of 10,140,533 shares of common stock outstanding during the year, on the same basis.

Net Income After Extraordinary Items In 1972, the Company reported an extraordinary credit of \$4,535,000 resulting from payment by the Canadian Province of New Brunswick for timberlands it expropriated in 1966 from a Canadian subsidiary. Net income for 1972 after the extraordinary credit, amounted to \$49,242,000 or \$4.48 a share compared with 1971 net income of \$34,914,000 or \$3.03 a share, which included an extraordinary charge of \$3,326,000 for the shutdown of Oxford Paper's Mill at Lawrence, Massachusetts.

Dividend Increased The Board of Directors increased the regular quarterly dividend on the common stock twice during 1972; from 21 cents to 22 cents per share effective with the October 1, 1972, payment and from 22 cents to 22½ cents effective with the January 1, 1973, payment. In addition the directors declared a special year-end dividend of 2 cents a share on the common stock, payable October 1, 1972. This brought





dividends on common stock to 88½ cents per share in 1972 and compares with 84 cents paid for the year 1971. The 1972 dividend was the maximum that the Company was permitted to pay under the federal dividend control regulations. The common stock dividend based on the current quarterly rate amounts to 90 cents on an annual basis.

Cash Flow Sets a Record Cash Flow, which consists of net income plus depreciation, depletion and amortization and other non-cash charges, amounted to a record \$89.6 million in 1972, compared with a cash flow of \$72.3 million in 1971. The 1972 cash flow exceeded that in 1971 by \$17.3 million and was sufficient to provide for all fixed charges and dividends and to provide substantial funds for capital expenditures and working capital.

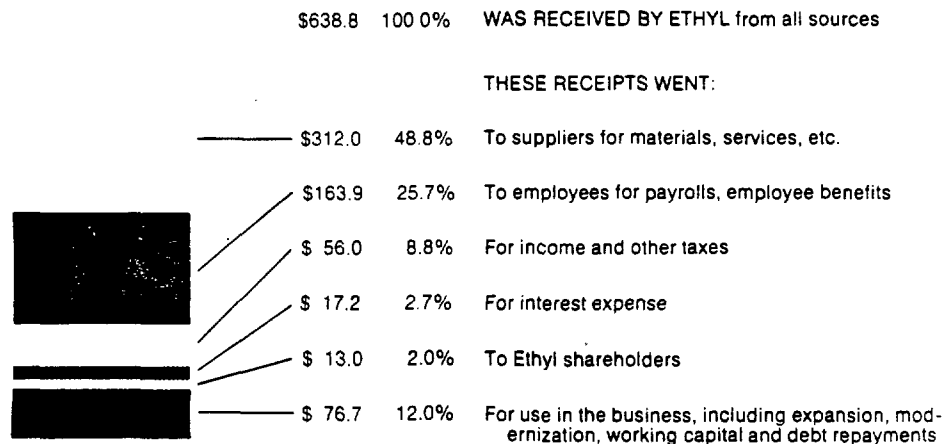
Working Capital At December 31, 1972, working capital was \$262 million and the ratio of current assets to current liabilities was 4.13 to 1. This compared with working capital of \$230 million and a ratio of 4.22 to 1 at December 31, 1971.

Capital Expenditures During 1972, \$31.5 million was spent on capital projects for new plants, expansions and modernizations compared with \$24.4 million in 1971.

Internal Revenue Service Examination As noted in the 1971 Annual Report, the Internal Revenue Service completed its examination of the Company's first three taxable periods after the Ethyl-Albemarle merger in 1962. It has now completed two more years through December 31, 1966. The IRS has proposed tax increases of \$22 million, including interest, for these five periods, which would total an estimated \$38 million if assessed on the same basis through 1972. The IRS position results from differences in the valuation of assets acquired in the merger and the allocation of values between tangible and intangible assets. The IRS valuation of assets was made by a government engineer during the course of its examination. The Company based its asset valuation on an appraisal by independent appraisers made at the time of the merger.

It is the opinion of the Company's counsel that the tax increase proposed by the IRS is far in excess of any tax which ultimately might be payable by the Company on the basis of a reasonable asset valuation. The Company does not accept the IRS proposal and will continue to contest it.

How Ethyl Used the Revenues It Received During 1972 (Millions of Dollars)



Long-Term Debt As of December 31, 1972, the long-term portion of Ethyl's debt was \$223.3 million, equal to 41% of the Company's total capitalization.

Debt repayments during 1972 amounted to \$21.6 million. These consisted of payments of \$2,485,000 on the 5¾% Subordinated Notes, due 1972; \$1,250,000 on the 4⅞% Promissory Notes, due 1983; \$17,500,000 in full payment of the Term Promissory Notes due 1972-1975; and \$338,000 on Miscellaneous Debt.

Summary of Long-Term Debt

Senior Debt

7.6% Senior Notes (\$106 million—due 1974-86) and 7½% Promissory Notes (\$50 million—due 1973-83)	\$156,000,000	
The Prudential Insurance Company of America		
The Equitable Life Assurance Society of the United States		
The Northwestern Mutual Life Insurance Company		
New York Life Insurance Company		
4⅞% Promissory Notes—due 1973-83	22,750,000	
Northwestern Mutual Life Insurance Company		
John Hancock Life Insurance Company		
New York Life Insurance Company		
Miscellaneous	3,770,000	\$182,520,000

Subordinated Debt

5¾% Subordinated Notes—due 1979-82	50,000,000	
Various Institutional Investors		
Less unamortized discount (the balance of the amount corresponding to the proceeds of warrants sold with the Notes in 1962), reflecting an imputed total interest rate of 7.4%	5,234,000	44,766,000
Total Debt at December 31, 1972		227,286,000
Current Portion of Debt		4,025,000
Long-Term Debt		<u>\$223,261,000</u>

Summary of Debt Maturities to 1982

	5¾% Subordinated Notes Due 1979-82	7.6% Senior Notes Due 1986	7½% Promissory Notes Due 1983	4⅞% Promissory Notes Due 1983	Misc. Debt Maturities to 1992	Total Annual Amount
1973			\$2,500,000	\$1,250,000	\$275,000	\$ 4,025,000
1974		\$12,000,000	2,500,000	1,250,000	256,000	16,006,000
1975		12,000,000	2,500,000	1,250,000	411,000	16,161,000
1976		12,000,000	2,500,000	1,250,000	656,000	16,406,000
1977		12,000,000	2,500,000	1,250,000	422,000	16,172,000
1978		22,000,000	2,500,000	1,250,000	99,000	25,849,000
1979	\$ 8,000,000	3,000,000	7,000,000	1,250,000	106,000	19,356,000
1980	8,000,000	3,000,000	7,000,000	1,250,000	113,000	19,363,000
1981	8,000,000	3,000,000	7,000,000	1,250,000	121,000	19,371,000
1982	26,000,000	3,000,000	7,000,000	1,250,000	129,000	37,379,000

Debt Ratio Percent

100

80

Equity

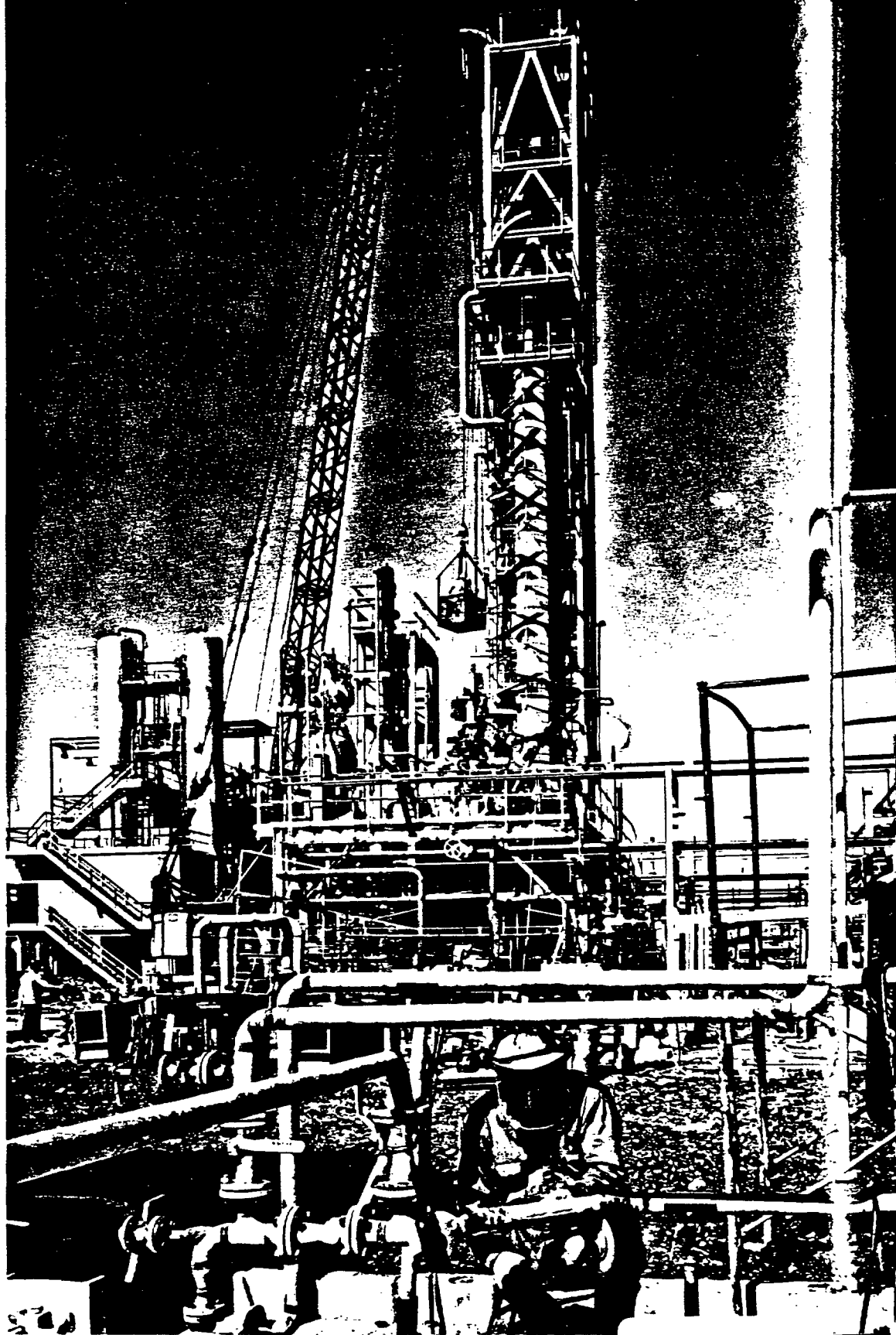
60

40

20

0

63 64 65 66 67 68 69 70 71 72



ETC 16045

Sales of chemicals in the U.S. in 1972 increased over 1971 levels, due primarily to gains in industrial chemicals. Domestic chemical sales totaled \$240.5 million, or 38% of Ethyl's total sales.

Petroleum Chemicals: In 1972, sales of lead antiknock compounds and other petroleum chemicals continued at about the same level as 1971. Emphasis on products to curb emissions from various power sources is expected to continue in 1973 as more stringent restrictions are imposed by governmental agencies.

Industrial Chemicals: Sales continued strong throughout 1972. Profit margins improved as a result of increased production. Prices held firm in all areas except chlorinated solvents where excess national capacity created price erosion.

In 1972, the marketing of detergent intermediates both in the U.S. and in foreign markets was emphasized. The objective was to meet changing market needs as new formulations result from shifts to lower phosphate usage and improved biodegradability. This activity included the marketing by Ethyl of alpha olefins and linear alcohols plus their derivatives.

Demands for plasticizer-range alpha olefins and linear alcohols continued strong as polyvinyl chloride (PVC) demand made a dramatic turnaround in 1972. In addition, a major shift to greater use of linear and near-linear plasticizers occurred in PVC markets.

Ethyl's alcohol-olefin complex at Houston, Texas, which supplies alcohols and olefins for the plasticizer, detergent and specialty markets, ran near capacity at year-end. Another expansion is underway.

Facilities are also being installed to produce pure single cuts of both alcohols and olefins for sale to specialty markets.

The sale of pesticide intermediates continued strong in 1972. The growth of this market led to the installation of a major manufacturing facility at the Houston complex based on orthoalkylation technology. Ethyl previously had produced these intermediates at its plant in Orangeburg, S.C. Production of other specialty chemicals and developmental chemicals continues at Orangeburg.

Increases in aluminum alkyl and aluminum alkyl halide catalyst sales to the polypropylene, synthetic rubber and synthetic wax markets were achieved in 1972.

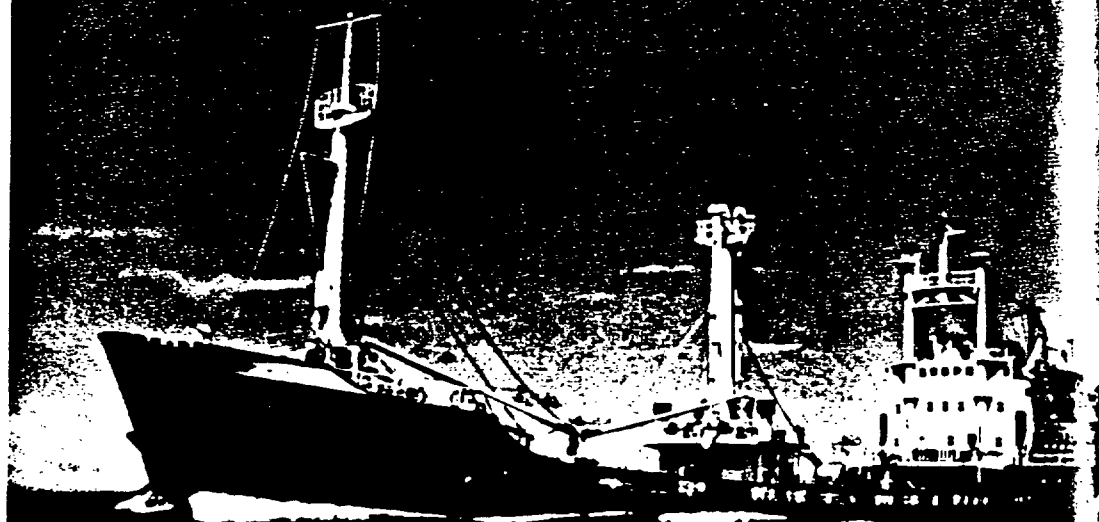
The major new market area penetrated commercially in 1972 was flame retardants for fibers. Considerable market and product development effort continues on flame retardants, based upon both phosphorus and bromine technology.

Instruments: In May, Ethyl acquired Inter-tech Corporation of Princeton, N.J. Inter-tech is a supplier of instruments and systems for process control and measurement of air pollutants from fixed and mobile sources. It has exclusive rights to the Hartmann-Braun infra-red instruments in this country. As more stringent clean air regulations are imposed, the need increases for more precise measurement of trace quantities using infra-red instrumentation. Inter-tech joins with Ethyl's 1970 acquisition, Air Monitoring, Inc. (AMI), to comprise the instruments sales area. AMI develops and builds sampling and analytical systems for measuring automobile exhaust emissions.

PLANTS: BATON ROUGE, LA. / DETROIT, MICH. / HOUSTON, TEXAS / MAGNOLIA, ARK. / ORANGEBURG, S.C. / PRINCETON, N.J.

PRODUCTS: ALKYL ALUMINUM HALIDES / ALPHA OLEFINS (DETERGENT & PLASTICIZER) / ALPHA OLEFIN SULFONATES / ALUM / ALUMINUM ALKYL / ANTIOXIDANTS / BROMINE / BROMINE CHEMICALS / CAUSTIC SODA / CHLORINATED SOLVENTS / COMBUSTION IMPROVER / DIESEL FUEL DETERGENT-CORROSION INHIBITOR / DIESEL FUEL IGNITION IMPROVERS / DISTILLATE FUEL ANTI-STATIC ADDITIVE / ETHYL CHLORIDE / ETHYLENE DIBROMIDE / GASOLINE ANTINKNOCK COMPOUNDS / GASOLINE DETERGENT-DEICER CORROSION INHIBITORS / LINEAR PRIMARY ALCOHOLS (DETERGENT & PLASTICIZER) / LUBRICATING OIL ADDITIVES / METAL DEACTIVATORS / METHYL CHLORIDE / OIL SOLUBLE DYES / ORGANOPHOSPHORUS CHEMICALS / ORTHOALKYLATED ANTIOXIDANTS / ORTHOALKYLATED PHENOLS AND ANILINES / SPECIAL ORGANOMETALLICS / SODIUM / VINYL BROMIDE / VINYL CHLORIDE.

< Crews work on the installation of a major orthoalkylation facility at Houston, Texas. The new facility initially will manufacture pesticide intermediates



ETC 16047

Chemical sales in countries other than the United States totaled \$85.6 million in 1972, up 14% over 1971 levels. Such sales accounted for 14% of Ethyl's total sales. The International Division sells and distributes the full range of Ethyl's chemicals around the world, except the U.S. and Canada. Sales in Canada are handled by Ethyl Corporation of Canada Limited.

Increased gasoline sales and minimal impact of no-lead and low-lead gasolines in Canada contributed to Ethyl of Canada's near-record antiknock compound shipments in 1972. The company maintained its position as the leading supplier of antiknock compounds in Canada. Sales of other products in Canada were somewhat higher during the year. Aluminum alkyl sales were adversely affected by the shutdown of a customer plant. Ethyl of Canada's Sarnia plant continued at a high rate of efficiency with cost reduction programs offsetting raw material cost increases.

The International Division in 1972 surpassed the previous year's records. Increases in sales volumes for most product lines and continued improvement in product distribution and manufacturing cost at the Ethyl Hellas plant in Greece were principal factors.

Sales of antiknock compounds in 1972 increased in all foreign marketing areas, except the Far East. The addition of new antiknock terminals in 1973 is expected to increase growth and to lower distribution costs.

In other product areas, 1972 marketing efforts contributed to substantial increases in aluminum alkyl sales and in expanding

this product's marketing to 14 overseas countries. Preliminary design and sizing studies for an aluminum alkyl plant in Europe were nearly completed in 1972. Location, capacity and start-up date are expected to be announced in 1973.

Oil and Gas Exploration: Ethyl Development Corporation, a wholly owned subsidiary, continued participation in oil and gas exploration in Canada during 1972 in cooperation with British Petroleum Oil and Gas, Ltd. Drilling resulted in a gas discovery on a large acreage block in the Province of British Columbia. Drilling in the Province of Alberta resulted in a dual zone gas discovery. Additional drilling near both of these discoveries is scheduled in 1973. The joint venture continues to acquire petroleum and natural gas leases in western Canada. It currently has interests in 850,000 acres. Plans are to increase exploration activities on this acreage in 1973.

Ethyl Development Corporation continued oil and gas exploration in the Dutch North Sea through the Laura-Tenneco Group in 1972. Ethyl has a one-sixth interest in the group, which holds 12 blocks totaling 1.2 million acres. Two non-productive exploration wells were drilled under Dutch exploration licenses in 1972. One of the wells was drilled in the immediate area of two previously reported discovery wells which had tested significant amounts of oil. This well failed to confirm preliminary estimates of recoverable reserves which would warrant development of the structure based on present economics. Additional North Sea exploratory drilling is scheduled in 1973.

PLANTS: THESSALONIKI, GREECE (ETHYL INTERNATIONAL) / SARNIA, ONTARIO, CANADA (ETHYL OF CANADA)
PRODUCTS: FULL RANGE OF ETHYL'S CHEMICALS.



◁ The EID, one of three specially built ocean-going tankers used by Ethyl, transports antiknock compounds to international terminals.



Plastics products sales of \$132.1 million in 1972 surpassed 1971 records for an increase of 19%. Plastics sales accounted for 21% of Ethyl's total sales.

Plastic bottles and containers, polyvinyl chloride (PVC) pipe products and resins and compounds showed the greatest increases. New marketing efforts combined with reduced unit costs and increased productivity were the chief factors in the 1972 increases.

"IMCO" Container Company recorded uniformly good growth in each of its major product lines—polyolefin bottles, PVC bottles and specialty injection molded parts. "IMCO's" sales were up substantially over 1971. Gains in the cosmetic, shampoo and specialty food markets for bottles along with a shift in PVC mix to a more specialized, decorated end use assisted the year's performance. Proprietary mechanical innovations by "IMCO" increased productivity and complemented sales volume. Sales of customized injection-molded caps, closures, and other parts showed a significant increase over 1971. Expansion of injection molding facilities at "IMCO's" Downsview, Ontario, Canada, plant has been started in order to accommodate growth in this area.

Ethyl's new pipe products plant in Columbia, Miss., was started up in the fourth quarter. The output of this plant, combined with that of Terre Haute, Ind., assisted in sales gains made by the Pipe Products Division. Prices and orders remain strong as the PVC pipe industry continues to experience substantial growth. The pipe and

fittings are used in municipal, private and rural community water distribution systems, turf and farm irrigation, industrial services and sewer-force main systems. Ease of handling and installation are important characteristics of PVC pipe.

PVC resins and compounds sold by the Polymer Division showed good sales gains in 1972 along with improved product mix and profitability. A new high-barrier acrylonitrile polymer was produced for internal use by "IMCO" and "VISQUEEN" under the tradename "GUARDIAN." Ethyl signed an agreement in 1971 with Standard Oil Company (Ohio) to supply this polymer for Sohio to market under its tradename Barex. Ethyl is using the resin in its plastic bottles. The resin has excellent characteristics in film and in bottles for hard-to-contain products such as carbonated beverages.

"VISQUEEN" film production made substantial recovery during the second half after soft demand in the first quarter of 1972. Further success was achieved in the upgrading of the "VISQUEEN" product line from commodity-type to special applications such as shrink films (uniaxial and biaxial) for bundling and pallet overwrap, disposables—diapers, hospital underpadding, mulch films—and structured, multi-layered films. Full start-up of the Manchester, Iowa, plant in the second quarter, coupled with conversion of conventional equipment at other locations, aided this effort. Through "VISQUEEN," Ethyl continues to be the world's largest polyethylene film producer.

PLANTS: BATON ROUGE, LA. / BELVIDERE, N.J. / CARBONDALE, PA. / COLUMBIA, MISS. / DOWNSVIEW, ONTARIO, CANADA / EXCELSIOR SPRINGS, MO. / FLEMINGTON, N.J. / FREMONT, CALIF. / GOLETA, CALIF. / HARRISONBURG, VA. / JEFFERSONVILLE, IND. / KANSAS CITY, MO. (2) / LAGRANGE, GA. / LAMIRADA, CALIF. / LOUISVILLE, KY. / MANCHESTER, IOWA / MISSISSAUGA, ONTARIO, CANADA / ROCKAWAY, N.J. / SANDSTON, VA. / SOUTH GRAFTON, MASS. / TERRE HAUTE, IND. / TIPTONVILLE, TENN. / UNION CITY, CALIF. / VANDALIA, ILL.

PRODUCTS: POLYETHYLENE FILMS FOR PACKAGING AND INDUSTRIAL, BUILDING AND AGRICULTURAL, PALLET AND BUNDLING, DISPOSABLES / POLYETHYLENE SHRINK SYSTEMS / POLYVINYL CHLORIDE PACKAGING FILMS / POLYVINYL CHLORIDE SHRINK FILMS / POLYVINYL CHLORIDE RESINS AND COMPOUNDS / POLYVINYL CHLORIDE CONTAINERS / GUARDIAN CONTAINERS / POLYETHYLENE CONTAINERS / BOTTLE CLOSURES AND OTHER INJECTION MOLDED SPECIALTY PRODUCTS / POLYVINYL CHLORIDE PIPE AND FITTINGS / POLYBUTENE PIPE.

< Polyvinyl chloride (PVC) pipe awaits shipment from Ethyl's new Columbia, Miss., plant. Increased pipe sales led to the construction of this second PVC pipe products facility.

Sales of the Oxford Paper Company Division in 1972 totaled \$88.2 million, or 14% of Ethyl's total sales. This represented an increase of 3% over 1971 sales.

Oxford's 1972 experience was typical of much of the paper industry with the 1971 slowdown of sales continuing through the first half of 1972. During the last half of 1972, demand for Oxford's products improved considerably. Despite this stronger market, it was not possible for Oxford to increase prices in 1972 to offset the rising costs of labor, raw materials, transportation and taxes because of applicable price controls.

A streamlined paper grade structure, introduced in August 1971, contributed to Oxford's sales and operating profit gain by year-end. This new structure is expected to contribute more substantially in 1973. Improvements also continue to be made in Oxford's profitability through cost reduction efforts and operating efficiency at both mills. Oxford continued to modernize and improve existing facilities during 1972. This effort included a major rebuild of the number 10 paper machine at Rumford, one of Oxford's blade-coated units.

Pollution abatement installations are underway at the Rumford, Maine, and West Carrollton, Ohio, mills. A major step in 1972 was the start-up of a \$2.7 million bark burner at Rumford. This unit will solve a solid waste problem by disposing of the bark residue from the mill's pulping operation and will recover the fuel value of the bark. Engineering plans are progressing for a primary and secondary treatment plant for effluent at Rumford. Current cost estimates for these treatment facilities total approximately \$10 million.

Nashwaak Settlement: In November, the Supreme Court of the Canadian Province of New Brunswick affirmed an award of \$8 million plus 5% interest per year for six years to Nashwaak Pulp and Paper Company, Ltd., a Canadian subsidiary of Ethyl Corporation, as compensation for timberlands expropriated by New Brunswick in 1966. (See page 5.) The timberlands were formerly used by Oxford Paper Company as a wood supply in its pulpmaking activities. The timberlands involved total more than 218,000 acres and were acquired by Nashwaak in 1916. They had a book value of approximately \$1 million.

PLANTS: RUMFORD, MAINE / WEST CARROLLTON, OHIO.

PRODUCTS: COATED LETTERPRESS PAPERS FOR COMMERCIAL PRINTING / COATED OFFSET PAPERS FOR BOOK PUBLISHING, COMMERCIAL PRINTING / UNCOATED LETTERPRESS PAPERS FOR BOOK PUBLISHING, COMMERCIAL PRINTING / UNCOATED OFFSET PAPERS FOR BOOK PUBLISHING, COMMERCIAL PRINTING / COATED AND UNCOATED WEB OFFSET PAPERS FOR MAGAZINES, BOOK PUBLISHING, COMMERCIAL PRINTING / FILM COATED PAPERS FOR BOOK PUBLISHING, COMMERCIAL PRINTING / UNCOATED AND COATED PAPERS (SHEET AND ROLL) FOR MAGAZINES, COMMERCIAL PRINTING, CONVERTING / CONVERTING PAPERS AND ENVELOPES, BUSINESS FORMS, PAPER MASTERS.

This report is lithographed on "LUXCOTE" High Gloss Enamel (basis weight 100 pound text and 80 pound cover), produced by Oxford Paper Company

< An array of finished products from Oxford Papers' four end-use markets—periodicals, book publishing, commercial printing and converting.

OPERATIONS REVIEW



ETC 16053

Aluminum product sales in 1972 totaled \$85.2 million, an increase of 13% over 1971 record levels. The sales of Ethyl's two aluminum subsidiaries—The William L. Bonnell Company, Inc., and Capitol Products Corporation—accounted for 13% of Ethyl's total sales.

The William L. Bonnell Company, Inc.:

Sales of Bonnell products in 1972 again set new records. Demand for products was strong enough to create substantial backlogs. The record 2.3 million housing starts for the year were a major factor in the increase. Other strong key markets served in 1972 by Bonnell were transportation, marine, bulk container, advertising sign, automotive and architectural applications.

To improve its service to customers, Bonnell in October installed a third extrusion press at its Carthage, Tenn., plant. Additions to the capacity of this plant are planned in 1973.

Sales of painted extrusions showed continued good growth in 1972. Bonnell has begun construction of a new paint line at the Carthage plant. Start-up of this second Bonnell paint line is scheduled for mid-1973.

Forecasts for 1973 show that the construction industry will continue to grow, providing continued strong markets for Bonnell's products.

Capitol Products Corporation: Increases in sales and earnings represented a combination of continued demand for Capitol's products, more efficient manufacturing methods and the opening of a new plant at Kentland, Ind. This extrusion-fabrication plant, with over 132,000 square feet of manufacturing and warehousing space, was completed in the second quarter. Additional manufacturing space is planned at Kentland in 1973 to meet increasing demand in the midwestern market.

Capitol continued in 1972 to strengthen its position as a leading U.S. supplier of aluminum windows and rolling doors to producers of in-plant housing, to builders of apartment complexes and multiple housing projects and to distributors. Sales of fabricated products reached record levels in 1972.

A painted thermal-break window—a prime window on the outside and a storm window on the inside separated by vinyl—was introduced in August. Available in a variety of electrostatically applied enamel colors, the new window series is expected to become one of Capitol's most popular product lines. A thermal-break rolling door will be offered in 1973.

The installation of a second press at the Kentland plant in 1973 will enable Capitol to meet the increasing demand for its soft alloy extrusions.

PLANTS: CARTHAGE, TENN. / NEWMAN, GA. (BONNELL) / HARRISBURG, PA. / KENTLAND, IND. / NEW OXFORD, PA. / MECHANICSBURG, PA. (CAPITOL PRODUCTS).

PRODUCTS: EXTRUDED ALUMINUM SHAPES FOR WINDOWS AND DOORS, STORE FRONTS AND CURTAIN WALLS, BOATS, TRUCKS AND TRAILERS, TUB ENCLOSURES / DECORATIVE ALUMINUM PRODUCTS FOR THE FLOOR COVERING AND HOME BUILDING INDUSTRIES / ALUMINUM WINDOWS AND DOORS / RESIDENTIAL LAWN BUILDINGS.

Aluminum window and door extrusions are passed through an electrostatic paint line at Capitol Products' new plant in Kentland, Ind. This new extrusion-fabrication plant serves the midwestern market.



Approximately \$20 million was invested in Ethyl's research and development program in 1972. The Corporation received more than 130 domestic patents, bringing the total to approximately 1,400 unexpired U.S. patents held by Ethyl. The Company also maintains some 800 foreign patents—90 of which were received in 1972. Over 50% of the research and development effort during the year was devoted to the new product area.

New Product Research: Intensive investigation of low-level concentrations of Ethyl's AK-33X, manganese antiknock additive, was continued in 1972. Tests indicate that the compound can be used with no adverse effects on automobile performance or on the environment. On the basis of these test results, management believes its use should be attractive to refiners producing lead-free gasoline. Further tests are being conducted by regulatory agencies. Effective, new, phosphorus-free engine cleanliness additives were introduced into the market place in 1972, and the initial response has been good. Other new fuel and lube additives are under development.

An extensive effort has been applied to developing additional bromine chemical products based on Ethyl's strong bromine production position. Several new bromine chemical products are well along in process and market development. In addition to marketing vinyl bromide as an intermediate for production of flame-retardant fibers, new flame retardants for the textile industry, based on bromine and phosphorus, are in advanced stages. A new phosphorus-containing product for flame retarding rayon, meeting all the federal standards required for children's sleepwear, nears completion of development. Other products are under development which appear to provide effective flame retardancy for polyester fibers and polyester-cotton blends.

New discoveries have broadened Ethyl's capabilities in selective alkylation reactions. The outlook for an antioxidant in polyethylene film is promising. This agent is an outgrowth of Ethyl's patented orthoalkylation process and reduces yellowing of the plastic. New markets continue to develop for orthoalkylated phenol and aniline intermediates for pesticides.

Continued contacts with the major de-

tergent producers have resulted in new areas for Ethyl research. Excellent results were obtained in 1972 on alpha olefin sulfonate (AOS), a detergent intermediate. Extensive information was developed on AOS formulation and effectiveness, and on production from Ethyl's alpha olefins. Other new uses for these olefins continue to be explored. In addition, a number of amine and other detergent chemicals, based on Ethyl's aluminum alkyl-alcohol-olefin production complex at Houston, are being investigated. And, new alkyls are being developed to continuously broaden this product line to service customers' needs for increasingly sophisticated catalyst systems.

Ethyl leased additional titanium mineral deposits in 1972. Mineral recovery and separation techniques have been further refined in continuing pilot plant work. A titanium mineral upgrading process has been developed. Promising technologies have been defined for copper sulfide ore concentrate processing and for ores containing mixtures of nickel and copper. Development of Ethyl's new aluminum process progressed well in 1972. Applicable ore concentrate sources have been identified and are being investigated. Metals and minerals will continue to be an important R&D area in 1973.

Research in polyvinyl chloride (PVC) has added improved products to Ethyl's product line to take advantage of growth and profit opportunities. Particularly significant have been compounds for the packaging and construction industries. Under development are PVC foam materials for extrusions that may displace wood in molding and other wood trim applications. The Company has continued process and product research on high-barrier resins for packaging. Ethyl researchers currently are developing applications in aerosol bottles, sheet and film and beverage bottles.

Automotive Emissions Research: A cooperative engine modification program with Chrysler Corporation contributed significantly in 1972 to Ethyl's work to demonstrate that extremely low exhaust emissions can be attained with practical, non-catalytic systems without sacrificing the advantages of efficient high-compression engines and high-octane leaded fuels. This approach would eliminate the automobile as a significant source of air

pollution, involve the minimum increase in the consumption of gasoline and result in the lowest cost to the consumer.

Emissions of Ethyl's experimental, high-compression, lean-reactor cars have been further reduced. Federal hydrocarbon (HC) standards for 1975-76 have been met, and carbon monoxide (CO) control is marginally satisfactory. Nitrogen oxides (NO_x) have been reduced well below levels required for 1975, but not yet to the degree called for by 1976 requirements. Combined emissions of HC, CO, and NO_x have been reduced by 94% compared with cars of the early 1960s. Thus, the 96% reduction required by 1976 federal standards would represent a negligible further improvement of air quality. Ethyl's Lean Reactor Car on a two-year loan to the California Air Resources Board for use in general fleet service was returned to the Corporation in November. Performance was excellent throughout the test period, with only minor durability problems which were corrected. The car passed 1975-76 standards proposed by California to solve its unique air pollution problem.

Work with lead-resistant catalysts continues, and there are indications that exhaust catalysts with satisfactory life on normal concentrations of lead can be developed. Development of satisfactory, lead-resistant catalysts for nitrogen oxides control appears quite likely. Ethyl signed an agreement in March with Jensens and Company of Copenhagen, Denmark. The agreement gives Ethyl the right to evaluate the Jensen exhaust emission control system with an option to obtain exclusive North American commercial rights. Ethyl's work on the Jensen system, which is compatible with lead, has shown that it offers genuine possibilities. It currently can meet the 1976 standards at low mileage. It is expected that this evaluation program will continue in 1973.

Ethyl's work on particulate traps continued to yield significant results in 1972. These simple devices could replace existing mufflers on new and used cars. A 50,000-mile test on a small car indicated that 70% of the lead in the gasoline consumed was retained in the trap-equipped car. In addition, exhausted lead particles small enough to be airborne were reduced by 75%. More advanced devices, now well along in development, retain 95% of the lead burned.

R & D FACILITIES: BATON ROUGE, LA. / DETROIT, MICH. / HOUSTON, TEX. / ORANGEBURG, S.C. (AUTOMOTIVE EMISSIONS, INDUSTRIAL CHEMICALS, PLASTICS, PETROLEUM CHEMICALS, NEW PRODUCTS) / TERRE HAUTE, IND. (PLASTIC FILM) / KANSAS CITY, MO. (PLASTIC CONTAINERS) / RICHMOND, VA. / RUMFORD, MAINE (PAPER).

At Ethyl scientist tests biodegradability of new chemical products to determine the effect they may have on the environment.

Consolidated Balance Sheets

	December 31	1972	1971
ASSETS			
Current assets:			
Cash and short-term securities		\$173,837,000	\$143,733,000
Accounts and notes receivable		83,108,000	72,432,000
Inventories		82,658,000	81,376,000
Prepaid expenses		6,064,000	3,939,000
Total current assets		345,667,000	301,480,000
Property, plant and equipment, at cost:			
Land and land improvements		24,055,000	23,618,000
Development costs, producing properties		5,268,000	5,288,000
Timberlands and standing timber		10,687,000	10,681,000
Buildings		81,172,000	77,837,000
Machinery and equipment		405,875,000	387,977,000
		527,057,000	505,401,000
Less, Accumulated depreciation, depletion and amortization		246,617,000	221,723,000
Net property, plant and equipment		280,440,000	283,678,000
Deferred charges and other assets		8,299,000	13,465,000
Excess of cost of investments over equities in businesses acquired and other intangibles		35,121,000	35,395,000
		\$669,527,000	\$634,018,000

The accompanying notes are an integral part of these statements.

	December 31	1972	1971
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 57,100,000	\$ 45,062,000	
Dividends payable	3,289,000	3,158,000	
Notes payable	409,000	3,000,000	
Long-term debt, current portion	4,025,000	9,202,000	
Income taxes	18,885,000	11,062,000	
Total current liabilities	83,708,000	71,484,000	
Long-term debt:			
Senior	178,495,000	194,652,000	
Subordinated:			
Principal amount	50,000,000	50,000,000	
Less unamortized discount	5,234,000	5,818,000	
Subordinated debt less unamortized discount	44,766,000	44,182,000	
Deferred income taxes	33,019,000	26,939,000	
Provision for employee benefits	6,214,000	6,136,000	
Minority interest	965,000	1,166,000	
SHAREHOLDERS' EQUITY			
Capital stock:			
Cumulative First Preferred Stock, par \$100 per share, 6% Series A	3,013,000	3,126,000	
Cumulative Second Preferred Stock, \$2.40 Convertible Series A, par \$10 per share (aggregate liquidation price \$67,014,000 on 1,595,574 outstanding shares, after treasury stock)	19,621,000	19,621,000	
Common, par \$1 per share	10,164,000	10,136,000	
Capital surplus	43,769,000	44,041,000	
Retained earnings	265,627,000	229,359,000	
	342,194,000	306,283,000	
Less, Treasury stock at cost	19,834,000	16,824,000	
Total shareholders' equity	322,360,000	289,459,000	
	<u>\$669,527,000</u>	<u>\$634,018,000</u>	

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF

Income & Retained Earnings

	Years Ended December 31	1972	1971
Income:			
Net sales	\$631,599,000	\$577,058,000	
Miscellaneous income, net	7,187,000	5,642,000	
	<u>638,786,000</u>	<u>582,700,000</u>	
Cost and expenses:			
Cost of goods sold	460,803,000	419,722,000	
Selling and general expenses	73,870,000	70,476,000	
Interest and financing costs	17,979,000	18,686,000	
Income taxes	41,427,000	35,576,000	
	<u>594,079,000</u>	<u>544,460,000</u>	
Income before extraordinary items	44,707,000	38,240,000	
Extraordinary items	4,535,000	(3,326,000)	
Net income	49,242,000	34,914,000	
Retained earnings at beginning of year	229,359,000	207,097,000	
Deduct, Cash dividends:			
Series A, 6% First Preferred Stock, \$6.00 per share	169,000	175,000	
Series B, 5% First Preferred Stock, \$2.50 per share in 1971		44,000	
\$2.40 Second Preferred Stock, \$2.40 per share ..	3,893,000	3,974,000	
Common Stock, per share, \$.88½ in 1972 and \$.84 in 1971	8,912,000	8,459,000	
	<u>12,974,000</u>	<u>12,652,000</u>	
Retained earnings at end of year	<u>\$265,627,000</u>	<u>\$229,359,000</u>	
Earnings per share of Common Stock and common stock equivalents:			
Income before extraordinary items	\$4.03	\$3.36	
Extraordinary items	.45	(.33)	
Net income	<u>\$4.48</u>	<u>\$3.03</u>	
Pro forma earnings per share of Common Stock and common stock equivalents assuming conversion of \$2.40 Second Preferred Stock. (If the Second Preferred Stock were converted, its dividend would become \$1.17 per share at the annualized present common dividend rate, as against the present \$2.40 preferred dividend).			
Income before extraordinary items	\$3.65	\$3.09	
Extraordinary items	.37	(.27)	
Net income	<u>\$4.02</u>	<u>\$2.82</u>	

The accompanying notes are an integral part of these statements.

Changes in Financial Position

Years Ended December 31	1972	1971
Source of Funds:		
Operations:		
Income before extraordinary items	\$44,707,000	\$38,240,000
Expenses not requiring outlay of working capital:		
Depreciation, depletion and amortization . . .	34,815,000	32,845,000
Deferred income taxes	768,000	1,257,000
Working capital provided from operations . .	80,290,000	72,342,000
Extraordinary items	4,535,000	(3,326,000)
Add: Charges which did not require working capital	1,134,000	5,242,000
Deferred income taxes	3,689,000	(1,980,000)
Working capital provided from (applied to) extraordinary items	9,358,000	(64,000)
Other items—net	6,050,000	2,017,000
Total	<u>\$95,698,000</u>	<u>\$74,295,000</u>
Application of Funds:		
Additions to property, plant and equipment	\$31,508,000	\$24,383,000
Reduction of long-term debt	16,157,000	9,508,000
Cash dividends	12,974,000	12,652,000
Capital stock reacquired or redeemed	3,096,000	7,480,000
Increase in working capital	31,963,000	20,272,000
Total	<u>\$95,698,000</u>	<u>\$74,295,000</u>
Increase in Working Capital:		
Increase (decrease) in current assets:		
Cash and short-term securities	\$30,104,000	\$38,426,000
Accounts and notes receivable	10,676,000	(1,558,000)
Inventories	1,282,000	(4,475,000)
Prepaid expenses	2,125,000	150,000
	<u>44,187,000</u>	<u>32,543,000</u>
Increase (decrease) in current liabilities:		
Accounts payable and accrued expenses	12,038,000	5,967,000
Dividends payable	131,000	(86,000)
Notes payable	(2,591,000)	69,000
Long-term debt, current portion	(5,177,000)	(62,000)
Income taxes	7,823,000	6,383,000
	<u>12,224,000</u>	<u>12,271,000</u>
Increase in Working Capital	<u>\$31,963,000</u>	<u>\$20,272,000</u>

The accompanying notes are an integral part of these statements.

Capital Surplus

	Years Ended December 31	1972	1971
Balance at beginning of year		\$44,041,000	\$43,562,000
Acquisition cost of the final 750 outstanding warrants (equivalent to 36,000 shares of unissued common stock) including broker's commission		(578,000)	
Excess of proceeds over par value of 9,600 shares of Common Stock issued upon exercise of warrants			34,000
Excess of cash received over par value of shares of stock issued under stock option plans:			
28,040 and 39,077 shares of Common Stock ..		279,000	358,000
1,163 shares of \$2.40 Second Preferred Stock			30,000
Excess of par value over cost of 1,129 and 1,130 shares of 6% Series A First Preferred Stock cancelled		27,000	26,000
Excess of par value of 86 shares of \$2.40 Second Preferred Stock over par value of 111 shares of Common Stock issued upon conversion, less cost of fractional shares of Common Stock purchased			1,000
Excess of award amount over par value of 971 shares of \$2.40 Second Preferred Stock issued under the Oxford Incentive Compensation Plan			30,000
Balance at end of year		<u>\$43,769,000</u>	<u>\$44,041,000</u>

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Consolidation Principles The accompanying financial statements include the accounts and operations of all wholly-owned subsidiaries, and the accounts and operations of Bromet Company, in which Ethyl Corporation has an 80% partnership interest.

Translation of Foreign Currencies Foreign currency assets and liabilities are translated into U.S. dollars at year-end exchange rates except for property, plant and equipment, accumulated depreciation, and depreciation expense which are translated at exchange rates prevailing at the dates of acquisition. Income and expenses other than depreciation are translated at average exchange rates for the year. Unrealized gains or losses arising from translation are credited or charged to exchange reserves except that unrealized losses in excess of reserves are charged to income.

Inventories Inventories are stated at the lower of cost or market with cost determined on the last-in, first-out basis for

a major portion of parent company inventories and on either average cost or first-in, first-out for other inventories.

Depreciation Provisions for depreciation are based on the estimated useful lives of depreciable property, plant and equipment and are computed generally on the straight-line method. Expenditures for renewals and betterments are capitalized and expenditures for ordinary repairs and maintenance are charged to income as incurred. The costs and accumulated depreciation applicable to assets retired or sold are removed from the respective accounts, and gains or losses thereon are included in income.

Unamortized Discount and Deferred Financing Expenses Unamortized discount and deferred financing expenses on long-term debt are amortized by charges to income on straight-line bases over periods ending from 1979 to 1983.

Exploration Costs Bonus and deposit payments and geological costs of active exploration prospects and drilling costs of active exploratory wells are capitalized as deferred

costs. Such costs will be amortized if related commercial discoveries are made or charged to income if a related prospect is abandoned. Costs of dry holes (unless valuable in defining active prospects) and annual charges related to projects are charged to income.

Intangibles The excess of cost of investments over equities in businesses, all acquired prior to November 1, 1970, is not being amortized.

Research and Development Costs Research and development costs are generally charged to income as incurred.

Retirement Income Plans Annual pension costs are actuarially determined and include amortization of prior service costs generally over periods ranging up to 30 years. The policy of the Corporation and its subsidiaries is to fund pension costs accrued.

Income Taxes Deferred income taxes arise from timing differences between financial and income tax reporting of various items principally depreciation, intangible drilling and development costs and provisions for termination or write-down of plant facilities and provisions for income taxes on undistributed earnings of certain subsidiaries.

The investment tax credit is accounted for by the flow-through method as a reduction of the provision for income taxes in the year realized.

Earnings Per Share Earnings, and pro forma earnings, per common share are computed using the weighted average number of shares of common stock and common stock equivalents (common stock options and warrants) outstanding during the year. Proceeds from common stock equivalents are assumed to be used to purchase outstanding shares of the Corporation's common stock.

2. Short-Term Securities:

Short-term securities, amounting to \$165,129,000 at December 31, 1972 and \$133,983,000 at December 31, 1971, are stated at cost plus earned discount which approximates market value.

3. Inventories:

	1972	1971
Inventories include:		
Finished goods	\$36,248,000	\$33,525,000
Raw materials and work in process	34,199,000	33,005,000
Stores, supplies, etc.	12,211,000	14,846,000
	<u>\$82,658,000</u>	<u>\$81,376,000</u>

Inventories stated on the last-in, first-out basis amounted to \$39,201,000 at December 31, 1972 and \$37,186,000 at December 31, 1971.

4. Deferred Charges and Other Assets:

Deferred charges consist principally of unamortized financing expenses on long-term debt and capitalized exploration costs.

5. Internal Revenue Service Examination:

The Corporation has received reports of the Internal Revenue Service proposing additional income taxes for the five taxable periods ended December 31, 1966. See caption "Internal Revenue Service Examination" in the Financial Results Section (page 6) of this report for further information.

6. Long-Term Debt:

Reference is made to captions "Summary of Long-Term Debt" and "Summary of Debt Maturities to 1982" in the Financial Results Section (page 7) of this report for information concerning the Corporation's long-term borrowings. Term promissory notes of \$12,500,000 due 1973 to 1975 were paid in December, 1972.

7. Capital Stock:

Transactions in capital stock during 1972 were as follows:

	Issued		Treasury	
	Shares	Amounts	Shares	Amounts
Cumulative First Preferred (authorized, 1,000,000 shares):				
Series A:				
January 1, 1972	31,263	\$ 3,126,300	2,668	\$ 205,191
Purchases			447	32,382
Cancelled	(1,129)	(112,900)	(1,129)	(86,145)
December 31, 1972 ...	<u>30,134</u>	<u>\$ 3,013,400</u>	<u>1,986</u>	<u>\$ 151,428</u>
Cumulative Second Preferred (authorized, 10,000,000 shares):				
January 1, 1972	1,962,059	\$19,620,590	331,085	\$14,914,150
Purchases			35,400	1,612,579
December 31, 1972 ...	<u>1,962,059</u>	<u>\$19,620,590</u>	<u>366,485</u>	<u>\$16,526,729</u>
Common (authorized 25,000,000 shares):				
January 1, 1972	10,136,134	\$10,136,134	78,613	\$ 1,704,899
Issued under stock option plan	28,040	28,040		
Purchases			50,000	1,451,461
December 31, 1972 ...	<u>10,164,174</u>	<u>\$10,164,174</u>	<u>128,613</u>	<u>\$ 3,156,360</u>

The Cumulative First Preferred, Series A, is redeemable at \$101 at the option of the Corporation and is preferentially entitled to par value in involuntary liquidation and the redemption price in voluntary liquidation. Annual sinking fund payments of approximately \$114,000 are required for mandatory redemption.

Each share of Cumulative Second Preferred is convertible into 1.3 shares of common stock. The voluntary or involuntary liquidation value of the Cumulative Second Preferred Stock is the greater of (1) \$42 per share or (2) an amount equivalent to the book value of that number of shares of common stock into which such preferred stock is convertible. The aggregate excess of liquidation price over par value on shares of outstanding stock is approximately \$51,058,000 as of December 31, 1972. These shares are callable at \$75 per share, plus accrued dividends.

8. Stock Option Plans:

At December 31, 1971, under the Corporation's restricted stock option plan, there were outstanding options to officers and other key employees for the purchase of 67,399 shares of common stock at prices ranging from \$9.42 to \$33.12. During 1972, there were no options granted, options for 28,040 shares were exercised, and options for 29,500 shares expired, leaving outstanding at December 31, 1972 options covering 9,859 shares at prices ranging from \$11.08 to \$32.35 (all of which were exercisable at that date). No further shares are available for grant under this plan.

Under the Corporation's qualified stock option plan, 300,000 shares of unissued common stock are reserved for issuance to officers and other key employees at 100 per cent of fair market value on the date granted. An option to

purchase 29,500 shares at \$30.00 per share was granted in January 1973.

At December 31, 1971, under the stock option plans assumed by the Corporation in the merger with Oxford Paper Company, there were outstanding options to purchase 3,000 shares of \$2.40 Second Preferred Stock at prices ranging from \$34.25 to \$59.75, all of which expired.

There were no charges to income under the plans.

9. Retained Earnings Restriction:

The Corporation's articles of incorporation and note agreements contain restrictions, among others, against the payment of cash dividends. At December 31, 1972, \$28,658,000 of retained earnings is free of such restriction under the agreement presently most restrictive.

10. Depreciation, Depletion and Amortization:

Depreciation and depletion charged to income amounted to \$33,675,000 and \$31,700,000 in 1972 and 1971, respectively. Amortization of intangibles and of deferred discount and financing expenses charged to income amounted to \$1,140,000 and \$1,145,000 in the respective years.

11. Income Taxes:

Income tax expense, excluding amounts applicable to extraordinary items, is composed of the following:

	1972	1971
Currently payable:		
United States	\$31,689,000	\$25,721,000
State	3,050,000	3,017,000
Foreign	5,920,000	5,581,000
Deferred	768,000	1,257,000
	<u>\$41,427,000</u>	<u>\$35,576,000</u>

The provision for U.S. income taxes currently payable was reduced (and net income increased) by investment tax credits of \$1,508,000 and \$696,000 in 1972 and 1971, respectively.

No provision has been made for additional income taxes that might result from the remittance to the Corporation of

undistributed earnings of \$5,800,000 of a foreign subsidiary since it is the intention of the Corporation to continue to reinvest such amount of earnings indefinitely.

12. Retirement Income Plans:

The Corporation and its subsidiaries provide retirement benefits for substantially all of their employees, including some employees in foreign countries, under several different plans funded with insurance companies or corporate trustees. Plan contributions charged to income, approximating \$8,550,000 in 1972 and \$8,200,000 in 1971, are irrevocably devoted to the payment of retirement and other benefits for employees.

Under certain plans, the actuarially computed value of vested benefits for active employees not yet retired, exceeded the total pension fund assets allocable to the active group. At the respective plan valuation dates the excess aggregated \$7,900,000 with full funding anticipated in the valuation method by the time each employee becomes eligible to retire.

13. Extraordinary Items:

In 1972 a Canadian subsidiary received payment of the award of \$10,481,000, including interest, from the Canadian Province of New Brunswick as compensation for the expropriation of certain timberlands. The net gain amounted to \$4,535,000 after provision for income taxes of \$4,812,000 of which \$3,689,000 is deferred.

In 1971 a charge of \$6,396,000 was made for costs of terminating the Lawrence, Massachusetts, paper mill operations, including pension and other benefits for qualified former employees and write-down of plant investment to realizable value, less income taxes of \$3,070,000.

14. Reclassification:

For purposes of comparison, unamortized discount on long-term debt, previously included in Deferred Charges and other Assets, has been reclassified as a deduction from the face amount of the Corporation's \$50,000,000 Subordinated Notes due 1982.

Auditors' Report

To the Board of Directors and Shareholders of Ethyl Corporation:

We have examined the consolidated balance sheet of Ethyl Corporation and Subsidiaries as of December 31, 1972, and the related consolidated statements of income and retained earnings, capital surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the Corporation's consolidated financial statements for the year ended December 31, 1971.

In our opinion, the aforementioned statements present fairly the consolidated financial position of Ethyl Corporation and Subsidiaries at December 31, 1972 and 1971, and the consolidated results of their operations and the consolidated changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Suite 1000
Seventh and Franklin Bldg.
Richmond, Virginia 23210
February 14, 1973

Lybrand, Ross Bros. & Montgomery

LYBRAND, ROSS BROS. & MONTGOMERY

Directors

*LAWRENCE E. BLANCHARD, JR.
S. DOUGLAS FLEET
Retired Vice President
M. F. GAUTREAU
JAMES M. GILL
*BRUCE C. GOTTFWALD
*FLOYD D. GOTTFWALD
*FLOYD D. GOTTFWALD, JR.
*ROBERT HERZOG
A. B. HORN, JR.
GEORGE F. KIRBY
*President,
Texas Eastern Transmission Corp.,
Houston, Texas*
JOSEPH M. LOWRY
ANDREW M. MCBURNEY
ROBERT T. MARSH, JR.
*Retired Chairman of the Board,
First & Merchants National Bank,
Richmond, Va.*
CLARENCE M. NEHER
MELVIN M. PAYNE
*President,
National Geographic Society,
Washington, D.C.*
W. THOMAS RICE
*Chairman & Chief Executive Officer,
Seaboard Coast Line Railroad Co.,
Richmond, Va.*
*E. CLAIBORNE ROBINS
*Chairman of the Board,
A. H. Robins Co.,
Richmond, Va.*
SIDNEY BUFORD SCOTT
*Partner,
Scott & Stringfellow,
Richmond, Va.*
ERWIN H. WILL
*Honorary Chairman of the Board,
Virginia Electric & Power Co.,
Richmond, Va.*

Officers and Staff

FLOYD D. GOTTFWALD, JR.
*Chairman of the Board,
Chief Executive Officer*
BRUCE C. GOTTFWALD
President
FLOYD D. GOTTFWALD
Chairman—Executive Committee
LAWRENCE E. BLANCHARD, JR.
Executive Vice President
ROBERT HERZOG
Executive Vice President
JAMES M. GILL
*Senior Vice President—
Chemicals Group*
JOSEPH M. LOWRY
Senior Vice President
CLARENCE M. NEHER
*Senior Vice President—
Plastics Division*
WALLACE F. ARMSTRONG
Vice President—Manufacturing
M. F. GAUTREAU
*Vice President—
Research & Development*
C. RAYMOND MAILEY
*Vice President,
President—
Oxford Paper Company Division*
HOWARD E. HESSELBERG
Vice President—Air Conservation
A. B. HORN, JR.
*Vice President—
International Division*
THOMAS M. SMYLYE
Vice President—Aluminum
FREDERICK P. WARNE
General Counsel and Secretary
FRANK J. McNALLY
Treasurer
JAMES H. KIRBY
Controller
LLOYD B. ANDREW, JR.
Director—Financial Relations
CHARLES E. COLVIN
Director—Purchasing & Traffic
B. D. HARRISON
Budget Director
ARTHUR W. HELWIG
*Secretary—Executive Committee,
Director—Planning & Profit
Improvement*
JAMES B. LONERGAN
*Director—Advertising
& Sales Promotion*
C. SAMUEL ROBERTS
Chief Engineer
STEPHEN B. RODI
Director—Corporate Employee Relations
CHARLES H. ZEANA
Director—Corporate Public Relations

Divisions

Oxford Paper Company

ANDREW M. MCBURNEY
Executive Vice President
RUSSELL H. CHAMBLISS, JR.
Vice President—Sales
S. D. DILLON
*Vice President—
National Accounts, West*
C. RICKERT LEWIS
*Vice President—
National Accounts, East*
HUGH H. BAIRD, JR.
Vice President & Controller

Chemicals Group

Petroleum Chemicals

JOHN F. KOEHNLE
*Divisional Vice President
& General Manager*
T. E. LOCKERBIE
*General Manager—Product
Development & Sales Application*
A. T. ROWE
Director—Marketing
W. W. SABIN
Technical Director

Industrial Chemicals

MERLE L. GOULD
General Manager
ROGER A. MOSER
Director—Marketing Management
H. WARREN REES
General Sales Manager
STANLEY A. HARRIS
Sales Manager

Instruments

R. J. OSTRANDER
General Manager

Ethyl International

M. WHITLOCK
Manager—Operations
W. J. RUSHER
General Manager—Sales
L. N. APPLGATE
Director—Exploration

Ethyl S.A.

R. R. DOWNEY
Managing Director

Ethyl Hellas Chemical Company S.A.

M. AMOLOCHITIS
Deputy Managing Director
J. D. SPEARMAN
Plant Manager

Ethyl Corporation of Canada Limited

KENNETH A. FREBERG
President
JAMES H. MAIN
Manager—Petroleum Additives
ROBERT H. SHANNON
Manager—Chemical Products

Plastics

PAUL E. WEIMER
Director—Financial Controls

Imco Container Company

RICHARD F. SANDS
President
ROBERT D. BISHOP
*Vice President—
Sales & Marketing*
MARION HIERMAN
President—Imco of Canada
ROBERT X. HAFELE
Technical Director
HANCEL B. BONDS
Vice President—Operations
JAMES W. COURT
Vice President—Finance

VisQueen

HARRY C. BYRNE, JR.
General Manager

JOHN K. SHIFFLER
General Sales Manager
ROLAND E. MCKENZIE
Operations Manager

Polymer Division

CHARLES W. MONTGOMERY
General Manager
RAY WILKINS, JR.
General Sales Manager

Pipe Products Division

ARTHUR A. SMITH
General Manager
L. RAY McCULLEY
Sales Manager

Aluminum

E. MALCOLM HARVEY
*President & Treasurer
The William L. Bonnell Co., Inc.*
WILLIAM H. MORGAN
*General Manager—Marketing
& Product Development*

The William L. Bonnell Company, Inc.

LLOYD L. REYNOLDS
Vice President & General Manager
WARREN H. BROCKWAY
*Vice President & General Sales
Manager*

DONALD A. WAGNER
Vice President—Manufacturing
FRANK DANIELS, JR.
Assistant Treasurer

Capitol Products Corporation

JOSEPH T. COLLIFLOWER
President
GEORGE S. THUMBERT
Vice President & Treasurer
WALLACE FREMONT
Vice President
DONALD G. HORNUNG
Vice President

* Member of the Executive Committee
* Resigned December 31, 1972

Corporate Headquarters

330 South Fourth Street
Richmond, Va. 23219
(703) 644-6081

On June 24, 1973, area code
changes from (703) to (804)

Executive Offices

451 Florida Street
Baton Rouge, La. 70801
(504) 348-0131
100 Park Avenue
New York, N.Y. 10017
(212) 679-2000

Ten Year Summary

Years Ended December 31		1972	1971	1970
SALES AND INCOME	Net sales	\$631,599,000	\$577,058,000	\$556,856,000
	Income before income taxes and extraordinary items	86,134,000	73,816,000	70,231,000
	Depreciation, depletion and amortization	34,815,000	32,845,000	31,949,000
	Income before extraordinary items	44,707,000	38,240,000	35,582,000
	Net income	49,242,000	34,914,000	37,499,000
	Cash flow	89,648,000	72,278,000	73,917,000
FINANCIAL CONDITION	Working capital	261,959,000	229,996,000	209,724,000
	Ratio of current assets to current liabilities	\$4.13 to \$1.00	\$4.22 to \$1.00	\$4.54 to \$1.00
	Property, plant and equipment (Net)	280,440,000	283,678,000	298,771,000
	Capital expenditures	31,508,000	24,383,000	64,190,000
	Long-term debt (2)	223,261,000	238,834,000	247,757,000
COMMON STOCK	Average number of shares outstanding (3)	10,086,799	10,140,533	10,138,432
	Earnings per share	\$ 4.03*	\$ 3.36*	\$ 3.06*
	Pro forma earnings per share, assuming conversion of the Second Preferred Stock (4)	\$ 3.65*	\$ 3.09*	\$ 2.85*
	Equity per share (5)	\$25.17	\$21.64	\$19.62

* Before extraordinary items. After extraordinary items, would be \$4.48 and \$4.02 in 1972, \$3.03 and \$2.82 in 1971, \$3.22 and \$2.98 in 1970 and \$2.43 and \$2.33 in 1969, respectively.

(1) Includes Oxford operations for entire year. All prior years reflect the merger of Oxford into Ethyl on a pooling of interests basis.

(2) Includes a deduction for unamortized discount on subordinated debt. All prior years have been restated to reflect this treatment in 1972.

(3) Including common stock equivalents. Adjusted for stock split.

(4) If the Second Preferred Stock were converted, its dividend would become \$1.17 a share at the annualized present common dividend rate, as against the present \$2.40 preferred dividend.

(5) Reflects a deduction for the liquidating value of the Second Preferred Stock, and is based on the number of shares outstanding at the end of each year, treating warrants and common stock options as common stock equivalents. For years prior to 1972, amounts have been restated to conform with the basis of the 1972 computation. Adjusted for stock split.

ETHYL CORPORATION AND SUBSIDIARIES

1969	1968	1967 ⁽¹⁾	1966	1965	1964	1963
\$509,302,000	\$509,072,000	\$468,938,000	\$465,823,000	\$375,837,000	\$335,663,000	\$292,878,000
56,044,000	61,094,000	51,633,000	62,876,000	48,306,000	41,004,000	32,526,000
29,562,000	31,076,000	30,749,000	28,411,000	25,233,000	22,161,000	19,886,000
33,024,000	31,502,000	29,662,000	37,306,000	27,989,000	21,059,000	16,427,000
29,524,000	31,502,000	29,662,000	37,306,000	27,989,000	21,059,000	16,427,000
57,193,000	65,027,000	62,876,000	68,107,000	55,918,000	46,172,000	39,052,000
176,499,000	176,302,000	129,757,000	107,244,000	92,840,000	103,194,000	86,267,000
\$1.71 to \$1.00	\$3.47 to \$1.00	\$3.52 to \$1.00	\$2.83 to \$1.00	\$3.07 to \$1.00	\$3.19 to \$1.00	\$3.43 to \$1.00
293,200,000	269,761,000	301,345,000	306,073,000	280,112,000	240,216,000	227,583,000
53,312,000	64,158,000	26,943,000	59,116,000	57,654,000	35,876,000	33,370,000
223,165,000	207,550,000	198,263,000	210,724,000	214,315,000	216,083,000	215,934,000
10,169,972	10,171,893	10,164,357	10,073,508	10,120,773	9,853,712	9,196,917
\$ 2.77*	\$ 2.61	\$ 2.41	\$ 3.21	\$2.32	\$1.68	\$1.30
\$ 2.61*	\$ 2.46	\$ 2.29	\$ 2.94	\$2.22	\$1.68	\$1.30
\$17.18	\$15.73	\$13.88	\$12.12	\$9.18	\$7.18	\$5.67

ETHYL CORPORATION
330 South Fourth Street
Richmond, Va. 23219

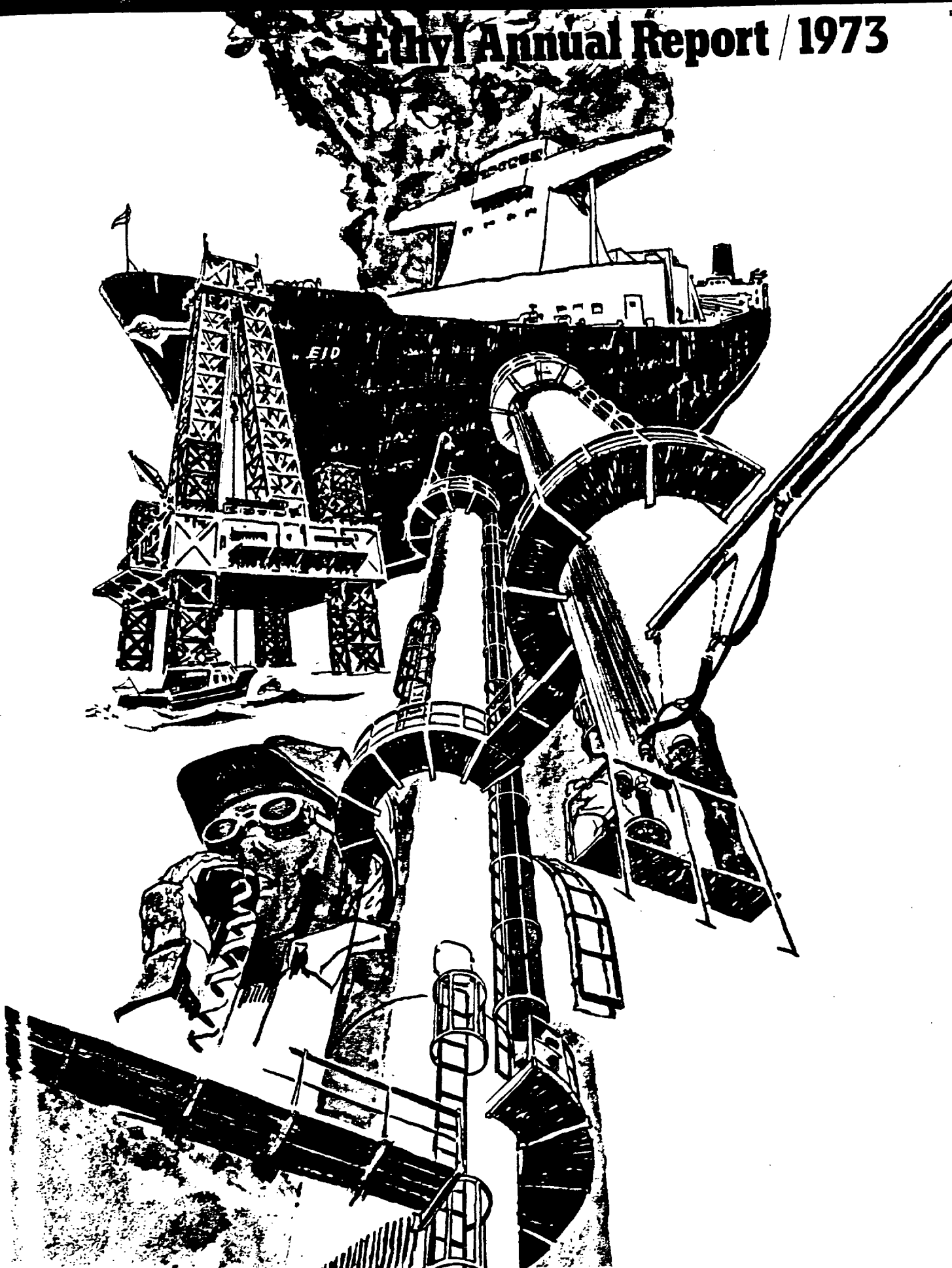
The logo for Ethyl Corporation features the word "Ethyl" in a large, bold, sans-serif font. Below it, the word "Corporation" is written in a smaller, all-caps, sans-serif font. The entire logo is framed by two thick horizontal black bars, one above and one below the text.

Changing . . . to Serve a Changing World

On November 30, 1962, Albemarle Paper Manufacturing Company of Richmond, Virginia, acquired Ethyl Corporation and took the name of its acquisition. In the decade following the acquisition Ethyl Corporation has experienced many changes. Since 1962, Ethyl has diversified into product areas which now include petroleum and industrial chemicals, plastics and plastics products, aluminum extrusions and shapes, fine printing papers and instrumentation. Worldwide in its operations, Ethyl maintains offices, manufacturing and product distribution facilities on five continents. Ethyl employs more than 13,000 people around the world. The 1962 acquisition resulted in a company with total annual sales that year of approximately \$250 million. In the intervening decade, annual sales have nearly tripled in a multitude of product lines.

ETC 16067

Ethyl Annual Report / 1973





ETC 16069

Ethyl Annual Report / 1973

FINANCIAL HIGHLIGHTS

(In Thousands of Dollars Except Per Share of Common Stock)

	Years Ended December 31	1973	1972	Percent Increase (Decrease)
Net Sales		\$699,002	\$631,599	11
Income				
Before Extraordinary Item		52,884	44,707	18
Net		52,884	49,242	7
Depreciation, Depletion & Amortization		33,235	34,815	(5)
Capital Expenditures		37,664	31,508	20
Working Capital		268,902	261,959	3
Per Share of Common Stock				
Income Before Extraordinary Item		\$ 5.02	\$ 4.03	25
Net Income		\$ 5.02	\$ 4.48	12
Dividends		\$ 1.07½	\$.88½	21
Shareholders' Equity		\$28.89	\$25.17	15
Weighted Average Number of Common Shares Outstanding		9,756,992	10,086,799	

CONTENTS

- 2 Message to Shareholders
- 4 Financial Results of 1973
- 8 Operations Review
- 20 Financial Statements
- 24 Notes to Financial Statements
- 26 Auditors' Report
- 27 Ten-Year Summary
- 28 Directors, Officers and Staff

ANNUAL MEETING

The annual meeting of Ethyl Corporation's shareholders will be held at the Company's corporate headquarters in Richmond, Va., at 11 a.m. (EDT) on Thursday, April 25, 1974. Formal notices of the annual meeting, proxies and proxy statements will be mailed about April 1, 1974.

ABOUT THE COVER The worldwide nature of Ethyl's business is illustrated. In 1973, chemicals sold in countries other than the United States accounted for 15% of the Company's sales. Included in the international activities of Ethyl is oil and gas exploration in the North Sea, in Canada and in the U.S.

◁ An Ethyl researcher coats a specimen with condensed metal vapors before examining it by electron microscopy techniques. This analytical instrument has application in many areas of the Company's research and development operations.

Message to Shareholders

To the Shareholders of Ethyl Corporation:

Sales and income and earnings per share from operations were at record levels again in 1973. The 11% increase in sales, 18% gain in income from operations and 25% rise in earnings per share from operations reflected continued progress in our diversification and effectiveness of cost control programs. These records were established despite price controls, inflation, energy shortages and the continuing controversy over lead antiknock compounds.

Net sales for 1973 totaled \$699 million, compared with \$631.6 million in 1972. Income from operations for 1973 was \$52.9 million, or \$5.02 a share, versus \$44.7 million, or \$4.03 a share, in 1972. Net income for 1973 also was \$52.9 million, or \$5.02 a share, compared with 1972 net income of \$49.2 million, or \$4.48 a share, after an extraordinary credit. Details of our operations in 1973 are covered in other sections of this report. We hope you will read the full report.

Regulations governing the use of lead antiknocks in gasoline have been issued by the Environmental Protection Agency (EPA). In January 1973, EPA promulgated a rule that requires general availability of one grade of lead-free gasoline by July 1, 1974. This regulation is based on the assumption that, beginning with 1975 models, a substantial number of cars will be equipped with workable catalytic converters, requiring lead-free gasoline. In December 1973, EPA made final a second regulation that will gradually reduce the total lead content of all gasoline between 1975 and 1979 on the basis of a finding that lead in air may be a health hazard to certain population groups. Ethyl, other lead antiknock producers and some oil companies have petitioned the U.S. Circuit Court of Appeals for the District of Columbia to review and set aside this phase-down regulation. The Company believes that the EPA's finding of a health hazard is contrary to the scientific evidence and that its regulation fails to meet the legal requirements of the Clean Air Act of 1970. If this phase-down regulation is not modified on appeal, it would result, by EPA's estimate, in about a 60 to 65% reduction from 1972 volumes of lead antiknocks used in gasoline in the U.S. by 1979.

We continue to experience lead antiknock sales gains in world markets since other countries generally have not followed the U.S. restrictions or have altered their earlier restrictions in view of the worldwide energy crisis. Our projections indicate that while antiknock compounds will continue to represent a decreasing percentage of Ethyl's total sales and earnings, Ethyl will continue to have significant worldwide sales of lead antiknocks, certainly well into the 1980s.

The domestic and foreign restrictions on gasoline usage due to the shortage of crude oil constitute the most significant potential limitations on Ethyl's antiknock sales during 1974.

With the current restrictions on availability of crude oil and gasoline, there is increasing interest in better-performing and more efficient automobile engines. Ethyl's Lean Reactor Car continues to provide these features while meeting 1975 Federal emission standards. Automotive manufacturers are showing a renewed interest in these developments. Meanwhile, new engine developments by others also show excellent promise of meeting emission standards without the use of catalytic converters.

In early 1974, Ethyl bought from Chessie System, Inc., its approximate 27% stock ownership of The Elk Horn Coal Corporation for \$25 a share and made an offer to buy the balance of the stock of Elk Horn at the same price per share. As of February 22, 1974, Ethyl had acquired approximately 95% of Elk Horn at a total investment of about \$25 million. Elk Horn owns approximately 130,000 acres of coal land, primarily in Eastern Kentucky. It is currently earning about \$1.25 million, principally from leasing coal-bearing lands to others. Annual production from Elk Horn's lands is about three million tons per year. Elk Horn's future financial results will be included in Ethyl's consolidated financial statements. We will be required to write off against our part of Elk Horn's earnings appropriate annual amounts (estimated presently as \$350,000) based on tonnages of coal mined representing the amortization of that part of our investment identified with the coal lands.

It is our present intention to investigate carefully the possibilities of expanding production on Elk Horn's property and the acquisition of other coal properties, including operating and sales companies. Our plans are based on the belief that an increasing number of industries will utilize coal for basic fuel requirements and that coal provides exciting possibilities for the future production of petrochemicals.

Despite substantial increases in the price of fuel, petrochemical feedstocks and other raw materials in 1973, Ethyl, unlike most companies, was still able to maintain a profit margin approximately the same as that of the base period under the regulations of the Cost of Living Council. Therefore, Ethyl was not permitted during 1973 to raise prices to pass on its cost increases. With the energy crisis becoming more acute at the end of 1973, and with continuing increases in the cost of fuel and such materials as lead, ethylene, resins and aluminum being permitted, Ethyl has been facing a serious cost-price squeeze since the beginning of 1974. Quite recently, some of our prices have been decontrolled and we have filed a request with the Cost of Living Council for permission to raise certain other prices. In view of the uncertainties and time lags associated with price controls, it is unusually difficult for us to project with any accuracy the results of our operations in 1974. We are not unique in this regard. We simply will have to meet such challenges and uncertainties with extra effort and imaginative planning.

During 1973, Ethyl continued to acquire its own shares of stock. Since 1967, we have invested about \$38 million in our common and convertible preferred stock at an average cost of slightly over \$30 a share for the common and slightly over \$43.50 for the preferred. Under current Board authorization, an additional amount of about \$9 million may be spent for similar stock purchases in the future. This program will continue to be reviewed periodically by the directors.

Our strong cash position still enables us to seek out other sound investments for future growth—either by acquisition or through the many new programs presented by our various operating divisions. We continue to be very optimistic about the future of Ethyl despite the problems which we and most industries are currently facing with price controls, material and energy shortages and inflation. We believe Ethyl is still well equipped to cope with these problems in a positive way and to continue a planned program of growth.

We are pleased to report again another year of record performance. We make special note of our genuine appreciation of the continued loyalty and support of our employees, shareholders, customers and suppliers.

Floyd D. Gottwald, Jr.

Floyd D. Gottwald, Jr.
Chairman of the Board,
Chief Executive Officer

Bruce C. Gottwald

Bruce C. Gottwald
President

February 25, 1974

Financial Results of 1973

Net Sales The following table sets forth Ethyl's net sales represented by each of its lines of business for the period 1969-1973:

Net Sales by Lines of Business (In Thousands of Dollars)

	1973		1972		1971		1970		1969	
	Net Sales	Percent of Total	Net Sales	Percent of Total	Net Sales	Percent of Total	Net Sales	Percent of Total	Net Sales	Percent of Total
Chemicals:										
Domestic ..	\$248,043	35%	\$240,553	38%	\$229,605	40%	\$226,843	41%	\$214,151	42%
Foreign ...	104,761	15	85,560	14	75,117	13	71,944	13	64,846	13
Plastics	146,323	21	132,108	21	111,038	19	102,748	18	95,461	19
Paper	101,957	15	88,185	14	85,666	15	92,283	17	97,783	19
Aluminum(a).	97,918	14	85,193	13	75,632	13	63,038	11	37,061	7
Total ..	<u>\$699,002</u>	<u>100%</u>	<u>\$631,599</u>	<u>100%</u>	<u>\$577,058</u>	<u>100%</u>	<u>\$556,856</u>	<u>100%</u>	<u>\$509,302</u>	<u>100%</u>

(a) Includes Capitol Products Corporation acquired in 1970.

Profit Contribution The following table shows, with respect to the Company's lines of business, the respective operating profits before income taxes, extraordinary items and certain corporate expenses that are not practical to identify with a particular line of business:

Operating Profit by Lines of Business After Identifiable Corporate Expenses (In Thousands of Dollars)

	1973		1972		1971		1970		1969	
	Operating Profit	Percent of Operating Profit	Operating Profit	Percent of Operating Profit	Operating Profit	Percent of Operating Profit	Operating Profit	Percent of Operating Profit	Operating Profit	Percent of Operating Profit
Chemicals:										
Domestic ..	\$ 69,951	53%	\$ 73,542	60%	\$ 71,966	66%	\$ 66,936	68%	\$ 63,007	69%
Foreign ...	26,074	20	20,627	17	17,649	16	15,345	16	11,664	13
Plastics	18,842	14	14,554	12	11,349	10	7,406	8	7,963	9
Paper	6,024	5	1,921	2	970	1	3,413	3	5,228	6
Aluminum(a).	10,417	8	11,197	9	8,021	7	4,471	5	3,048	3
Total ..	<u>\$131,308</u>	<u>100%</u>	<u>\$121,841</u>	<u>100%</u>	<u>\$109,955</u>	<u>100%</u>	<u>\$ 97,571</u>	<u>100%</u>	<u>\$ 90,910</u>	<u>100%</u>

(a) Includes Capitol Products Corporation acquired in 1970.

The operating profits used for purposes of the above table include charges for general and administrative and research and development expenses at the Corporate level which are identifiable with each line of business but do not include charges that are not practical to identify with lines of business. The latter comprise financing costs, net of interest earned, and other unallocated charges including research and development expense in new product areas and exploration costs, as shown in the following table:

	(In Thousands of Dollars)				
	1973	1972	1971	1970	1969
Net Financing Costs	\$ 2,750	\$10,941	\$12,563	\$10,208	\$ 7,696
Other Unallocated Charges—Net	26,470	24,766	23,576	17,132	17,170
Total	<u>\$29,220</u>	<u>\$35,707</u>	<u>\$36,139</u>	<u>\$27,340</u>	<u>\$24,866</u>

Net Sales
Millions of Dollars

750

600

450

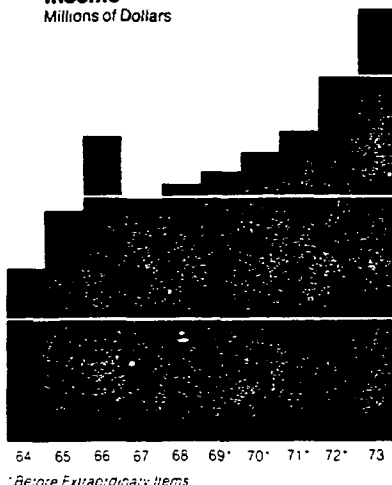
300

150

0

64 65 66 67 68 69 70 71 72 73

Income
Millions of Dollars



Within the chemicals line of business, Petroleum and Industrial Chemicals often utilize joint facilities for manufacture, research and development and in many instances are interrelated in terms of raw materials, intermediates and by-products. Consequently, while sales of chemical products can be determined accurately without allocations, it is not practicable in management's judgment to make accurate allocations within the chemicals line of business to determine the relative contribution to the Company's operating profits by classes of chemical products. Because lead antiknocks (the principal contributor to chemical sales and profits) are interrelated with certain other chemical products, any substantial reduction or elimination of the use of lead antiknocks in gasoline would adversely affect the costs and profitability of the Company's other present chemicals business as well.

Net Sales by Classes of Similar Products (In Thousands of Dollars)

The following table sets forth the amounts and percentages of net sales of each of the classes of similar products for the 1969-73 period:

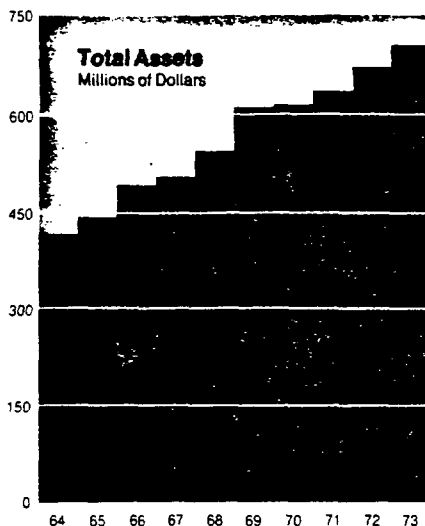
Classes of Similar Products	1973		1972		1971		1970		1969	
	Net Sales	Percent of Total	Net Sales	Percent of Total	Net Sales	Percent of Total	Net Sales	Percent of Total	Net Sales	Percent of Total
Chemicals:										
Petroleum .	\$243,624	35%	\$225,993	36%	\$222,166	39%	\$229,119	41%	\$213,840	42%
Industrial .	109,180	15	100,120	16	82,556	14	69,668	13	65,157	13
Plastics	146,323	21	132,108	21	111,038	19	102,748	18	95,461	19
Paper	101,957	15	88,185	14	85,666	15	92,283	17	97,783	19
Aluminum(a).	97,918	14	85,193	13	75,632	13	63,038	11	37,061	7
Total	\$699,002	100%	\$631,599	100%	\$577,058	100%	\$556,856	100%	\$509,302	100%

(a) Includes Capitol Products Corporation acquired in 1970

Lead antiknock compounds (which comprise substantially all of the Petroleum Chemicals sales shown above) remain the Company's principal product and contribute to operating profits a substantially higher percentage than their 33% contribution to net sales.

Income and Earnings per Share Reach Record Highs Income from operations for 1973 increased by 18% to a record \$52,884,000 over income from operations of \$44,707,000 for 1972. The 1973 per-share earnings from operations rose 25% over last year to a record \$5.02 based on the weighted average of 9,756,992 shares of common stock outstanding during 1973, including common stock options as common stock equivalents. It compares with income from operations of \$4.03 per share for 1972, on the basis of the weighted average of 10,086,799 shares of common stock outstanding during the year, on the same basis. In 1972, the Company reported an extraordinary credit of \$4,535,000 resulting from payment by the Canadian Province of New Brunswick for timberlands it expropriated in 1966 from a Canadian subsidiary. Net income for 1972 after the extraordinary credit amounted to \$49,242,000, or \$4.48 a share.

Dividend Increased The Board of Directors increased the regular quarterly dividend on the common stock during 1973 from 22½ cents to 25 cents per share, effective with the July 1, 1973, payment. In addition, the directors declared a special dividend of 10 cents a share on the common stock payable November 15, 1973. This brought dividends on common stock to \$1.07½ per share in 1973 and compares with 88½ cents for the year 1972.



Working Capital Provided from Operations Sets a Record Working capital provided from operations (refer to Changes in Financial Position—page 23) amounted to a record \$90.3 million in 1973, compared with \$80.3 million in 1972. This was sufficient in 1973 to provide for reduction of long-term debt, capital stock acquisitions, dividends and provide substantial funds for capital expenditures.

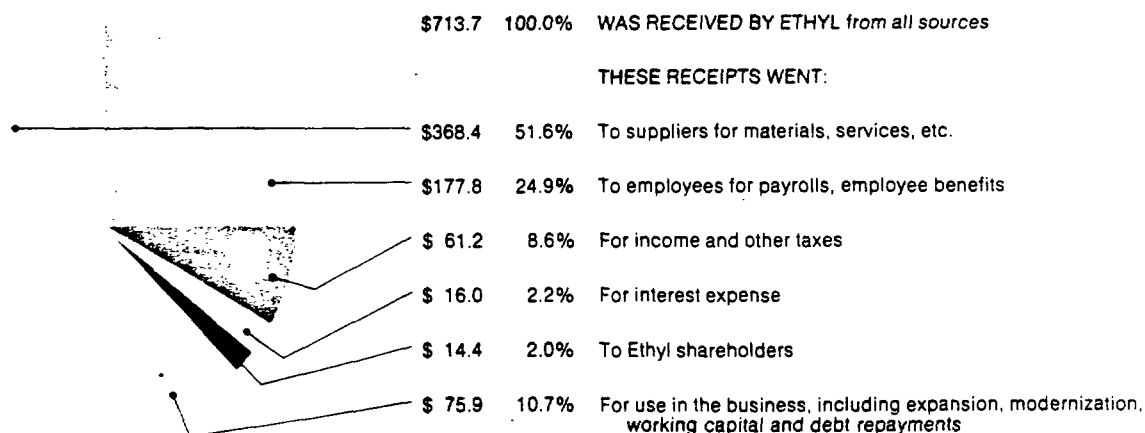
At December 31, 1973, working capital was \$268.9 million and the ratio of current assets to current liabilities was 3.82 to 1. This compared with working capital of \$262 million and a ratio of 4.13 to 1 at December 31, 1972.

Capital Expenditures During 1973, \$37.7 million was spent on capital projects for new plants, expansions and modernizations, compared with \$31.5 million in 1972. In 1973, approximately \$2.9 million was spent on acquisitions, including the purchase of the assets of Flex Products Corporation of Carlstadt, New Jersey, a manufacturer of extruded plastic containers, and a partial payment for the purchase of approximately 27% of the stock of The Elk Horn Coal Corporation, a coal land company headquartered in Charleston, West Virginia. Expenditures in 1973 included \$3.7 million (of a total of \$9 million committed) for pollution abatement and OSHA projects, and over the next several years annual expenditures in the range of \$5 to \$10 million can be expected for the same purposes.

Internal Revenue Service Examination The Internal Revenue Service has completed its examination of the Company's first eight taxable periods after the 1962 Ethyl-Albemarle merger through the calendar year 1969. The IRS has proposed tax increases of \$30 million, including interest, which would total \$40 million if assessed on the same basis through 1973. The IRS position results from differences in the valuation of assets acquired in the merger and the allocation of values between tangible and intangible assets. The IRS valuation of assets was made by a government engineer during the course of its examination. The Company based its asset valuation on an appraisal by independent appraisers made at the time of the merger.

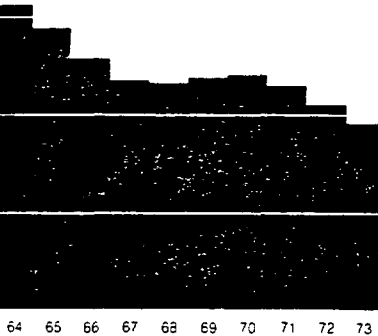
It is the opinion of the Company's counsel that the tax increase proposed by the IRS is far in excess of any tax which ultimately might be payable by the Company on the basis of a reasonable asset valuation. The Company does not accept the IRS proposal and will continue to contest it.

How Ethyl Used the Revenues It Received During 1973 (Millions of Dollars)



Debt Ratio
Percent

Equity



Long-Term Debt As of December 31, 1973, the long-term portion of Ethyl's debt was \$207.6 million, equal to 38% of the Company's total capitalization.

Debt repayments during 1973 amounted to \$4.3 million. These consisted of payments of \$2,500,000 on the 7½ % Promissory Notes, due 1983, \$1,250,000 on the 4¾ % Promissory Notes, due 1983, and \$545,000 on Miscellaneous Debt.

Summary of Long-Term Debt*Senior Debt*

7.6% Senior Notes (\$106 million—due 1974-86) and 7½ % Promissory Notes (\$47.5 million—due 1974-83)	\$153,500,000	
The Prudential Insurance Company of America		
The Equitable Life Assurance Society of the United States		
The Northwestern Mutual Life Insurance Company		
New York Life Insurance Company		
4¾ % Promissory Notes—due 1974-83	21,500,000	
Northwestern Mutual Life Insurance Company		
John Hancock Life Insurance Company		
New York Life Insurance Company		
Miscellaneous	3,225,000	\$178,225,000

Subordinated Debt

5¾ % Subordinated Notes—due 1979-82	50,000,000	
Various Institutional Investors		
Less unamortized discount (the balance of the amount corresponding to the proceeds of warrants sold with the Notes in 1962), reflecting an imputed total interest rate of 7.4%	4,649,000	45,351,000
Total Debt at December 31, 1973		223,576,000
Current Portion of Debt		15,995,000
Long-Term Debt		<u>\$207,581,000</u>

Summary of Debt Maturities to 1983

	5¾ % Subordinated Notes Due 1979-82	7.6% Senior Notes Due 1986	7½ % Promissory Notes Due 1983	4¾ % Promissory Notes Due 1983	Misc. Debt Maturities to 1992	Total Annual Amount
1974		\$12,000,000	\$2,500,000	\$ 1,250,000	\$245,000	\$15,995,000
1975		12,000,000	2,500,000	1,250,000	399,000	16,149,000
1976		12,000,000	2,500,000	1,250,000	643,000	16,393,000
1977		12,000,000	2,500,000	1,250,000	363,000	16,113,000
1978		22,000,000	2,500,000	1,250,000	83,000	25,833,000
1979	\$ 8,000,000	3,000,000	7,000,000	1,250,000	89,000	19,339,000
1980	8,000,000	3,000,000	7,000,000	1,250,000	94,000	19,344,000
1981	8,000,000	3,000,000	7,000,000	1,250,000	100,000	19,350,000
1982	26,000,000	3,000,000	7,000,000	1,250,000	107,000	37,357,000
1983		6,000,000	7,000,000	10,250,000	113,000	23,363,000



ETC 16077

Chemicals Domestic

Petroleum and industrial chemicals sold domestically accounted for 35% of Ethyl's total sales in 1973. Domestic sales of chemicals were \$248 million, up 3% over 1972.

Petroleum Chemicals Division: Sales of lead antiknock compounds in 1973 continued at about the same level as 1972. Sales were strong in the first half, but slowed somewhat in the last six months since lower-than-expected gasoline production and consumption resulted from the energy crisis. Growth in sales of antioxidants for petroleum products and middle distillate additives continued at a good pace in 1973. Several new products for use in lubricants and gasoline were introduced during the year as part of a program to broaden the petroleum chemicals Ethyl offers to the oil industry.

Your attention is called to the shareholders' letter in the front of this report with respect to restrictions on lead antiknocks.

Industrial Chemicals Division: Sales were up about 8% in 1973.

Demand for specialty chemicals was strong. New markets were developed for antioxidants in plastics and synthetic rubber and growth in sales of agricultural chemical intermediates was especially strong. Although new customers were found for aluminum alkyls, growth in 1973 was modest. Expansion of orthoalkylation production facilities at Houston, Texas, was completed early in the year.

Demand for alcohols for detergent markets and alcohols and alpha olefins for plasticizer markets was particularly strong in 1973. Construction was completed in the second quarter of an expansion of facilities at Houston for production of mid-cut alcohols for use as detergent intermediates. In December, the Company began

an expansion of the Houston alcohols plant to meet additional demand in 1974. Ethyl began serving in 1973 a number of special olefin markets with single-carbon number cuts for specific chemical uses.

A fire and explosion in the aluminum alkyls section of the Houston plant in the first quarter of 1973 resulted in a shutdown of the alcohol production facilities for about six weeks. Most of the loss was covered by insurance. Throughout the year, successful efforts were made to increase production and minimize the net loss of alcohol production from the shutdown. As a result, by year-end production was only 4% behind 1972.

A key development in 1973 was the commercialization of alpha olefin sulfonates (AOS) for detergents. In cooperation with a major household products producer, Ethyl provided substantial quantities of AOS for several leading household brands. Programs are under way to extend the use of AOS to additional formulations for both liquid and solid detergent products.

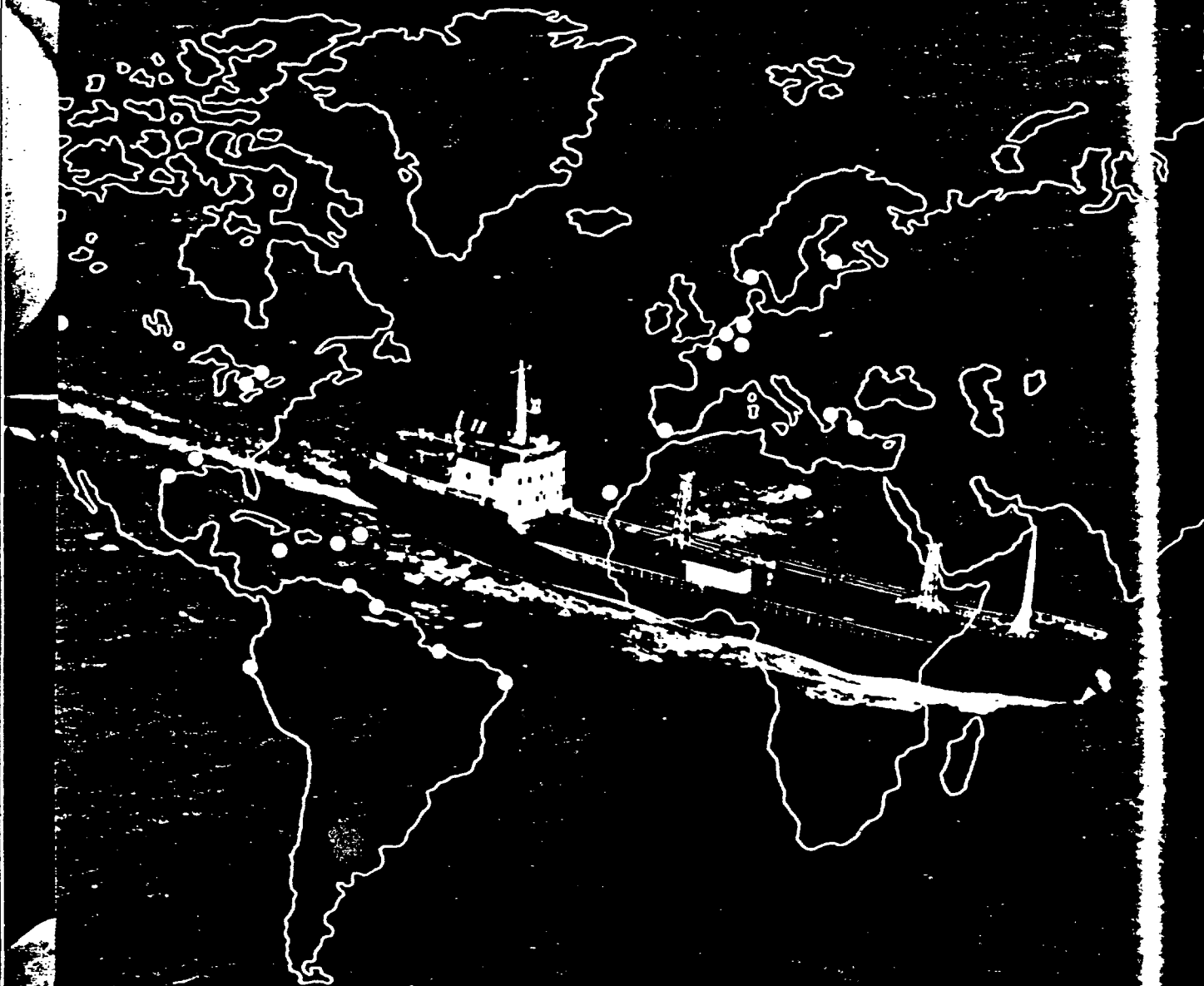
Demand for all bromine and chlorine-based products was strong in 1973. Flame retardants, commercialized in 1972, continued to gain during the year. Raw material shortages somewhat limited the supply capabilities for chlorine derivatives.

Instrument Division: This area is comprised of two subsidiaries—Air Monitoring, Inc. (AMI) and Intertech Corporation. AMI develops and builds sampling and analytic systems for measuring automobile exhaust emissions. Intertech is a supplier of instruments for process control and measurement of air pollutants from fixed and mobile sources. With the continuing emphasis on clean air regulations and precision measurement of emission sources, sales for this area again showed improvement in 1973.

PRODUCTS: ALKYL ALUMINUM HALIDES / ALPHA OLEFINS (DETERGENT & PLASTICIZER) / ALPHA OLEFIN SULFONATES / ALUM / ALUMINUM ALKYLs / ANTIOXIDANTS / BROMINE / BROMINE CHEMICALS / CAUSTIC SODA / CHLORINATED SOLVENTS / COMBUSTION IMPROVER / DIESEL FUEL DETERGENT-CORROSION INHIBITOR / DIESEL FUEL IGNITION IMPROVERS / DISTILLATE FUEL ANTI-STATIC ADDITIVE / ETHYL CHLORIDE / ETHYLENE DIBROMIDE / GASOLINE ANTINKNOCK COMPOUNDS / GASOLINE DETERGENT-DEICER CORROSION INHIBITORS / LINEAR PRIMARY ALCOHOLS (DETERGENT & PLASTICIZER) / LUBRICATING OIL ADDITIVES / METAL DEACTIVATORS / METHYL CHLORIDE / OIL SOLUBLE DYES / ORGANOPHOSPHOROUS CHEMICALS / ORTHOALKYLATED ANTIOXIDANTS / ORTHOALKYLATED PHENOLS AND ANILINES / SPECIAL ORGANOMETALLICS / SODIUM / VINYL BROMIDE / VINYL CHLORIDE.

PLANTS: BATON ROUGE, LA. / DETROIT, MICH. / HOUSTON, TEXAS / MAGNOLIA, ARK. / ORANGEBURG, S.C. / PRINCETON, N.J.

◁ Vinyl bromide, a specialty chemical used as an intermediate in flame retardants, pharmaceuticals, fumigants and other products, is loaded at the Magnolia, Ark., plant for shipment to customers.



ETC 16079

Chemicals International

Sales of chemicals in countries other than the United States accounted for 15% of Ethyl's total sales in 1973. Such sales totaled \$104.8 million, up 22% over 1972's record levels. Ethyl's International Division sells and distributes the full range of the Company's chemicals around the world, except in the U.S. and Canada. Sales in Canada are by Ethyl Corporation of Canada Limited.

Ethyl Corporation of Canada: Shipments of antiknock compounds were at an all-time high in 1973. Contributing factors were an approximate 10% increase in gasoline sales and minimal impact from no-lead and low-lead gasoline sales. Sales of other chemicals in Canada increased in all product lines. The Sarnia, Ontario, plant operated at record levels throughout 1973.

International Division: Sales and earnings in 1973 exceeded 1972 record levels. This growth was a result of increased volume and the improvement of product distribution facilities and practices.

Sales of antiknock compounds continued to increase in all overseas markets in 1973. To promote this growth, Ethyl International added antiknock bulk terminals in the Far East, the Middle East and South America. Construction of other terminals in various areas of the world is planned in 1974 and 1975.

Industrial chemicals sales and earnings, which include aluminum alkyls, more than doubled the 1972 record levels. Engineering is underway for an aluminum alkyl plant in Europe.

PRODUCTS: FULL RANGE OF ETHYL'S CHEMICALS.

PLANTS: THESSALONIKI, GREECE (ETHYL INTERNATIONAL) / SARNIA, ONTARIO, CANADA (ETHYL OF CANADA).

Oil and Gas Exploration: A wholly-owned subsidiary, Ethyl Development Corporation, continued Ethyl's participation in this area in 1973.

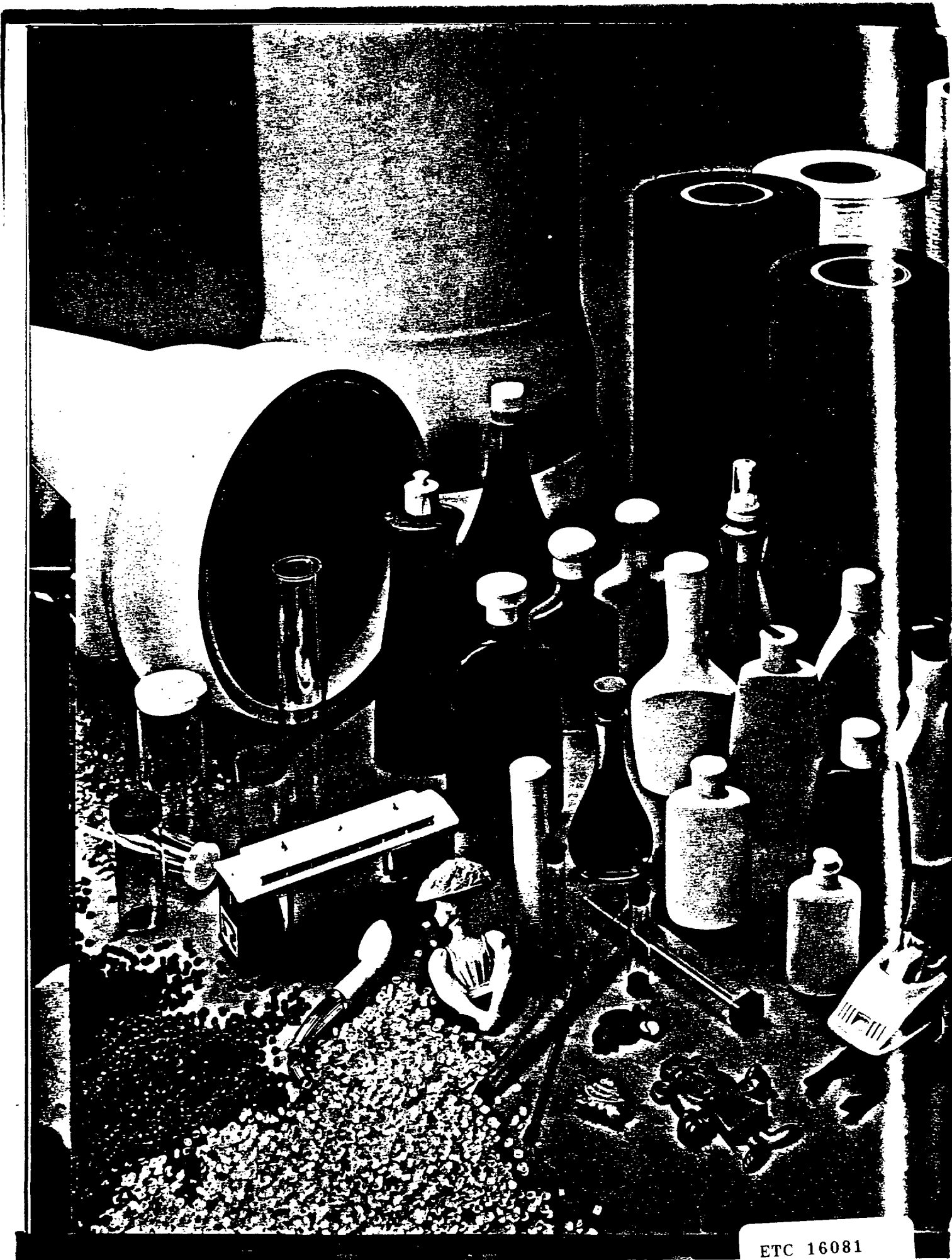
In the North Sea, two exploratory drillings are scheduled in 1974. Ethyl's participation with the Laura-Tenneco Group in the Dutch Sector (Ethyl has a one-sixth interest) covers 12 blocks representing 1.2 million acres. Oil and gas exploration in Canada in 1973, under a joint venture with British Petroleum Oil and Gas, Ltd., included completion of two oil wells in the Red Earth area of the Province of Alberta. Two more wells are scheduled for drilling in this area in 1974. Additional drilling is planned in the Dowling Lake area of Alberta near a dual-zone gas discovery made in 1972. Gas pipeline facilities are scheduled for completion in late 1974 or early 1975 from a gas well discovered in 1972 in the Province of British Columbia. Twenty exploratory wells are scheduled for 1974 in British Columbia and Alberta. The joint venture in Canada continued to acquire interests in additional acreage in 1973. It currently owns an interest in 936,000 acres, compared with 850,000 acres a year earlier.

Ethyl also began drilling in 1973 on a 10,000-acre area in Matagorda County, Texas. A natural gas show was experienced at 15,500 feet during exploratory drilling on this acreage in December. Commercial significance of this gas show cannot be determined until additional drilling and tests can be conducted in 1974.

◁ Ethyl's business is worldwide in scope and ranges from the production of chemicals in Greece to oil and gas exploration in the North Sea and in Canada. A fleet of ships enables Ethyl to encircle the globe and distribute products to a number of strategically located terminals.

CHEMICALS INTERNATIONAL

ALUMINUM



ETC 16081

Plastics

Plastics products accounted for 21% of Ethyl's total sales in 1973. Sales of the Plastics Division were \$146.3 million, up 11% over 1972.

Although gains were made across nearly all product lines, record growth occurred in polyvinyl chloride (PVC) resins and compounds and in PVC pipe.

"IMCO" Container Company had substantial sales gains through the first quarter. There was a leveling of sales, particularly in polyethylene containers, for the rest of the year in line with general economic conditions for the plastic bottle and container industry. Custom injection-molded specialty products and PVC bottles, however, continued to experience strong sales throughout 1973. A new injection molding plant was started up in Bramalea, Ontario, Canada, in the second quarter. This facility, which replaced an outdated plant at Downsview, Ontario, operated at full capacity for the rest of the year. IMCO has begun construction of a new injection molding plant at Excelsior Springs, Mo., to meet needs of growing markets. In November, IMCO purchased Flex Products Corporation of Carlstadt, N.J. This company, which will be operated as the Flex Products Division of IMCO, manufactures extruded plastic tube containers and injection-molded closures. The purchase of Flex Products marks IMCO's entry into extruded plastic containers in addition to its blow and injection-molded lines. IMCO ended the year with the largest backlog in its history.

The "VISQUEEN" Division's polyethylene and PVC film operations reflected good progress in upgrading product lines in several market areas in 1973. Unique polyethylene "taffeta" embossed film was more widely accepted for disposable diapers, hospital underpads, carpet underpadding and agricultural mulch. New film products to replace paper in food packaging were successfully tested for rice,

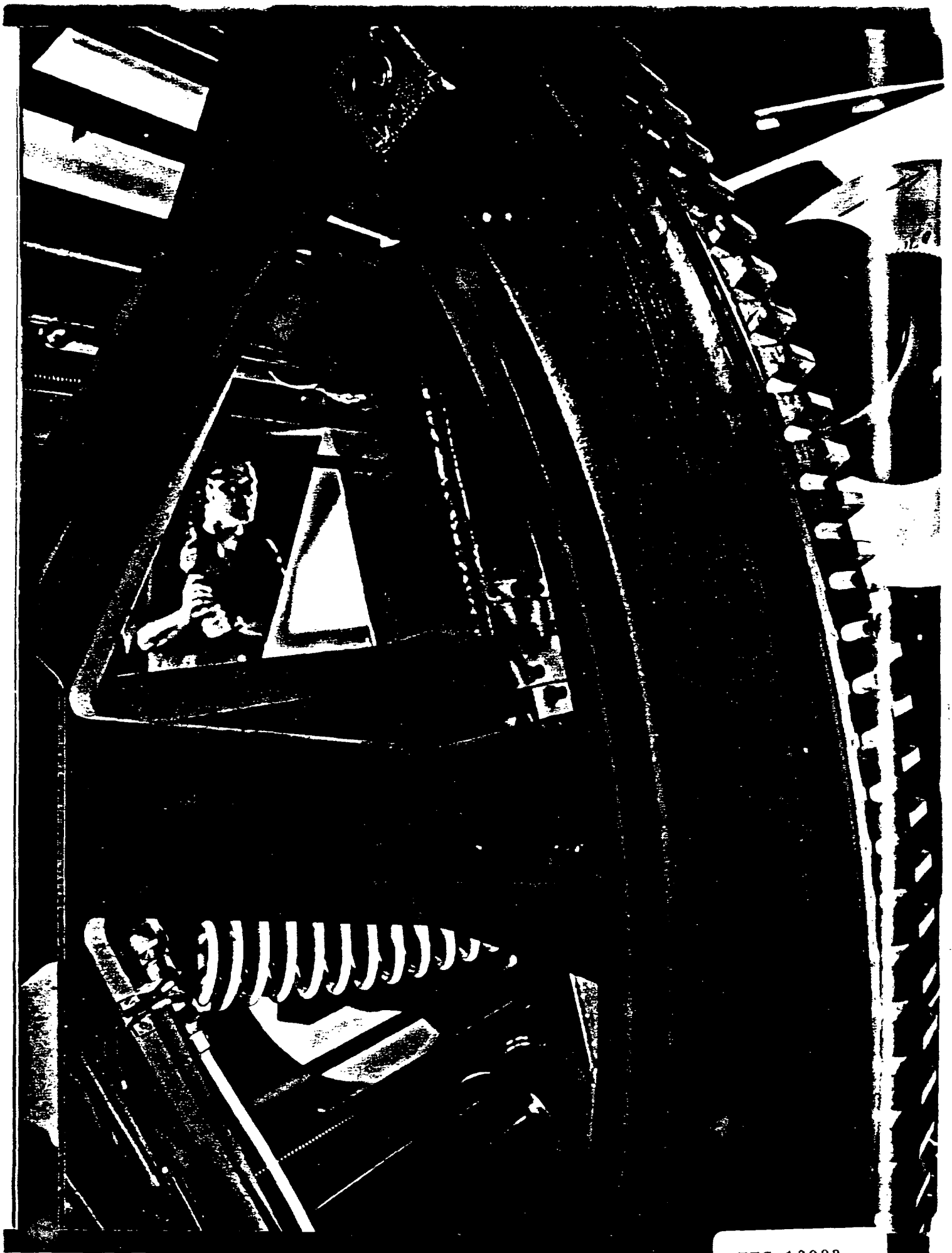
dog food, bacon board and butcher paper. A catalytic shrink ring used to heat-shrink polyethylene film over products was introduced in 1973 with encouraging initial results.

Polymer Division sales in 1973 set records. Sales of PVC resins and compounds were at capacity levels throughout the year with profits up substantially over 1972. Following a pattern established in previous years, the shift to higher profit margin resins and compounds continued. The production of plasticized (soft) compounds was discontinued under this program in order to provide additional capacity for rigid compounds for molding and extrusion products. Production facilities at Baton Rouge, La., for dispersion-type resins were expanded in the third quarter to meet a sharp increase in demand for this specialty product. Additional resin capacity at Baton Rouge will be completed in the second quarter of 1974. Another compounding line is being added at the Tiptonville, Tenn., plant, with completion set for the first quarter of 1974. Production of a high-barrier acrylonitrile resin for film and bottles for hard-to-contain products such as carbonated beverages continued.

The Pipe Products Division continued to experience substantial growth in line with that of the PVC pipe industry. Production levels at the year-old Columbia, Miss., plant reached design capacity and a major expansion was completed in the fourth quarter. The Columbia plant expansion included the addition of capability to produce Ethyl's new belled sewer pipe for gravity-flow systems. PVC pipe is expected to capture a major share of this market because of its ease of installation and performance characteristics. Polybutylene water service line was introduced by Ethyl in 1973. Initial results are good. This product is expected to have continued growth in the municipal and household water service line industry.

PRODUCTS: POLYETHYLENE FILMS FOR PACKAGING, INDUSTRIAL, BUILDING, AGRICULTURAL, PALLET WRAP, BUNDLING AND DISPOSABLES / POLYETHYLENE SHRINK FILMS AND SYSTEMS / PVC PACKAGING FILMS / PVC SHRINK FILMS / PVC RESINS AND COMPOUNDS / PVC CONTAINERS / "GUARDIAN" CONTAINERS / POLYETHYLENE CONTAINERS / EXTRUDED CONTAINERS / POLYPROPYLENE CONTAINERS / BOTTLES, CLOSURES AND OTHER INJECTION MOLDED SPECIALTY PRODUCTS / PVC PIPE AND FITTINGS / PVC SEWER PIPE / POLYBUTYLENE PIPE.

PLANTS: BATON ROUGE, LA. / BELVIDERE, N.J. / BRAMALEA, ONTARIO, CANADA / CARBONDALE, PA. / CARLSTADT, N.J. / COLUMBIA, MISS. / EXCELSIOR SPRINGS, MO. / FLEMINGTON, N.J. / FREMONT, CALIF. / GOLETA, CALIF. / HARRISONBURG, VA. / JEFFERSONVILLE, IND. / KANSAS CITY, MO. (2) / LAGRANGE, GA. / LA MIRADA, CALIF. / LOUISVILLE, KY. / MANCHESTER, IOWA / MISSISSAUGA, ONTARIO, CANADA / ROCKAWAY, N.J. / SANDSTON, VA. / SOUTH GRAFTON, MASS. / TERRE HAUTE, IND. / TIPTONVILLE, TENN. / UNION CITY, CALIF. / VANDALIA, ILL.



ETC 16083

Paper

Paper products accounted for 15% of Ethyl's total sales in 1973. Sales of the Oxford Paper Division were \$102 million, surpassing the \$100 million mark for the first time and up 16% over 1972.

The paper industry in 1973 experienced a substantial upturn in demand with the result that Oxford had the highest sales for any year and operated nearly all year with full backlogs. Despite this stronger market, it was not possible to increase prices during the year to offset the continually rising costs and shortages of labor, raw materials, transportation and taxes. Oxford's prices continued to be controlled under Phase IV regulations issued by the Cost of Living Council and were substantially lower than those of competitors selling similar grades of paper. However, 1973 profits were substantially improved as a result of better product mix.

Improvements continue to be made in operating efficiency at both of Oxford's mills, and operations have benefited from vigorous cost reduction programs. Oxford continued its program of moderniza-

tion and renovation during 1973. This effort included starting of a major rebuild of the No. 11 paper machine at the Rumford, Maine, mill. This roll-coating machine is being converted to a modern blade-coated unit with completion scheduled for 1974. Ultimate cost of this project will be over \$10 million.

Current demand for paper products is significantly over industry capacity. Future demand is expected to be greater than projected industry capacity. However, industry performance is slowed considerably by the shortage of raw materials and chemicals needed for production.

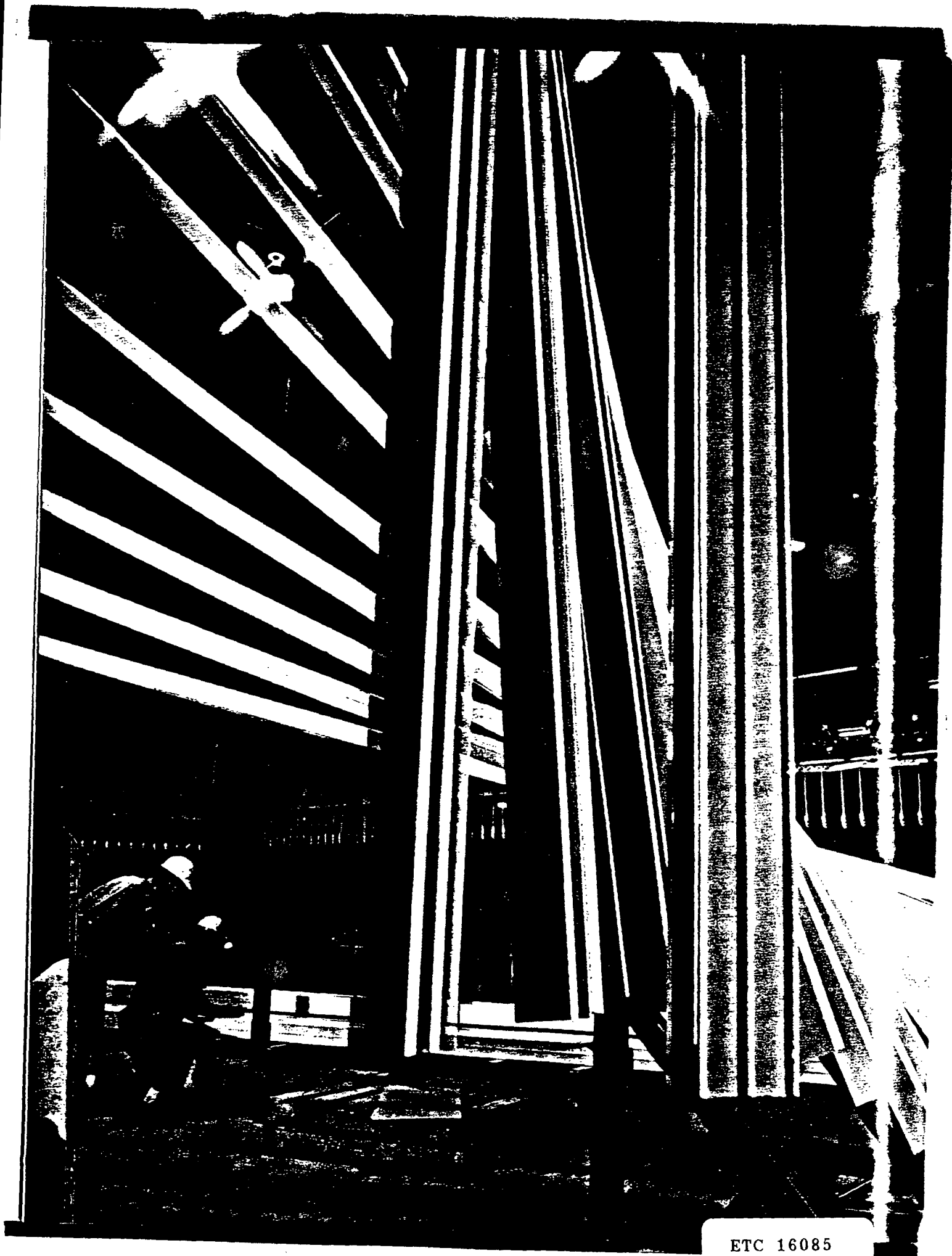
In 1973, effluent treatment facilities were completed and started up in the West Carrollton, Ohio, mill. These facilities will put this mill in compliance with present stream discharge standards. Work has begun on an effluent treatment plant at the Rumford mill which will bring this facility into compliance with present stream discharge standards on a timetable consistent with current Federal and state laws. These treatment facilities will cost approximately \$10 million.

PRODUCTS: COATED LETTERPRESS PAPERS FOR COMMERCIAL PRINTING / COATED OFFSET PAPERS FOR BOOK PUBLISHING, COMMERCIAL PRINTING / UNCOATED LETTERPRESS PAPERS FOR BOOK PUBLISHING, COMMERCIAL PRINTING / UNCOATED OFFSET PAPERS FOR BOOK PUBLISHING, COMMERCIAL PRINTING / COATED AND UNCOATED WEB OFFSET PAPERS FOR MAGAZINES, BOOK PUBLISHING, COMMERCIAL PRINTING / FILM COATED PAPERS FOR BOOK PUBLISHING, COMMERCIAL PRINTING / UNCOATED AND COATED PAPERS (SHEET AND ROLL) FOR MAGAZINES, COMMERCIAL PRINTING, CONVERTING / CONVERTING PAPERS FOR ENVELOPES, BUSINESS FORMS, PAPER MASTERS.

PLANTS: RUMFORD, MAINE / WEST CARROLLTON, OHIO.

This report is lithographed on "LUXCOTE" High Gloss Enamel (basis weight 100 pound text and 80 pound cover), produced by Oxford Paper.

◁ A roll of Oxford Paper is loaded on the revolving backstand of an automatic finishing machine at the Rumford, Maine, mill. This machine cuts rolls of paper to sheet size without requiring further trimming. It is capable of trimming to an accuracy of 1/32nd of an inch.



ETC 16085

Aluminum

Aluminum products accounted for 14% of Ethyl's total sales in 1973. Sales of the Company's two aluminum subsidiaries—The William L. Bonnell Company, Inc., and Capitol Products Corporation—were \$97.9 million, up 15% over 1972.

The William L. Bonnell Company, Inc.: Record sales and operating earnings were achieved in 1973. These gains were made largely through continued demand from major markets, new facilities and increased production efficiencies.

Commercial and residential building construction—together major markets for Bonnell—continued at the high levels of 1972. In the third quarter, a new aluminum extrusion paint line was completed at the Carthage, Tenn., plant. This line provides improved product mix and increased production efficiencies.

Although energy and raw material supplies were tight in the second half, Bonnell was able to maintain production levels as a result of prior contract commitments. Supplies are expected to continue to be tight in 1974.

Bonnell anticipates another good year in 1974, even though high interest rates and inadequate mortgage money are expected to slow construction activity. Building and housing repairs should provide strong sales in 1974 and demand continues high from long-standing customers and from potential new customers who could not be supplied in 1973.

Capitol Products Corporation: Sales again reached record levels in 1973.

Aided by heavy demand from the residential construction and transportation industries, extrusion sales increased about 50% over 1972 levels. Forecasts for 1974 show continued strong demand for soft alloy extrusions in the markets served by Capitol.

Although Capitol's fabricated products sales rose only moderately in 1973, they did reach record levels. These were achieved despite an approximate 10% decline in residential construction. Continued design improvements in thermal-break windows and rolling doors will broaden market coverage in 1974.

New products introduced late in 1973 in Capitol's residential building line included a gambrel roof and barn style "all aluminum" lawn building and a pool-side cabana. Although a decline is forecast for national housing construction in 1974, sales of Capitol's building products are expected to remain strong.

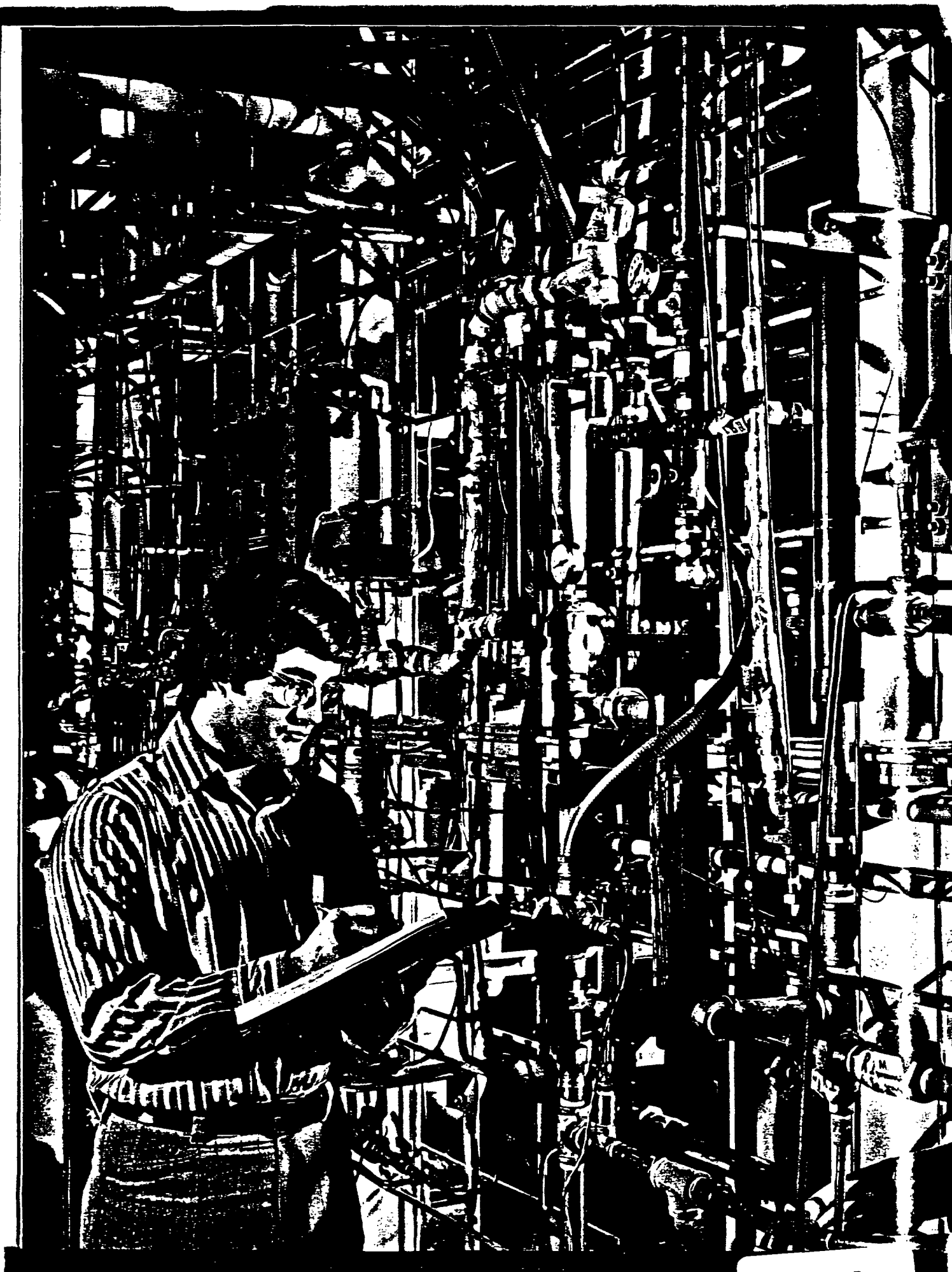
Bauxite Exploration: Early in 1974, Ethyl announced the discovery of a large tri-hydrate bauxite deposit in the Amazon region of Brazil. Preliminary reports and studies confirm that the deposit could represent a major source of bauxite equal to the quality of the world's better bauxites.

Ethyl has been granted exploratory rights on the major tonnage of the deposit and has filed requests for rights on the remaining tonnage. It is estimated that evaluation and engineering studies of the discovery will require about two years.

PRODUCTS: EXTRUDED ALUMINUM SHAPES FOR WINDOWS AND DOORS, STORE FRONTS AND CURTAIN WALLS, BOATS, TRUCKS AND TRAILERS, TUB ENCLOSURES / DECORATIVE ALUMINUM PRODUCTS FOR THE FLOOR COVERING AND HOME BUILDING INDUSTRIES / ALUMINUM WINDOWS AND DOORS / RESIDENTIAL LAWN BUILDINGS.

PLANTS: BONNELL—CARTHAGE, TENN. / NEWNAN, GA. CAPITOL—HARRISBURG, PA. / KENTLAND, IND. / NEW OXFORD, PA. / MECHANICSBURG, PA.

◁ Aluminum architectural shapes create a fan-like effect as they are unracked from a new paint line at the Carthage, Tenn., plant of The William L. Bonnell Company.



ETC 16087

Research & Development

Ethyl invested approximately \$22 million in research and development in 1973. More than 100 domestic and 97 foreign patents were received. Over half of the 1973 R&D effort was in new product areas.

New Product Research: Again in 1973 Ethyl devoted effort to new bromine chemical products based on its strong bromine position. New opportunities include the use of bromine chemicals to disinfect sewage, and as co-catalysts in the production of synthetic fiber monomers. New monomer systems and additives based on bromine and phosphorous for flame-retardance of textiles are under active development. Work on a new phosphorous-containing flame retardant for rayon is essentially complete.

Several new products derived from Ethyl's aluminum alkyl-alcohol-alpha olefin complex at Houston are under active development. Detergent industry interest in alpha olefin sulfonate has intensified. Commercial use has started in some application areas and other potential uses are under consideration. Other detergent-related research has emphasized new and improved actives, foam boosters, foam suppressants, toilet bar soap ingredients and builders.

Economically superior hydrometallurgical processes have been defined for production of high quality metals from copper sulfide concentrates, mixed copper-nickel ores and ocean nodules. Ethyl's new aluminum process work in 1973 concentrated on confirming a suitable ore reserve. This was accomplished and development of major parts of the process will continue in 1974. Drilling and sampling of Ethyl's titanium minerals holdings confirmed extensive deposits. Mining plans and processing techniques have progressed to the point where commercial operations can be defined.

Improved molding and extrusion PVC materials—including foams—were produced in 1973 for use in construction and related applications. New PVC packaging compounds have been developed, especially for bottles. Research on nitrile bar-

rier resins has continued with emphasis on beverage containers and their fabrication methods.

Development for gasoline use of low-level concentrations of AK-33X manganese antiknock compound continued in 1973. Environmental studies by regulatory agencies and by Ethyl indicate no health effects from its use. Road-testing compatibility of the manganese product with prototype models of emission control devices planned for 1975-model cars is underway. Ethyl is also test marketing several different consumer automotive products.

Automotive Emissions Research: Major efforts in 1973 went into the lean reactor approach—modifying engines so they can operate with air-fuel mixtures lean enough to burn most of the combustibles in the engine itself, followed by thermal reaction in the exhaust system of the small amount remaining. Ethyl lean reactor cars, fitted with improved carburetion and other modifications, were tested in 1973 in government laboratories including those of the EPA. Results confirmed Ethyl's data showing that the current lean reactor system can lower emissions, not only below the 1975 U.S. interim emission standards, but also below the more severe 1975 interim emission standards set for California. These results are achieved with fuel economy improvements of from 10% to 14% over corresponding non-modified 1973-model cars.

In refutation of EPA's allegation that dust and dirt constitute important sources by which lead compounds from gasoline can affect the health of children, Ethyl demonstrated in 1973 that most of the lead in dirt around houses is due to flaking paint from the walls of houses. Ethyl also developed data (in cooperative tracer studies with Children's Hospital in Detroit) showing that inner-city children suffering from high blood lead levels did not get this lead from airborne dust. These results confirm that there is no health hazard—present or foreseen—from the use of lead antiknocks in gasoline.

R&D FACILITIES: BATON ROUGE, LA. / DETROIT, MICH. / HOUSTON, TEXAS / ORANGEBURG, S.C. (AUTOMOTIVE EMISSIONS, INDUSTRIAL CHEMICALS, PLASTICS, PETROLEUM CHEMICALS, NEW PRODUCTS) / TERRE HAUTE, IND. (PLASTIC FILM) / KANSAS CITY, MO. (PLASTIC CONTAINERS) / RICHMOND, VA. / RUMFORD, MAINE (PAPER).

◀ A chemical engineer checks process development work at a detergent intermediates pilot plant at Ethyl's R&D facilities in Baton Rouge, La. Pilot plant work is a key step in development of new manufacturing processes, facilities and products.

Consolidated Balance Sheets

ASSETS	<i>December 31</i>	1973	1972
Current assets:			
Cash and short-term securities		\$177,548,000	\$173,837,000
Accounts and notes receivable		90,371,000	83,108,000
Inventories		90,710,000	82,658,000
Prepaid expenses		5,761,000	6,064,000
Total current assets		364,390,000	345,667,000
Property, plant and equipment, at cost:			
Land and land improvements		24,311,000	24,055,000
Development costs, producing properties		5,929,000	5,268,000
Timberlands and standing timber		10,693,000	10,687,000
Buildings		82,246,000	81,172,000
Machinery and equipment		432,006,000	405,875,000
		555,185,000	527,057,000
Less, Accumulated depreciation, depletion and amortization		273,805,000	246,617,000
Net property, plant and equipment		281,380,000	280,440,000
Deferred charges and other assets		8,255,000	8,299,000
Excess of cost of investments over equities in businesses acquired and other intangibles		36,769,000	35,121,000
		\$690,794,000	\$669,527,000

The accompanying notes are an integral part of these statements.

LIABILITIES	December 31	1973	1972
Current liabilities:			
Accounts payable and accrued expenses	\$ 62,551,000	\$ 57,100,000	
Dividends payable	3,390,000	3,289,000	
Notes payable	4,000	409,000	
Long-term debt, current portion	15,995,000	4,025,000	
Income taxes	13,548,000	18,885,000	
Total current liabilities	95,488,000	83,708,000	
Long-term debt:			
Senior	162,230,000	178,495,000	
Subordinated:			
Principal amount	50,000,000	50,000,000	
Less unamortized discount	4,649,000	5,234,000	
Subordinated debt less unamortized discount	45,351,000	44,766,000	
Deferred income taxes	37,928,000	33,019,000	
Provision for employee benefits	6,173,000	6,214,000	
Limited partner's interest	1,061,000	965,000	
SHAREHOLDERS' EQUITY			
Capital stock:			
Cumulative First Preferred Stock, par \$100 per share, 6% Series A	2,900,000	3,013,000	
Cumulative Second Preferred Stock, \$2.40 Convertible Series A, par \$10 per share (aggregate liquidation price \$63,760,000 on 1,518,097 outstanding shares, after treasury stock)	19,621,000	19,621,000	
Common Stock, par \$1 per share	10,173,000	10,164,000	
Capital surplus	43,922,000	43,769,000	
Retained earnings	304,135,000	265,627,000	
	380,751,000	342,194,000	
Less, Treasury stock at cost	38,188,000	19,834,000	
Total shareholders' equity	342,563,000	322,360,000	
	\$690,794,000	\$669,527,000	

The accompanying notes are an integral part of these statements.

Income & Retained Earnings

	Years Ended December 31	1973	1972
Income:			
Net sales		\$699,002,000	\$631,599,000
Miscellaneous income, net		14,716,000	7,187,000
		<u>713,718,000</u>	<u>638,786,000</u>
Cost and expenses:			
Cost of goods sold		518,528,000	460,803,000
Selling and general expenses		76,330,000	73,870,000
Interest and financing costs		16,772,000	17,979,000
Income taxes		49,204,000	41,427,000
		<u>660,834,000</u>	<u>594,079,000</u>
Income before extraordinary item		52,884,000	44,707,000
Extraordinary item			4,535,000
Net income		52,884,000	49,242,000
Retained earnings at beginning of year		265,627,000	229,359,000
Deduct, Cash dividends:			
First Preferred Stock, \$6.00 per share		169,000	169,000
Second Preferred Stock, \$2.40 per share		3,759,000	3,893,000
Common Stock, per share \$1.07½ in 1973 and \$.88½ in 1972		10,448,000	8,912,000
		<u>14,376,000</u>	<u>12,974,000</u>
Retained earnings at end of year		<u>\$304,135,000</u>	<u>\$265,627,000</u>
Earnings per share of Common Stock and common stock equivalents:			
Income before extraordinary item		\$5.02	\$4.03
Extraordinary item			.45
Net income		<u>\$5.02</u>	<u>\$4.48</u>
Pro forma earnings per share of Common Stock and common stock equivalents assuming conversion of the Second Preferred Stock. (If the Second Preferred Stock were converted, its dividend would become \$1.30 per share at the present common dividend rate, as against the present \$2.40 preferred dividend).			
Income before extraordinary item		\$4.47	\$3.65
Extraordinary item			.37
Net income		<u>\$4.47</u>	<u>\$4.02</u>

The accompanying notes are an integral part of these statements.

Changes in Financial Position

Source of Funds:	<i>Years Ended December 31</i>	1973	1972
Operations:			
Income before extraordinary item		\$52,884,000	\$44,707,000
Expenses not requiring outlay of working capital:			
Depreciation, depletion and amortization . . .		33,235,000	34,815,000
Deferred income taxes		4,217,000	768,000
Working capital provided from operations . .		90,336,000	80,290,000
Extraordinary item and related charges of \$4,823,000 not requiring outlay of working capital			9,358,000
Other items—net		483,000	6,050,000
Total		<u>\$90,819,000</u>	<u>\$95,698,000</u>
Application of Funds:			
Additions to property, plant and equipment		\$34,795,000	\$31,508,000
Reduction of long-term debt		16,265,000	16,157,000
Cash dividends		14,376,000	12,974,000
Capital stock reacquired or redeemed		18,440,000	3,096,000
Increase in working capital		6,943,000	31,963,000
Total		<u>\$90,819,000</u>	<u>\$95,698,000</u>
Increase in Working Capital:			
Increase (decrease) in current assets:			
Cash and short-term securities		\$ 3,711,000	\$30,104,000
Accounts and notes receivable		7,263,000	10,676,000
Inventories		8,052,000	1,282,000
Prepaid expenses		(303,000)	2,125,000
		<u>18,723,000</u>	<u>44,187,000</u>
Increase (decrease) in current liabilities:			
Accounts payable and accrued expenses		5,451,000	12,038,000
Dividends payable		101,000	131,000
Notes payable		(405,000)	(2,591,000)
Long-term debt, current portion		11,970,000	(5,177,000)
Income taxes		(5,337,000)	7,823,000
		<u>11,780,000</u>	<u>12,224,000</u>
Increase in Working Capital		<u>\$ 6,943,000</u>	<u>\$31,963,000</u>

The accompanying notes are an integral part of these statements.

Capital Surplus

	Years Ended December 31	1973	1972
Balance at beginning of year		\$43,769,000	\$44,041,000
Acquisition cost of the final 750 outstanding warrants (equivalent to 36,000 shares of unissued common stock) including broker's commission			(578,000)
Excess of cash received over par value of 8,859 and 28,040 shares of Common Stock issued under stock option plan		126,000	279,000
Excess of par value over cost of 1,130 and 1,129 shares of First Preferred Stock cancelled		27,000	27,000
Balance at end of year		<u>\$43,922,000</u>	<u>\$43,769,000</u>

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Consolidation Principles The accompanying financial statements include the accounts and operations of all wholly-owned subsidiaries, and the accounts and operations of Bromet Company, in which Ethyl Corporation has an 80% partnership interest.

Translation of Foreign Currencies Foreign currency assets and liabilities are translated into U. S. dollars at year-end exchange rates except for property, plant and equipment, accumulated depreciation, and depreciation expense which are translated at exchange rates prevailing at the dates of acquisition. Income and expenses other than depreciation are translated at weighted average exchange rates for the year. Unrealized gains or losses arising from translation are credited or charged to a reserve for foreign exchange fluctuations which is classified as a current liability. Unrealized losses in excess of the reserve are charged to income. As of December 31, 1973 and 1972 the reserve balances were \$478,000 and \$494,000, respectively.

Inventories Inventories are stated at the lower of cost or market with cost determined on the last-in, first-out basis for a major portion of parent company inventories and on either average cost or first-in, first-out for other inventories.

Depreciation Provisions for depreciation are based on the estimated useful lives of depreciable property, plant and equipment and are computed generally on the straight-line method. Expenditures for renewals and betterments are capitalized and expenditures for ordinary repairs and maintenance are charged to income as incurred. The costs and accumulated depreciation applicable to assets retired or sold are removed from the respective accounts, and gains or losses thereon are included in income.

Unamortized Discount Unamortized discount on long-term debt is amortized by charges to income on straight-line bases over periods ending from 1979 to 1983.

Exploration Costs Bonus and deposit payments, geo-physical costs of active exploration prospects and drilling costs of active exploratory wells are capitalized as deferred costs. Such costs will be amortized if commercial discoveries are made or charged to income if prospects are abandoned. Costs of dry holes (unless valuable in defining active prospects) and annual charges related to prospects are charged to income.

Intangibles The excess of cost of investments over equities in businesses acquired prior to November 1, 1970 (\$34,472,000), is not being amortized.

Research and Development Costs Research and development costs are generally charged to income as incurred.

Retirement Income Plans Annual pension costs are actuarially determined and include amortization of prior service costs generally over periods ranging up to 30 years. The policy of the Corporation and its subsidiaries is to fund pension costs accrued.

Income Taxes Deferred income taxes arise from timing differences between financial and income tax reporting of various items principally depreciation, intangible drilling and development costs and provisions for termination or write-down of plant facilities and provisions for income taxes on undistributed earnings of certain subsidiaries.

The investment tax credit is accounted for by the flow-through method as a reduction of the provision for income taxes in the year realized.

Earnings Per Share Earnings, and pro forma earnings, per common share are computed using the weighted average number of shares of common stock outstanding during the year including common stock options as common stock equivalents. Proceeds from common stock equivalents are assumed to be used to purchase outstanding shares of the Corporation's common stock.

Shares used in the computation of earnings per share were:

	Earnings Per Share	Pro Forma Earnings Per Share
1973	9,756,992	11,793,684
1972	10,086,799	12,200,515

2. Short-Term Securities:

Short-term securities, amounting to \$171,401,000 at December 31, 1973, and \$165,129,000 at December 31, 1972, are stated at cost plus earned income which approximates market value.

3. Inventories:

	1973	1972
Inventories include:		
Finished goods	\$36,377,000	\$36,248,000
Raw materials and work in process	39,006,000	34,199,000
Stores, supplies, etc.	15,327,000	12,211,000
	<u>\$90,710,000</u>	<u>\$82,658,000</u>

Inventories stated on the last-in, first-out basis amounted to \$39,849,000 at December 31, 1973, and \$39,201,000 at December 31, 1972, which are below replacement cost by approximately \$7,600,000 and \$1,250,000, respectively.

4. Internal Revenue Service Examination:

The Corporation has received reports of the Internal Revenue Service proposing additional income taxes for the eight taxable periods ended December 31, 1969. See caption "Internal Revenue Service Examination" in the Financial Results Section (page 6) of this report for further information.

5. Long-Term Debt:

Reference is made to captions "Summary of Long-Term Debt" and "Summary of Debt Maturities to 1983" in the Financial Results Section (page 7) of this report for information concerning the Corporation's long-term borrowings.

6. Capital Stock:

Transactions in capital stock during 1973 were as follows:

	Issued		Treasury	
	Shares	Amounts	Shares	Amounts
Cumulative First Preferred (authorized, 1,000,000 shares):				
January 1, 1973	30,134	\$ 3,013,400	1,986	\$ 151,428
Purchases			138	9,824
Cancelled	(1,130)	(113,000)	(1,130)	(86,160)
December 31, 1973	<u>29,004</u>	<u>\$ 2,900,400</u>	<u>994</u>	<u>\$ 75,092</u>
Cumulative Second Preferred (authorized, 10,000,000 shares):				
January 1, 1973	1,962,059	\$19,620,590	366,485	\$16,526,729
Converted into Common Stock			77	770
Purchases			77,400	2,852,057
December 31, 1973	<u>1,962,059</u>	<u>\$19,620,590</u>	<u>443,962</u>	<u>\$19,379,556</u>
Common (authorized 25,000,000 shares):				
January 1, 1973	10,164,174	\$10,164,174	128,613	\$ 3,156,360
Issued under stock option plan	8,859	8,859		
Purchases			489,400	15,578,155
Issued upon conversion of cumulative second preferred	100	100		
December 31, 1973	<u>10,173,133</u>	<u>\$10,173,133</u>	<u>618,013</u>	<u>\$18,734,515</u>

The Cumulative First Preferred is redeemable at \$101 at the option of the Corporation and is preferentially entitled to par value in involuntary liquidation and the redemption price in voluntary liquidation. Annual sinking fund payments of approximately \$114,000 are required for mandatory redemption.

Each share of Cumulative Second Preferred is convertible into 1.3 shares of common stock. The voluntary or involuntary liquidation value of the Cumulative Second Preferred Stock is the greater of (1) \$42 per share or (2) an amount equivalent to the book value of that number of shares of common stock into which such preferred stock is convertible. The aggregate excess of liquidation price over par value on shares of outstanding stock is approximately \$48,579,000 as of December 31, 1973. These shares are callable at \$75 per share, plus accrued dividends.

7. Stock Option Plans:

At December 31, 1972, under the Corporation's restricted stock option plan, there were outstanding options to officers and other key employees for the purchase of 9,859 shares of common stock at prices ranging from \$11.08 to \$32.35. During 1973 there were no options granted, options for 8,859 shares were exercised, and options for 1,000 shares expired. No further grants may be made under this plan and there are no outstanding options to purchase shares.

Under the Corporation's qualified stock option plan, 300,000 shares of unissued common stock are reserved for issuance to officers and other key employees at 100 per cent of fair market value on the date of grant. An option to purchase 29,500 shares at \$30.00 per share, granted in January 1973, was outstanding at December 31, 1973.

There were no charges to income under the plans.

8. Retained Earnings Restriction:

The Corporation's articles of incorporation and note agreements contain restrictions, among others, against the payment of cash dividends. At December 31, 1973, \$22,520,000 of retained earnings (a decrease of \$6,138,000 from December 31, 1972, resulting principally from purchases of the Corporation's common and preferred stock) is free of such restriction under the agreement presently most restrictive.

9. Depreciation, Depletion and Amortization:

Depreciation and depletion charged to income amounted to \$32,380,000 and \$33,675,000 in 1973 and 1972, respectively. Amortization of deferred charges and intangibles charged to income amounted to \$855,000 and \$1,140,000 in the respective years.

10. Income Taxes:

Income tax expense, excluding amounts applicable to the 1972 extraordinary item, is composed of the following:

	1973	1972
Currently payable:		
United States	\$32,947,000	\$31,689,000
State	4,380,000	3,050,000
Foreign	7,660,000	5,920,000
Deferred	4,217,000	768,000
	<u>\$49,204,000</u>	<u>\$41,427,000</u>

Deferred income tax expense for 1973 results principally from timing differences resulting from depreciation and provision for income taxes on undistributed earnings of certain subsidiaries.

The provision for U.S. income taxes currently payable was reduced (and net income increased) by investment tax credits of \$1,743,000 and \$1,508,000 in 1973 and 1972 respectively.

No provision has been made for additional income taxes that might result from the remittance to the Corporation of undistributed earnings of \$3,900,000 of a foreign subsidiary since it is the intention of the Corporation to continue to reinvest such amount of earnings indefinitely.

11. Employee Retirement Plans:

The Corporation and its subsidiaries provide retirement benefits for substantially all of their employees under several different plans funded with insurance companies or corporate trustees. Plan contributions charged to income, approximating \$9,168,000 in 1973 and \$8,550,000 in 1972, are irrevocably devoted to the payment of retirement and other benefits for employees and their beneficiaries.

Under certain plans, the actuarially computed value of vested benefits at the respective plan valuation dates exceeded the market value of plan assets by approximately \$9,100,000 (an increase of \$1,200,000 from 1972 resulting from a decline in the market value of pension fund assets), with full funding anticipated in the valuation method by the time each employee becomes eligible to retire.

12. Extraordinary Item:

In 1972, a Canadian subsidiary received payment of the award of \$10,481,000, including interest, from the Canadian Province of New Brunswick as compensation for the expropriation of certain timberlands. The net gain amounted to

\$4,535,000 after provision for income taxes of \$4,812,000, of which \$3,689,000 is deferred.

13. Lease Commitments:

Total rental expense was \$10,246,000 for 1973 and \$8,468,000 for 1972.

Following are the rental commitments under all non-cancellable leases as of December 31, 1973:

Years	Total	Transportation Equipment	Office, Warehouse and Plant Space	Other
1974	\$6,255,000	\$3,337,000	\$2,072,000	\$846,000
1975	4,793,000	2,184,000	1,890,000	719,000
1976	3,548,000	1,280,000	1,733,000	535,000
1977	3,041,000	1,038,000	1,618,000	385,000
1978	2,435,000	938,000	1,188,000	309,000
1979-83	7,898,000	3,592,000	4,027,000	279,000
1984-88	4,040,000	324,000	3,697,000	19,000
1989-93	3,667,000		3,649,000	18,000
Remainder	7,738,000		7,625,000	113,000

The present value of commitments under non-capitalized financing leases and the effect on net income if such leases were capitalized are not material.

14. Subsequent Event:

On January 7, 1974, the Corporation acquired 283,050 shares (27%) of the common stock of The Elk Horn Coal Corporation at \$25 per share and offered to purchase the balance of the shares outstanding for the same price. As of February 22, 1974, the Corporation had acquired approximately 95% of the outstanding shares at a total cost of about \$25,000,000.

Auditors' Report

To the Board of Directors and Shareholders of Ethyl Corporation:

We have examined the consolidated balance sheet of Ethyl Corporation and Subsidiaries as of December 31, 1973, and the related consolidated statements of income and retained earnings, capital surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the Corporation's consolidated financial statements for the year ended December 31, 1972.

In our opinion, the aforementioned statements present fairly the consolidated financial position of Ethyl Corporation and Subsidiaries at December 31, 1973 and 1972, and the consolidated results of their operations and the consolidated changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Suite 1000
Seventh and Franklin Bldg.
Richmond, Virginia 23219
February 22, 1974

Coopers & Lybrand
COOPERS & LYBRAND

Ten Year Summary

ETHYL CORPORATION AND SUBSIDIARIES

(In Thousands of Dollars Except Earnings and Equity Per Share)

Years Ended December 31	1973	1972	1971	1970	1969	1968	1967 ⁽¹⁾	1966	1965	1964
SALES AND INCOME										
Net sales	\$699,002	\$631,599	\$577,058	\$556,856	\$509,302	\$509,072	\$468,938	\$465,823	\$375,837	\$335,663
Income before income taxes and extraordinary items	102,088	86,134	73,816	70,231	66,044	61,094	51,663	62,876	48,306	41,004
Depreciation, depletion and amortization	33,235	34,815	32,845	31,949	29,562	31,076	30,749	28,411	25,233	22,161
Income before extraordinary items	52,884	44,707	38,240	35,582	33,024	31,502	29,662	37,306	27,989	21,059
Net income	52,884	49,242	34,914	37,199	29,524	31,502	29,662	37,306	27,989	21,059
FINANCIAL CONDITION										
Working capital	268,902	261,959	229,996	209,724	176,499	176,302	129,757	107,244	92,840	103,194
Ratio of current assets to current liabilities	3.82 to 1	4.13 to 1	4.22 to 1	4.54 to 1	2.71 to 1	3.47 to 1	3.52 to 1	2.83 to 1	3.07 to 1	3.19 to 1
Property, plant and equipment (Net)	281,380	280,440	283,678	298,771	293,200	269,761	301,345	306,073	280,112	240,216
Capital expenditures	37,664	31,508	24,383	64,190	53,312	64,158	26,943	59,116	57,654	35,876
Long-term debt	207,581	223,261	238,834	247,757	223,165	207,550	198,263	210,724	214,315	216,083
Shareholders' equity	342,563	322,360	289,459	274,159	252,885	243,896	228,948	200,687	160,187	132,498
COMMON STOCK										
Weighted average number of shares outstanding ⁽²⁾	9,756,992	10,086,799	10,140,533	10,138,482	10,169,972	10,171,893	10,164,357	10,073,508	10,120,773	9,853,712
Earnings per share	\$ 5.02	\$ 4.03*	\$ 3.36*	\$ 3.06*	\$ 2.77*	\$ 2.61	\$ 2.41	\$ 3.21	\$2.32	\$1.68
Pro forma earnings per share, assuming conversion of the Second Preferred Stock ⁽³⁾	\$ 4.47	\$ 3.65*	\$ 3.09*	\$ 2.85*	\$ 2.61*	\$ 2.46	\$ 2.29	\$ 2.94	\$2.22	\$1.68
Equity per share ⁽⁴⁾	\$28.89	\$25.17	\$21.64	\$19.62	\$17.18	\$15.73	\$13.88	\$12.12	\$9.18	\$7.18

* Before extraordinary items. After extraordinary items, would be \$4.48 and \$4.02 in 1972, \$3.03 and \$2.82 in 1971, \$3.22 and \$2.98 in 1970 and \$2.43 and \$2.33 in 1969, respectively.

(1) Includes Oxford operations for entire year. All prior years reflect the merger of Oxford into Ethyl on a pooling of interests basis.

(2) Including common stock equivalents.

(3) If the Second Preferred Stock were converted, its dividend would become \$1.30 a share at the present common dividend rate, as against the present \$2.40 preferred dividend.

(4) Reflects a deduction for the liquidating value of the Second Preferred Stock, and is based on the number of shares outstanding at the end of each year, treating warrants and common stock options as common stock equivalents.

Directors

- LAWRENCE E. BLANCHARD, JR.
S. DOUGLAS FLEET
Retired Vice President
M. F. GAUTREAUX
JAMES M. GILL
- BRUCE C. GOTTWALD
- FLOYD D. GOTTWALD
- FLOYD D. GOTTWALD, JR.
- ROBERT HERZOG
A. B. HORN, JR.
GEORGE F. KIRBY
President,
Texas Eastern Transmission Corp.,
Houston, Texas
- JOSEPH M. LOWRY
ANDREW M. McBURNEY
ROBERT T. MARSH, JR.
Retired Chairman of the Board,
First & Merchants National Bank,
Richmond, Va.
- JAMES F. MILLER
Vice Chairman—Management Committee,
Blyth Eastman Dillon Co., Inc.,
New York, N.Y.
- CLARENCE M. NEHER
MELVIN M. PAYNE
President,
National Geographic Society,
Washington, D.C.
- W. THOMAS RICE
Chairman & Chief Executive Officer,
Seaboard Coast Line Industries, Inc.,
Richmond, Va.
- SIDNEY BUFORD SCOTT
Partner,
Scott & Stringfellow,
Richmond, Va.
- ERWIN H. WILL
Honorary Chairman of the Board,
Virginia Electric & Power Co.,
Richmond, Va.

* Member of the Executive Committee

Officers and Staff

- FLOYD D. GOTTWALD, JR.
Chairman of the Board,
Chief Executive Officer,
Chairman—Executive Committee
- BRUCE C. GOTTWALD
President
- FLOYD D. GOTTWALD
Vice Chairman—Executive Committee
- LAWRENCE E. BLANCHARD, JR.
Executive Vice President
- ROBERT HERZOG
Executive Vice President
- M. F. GAUTREAUX
Senior Vice President—
Research & Development
- JAMES M. GILL
Senior Vice President—Chemicals Group
- A. B. HORN, JR.
Senior Vice President—
International Division
- JOSEPH M. LOWRY
Senior Vice President
- CLARENCE M. NEHER
Senior Vice President—Plastics Division
- LLOYD B. ANDREW
Vice President,
Director—Financial Relations
- WALLACE F. ARMSTRONG
Vice President—Manufacturing
- C. RAYMOND HAILEY
Vice President,
President—Oxford Paper Division
- ARTHUR W. HELWIG
Vice President,
Secretary—Executive Committee;
Director—Planning & Profit
Improvement
- HOWARD E. HESSELBERG
Vice President—Air Conservation
- THOMAS M. SMYLYE
Vice President—Aluminum
- FREDERICK P. WARNE
Vice President,
Secretary and General Counsel
- FRANK J. McNALLY
Treasurer
- JAMES H. KIRBY
Controller
- KARL F. CAST
Director—Central Systems &
Data Processing
- CHARLES E. COLVIN
Director—Purchasing & Traffic
- B. D. HARRISON
Budget Director
- JAMES B. LONERGAN
Director—Advertising & Sales Promotion
- G. SAMUEL ROBERTS
Chief Engineer
- STEPHEN B. RODI
Director—Corporate Employee Relations
- CHARLES H. ZEANAH
Director—Corporate Public Relations

Divisions

Oxford Paper

- ANDREW M. McBURNEY
Executive Vice President
- HUGH H. BAIRD, JR.
Vice President & Controller
- RUSSELL H. CHAMBLISS, JR.
Vice President—Sales
- S. D. DILLON
Vice President—
National Accounts, West
- C. RICKERT LEWIS
Vice President—
National Accounts, East
- RICHARD A. PREMO
Vice President—Manufacturing

Chemicals Group

Petroleum Chemicals

- JOHN F. KOEHNLE
Divisional Vice President
& General Manager
- T. E. LOCKERBIE
General Manager—Product
Development & Sales Application
- A. T. ROWE
Director—Marketing
- W. W. SABIN
Technical Director

Industrial Chemicals

- ROGER A. MOSER
General Manager
- H. WARREN REES
General Sales Manager
- KERRY C. SORRELLS
Sales Manager

Instruments

- R. J. OSTRANDER
General Manager

Ethyl International

- M. WHITLOCK
Manager—Operations
- W. J. RUSHER
General Manager—Sales
- L. N. APPELGATE
Director—Exploration

Ethyl S.A.

- R. R. DOWNEY
Managing Director

Ethyl Hellas Chemical Company S.A.

- E. G. AMOLOCHITIS
Deputy Managing Director
- J. D. SPEARMAN
Plant Manager

Ethyl Corporation of Canada Limited

- KENNETH A. FREBERG
President
- JAMES H. MAIN
Manager—Petroleum Additives
- ROBERT H. SHANNON
Manager—Chemical Products

Plastics

- PAUL E. WEIMER
Director—Financial Controls
- JAMES R. LEES
Director—Marketing

Imco Container Company

- RICHARD F. SANDS
President
- HANCEL B. BONDS
Executive Vice President
- ROBERT D. BISHOP
Vice President—
Sales & Marketing
- MARION HIERMAN
President—Imco of Canada
- ROBERT X. HAFELE
Vice President—
Research & Development
- GEORGE E. ROONEY
Vice President—Finance

VisQueen Film Division

- ROLAND E. MCKENZIE
General Manager
- HARRY C. BYRNE, JR.
Director—Sales
- JOHN K. SHIFFLER
General Sales Manager

Polymer Division

- CHARLES W. MONTGOMERY
General Manager
- EUGENE R. SCHUTZ
General Sales Manager

Pipe Products Division

- RAY WILKINS, JR.
General Manager
- L. RAY McCULLEY
Sales Manager

Aluminum

- E. MALCOLM HARVEY
President & Treasurer
The William L. Bonnell Co., Inc.
- ALBERT H. COPP
General Manager—Mineral Resources
- WILLIAM H. MORGAN
General Manager—Marketing
& Product Development

The William L. Bonnell Company, Inc.

- LLOYD L. REYNOLDS
Vice President & General Manager
- WARREN H. BROCKWAY
Vice President & General
Sales Manager
- JOHN C. DUNN
Vice President—Industrial Sales
- DONALD A. WAGNER
Vice President—Manufacturing
- FRANK DANIELS, JR.
Assistant Treasurer

Capitol Products Corporation

- JOSEPH T. COLLIFLOWER
President
- GEORGE S. THUMBERT
Executive Vice President
- WALLACE FREMONT
Vice President
- DONALD G. HORNING
Vice President

Corporate Headquarters
330 South Fourth Street
Richmond, Va. 23219
(804) 644-6081

Executive Offices
451 Florida Street
Baton Rouge, La. 70801
(504) 348-0131
100 Park Avenue
New York, N.Y. 10017
(212) 679-2000

Stock Transfer Agents
First & Merchants National Bank
Richmond, Va.
Chase Manhattan Bank, N.A.
New York, N.Y.

Registrars of Stock
Bank of Virginia—Central
Richmond, Va.
Morgan Guaranty Trust Co.
New York, N.Y.

General Counsel
Hunton, Williams, Gay & Gibson
Richmond, Va.

Stock Listings
New York Stock Exchange
Pacific Coast Stock Exchange

Ticker Symbol: EY

Number of Employees
Approximately 14,000

ETHYL CORPORATION
330 South Fourth Street
Richmond, Virginia 23219

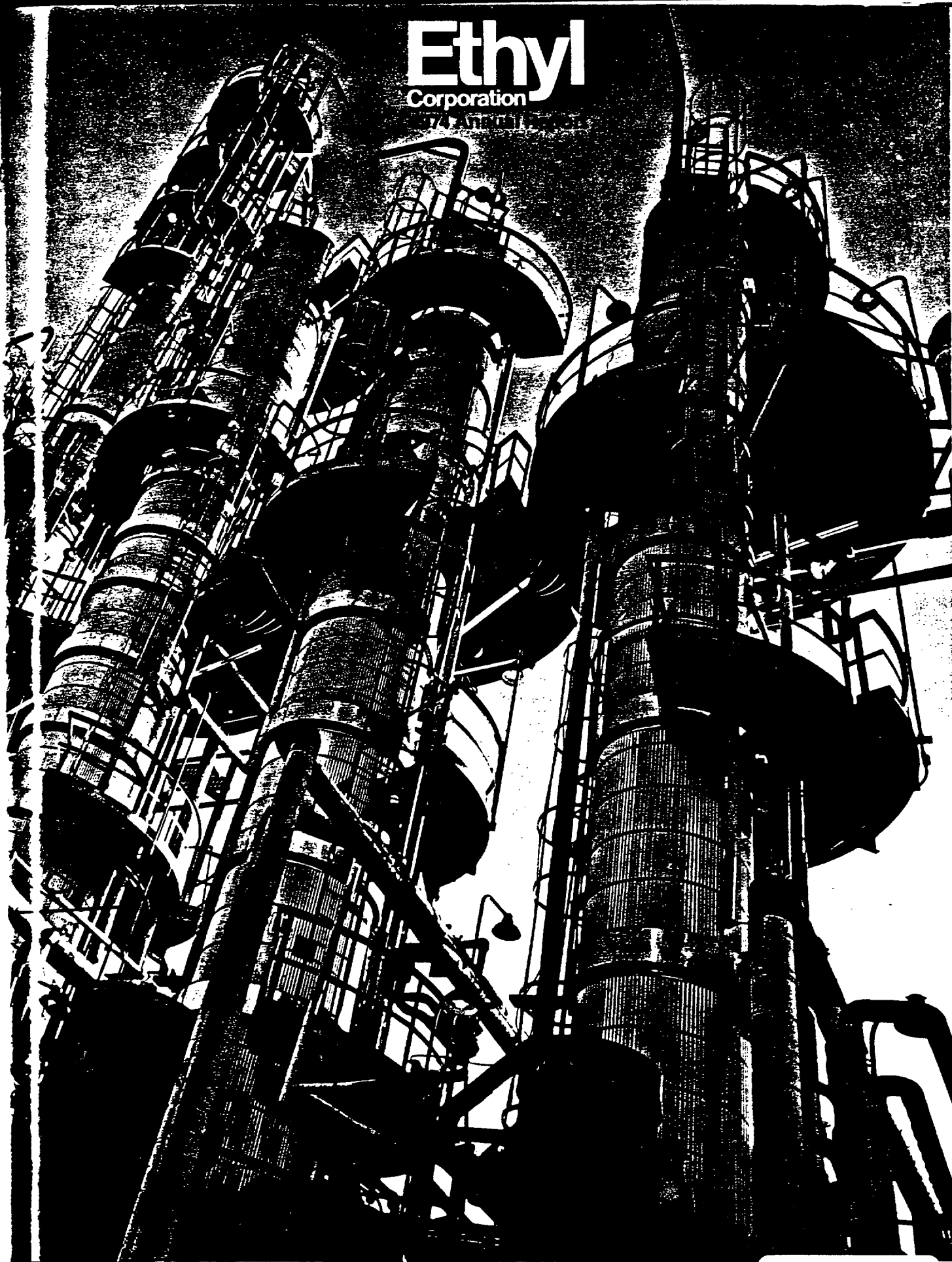
Ethyl
Corporation

Ethyl Corporation, headquartered in Richmond, Va., has facilities and services which encircle the globe. The Company maintains offices, manufacturing and product distributing facilities on five continents and employs over 14,000 people in activities ranging from the production of chemicals to oil and gas exploration. Through diversification since 1962, Ethyl has added to its chemicals business other product areas and activities including plastics, paper, aluminum, oil and gas exploration, instrumentation, coal and other minerals.

Ethyl

Corporation

745 WILSON BLVD.



ETC 16099

1974
\$1,019,559
74,297
40,176
195,237
200,004
\$ 7.41
\$ 1.25
\$34.61
9,512,470

To the Shareholders of Ethyl Corporation:

Your attention is called to the fourth paragraph in the "Message to Shareholders" in which we refer to a recent opinion of the U.S. Court of Appeals for the District of Columbia Circuit in favor of Ethyl's position. On March 18, after printing this report and during preparations to mail it, we were advised that the Court has granted a re-hearing by the full nine-judge Court. Meanwhile, it has vacated the prior judgment and opinion. No date has been set for the re-hearing. Ethyl will, of course, continue to defend the position it has taken from the beginning.

MESSAGE TO SHAREHOLDERS

To the Shareholders of Ethyl Corporation:

Our 1974 sales, net income and earnings per share set new Company records. Sales were up 46% and passed the billion-dollar mark for the first time, net income increased 40% and earnings per share rose 48%. These increases reflected the continued success of our diversification efforts and internally generated projects as well as the intensity of our cost control program.

Net sales for 1974 were \$1,019,559,000, compared with \$699,002,000 in 1973. Net income was \$74,297,000, or \$7.41 a share, in 1974 versus \$52,884,000, or \$5.02 a share, for 1973. The 1974 results reflect Ethyl's earlier announced intention to extend the last-in, first-out (LIFO) method of inventory valuation to domestic inventories previously accounted for on first-in, first-out (FIFO) or average cost.

We are pleased to note that 1974 represents the seventh consecutive year of increases in income and earnings per share from operations. Details of our operations are included in other sections of this report, and we hope you will read the full report.

Late in 1973, Ethyl and other lead antiknock producers petitioned the U.S. Court of Appeals for the District of Columbia Circuit to review and set aside the Environmental Protection Agency's (EPA) regulations that would have begun the gradual phase-down of lead in gasoline on January 1, 1975. In late January of this year, the court issued its opinion ruling in favor of Ethyl's petition and ordered the regulations set aside. Subsequently, EPA indicated it would either seek a re-hearing or appeal this court decision. At this time, we have no way of knowing the final outcome. Naturally, we are extremely gratified that the decision was on the merits of the issue and that the majority of the court has upheld the position Ethyl has taken for many years that medical and scientific evidence does not show that the use of lead in gasoline endangers public health. The majority of the court held that the EPA had misinterpreted its statutory authority under the Clean Air Act and, in addition, that the action by the EPA was "arbitrary and capricious" because the evidence did not support the EPA's findings that auto emissions contributed significantly to blood lead levels in adults or children. Lead antiknocks for more than 50 years have served as energy extenders, and this court ruling would allow these products to continue conservation of our dwindling crude oil supplies.

The court ruling does not affect the EPA regulation requiring general availability of one grade of lead-free gasoline. That regulation went into effect July 1, 1974, and is based on the fact that most 1975 model cars are equipped with catalytic converters that require lead-free gasoline. Operation of these catalytic converter cars has not been of sufficient duration to prove their endurance or their octane requirements, and, aside from the penalty of requiring lead-free gasoline, a number of health questions have been raised about sulfate emissions from the converters themselves.

While shipments of our domestic and Canadian antiknocks were reduced slightly in 1974, this was offset largely by growing international sales. Most foreign countries have recognized the importance of the role lead antiknocks play in conserving crude oil in this period of shortages. We believe our international antiknock sales will continue to grow. With governmental regulation, our tentative projections indicate that domestic sales of antiknock compounds may decrease in volume and certainly will continue to represent a decreasing percentage of Ethyl's total sales and earnings as a result of our diversification program. However, because of the strength of international sales, we believe antiknocks will continue to constitute a major product of the Company for years to come whether or not there is a domestic reduction in use of lead in gasoline.

In 1974, we invested approximately \$115 million in two major acquisitions. In the first quarter, we bought Elk Horn Coal Corporation, a coal land leasing company, for approximately \$25 million. Elk Horn showed dramatic financial improvement during the year and has potential for significant contribution to Ethyl's operations. (See page 9 of the Operations Review section.) In the second quarter, we acquired VCA Corporation, a diversified manufacturer of plastic and metal products, aerosol valves and atomizer and dispenser pumps, for approximately \$90 million. (See page 14 of the Operations Review section and the centerfold insert.) Both of these acquisitions represent significant steps in our continuing diversification program.

Ethyl and other producers of vinyl chloride and polyvinyl chloride are being confronted with extremely stringent environmental standards for these products that are being imposed as a result of recent health findings on industrial plant exposures. The Company is making every effort to find feasible ways to comply with these newly issued regulations. Long-range economic feasibility is not yet determined, and it is impossible to assess the potential impact these regulations may have on our chemicals and plastics operations pending further research and development work on methods of meeting the standards.

To comply with environmental laws and the requirements of the Occupational Safety and Health Act (OSHA), Ethyl, like many other companies, is having to spend large sums annually. Costs for such projects were about \$4 million in 1973 and about \$8 million in 1974, and we estimate that they may run in the range of \$10 to \$15 million per year for the next several years. In addition, since our basic raw materials are hydrocarbons and therefore derived from crude oil, Ethyl experienced very sharp cost increases in 1974 for most of its major raw materials. Generally, we have been able to pass along most of these costs and those associated with OSHA and environmental projects and have continued to have good operating results. However, the reflection of these increased costs in our prices is of great concern to us since the ultimate impact is on consumer prices and therefore contributes to inflation.

Overall, 1974 has been a great year for Ethyl—the greatest in its history. It is particularly pleasing to report another record performance in the light of so many difficulties in the economy. Many observers are making dire predictions about the outlook for all industry in 1975. We recognize that the year is going to be one of new challenges, but we remain optimistic and are still expecting another good year in 1975.

We again make special note of our sincere appreciation of the continued support and loyalty of our employees, shareholders, customers and suppliers.

Floyd D. Gottwald Jr. *Bruce C. Gottwald*

Floyd D. Gottwald, Jr.
Chairman of the Board
Chief Executive Officer

Bruce C. Gottwald
President

February 28, 1975



FINANCIAL RESULTS OF 1974

ETHYL CORPORATION AND SUBSIDIARIES

Net Sales The following table sets forth Ethyl's net sales represented by each of its lines of business for the period 1970-1974:

Net Sales by Lines of Business (In Thousands of Dollars)

	1974		1973		1972		1971		1970	
	Net Sales	Percent of Total	Net Sales	Percent of Total	Net Sales	Percent of Total	Net Sales	Percent of Total	Net Sales	Percent of Total
Chemicals:										
Domestic ..	\$ 337,499	33%	\$248,043	35%	\$240,553	38%	\$229,605	40%	\$226,843	41%
Foreign	149,935	15	104,761	15	85,560	14	75,117	13	71,944	13
Plastics (a)...	306,076	30	146,323	21	132,108	21	111,038	19	102,748	18
Paper	115,099	11	101,957	15	88,185	14	85,666	15	92,283	17
Aluminum	100,234	10	97,918	14	85,193	13	75,632	13	63,038	11
Coal (b)	10,716	1								
Total ..	<u>\$1,019,559</u>	<u>100%</u>	<u>\$699,002</u>	<u>100%</u>	<u>\$631,599</u>	<u>100%</u>	<u>\$577,058</u>	<u>100%</u>	<u>\$556,856</u>	<u>100%</u>

(a) Includes VCA Corporation from its acquisition in April 1974.

(b) Elk Horn Coal Corporation acquired in January 1974.

Profit Contribution The following table shows, with respect to the Company's lines of business, the respective operating profits before income taxes, extraordinary items and certain corporate expenses that are not practical to identify with a particular line of business:

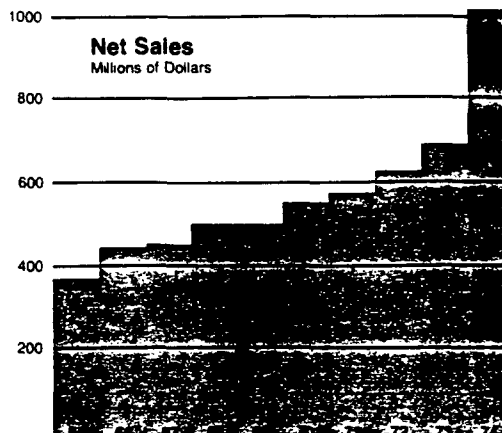
Operating Profit by Lines of Business After Identifiable Corporate Expenses (In Thousands of Dollars)

	1974		1973		1972		1971		1970	
	Operating Profit	Percent of Operating Profit	Operating Profit	Percent of Operating Profit	Operating Profit	Percent of Operating Profit	Operating Profit	Percent of Operating Profit	Operating Profit	Percent of Operating Profit
Chemicals:										
Domestic ..	\$ 78,008	43%	\$ 69,951	53%	\$ 73,542	60%	\$ 71,966	66%	\$ 66,936	68%
Foreign	39,427	22	26,074	20	20,627	17	17,649	16	15,345	16
Plastics (a)...	43,723	24	18,842	14	14,554	12	11,349	10	7,406	8
Paper	11,618	6	6,024	5	1,921	2	970	1	3,413	3
Aluminum	3,362	2	10,417	8	11,197	9	8,021	7	4,471	5
Coal (b)	5,518	3								
Total ..	<u>\$181,656</u>	<u>100%</u>	<u>\$131,308</u>	<u>100%</u>	<u>\$121,841</u>	<u>100%</u>	<u>\$109,955</u>	<u>100%</u>	<u>\$ 97,571</u>	<u>100%</u>

(a) Includes VCA Corporation from its acquisition in April 1974.

(b) Elk Horn Coal Corporation acquired in January 1974.

The operating profits used for purposes of the above table include charges for general and administrative and research and development expenses at the corporate level which are identifiable with each line of business but do not include charges that are not practical to identify with lines of business. The latter comprise financing costs (net of investment income), research and development expense in new product areas, exploration costs and other unallocated charges, as shown in the following table:



	1974	1973	1972	1971	1970
Net Sales	\$ 9,463	\$ 2,750	\$10,941	\$12,563	\$10,208
Research and Development	8,769	7,873	4,561	6,695	4,011
Depreciation and Amortization	6,415	21,315	2,337	1,651	535
Other	18,237	17,282	16,863	15,230	12,586
Total	\$43,471	\$29,220	\$35,799	\$36,139	\$27,340

Within this principal line of business, Petroleum and Industrial Chemicals often involve a long period of manufacture, research and development and in many instances are complicated in terms of raw materials, intermediates and by-products. Consequently, net sales of chemical products can be determined accurately without allocation, which is not practicable in management's judgment to make accurate allocations within the chemicals line of business to determine the relative contribution of various operating profits by classes of chemical products. Because the petroleum and industrial chemicals (which are the largest contributor to chemical sales and profits) are integral with the use of antiknock in gasoline, any substantial reduction or elimination of antiknock in gasoline would adversely affect the costs and profitability of the Company's other petroleum chemicals business as well.

Net Sales of Similar Products (In Thousands of Dollars)

The following table sets forth the amounts and percentages of net sales of each of the major classes of similar products for the period 1970-74:

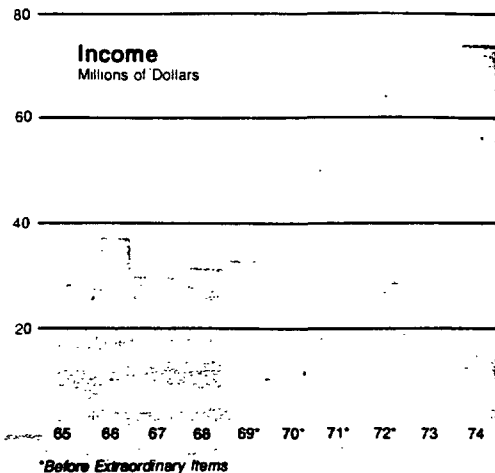
	1974	1973	1972	1971	1970
Net Sales	\$243,521	\$225,993	\$224,161	\$229,114	\$229,114
Percent of Total	35%	36%	39%	41%	41%
Net Sales	109,180	100,120	122,551	69,668	69,668
Percent of Total	15%	16%	18%	15%	15%
Net Sales	146,373	132,108	111,038	102,748	102,748
Percent of Total	21%	21%	18%	18%	18%
Net Sales	101,957	88,185	83,666	92,228	92,228
Percent of Total	14%	14%	15%	15%	15%
Net Sales	97,910	85,193	75,555	63,038	63,038
Percent of Total	14%	13%	13%	13%	13%
Total	\$699,002	\$631,599	\$577,054	\$556,856	\$556,856
Percent of Total	100%	100%	100%	100%	100%

Net Sales of Similar Products from its acquisition in April 1974:

Net Sales of Similar Products from its acquisition in January 1974:

The petroleum and industrial chemicals (which comprise most of the Petroleum Chemicals business) remain the Company's principal product and contribute to the Company's net sales a substantially higher percentage than their 27% contribution to total sales.

Summary of Statements of Income A five-year summary of consolidated statements of income is set forth on page 22. Until 1974, net sales increases were principally from increases in existing lines of business. Sales for 1974 increased significantly from 1973 primarily due to the acquisitions of VCA Corporation and Elk Horn Coal Corporation. The increase in net sales for 1974 was also the result of increased sales of petroleum and industrial chemicals. Selling and general expenses in 1974 increased significantly from previous years as a result of the acquisitions of VCA and Elk Horn Corporation and the new product developments in research and development, the expansion of the Company's automotive products and the amount of exploration costs.



charged to operations. Depreciation, depletion and amortization and maintenance and repairs have increased over the years as a result of capital expenditures and generally higher costs. The change in miscellaneous income, net, in 1973 in comparison with the other years resulted from higher interest income from a large cash balance in that year, much of which was expended in cash acquisitions early in 1974. Extraordinary items represent (1) in 1972 the net gain in settlement of expropriated Canadian timberlands, (2) in 1971 provision for cost of shutdown of an obsolete Massachusetts paper mill and (3) in 1970 principally adjustment for liquidation of the investment in the Ethyl-Dow ethylene dibromide plant, gain on sale of an office lease and provision for write-down of a California chemical plant.

Quarterly Sales, Net Income and Earnings per Share Net sales, net income and earnings per share for each quarter in 1974 exceeded those for comparable quarters of any other year in the Company's history. Net income, earnings per share and pro forma earnings per share assuming conversion of the Second Preferred Stock for the first three quarters of 1974 have been restated to reflect the extension of the last-in, first-out (LIFO) method of inventory valuation to domestic inventories previously accounted for on first-in, first-out (FIFO) or average cost. The effect of this change was to reduce net income for 1974 by \$6,509,000, or 68 cents a share. (Refer to Item 4, Notes to Financial Statements, page 25.)

(In Thousands of Dollars)	Net Sales		Net Income	
	1974	1973	1974	1973
First Quarter	\$ 196,247	\$164,084	\$12,225	\$12,135
Second Quarter	263,534	179,167	17,789	14,292
Third Quarter	298,239	177,211	22,595	14,539
Fourth Quarter	261,539	178,540	21,688	11,918
Total Year	<u>\$1,019,559</u>	<u>\$699,002</u>	<u>\$74,297</u>	<u>\$52,884</u>

	Earnings per Share		Pro Forma Earnings per Share	
	1974	1973	1974	1973
First Quarter	\$1.18	\$1.12	\$1.06	\$1.01
Second Quarter	1.77	1.36	1.54	1.20
Third Quarter	2.28	1.39	1.96	1.23
Fourth Quarter	2.18	1.15	1.89	1.03
Total Year	<u>\$7.41</u>	<u>\$5.02</u>	<u>\$6.45</u>	<u>\$4.47</u>

Capital Expenditures and Acquisitions During 1974, about \$195 million was spent on acquisitions and capital projects for new plants, expansions and modernizations, compared with \$38 million in 1973. Of that amount, approximately \$115 million was spent on acquisitions, including \$90 million for the purchase of 100% of the stock of VCA Corporation, a producer of plastic and metal packaging products as well as aerosol valves and atomizer and dispenser pumps for such packages; \$25 million for the purchase of 95.8% of the stock of Elk Horn Coal Corporation, a coal land company. In addition, about \$6 million was spent for the purchase of 12.7% of the stock of Cooper Laboratories, a pharmaceutical company. Expenditures in 1974 included about \$8 million for pollution abatement and OSHA projects, and over the next several years it is estimated that annual expenditures in the range of \$10 to \$15 million can be expected for such purposes.

Total Assets

Millions of Dollars

65 66 67 68 69 70 71 72 73 74

Common Dividend Increased The Board of Directors increased the regular quarterly dividend on the Common Stock during 1974 from 25 cents to 30 cents per share, effective with the July 1, 1974, payment. In addition, the directors declared a special dividend of 10 cents a share on the Common Stock payable November 15, 1974. The following table shows the quarterly dividends declared in 1974 and 1973:

	1974	1973
First Quarter	\$.25	\$.22½
Second Quarter	.30	.25
Third Quarter	.30	.25
Fourth Quarter (Includes special of 10 cents in each year)	.40	.35
	<u>\$1.25</u>	<u>\$1.07½</u>

In addition, regular quarterly dividends of 60 cents a share on the \$2.40 Cumulative Second Preferred Stock and \$1.50 a share on the 6% First Preferred Stock were paid during 1973 and 1974.

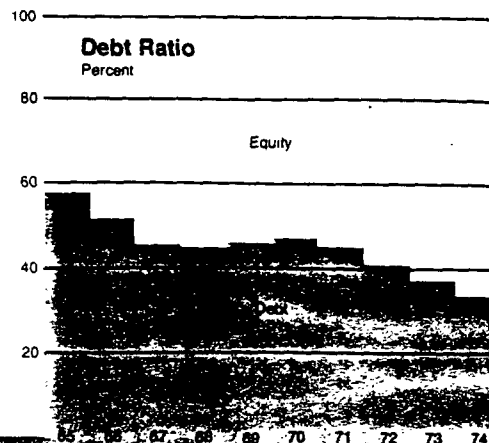
Market Prices of Listed Stock The Company's Common Stock and \$2.40 Cumulative Second Preferred Stock are traded principally on the New York Stock Exchange. The following table shows the reported high and low prices of these listed stocks, by quarters, for the years 1973 and 1974:

		Common		\$2.40 Cumulative Second Preferred	
		High	Low	High	Low
1973	First Quarter	\$32½	\$26½	\$48	\$39½
	Second Quarter	30¾	25¼	43¾	38¾
	Third Quarter	35¼	26¾	48	39¾
	Fourth Quarter	38¾	18¾	50¾	30¾
1974	First Quarter	30	21½	40	33¾
	Second Quarter	28	22¾	39¾	34½
	Third Quarter	26¼	19	38¾	26
	Fourth Quarter	27½	19½	36¾	27½

Internal Revenue Service Examination The Internal Revenue Service has completed its examination of the Company's first eight taxable periods after the 1962 Ethyl-Albemarle merger through the calendar year 1969. The IRS has proposed tax increases of \$31 million, including interest, which would total \$43 million if assessed on the same basis through 1974. The IRS position results primarily from differences in the valuation of assets acquired in the merger and the allocation of values between tangible and intangible assets. The IRS valuation of assets was made by a government engineer during the course of its examination. The Company based its asset valuation on an appraisal by independent appraisers made at the time of the merger.

It is the opinion of the Company's counsel that the tax increase proposed by the IRS is far in excess of any tax which ultimately might be payable by the Company on the basis of a reasonable asset valuation. The Company does not accept the IRS proposal and will continue to contest it.

Working Capital Provided from Operations Sets a Record Working capital provided from operations (refer to Changes in Financial Position—page 23) amounted to a record \$120.9 million in 1974, compared with \$90.3 million in 1973. This was sufficient



In 1974 to provide for reduction of long-term debt, capital stock acquisitions, dividends and provide substantial funds for capital expenditures.

At December 31, 1974, working capital was \$200 million and the ratio of current assets to current liabilities was 2.57 to 1, compared with working capital of \$268.9 million and a ratio of 3.82 to 1 at December 31, 1973.

Long-Term Debt As of December 31, 1974, the long-term portion of Ethyl's debt was \$203.9 million, equal to 34% of the Company's total capitalization.

Debt repayments during 1974 amounted to \$20 million. These consisted of payments of \$12,000,000 on the 7.6% Senior Notes due 1986, \$2,500,000 on the 7 1/2% Promissory Notes due 1983, \$1,250,000 on the 4 1/4% Promissory Notes due 1983, \$3,000,000 on VCA Convertible Debentures and \$1,261,000 on Miscellaneous Debt.

Summary of Long-Term Debt

Senior Debt

7.6% Senior Notes (\$94 million—due 1975-86) and 7 1/2% Promissory Notes (\$45 million—due 1975-83)		\$139,000,000
The Prudential Insurance Company of America		
The Equitable Life Assurance Society of the United States		
The Northwestern Mutual Life Insurance Company		
New York Life Insurance Company		
4% Promissory Notes—due 1975-83		20,250,000
The Northwestern Mutual Life Insurance Company		
John Hancock Life Insurance Company		
New York Life Insurance Company		
Promissory Notes—due 1977-81 (variable interest rate based on the prime commercial rate)		10,000,000
Seven Banks		
Miscellaneous	5,439,000	\$174,689,000

Subordinated Debt

5% Subordinated Notes—due 1979-82		50,000,000
Various Institutional Investors		
Less unamortized discount (the balance of the amount corresponding to the proceeds of warrants sold with the Notes in 1962), reflecting an imputed total interest rate of 7.4%	4,085,000	45,935,000
Total Debt at December 31, 1974		220,624,000
Current Portion of Debt		16,714,000
Long-Term Debt		\$203,910,000

Summary of Debt Maturities to 1984

	5% Subordinated Notes Due 1979-82	7.6% Senior Notes Due 1986	7 1/2% Promissory Notes Due 1983	4 1/4% Promissory Notes Due 1983	Promissory Notes Due 1977-81	Miscellaneous Debt To	Total Amount
1975 \$		\$12,000,000	\$2,500,000	\$1,250,000		\$984,000	\$18,714,000
1976		12,000,000	2,500,000	1,250,000		869,000	16,419,000
1977		12,000,000	2,500,000	1,250,000	1,250,000	828,000	17,828,000
1978		22,000,000	2,500,000	1,250,000	2,500,000	350,000	28,600,000
1979	8,000,000	3,000,000	7,000,000	1,250,000	2,500,000	301,000	22,051,000
1980	8,000,000	3,000,000	7,000,000	1,250,000	2,500,000	247,000	21,997,000
1981	8,000,000	3,000,000	7,000,000	1,250,000	1,250,000	253,000	20,753,000
1982	26,000,000	3,000,000	7,000,000	1,250,000		159,000	37,409,000
1983		6,000,000	7,000,000	10,250,000		166,000	23,416,000
1984		6,000,000				173,000	6,173,000

Chemicals sold domestically accounted for 33% of Ethyl's 1974 sales. Sales were \$337.5 million, up 36% over 1973. **Petroleum Chemicals Division:** Sales revenues from lead antiknocks were about 9% higher largely due to inflation and price increases. Sales volume was down about 8% reflecting the effects on gasoline sales of the international oil embargo, lower premium gasoline use and broader marketing of unleaded gasoline during the second half.

In January, a Federal court ruled in favor of the Company's petition to set aside regulations to phase down lead in gasoline. (See *Message to Shareholders*.)

Sale of "Ethyl" MMT (methylcyclopentadienyl manganese tricarbonyl) as an antiknock for unleaded gasoline began in April 1974. Substantial interest in MMT continues.

Sales of petroleum additives for fuels and lubricants continued to improve. Antioxidants were in high demand and new markets were developed for industrial lubricants. A new gasoline detergent established a solid market position. **Industrial Chemicals Division:** Record sales were achieved, up 74% over 1973. Heavy demand was placed on nearly all production facilities. Some sales were limited by either plant capacities or feedstock shortages, including ethylene, chlorine and aromatic hydrocarbons. The most severe shortage was for chlorine. Chlorine supplies are expected to be adequate in 1975.

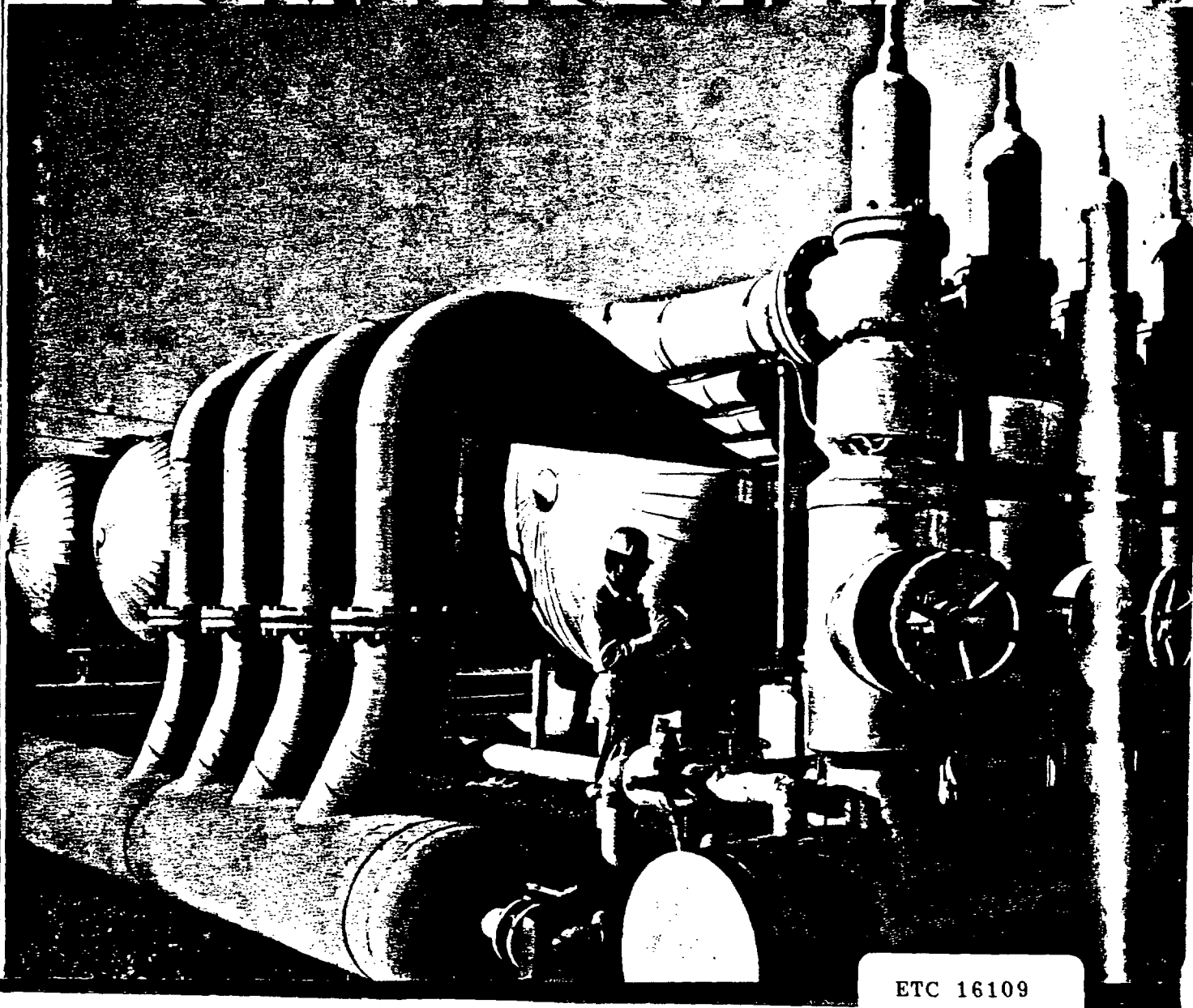
Production of specialty chemicals in 1974 was at capacity in newly expanded facilities. Additional expansions for specialty chemicals at the Houston and Orangeburg, S.C., plants are under con-

struction, with completion of some phases scheduled in 1975.

Detergent alcohol capacity was increased modestly in 1974 while a major expansion of long-chain alpha olefin production was completed early in the year. Both Houston facilities operated at high rates. Major expansions of these operations are expected to begin in 1975. Production volume and sales of chlorinated solvents and vinyl chloride were limited for nearly all the year by shortage of chlorine.

Instrument Division: While this division continued to operate at a moderate loss, sales improved largely as a result of the emphasis on clean air regulations and the need for precision measurement of emission sources. Air Monitoring, Inc. and Ethyl Intertech Corporation are the two outlets. Sales

DOMESTIC CHEMICALS



improved for equipment to monitor stack emissions from stationary sources such as power plants, refineries and chemical plants. Added emphasis was given to computer control systems for monitoring industrial production.

Consumer Automotive Products Division: Ethyl formed this division in the first quarter to package and market automotive products to consumers. Initial products are two crankcase additives—one to prolong engine life, the other for worn engines which burn excessive oil—and a gasoline detergent to help clean dirty fuel systems and improve performance. After test marketing in 1973 and early 1974, sales were expanded to a multi-state area.

Elk Horn Coal Corporation: In the first quarter, Ethyl completed acquisition of 95.8% of the stock of Elk Horn. Total

investment was approximately \$25 million. Elk Horn owns about 130,000 acres of coal land, primarily in Eastern Kentucky.

In 1974, Elk Horn's revenue from all sources was a record \$10.7 million. Principal revenue came from royalty income from coal-bearing lands leased to others. Royalty income was up sharply because of greatly increased coal prices and increased coal production. An Elk Horn subsidiary—West Virginia Belt Sales and Repairs, Inc., which makes and markets mine and mill supplies—had substantial sales gains.

Increased demand for coal to meet expanding energy requirements was the primary factor in record coal production levels from mining properties in 1974. Coal production from Elk Horn properties was 4.1 million tons in 1974 versus 3.6 million tons in 1973.

PRODUCTS: ALKYL ALUMINUM HALIDES / ALPHA OLEFINS (DETERGENT & PLASTICIZER) / ALPHA OLEFIN SULFONATES / ALUM / ALUMINUM ALKYL / ANTIOXIDANTS / AUTOMOTIVE EMISSION TEST SYSTEMS / BROMINE / BROMINE CHEMICALS / COAL MINE SUPPLIES / CAUSTIC SODA / CHLORINATED SOLVENTS / COMBUSTION IMPROVER / DIESEL FUEL DETERGENT-CORROSION INHIBITOR / DIESEL FUEL IGNITION IMPROVERS / DISTILLATE FUEL ANTISTATIC ADDITIVE / ETHYL CHLORIDE / ETHYLENE DIBROMIDE / GASOLINE ANTIKNOCK COMPOUNDS / GASOLINE DETERGENT-DEICER CORROSION INHIBITORS / INDUSTRIAL TEST SYSTEMS / LINEAR PRIMARY ALCOHOLS (DETERGENT & PLASTICIZER) / LUBRICATING OIL ADDITIVES / METAL DEACTIVATORS / METHYL CHLORIDE / OIL SOLUBLE DYES / ORGANOPHOSPHOROUS CHEMICALS / ORTHO-ALKYLATED ANTIOXIDANTS / ORTHOALKYLATED PHENOLS AND ANILINES / REFINERY BLENDING CONTROLS / SMOKE METERS / SPECIAL ORGANOMETALLICS / SODIUM / VINYL BROMIDE / VINYL CHLORIDE.

PLANTS: BATON ROUGE, LA. / DETROIT, MICH. / HOUSTON, TEXAS / MAGNOLIA, ARK. / ORANGEBURG, S.C. / PRINCETON, N.J.

PHOTOS: Left—Chain growth reactors in the alpha olefin production facility in Houston. Top Right—Expanding energy requirements led to record coal production from Elk Horn's leased property. Bottom Right—Industrial chemical distillation columns at Houston.

INTERNATIONAL CHEMICALS-
OIL & GAS

PAPER

PLASTICS

RESEARCH & DEVELOPMENT



Chemicals sold outside the United States accounted for 15% of Ethyl's 1974 sales. These foreign sales totaled \$149.9 million, an increase of 43% over record levels achieved in 1973. Ethyl Corporation of Canada Limited is responsible for sales in Canada. Ethyl International sells and distributes the full range of the Company's chemicals around the world.

Ethyl Corporation of Canada: Antiknock shipments were lower in 1974 although revenue was higher because of increased prices. Contributing factors were reduced refinery output during the international oil embargo, reduced export of gasoline and significantly reduced premium gasoline sales because of an increasing number of lower compression ratio automobiles in Canada.

Canadian automotive emission standards are less stringent than those in the U.S. and required levels are being reached with most new cars continuing to use leaded gasoline.

Sales of other chemicals in Canada remained high. The expansion of polyethylene and polypropylene plants in Canada is expected to maintain high demand for aluminum alkyls as catalysts. The multi-product chemicals unit at the Sarnia, Ontario, plant operated at record production levels in 1974.

Ethyl International: Sales and earnings passed previous-year records and reflected increases in volume and efficiencies in worldwide distribution.

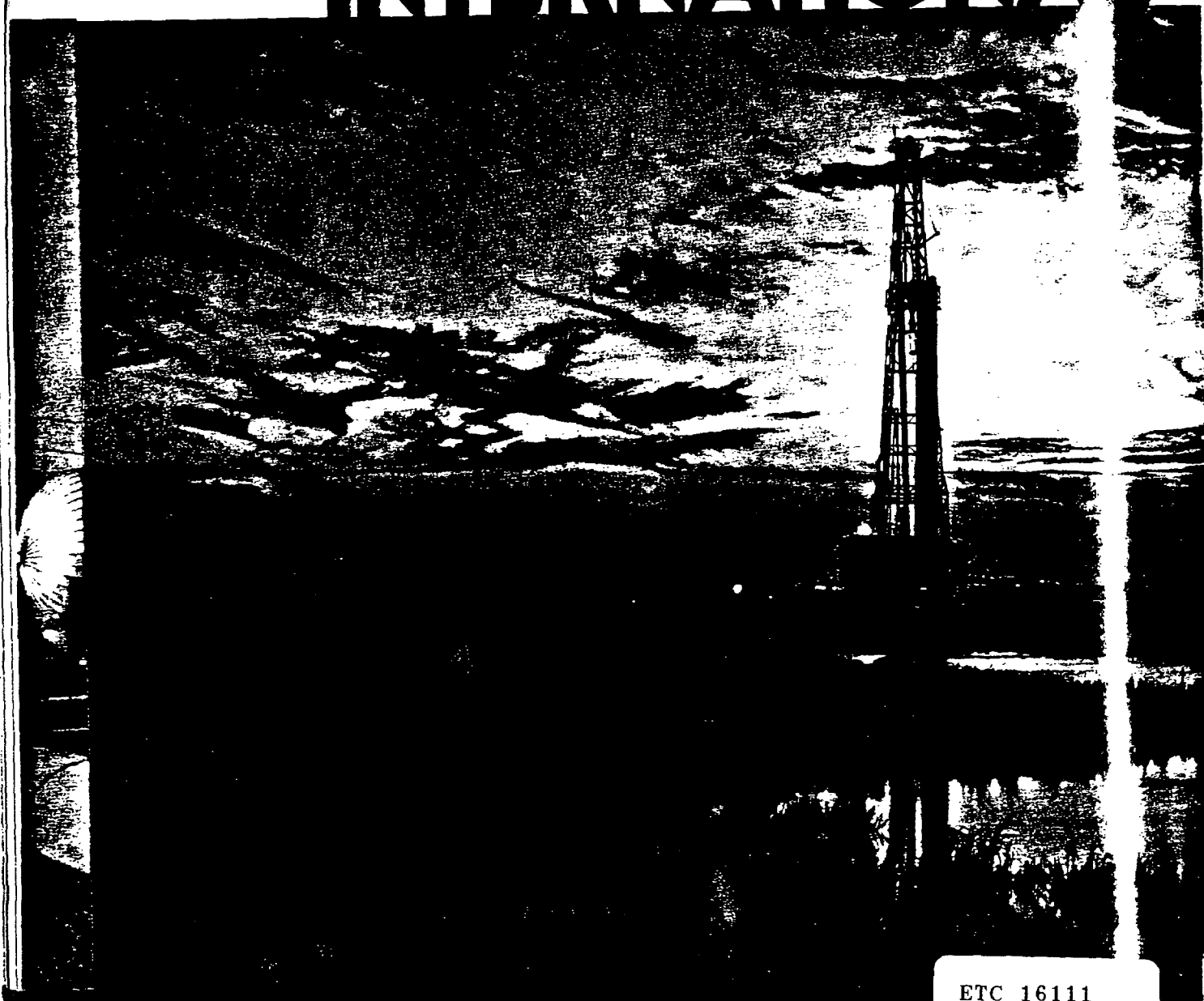
Antiknock compounds experienced sales gains in all world markets except Japan. Ethyl International continued to aid sales with new antiknock bulk dis-

tribution facilities at Santos, Brazil, and Ipraz, Turkey. Expansion of customer distribution facilities in Peru, Spain and the Virgin Islands also was completed in 1974. Plans for 1975 include the addition of major terminals in Taiwan and Indonesia—the first such facilities in the Far East.

To augment service to the worldwide network of terminals, two ships were added in 1974 to the fleet of bulk chemical carriers available to the Company. The added shipping capacity enables Ethyl to provide the necessary support for increasing international sales.

Continued emphasis on industrial chemicals in 1974 was reflected in sales and earnings that were up significantly from the record levels of 1973. Gains are expected for industrial chemicals in 1975. Reflecting confidence in market

INTERNATIONAL



growth for these products, Ethyl International plans to begin construction of a multi-product aluminum alkyls manufacturing plant in Feluy, Belgium, in the second quarter of 1975. The plant is scheduled to begin operation during the second half of 1976. Initially, the Belgian facility will represent an investment of approximately \$11 million.

Oil and Gas Exploration: Seven new discoveries were made in 1974. One well is located in the Dutch Sector of the North Sea, five wells are in the northern part of the Canadian Province of Alberta and the seventh well is in Matagorda County, Texas.

Ethyl Development Corporation, a wholly-owned subsidiary, has a one-sixth interest in the Laura-Tenneco group, which holds 12 lease blocks in the Dutch Sector of the North Sea totaling 1.2 million acres. The group con-

tinued its exploration activities in the North Sea during 1974 and plans to drill additional wells in 1975.

All exploration in Canada is conducted jointly with British Petroleum Oil and Gas, Ltd. Exploration was conducted in 1974 in northern and central Alberta, northeastern British Columbia and in the Northwest Territories near Great Bear Lake. Acquisition of petroleum and natural gas leases in western Canada continued. Ethyl currently owns interests in 3.6 million acres, compared with 936,000 acres at the end of 1973. Oil production has been achieved from three wells in central Alberta. Additional wells are planned for 1975. Three earlier-discovered gas wells in Canada will go into production in 1975.

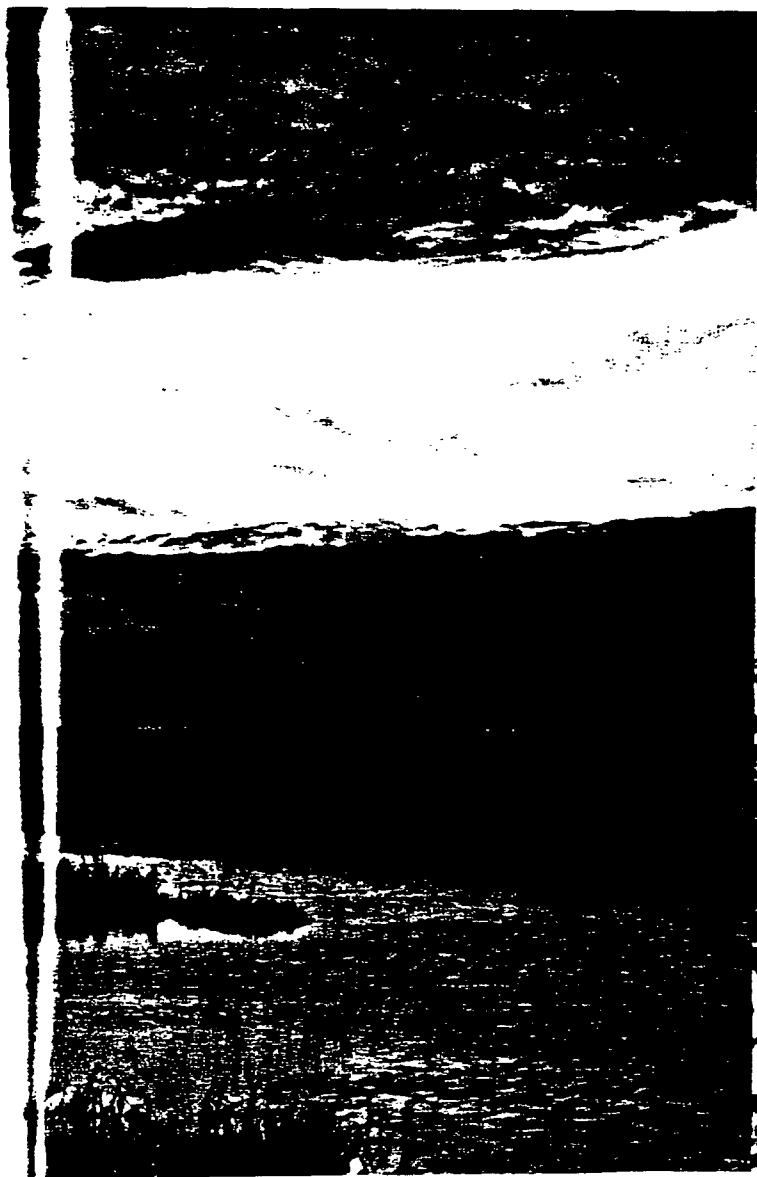
Ethyl continued exploration in Texas and Louisiana. The Company has a

90% working interest in 29,000 acres of mineral leases in Matagorda County in southeast Texas, adjacent to Ethyl's gas discovery there. One Matagorda gas well began test production in the third quarter of 1974. Two additional wells were drilled on this acreage in 1974, one of which is being tested. The other well was plugged and abandoned. Further drilling is planned in the area in 1975. Two Louisiana gas wells in which Ethyl has an interest began commercial production in September 1974.

PRODUCTS: FULL RANGE OF ETHYL'S CHEMICALS.

PLANTS: THESSALONIKI, GREECE (ETHYL INTERNATIONAL) SARNIA, ONTARIO, CANADA (ETHYL OF CANADA).

PHOTOS: Left—One of the gas wells drilled in Matagorda County, Texas, during 1974. Right—Mud sample from gas well is weighed to determine if additives should be changed during drilling.



INTERNATIONAL CHEMICALS -
OIL & GAS

PAPER

PLASTICS

RESEARCH & DEVELOPMENT

Paper products accounted for 11% of Ethyl's 1974 sales. Sales of the Oxford Paper Division were a record \$115.1 million, up 13% over 1973.

In the first nine months of 1974, the paper industry experienced very strong market demand for pulp and paper and Oxford operated in these first three quarters with full backlogs. In the fourth quarter, there was substantial softening of the markets which Oxford serves. Oxford's prices continued to be controlled under Phase IV regulations of the Cost of Living Council during the

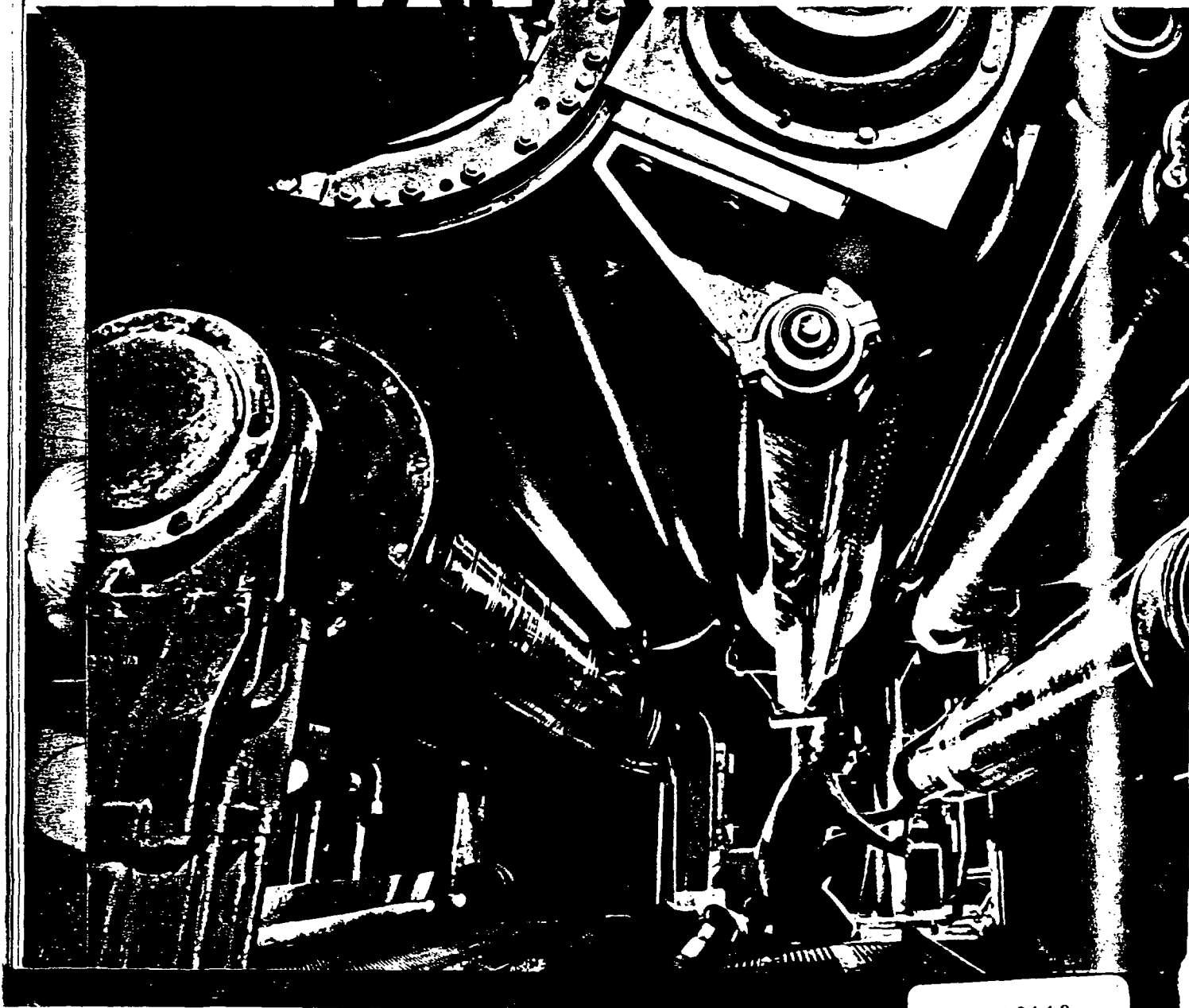
first quarter. The discontinuance of these regulations combined with the demand for pulp and paper enabled Oxford to increase prices to offset continually rising costs.

In July, the West Carrollton, Ohio, mill was sold to Pentair Industries, Inc., of St. Paul, Minn., for more than \$6 million cash, which approximated the book value. West Carrollton is a non-integrated mill, dependent on outside pulp sources. Oxford found it increasingly difficult to obtain the fiber necessary to assure its customers of a sustained source of supply and to furnish employment continuity at the mill, and the Company determined that it could more

adequately serve its customers by consolidating its investment and activity in its integrated mill at Rumford, Maine. Oxford's 1974 sales include those of the West Carrollton mill for the first seven months only. Prior to its sale, West Carrollton accounted for approximately 20% of Oxford's sales.

Oxford continued its efforts to improve operating efficiencies. A cost reduction program to help offset escalating costs for fuel, wood, raw materials, supplies, labor and transportation will

PAPER



continue in 1975. The major rebuild of the No. 11 paper machine at the Rumford mill was completed in the fourth quarter. This roll coating machine was converted to a modern, blade coated unit at a total cost of approximately \$14 million. The rebuilt unit is expected to contribute significantly to improved profitability of Oxford.

Work continued on both air and water pollution abatement at the Rumford mill. The effluent treatment plant, currently under construction, is scheduled

for completion in early 1976. Additional precipitators and scrubbers are to be installed in 1975 to comply with air quality standards. These environmental improvement projects are now estimated to cost approximately \$15 million.

Oxford emphasized in 1974 reorganization of its marketing programs to apply its consolidated production capabilities and other resources to market areas that offer the most promising profitability consistent with long-term growth and stability.

PRODUCTS: COATED OFFSET PAPERS FOR MAGAZINE PUBLISHING, BOOK PUBLISHING AND COMMERCIAL PRINTING / COATED LETTERPRESS PAPERS FOR MAGAZINE PUBLISHING AND COMMERCIAL PRINTING / COATED GRAVURE PAPERS FOR MAGAZINE PUBLISHING AND COMMERCIAL PRINTING / CONVERTING PAPERS FOR ENVELOPES AND BUSINESS FORMS.

PLANT: RUMFORD, MAINE.

PHOTOS: Left—Worker puts finishing touches on No. 11 paper machine, which was rebuilt in 1974. Top Right—Hardwood chip pile outside Rumford mill. Bottom Right—Steel rods are installed prior to pouring concrete for clarifier walls as part of a water pollution abatement project at Rumford.



PAPER

PLASTICS

RESEARCH & DEVELOPMENT

Plastics accounted for 30% of Ethyl's 1974 sales. Sales were \$306.1 million, up 109% over record 1973 levels.

A major development was the acquisition in the second quarter of VCA Corporation of Greenwich, Conn. (See insert.) VCA has been combined with part of the "IMCO" Container Products Division and reorganized into three divisions—Dispenser Products, Metal Products and Molded Products.

The Dispenser Products Division is a leader in aerosol valves and plastic accessories. Reorganization led to increased emphasis on new opportunities for aerosol dispensing. Sales increased in each of the product areas.

The Metal Products Division had substantial gains in sales. This division makes decorative metal fittings and closures for the cosmetic industry and collapsible and rigid aluminum tubes,

threaded jar closures, soft drink closures, drawn tinplate cans for paste waxes and aerosol valve mounting caps.

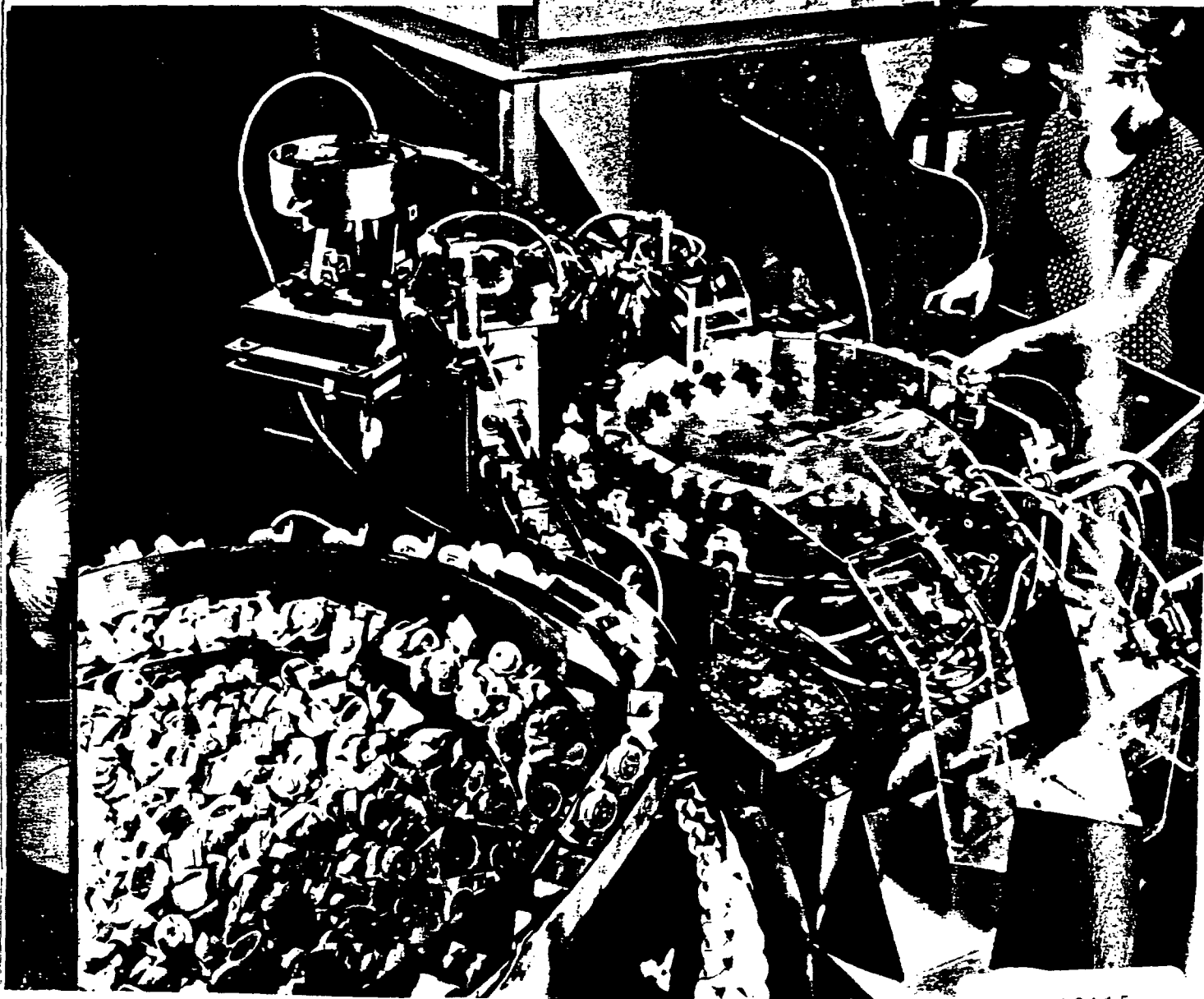
The Molded Products Division's principal effort is in injection molded plastics. Molded Products made sales gains, primarily in the toiletries and cosmetics markets, and held previous levels in the declining automotive market. This division provides product and tool design capabilities along with facilities for tool manufacture. Additional production was added at Excelsior Springs, Mo., and South Grafton, Mass.

The IMCO Container Products Division, whose chief products are polyethylene and polyvinyl chloride (PVC) bottles and containers, had record sales despite a leveling trend during the second half. The Flex Products Division showed leadership in plastic tubing for packag-

ing. New sales developed in the packaging of household products. IMCO products had increasing application in containers for packaging food products such as mustard, frozen concentrated fruit juices, table syrups and flavorings. IMCO increased its bottle-making capacity with a new plant at Drummondville, Quebec, Canada, expansion at Goleta, Calif., and added equipment at Pittsfield, Mass.

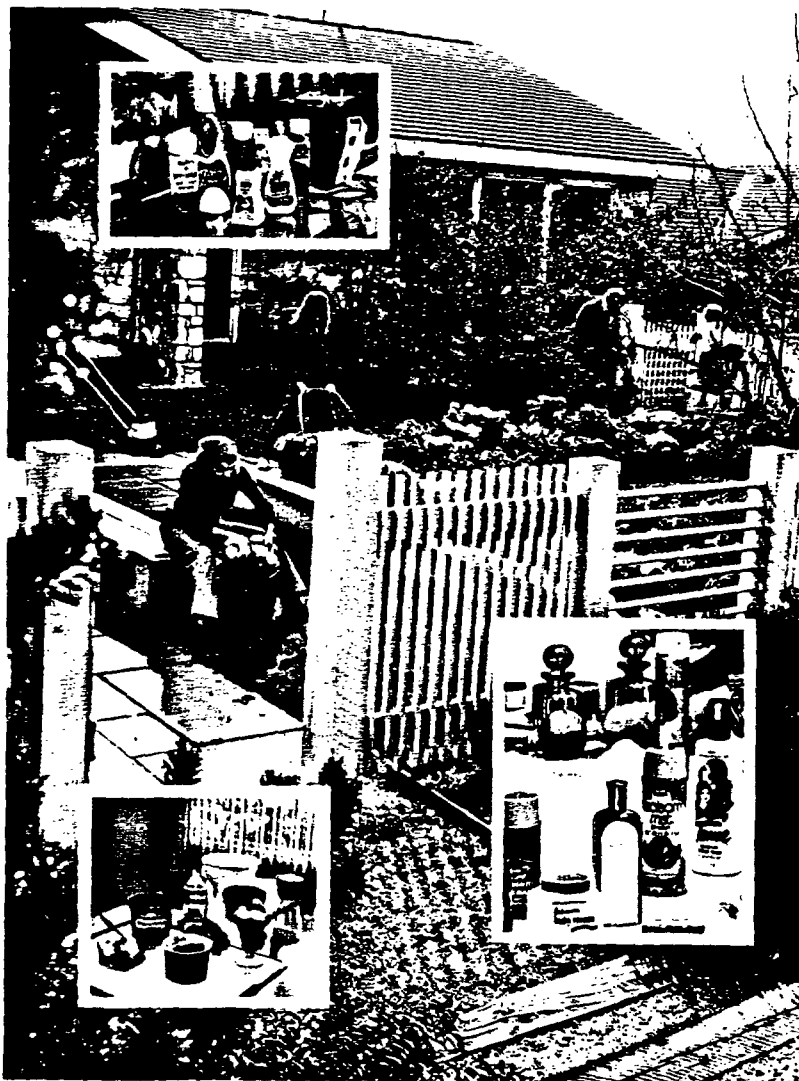
The "VISQUEEN" Film Products Division, the world's largest producer of polyethylene films, had its best year. It expanded application of polyethylene films in the food industry, in the rubber industry for a separator backing, in the agricultural market for mulching produce crops and in the disposables area for diapers and hospital underpadding. This development was achieved despite

PLASTICS



VFA

Ethyl
Corporation



VCA Corporation, acquired by Ethyl Corporation in April 1974, in an approximate \$90 million tender offer and merged into Ethyl during the year, is a major producer of plastic and metal packaging products, aerosol valves and atomizers and pumps. Formed in 1961 as Valve Corporation of America, the company's name was changed to VCA Corporation in 1970. The addition of VCA to Ethyl's Plastics Division significantly strengthened plastics as the Company's second largest product area and added \$94,568,000 in sales since April 1, 1974. Shortly after acquisition, VCA was reorganized within Ethyl's plastics operations into three divisions—Dispense Products, Metal Products and Molder Products. These three product divisions employ approximately 4,500 people at 26 plant locations in nine states, Canada and Puerto Rico. There are affiliates in Mexico and Argentina. In addition there are licensees in South Africa, England, France, Germany, Italy, Japan, Brazil, Sweden, Spain and Australia.

VCA's history reveals a steady trend toward consumer-oriented products of wide variety. A recent study indicates that 90% of American households use:

least four different products bearing a VCA package component. Thus, Ethyl has taken a significant step in bringing its products closer in touch with most Americans.

With the addition of VCA's line, food shoppers now encounter Ethyl products in the form of aluminum screw caps, produced by the Metal Products Division, on COCA-COLA and PEPSI-COLA bottles. A number of S. C. JOHNSON's cleansers and polishes come equipped with dispensers from the Dispenser Products Division. Household products marketed in Metal Products' package components include LYSOL disinfectant and DRACKETT's RENUZIT. LEVER BROTHERS' DOVE is dispensed through a spout and CLOROX's FORMULA 409 is sprayed through a leak-proof pump, both developed and produced by the Dispenser Products Division.

The Metal Products Division manufactures refrigerator door handles, drawers and a host of disposable containers found inside. KRAFT cheese spreads and GENERAL FOODS' frozen dishes reach the consumer in containers made by Metal Products.

One of the largest product areas

served through this new acquisition is the cosmetics and personal care industries. Virtually every major marketer of cosmetics and toiletries is a customer for decorated glass bottles, plastic jars, powder boxes, mirrored compacts, makeup applicators, brushes and other dispensers. Such customers include AVON, REVLON, GILLETTE, CHANEL, CHARLES OF THE RITZ, ALBERTO CULVER, ESTEE LAUDER, CLAIROL, WOODBURY, and JOHNSON'S BABY PRODUCTS. Whether it is a custom-designed lipstick dispenser, such as the Molded Products Division's SLIPSTICK, or a catchy marketing package like HANES' "L'EGGS" pantyhose container, these products have demonstrated their ability to satisfy the needs of consumers.

Metal Products supplies metal closures for BROMO SELTZER and ROLAIDS. PROCTER & GAMBLE's CREST toothpaste comes capped with a plastic cap manufactured by Molded Products. Molded products makes caps for IVORY LIQUID, valves for NIAGARA spray starch, while plastic caps for BEST FOODS' RIT liquid dyes are another item from Molded Products.

In yet another area, the Molded Products Division's caps top the bottles of several major liquor brands including SCHENLEY, SEAGRAM's, HEUBLEIN and OLD FITZGERALD. This division also decorates a variety of glasses, tumblers, ice buckets and pitchers.

MAGIC MARKER pen holders and SANFORD MARKER holders are made by the Metal Products Division. JOHNSON'S KIT CAR WAX, DOW'S DE-ICER and AMERICAN HOME PRODUCTS' DUPLICOLOR paints come equipped with packaging components from Metal Products and this division also makes COLGATE toothpaste tubes in Canada. The Dispenser Products Division manufactures valves which dispense BLACK FLAG, HOT SHOT, REALEX and SHELL's insect sprays, among others. Metal Products also makes the overcaps for LYSOL aerosol products.





ETC 16120



ETC 16121



Such diversified items as dashboard panels and emission-control cannisters for CHRYSLER, FORD and GENERAL MOTORS come from one of the three divisions formed out of VCA. The AQUA-FILTER for cigarettes and GARRITY disposable flashlights are two recent product innovations.

Any recitation of the product line established by VCA brings forth familiar brand names. The products added by VCA to Ethyl's plastics operations now enable the Company to offer a complete design, tooling and packaging service to its customers. During 1974, Ethyl has concentrated on consolidation and reorganization of VCA. These efforts will enable Ethyl to concentrate on new major growth areas and profit opportunities.



ETC 16123

raw material shortages. Increased capacities aided sales growth. PVC film sales for packaging red meat and produce continued at satisfactory levels. An olefin-based film for red meat and produce was developed and successfully test marketed.

The Polymer Products Division's sales, primarily of PVC resins and compounds, were at record levels again despite a slowdown in the fourth quarter. A continuing effort to shift product mix to specialty resins and rigid compounds resulted in a substantial rise in earnings. Additional resin capacity was completed at Baton Rouge and another compound line was installed at the Tiptonville, Tenn., plant during the second quarter. Programs are underway to reduce vinyl chloride emissions at the Baton Rouge resin plant in compliance with new government regulations. (See Message to Shareholders.) Production of high-barrier resins for bottles and films continued at Baton Rouge.

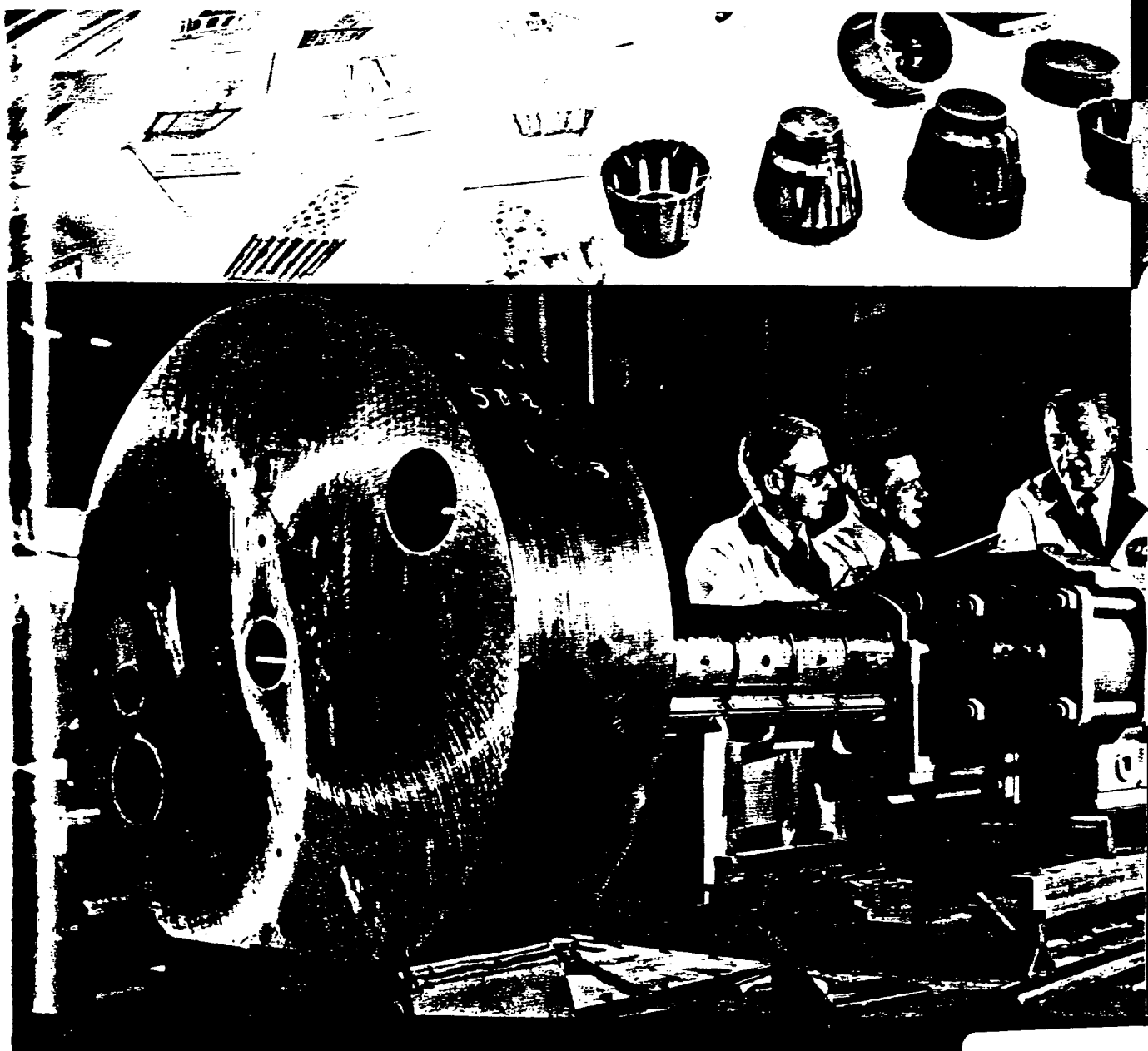
The Pipe Products Division also had record sales and earnings, although curtailment of housing and other construction adversely affected its markets beginning in the third quarter. Major expansion of the Columbia, Miss., plant in late 1973 increased production of "BELL: RING" PVC pipe during the year. PVC pipe is expected to continue to gain a major share of the water distribution and gravity-flow sewer markets. Polybutylene water service tubing, introduced by Ethyl in 1974, experienced continued growth in municipal and residential markets.

PRODUCTS: POLYETHYLENE FILMS FOR PACKAGING, INDUSTRIAL BUILDING, AGRICULTURAL, PALLET WRAP, BUNDLING AND DISPOSABLES / POLYETHYLENE SHRINK FILMS AND SYSTEMS / PVC RED MEAT PACKAGING FILMS / AEROSOL VALVES / ATOMIZER AND DISPENSER PUMPS / METAL PACKAGING / DYES AND TOOLING / PVC RESINS AND COMPOUNDS / PVC CONTAINERS / "GUARDIAN" CONTAINERS/POLYETHYLENE CONTAINERS/EXTRUDED CONTAINERS/POLYPROPYLENE CONTAINERS/BOTTLES, CLOSURES AND OTHER CUSTOM AND PROPRIETARY INJECTION MOLDED PRODUCTS / FLEXIBLE TRANSPARENT PACKAGING / PVC WATER PIPE AND FITTINGS / PVC WATER PIPE / POLYBUTYLENE WATER SERVICE PIPE / ENGINEERED PLASTICS-MOLDED PARTS.

PLANTS: BATON ROUGE, LA. / BEDFORD HEIGHTS, OHIO (3) / BELVIDERE, N.J. / BLUE ISLAND, ILL. / BRIDGEPORT, CONN. / BRAMALEA, ONTARIO, CANADA / BRONX, N.Y. / CAGUA, PUERTO RICO / CARBONDALE, PA. / CARLSTADT, N.J. / CHICAGO, ILL. (3) / COLUMBIA, MISS. / DRUMMONDVILLE, QUEBEC, CANADA / ERIE, PA. / EXCELSIOR SPRINGS, MO. / FAIRFIELD, CONN. / FLEMINGTON, N.J. / FREMONT, CALIF. / GOLETA, CALIF. / HACKENSACK, N.J. / HARRISONBURG, VA. / JEFFERSONVILLE, IND. / KANSAS CITY, MO. (2) / LAGRANGE, GA. / LAGRANGE, KY. / LA MIRADA, CALIF. / LOUISVILLE, KY. / MANCHESTER, IOWA / MISSISSAUGA, ONTARIO, CANADA / NORTH RIVERSIDE, ILL. / NORTH VALE, N.J. / PITTSFIELD, MASS. (3) / POMONA, CALIF. / RICHMOND HILLS, ONTARIO, CANADA / ROCKAWAY, N.J. / SANDSTON, VA. / SCARBOROUGH, ONTARIO, CANADA / SOUTH GRAFTON, MASS. / TERRE HAUTE, IND. / TIPTONVILLE, TENN. / UNION CITY, CALIF. / VANDALIA, ILL. / WATERBURY, CONN.

AFFILIATES: VCA DE MEXICO, MEXICO CITY / VCA DE ARGENTINA, BUENOS AIRES.

PHOTOS: Left—Aerosol caps are assembled semi-automatically. Top Right—New product development sketches and designs for air freshener tooling. Bottom Right—Injection molding bottle closure machine, built and designed at Ethyl Federal.



PLASTICS

RESEARCH & DEVELOPMENT

Aluminum products accounted for 10% of Ethyl's sales in 1974. Record sales of \$100.2 million, up 2% over 1973, were achieved in 1974 despite raw material shortages in the aluminum industry and the slowdown in housing construction.

The William L. Bonnell Company: Sales reached an all-time high in 1974. Demand for extrusions serving the residential, commercial and trim markets was very strong throughout the first half of the year. During this period a worldwide shortage of aluminum and other raw materials limited output from Bonnell's production facilities.

Later in the year, high interest rates, tight mortgage money and U.S. inflation caused a 50% decline in residential construction from 1973 levels and adversely affected Bonnell. However, the sales in home improvement and commercial construction markets remained strong and helped offset the weakness in new residential construction.

Bonnell expects continued weakness in its major markets during the first part of 1975. However, assuming the economy turns upward and building recovers, markets for Bonnell's products should improve significantly in the second half. Raw material supplies will be sufficient for 1975 needs.

A major new product development, aluminum extrusions incorporating a barrier to reduce heat loss, will be introduced in 1975. Bonnell expects to become a major supplier of these products, which are widely sought by fabricators of residential and commercial windows to reduce the energy required to heat modern homes and buildings.

Capitol Products Corporation: Sales in 1974 were slightly lower than the record levels of 1973. Major adverse factors were the industry-wide shortage of all forms of aluminum, the decline in residential housing and the sluggish performance of the U.S. economy. Profits were under pressure throughout the

ALUMINUM



year because of rapidly increasing prices of raw materials and utility services.

After extensive research and engineering, a high performance "thermalized" window was added to Capitol's residential line of products in 1974. The initial product, a single-hung model, is an economical window which dramatically reduces objectionable condensation sometimes associated with aluminum windows in northern climates and conserves fuel required for residential heating. In 1975, Capitol plans to broaden this new product line with the introduction of new "thermalized"

sliding windows and patio doors. All of Capitol's new window products meet the current standards for thermalized products, which were adopted in 1974 by the Architectural Aluminum Manufacturers Association.

Sales of Capitol's residential lawn buildings reached record levels in 1974. Several new models introduced during the year, and new models planned for 1975, should strengthen further Capitol's sales in this market.

Bauxite Exploration: Early in 1974, Ethyl announced the discovery of a large and promising bauxite deposit in the Amazon region of Brazil. Exploration rights have been granted Ethyl sub-

sidaries by the Brazilian government. An extensive evaluation program to confirm the size of the deposits and the quality of the trihydrate-type bauxite in the discovery was started during 1974 and is expected to be completed in 1975.

PRODUCTS: EXTRUDED ALUMINUM SHAPES IN A VARIETY OF PAINTED AND ANODIZED FINISHES FOR WINDOWS AND DOORS, STORE FRONTS AND CURTAIN WALLS, BOATS, SWIMMING POOLS, TRUCKS AND TRAILERS/DECORATIVE ALUMINUM PRODUCTS FOR THE FLOOR COVERING AND HOME BUILDING INDUSTRIES/ALUMINUM WINDOWS AND DOORS/RESIDENTIAL LAWN BUILDINGS.

PLANTS: BONNELL-CARTHAGE, TENN./NEWMAN, GA./CAPITOL PRODUCTS—HARRISBURG, PA./KENTLAND, IND./MECHANICSBURG, PA./NEW OXFORD, PA.

PHOTO: Aluminum extrusions are stacked at Carthage, Tenn., after they have been cut to proper lengths.



RESEARCH & DEVELOPMENT

About \$25 million was invested in research and development in 1974. Ethyl received 125 U.S. and 70 foreign patents last year, raising the total maintained to more than 2,100. More than 50% of the R&D effort in 1974 continued to be devoted to new products.

New Product Research: Commercial use of low-level concentrations of manganese antiknock compound (MMT) in lead-free gasoline began in 1974. Studies by the Environmental Protection Agency and by Ethyl continue to show no health effects from its use. Initial testing of compatibility of MMT with emission control devices for 1975-model cars shows no deleterious effect.

Ethyl's basic position in halogens is being expanded to include iodine. Rich sources of brine have been found in Oklahoma and could permit early manufacture of elemental iodine. Tests on two wells were conducted in the second half. Design of possible new facilities is in progress for production of bromi-

nated products for flame retardant and catalyst uses. Other developments in bromine chemicals include a sewage disinfectant product and system. Continuing cooperative research with major pesticide producers has opened new opportunities for chemical intermediates based on Ethyl's special technologies in orthoalkylation, phosphorus chemicals and bromine derivatives.

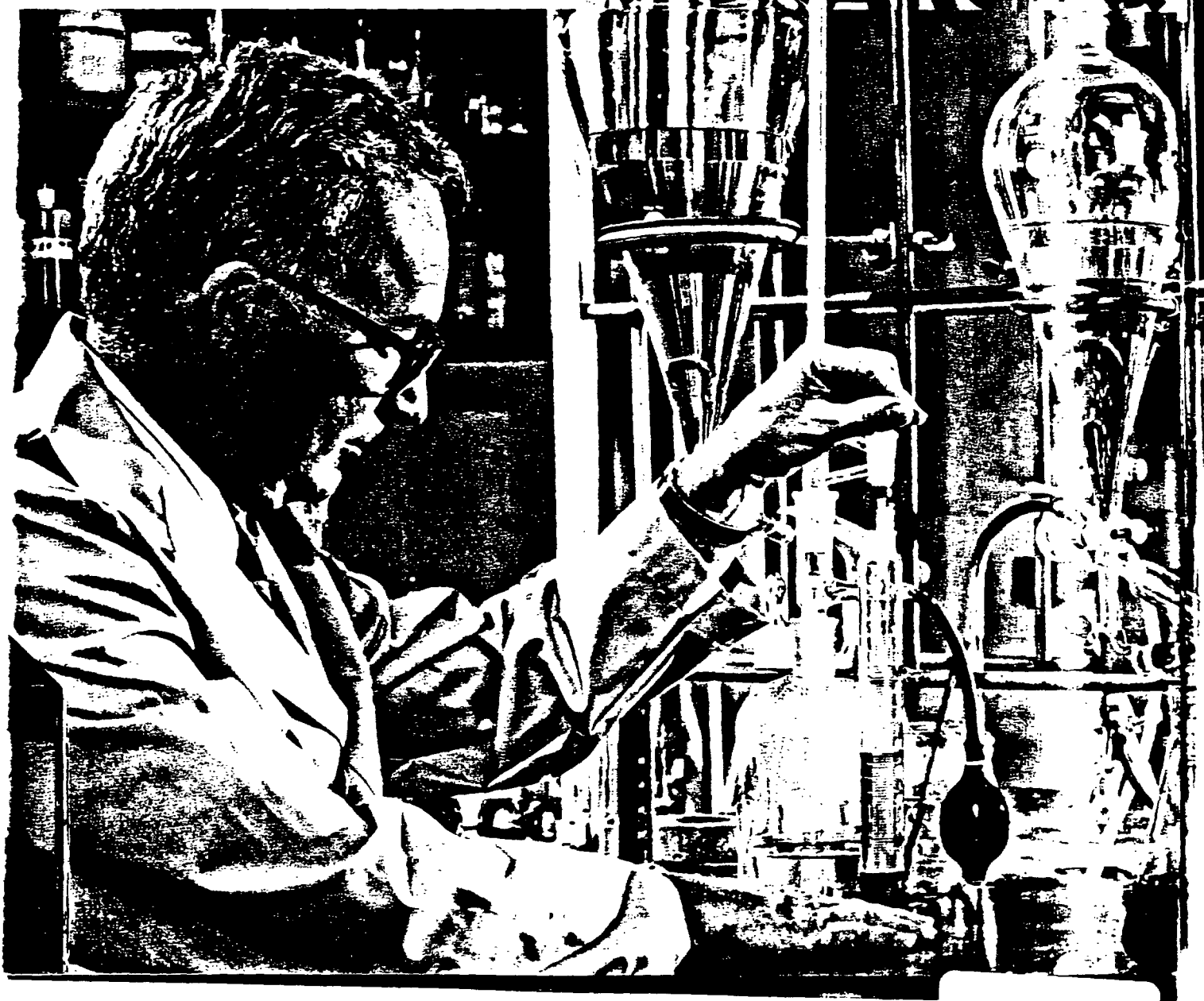
Continuing research on flame retardants for rayon, polyester and cotton fibers has yielded possible new commercial products. A synthetic replacement for scarce wood rosin is being evaluated for paper. Semi-commercial quantities of a pharmaceutical product are currently being produced for a major drug firm. Research was extended in 1974 on microbiology.

The family of potential products from the aluminum alkyl-alcohol-alpha olefin

complex at Houston continued to expand. Detergent applications for alpha olefin sulfonate were broadened. Synthetic methyl esters and alkyl dimethyl amines are potential new products derived from Ethyl's chain-growth olefins. Large pilot plants are currently operating as the final steps toward commercialization. These products are important intermediates in the detergent industry for foam control.

Responding to industry health findings about vinyl chloride, significant effort was directed, with good success, in 1974 toward reducing levels of vinyl chloride emissions in Ethyl's plant atmospheres and in the Company's PVC resins, compounds and fabricated products. Ethyl now offers PVC compounds for packaging with very low monomer content.

Developmental work on Ethyl's heavy mineral holdings in northwest Tennes-



see continued during the year. A field pilot plant was successfully operated to define land reclamation techniques and total water recycling as planned for possible commercial operation.

Process development on parts of Ethyl's new aluminum process neared completion and planning is under way toward commercialization.

Automotive Emissions Research: In 1974, significant additional progress was made on Ethyl's simple and effective emission control system that is compatible with leaded gasoline. The Company has continued development of low emission systems operating with lean mixture ratios (low proportions of gasoline with air). This approach offers improved fuel economy and takes advantage of the higher octane numbers available in leaded gasolines.

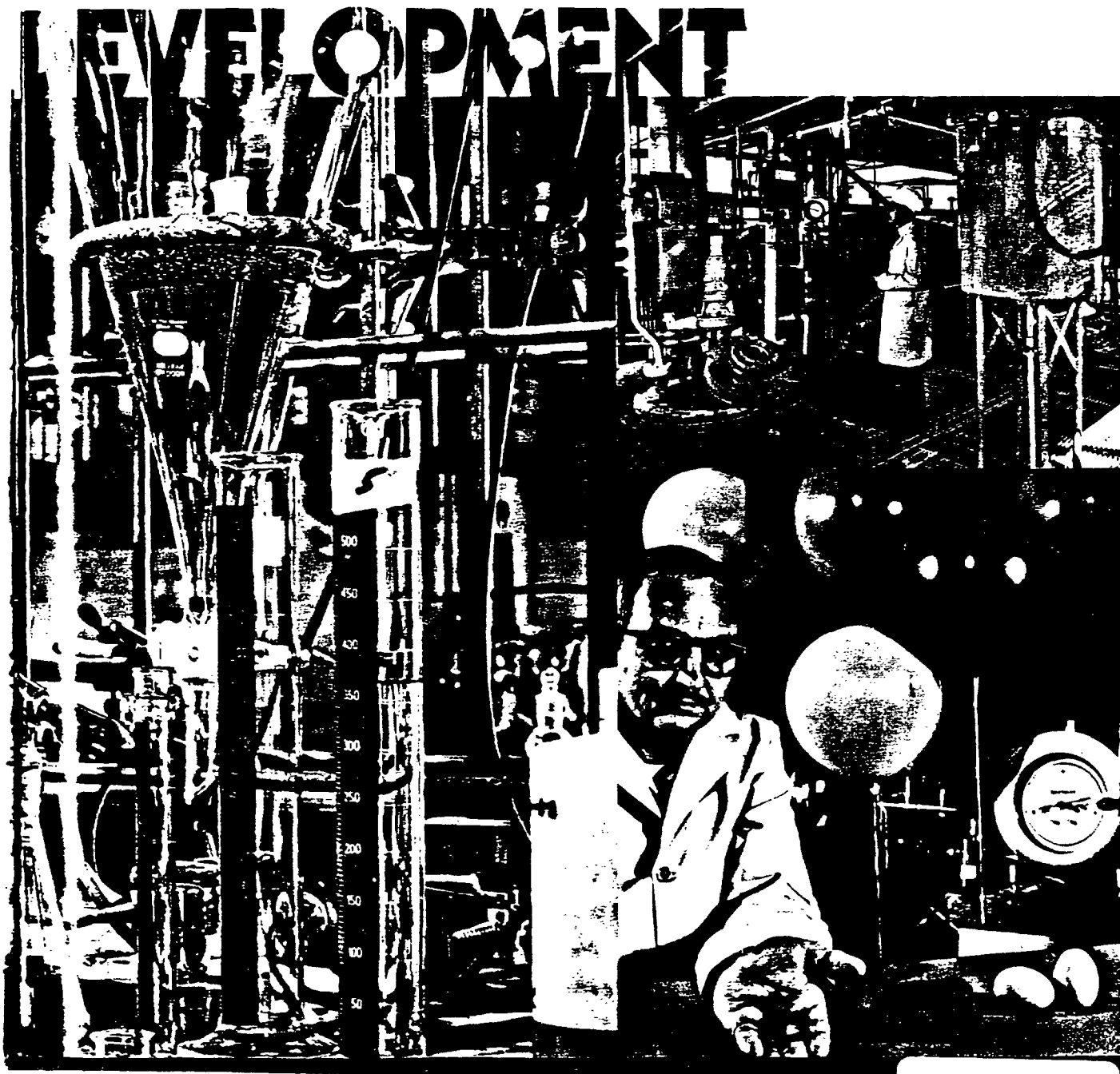
The latest Ethyl development has

been named the Turbulent Flow System (TFS). It consists of a special manifold with a standard carburetor adjusted to provide lean air-fuel mixtures. Exhaust gas recirculation is used if required and ignition timing is optimized for low emissions, good fuel economy and driveability. The installation of the TFS on eight test cars with four, six and eight-cylinder engines has, in every case, yielded emission levels below the 1975-76 Federal 49-state standards. One of these vehicles, a European car with a four-cylinder engine, was taken to Europe and was well received by the automobile industry there. A ninth TFS test car was equipped with insulating liners installed in the exhaust ports of the engine. In tests conducted by the California Air Resources Board this car achieved emission levels below the severe 1975-76 California standards.

Work also continued on traps that could be used to remove particulate emissions. Effective traps have been extensively tested on large cars such as the full-sized, U.S. models, and small cars typical of Europe and Asia. Reductions in emissions of lead particulates in the range of 65-80% are attained using simple, inexpensive trapping systems that replace normal exhaust systems at minimal cost.

R&D FACILITIES: BATON ROUGE, LA. / DETROIT, MICH. / HOUSTON, TEXAS / ORANGEBURG, S.C. (AUTOMOTIVE EMISSIONS, INDUSTRIAL CHEMICALS, PLASTICS, PETROLEUM CHEMICALS, NEW AREAS) / TERRE HAUTE, IND. (PLASTIC FILM) / KANSAS CITY, MO. (PLASTIC CONTAINERS) / RICHMOND, VA. / RUMFORD, MAINE (PAPER).

PHOTOS: Left—Detergent research continued to be an important part of R & D activities. Top Right—Multi-purpose pilot plant at Baton Rouge, La. Bottom Right—Coal researcher illustrates that one lump of coal, which has the same mass as two eggs, can produce synthesized fuel gas sufficient to fill five balloons, giving off little residue.



RESEARCH & DEVELOPMENT

CONSOLIDATED BALANCE SHEETS

ASSETS	December 31	1974	1973
Current assets:			
Cash and short-term securities		\$12,325,000	\$177,548,000
Accounts and notes receivable		\$89,402,000	90,371,000
Inventories		\$10,347,000	90,710,000
Prepaid expenses		\$211,000	5,761,000
Total current assets		\$133,285,000	364,390,000
Property, plant and equipment, at cost:			
Land and land improvements		\$24,311,000	24,311,000
Coal lands			
Development costs, producing properties		5,929,000	5,929,000
Timberlands and standing timber		10,693,000	10,693,000
Buildings		82,246,000	82,246,000
Machinery and equipment		432,006,000	432,006,000
		\$555,185,000	555,185,000
Less, Accumulated depreciation, depletion and amortization		\$283,110,000	273,805,000
Net property, plant and equipment		\$272,075,000	281,380,000
Deferred charges and other assets		8,255,000	8,255,000
Goodwill and other intangibles		36,769,000	36,769,000
		\$690,048,000	\$690,794,000

The accompanying notes are an integral part of these statements.

LIABILITIES	December 31	1973
Current liabilities:		
Accounts payable and accrued expenses		\$ 62,551,000
Dividends payable		3,390,000
Notes payable		4,000
Long-term debt, current portion		15,995,000
Income taxes		13,548,000
Total current liabilities		95,488,000
Long-term debt:		
Senior		162,230,000
Subordinated:		
Principal amount		50,000,000
Less unamortized discount		4,649,000
Subordinated debt less unamortized discount		45,351,000
Deferred income taxes		37,928,000
Provision for employee benefits		6,173,000
Minority interest (1973, limited partner's interest) ...		1,061,000
SHAREHOLDERS' EQUITY		
Capital stock:		
Cumulative First Preferred Stock, 6% Series A, par \$100 per share		2,900,000
Cumulative Second Preferred Stock, \$2.40 Convertible Series A, par \$10 per share (aggregate liquidation price \$68,299,000 on 1,518,097 outstanding shares, after treasury stock)		19,621,000
Common Stock, par \$1 per share		10,173,000
Capital surplus		43,922,000
Retained earnings		304,135,000
		380,751,000
Less, Treasury stock at cost		38,188,000
Total shareholders' equity		342,563,000
		\$690,794,000

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF

INCOME & RETAINED EARNINGS

Years Ended December 31		1973	1972	1971	1970
Income:					
Net sales		\$699,002,000	\$631,599,000	\$577,058,000	\$556,856,000
Miscellaneous income, net		14,716,000	7,187,000	5,642,000	8,437,000
		<u>713,718,000</u>	<u>638,786,000</u>	<u>582,700,000</u>	<u>565,293,000</u>
Cost and expenses:					
Cost of goods sold		518,528,000	460,803,000	419,722,000	410,973,000
Selling and general expenses		76,330,000	73,870,000	70,476,000	65,804,000
Interest and financing costs		16,772,000	17,979,000	18,686,000	18,285,000
Income taxes		49,204,000	41,427,000	35,576,000	34,649,000
		<u>660,834,000</u>	<u>594,079,000</u>	<u>544,460,000</u>	<u>529,711,000</u>
Income before extraordinary items		52,884,000	44,707,000	38,240,000	35,582,000
Extraordinary items			4,535,000	(3,326,000)	1,617,000
NET INCOME		<u>52,884,000</u>	<u>49,242,000</u>	<u>34,914,000</u>	<u>37,199,000</u>
Retained earnings at beginning of year	304,135,000	265,627,000	229,359,000	207,097,000	182,875,000
Deduct, Cash dividends:					
6% First Preferred Stock, \$6.00 per share	166,000	169,000	169,000	175,000	187,000
5% First Preferred Stock per share \$2.50 in 1971 and \$5.00 in 1970				44,000	140,000
Second Preferred Stock, \$2.40 per share	3,644,000	3,759,000	3,893,000	3,974,000	4,189,000
Common Stock, per share \$1.25; \$1.07 1/2; \$.88 1/2; \$.84; \$.84 respectively	11,880,000	10,448,000	8,912,000	8,459,000	8,461,000
	<u>15,690,000</u>	<u>14,376,000</u>	<u>12,974,000</u>	<u>12,652,000</u>	<u>12,977,000</u>
Retained earnings at end of year	<u>\$ 362,742,000</u>	<u>\$304,135,000</u>	<u>\$265,627,000</u>	<u>\$229,359,000</u>	<u>\$207,097,000</u>
Earnings per share:					
Income before extraordinary items	\$7.41	\$5.02	\$4.03	\$3.36	\$3.06
Extraordinary items			.45	(.33)	.16
NET INCOME	<u>\$7.41</u>	<u>\$5.02</u>	<u>\$4.48</u>	<u>\$3.03</u>	<u>\$3.22</u>
Pro forma earnings per share assuming conversion of the Second Preferred Stock. (If the Second Preferred Stock were converted, its dividend would become \$1.56 per share at the 1974 annualized regular dividend rate, as against the present \$2.40 preferred dividend.)					
Income before extraordinary items	\$6.45	\$4.47	\$3.65	\$3.09	\$2.85
Extraordinary items			.37	(.27)	.13
NET INCOME	<u>\$6.45</u>	<u>\$4.47</u>	<u>\$4.02</u>	<u>\$2.82</u>	<u>\$2.98</u>

The accompanying notes are an integral part of these statements.

CHANGES IN FINANCIAL POSITION

Source of Funds:	Years ended December 31	1973
Operations:		
Net income		\$52,884,000
Expenses not requiring outlay of working capital:		
Depreciation, depletion and amortization ...		33,235,000
Deferred income taxes		4,217,000
Working capital provided from operations .		90,336,000
Additional borrowing		
Proceeds from sale of West Carrollton fixed assets		
Working capital of consolidated subsidiaries at dates of acquisition		
Decrease in working capital		
Total		<u>\$90,336,000</u>
Application of Funds:		
Additions to property, plant and equipment		\$34,795,000
Reduction of long-term debt		16,265,000
Cash dividends		14,376,000
Capital stock reacquired or redeemed		18,440,000
Acquisition of consolidated subsidiaries net of long-term debt assumed, \$5,449,000 ...		566,000
Investment in Cooper Laboratories		
Other items—net		(1,049,000)
Increase in working capital		6,943,000
Total		<u>\$90,336,000</u>
Changes in Working Capital:		
(Decrease) increase in current assets:		
Cash and short-term securities		\$ 3,711,000
Accounts and notes receivable		7,263,000
Inventories		8,052,000
Prepaid expenses		(303,000)
		<u>18,723,000</u>
Increase (decrease) in current liabilities:		
Accounts payable and accrued expenses		5,451,000
Dividends payable		101,000
Notes payable		(405,000)
Long-term debt, current portion		11,970,000
Income taxes		(5,337,000)
		<u>11,780,000</u>
(Decrease) increase in working capital		<u>\$ 6,943,000</u>

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies:

Consolidation Principles The accompanying financial statements include the accounts and operations of all subsidiaries and the accounts and operations of Bromet Company, a partnership. In September 1974 Ethyl Corporation purchased its former partner's 20% interest in Bromet Company.

Foreign Operations The consolidated financial statements include net foreign assets, in areas other than Canada, of approximately \$48,000,000 (including working capital of approximately \$37,000,000) at December 31, 1974, and foreign net income, excluding Canada, of approximately \$4,800,000 for the year then ended. Comparable amounts for prior periods were not material.

Foreign currency assets and liabilities are translated into U.S. dollars at year-end exchange rates except for property, plant and equipment, accumulated depreciation, and depreciation expense which are translated at exchange rates prevailing at the dates of acquisition. Income and expenses other than depreciation are translated at weighted average exchange rates for the year. Unrealized gains or losses arising from translation are credited or charged to a reserve for foreign exchange fluctuations which is classified as a current liability. Unrealized losses in excess of the reserve are charged to income. As of December 31, 1974 and 1973, the reserve balances were \$637,000 and \$478,000, respectively.

Inventories Inventories are stated at the lower of cost or market with cost determined on the last-in, first-out basis for substantially all domestic inventories and on either average cost or first-in, first-out for other inventories.

Depreciation Provisions for depreciation are based on the estimated useful lives of depreciable property, plant and equipment and are computed generally on the straight-line and declining balance methods. Expenditures for renewals and betterments are capitalized and expenditures for ordinary repairs and maintenance are charged to income as incurred. The costs and accumulated depreciation applicable to assets retired or sold are removed from the respective accounts, and gains or losses thereon are included in income.

Unamortized Discount Unamortized discount on long-term debt is amortized by charges to income on straight-line bases over periods ending from 1979 to 1983.

Exploration Costs Bonus and deposit payments, geophysical costs of active exploration prospects and drilling costs of active exploratory wells are capitalized as deferred costs. Such costs will be amortized if commercial discoveries are made or charged to income if prospects are abandoned. Costs of dry holes (unless valuable in defining active prospects) and annual charges related to prospects are charged to income.

Intangibles Goodwill acquired prior to November 1, 1970, (\$34,472,000) is not being amortized.

Research and Development Costs Research and development costs are generally charged to income as incurred.

Retirement Income Plans Annual pension costs are actuarially determined and include amortization of prior service costs generally over periods ranging up to 30 years. The policy of the Corporation and its subsidiaries is to fund pension costs accrued.

Income Taxes Deferred income taxes arise from timing differences between financial and income tax reporting of various items principally depreciation, intangible drilling and development costs and provisions for income taxes on undistributed earnings of certain subsidiaries.

The investment tax credit is accounted for by the flow-through method as a reduction of the provision for income taxes in the year realized.

Earnings Per Share Earnings, and pro forma earnings, per common share are computed using the weighted average number of shares of common stock outstanding during the year including common stock options as common stock equivalents. Proceeds from common stock equivalents are assumed to be used to purchase outstanding shares of the Corporation's common stock.

Shares used in the computation of earnings per share were:

	<u>Earnings Per Share</u>	<u>Pro Forma Earnings Per Share</u>
1974	9,512,470	11,485,996
1973	9,756,992	11,793,684
1972	10,086,799	12,200,515
1971	10,140,533	12,293,589
1970	10,138,482	12,391,977

2. Acquisitions:

Effective January 1, 1974, the Corporation acquired for \$25,583,000 cash 95.8% of the capital stock of Elk Horn Coal Corporation whose principal business is leasing its coal-bearing lands for mining operations. In other cash transactions totaling \$89,304,000 the Corporation acquired 100% ownership of VCA Corporation, a diversified manufacturer of plastic and metal packaging products, effective April 1, 1974. The total of cash costs and long-term debt assumed was allocated to the assets acquired as follows:

Working capital	\$ 28,733,000
Fixed assets	41,673,000
Coal lands	16,755,000
Goodwill of VCA Corporation (amortizable over 40 years on the straight-line method)	24,179,000
Intangibles other than goodwill	3,918,000
Other non-current assets, net	5,079,000
Total	120,336,000
VCA Corporation long-term debt assumed	(5,449,000)
Cash costs of acquisitions	<u>\$114,887,000</u>

The acquisitions are accounted for as purchases and, accordingly, the results of operations are included in the consolidated income statements from the effective dates of their acquisition.

The following pro forma summary, giving effect to purchase accounting and interest income adjustments, combines the pre-acquisition consolidated net income of Ethyl Corporation for the year ended December 31, 1974, with the net income of VCA Corporation for its fiscal year ended October 31, 1974, and, for comparative purposes, combines the consolidated net incomes of Ethyl Corporation and Elk Horn Coal Corporation for the year ended December 31, 1973, with the consolidated net income of VCA Corporation for its fiscal year ended October 31, 1973.

	1974	1973
Net Sales	\$1,052,217,000	\$818,781,000
Net Income	75,467,000	54,880,000
Earnings per share	7.53	5.22
Pro forma earnings per share	6.56	4.64

3. Short-Term Securities:

Short-term securities, amounting to \$30,402,000 at December 31, 1974, and \$171,401,000 at December 31, 1973, are stated at cost plus accrued income which approximates market value.

4. Inventories:

Inventories include:	1974	1973
Finished goods	\$ 57,964,000	\$36,377,000
Raw materials and work in process	71,931,000	39,006,000
Stores, supplies, etc.	19,472,000	15,327,000
	<u>\$149,367,000</u>	<u>\$90,710,000</u>

Inventories stated on the last-in, first-out basis amounted to \$105,601,000 at December 31, 1974, and \$39,849,000 at December 31, 1973, which are below replacement cost by approximately \$50,900,000 and \$7,600,000 respectively.

In 1974, the last-in, first-out method of valuing inventories was extended to substantially all the domestic inventories which were accounted for previously on first-in, first-out or average cost. The effect of this change was to reduce net income for 1974 by \$6,509,000, or 68 cents per share, from what it would have been if the former inventory valuation methods had been continued.

The change in inventory method was made to minimize the impact of price level changes on inventory valuations and to achieve a better match of current costs with current revenues for determining profits. There is no cumulative effect of this change on prior years reported earnings.

The following disclosure is made for the purpose of complying with Internal Revenue Procedure 72-29. The application of the principles of APB 16 to the valuation of LIFO inventories of

acquired subsidiaries caused consolidated taxable income for the year ended December 31, 1974, to exceed consolidated income for financial accounting purposes by \$838,000, and inventories in the accompanying consolidated balance sheet at December 31, 1974 to exceed inventories used for income tax reporting purposes by \$520,000.

5. Internal Revenue Service Examination:

The Corporation has received reports of the Internal Revenue Service proposing additional income taxes for the eight taxable periods ended December 31, 1969. See caption "Internal Revenue Service Examination" in the Financial Results Section (page 6) of this report for further information.

6. Long-Term Debt:

Reference is made to captions "Summary of Long-Term Debt" and "Summary of Debt Maturities to 1984" in the Financial Results Section (page 7) of this report for information concerning the Corporation's long-term borrowings.

7. Capital Stock:

Transactions in capital stock during 1974 were as follows:

	Issued		Treasury	
	Shares	Amounts	Shares	Amounts
Cumulative First Preferred (authorized 1,000,000 shares):				
January 1, 1974	29,004	\$ 2,900,400	994	\$ 75,092
Purchases			595	46,063
Cancelled	(1,130)	(113,000)	(1,130)	(88,189)
December 31, 1974	<u>27,874</u>	<u>\$ 2,787,400</u>	<u>459</u>	<u>\$ 32,966</u>
Cumulative Second Preferred (authorized 10,000,000 shares):				
January 1 and December 31, 1974	1,962,059	\$19,620,590	443,962	\$19,379,556
Common (authorized 25,000,000 shares):				
January 1, 1974	10,173,133	\$10,173,133	618,013	\$18,734,515
Purchases			59,400	1,436,846
December 31, 1974	<u>10,173,133</u>	<u>\$10,173,133</u>	<u>677,413</u>	<u>\$20,171,361</u>

The Cumulative First Preferred is redeemable at \$101 at the option of the Corporation and is preferentially entitled to par value in involuntary liquidation and the redemption price in voluntary liquidation. Annual sinking fund payments of approximately \$114,000 are required for mandatory redemption.

Each share of Cumulative Second Preferred is convertible into 1.3 shares of common stock. The voluntary or involuntary liquidation value of the Cumulative Second Preferred Stock is the greater of (1) \$42 per share or (2) an amount equivalent to the book value of that number of shares of common stock into which such preferred stock is convertible. The aggregate excess of liquidation value over par value on shares of outstanding stock is approximately \$53,118,000 as of December 31, 1974. These shares are callable at \$75 per share, plus accrued dividends. The changes in Capital Surplus are the excess of par value over cost of shares of First Preferred Stock cancelled in 1974 and 1973, and the excess of cash received over par value of Common Stock issued under a stock option plan in 1973.

NOTES TO FINANCIAL STATEMENTS

8. Stock Option Plan:

Under the Corporation's qualified stock option plan, 300,000 shares of unissued common stock are reserved for issuance to officers and other key employees at 100 percent of fair market value on the date of grant. No options were granted during 1974. An option to purchase 29,500 shares at \$30.00 per share, granted in 1973, was outstanding at December 31, 1974. There are no charges to income in connection with the plan.

9. Retained Earnings Restriction:

The Corporation's articles of incorporation and note agreements contain restrictions, among others, against the payment of cash dividends. At December 31, 1974, \$44,762,000 of retained earnings is free of such restriction under the agreement presently most restrictive.

10. Depreciation, Depletion and Amortization:

Depreciation and depletion charged to income amounted to \$30,796,000, \$31,700,000, \$33,675,000, \$32,380,000 and \$38,784,000 for the years 1970 through 1974. Amortization of deferred charges and intangibles charged to income amounted to \$1,153,000, \$1,145,000, \$1,140,000, \$855,000 and \$1,392,000 in the respective years.

11. Income Taxes:

Income tax expense, excluding amounts applicable to extraordinary items, is composed of the following:

	Currently Payable	Deferred	Total
1974	\$57,424,000	\$6,459,000	\$63,883,000
1973	44,987,000	4,217,000	49,204,000
1972	40,659,000	768,000	41,427,000
1971	34,319,000	1,257,000	35,576,000
1970	31,476,000	3,173,000	34,649,000

Currently payable includes provisions for U.S. income taxes of \$23,768,000, \$25,721,000, \$31,689,000, \$32,947,000 and \$42,977,000 for the years 1970 through 1974. Such provisions were reduced, and net income for the respective years was increased, by investment tax credits of \$432,000, \$696,000, \$1,508,000, \$1,743,000 and \$2,826,000.

No provision has been made for additional income taxes that might result from the remittance to the Corporation of undistributed earnings of \$6,700,000 of a foreign subsidiary and a Puerto Rican subsidiary since it is the intention of the Corporation to continue to reinvest such amount of earnings indefinitely.

Deferred income tax expense results principally from timing differences relating to depreciation and provision for income taxes on undistributed earnings of certain subsidiaries.

12. Employee Retirement Plans:

The Corporation and its subsidiaries provide retirement benefits for substantially all of their employees under several dif-

ferent plans funded with insurance companies or corporate trustees. Plan contributions charged to income, approximating \$7,000,000, \$8,200,000, \$8,550,000, \$9,168,000 and \$11,090,000 for the years 1970 through 1974, are irrevocably devoted to the payment of retirement and other benefits for employees and their beneficiaries.

Under certain plans, the actuarially computed value of vested benefits at December 31, 1974, exceeded the market value of plan assets by approximately \$18,400,000 (an increase of \$9,300,000 from 1973 resulting from additional benefits and a decline in the market value of pension fund assets), with full funding anticipated in the valuation method by the time each employee becomes eligible to retire.

13. Extraordinary Items:

1972: \$4,535,000 net gain from award, including interest, received as compensation for the expropriation of certain timberlands (after income taxes of \$4,812,000 of which \$3,689,000 was deferred).

1971: \$3,326,000 provision for costs of terminating mill operations, including pension and other benefits and write-down of plant investment to realizable value (after income taxes of \$3,070,000).

1970: \$1,519,000 adjustment of 1969 write-down of investment in Ethyl-Dow Chemical Company upon liquidation in 1970 (including tax benefit of \$819,000); \$909,000 net credit from reorganization of administrative and selling operations including capital gain on sale of office lease (after capital gains tax of \$604,000 less ordinary income tax reduction of \$572,000 applicable to expenses); \$811,000 provision for further write-down to realization value of Pittsburg, California plant (after income taxes of \$785,000).

14. Lease Commitments:

Total rental expense was \$7,976,000, \$8,244,000, \$8,468,000, \$10,246,000 and \$14,962,000 for the years 1970 through 1974.

Following are the rental commitments under all non-cancellable leases as of December 31, 1974:

Years	Total	Transportation Equipment	Office, Warehouse and Plant Space	Other
1975	\$11,035,000	\$6,697,000	\$3,586,000	\$752,000
1976	9,629,000	5,639,000	3,407,000	583,000
1977	8,303,000	4,612,000	3,279,000	412,000
1978	7,108,000	4,238,000	2,545,000	325,000
1979	5,900,000	3,709,000	1,977,000	214,000
1980-84	23,033,000	16,569,000	6,460,000	4,000
1985-89	17,851,000	12,297,000	5,553,000	1,000
1990-94	4,963,000		4,963,000	
Remainder	7,756,000		7,756,000	

The present value of commitments under non-capitalized financing leases and the effect on net income if such leases were capitalized are not material.

AUDITORS' REPORT

To the Board of Directors and Shareholders of Ethyl Corporation:

We have examined the consolidated balance sheet of Ethyl Corporation and Subsidiaries as of December 31, 1974, and the related consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the Corporation's consolidated financial statements for the year ended December 31, 1973, and the consolidated financial statements for the three years ended December 31, 1972, from which the consolidated statements of income for 1972, 1971 and 1970 were taken.

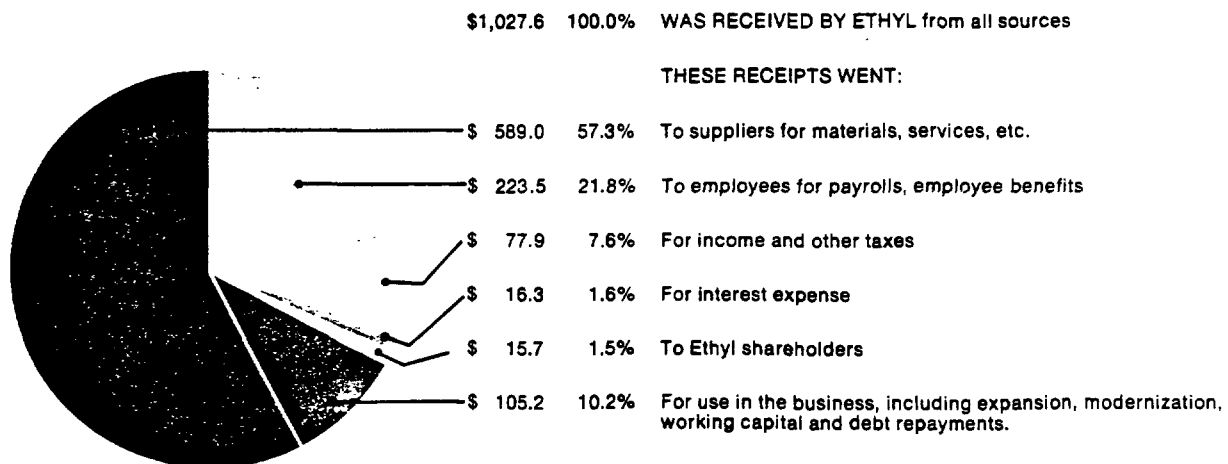
In our opinion, the aforementioned financial statements present fairly the consolidated financial position of Ethyl Corporation and Subsidiaries at December 31, 1974 and 1973, the results of their operations and changes in their financial position for the years then ended and their net income and other data for the years ended December 31, 1972, 1971 and 1970, all in conformity with generally accepted accounting principles applied on a consistent basis, except for the change, with which we concur, in the method of valuing inventories as described in Note 4 to the consolidated financial statements.

Suite 1000
Seventh and Franklin Bldg.
Richmond, Virginia 23219
February 10, 1975

Coopers & Lybrand

COOPERS & LYBRAND

How Ethyl Used The Revenues It Received During 1974 (Millions of Dollars)



TEN YEAR SUMMARY

(In Thousands of Dollars Except Common Stock Data)

Years Ended December 31	1973	1972	1971	1970	1969	1968	1967 ⁽¹⁾	1966	1965
SALES AND INCOME									
Net sales	\$699,002	\$631,599	\$577,058	\$556,856	\$509,302	\$509,072	\$468,938	\$465,823	\$375,831
Income before income taxes and extraordinary items	102,088	86,134	73,816	70,231	66,044	61,094	51,663	62,876	48,308
Depreciation, depletion and amortization	33,235	34,815	32,845	31,949	29,562	31,076	30,749	28,411	25,238
Income before extraordinary items	52,884	44,707	38,240	35,582	33,024	31,502	29,662	37,306	27,988
Net income	52,884	49,242	34,914	37,199	29,524	31,502	29,662	37,306	27,988
FINANCIAL CONDITION									
Working capital	268,902	261,959	229,996	209,724	176,499	176,302	129,757	107,244	92,844
Ratio of current assets to current liabilities	3.82 to 1	4.13 to 1	4.22 to 1	4.54 to 1	2.71 to 1	3.47 to 1	3.52 to 1	2.83 to 1	3.07 to 1
Property, plant and equipment (Net)	281,380	280,440	283,678	298,771	293,200	269,761	301,345	306,073	280,118
Capital expenditures & acquisitions	37,664	31,508	24,383	64,190	53,312	64,158	26,943	59,116	57,658
Long-term debt	207,581	223,261	238,834	247,757	223,165	207,550	198,263	210,724	214,318
Shareholders' equity	342,563	322,360	289,459	274,159	252,885	243,896	228,948	200,687	160,118
COMMON STOCK									
Weighted average number of shares outstanding ⁽²⁾	9,756,992	10,086,799	10,140,533	10,138,482	10,169,972	10,171,893	10,164,357	10,073,508	10,120,773
Earnings per share	\$ 5.02	\$ 4.03*	\$ 3.36*	\$ 3.06*	\$ 2.77*	\$ 2.61	\$ 2.41	\$ 3.21	\$ 2.32
Pro forma earnings per share assuming conversion of the Second Preferred Stock ⁽³⁾	\$ 4.47	\$ 3.65*	\$ 3.09*	\$ 2.85*	\$ 2.61*	\$ 2.46	\$ 2.29	\$ 2.94	\$ 2.22
Equity per share ⁽⁴⁾	\$28.89	\$25.17	\$21.64	\$19.62	\$17.18	\$15.73	\$13.88	\$12.12	\$ 9.18
Dividends per share	\$1.07½	\$.88½	\$.84	\$.84	\$.75	\$.63	\$.60	\$.58	\$.46

* Before extraordinary items. After extraordinary items, would be \$4.48 and \$4.02 in 1972, \$3.03 and \$2.82 in 1971, \$3.22 and \$2.98 in 1970 and \$2.43 and \$2.33 in 1969, respectively.

(1) Includes Oxford operations for entire year. All prior years reflect the merger of Oxford into Ethyl on a pooling of interests basis.

(2) Including Common Stock equivalents.

(3) If the Second Preferred Stock were converted, its dividend would become \$1.56 a share at the present common dividend rate, as against the present \$2.40 preferred dividend.

(4) Reflects a deduction for the liquidating value of the Second Preferred Stock, and is based on the number of shares outstanding at the end of each year, treating warrants and common stock options as common stock equivalents.

DIRECTORS

*LAWRENCE E. BLANCHARD, JR.
S. DOUGLAS FLEET
Retired Vice President
M. F. GAUTREAUX
JAMES M. GILL
*BRUCE C. GOTTWALD
*FLOYD D. GOTTWALD
*FLOYD D. GOTTWALD, JR.
*ROBERT HERZOG
A. B. HORN, JR.
GEORGE F. KIRBY
President
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Houston, Texas
JOSEPH M. LOWRY
Retired Senior Vice President
ANDREW M. MCBURNEY
ROBERT T. MARSH, JR.
Retired Chairman of the Board
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Richmond, Va.
JAMES F. MILLER
Vice Chairman—Management Committee
Blyth Eastman Dillon Co., Inc.
New York, N.Y.
CLARENCE M. NEHER
MELVIN M. PAYNE
President
National Geographic Society
Washington, D.C.
W. THOMAS RICE
Chairman & Chief Executive Officer
Seaboard Coast Line Industries, Inc.
Richmond, Va.
SIDNEY BUFORD SCOTT
Partner
Scott & Stringfellow
Richmond, Va.
ERWIN H. WILL
Retired Chairman of the Board
Virginia Electric & Power Co.
Richmond, Va.

*Member of the Executive Committee

OFFICERS AND STAFF

FLOYD D. GOTTWALD, JR.
Chairman of the Board
Chief Executive Officer
Chairman—Executive Committee
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President
FLOYD D. GOTTWALD
Vice Chairman of the Board
Vice Chairman—Executive Committee
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Executive Vice President
ROBERT HERZOG
Executive Vice President
M. F. GAUTREAUX
Senior Vice President—
Research & Development
JAMES M. GILL
Senior Vice President—Chemicals Group
A. B. HORN, JR.
Senior Vice President—
International Group
CLARENCE M. NEHER
Senior Vice President—Plastics Division
LLOYD B. ANDREW
Vice President,
Director—Financial Relations
WALLACE F. ARMSTRONG
Vice President—Manufacturing
C. RAYMOND HAILEY
Vice President,
President—Oxford Paper Division
ARTHUR W. HELWIG
Vice President,
Secretary—Executive Committee
Director—Planning & Profit
Improvement
HOWARD E. HESSELBERG
Vice President—Air Conservation
THOMAS M. SMYLYE
Vice President—Aluminum
FREDERICK P. WARNE
Vice President,
Secretary and General Counsel
FRANK J. McNALLY
Treasurer
JAMES H. KIRBY
Controller
KARL F. CAST
Director—Central Systems &
Data Processing
B. D. HARRISON
Budget Director
G. SAMUEL ROBERTS
Chief Engineer
STEPHEN B. RODI
Director—Corporate Employee Relations
G. E. SAXON
Director—Advertising & Sales Promotion
J. C. WRIGHT
Director—Purchasing & Traffic
CHARLES H. ZEANAH
Director—Corporate Public Relations

DIVISIONS

Oxford Paper

ANDREW M. MCBURNEY
Executive Vice President
RUSSELL H. CHAMBLISS, JR.
Vice President—Sales
S. D. DILLON
Vice President—
National Accounts, West
C. RICKERT LEWIS
Vice President—
National Accounts, East
RICHARD A. PREMO
Vice President—Operations

Chemicals Group

Petroleum Chemicals

JOHN F. KOEHNLE
Divisional Vice President
& General Manager
T. E. LOCKERBIE
General Manager—Product
Development & Sales Applications
A. T. ROWE
Director—Marketing

Industrial Chemicals

ROGER A. MOSER
General Manager
H. WARREN REES
General Sales Manager
KERRY C. SORRELLS
Sales Manager

Instrument

R. J. OSTRANDER
General Manager

Ethyl International

Petroleum Chemicals

M. WHITLOCK
General Manager
W. J. RUSHER
General Manager—Sales

Industrial Chemicals

L. B. REYNOLDS
General Manager

Ethyl S.A.

R. R. DOWNEY
Managing Director
A. M. SCHILS
Director

Ethyl Hellas Chemical Company S.A.

E. G. AMOLOCHITIS
Managing Director

Oil & Gas

L. N. APPLIGATE
Director

Ethyl Corporation of Canada Limited

KENNETH A. FREBERG
President
JAMES H. MAIN
General Manager—Sales

Elk Horn Coal Corporation

ROY A. CUNNINGHAM
President

Plastics

JAMES R. LEES
Director—Marketing
ROLAND E. MCKENZIE
General Manager—Dispensers,
Metal Products & Films
RAY WILKINS, JR.
General Manager—Polymer & Pipe
Divisions

Imco Container Products Division

B. HANSEL BONDS
President
ROBERT D. BISHOP
Vice President—Sales & Marketing
MARION HIERMAN
President—Imco of Canada

Dispenser Products Division

STANLEY T. MANDELTORT
General Manager
SAM F. COPIA
Sales Manager

Molded Products Division

RICHARD F. SANDS
President
General Managers:
HENRY L. DEROCHER, *Nymold*
ERNEST HURST, *Canada*
JACK SHERIDAN, *Federal*
LEONARD A. KLEINMAN, *Packaging*
DAVID W. LUNDY, *Mariand*
GEORGE P. MACURA, *California*
NICHOLAS MULLER, *Closures*

Metal Products Division

PHILLIPS E. PATTON
General Manager
DOM WILKS, JR.
Manager—Sales & Marketing

Pipe Products Division

L. RAY McCULLEY
Sales Manager

Polymer Products Division

R. M. WOLBER
Sales Manager

VisQueen Film Products Division

RICHARD W. GOODRUM
Acting General Manager
HARRY C. BYRNE, JR.
Director—Sales
JOHN K. SHIFFLER
General Sales Manager
J. R. KOPNISKY
Manager—Marketing

Aluminum

E. MALCOLM HARVEY
President & Treasurer,
The William L. Bonnell Co., Inc.
ALBERT H. COPP
General Manager—Mineral Resources
WILLIAM H. MORGAN
General Manager—Marketing
& Product Development

The William L. Bonnell Company, Inc.

LLOYD L. REYNOLDS
Vice President & General Manager
WARREN H. BROCKWAY
Vice President & General
Sales Manager
JOHN C. DUNN
Vice President—Industrial Sales

Capitol Products Corporation

GEORGE S. THUMBERT
Executive Vice President
& General Manager
WALLACE FREMONT
Vice President
DONALD G. HORNING
Vice President

Corporate Headquarters
330 South Fourth Street
Richmond, Va. 23219
(804) 644-6081

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Baton Rouge, La. 70801
(504) 387-0131
100 Park Avenue
New York, N.Y. 10017
(212) 679-2000

Stock Transfer Agents
First & Merchants National Bank
Richmond, Va.
Chase Manhattan Bank, N.A.
New York, N.Y.

Registrars of Stock
Bank of Virginia—Central
Richmond, Va.
Morgan Guaranty Trust Co.
New York, N.Y.

General Counsel
Huntton, Williams, Gay & Gibson
Richmond, Va.

Stock Listings
New York Stock Exchange
Pacific Coast Stock Exchange
Toronto Stock Exchange

Ticker Symbol: EY

Number of Employees
Approximately 18,000

1975 Annual Report

Ethyl

Corporation

Ethyl Annual Report 1975

FINANCIAL HIGHLIGHTS

(In Thousands of Dollars Except Per Share of Common Stock)

	Years Ended December 31	1975	1974	Percent Increase (Decrease)
Net Sales		\$1,029,220	\$1,019,559	1
Net Income		61,004	74,297	(18)
Depreciation, Depletion & Amortization		44,390	40,176	10
Capital Expenditures and Acquisitions		108,856	195,237	(44)
Working Capital		266,133	200,004	33
Per Share of Common Stock				
Net Income		\$ 6.09	\$ 7.41	(18)
Dividends		\$ 1.30	\$ 1.25	4
Shareholders' Equity		\$38.78	\$34.61	12
Weighted Average Number of Common Shares Outstanding		9,398,487	9,512,470	(1)

CONTENTS

- 1 Message to Shareholders
- 3-13 Operations Review
- 14 Financial Results of 1975
- 20 Financial Statements
- 24 Notes to Financial Statements
- 26 Auditors' Report
- 27 Products and Plants
- 28 Directors, Officers & Staff

ANNUAL MEETING

The annual meeting of Ethyl Corporation's shareholders will be held at the Company's corporate headquarters at 11 a.m. (EST) on Thursday, April 22, 1976. Formal notices of the annual meeting, proxies and proxy statements will be mailed about April 1, 1976.

Message to Shareholders

To the Shareholders of Ethyl Corporation:

Sales for 1975 again passed the billion dollar mark and exceeded the record established the previous year. However, net income and earnings per share declined from the record 1974 highs. The year's performance reflects the impact of the worldwide recession to a greater extent than originally anticipated. Nonetheless, 1975 was still the second best year in the Company's history.

Net sales for 1975 were \$1,029,220,000, up 1% from \$1,019,559,000 for 1974. Net income was \$61,004,000, or \$6.09 a share, versus \$74,297,000, or \$7.41 a share, for the previous year.

In 1975, the Company's product areas were affected in varying degrees by economic recession. We anticipated some volume decline in domestic sales of lead antiknock compounds in view of increasing use of unleaded gasolines. However, foreign sales of antiknock compounds also declined as a result of poor economic conditions. When foreign economies improve, we expect a resumption of growth of antiknock sales in countries which continue to recognize the importance of lead antiknocks and have not substantially restricted their use. Our industrial chemicals sales held up reasonably well during the year, but plastics, paper, aluminum and coal operations all were adversely affected by the economy. Some signs of recovery in all areas except antiknock compounds and coal began to appear in the fourth quarter. As a result, we look for considerable improvement in 1976.

For this report, we have changed the format of the Operations Review section, which follows this message. We believe a full reading of the section will give you substantial background information on 1975 developments and activities. Detailed information is presented by broad product areas in order to give you a full overview. We call your special attention to page 5 for a description of the Edwin Cooper Division, which Ethyl acquired in July. Edwin Cooper is a worldwide producer and marketer of lubricant additives and its acquisition provides Ethyl an important new participation in the petroleum chemicals market.

On February 19, 1976, Ethyl announced that an agreement in principle had been reached with Boise Cascade Corporation, Boise, Idaho, for the sale of Ethyl's Oxford Paper Division, consisting principally of a pulp and paper mill at Rumford, Maine, and about 335,000 acres of timberland in Maine. Ethyl decided to sell Oxford since the growth of our Company in recent years has been concentrated in areas other than paper. The purchase price for Oxford is expected to be about \$90 million, subject to adjustments based on a final audit. It is anticipated that the price may result in an after-tax loss for Ethyl in the range of \$4 to \$5 million. The transaction was approved by Ethyl's board of directors on February 26, 1976, and at the time of printing of this report, a definitive agreement was in preparation. (See Paper on page 11.)

The 1973 suit by Ethyl and other lead antiknock producers to set aside regulations of the Environmental Protection Agency (EPA) phasing down lead in gasoline remained undecided by the U.S. Circuit Court of Appeals for the District of Columbia Circuit at the time this report went to press. After a three-judge panel had ruled that the regulations were invalid, a rehearing before the full Court was granted on EPA's motion, and the panel's ruling was vacated. The rehearing was held on May 30, 1975, but no decision has been issued. While it is not possible at this time to predict what the future course of this litigation may be, we intend to continue our efforts to vindicate the use of lead antiknocks in gasoline.

After several hearings during 1975, at which Ethyl and others presented testimony, the California Air Resources Board voted in January 1976 to maintain its strict regulation limiting lead in the ambient air. On February 19, 1976, the Board followed up with regulations requiring a phase-down of lead in gasoline for major refiners to 0.4 gram per gallon over a four-year period beginning January 1, 1977. Ethyl intends to appeal the Board's action to the proper California court.

Ethyl, like many other U.S. companies, had significant expenditures in 1975 to comply with environmental laws and the requirements of the Occupational Safety and Health Act (OSHA). Ethyl's expenditures were about \$19 million last year. It is anticipated these expenditures will continue to run at high levels in 1976 and in succeeding years.

Raw material and other costs continued to escalate in 1975, despite intensification of our cost-control program during the year. We have been able to pass along most of these increased costs in our prices. However, we re-emphasize that this approach concerns us because of the ultimate impact on consumers and the economy.

Despite decreases in net income and earnings per share, 1975 was a year of which we are proud. In the face of significant worldwide economic problems, Ethyl was still able to record the second best year in its history. With signs of recovery noted in the fourth quarter and broader indications of improved general economic conditions, we expect to have a better year in 1976.

Our sincere appreciation is extended to our employees, shareholders, customers and suppliers for their continued support and loyalty.



F. D. Gottwald, Jr.
Chairman of the Board
Chief Executive Officer

February 27, 1976



Bruce C. Gottwald
President

(March 22, 1976: After this Annual Report went to press, but before mailing preparations were completed, we were advised that the U.S. Court of Appeals rejected Ethyl's petition and upheld, in a 5 to 4 decision, the position of the Environmental Protection Agency requiring a reduction of lead in gasoline over the next five years. We are studying the several hundred pages of the opinion, and intend to seek an appeal to the U.S. Supreme Court.)

Operations Review

Ethyl Corporation—historically known as a one-product, one-industry company—today is a diversified manufacturer with facilities around the world. The Company employs approximately 17,000 people and operates more than 60 plants, most of which make products for sale to other manufacturers for use as intermediates or additives in products that reach the consumer in another form. Through a diversification program begun in 1963, Ethyl has added to its basic chemicals business other product areas and activities including plastics, paper, aluminum, oil and gas exploration, coal and other minerals. In 1975, Ethyl's total sales were \$1,029,220,000 and its net income was \$61,004,000, or \$6.09 a share.

The Operations Review section which follows reports on activities in Ethyl's various product areas. A summary:

Petroleum Chemicals sales were \$349,079,000 or 34% of total sales. These sales include the Edwin Cooper Division, acquired in July. (See pages 5 and 6.)

Industrial Chemicals sales were \$209,722,000 or 20% of total sales. (See page 6.)

Plastics products sales were \$275,659,000 or 27% of total sales. (See page 8.)

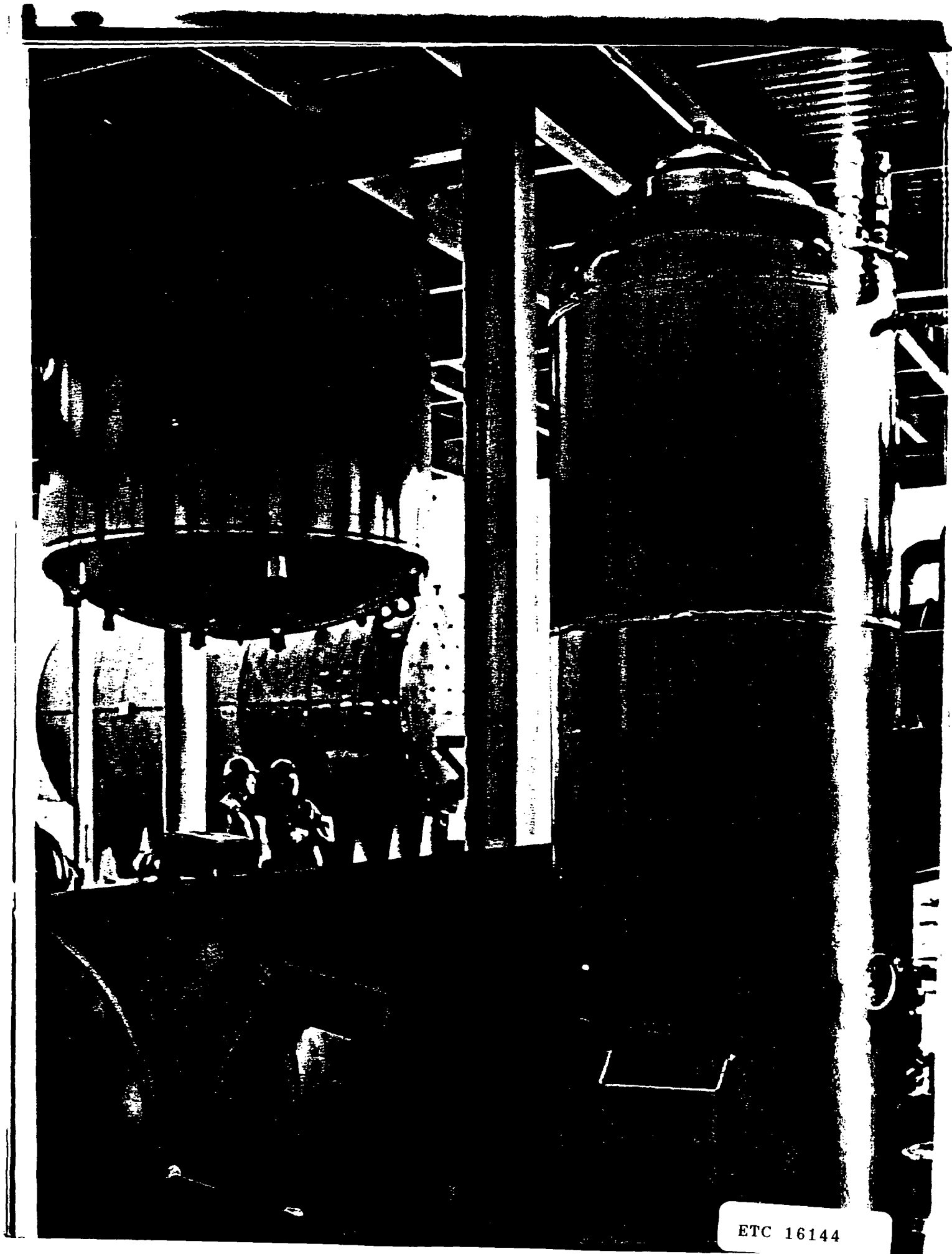
Aluminum products sales were \$86,719,000 or 8% of total sales. (See page 9.)

Paper sales were \$99,118,000 or 10% of total sales. (See page 11.)

Coal-related revenues were \$8,923,000 or 1% of total sales. (See page 11.)

Oil & Gas exploration continued in five areas around the world. (See page 11.)

Research & Development expenditures were \$28,016,000. More than half of Ethyl's R&D effort was devoted to new products. (See page 12.)



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Workers check progress on construction of additional chemical reaction facilities at Edwin Cooper's Sauget, Ill., plant. Completion of these facilities is scheduled in the second quarter of 1976.



Bulk storage construction for expanded blending facilities at Edwin Cooper's Sauget plant began in 1975. The St. Louis, Mo., arch shows in the upper left of the picture.

Petroleum Chemicals

Ethyl makes a wide range of chemical additives for petroleum products. The chief products are antiknock compounds, which are added to gasoline to increase its octane number and improve its performance. Ethyl also produces special-purpose additives for automotive and industrial uses. Domestic sales are made through the Petroleum Chemicals Division, based in Houston, while outside the United States products are sold by Ethyl of Canada Limited and Ethyl International. The Edwin Cooper Division manufactures and sells lubricant additives in the U.S. and in foreign countries.

Sales revenues from petroleum chemicals worldwide increased 17% in 1975. The addition of the results of Edwin Cooper — acquired from The Burmah Oil Company, Limited in July — represented a major part of this overall increase.

Domestically, petroleum chemicals sales revenues were 18% higher than 1974, due to the inclusion of the results of Edwin Cooper and to higher prices necessary to offset increased costs. Shipments of antiknock compounds in the U.S. declined about 11% as a result of increased sales of unleaded gasoline and reduced sales of premium gasoline. Sales of MMT, a manganese additive for unleaded gasoline, increased sharply. Twenty-seven refiners are now using MMT. Approval of its use by additional customers is expected to increase demand in 1976.

Shipments of lead antiknock compounds in other countries were below 1974 levels but better than expected based on general economic conditions. In 1975, a major new bulk distribution facility was installed in Taiwan and a customer terminal at Izmit, Turkey, was expanded. In 1976, Ethyl International plans to expand its antiknock distribution network by the addition of major

terminals in Indonesia, the Philippines and Singapore and by expansion of existing facilities in Venezuela.

Ethyl manufactures antiknock compounds at Baton Rouge, La.; Houston, Texas; Sarnia, Ontario, Canada; and Thessaloniki, Greece. A fleet of ships transports these chemicals to international ports.

Ethyl's petition to set aside U.S. regulations to phase down lead in gasoline remained before a federal court as of February 27, 1976. In December 1974, the court ruled in Ethyl's favor. However, a re-hearing was held in May 1975, and no decision has been announced. (See Message to Shareholders.) Most other countries recognize the importance of lead antiknocks in conserving crude oil, and while some restrictions are in force in various countries around the world, these restrictions have not had a material effect on the Company's business.

Sales of other petroleum additives were down in 1975, although domestic sales increased because of higher prices. Cetane improver and gasoline antioxidant sales were at record levels while sales of oxidation inhibitors for lubricants fell below 1974 levels. Gasoline detergent sales continued to increase as improved versions of this product line were offered. Ethyl of Canada is scheduled to begin production of this new gasoline detergent line in 1976. Market development of a new middle distillate fuel additive is underway with commercial introduction expected in the first quarter of 1976.

The most significant development in petroleum chemicals in 1975 was the acquisition of the Edwin Cooper Division from The Burmah Oil Company, Limited for approximately \$40 million, including working capital. Edwin Cooper employs about 450 people and operates plants and laboratories in

England, the U.S. and Belgium. Its 1974 sales were approximately \$77 million. Its additives are sold through a network of 11 offices in Europe, the Far East, Australia, South America, the United Kingdom and the United States. Edwin Cooper is headquartered in Bracknell, Berkshire, England.

The lubricant additives industry requires high-technology. Demonstration of performance of products in combination with customers' lubricants in industry-accepted tests is a prerequisite to sales. Hence, a major emphasis at Edwin Cooper's laboratories at St. Louis, Mo., and at Bracknell is placed on additives testing. Many tests are carried out in engines in which the products actually will be used, while others require sophisticated simulation equipment. The test engines range from two-stroke gasoline models to heavy truck turbocharged diesels. In addition to sales service, these laboratories provide for development of products resulting from research in the chemical section of the laboratories. Since the performance requirements of lubricants vary significantly in world markets, testing and manufacturing are coordinated internationally.

Edwin Cooper & Company Limited (Bracknell) serves markets in Europe, the Middle East and Africa. It had record sales in 1975 despite lower economic activity resulting in reduced shipments and level earnings. Overall gains are expected in 1976.

Edwin Cooper, Inc. (St. Louis) operates throughout the western hemisphere and the Far East. Its 1975 sales were about the same as the previous year, but its earnings declined from the record levels of 1974. The U.S. economy, which adversely affected 1975 results, is expected to contribute to 1976 gains with growth in new products developed during the past two years.

Nippon Cooper (30%-owned by Edwin Cooper), like most Japanese chemical and energy companies, had a difficult year in 1975. Although Nippon Cooper retained its market share, continuing cost increases and added competitive pressure reduced earnings. Improvement is expected in 1976 as the Japanese economy recovers.

More than \$7 million is being invested in Edwin Cooper's Sauget, Ill., plant (near St. Louis) to produce new components which will result in additional product availability in the second quarter of 1976. Expansion of the Sauget blending facilities is scheduled for completion in 1976.

Ethyl's Instrument Division supplies systems for measuring automotive exhaust emissions, air pollutants from fixed and mobile sources, for process control and for laboratory test equipment. This division continued to operate at a loss in 1975, mostly as a result of economic conditions and the delay of new regulations for emissions from fixed and mobile sources.

Consumer automotive product sales in 1975 were disappointing. Based on results of multi-state marketing, Ethyl has decided to discontinue sales of these products at the consumer level.

Industrial Chemicals

This area includes production of basic and specialty chemicals, many of which have resulted from technology developed by Ethyl. Most of Ethyl's industrial chemicals are specialized intermediates for products going into three growing market areas—detergents, herbicides and insecticides for agricultural uses and synthetic polymers. The remaining products are general chemicals having various industrial uses.

In the U.S., the Industrial Chemicals Division, based in Baton Rouge, handles sales, while Ethyl of Canada sells in that country and Ethyl International is responsible for sales elsewhere in the world.

Industrial chemicals sales were up over the record levels of 1974, largely because of price increases.

Domestically, major sales gains were in agricultural chemical intermediates and bromine products. A number of these products are based on patented Ethyl technology. Continued growth is expected in these markets in 1976. Aluminum alkyl catalyst sales to the polymer industry, closely allied to the transportation and housing markets, were down in 1975. However, by year-end, sales began to increase, indicating substantial recovery in 1976.

Chlorinated solvents sales in the U.S. were down substantially in 1975 due to the slowdown of the economy. Increased costs reduced margins for these products. In the fourth quarter, Ethyl advised



Construction began in September 1975 on an aluminum alkyls plant in Feluy, Belgium. The plant, located on the Charleroi-Brussels canal, is scheduled to open in mid-1976.

customers that it would discontinue the manufacture of 1,1,1-trichloroethane, used primarily for metal cleaning. The Company will concentrate on the production of trichlorethylene and perchlorethylene.

Ethyl's principal detergent intermediates are linear alcohols and alpha olefins. Volumes from the Houston alcohol/olefin plant were down from capacity levels of 1974, due primarily to a slowdown in the detergent market and a drop in demand for olefins for making plasticizers. However, olefin sales for lubricant additives were strong. Some recovery is expected in alcohols in 1976, while olefin sales began to show an upturn in the fourth quarter and are expected to be strong in 1976.

The Industrial Chemicals Division began the direct sale of mid-cut alcohols in 1975. This gives Ethyl access to new customers who serve the household and industrial surfactant markets. Alpha olefin sulfonates for detergents became fully commercial during the year. Production and sale of bulk chemicals for pharmaceuticals also began in 1975—representing another new market entry. Early production was made possible by modification of existing facilities in the U.S. and Canada. Additional expansion for these products is planned by mid-1976.

In Canada, the Sarnia plant operated near capacity in 1975, despite shortages of some raw materials. Aluminum alkyl sales in Canada were stable during the year.

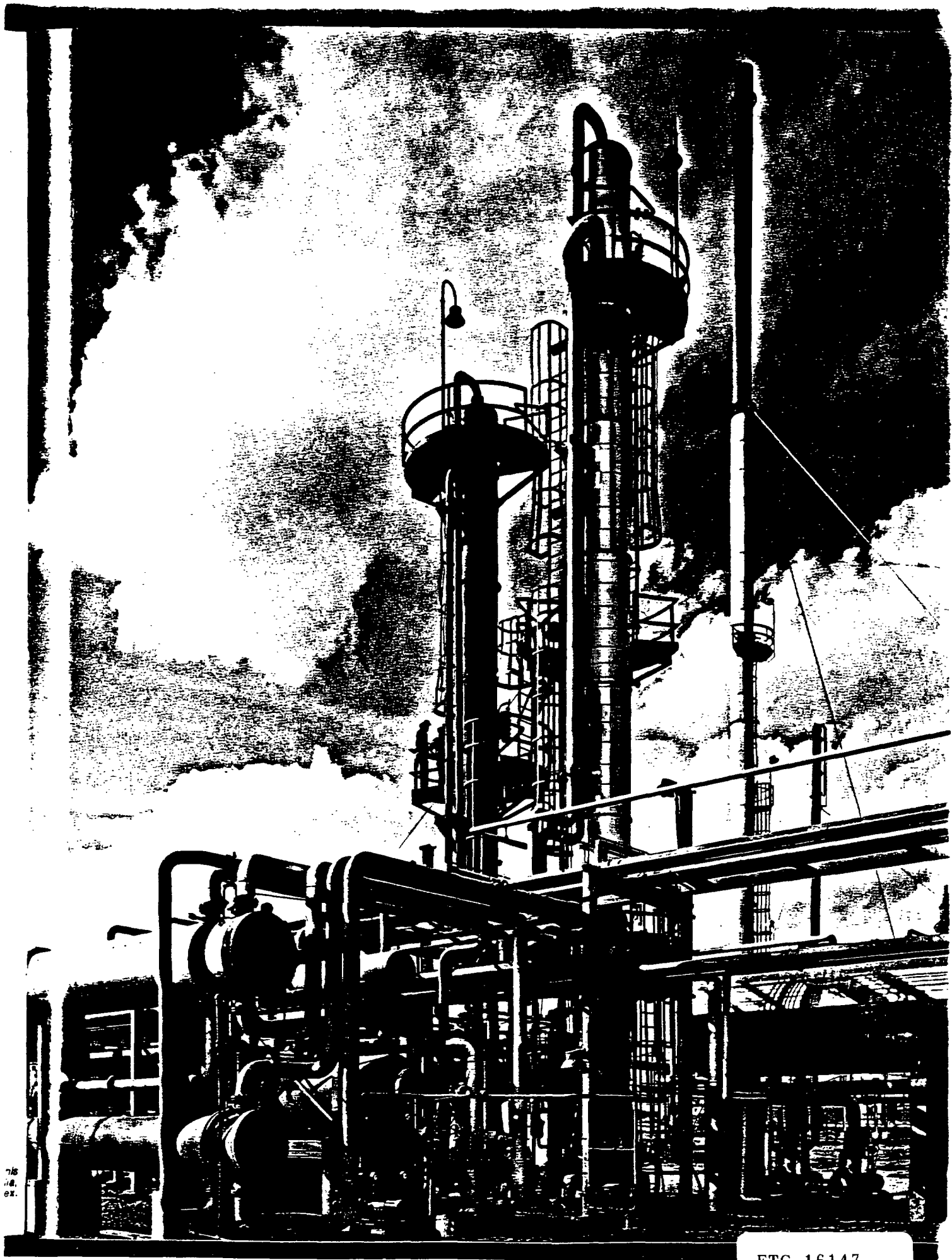
Ethyl International's industrial chemicals sales and earnings reached record levels again in 1975. Construction was

begun in September on an aluminum alkyls plant at Feluy, Belgium, near Brussels. The plant, representing an initial investment of approximately \$11 million, is scheduled to open in mid-1976. In addition, planning is underway to use Ethyl's orthoalkylation technology in new facilities to be built at Feluy.

Construction of two industrial chemical plants in the U.S. was begun in the fourth quarter. Both units, located at the Company's Magnolia, Ark., manufacturing complex, will utilize bromine chemistry. Total cost of these plants will be approximately \$15 million. One facility, to be completed by the end of 1976, will manufacture a specialty chemical intermediate for a new herbicide. The other, scheduled for completion in the second quarter of 1977, will produce fatty alkyldimethylamines—chemical intermediates for the manufacture of germicides, corrosion-inhibitors, surfactants and petroleum additives. These amines will be derived from alpha olefins from the Company's Houston plant. Production processes for the units are based on technology developed primarily through Ethyl research. Other activity at Magnolia in 1975 included expansion of brine field drilling to provide brine for an enlarged bromine plant.

An expansion of manufacturing capability for phosphorus-based agricultural intermediates was completed at Orangeburg, S.C., in 1975. Expansion of orthoalkylation facilities at Orangeburg is expected to be completed in 1976. During the year, expansion of the

Additional environmental control equipment such as this sour-gas processing unit was installed at the Magnolia, Ark., manufacturing complex



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Houston alpha olefin plant was started with completion set for early 1977. Production facilities for orthoalkylated chemicals also are being expanded at Houston with completion scheduled by mid-1977.

Plastics

Plastics products are a major business line for Ethyl. They include such diverse items as polyethylene film for packaging, customized plastic containers, polyvinyl chloride (PVC) pipe, molded parts, closures, aerosol valves, dispenser pumps and PVC resins and compounds. Through acquisitions since 1963, Ethyl has expanded its plastics products line to cover many packaging products. The most recent was the 1974 acquisition by Ethyl of VCA Corporation, a major producer of plastic and metal packaging products, aerosol valves, atomizers and pumps. Sales of most plastics product groups were lower in 1975, reflecting customer inventory adjustments to a lower economic level.

The "VISQUEEN" Film Products Division's lower sales reduced profits in the more common type products, but the effect was minimized by the specialized nature of the majority of the product line. VISQUEEN continues as the world's largest producer of polyethylene film for specialty packaging, industrial applications and disposable consumer products. VISQUEEN serves the construction, automotive and food packaging markets, among others. Programs to combine selected materials with polyethylene for barrier and other performance properties continued to provide new sales for VISQUEEN in 1975. In 1976, VISQUEEN will continue to emphasize specialized film products.

The "IMCO" Container Products Division, a major producer of polyethylene, polypropylene and PVC bottles and containers, experienced reduced sales through the third quarter. However, fourth quarter performance was strong and, based on these results, IMCO expects increased sales in 1976 in all markets. IMCO retained its leadership in the toiletries and cosmetics market in 1975. In food packaging, a solid product position was gained to permit IMCO to capitalize on growing consumer acceptance of plastics for syrups, edible oils and condiments. The household chemical container market is experiencing growth as a result of the continuing conversion of household cleaners to plastic containers. Proposed Food & Drug Administration regulations to ban PVC bottles for food would have an initial adverse effect on IMCO, but the Company has the necessary versatility to substitute other materials.

The Dispenser Products Division, a leader in aerosol valves and plastic ac-

cessories, experienced a slowdown in sales in 1975. Industry concern over the future of certain aerosol propellants depressed development of new consumer products. While some improvement is expected in aerosol valve sales in 1976, strong growth is anticipated in newly designed and improved mechanical spray pumps. Customer interest in these pumps has risen sharply and manufacturing capacity is being expanded to accommodate expected increases.

The Metal Products Division had lower sales in 1975. This division makes decorative metal fittings and closures for the cosmetic industry and collapsible and rigid aluminum tubes, threaded jar closures, soft drink closures, drawn tinplate cans for paste waxes and aerosol valve mounting cups. Products sold to the cosmetics industry were the most seriously affected in 1975—due to the controversy over the safety of certain aerosol propellants. In 1976, some recovery is anticipated because customer inventories have been reduced. Sales of non-aerosol related items to the household product, toiletry, food and beverage markets were not as depressed. Emphasis for 1976 includes expansion of the metal container closure product lines.

The Molded Products Division was reorganized into three units during the year. They are: (1) the packaging group, serving personal care, household products, pharmaceutical and food and liquor markets; (2) the engineering plastics group for the automotive, appliance, plumbing and mold designing and building markets and (3) the Canadian group for markets in that country. To offset the negative effect of 1975 lower volume, Molded Products began an extensive cost reduction program. The Puerto Rican plant, formerly a VCA unit, was closed and its production capability spread among U.S. facilities. To achieve additional cost reduction, it was decided in late 1975 to close the Bronx, N.Y., plant, a former VCA facility. With projected improvement in the economy, an increase in sales is anticipated in 1976.

The Polymer Products Division had 1975 sales significantly below the record levels of the previous year because of the recession in the automotive and housing industries. Sales increased in the second half of the year and should reach near-capacity levels in 1976. Added marketing of specialty resins and compounds continued in 1975. Progress was made not only in the reduction of vinyl chloride emissions at the Baton Rouge resin plant, but also in the supply of resins and compounds for the packaging industry that contain less than one part per million of vinyl chloride monomer. A modest expansion of PVC resin capacity is scheduled for



A brine well is serviced as part of drilling operations at Magnolia, Ark.



Ethyl produces a wide range of plastics which are used in nationally known products. These samples represent the major markets served by the Plastics Group.

Right: Plastic household cleanser bottles go through a final step in manufacture.

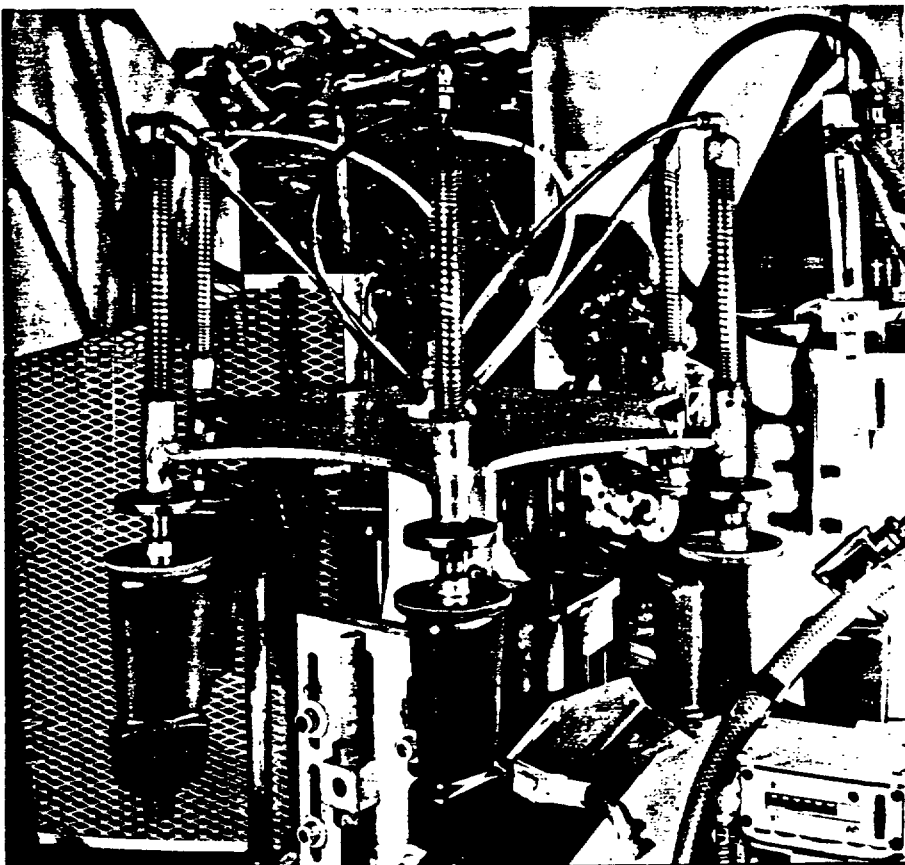
completion at Baton Rouge in early 1976.

The Pipe Products Division had sales lower than the record levels of 1974, largely due to recession in the construction industry combined with industry over-capacity and resulting price deterioration. Ethyl produced a new PVC gravity sewer pipe in 1975, and initial market acceptance was good. This new product is expected to become a strong contributor to 1976 sales.

Aluminum

Ethyl's aluminum products sales are made by two subsidiaries—The William L. Bonnell Company, Newnan, Ga., and Capitol Products Corporation, Mechanicsburg, Pa. These subsidiaries make extruded aluminum shapes for windows and doors, store fronts and curtain walls, boats, swimming pools and trucks and trailers, decorative products for the floor covering and home building industries as well as aluminum windows and doors.

The aluminum industry in 1975 experienced continuation of a slowdown





Left: A die maker lays out the cap of a hollow aluminum extrusion die at Bonnell's plant in Newnan, Ga.

Bottom: A Bonnell die maker removes a rack of aluminum tooling from a high heat furnace. Foreground shows a hollow extrusion die.

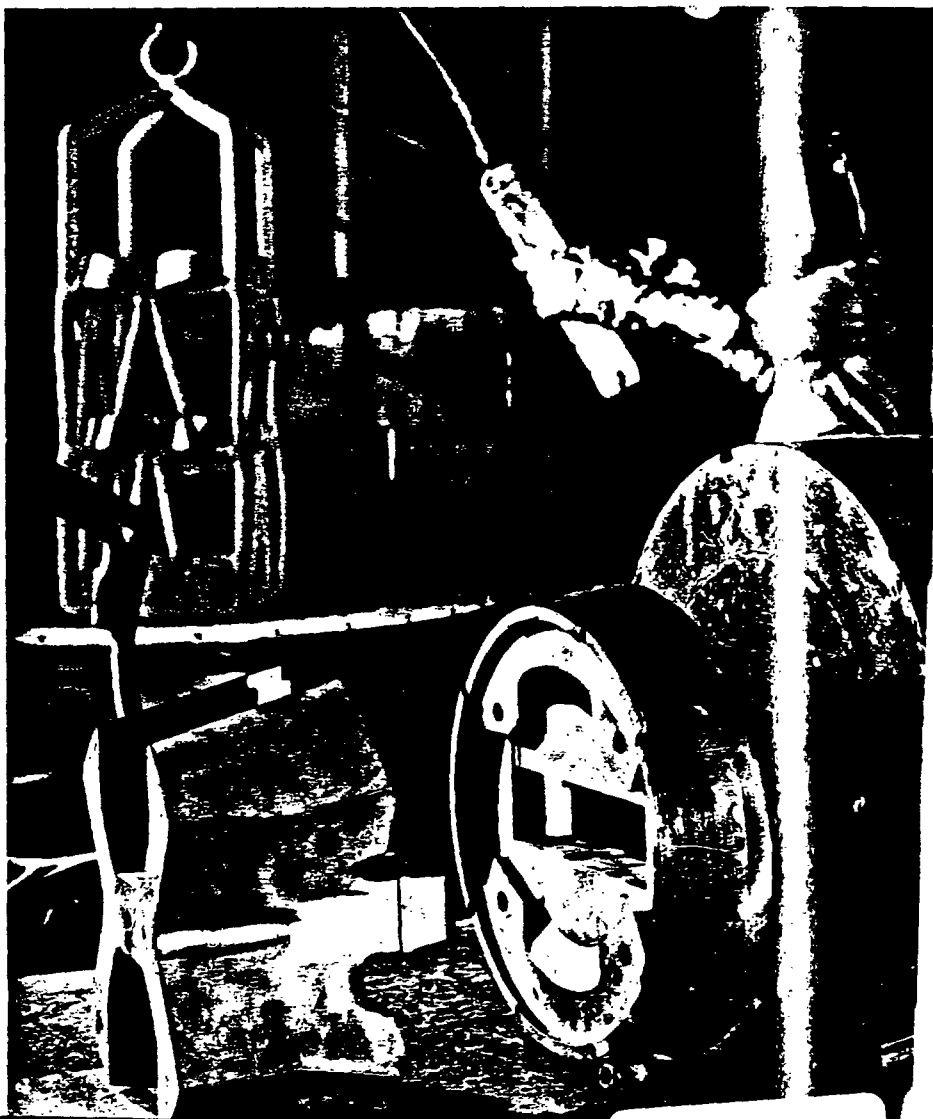
that began in 1974, and Ethyl's aluminum products sales declined 13% from 1974. The majority of the sales decrease was in the first half. Substantial slowdowns in the building and transportation industries—major markets for Bonnell and Capitol—affected sales.

Bonnell's sales showed signs of recovery in the second half with performance matching the levels of the last two quarters of 1974. A major effort was made in 1975 to offset the combined impact of higher prices of aluminum metal and fuel and lower sales volume.

"Thermalized" aluminum extrusions, a new product from Bonnell for preventing heat loss from residential windows and doors, were introduced in 1975. These extrusions are formed by joining extruded aluminum sash or frame members with vinyl extrusions, which provide a thermal barrier. Capitol Products first introduced a thermalized single hung window in 1974. During 1975, Capitol introduced thermalized sliding windows and doors. In addition to reducing heat loss, these thermalized windows and doors nearly eliminate frame condensation traditionally associated with aluminum products.

In November, Bonnell completed replacement of two open-hearth re-melt furnaces with newer design models to improve efficiency and reduce fuel consumption in its billet casting operation at the Newnan plant. A similar high-efficiency furnace was installed at Bonnell's Carthage, Tenn., plant in late 1974.

Despite the 1975 decline in the transportation, motor home and swimming



ETC 16150

pool markets, Capitol's soft alloy extrusion sales were near 1974 levels. Continued strength of storm window and recreation vehicle products aided Capitol's sales along with broader geographical coverage.

Sales of Capitol's residential windows and doors were adversely affected by a steep decline in the construction of multi-family housing units. While single family housing starts in the U.S. were essentially the same as 1974, multi-family starts were down approximately 40%.

Paper

Sales of the Oxford Paper Division in 1975 were down 14% from 1974 record levels. The 1974 totals included part of the sales of the West Carrollton, Ohio, mill—sold in July of that year. At the time it was sold, the West Carrollton mill accounted for 20% of Oxford's sales. Oxford's 1975 experience was typical of the paper industry in view of the economic slowdown in the first three quarters. Low demand and liquidation of customer inventories caused Oxford's operating rates to drop as low as 60% of capacity during the first half. Demand increased substantially in the second half, and the Rumford, Maine, mill ran close to capacity by year-end.

Oxford worked on modernization and improvement of facilities in 1975. The rebuilt No. 11 paper machine, started up in late 1974, operated successfully during the year permitting a conversion coater to be shut down in the first quarter of 1975, thereby improving costs. Additional environmental improvements were made at the Rumford mill. Construction of an effluent treatment plant, containing both primary and secondary treatment facilities continued in 1975.

On February 19, 1976, Ethyl announced that an agreement in principle



Construction on the secondary treatment portion of Oxford Paper's Rumford effluent plant continued in 1975.

had been reached with Boise Cascade Corporation, Boise, Idaho, for the sale of the Oxford Paper Division, consisting principally of the pulp and paper mill at Rumford and about 335,000 acres of timberland in Maine. (See Message to Shareholders.)

Coal

Ethyl's coal-related activities are conducted by Elk Horn Coal Corporation, Beckley, W. Va. Elk Horn owns approximately 130,000 acres of coal land, primarily in Eastern Kentucky, part of which it leases to others for mining. An Elk Horn subsidiary, West Virginia Belt Sales & Repairs, Inc., makes and markets mine and mill supplies.

The 1975 retreat from unprecedented demand and price levels of late 1974 resulted in a decrease in coal production from Elk Horn properties and a decline in revenues. Some stability in both coal prices and production occurred in the fourth quarter. Coal production from Elk Horn properties was 3.2 million tons in 1975 versus 4.1 million tons the previous year.

Oil and Gas Exploration

Ethyl's exploration programs are conducted in cooperation with other companies in Western Canada, the North Sea and the U.S. (Louisiana, Texas and Oklahoma).

In Canada in 1975, Ethyl continued its successful participation in a joint venture with BP Canada Exploration

Limited. The Company took part in six commercial discoveries there. In addition, three gas wells and two oil wells discovered previously began production. Ethyl currently owns interests in 3.6 million acres in the provinces of Alberta, British Columbia and the Northwest Territories. Additional development and exploration wells are planned in 1976 in Canada.

Ethyl has a one-sixth interest in the Laura Tenneco group, which holds leases in the Dutch Sector of the North Sea totaling 1.2 million acres. In 1975, both a confirmation test north of a gas well discovered in 1974 and an exploratory well were unsuccessful. Additional drilling is planned in the North Sea in 1976.

Ethyl has substantial acreage under lease in Matagorda County, Texas, where further drilling is being considered. The Company wrote off about \$5 million of drilling investment in Matagorda County in the fourth quarter of 1975. Two Louisiana gas wells in which Ethyl has an interest continued commercial production in 1975.

In 1975, Ethyl extended its joint exploration agreement with Amerada Hess Corporation for drilling in South Louisiana and the Eastern Texas Gulf Coast. Three unsuccessful exploratory wells were drilled under this program. Acreage currently is being acquired for several possible exploration wells in 1976.

Ethyl leased 13,000 acres in the Anadarko Basin in Western Oklahoma in 1975 primarily for iodine well testing.

Exploration in February 1976 resulted in an oil and gas discovery. Additional testing is required to determine the significance of this discovery.

Research & Development

Ethyl received 135 U.S. and 55 foreign patents in 1975, bringing the total number maintained to more than 2,700 U.S. and foreign patents.

New Product Research: A fleet test in which each of 14 catalyst-equipped cars was driven 50,000 miles using unleaded gasoline containing MMT was successfully completed in 1975. This manganese antiknock for use with lead-free gasoline continues to be cost-effective, compatible with all emissions reduction systems and without any health hazards.

Construction is underway on two new commercial specialty chemical units which use brominated chemical intermediates and Ethyl-developed technology. Production of a fragrance chemical using bromine chemistry is well along in the pilot plant stage. Disinfectant uses are being developed for another bromine compound.

Promising new flame retardants have been found for polyester, cotton and cotton-polyester blend fibers. Development of these retardants is progressing well in cooperative work with fiber and fabric manufacturers. Work on a pharmaceutical product for a major drug firm advanced to successful initial commercial production. Research is in progress on production processes for other new pharmaceuticals. Ethyl's microbiological process research also continued to make good progress.

Development of Ethyl's new aluminum process technology continued satisfactorily. Participation was estab-

lished with a small group of major companies in hard-rock mineral exploration in Alaska with leasing rights to mineral discoveries. Coal or lignite someday may become a preferred raw material for certain major chemicals currently produced from gas and oil. Long-range work is in progress to develop the technology for that transition and to establish access to appropriate raw materials. Evaluation of a bauxite deposit in Brazil continued in 1975. Work thus far has shown the deposit to be less significant than originally anticipated.

Research is in progress on promising co-surfactant candidates for tertiary oil recovery operations. Ethyl continued research in 1975 on phosphonitrilic compounds for a wide variety of end uses, including rubber and plastics.

The size of Ethyl's iodine brine reserves in Oklahoma was confirmed in 1975 by additional drilling. Development work on a process for extraction of the iodine from this brine will continue in 1976.

New Ethyl technology has led to commercial production of an alkylated aniline intermediate for pesticides. Two new orthoalkylated phenolic antioxidants have been introduced, based on a unique manufacturing process.

Research and development of lubricant additives has been coordinated with Edwin Cooper to strengthen market position.

A major R&D emphasis in plastics in 1975 was the introduction of new versions of injection molded PVC for TV cabinets. Fire retardancy and good properties make this injection molded PVC well suited for this application. In packaging, Ethyl successfully continued its broad efforts to reduce residual monomer in PVC products to less than one part per million.

Automotive Emissions Research: Work continued in 1975 on the lead-compatible emissions control system called the Turbulent Flow System (TFS). The key component in Ethyl's system is the turbulent flow intake manifold, which improves the mixture of fuel and air, distributing it more evenly to the cylinders. The process permits the engine to operate efficiently, without misfire, using lean mixtures (low proportions of gasoline with air).

With the TFS, emissions have been reduced below the levels required by the 1975-76 U.S. 49-state standards in a total of 15 cars and 10 different makes and models. The TFS also offers improved fuel economy and better driveability. Several automobile companies in the U.S. and Europe are testing the system. An example of the fuel economy available with the TFS was displayed in a European high-performance vehicle. The TFS-equipped car had emissions below the levels of 1975-76 U.S. 49-state standards, using leaded gasoline. According to the EPA, the fuel economy was better than that of any 1975 car certified by automotive manufacturers in the same weight class.

To achieve even lower emission levels, exhaust port liners and thermal reactors are added, which do not detract from the system's durability. This was proven in 1975 in a 50,000-mile, EPA-type road test using high-octane leaded fuel. After 50,000 miles, emissions remained well below the 1975 federal standards and the even stricter ones for California. And, the fuel economy was better than that of most 1975 cars of the same weight certified to meet those standards. Such emission stability indicates that the TFS-reactor combination can be a life-of-the-car system, while catalysts probably will need to be replaced periodically. The car is accumulating mileage in continuing tests.

Ethyl researchers established a reliable method of measurement of sulfate emissions in 1975 and verified that they are very low from lean-reactor cars utilizing Ethyl's TFS and from non-catalyst cars. Sulfate emissions vary widely with operation in cars equipped with exhaust catalysts and can be very high under certain conditions.

Although Ethyl believes that scientific evidence shows that lead from automotive exhaust poses no threat to public health, the Company has developed particulate traps that will capture most of the lead normally emitted. Work continued in 1975 on simple, inexpensive traps for both full-sized U.S. cars and smaller foreign cars. An average of approximately 75% reduction in emission of lead particulates can be obtained using traps. Ethyl traps were tested by a joint industry-government group in Italy in 1975.

Portion of an active ore beneficiation pilot plant operated by R&D engineers.

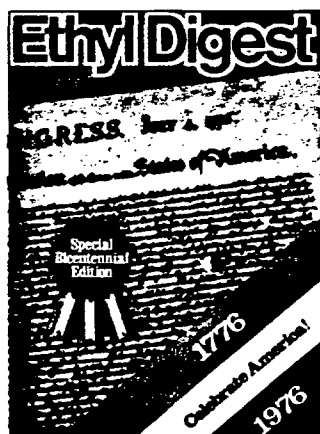




A phase microscope is used in part of Ethyl's research to put chemical capabilities of microorganisms to commercial use.

Public Service

Ethyl continued in 1975 its program of support to educational and charitable organizations, primarily in the communities in which the Company has facilities. A public service highlight occurred in February when the Company received the Freedoms Foundation's George Washington Certificate for economic education. The award honored the 1974-75 edition of ETHYL DIGEST. This booklet had as its theme the American free enterprise system and its contribution to the nation's progress during the past 200 years. Initially, ETHYL DIGEST was distributed to shareholders, employees, customers, the media, members of Congress, the governors of the states and other government officials, as well as to business and educational opin-



ion leaders. To meet unprecedented demand, there were three printings.

Of particular interest to many DIGEST readers, especially educators, businessmen and government leaders, have been the large-type version of the Declaration of Independence and the pocket-sized copy of the Constitution of the United States. In 1976, the Company is supplementing this effort with an updated *Special Bicentennial Edition*, including timely articles on energy and the economy. In this way, Ethyl is able to make its own special contribution to the nation's Bicentennial and is pleased to join in celebrating America.



Member National Bicentennial Business Alliance

Net Sales The following table sets forth Ethyl's net sales represented by each of its lines of business for the period 1971-1975:

Net Sales by Lines of Business (In Thousands of Dollars)

	1975		1974		1973		1972		1971	
	Net Sales	Percent of Total	Net Sales	Percent of Total	Net Sales	Percent of Total	Net Sales	Percent of Total	Net Sales	Percent of Total
Chemicals: (a)										
Domestic ..	\$ 387,804	38%	\$ 337,499	33%	\$248,043	35%	\$240,553	38%	\$229,605	40%
Foreign ..	170,997	16	149,935	15	104,761	15	85,560	14	75,117	13
Plastics (b) ..	275,659	27	306,076	30	146,323	21	132,108	21	111,338	19
Paper ..	99,118	10	115,099	11	101,957	15	88,185	14	85,566	15
Aluminum ..	86,719	8	100,234	10	97,918	14	85,193	13	75,632	13
Coal (c) ..	8,923	1	10,716	1						
Total ..	<u>\$1,029,220</u>	<u>100%</u>	<u>\$1,019,559</u>	<u>100%</u>	<u>\$699,002</u>	<u>100%</u>	<u>\$631,599</u>	<u>100%</u>	<u>\$577,958</u>	<u>100%</u>

(a) Includes Edwin Cooper from its acquisition in July 1975.

(b) Includes VCA Corporation from its acquisition in April 1974.

(c) Elk Horn Coal Corporation acquired in January 1974.

Profit Contribution The following table shows, with respect to the Company's lines of business, operating profits exclusive of income taxes, extraordinary items and certain corporate expenses that are not practical to identify with a particular line of business.

Operating Profit by Lines of Business After Identifiable Corporate Expenses (In Thousands of Dollars)

	1975		1974		1973		1972		1971	
	Operating Profit	Percent of Operating Profit	Operating Profit	Percent of Operating Profit	Operating Profit	Percent of Operating Profit	Operating Profit	Percent of Operating Profit	Operating Profit	Percent of Operating Profit
Chemicals: (a)										
Domestic ..	\$ 90,070	54%	\$ 78,008	43%	\$ 69,951	53%	\$ 73,542	60%	\$ 71,966	66%
Foreign ..	42,723	25	39,427	22	26,074	20	20,627	17	17,649	16
Plastics (b) ..	17,209	10	43,723	24	18,842	14	14,554	12	11,349	10
Paper ..	5,953	4	11,618	6	6,024	5	1,921	2	970	1
Aluminum ..	7,858	5	3,362	2	10,417	8	11,197	9	8,021	7
Coal (c) ..	3,603	2	5,518	3						
Total ..	<u>\$167,416</u>	<u>100%</u>	<u>\$181,656</u>	<u>100%</u>	<u>\$131,308</u>	<u>100%</u>	<u>\$121,841</u>	<u>100%</u>	<u>\$109,955</u>	<u>100%</u>

(a) Includes Edwin Cooper from its acquisition in July 1975.

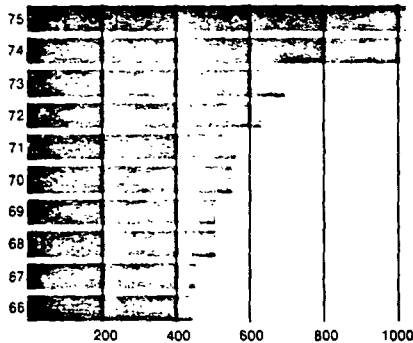
(b) Includes VCA Corporation from its acquisition in April 1974.

(c) Elk Horn Coal Corporation acquired in January 1974.

The operating profits used for purposes of the above table include charges for general and administrative and research and development expenses at the corporate level which are identifiable with each line of business but do not include charges that are not practical to identify with lines of business. The latter comprise financing costs (net of investment income), research and development expense in new product areas, exploration costs and other unallocated charges, as shown in the following table:

	1975	1974	1973	1972	1971
Net Financing Costs	\$13,400	\$ 9,463	\$ 2,750	\$10,941	\$12,563
Research and Development—					
New Product Areas	9,467	8,768	7,873	5,564	6,695
Exploration Costs—Oil, Gas & Bauxite	11,496	6,413	1,315	2,337	1,651
Other—General and Administrative	20,641	18,832	17,282	16,865	15,230
Total	<u>\$55,004</u>	<u>\$43,476</u>	<u>\$29,220</u>	<u>\$35,707</u>	<u>\$36,139</u>

Net Sales
Millions of Dollars



Financial Results 1975

Within the chemicals line of business, Petroleum and Industrial Chemicals often utilize joint facilities for manufacture, research and development and in many instances are interrelated in terms of raw materials, intermediates and by-products. Consequently, while sales of chemical products can be determined accurately without allocations, it is not practicable in management's judgment to make accurate allocations within the chemicals line of business to determine the relative contribution to the Company's operating profits by classes of chemical products. Because lead antiknocks (the largest contributor to chemical sales and profits) are interrelated with certain other chemical products, any substantial reduction or elimination of the use of lead antiknocks in gasoline would adversely affect the costs and profitability of the Company's other present chemicals business as well.

Net Sales by Classes of Similar Products (In Thousands of Dollars)

The following table sets forth the amounts and percentages of net sales of each of the classes of similar products for the period 1971-1975.

	1975		1974		1973		1972		1971	
	Net Sales	Percent of Total	Net Sales	Percent of Total	Net Sales	Percent of Total	Net Sales	Percent of Total	Net Sales	Percent of Total
Chemicals:										
Petroleum (a) \$	349,079	34%	\$ 298,218	29%	\$243,624	35%	\$225,993	36%	\$222,166	39%
Industrial...	209,722	20	189,216	19	109,180	15	100,120	16	82,556	14
Plastics (b) ..	275,659	27	306,076	30	146,323	21	132,108	21	111,038	19
Paper	99,118	10	115,099	11	101,957	15	88,185	14	85,666	15
Aluminum ...	86,719	8	100,234	10	97,918	14	85,193	13	75,632	13
Coal (c)	8,923	1	10,716	1						
Total..	\$1,029,220	100%	\$1,019,559	100%	\$699,002	100%	\$631,599	100%	\$577,058	100%

(a) Includes Edwin Cooper from its acquisition in July 1975.

(b) Includes VCA Corporation from its acquisition in April 1974.

(c) Elk Horn Coal Corporation acquired in January 1974.

Lead antiknock compounds (which comprise most of the Petroleum Chemicals sales shown above) remain the Company's principal product and contribute to operating profits a substantially higher percentage than their 29% contribution to net sales.

Management's Discussion and Analysis of the Consolidated Statements of Income

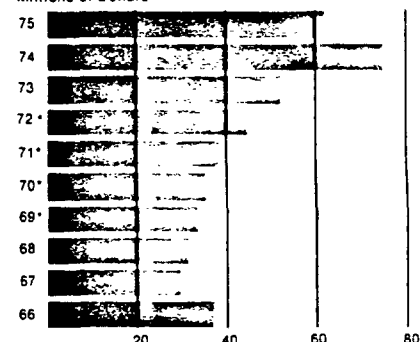
1975 Compared to 1974 Net sales for 1975 increased \$9.7 million (1%) from 1974. The inclusion of sales of Edwin Cooper from its acquisition in July 1975 and higher unit selling prices across virtually all product lines more than offset lower unit sales volumes in all lines of business, particularly in plastics.

In spite of lower unit sales volumes, cost of goods sold in 1975 increased \$11.6 million (1%) from 1974, with the result that the gross profit margin for the Company declined slightly from 24.3% in 1974 to 23.9% in 1975. The increase in costs of goods sold was due to (1) the acquisition of Edwin Cooper (2) higher costs of labor, raw materials and supplies, especially feedstocks and energy, (3) lower plant operating rates and (4) higher operating costs to comply with environmental laws and the requirements of OSHA. In addition, the Company set up reserves of about \$2.5 million during the year to cover proposed shutdowns of several plants which are expected to reduce its operating costs in the future. Cost of goods sold during 1975 was affected by inventory reductions as described in Note 5 to the Financial Statements on page 25.

The profitability of the Plastics Division, which was down \$26.5 million (61%) from 1974, was adversely affected in particular by the general slowdown of the economy, especially in the construction and automotive industries, inventory reductions by customers and continuing cost increases in raw materials and supplies. When compared with the record levels in 1974, the decline was quite significant although the comparison with prior years was much less adverse. Within the Plastics Division, aerosol containers, polymers and PVC pipe were particularly depressed due to the

Income

Millions of Dollars



* Before Extraordinary Items

factors referred to above. Additionally, aerosol container sales were adversely affected by publicity over fluorocarbon emissions into the atmosphere. On the other hand, the profitability of domestic chemicals, which was higher than 1974 by \$12.1 million (15%), was favorably affected in 1975 by the inclusion of the domestic results of Edwin Cooper for the last half of 1975, together with improved profit margins on antiknocks resulting from selling price increases, net of cost increases, which mainly occurred late in 1974.

Depreciation and depletion of property, plant and equipment and maintenance and repair costs increased \$3.5 million (9%) and \$3.6 million (8%), respectively, in 1975 as compared with 1974 due mainly to capital expenditures, the acquisition of Edwin Cooper and higher costs. Expenditures for labor and employee benefit costs increased \$12.2 million (5%) in 1975 over 1974 primarily because of the acquisition of Edwin Cooper and wage and salary increases due to inflation. Rental expense in 1975 increased \$0.9 million (6%) over 1974 due to the acquisition of Edwin Cooper and increased distribution equipment.

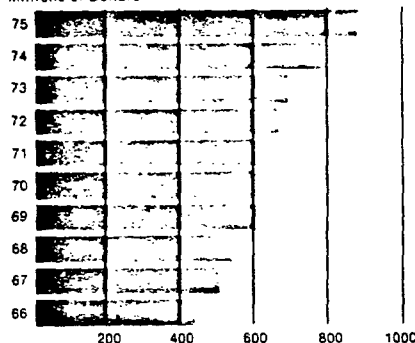
Selling and general expenses in 1975 increased \$18.9 million (19%) from 1974 due primarily to the acquisition of Edwin Cooper, expanded research and development activity in new product areas, higher exploration costs charged to operations resulting from the decision to write-off about \$5 million of investment in a natural gas well in Matagorda County, Texas, and continuing inflationary cost pressures.

Miscellaneous income in 1975 decreased \$2.8 million (35%) from 1974 due principally to (1) a reduction in interest income resulting from lower yields on investments in short-term securities and (2) losses of approximately \$0.9 million in 1975 from the translation of European and Canadian currencies due to the strengthening of the U. S. dollar.

Interest and financing costs in 1975 increased \$2.1 million (12%) from 1974 due primarily to higher levels of borrowing during 1975 and higher interest rates.

Income taxes in 1975 decreased \$12.5 million (20%) from 1974 due to lower income before taxes. The effective income tax rate in 1975 of 45.7% was slightly lower than the 1974 rate of 46.2% due principally to an increase in the investment credit of \$1.0 million.

Total Assets
Millions of Dollars



1974 Compared to 1973 Net sales for 1974 increased \$320.6 million (46%) over 1973 due primarily to (1) the acquisitions of VCA Corporation (VCA) and Elk Horn Coal Corporation and (2) higher selling prices of most of the Company's products resulting from sharply higher operating costs.

Cost of goods sold for 1974 increased \$253.5 million (49%) with the result that the gross profit margin declined from 25.8% in 1973 to 24.3% in 1974. Cost of goods sold in 1974 reflects (1) the acquisitions of VCA and Elk Horn Coal Corporation (2) escalating costs for labor, raw materials and supplies, especially feedstocks and energy, and (3) increasing costs related to pollution abatement and OSHA compliance. Cost of goods sold in 1974 was affected by a change in the method of accounting for inventories as described in Note 5 to the Financial Statements on page 25.

Depreciation and depletion of property, plant and equipment and maintenance and repair costs increased \$6.4 million (20%) and \$10.3 million (30%), respectively, in 1974 compared with 1973 due mainly to capital expenditures and acquisitions and generally higher costs. Labor and employee benefit costs increased \$45.7 million (26%) in 1974 over 1973 due principally to the acquisition of VCA and greater than normal wage and salary increases attributable to inflation. Rent expense increased \$4.7 million (46%) in 1974 over 1973 due primarily to the acquisition of VCA and increased distribution facilities and equipment to support higher sales.

Selling and general expenses in 1974 increased \$24.1 million (32%) over 1973 principally as a result of the acquisitions of VCA and Elk Horn Coal Corporation, expanded activity and higher cost levels for research and development, the introduction of consumer automotive products, exploration costs charged to operations and inflationary cost pressures, particularly on salaries.

Miscellaneous income in 1974 declined \$6.7 million (45%) from 1973 due primarily to a reduction of interest income resulting from lower levels of investments in short-

ETHYL CORPORATION
330 South Fourth Street
Richmond, Virginia 23219

The logo for Ethyl Corporation, featuring the word "Ethyl" in a large, bold, sans-serif font, with the word "Corporation" in a smaller, bold, sans-serif font directly beneath it. The text is white and is set against a black rectangular background.

Ethyl
Corporation

Financial Results 1975

term securities during 1974, reflecting the effects of cash expenditures for acquisitions in early 1974.

Income taxes in 1974 increased \$14.7 million (30%) from 1973 due to higher income before taxes. The effective tax rate in 1974 of 46.2% was lower than the 1973 rate of 48.2% due to a combination of several factors, including (1) an increase in the investment tax credit of \$1.1 million and (2) additional capital gains related primarily to Elk Horn Coal Corporation.

A five-year summary of Income and Retained Earnings is shown on page 22.

Quarterly Sales, Net Income and Earnings per Share The following table shows quarterly sales, earnings and earnings per share and fully diluted earnings per share for each quarter in 1975 and 1974:

(In Thousands of Dollars)	Net Sales		Net Income	
	1975	1974	1975	1974
First Quarter	\$ 235,257	\$ 196,247	\$13,782	\$12,225
Second Quarter	239,017	263,534	15,961	17,789
Third Quarter	281,488	298,239	17,258	22,595
Fourth Quarter	273,458	261,539	14,003	21,688
Total Year	<u>\$1,029,220</u>	<u>\$1,019,559</u>	<u>\$61,004</u>	<u>\$74,297</u>

	Earnings per Share		Fully Diluted Earnings per Share	
	1975	1974	1975	1974
First Quarter	\$1.35	\$1.18	\$1.20	\$1.06
Second Quarter	1.59	1.77	1.39	1.54
Third Quarter	1.73	2.28	1.51	1.96
Fourth Quarter	1.42	2.18	1.25	1.89
Total Year	<u>\$6.09</u>	<u>\$7.41</u>	<u>\$5.35</u>	<u>\$6.45</u>

Working Capital Provided from Operations Working capital provided from operations (refer to Changes in Financial Position—Page 23) amounted to \$115.2 million in 1975, compared with \$120.9 million in 1974. This was sufficient in 1975 to provide for capital stock acquisitions and dividends and to provide substantial funds for capital expenditures and acquisitions.

At December 31, 1975, working capital was \$266.1 million and the ratio of current assets to current liabilities was 3.53 to 1. This compared with working capital of \$200 million and a ratio of 2.57 to 1 at December 31, 1974.

Internal Revenue Service Examination The Internal Revenue Service has completed its examination of the Company's first ten taxable periods after the 1962 Ethyl-Albemarle merger through the calendar year 1971. The IRS has proposed tax increases of about \$35 million, including interest, which would total about \$44 million if assessed on the same basis through 1975. The IRS position results from differences in the valuation of assets acquired in the merger and the allocation of values between tangible and intangible assets. The IRS valuation of assets was made by a government engineer during the course of its examination. The Company based its asset valuation on an appraisal by independent appraisers made at the time of the merger.

It is the opinion of the Company's counsel that the tax increase proposed by the IRS is far in excess of any tax which ultimately might be payable by the Company on the basis of a reasonable asset valuation. The Company does not accept the IRS proposal and will continue to contest it.

Capital Expenditures and Acquisitions During 1975, about \$109 million was spent on acquisitions and capital projects for new plants, expansions and modernizations, compared with about \$195 million in 1974. The 1974 figure included about \$115 million for the acquisitions of VCA Corporation and Elk Horn Coal Corporation while the 1975 figure includes approximately \$40 million, including working capital and a

manufacturing license in connection with the acquisition of Edwin Cooper, a manufacturer and marketer of lubricant additives. Expenditures in 1975 included about \$19 million for pollution abatement and OSHA projects, and over the next several years it is estimated that annual expenditures in the range of \$10 million to \$20 million can be expected for such purposes.

Common Dividend Increased The Board of Directors increased the regular quarterly dividend on the Common Stock twice during 1975—from 30 cents to 32½ cents per share effective with the July 1, 1975, payment and from 32½ cents to 35 cents per share effective with the January 1, 1976, payment. The following table shows the quarterly dividends declared in 1975 and 1974:

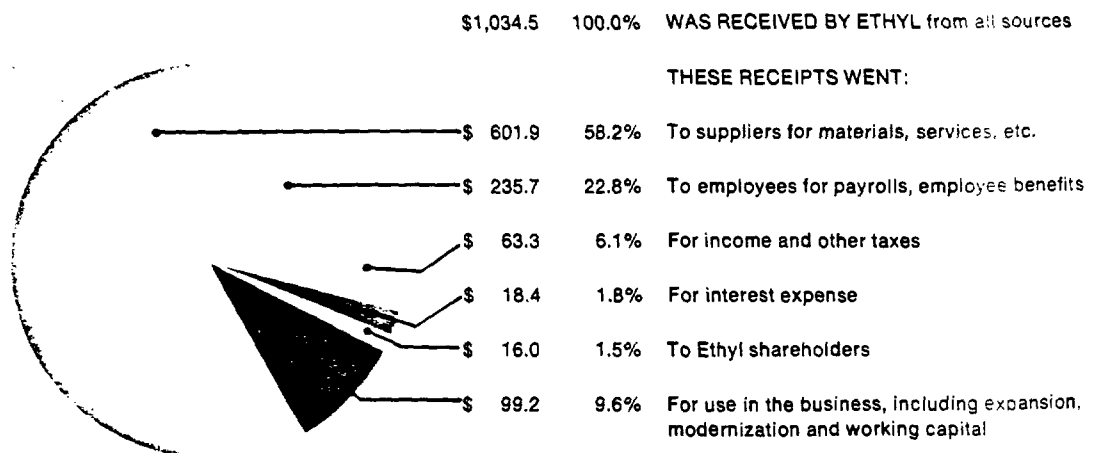
	1975	1974
First Quarter	\$.30	\$.25
Second Quarter	.32½	.30
Third Quarter	.32½	.30
Fourth Quarter (includes special dividend of 10 cents in 1974)	.35	.40
	<u>\$1.30</u>	<u>\$1.25</u>

In addition, regular quarterly dividends of 60 cents per share on the \$2.40 Cumulative Second Preferred Stock and \$1.50 per share on the 6% First Preferred Stock were paid during 1974 and 1975.

Market Prices of Listed Stock The Company's Common Stock and \$2.40 Cumulative Second Preferred Stock are traded principally on the New York Stock Exchange. The following table shows the reported high and low prices of these listed stocks, by quarters, for the years 1974 and 1975:

		Common		\$2.40 Cumulative Second Preferred	
		High	Low	High	Low
1974	First Quarter	\$30	\$21½	\$40	\$33¾
	Second Quarter	28	22¾	39¾	34½
	Third Quarter	26¼	19	38¾	26
	Fourth Quarter	27¾	19½	36¾	27½
1975	First Quarter	33¾	23¾	45½	34¾
	Second Quarter	37½	30¾	49¾	42¾
	Third Quarter	33¾	26	45½	36
	Fourth Quarter	30¾	25¾	39¾	35¼

How Ethyl Used The Revenues It Received During 1975 (Millions of Dollars)



Financial Results 1975

Long-Term Debt As of December 31, 1975, the long-term portion of Ethyl's debt was \$272.7 million, equal to 38% of the Company's total capitalization.

In 1975, Ethyl refinanced its senior debt with four insurance companies providing for \$56 million of new money and resetting the debt to mature between 1978 and 1993.

Debt repayments during 1975 amounted to \$2.6 million. These consisted of \$1,250,000 on the 4% Promissory Notes due 1983 and \$1,329,000 on Miscellaneous Debt.

Summary of Long-Term Debt

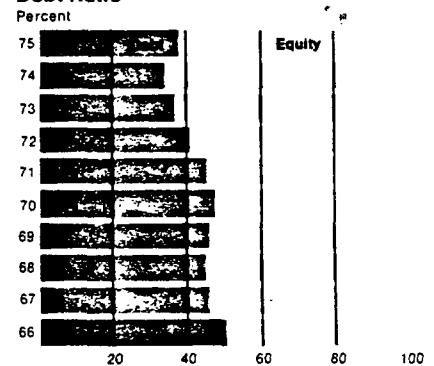
Senior Debt

9½ % Promissory Notes—due 1984-1993	\$ 94,000,000	
7¾ % Promissory Notes—due 1978-1983	45,000,000	
10¼ % Promissory Notes—due 1984-1993	<u>56,000,000</u>	\$195,000,000
The Prudential Insurance Company of America		
The Equitable Life Assurance Society of the United States		
The Northwestern Mutual Life Insurance Company		
New York Life Insurance Company		
4¾ % Promissory Notes—due 1976-1983		19,000,000
The Northwestern Mutual Life Insurance Company		
John Hancock Life Insurance Company		
New York Life Insurance Company		
Promissory Notes—due 1977-1981 (variable interest rates based on the prime commercial rate)		10,000,000
Seven Banks		
Miscellaneous	<u>4,211,000</u>	\$228,211,000

Subordinated Debt

5¼ % Subordinated Notes—Due 1979-1982	50,000,000	
Various Institutional Investors		
Less unamortized discount (the balance of the amount corresponding to the proceeds of warrants sold with the Notes in 1962), reflecting an imputed total interest rate of 7.4%	<u>3,481,000</u>	<u>46,519,000</u>
Total Debt at December 31, 1975		274,730,000
Current Portion of Debt		<u>2,018,000</u>
Long-Term Debt		<u>\$272,712,000</u>

Debt Ratio



Summary of Debt Maturities to 1985

	5¼ % Subordinated Notes Due 1979-82	9½ % Promissory Notes Due 1993	7¾ % Promissory Notes Due 1983	10¼ % Promissory Notes Due 1993	4¾ % Promissory Notes Due 1983	Promissory Notes 1977-81	Miscella- neous to 1992	Total Amount
1976					\$1,250,000		\$768,000	\$ 2,018,000
1977					1,250,000	\$1,250,000	628,000	3,128,000
1978			\$7,500,000		1,250,000	2,500,000	349,000	11,599,000
1979	\$ 8,000,000		7,500,000		1,250,000	2,500,000	302,000	19,552,000
1980	8,000,000		7,500,000		1,250,000	2,500,000	280,000	19,530,000
1981	8,000,000		7,500,000		1,250,000	1,250,000	390,000	18,390,000
1982	26,000,000		7,500,000		1,250,000		151,000	34,901,000
1983			7,500,000		10,250,000		150,000	17,900,000
1984		\$9,400,000		\$5,600,000			158,000	15,158,000
1985		9,400,000		5,600,000			165,000	15,165,000

Consolidated Balance Sheets

ASSETS	December 31	1975	1974
Current assets:			
Cash and short-term securities	\$103,930,000	\$ 42,525,000	
Accounts and notes receivable	131,460,000	129,402,000	
Inventories	124,864,000	149,367,000	
Prepaid expenses	11,149,000	6,211,000	
Total current assets	371,403,000	327,505,000	
Property, plant and equipment, at cost:			
Land and land improvements	31,921,000	28,711,000	
Coal lands	16,786,000	16,755,000	
Development costs, producing properties	9,915,000	10,717,000	
Timberlands and standing timber	11,348,000	11,182,000	
Buildings	97,753,000	92,657,000	
Machinery and equipment	565,424,000	500,645,000	
	733,147,000	660,667,000	
Less, Accumulated depreciation, depletion and amortization	327,687,000	293,110,000	
Net property, plant and equipment	405,460,000	367,557,000	
Deferred charges and other assets	32,628,000	23,737,000	
Goodwill and other intangibles	66,318,000	64,250,000	
	<u>\$875,809,000</u>	<u>\$783,049,000</u>	

The accompanying notes are an integral part of these statements.

LIABILITIES	December 31	1975	1974
Current liabilities:			
Accounts payable and accrued expenses	\$ 79,623,000	\$ 81,658,000	
Dividends payable	4,200,000	3,832,000	
Notes payable	2,522,000	2,496,000	
Long-term debt, current portion	2,018,000	16,714,000	
Income taxes	16,907,000	22,801,000	
Total current liabilities	105,270,000	127,501,000	
Long-term debt:			
Senior	226,193,000	157,975,000	
Subordinated:			
Principal amount	50,000,000	50,000,000	
Less unamortized discount	3,481,000	4,065,000	
Subordinated debt less unamortized discount	46,519,000	45,935,000	
Deferred income taxes	54,623,000	44,650,000	
Provision for employee benefits	6,668,000	6,834,000	
Minority interest	555,000	468,000	
SHAREHOLDERS' EQUITY			
Capital stock:			
Cumulative First Preferred Stock, 6% Series A, par \$100 per share	2,674,000	2,787,000	
Cumulative Second Preferred Stock, \$2.40 Convertible Series A, par \$10 per share (aggregate liquidation price \$76,517,000 on 1,517,897 outstanding shares, after treasury stock)	19,621,000	19,621,000	
Common Stock, par \$1 per share	10,173,000	10,173,000	
Capital surplus	43,972,000	43,947,000	
Retained earnings	407,764,000	362,742,000	
	484,204,000	439,270,000	
Less, Treasury stock at cost	48,223,000	39,584,000	
Total shareholders' equity	435,981,000	399,686,000	
	\$875,809,000	\$783,049,000	

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF

Income and Retained Earnings

Years Ended December 31	1975	1974	1973	1972	1971
Income:					
Net sales	\$1,029,220,000	\$1,019,559,000	\$699,002,000	\$631,599,000	\$577,058,000
Miscellaneous income, net	5,238,000	8,058,000	14,716,000	7,187,000	5,642,000
	<u>1,034,458,000</u>	<u>1,027,617,000</u>	<u>713,718,000</u>	<u>638,786,000</u>	<u>582,700,000</u>
Cost and expenses:					
Cost of goods sold	783,615,000	772,048,000	518,528,000	460,803,000	419,722,000
Selling and general expenses	119,298,000	100,381,000	76,330,000	73,870,000	70,476,000
Interest and financing costs	19,133,000	17,008,000	16,772,000	17,979,000	18,686,000
Income taxes	51,408,000	63,883,000	49,204,000	41,427,000	35,576,000
	<u>973,454,000</u>	<u>953,320,000</u>	<u>660,834,000</u>	<u>594,079,000</u>	<u>544,460,000</u>
Income before extraordinary items ..	61,004,000	74,297,000	52,884,000	44,707,000	38,240,000
Extraordinary items				4,535,000	(3,326,000)
NET INCOME	<u>61,004,000</u>	<u>74,297,000</u>	<u>52,884,000</u>	<u>49,242,000</u>	<u>34,914,000</u>
 Retained earnings at beginning of year	 362,742,000	 304,135,000	 265,627,000	 229,359,000	 207,097,000
Deduct, Cash dividends:					
6% First Preferred Stock, \$6.00 per share	137,000	166,000	169,000	169,000	175,000
5% First Preferred Stock \$2.50 per share					44,000
Second Preferred Stock, \$2.40 per share ..	3,644,000	3,644,000	3,759,000	3,893,000	3,974,000
Common Stock, per share \$1.30; \$1.25; \$1.07 1/2; \$.88 1/2; \$.84 respectively	12,201,000	11,880,000	10,448,000	8,912,000	8,459,000
	<u>15,982,000</u>	<u>15,690,000</u>	<u>14,376,000</u>	<u>12,974,000</u>	<u>12,652,000</u>
Retained earnings at end of year	<u>\$ 407,764,000</u>	<u>\$ 362,742,000</u>	<u>\$304,135,000</u>	<u>\$265,627,000</u>	<u>\$229,359,000</u>
 Earnings per share:					
Income before extraordinary items	\$6.09	\$7.41	\$5.02	\$4.03	\$3.36
Extraordinary items				.45	(.33)
NET INCOME	<u>\$6.09</u>	<u>\$7.41</u>	<u>\$5.02</u>	<u>\$4.48</u>	<u>\$3.03</u>
 Fully diluted earnings per share assuming conversion of the Second Preferred Stock. (If the Second Preferred Stock were converted, its dividend would become \$1.82 per share at the 1975 annualized regular dividend rate, as against the present \$2.40 preferred dividend.)					
Income before extraordinary items	\$5.35	\$6.45	\$4.47	\$3.65	\$3.09
Extraordinary items				.37	(.27)
NET INCOME	<u>\$5.35</u>	<u>\$6.45</u>	<u>\$4.47</u>	<u>\$4.02</u>	<u>\$2.82</u>

The accompanying notes are an integral part of these statements.

Changes in Financial Position

	Years ended December 31	1975	1974
Source of Funds:			
Operations:			
Net Income	\$ 61,004,000	\$ 74,297,000	
Expenses not requiring outlay of working capital:			
Depreciation, depletion and amortization	44,390,000	40,176,000	
Deferred income taxes	9,810,000	6,459,000	
Working capital provided from operations	115,204,000	120,932,000	
Additional borrowing	56,000,000	10,000,000	
Current portion of long-term debt refinanced	14,500,000		
Proceeds from sale of West Carrollton fixed assets		4,500,000	
Working capital of consolidated subsidiaries at dates of acquisition	18,912,000	28,733,000	
Other items—net	2,078,000		
Decrease in working capital		68,898,000	
Total	<u>\$206,694,000</u>	<u>\$233,063,000</u>	
Application of Funds:			
Additions to property, plant and equipment	\$ 69,470,000	\$ 74,549,000	
Reduction of long-term debt	2,282,000	19,704,000	
Cash dividends	15,982,000	15,690,000	
Capital stock reacquired	8,727,000	1,483,000	
Acquisition of consolidated subsidiaries (net of long-term debt assumed in 1974—\$5,449,000)	35,880,000	114,321,000	
Purchase of manufacturing license	3,506,000		
Investment in Cooper Laboratories		6,367,000	
Long-term note receivable	4,718,000		
Other items—net		949,000	
Increase in working capital	66,129,000		
Total	<u>\$206,694,000</u>	<u>\$233,063,000</u>	
Changes in Working Capital:			
Increase (decrease) in current assets:			
Cash and short-term securities	\$61,405,000	\$(135,023,000)	
Accounts and notes receivable	2,058,000	39,031,000	
Inventories	(24,503,000)	58,657,000	
Prepaid expenses	4,938,000	450,000	
	<u>43,898,000</u>	<u>(36,885,000)</u>	
(Decrease) increase in current liabilities:			
Accounts payable and accrued expenses	(2,035,000)	19,107,000	
Dividends payable	368,000	442,000	
Notes payable	26,000	2,492,000	
Long-term debt, current portion	(14,696,000)	719,000	
Income taxes	(5,894,000)	9,253,000	
	<u>(22,231,000)</u>	<u>32,013,000</u>	
Increase (decrease) in working capital	<u>\$ 66,129,000</u>	<u>\$ (68,898,000)</u>	

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Consolidation The consolidated financial statements include the accounts and operations of Ethyl Corporation and all of its subsidiaries (the "Company").

Foreign Currency Translation Commencing with the year 1975, financial statements of foreign subsidiaries have been translated into U.S. dollars by early application of the principles prescribed by the Statement of Financial Accounting Standards No. 8 of the Financial Accounting Standards Board. Under such principles, current assets (other than inventories and prepaid expenses) and current liabilities are translated at rates prevailing at the balance sheet date. Inventories, prepaid expenses, property, plant and equipment, noncurrent assets, noncurrent liabilities and shareholders' capital accounts are translated at historical rates.

Revenues and expenses are translated at average rates except for depreciation and amortization, which are translated at historical rates. Gains and losses on translation and on other foreign currency transactions are included in income currently.

The change of method in 1975 did not result in material differences from the current-noncurrent method previously used and, accordingly, no restatement of prior years has been made.

Inventories Inventories are stated at the lower of cost or market with cost determined on the last-in, first-out basis for substantially all domestic inventories and on either average cost or first-in, first-out for other inventories. Cost elements included in work in process and finished goods inventories are raw materials, direct labor and manufacturing overhead. Raw materials and stores and supplies include purchase and delivery costs.

Depreciation Provisions for depreciation are based on the estimated useful lives of depreciable property, plant and equipment and are computed generally on the straight-line and declining balance methods. Expenditures for renewal and betterments are capitalized and expenditures for ordinary repairs and maintenance are charged to income as incurred. The costs and accumulated depreciation applicable to assets retired or sold are removed from the respective accounts, and gains or losses thereon are included in income.

Unamortized Discount Unamortized discount on long-term debt is amortized by charges to income on straight-line bases over periods ending from 1979 to 1982.

Exploration Costs Bonus and deposit payments, geo-physical costs of active exploration prospects and drilling costs of active exploratory wells are capitalized as deferred costs. Such costs are amortized if commercial discoveries are made or charged to income if prospects are abandoned or deemed likely to be abandoned. Costs of dry holes (unless valuable in defining active prospects) and annual charges related to prospects are charged to income.

Intangibles Goodwill acquired prior to November 1, 1970, (\$34,368,000) is not being amortized. Goodwill acquired subsequently (\$24,724,000) is being amortized over forty years.

Retirement Income Plans Annual pension costs are actuarially determined and include amortization of prior service costs generally over periods ranging up to 30 years. The policy of the Company is to fund pension costs accrued.

Income Taxes Deferred income taxes arise from timing differences between financial and income tax reporting of various items principally depreciation, intangible drilling and development costs and provisions for income taxes on undistributed earnings of certain subsidiaries.

The investment tax credit is accounted for by the flow-through method as a reduction of the provision for income taxes in the year realized.

Earnings Per Share Earnings, and fully diluted earnings, per common share are computed using the weighted average number of shares of common stock outstanding during the year including common stock options as common stock equivalents and after deducting preferred stock dividends. Proceeds from common stock equivalents are assumed to be used to purchase outstanding shares of the Company's common stock. Fully diluted earnings per share assumes the complete conversion of the Cumulative Second Preferred Stock.

Shares used in the computation of earnings per share were:

	Earnings Per Share	Fully Diluted Earnings Per Share
1975	9,398,487	11,371,991
1974	9,512,470	11,485,996
1973	9,756,992	11,793,584
1972	10,086,799	12,261,915
1971	10,140,533	12,293,589

2. Acquisition:

Effective July 1, 1975, the Company acquired for \$35,880,000 cash the Edwin Cooper Division (a manufacturer of lubricant additives for the petroleum industry) of The Burmah Oil Company, Limited. The acquisition was accounted for under the purchase method and, accordingly, its operations from the date of acquisition are included in the consolidated statement of income. The purchase price was allocated to the net tangible assets acquired on the basis of estimated fair values and included no goodwill.

The following pro forma unaudited summary, giving effect to purchase accounting and interest adjustments, combines the pre-acquisition consolidated net sales and net income of the Company for the years ended December 31, 1975 and 1974 with the net sales and net income of the Edwin Cooper Division for the same periods:

	1975	1974
Net sales	\$1,068,859,000	\$1,096,584,000
Net income	62,026,000	76,031,000
Earnings per share	6.20	7.59
Fully diluted earnings per share	5.44	6.60

3. Foreign Operations:

Foreign exchange conversion and translation losses of \$1,411,000 (net of a reserve for foreign exchange fluctuations of \$637,000 as of December 31, 1974) were charged to income for 1975.

Following is a summary of certain financial information relating to operations (including oil and gas) of the Company's foreign branches and subsidiaries:

	1975	1974
Net sales	\$132,448,000	\$111,372,000
Net earnings	10,745,000	12,000,000
Working capital	45,858,000	32,366,000
Net assets	77,691,000	58,797,000

4. Marketable Securities:

Short-term securities, amounting to \$87,437,000 at December 31, 1975, and \$30,402,000 at December 31, 1974, are stated at cost plus accrued income which approximates market value.

Marketable equity securities included in noncurrent assets and stated at cost amounted to \$6,538,000 at December 31, 1975, and \$6,737,000 at December 31, 1974. The amount by which cost exceeds quoted market value at December 31, 1975, is deemed to be temporary and is not material.

Realized gains and losses on sales of marketable equity securities included in the determination of net income for 1975 and 1974 were not material.

5. Inventories:

Inventories include:	1975	1974
Finished goods	\$ 55,910,000	\$ 57,964,000
Raw materials and work in process	48,804,000	71,931,000
Stores, supplies, etc.	20,150,000	19,472,000
	<u>\$124,864,000</u>	<u>\$149,367,000</u>

Inventories stated on the last-in, first-out basis amounted to \$70,587,000 at December 31, 1975, and \$105,601,000 at December 31, 1974, which are below replacement cost by approximately \$45,600,000 and \$50,900,000 respectively.

In 1975, the inventory reductions resulted in liquidations of LIFO inventory quantities carried at lower costs prevailing in prior years as compared with 1975 costs, the effect of which increased net income by approximately \$6,873,000, or 73 cents per share.

In 1974, the last-in, first-out method of valuing inventories was extended to substantially all the domestic inventories which were accounted for previously on first-in, first-out or average cost. The effect of this change was to reduce net income for 1974 by \$6,509,000, or 68 cents per share, from what it would have been if the former inventory valuation methods had been continued.

The change in inventory method was made to minimize the impact of price level changes on inventory valuations and to achieve a better match of current costs with current revenues for determining profits. There is no cumulative effect of this change on prior years reported earnings.

The following disclosure is made for the purpose of complying with Internal Revenue Procedure 72-29. The application of the principles of APB 16 to the valuation of LIFO inventories of subsidiaries acquired in 1974 caused consolidated taxable income for the year ended December 31, 1975, to exceed consolidated income for financial accounting purposes by \$77,000, and inventories in the accompanying consolidated balance sheets at December 31, 1975, and December 31, 1974, to exceed inventories used for income tax reporting purposes by \$443,000 and \$520,000, respectively.

6. Internal Revenue Service Examination:

The Company has received reports of the Internal Revenue Service proposing additional income taxes for the ten taxable periods ended December 31, 1971. See caption "Internal Revenue Service Examination" in the Financial Results Section (page 17) of this report for further information.

7. Long-Term Debt:

Reference is made to captions "Summary of Long-Term Debt" and "Summary of Debt Maturities to 1985" in the Financial Results Section (page 19) of this report for information concerning the Company's long-term borrowings.

8. Capital Stock:

Transactions in capital stock during 1975 were as follows:

	Issued		Treasury	
	Shares	Amounts	Shares	Amounts
Cumulative First Preferred (authorized 1,000,000 shares):				
January 1, 1975	27,874	\$ 2,787,400	459	\$ 32,966
Purchases			6,286	500,609
Cancelled	(1,130)	(113,000)	(1,130)	(89,686)
December 31, 1975	<u>26,744</u>	<u>\$ 2,674,400</u>	<u>5,615</u>	<u>\$ 443,889</u>
Cumulative Second Preferred (authorized 10,000,000 shares):				
January 1, 1975	1,962,059	\$19,620,590	443,962	\$19,379,556
Converted into Common Stock ..			200	2,000
December 31, 1975	<u>1,962,059</u>	<u>\$19,620,590</u>	<u>444,162</u>	<u>\$19,381,556</u>
Common (authorized 25,000,000 shares):				
January 1, 1975	10,173,133	\$10,173,133	677,413	\$20,171,361
Purchases			282,673	8,226,382
Issued upon conversion of cumulative second preferred	260	260		
December 31, 1975	<u>10,173,393</u>	<u>\$10,173,393</u>	<u>960,086</u>	<u>\$28,397,743</u>

The Cumulative First Preferred is redeemable at \$101 at the option of the Company and is preferentially entitled to par value in involuntary liquidation and the redemption price in voluntary liquidation. Annual sinking fund payments of approximately \$114,000 are required for mandatory redemption.

Each share of Cumulative Second Preferred has one vote and is convertible into 1.3 shares of common stock. The voluntary or involuntary liquidation value of the Cumulative Second Preferred Stock is the greater of (1) \$42 per share or (2) an amount equivalent to the book value of that number of shares of common stock into which such preferred stock is convertible. The aggregate excess of liquidation value over par value on shares of outstanding stock is approximately \$61,338,000 as of December 31, 1975. These shares are callable at \$75 per share, plus accrued dividends. The changes in Capital Surplus are the excess of par value over cost of shares of First Preferred Stock cancelled in 1975 and 1974 and the excess of par value of Second Preferred Stock over par value of Common Stock issued upon conversion of Second Preferred Stock to Common Stock in 1975.

9. Stock Option Plan:

Under the Company's qualified stock option plan, 300,000 shares of unissued common stock are reserved for issuance to officers and other key employees at 100 percent of fair market value on the date of grant. No options were granted during 1975. An option to purchase 29,500 shares at \$30.00 per share, granted in 1973, was outstanding at December 31, 1975, of which 11,800 shares became exercisable in 1974 and 5,900 in 1975. These shares remain exercisable at December 31, 1975. There are no charges to income in connection with the plan.

10. Retained Earnings Restriction:

The Company's articles of incorporation and note agreements contain restrictions, among others, against the payment of cash dividends. At December 31, 1975, \$46,763,000 of retained earnings is free of such restriction under the agreement presently most restrictive.

11. Depreciation, Depletion and Amortization:

Depreciation and depletion charged to income amounted to \$31,700,000, \$33,675,000, \$32,380,000, \$38,784,000 and \$42,311,000 for the years 1971 through 1975. Amortization of deferred charges and intangibles charged to income amounted to \$1,145,000, \$1,140,000, \$855,000, \$1,392,000 and \$2,079,000 in the respective years.

12. Income Taxes:

Income tax expense, excluding amounts applicable to extraordinary items, is composed of the following:

	Currently Payable	Deferred	Total
1975	\$41,598,000	\$9,810,000	\$51,408,000
1974	57,424,000	6,459,000	63,883,000
1973	44,987,000	4,217,000	49,204,000
1972	40,659,000	768,000	41,427,000
1971	34,319,000	1,257,000	35,576,000

Currently payable includes provisions for U.S. income taxes of \$25,721,000, \$31,689,000, \$32,947,000, \$42,977,000 and \$31,945,000 for the years 1971 through 1975. Such provisions were reduced, and net income for the respective years was increased, by investment tax credits of \$696,000, \$1,508,000, \$1,743,000, \$2,826,000 and \$3,849,000.

No provision has been made for additional income taxes that might result from the remittance to the Company of prior years' undistributed earnings of \$3,900,000 of a foreign subsidiary since it is the intention of the Company to continue to reinvest such amount of earnings indefinitely.

13. Research and Development:

Research and Development expenses charged to income amounted to \$19,959,000, \$20,196,000, \$21,811,000, \$25,246,000 and \$28,016,000 for the years 1971 through 1975.

14. Employee Retirement Plans:

The Company provides retirement benefits for substantially all of its employees under several different plans funded with insurance companies or corporate trustees. Plan contributions charged to income for the years 1971 through 1975 were \$8,200,000, \$8,550,000, \$9,168,000, \$11,090,000 and \$14,383,000. Contributions are irrevocably devoted to the payment of retirement and other benefits for employees and their beneficiaries.

Under certain plans, actuarially computed value of vested benefits at December 31, 1975, exceeded the market value of plan assets by approximately \$17,635,000.

Compliance with the Employee Retirement Income Security Act is not expected to have a substantial impact on overall retirement expense. The precise cost impact is unknown at this time.

15. Extraordinary Items:

1972: \$4,535,000 net gain from award, including interest received as compensation for the expropriation of certain timberlands (after income taxes of \$4,812,000, of which \$3,689,000 was deferred).

1971: \$3,326,000 provision for costs of terminating a paper mill operation including pension and other benefits and write-down of plant investment to realizable value (after income taxes of \$3,070,000).

16. Lease Commitments:

Rental expense was \$8,244,000, \$8,468,000, \$10,246,000, \$14,962,000 and \$15,865,000 for the years 1971 through 1975. Following are the rental commitments under all non-cancellable leases as of December 31, 1975:

Years	Total	Transportation Equipment	Office and Plant Space	Other
1976	\$12,043,000	\$ 7,018,000	\$3,841,000	\$1,184,000
1977	9,886,000	5,692,000	3,428,000	766,000
1978	8,263,000	5,165,000	2,519,000	579,000
1979	6,888,000	4,495,000	2,063,000	330,000
1980	5,693,000	4,103,000	1,514,000	76,000
1981-85	23,317,000	17,001,000	6,204,000	112,000
1986-1990	14,046,000	8,034,000	5,914,000	98,000
1991-1995	5,455,000		5,362,000	93,000
Remainder	8,094,000		7,222,000	872,000

The present value of commitments under non-capitalized financing leases and the effect on net income if such leases were capitalized are not material.

17. Subsequent Event:

On February 19, 1976, the Company announced an agreement in principle with Boise Cascade Corporation for the sale of the Oxford Paper Division, consisting principally of a pulp and paper mill in Rumford, Maine, and about 335,000 acres of timberland. The sale price is approximately \$90 million, subject to audit adjustment, which may result in an after-tax loss in the range of \$4 to \$5 million. The transaction was approved by the Company's board of directors on February 26, 1976, and is subject to negotiation of a definitive agreement.

Auditors' Report

To the Board of Directors and Shareholders of Ethyl Corporation:

We have examined the consolidated balance sheet of Ethyl Corporation and Subsidiaries as of December 31, 1975, and the related consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the Corporation's consolidated financial statements for the year ended December 31, 1974, and the consolidated financial statements for the three years ended December 31, 1973, from which the consolidated statements of income for 1973, 1972 and 1971 were taken.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of Ethyl Corporation and Subsidiaries at December 31, 1975 and 1974, the results of their operations and changes in their financial position for the years then ended and their net income and other data for the years ended December 31, 1973, 1972 and 1971, all in conformity with generally accepted accounting principles applied on a consistent basis, except for the change, with which we concur, in the method of valuing inventories as described in Note 5 to the consolidated financial statements.

Suite 1000
Seventh and Franklin Building
Richmond, Virginia 23219
February 26, 1976

Coopers & Lybrand
COOPERS & LYBRAND

Products and Plants

Petroleum Chemicals

Products

Antioxidants
Ashless dispersant/
detergents
Additive packages for
gasoline and diesel,
hydraulic, turbine and
gear oils
Combustion improver
Diesel fuel ignition
improvers
Distillate fuel antistatic
additive
Friction modifiers
Fuel and oil corrosion/
rust inhibitors
Gasoline antiknock
compounds
Gasoline detergent, deicer,
corrosion inhibitors
Metal deactivators
Marine alkaline reserve
agents
Metal working oil
concentrates and bases
Metallic detergents
Lubricant oxidation
inhibitors
Oil soluble dyes

Industrial Chemicals

Products

Alkyl aluminum halides
Alpha olefins (detergent &
plasticizer)
Alpha olefin sulfonates
Alum
Aluminum alkyls
Bromine
Bromine chemicals
Caustic
Chlorinated solvents
Ethyl chloride
Ethylene dibromide
Linear primary alcohols
(detergent & plasticizer)
Methyl chloride
Organophosphorous
chemicals
Orthoalkylated antioxidants
Orthoalkylated phenols and
anilines
Special organometallics
Sodium
Vinyl bromide
Vinyl chloride

Chemical Plants

Antwerp, Belgium
Baton Rouge, Louisiana
Houston, Texas
Magnolia, Arkansas
Orangeburg, South Carolina
Sarnia, Ontario, Canada
Sauget, Illinois
Stanlow, Cheshire, England
Thessaloniki, Greece

Plastics

Products

Aerosol valves for can and
bottle packaging
Mechanical spray pumps
for packaging
Metal container closures
Decorating services for
metal, plastic molded,
plastic container products
and glass containers
Aerosol actuator overcaps
Dies and tooling
Extruded plastic containers
Engineering plastics molded
custom parts
Drawn and extruded rigid
and collapsible metal
containers
Custom metal die stamping
Molded plastic powder
boxes, compacts, soap
boxes, talc containers,
deodorant sticks, lip balm
dispensers, jars and
housewares
"Guardian" containers

Plants

Baton Rouge, Louisiana	LaGrange, Georgia
Bedford Heights, Ohio	LaMirada, California
Belvidere, New Jersey	LaGrange, Kentucky
Blue Island, Illinois	Louisville, Kentucky
Bridgeport, Connecticut	Manchester, Iowa
Bramalea, Ontario, Canada	Mississauga, Ontario, Canada
Brooklyn Heights, Ohio	North Riverside, Illinois
Carbondale, Pennsylvania	Northvale, New Jersey
Carlstadt, New Jersey	Pittsfield, Massachusetts (3)
Chicago, Illinois (3)	Pomona, California
Columbia, Mississippi	Richmond Hills, Ontario, Canada
Drummondville, Quebec, Canada	Rockaway, New Jersey
Erie, Pennsylvania	Sandston, Virginia
Excelsior Springs, Missouri	Scarborough, Ontario, Canada
Fairfield, Connecticut	South Grafton, Massachusetts
Flemington, New Jersey	Terre Haute, Indiana
Fremont, California	Tiptonville, Tennessee
Garrettsville, Ohio	Union City, California
Goleta, California	Vandalia, Illinois
Hackensack, New Jersey	Waterbury, Connecticut
Harrisonburg, Virginia	
Jeffersonville, Indiana	
Kansas City, Missouri (2)	

Paper

Products

Coated offset papers for
magazine publishing,
book publishing and
commercial printing
Coated letterpress papers
for magazine publishing
and commercial printing
Coated gravure papers for
magazine publishing and
commercial printing
Converting papers for
envelopes and business
forms

Plant

Rumford, Maine

Aluminum

Products

Aluminum billets
Aluminum windows and
doors
Decorated aluminum
products for the floor
covering and home
building industries
Extruded aluminum shapes
in a variety of painted and
anodized finishes for
windows and doors, store
fronts and curtain walls,
boats, swimming pools,
trucks and trailers
Residential lawn buildings

Plants

Carthage, Tennessee
Harrisburg, Pennsylvania
Kentland, Indiana
Mechanicsburg,
Pennsylvania
Newnan, Georgia
New Oxford, Pennsylvania

Research & Development Facilities

Baton Rouge, Louisiana
Bracknell, Berkshire,
England
Detroit, Michigan
Houston, Texas
Kansas City, Missouri
Orangeburg, South Carolina
St. Louis, Missouri
Terre Haute, Indiana
Richmond, Virginia
Rumford, Maine

Directors

Officers and Staff

Divisions

***LAWRENCE E. BLANCHARD, JR.**

S. DOUGLAS FLEET
Retired Vice President
M. F. GAUTREAUX
JAMES M. GILL

BRUCE C. GOTTWALD**FLOYD D. GOTTWALD*****FLOYD D. GOTTWALD, JR.*****ROBERT HERZOG**

A. B. HORN, JR.
GEORGE F. KIRBY
Chairman and President
Texas Eastern Transmission Corp.
Houston, Texas
JOSEPH M. LOWRY
Retired Senior Vice President
ANDREW M. MCBURNEY
ROBERT T. MARSH, JR.
Retired Chairman of the Board
First & Merchants National Bank
Richmond, Va.
JAMES F. MILLER
Vice Chairman—Management Committee
Blyth Eastman Dillon Co., Inc.
New York, N.Y.
CLARENCE M. NEHER
MELVIN M. PAYNE
President
National Geographic Society
Washington, D.C.
W. THOMAS RICE
Chairman & Chief Executive Officer
Seaboard Coast Line Industries, Inc.
Richmond, Va.
SIDNEY BUFORD SCOTT
Partner
Scott & Stringfellow
Richmond, Va.
ERWIN H. WILL
Retired Chairman of the Board
Virginia Electric & Power Co.
Richmond, Va.

*Member of the Executive Committee

FLOYD D. GOTTWALD, JR.

Chairman of the Board
Chief Executive Officer
Chairman—Executive Committee
BRUCE C. GOTTWALD
President
FLOYD D. GOTTWALD
Vice Chairman of the Board
Vice Chairman—Executive Committee
LAWRENCE E. BLANCHARD, JR.
Executive Vice President

ROBERT HERZOG

Executive Vice President
M. F. GAUTREAUX
Senior Vice President—
Research & Development

JAMES M. GILL
Senior Vice President—
Chemicals Group

A. B. HORN, JR.

Senior Vice President—
International Group

CLARENCE M. NEHER

Senior Vice President—
Plastics Group

LLOYD B. ANDREW

Vice President,
Director—Financial Relations

WALLACE F. ARMSTRONG

Vice President—Manufacturing

C. RAYMOND HAILEY

Vice President,
President—Oxford Paper Division

E. MALCOLM HARVEY

Vice President—Aluminum,
President—The William L.

Bonnell Company, Inc.

ARTHUR W. HELWIG

Vice President,
Secretary—Executive Committee

Director—Planning & Profit
Improvement

HOWARD E. HESSELBERG

Vice President—Air Conservation

FREDERICK P. WARNE

Vice President,
Secretary & General Counsel

FRANK J. McNALLY

Treasurer

JAMES H. KIRBY

Controller

KARL F. CAST

General Manager—Engineering,
Central Systems & Data Processing

J. E. CRUTCHFIELD

Director—Central Systems and
Data Processing

G. SAMUEL ROBERTS

Chief Engineer

STEPHEN B. RODI

Director—Corporate Employee
Relations

GORDON E. SAXON

Director—Advertising & Sales
Promotion

PAUL E. WEIMER

Budget Director

J. C. WRIGHT

Director—Purchasing & Traffic

CHARLES H. ZEANAH

Director—Corporate Public Relations

Oxford Paper

ANDREW M. MCBURNEY
Executive Vice President
RUSSELL H. CHAMBLISS, JR.
Vice President—Sales
S. D. DILLON
Vice President—
National Accounts, West
C. RICKERT LEWIS
Vice President—
National Accounts, East
RICHARD A. PREMO
Vice President—Operations

Petroleum Chemicals

JOHN F. KOEHLER
Divisional Vice President
& General Manager
T. E. LOCKERBIE
General Manager—Product
Development & Sales Application
A. T. ROWE
Director—Marketing

Industrial Chemicals

ROGER A. MOSER
General Manager
H. WARREN REES
General Sales Manager
KERRY C. SORRELLS
Sales Manager

Instruments

R. J. OSTRANDER
General Manager

Ethyl International**Petroleum Chemicals**

M. WHITLOCK
General Manager
W. J. RUSHER
General Manager—Sales
A. M. SCHILS
Director—Ethyl S.A.
E. G. AMOLOCHITIS
Managing Director—
Ethyl Hellas Chemical Co. S.A.

Industrial Chemicals

L. B. REYNOLDS
General Manager
R. R. DOWNEY
Managing Director—Ethyl S.A.

Oil & Gas

L. N. APPLAGATE
Director

Edwin Cooper

J. A. HANCOCK
Managing Director
G. R. BUCHANAN
President—Edwin Cooper, Inc.
H. A. RIGBY
Director & General Manager—
Edwin Cooper Limited
E. G. PETERS
Director—Edwin Cooper Limited

Ethyl Corporation**of Canada Limited**

KENNETH A. FREBERG
President
C. A. PARKINSON
General Manager—Sales

Elk Horn Coal Corporation

ROY A. CUNNINGHAM
President

Plastics

ROBERT X. HAEFLE
Director—Central Development
JAMES R. LEES
Director—Marketing
ROLAND E. MCKENZIE
President—Dispensers, Metal
Products & Film Divisions
CHARLES W. MONTGOMERY
Director—Financial Controls

Dispenser Products Division

SAM F. COPIA
Sales Manager

IMCO Container Products Division

B. HANSEL BONDS
President
CHARLES MINARIK
Vice President—Sales & Marketing
MARION HIERMAN
President—IMCO of Canada

Metal Products Division

PHILLIPS E. PATTON
General Manager
E. PAUL WINSLOW
General Manager—Sales

Molded Products Division

RICHARD F. SANDS
President
ROBERT D. BISHOP
Vice President & General
Manager—Packaging

Polymer and Pipe Divisions

RAY WILKINS
General Manager
L. RAY McCULLEY
Sales Manager—Pipe
RAYMOND M. WOLBER
Sales Manager—Polymer

VisQueen Film Products Division

RICHARD W. GOODRUM
General Manager
JOHN K. SHIFFLER
General Sales Manager

Aluminum

H. T. SMITH
Director—Planning & Coordination
WILLIAM H. MORGAN
General Manager—Marketing
& Product Development

The William L. Bonnell Company, Inc.

LLOYD L. REYNOLDS
Vice President & General Manager
WARREN H. BROCKWAY
Vice President & General Sales
Manager
JOHN C. DUNN
Vice President—Industrial Sales

Capitol Products Corporation

GEORGE S. THUMBERT
Executive Vice President
& General Manager
WALLACE FREMONT
Vice President
DONALD G. HORNUNG
Vice President

Corporate Headquarters

330 South Fourth Street
Richmond, Va. 23219
(804) 644-6081

Executive Offices

451 Florida Street
Baton Rouge, La. 70801
(504) 388-8011

100 Park Avenue
New York, N. Y. 10017
(212) 679-2000

Stock Transfer Agents

First & Merchants National Bank
Richmond, Va.
Chase Manhattan Bank, N.A.
New York, N. Y.

Registrars of Stock

Bank of Virginia
Richmond, Va.
Morgan Guaranty Trust Co.
New York, N. Y.

General Counsel

Huntton, Williams, Gay & Gibson
Richmond, Va.

Stock Listings

New York Stock Exchange
Pacific Coast Stock Exchange
Toronto Stock Exchange

Ticker Symbol: EY

Number of Employees
Approximately 17,000

Ten Year Summary

(In Thousands of Dollars Except Common Stock Data)

Years Ended December 31	1975	1974	1973	1972	1971	1970	1969	1968	1967 ⁽¹⁾	1966
SALES AND INCOME										
Net sales	\$1,029,220	\$1,019,559	\$699,002	\$631,599	\$577,058	\$556,856	\$509,302	\$509,072	\$468,938	\$465,823
Income before income taxes and extraordinary items ..	112,412	138,180	102,088	86,134	73,816	70,231	66,044	61,094	51,663	62,876
Depreciation, depletion and amortization	44,390	40,176	33,235	34,815	32,845	31,949	29,562	31,076	30,749	28,411
Income before extraordinary items	61,004	74,297	52,884	44,707	38,240	35,582	33,024	31,502	29,662	37,306
Net income	61,004	74,297	52,884	49,242	34,914	37,199	29,524	31,502	29,662	37,306
FINANCIAL CONDITION										
Working capital	266,133	200,004	268,902	261,959	229,996	209,724	176,499	176,302	129,757	107,244
Ratio of current assets to current liabilities	3.53 to 1	2.57 to 1	3.82 to 1	4.13 to 1	4.22 to 1	4.54 to 1	2.71 to 1	3.47 to 1	3.52 to 1	3.33 to 1
Property, plant and equipment (Net)	405,460	367,557	281,380	280,440	283,678	298,771	293,200	269,761	301,345	306,073
Capital expenditures & acquisitions	108,856	195,237	37,664	31,508	24,383	64,190	53,312	64,158	26,943	59,116
Long-term debt	272,712	203,910	207,581	223,261	238,834	247,757	223,165	207,550	198,263	210,724
Shareholders' equity	435,981	399,686	342,563	322,360	289,459	274,159	252,885	243,896	228,948	200,687
COMMON STOCK										
Weighted average number of shares outstanding ⁽²⁾ ..	9,398,487	9,512,470	9,756,992	10,086,799	10,140,533	10,138,482	10,169,972	10,171,893	10,164,357	10,073,508
Earnings per share	\$ 8.09	\$ 7.41	\$ 5.02	\$ 4.03*	\$ 3.36*	\$ 3.06*	\$ 2.77*	\$ 2.61	\$ 2.41	\$ 3.21
Fully diluted earnings per share assuming conversion of the Second Preferred Stock ⁽³⁾ ..	\$ 5.35	\$ 6.45	\$ 4.47	\$ 3.65*	\$ 3.09*	\$ 2.85*	\$ 2.61*	\$ 2.46	\$ 2.29	\$ 2.94
Equity per share ⁽⁴⁾	\$38.78	\$34.61	\$28.89	\$25.17	\$21.64	\$19.62	\$17.18	\$15.73	\$13.88	\$12.12
Dividends per share	\$ 1.30	\$ 1.25	\$ 1.07½	\$.88½	\$.84	\$.84	\$.75	\$.63	\$.60	\$.58

* Before extraordinary items. After extraordinary items, would be \$4.48 and \$4.02 in 1972, \$3.03 and \$2.82 in 1971, \$3.22 and \$2.98 in 1970 and \$2.43 and \$2.33 in 1969, respectively.

(1) Includes Oxford operations for entire year. All prior years reflect the merger of Oxford into Ethyl on a pooling of interests basis.

(2) Including Common Stock equivalents.

(3) If the Second Preferred Stock were converted, its dividend would become \$1.82 a share at the present common dividend rate, as against the present \$2.40 preferred dividend.

(4) Reflects a deduction for the liquidating value of the Second Preferred Stock, and is based on the number of shares outstanding at the end of each year, treating warrants and common stock options as common stock equivalents.

ETHYL CORPORATION
330 South Fourth Street
Richmond, Virginia 23219

Ethyl
Corporation

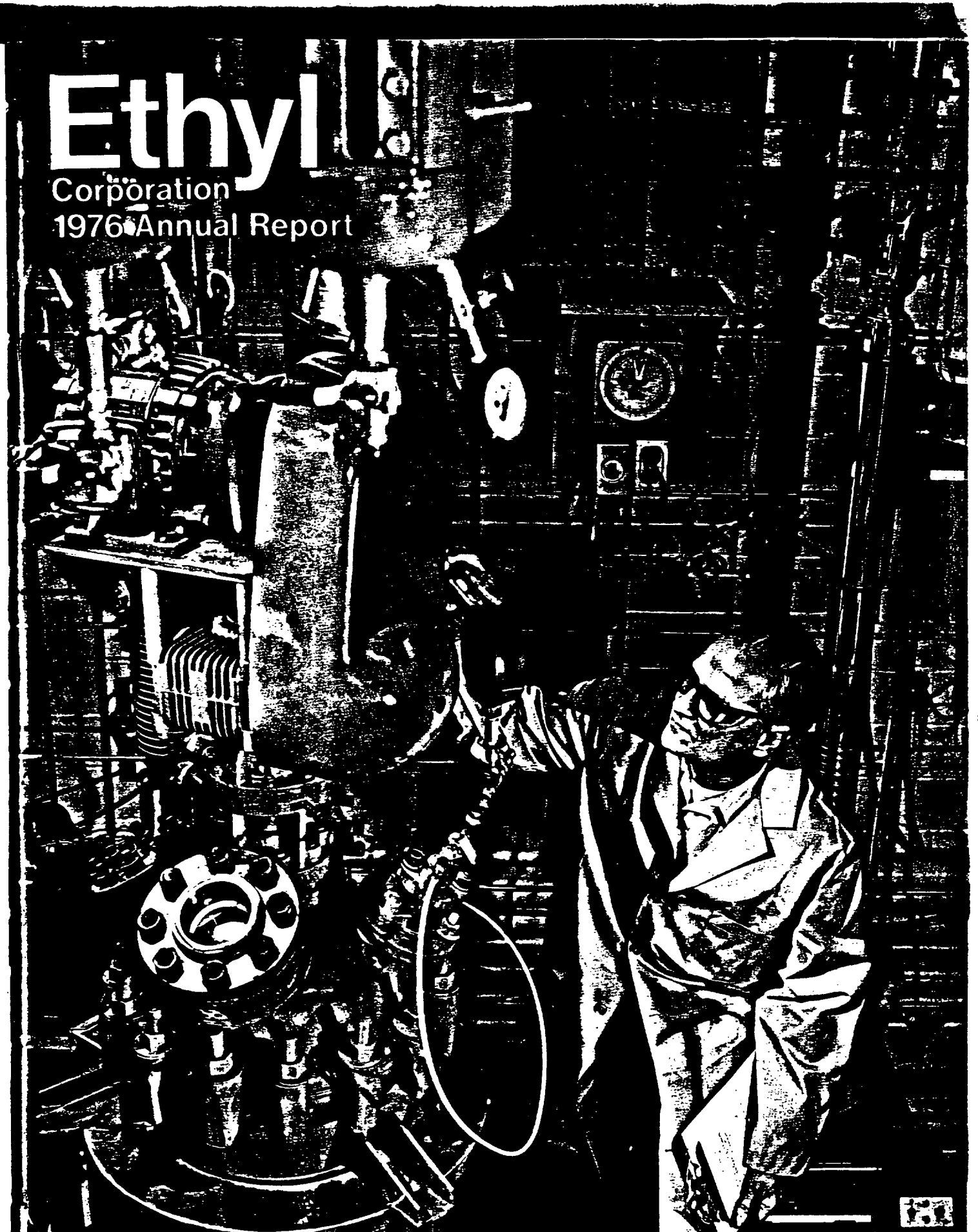
Historically known as a one-product, one-industry company, Corporation today is a diversified manufacturer of petroleum and chemicals, plastics, aluminum and energy-related products. The has facilities around the world and employs approximately 1 people. It operates more than 60 plants, most of which make intermediates or additives for products that reach the consumer in and

Changing ... to Serve a Changing World

ETC 16171

Ethyl

Corporation
1976 Annual Report



Changing: to Serve a Changing World

About the Cover

In developing new product processes on a larger scale than possible in laboratory glassware, Ethyl researchers use this 13-gallon reactor. The unit also is used to prepare initial market development samples.

Lower Right: Corporate Motto

Financial Highlights

(In Thousands of Dollars Except Per Share of Common Stock)

	Years Ended December 31	1976	1975	Percent Increase (Decrease)
Net Sales		\$1,135,412	\$ 930,102 ⁽¹⁾	22
Income from Continuing Operations		69,120	57,554	20
Net Income		69,080	61,004	13
Depreciation, Depletion & Amortization ..		43,493	38,210 ⁽¹⁾	14
Capital Expenditures and Acquisitions ...		87,656	108,856	(19)
Working Capital		325,174	266,133	22
Earnings per Share				
Continuing Operations		\$ 7.18	\$ 5.72	26
Net Income		\$ 7.18	\$ 6.09	18
Fully Diluted Earnings per Share				
Assuming Conversion of Second Preferred Stock				
Continuing Operations		\$ 6.26	\$ 5.05	24
Net Income		\$ 6.26	\$ 5.35	17
Dividends per Share		\$ 1.50	\$ 1.30	15
Shareholders' Equity per Share		\$43.47	\$38.78	12
Weighted Average Number of Common Shares Outstanding		9,117,525	9,398,487	(3)

(1) Restated to exclude Oxford Paper Division, sold in April 1976.

Ethyl Annual Report 1976



The second level of the reactor area in Edwin Cooper's expanded Saugat, Ill., plant. The facilities are used to produce an intermediate compound for processing in another part of the same complex.

Contents

2	Message to Shareholders
4-17	Operations Review
5	Products and Plants
6	Flow Chart
7	New Generation of Chemicals
18	Financial Results of 1976
24	Financial Statements
28	Notes to Financial Statements
31	Auditors' Report
32	Ten-Year Summary

Annual Meeting

The annual meeting of Ethyl Corporation's shareholders will be held in the Marshall Room of the John Marshall Hotel, 5th and Franklin Streets, Richmond, Va., at 11 a.m. (EDT) on Thursday, May 5, 1977. Formal notices of the annual meeting, proxies and proxy statements will be mailed about April 5, 1977.

MESSAGE TO SHAREHOLDERS

To the Shareholders of Ethyl Corporation:

The Company's sales in 1976 reached an all-time high. Net income and earnings per share rose over 1975 and were the second highest for any year in Ethyl's history. Continued emphasis on cost reduction, manufacturing improvements, new products and diversification, coupled with an improvement in the U.S. economy, contributed to the success of 1976.

Net sales for 1976 were \$1,135,412,000, up 22% from \$930,102,000 in 1975. Sales for both years exclude the sales of the Oxford Paper Division, which was sold in April 1976 to Boise Cascade Corporation. Net income for 1976 was \$69,080,000, or \$7.18 a share, compared with \$61,004,000, or \$6.09 a share, for 1975. Net income increased 13% while per-share earnings were up 18%. Income from continuing operations, which excludes Oxford Paper, was \$69,120,000, or \$7.18 a share, compared with \$57,554,000, or \$5.72 a share, for 1975. Income from Ethyl's continuing operations was up 20% and the per-share increase was 26%. Income and earnings per share from continuing operations were all-time records.

In the U.S., the recovery of the economy contributed to the rebound in sales. In plastics, the consumer market, which was significantly depressed in 1975, showed impressive improvement. Sales of chemicals benefited from much stronger plastics, automotive and agricultural markets. Aluminum also benefited from improved construction and housing activity levels. Economic recovery in other countries, principally in Western Europe, was slower, and the impact is shown in lower sales and earnings in those markets.

Our 1976 report has been expanded from previous ones. A summary of activities may be found on page 4, followed by substantial background information on the Company's operating areas. On page 6, a new chart illustrates Ethyl's principal raw materials, products and markets. We also call your attention to the description on page 7 of the Company's evolution in specialty chemicals.

As we indicated in our interim reports to you, Ethyl's court challenge to the Environmental Protection Agency's (EPA) proposed regulations to phase down the lead content in gasoline was concluded on June 14, 1976, when the United States Supreme Court declined to hear the petition of Ethyl and others to set aside the regulations. However, EPA announced on September 28 that it had amended its controversial planned phase-down in order to avoid causing serious gasoline shortages during the summers of 1977 and 1978. The amended regulations eliminate the 1976 and 1977 requirements and extend the 0.5-gram-per-gallon requirement to October 1, 1979—nine months later than originally proposed.

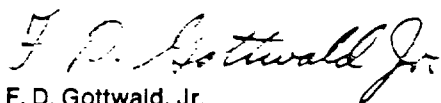
The postponement of the lead phase-down regulations will reduce the amount of crude oil required to produce gasoline during the delay and diminish somewhat the strain on the refining industry. The conservation of crude oil is certainly a positive factor in any postponement in view of rising imports and prices and dwindling domestic reserves. The delay in the lead regulations also lessens the impact on Ethyl's antiknock operations, although we still anticipate a continuing decrease in domestic antiknock sales as the use of unleaded gasoline increases commensurate with the number of catalytic converter-equipped cars on the road. Such decreases in domestic antiknock shipments did not materialize in 1976 largely because of the growth in gasoline demand. However, we do anticipate decreases in 1977. (See Petroleum Chemicals summary on pages 9 and 11.)

As with most comparable companies, Ethyl had significant expenditures in 1976 to comply with environmental laws and the requirements of the Occupational Safety and Health Act. Ethyl's expenditures were about \$9.4 million in 1976. The current outlook is for these expenditures to continue in the range of \$5 to \$10 million annually.

Our capital budgeting plans call for approximately \$100 million in expenditures annually during the next five years. The greater part of this investment will be in new plants (see page 7). We will continue to step up our research and development investment (see page 15) since we believe this is a vital key to future growth. We continue to pursue potential acquisitions, especially those in the high-technology area. However, most of our immediate future capital expenditures are expected to be for internally generated projects.

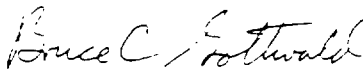
Our outlook for 1977 is optimistic. As with most companies, the strength of economic activity is important to Ethyl's businesses, particularly the amount of disposable income among consumers, the number of new automobiles sold, new housing starts and the amount of total construction. In 1977, all of these areas should be up and have a favorable impact on Ethyl. Good growth is expected in consumer items, which will be reflected in our sales of detergent intermediates and plastic packaging components for personal care products. The automobile market, which should show a modest increase in 1977, is an important outlet for Ethyl's plastics as well as for chemical intermediates for plastics and rubber products. Construction expenditures should continue to increase in 1977. Housing is the largest outlet for our aluminum area and an important market for our plastics products. Therefore, we continue to target a minimum of 10% earnings growth per year despite the anticipated decline in domestic lead antiknock business. We achieved this in 1976, and we expect to equal or exceed this level in 1977. Our forecasts for the economy, our past performance and our diversification program undergird our confidence in attaining this objective as we continue "Changing: to Serve a Changing World."

We express sincere appreciation to our employees, shareholders, customers and suppliers for their continued loyalty and support. We are particularly proud of our employees' performance in the face of many seemingly adverse developments affecting the Company. In February 1976, we introduced some 40 Ethyl managers to a large group of financial analysts at a briefing in Houston. The analysts were most complimentary of the quality, sincerity, dedication and depth of Ethyl's management, and we, too, are very proud of them.



F. D. Gottwald, Jr.
Chairman of the Board
Chief Executive Officer

March 7, 1977



Bruce C. Gottwald
President

OPERATIONS REVIEW

A highly diversified manufacturer of petroleum and industrial chemicals, plastics, aluminum and energy-related products, Ethyl Corporation operates plants and other facilities around the world. Approximately 16,000 people are employed at more than 60 manufacturing sites. The majority of Ethyl's products are sold to other manufacturers for use as intermediates or additives in consumer end-products.

Ethyl's net sales in 1976 were \$1,135,412,000 and its net income was \$69,080,000, or \$7.18 a share.

This section reports on Ethyl's products and plants and activities concerning them in 1976.

A summary:

Petroleum Chemicals sales were \$417,129,000 or 37% of sales. (See pages 9 and 11.)

Industrial Chemicals sales were \$245,757,000 or 21% of sales. (See page 11.)

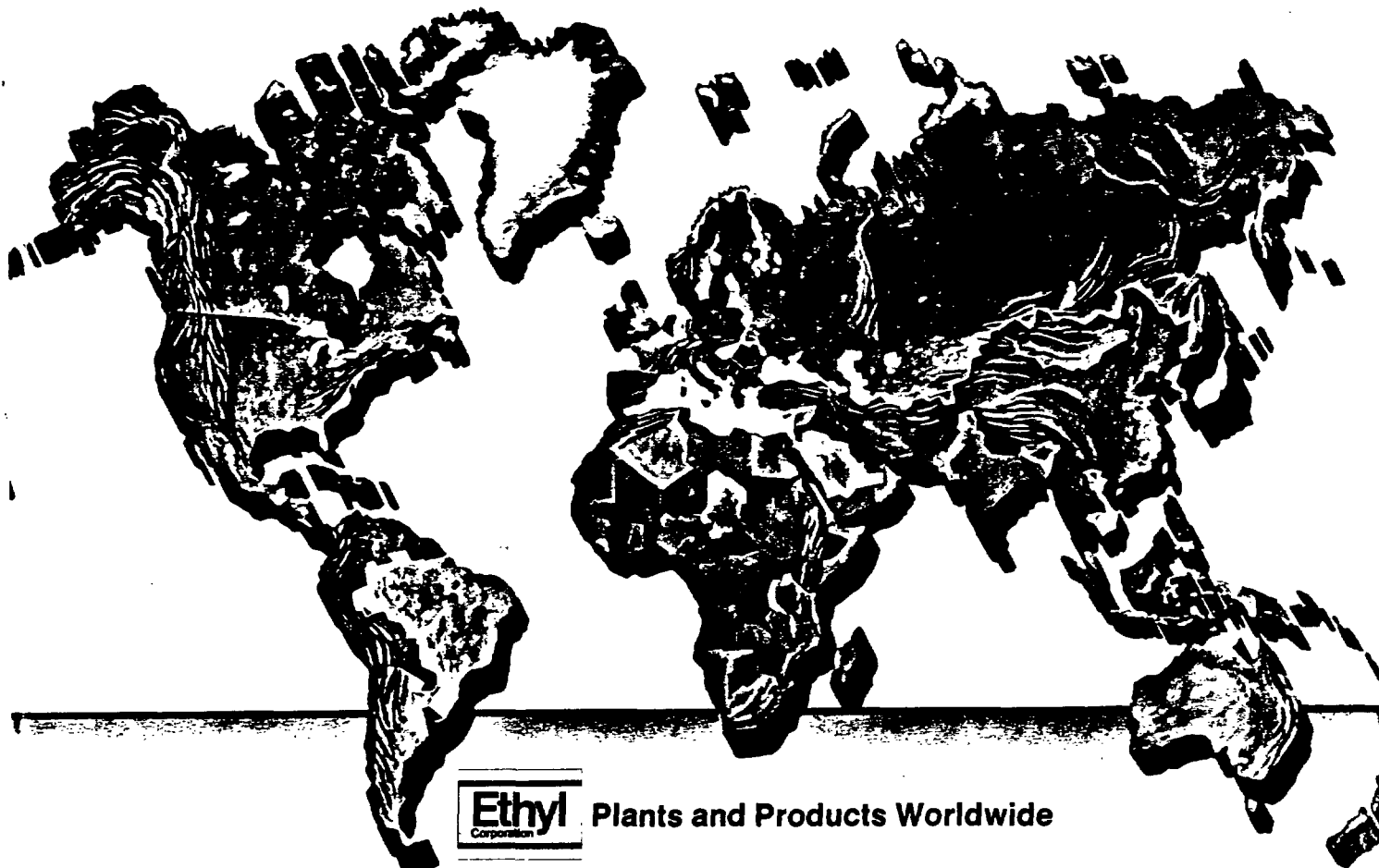
Plastics products sales were \$345,737,000 or 30% of sales. (See pages 11 and 12.)

Aluminum products sales were \$120,274,000 or 11% of sales. (See pages 12 and 15.)

Coal-related revenues were \$6,515,000 or 1% of sales. (See page 15.)

Oil and Gas exploration continued in Canada, the North Sea and the U.S. (See page 15.)

Research and Development expenditures were \$24,790,000, more than half of which were directed in the area of new products. (See pages 15 and 17.)



Plants and Products Worldwide

Chemical Plants

Antwerp, Belgium
Baton Rouge, Louisiana
Feluy, Belgium
Houston, Texas
Magnolia, Arkansas
Orangeburg, South Carolina
Sarnia, Ontario, Canada
Sauget, Illinois
Stanlow, Cheshire, England
Thessaloniki, Greece

Plastics Plants

Baton Rouge, Louisiana
Bedford Heights, Ohio
Belvidere, New Jersey
Blue Island, Illinois
Bridgeport, Connecticut
Brooklyn Heights, Ohio
Carbondale, Pennsylvania
Carlstadt, New Jersey
Chicago, Illinois (3)
Columbia, Mississippi
Drummondville, Quebec, Canada
Erie, Pennsylvania
Excelsior Springs, Missouri
Fairfield, Connecticut
Flemington, New Jersey
Fremont, California
Garrettsville, Ohio
Goleta, California
Hackensack, New Jersey
Harrisonburg, Virginia
Jeffersonville, Indiana
Kansas City, Missouri (2)
LaGrange, Georgia
LaGrange, Kentucky
LaMirada, California
Louisville, Kentucky
Manchester, Iowa
Mississauga, Ontario, Canada
North Riverside, Illinois
Northvale, New Jersey
Pittsfield, Massachusetts (3)
Pomona, California
Richmond Hills, Ontario, Canada
Rockaway, New Jersey
Sandston, Virginia
Scarborough, Ontario, Canada

South Grafton, Massachusetts
Terre Haute, Indiana
Tiptonville, Tennessee
Union City, California
Vandalia, Illinois
Waterbury, Connecticut

Aluminum Plants

Carthage, Tennessee
Harrisburg, Pennsylvania
Kentland, Indiana
Mechanicsburg, Pennsylvania
Newnan, Georgia
New Oxford, Pennsylvania

Terminals

Cadiz, Spain
Dordrecht, Netherlands
Guanta, Venezuela
Thessaloniki, Greece
Ethyl also distributes products to customer terminals around the world

Research & Development Facilities

Baton Rouge, Louisiana
Bracknell, Berkshire, England
Detroit, Michigan
Houston, Texas
Kansas City, Missouri
Orangeburg, South Carolina
St. Louis, Missouri
Terre Haute, Indiana

Petroleum Chemicals

Antioxidants
Ashless dispersant/detergents
Additive packages for gasoline and diesel fuel, hydraulic, turbine and gear oils
Combustion improver
Diesel fuel ignition improvers
Distillate fuel antistatic additive
Friction modifiers
Fuel and oil corrosion/rust inhibitors

Gasoline antiknock compounds
Gasoline detergent, deicer, corrosion inhibitors
Metal deactivators
Marine alkaline reserve agents
Metal working oil concentrates and bases
Metallic detergents
Lubricant oxidation inhibitors
Oil soluble dyes
Tackiness agents
Pour point depressants
Viscosity index improvers

Industrial Chemicals

Alkyl aluminum halides
Alpha olefins (detergent & plasticizer)
Alpha olefin sulfonates
Alum
Aluminum alkyls
Bromine
Bromine chemicals
Caustic
Chlorinated solvents
Ethyl chloride
Ethylene dibromide
Linear primary alcohols (detergent & plasticizer)
Methyl chloride
Organophosphorus chemicals
Orthoalkylated antioxidants
Orthoalkylated phenols and anilines
Special organometallics
Sodium
Vinyl bromide
Vinyl chloride

Plastics

Aerosol actuator overcaps
Aerosol valves for can and bottle packaging
Bottles and containers (polyethylene, polypropylene and polyvinyl chloride)
Custom metal die stamping

Decorating services for metal, plastic molded, plastic container products and glass containers
Dies and tooling
Drawn and extruded rigid and collapsible metal containers
Engineering plastics molded custom parts
Extruded plastic containers
Films for industrial, agricultural, disposable, shrink, stretch, bundling and packaging applications
Mechanical spray pumps for packaging
Metal and plastic container closures
Molded plastic powder boxes, compacts, soap boxes, talc containers, deodorant sticks, lip balm dispensers, jars and housewares
Polybutylene water service pipe
Polyvinyl chloride pipe and fittings for water and sewer applications
Polyvinyl chloride resins and compounds

Aluminum

Aluminum billets
Aluminum windows and doors
Decorated aluminum products for the floor covering and home building industries
Extruded aluminum shapes in a variety of painted and anodized finishes for windows and doors, store fronts and curtain walls, boats, swimming pools, trucks and trailers
Residential lawn buildings

Ethyl's Major Areas

Product Areas	Principal Raw Materials	Major Ethyl Products	Typical Customer Products & Uses
Petroleum Chemicals 1976 Sales: \$417,129,000	Lead metal Ethylene Salt (sodium chloride) Bromine-rich brine Polybutenes Zinc oxide Manganese chloride	Lead antiknocks MMT manganese antiknocks Ashless dispersants Detergents for fuels & lubricants Antioxidants for fuels & lubricants Specialty lubricant additives	Oil refiners manufacturing: Gasoline Diesel fuel Lubricants Fuel oil
Industrial Chemicals 1976 Sales: \$245,757,000	Ethylene Aniline Phenol Aluminum Chlorine Bromine-rich brine	Synthetic linear alcohols Linear alpha olefins Orthoalkylated anilines Orthoalkylated phenols Aluminum alkyls Bromine & derivatives	Detergents Plasticizers for vinyl plastics Agricultural herbicides & insecticides Antioxidants Catalysts for rubber & plastics Flame retardants
Plastics 1976 Sales: \$345,737,000	Vinyl chloride monomer Low density polyethylene High density polyethylene Polypropylene Polystyrene	Polyvinyl chloride resins & compounds Polyethylene film & sheet Plastic bottles & jars Molded closures Molded auto components Molded powder boxes & compacts	Disposable diapers Building & construction products Automobile parts Packaging for: Cosmetics & perfumes Detergents & household chemicals Food oils & syrups
Aluminum 1976 Sales: \$120,274,000	Aluminum ingot Scrap aluminum & other Alloying chemicals	Extruded aluminum shapes Painted Anodized Unfinished Residential windows & doors Residential law buildings	Building & construction products Residential windows & doors Storm windows & doors Storefronts & curtain walls Swimming pools Mobile homes & recreational vehicles Truck trailers Electrical parts

A NEW GENERATION OF CHEMICALS

Ethyl Corporation was the first marketer of lead antiknock compounds. It is still the largest manufacturer in this worldwide market. These chemicals continue to serve the economies of the world by conserving crude oil and by making possible the production of high-quality gasoline at the lowest possible cost. More importantly, Ethyl's research and manufacturing experience in antiknock chemicals has opened up new opportunities in the chemical business.

For over 50 years, Ethyl has conducted research to reduce the cost of the original process for manufacturing lead antiknocks and to find better antiknock additives. While this effort has been successful in meeting its objectives, the extent of its impact on Ethyl goes far beyond lead antiknocks to the creation of a broad range of unique chemicals. Sales of non-lead-antiknock chemicals reached \$347.4 million in 1976, or 30% of total sales.

In order to make antiknock compounds more economically, a means had to be developed for low-cost production of the intermediate hydrogen chloride. Necessary technologies were developed which led Ethyl to the manufacture of vinyl chloride, trichloroethylene, perchlorethylene and methyl chloride. Ethyl's original polyvinyl chloride (PVC) know-how was obtained from Europe in exchange for the Company's oxychlorination process for vinyl chloride. The Company made further refinements to produce PVC for its own plastic converting operations and for sale to other manufacturers.

The search for economical ethylene dibromide—a component of lead antiknock compounds—led Ethyl from a seawater recovery operation to a new plant utilizing the bromine-rich brine fields of Arkansas. With this base in bromine, Ethyl began production of vinyl bromide, a flame retardant. Utilizing bromine recycling capabilities, the Company in 1976 began producing an herbicide intermediate and is scheduled to produce germicide and surfactant intermediates early in 1977. Both of these new plants are at Magnolia, Ark.

In looking for an alternate method to make lead antiknocks, the Company developed a process using aluminum alkyls. These alkyls are now produced and marketed as catalysts for making polyethylene, polypropylene, polybutadiene and other rubber polymers. Building on this aluminum alkyl technology, Ethyl developed unique processes to produce linear alcohols and alpha olefins from ethylene for use in household detergents and in plasticizers for vinyl products.

The search for a non-lead antiknock also led Ethyl scientists to discover a unique, economical method for producing orthoalkylated anilines and phenols. These products have broad acceptance as intermediates for agricultural pesticides and for antioxidants for rubber, plastic and petroleum products.

Out of the activity aimed at chemically combining hydrocarbons and metals, Ethyl developed a process for adding various alkyls, or hydrocarbons, to phosphorus. These products are used as intermediates for pesticides. The Company continues to develop such new products for commercialization.

One of Ethyl's goals has been to develop an antiknock superior to tetraethyl lead (TEL). While a product better than TEL has not been found, the program has developed MMT—a manganese antiknock. Ethyl believes MMT is an effective antiknock for unleaded gasolines. (See page 9.)

In addition to aiding the development of highly efficient automobile engines requiring high-octane gasoline while conserving crude oil in the process, lead antiknocks have given rise to a broadly based, highly technical chemical business which is a mainstay of Ethyl today.

Ethyl's research continues to be innovative and to present new investment opportunities. This innovation can be seen in 11 new plant start-ups completed or in process in a two-year period—each resulting from internal development—representing total investments of more than \$100 million.

Plants/Products	Locations	Start-ups
Aluminum Alkyls	Belgium	1976
Herbicide Intermediate	Arkansas	1976
Orthoalkylation Expansions	South Carolina	1976
	Texas	1977
MMT Antiknock	South Carolina	1977
	Louisiana	1978
Germicide & Surfactant Intermediates	Arkansas	1977
Drug Intermediates	South Carolina	1977
	Canada	1976
Insecticide Intermediates	Arkansas	1978
New Detergent Product	Texas	1978



ETC 16181

Petroleum Chemicals

Ethyl produces a broad range of additives for petroleum products. Principal among these are antiknock compounds, which are added to gasoline by refiners to increase octane number and improve performance. The Company also produces a number of special-purpose additives for automotive and industrial uses.

Revenues from worldwide petroleum chemicals sales in 1976 were up 19%. The results of the Edwin Cooper Division, acquired in July 1975, were included for the first time on a 12-month basis.

In the U.S., sales revenues from petroleum chemicals were 25% higher than 1975 principally because of higher prices necessary to offset increased costs and because of the contribution of Edwin Cooper. Domestic antiknock compound shipments increased slightly as a result of growth in U.S. gasoline demand and the resulting pressures on the refining industry to boost gasoline production. This factor, which favors the use of antiknock compounds, more than offset increased U.S. sales of unleaded gasoline and reduced sales of premium gasoline.

Sales of MMT—Ethyl's manganese antiknock additive for unleaded gasoline—grew rapidly in the first half but were limited by plant capacity during the second six months of 1976. Expansion of MMT production facilities at Orangeburg, S.C., was begun during the year. The larger facilities are scheduled to begin operation in early 1977. Construction of a larger MMT plant at Baton Rouge, La., is planned for early 1978 start-up. Questions recently have been raised by automobile manufacturers as to whether MMT adversely affects performance of exhaust catalyst systems. Ethyl's tests show that MMT does not interfere with the performance of such exhaust catalyst systems. The Company has been advised that a Congressional committee is considering possible proposals to restrict the use of MMT pending further testing. Any significant restrictions on the use of MMT at this time might result in a write-off of investments in the range of \$4 to \$5 million.

In foreign markets, 1976 sales revenues from antiknocks were down 7% from 1975 due to continued slow economic recovery and lower prices resulting from weakness of the British pound.

Ethyl maintained its international market position in antiknocks in 1976 despite strong competitive pressures from both foreign and U.S. producers in anticipation of reduced domestic

sales in future years. These competitive pressures, coupled with weakness of the British pound, depressed prices and reduced earnings significantly. In Canadian markets, the Company along with all Canadian industry was subject to wage, price and profit controls, which are expected to continue through 1978.

Ethyl International began construction in 1976 of bulk storage terminals in Indonesia and Singapore, with completion scheduled in early 1977. Another terminal is scheduled for completion in mid-1977 at Bataan, The Philippines. These terminals, and expansion of other facilities, are designed to reduce distribution costs and solidify market position.

On June 14, 1976, the U.S. Supreme Court declined to review the petition of Ethyl and others to set aside federal regulations to phase down lead in gasoline. This action let stand the U.S. Court of Appeals decision in favor of the Environmental Protection Agency (EPA). On September 28, EPA announced that it had amended its controversial phase-down plan and extended the various steps in the phase-down, including the final limit of 0.5 gram per gallon, to October 1, 1979—nine months beyond the original date.

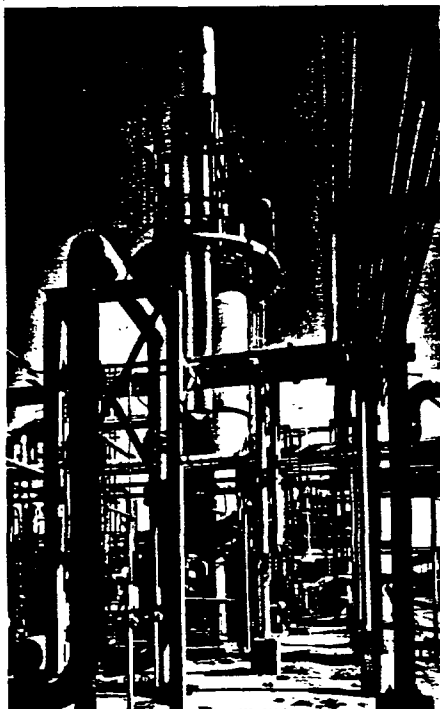
Most other countries continue to recognize the importance of lead antiknocks in conserving crude oil and as an energy extender. Therefore, these countries have been more conservative in imposing restrictions on lead in gasoline. For example, Canada froze automotive emissions standards at 1976 levels for car models through 1981 making it practical to meet the rules using leaded gasoline and no catalytic converters.

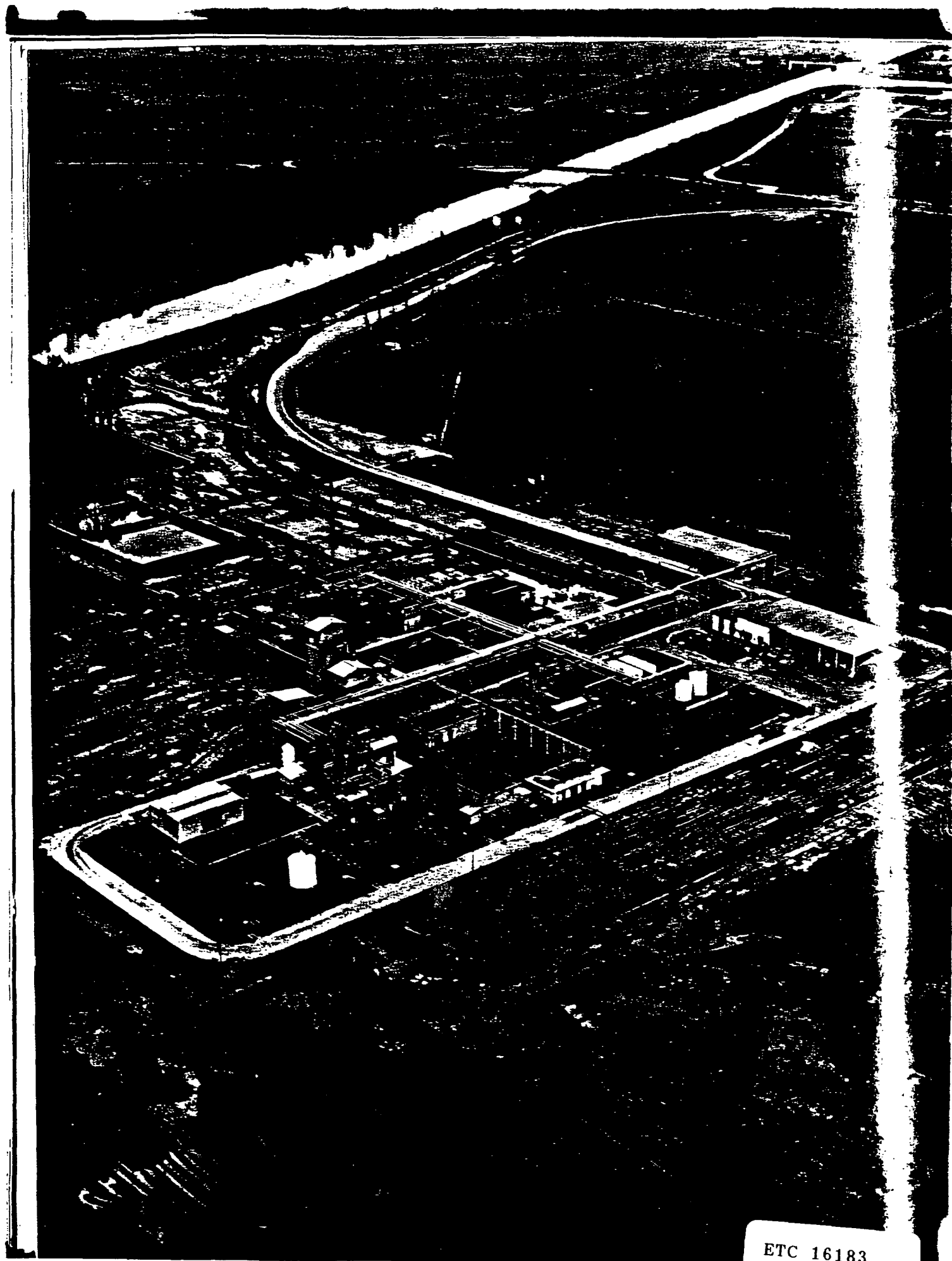
Sales of other petroleum additives were up slightly in 1976 principally as a result of domestic price increases. Gasoline antioxidant sales were at record levels, while sales of cetane improvers continued strong. Gasoline detergent sales decreased as competition in the product area strengthened. Ethyl of Canada completed facilities at its Sarnia, Ontario, plant to produce a new gasoline detergent for the Canadian refining industry.

The Edwin Cooper Division's 1976 sales revenues were up 10% over full-year 1975 levels, all from volume increases. Lubricant additives shipments to markets in North and South America increased sharply and shipments to all areas of Europe recovered from depressed 1975 levels. The Middle East was the only major market area where shipments were lower in 1976. Edwin Cooper's worldwide volume surpassed 1974's record levels. Depressed margins were applicable to most of the lube additive industry in 1976,

Left: Part of the reactor area in a new addition to Edwin Cooper's Sauget, Ill., plant.

Below: A process heater in the new MMT production facilities at Orangeburg, S.C.





ETC 16183

principally due to increased costs and competitive pressures. Improved operating margins and increased sales are expected in 1977.

A \$7 million addition to Edwin Cooper's Sauget, Ill., plant to produce a new line of automotive and industrial gear oil additives went into operation in the fourth quarter. Additional capacity for two major components used in automotive and diesel crankcase lubricants is expected to be added in 1977. An expansion of Sauget's blending facilities also was completed in 1976.

In 1976, Ethyl sold the assets of its emission-measuring instrument businesses because of continued poor profitability. The Company retained its refinery systems business to continue this specialized service to the petroleum industry.

Industrial Chemicals

Most of Ethyl's basic and specialty chemicals have emerged from technology developed by the Company's researchers. A number of these chemicals are specialized intermediates for products used in such diverse and growing areas as surfactants, lubricants, pesticides, pharmaceuticals, plastics, elastomers and textiles. (See page 7.)

The Industrial Chemicals Division in Baton Rouge is responsible for U.S. sales, while Ethyl of Canada sells in that country. Sales elsewhere in the world are handled by Ethyl International.

Industrial chemicals sales worldwide increased 17% in 1976 primarily because of volume. They exceeded the record levels of the previous year.

In the U.S., sales were up nearly 17%. Domestic gains were made in agricultural chemical and pharmaceutical intermediates. Sales of organometallics rebounded from the relatively slow pace of 1975. Sales gains also were achieved in both the linear alcohol and linear olefin markets, and profits increased marginally.

Ethyl International's industrial chemicals sales again increased in 1976. Slower economic recovery in Europe created generally depressed prices and lower earnings. Current market position and penetration should enable Ethyl to take advantage of anticipated economic recovery in 1977.

In September, Ethyl dedicated an \$11 million aluminum alkyls facility at Feluy, Belgium, near Brussels. The plant began supplying customers in Europe, the Middle East and Africa during the fourth quarter. A study is under way for the addition of product lines at the Feluy site to include orthoalkylated chemicals and other products for the agricultural, plastics and surfactant industries.

Canadian wage, price and profit controls were applied in 1976 to Ethyl of Canada's industrial chemicals sales. However, demand was strong, especially for aluminum alkyls.

At Orangeburg, expansion of facilities for an insecticide intermediate was completed at mid-year. By year-end, an orthoalkylated products expansion neared completion there. Other 1976 activities at Orangeburg included planning and design of a new plant for 330 antioxidant (used in plastics, resins, rubbers and waxes) and a new pharmaceutical intermediates plant. Both are scheduled for start-up in 1977.

Expansion activity at Ethyl's complex at Magnolia, Ark., in 1976 was two-fold. A new facility to produce a herbicide intermediate was completed. Construction was begun on an alkyl dimethylamines plant scheduled for start-up in mid-1977. Total cost of these two plants will be approximately \$15 million. Products from the fatty amines plant will be sold for use in making germicides, corrosion inhibitors and surfactants. Design of a new Magnolia facility to produce yet another agricultural intermediate for insecticides was begun in 1976. Start-up of this unit is scheduled for early 1978.

Expansion of Ethyl's linear olefin plant at Houston was completed in 1976. Modifications of the olefin plant begun during the year to provide greater product flexibility are expected to be finished in 1977. A major new orthoalkylation unit, under construction at Houston, is scheduled for start-up in mid-1977. Ethyl completed an aluminum alkyls blending and trailer loading facility at Houston to improve service to the polymer catalyst market. This market also was served from Orangeburg with production of a new catalyst—an organomagnesium compound. Modifications were also made at Houston in 1976 to produce a high purity grade of ethylene dichloride.

Other industrial chemicals expansion in 1976 included production facilities for a pharmaceutical intermediate at Sarnia, Canada.

Plastics

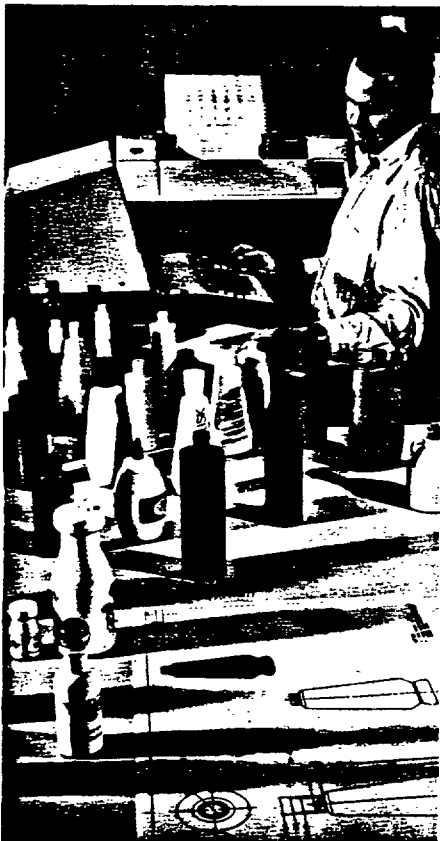
Plastics products, a major business line for Ethyl, include a variety of packaging films, molded parts, closures, aerosol valves, dispenser pumps, polyvinyl chloride (PVC) resins and compounds, PVC pipe and customized plastic bottles and containers.

Net sales of plastics products increased 25% in 1976 with recovery rapid early in the year and somewhat slower at year-end.

Sales of the Polymer Products Division recovered from 1975 lows to 1974 record levels with both volume and prices higher than anticipated. Emphasis continued on basic product

Left: A new aluminum alkyls plant at Feluy, Belgium, began supplying customers in Europe, the Middle East and Africa during the fourth quarter.

Below: A computer is used by Imco Container Products Division to design containers to customer specifications.



lines—rigid PVC compounds and specialty emulsion resins. The market for PVC bottle compound contributed strongly in 1976. A position was established in the television cabinet market for injection molding compound on the strength of its fire-resistant properties. Continued growth for Polymer Products is forecast for 1977.

Pipe Products Division sales increased about 75% over 1975 as the construction industry began its recovery in 1976. Although prices improved 17% in 1976, the market was not strong enough to support prices adequate to cover increased costs. In 1977, sales growth and price improvement are expected.

The Imco Container Products Division, which ranks among the largest American producers of polyethylene, polyvinyl chloride, and other clear, rigid plastic containers, broke sales records in all end-use markets in 1976 with a total sales increase of 30%. Strong performance is expected to continue into 1977. Through its reputation as a leader and innovator in plastic container packaging for the toiletries and cosmetics industry, Imco continued to provide the design and decorating expertise needed to merchandise highly competitive skin and hair care items. Imco will increase concentration on development of the medicinal and health markets in 1977. Regulatory pressures continue in the pharmaceutical area and Imco is engaged in resolving questions of drug efficacy, contamination, lot control and packaging. Imco also has established itself as a leader in food packaging. Applications for edible oils, syrups, squeezable mustards, juices, sauces, extracts and condiments were introduced in 1976. Additional gains in this market are expected in 1977.

The Dispenser Products Division's 1976 operating results showed a slight improvement over 1975. Market uncertainties due to concerns over the ecological effects of certain aerosol propellants continued to affect usage throughout the year. Major emphasis in 1976 was on cost reduction, consolidation of product lines and improvement in the performance of mechanical non-aerosol spray pumps—now a method of dispensing a wide range of products. Sales in 1977 are expected to increase with pump sales as the largest contributor—somewhat offsetting a decline in aerosol valves.

The Metal Products Division recovered from its 1975 low to 1974 sales levels with significant gains in closures, decorative cans and metal tubes. Substantial growth in these areas is forecast for 1977. A major new metal closure line, "NO MAR," was introduced successfully to the cosmetics industry in 1976. A key feature of NO MAR closures is that

they do not mar or scratch in handling, enabling customers to use them in automatic capping equipment.

Sales of the **Molded Products Division** rebounded substantially in 1976 from 1975's depressed levels. All product lines showed considerable strength throughout the year, and it is anticipated that they will show substantial growth again in 1977. Continued emphasis was placed on cost reduction programs in 1976. The Bramalea, Ontario, Canada, plant was consolidated into the Richmond Hills plant in Ontario in 1976. A new line of compacts, "HERITAGE," was introduced in the fourth quarter. Several items were redesigned in the housewares line to provide a more modern appearance. Liner-less closures also were added to the closure product line.

"VisQueen" Film Products Division sales in 1976 increased by 13%.

VisQueen was able to improve its market position in areas selected for concentrated effort including the agricultural market, soft goods industry, consumer disposables and laminated film for food packaging. In addition to major sales efforts, programs were begun in 1976 to consolidate production for lower costs. Quality improvements were made to maintain VisQueen as a leading supplier of low density polyethylene film to major industries in the U.S.

Aluminum

The 1976 sales gain in aluminum products reflected recovery in the construction and home-improvement markets traditionally served by two of Ethyl's subsidiaries—The William L. Bonnell Company, Inc., of Newnan, Ga., and Capitol Products Corporation of Mechanicsburg, Pa.

Extrusions manufactured by Bonnell and Capitol are used in residential windows and patio doors, curtain walls and window walls in high-rise buildings, store fronts, advertising signs, mobile homes, automobiles, trailers, recreational vehicles, boats and a variety of other applications. More than 36,000 extruded shapes are offered by Bonnell and Capitol.

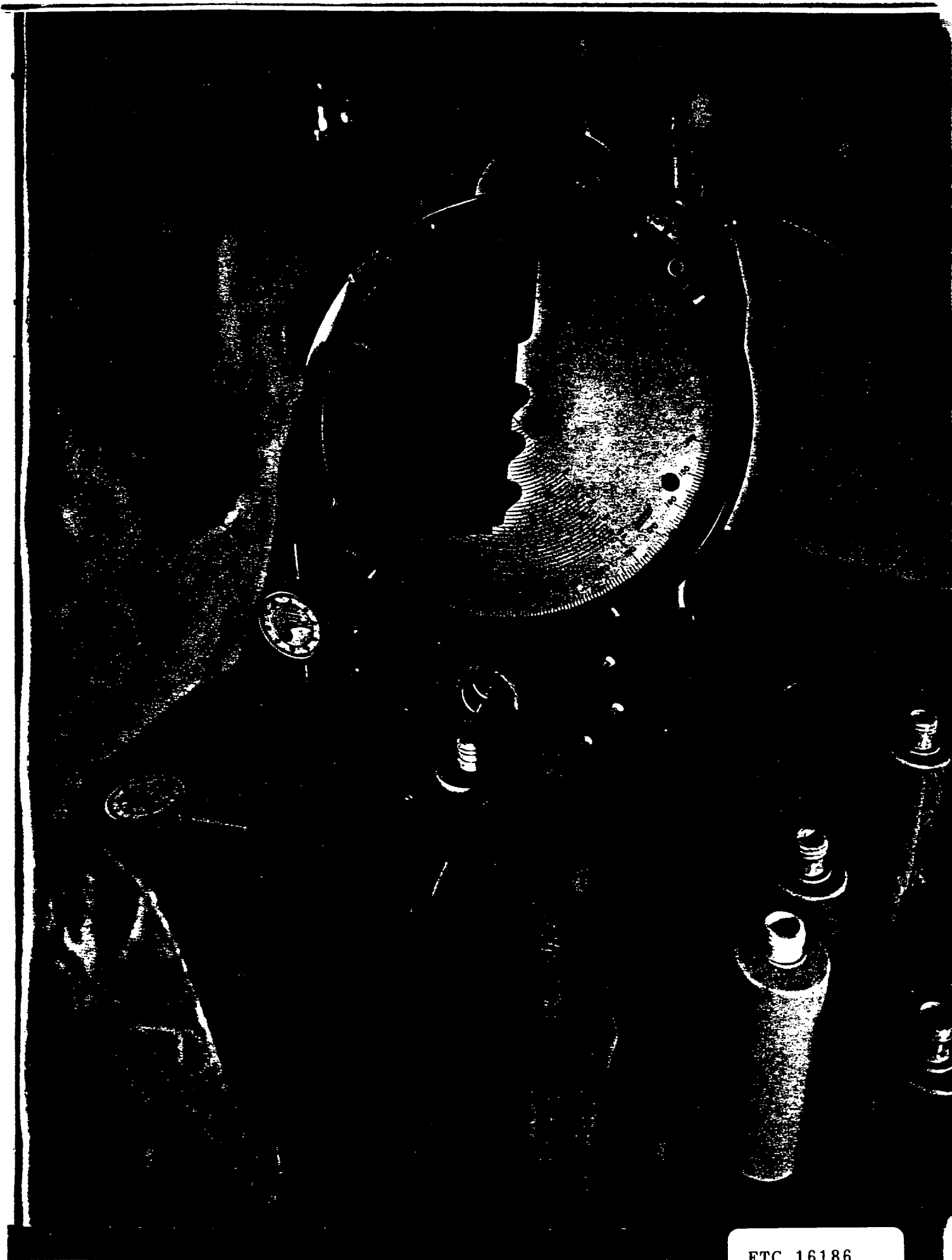
Both subsidiaries had good years in sales and in earnings. Although aluminum raw material prices advanced, extrusion prices generally were raised sufficiently to offset these cost increases. Progress was made during the year in programs designed to save both energy and raw materials.

Thermalized aluminum extrusions produced by Bonnell continued to gain broad acceptance as a useful energy-saving innovation that reduces heat loss from windows and doors. In 1976, Bonnell installed equipment at Newnan, Ga., to pour urethane into extruded aluminum sash or frame members to provide superior insulat-

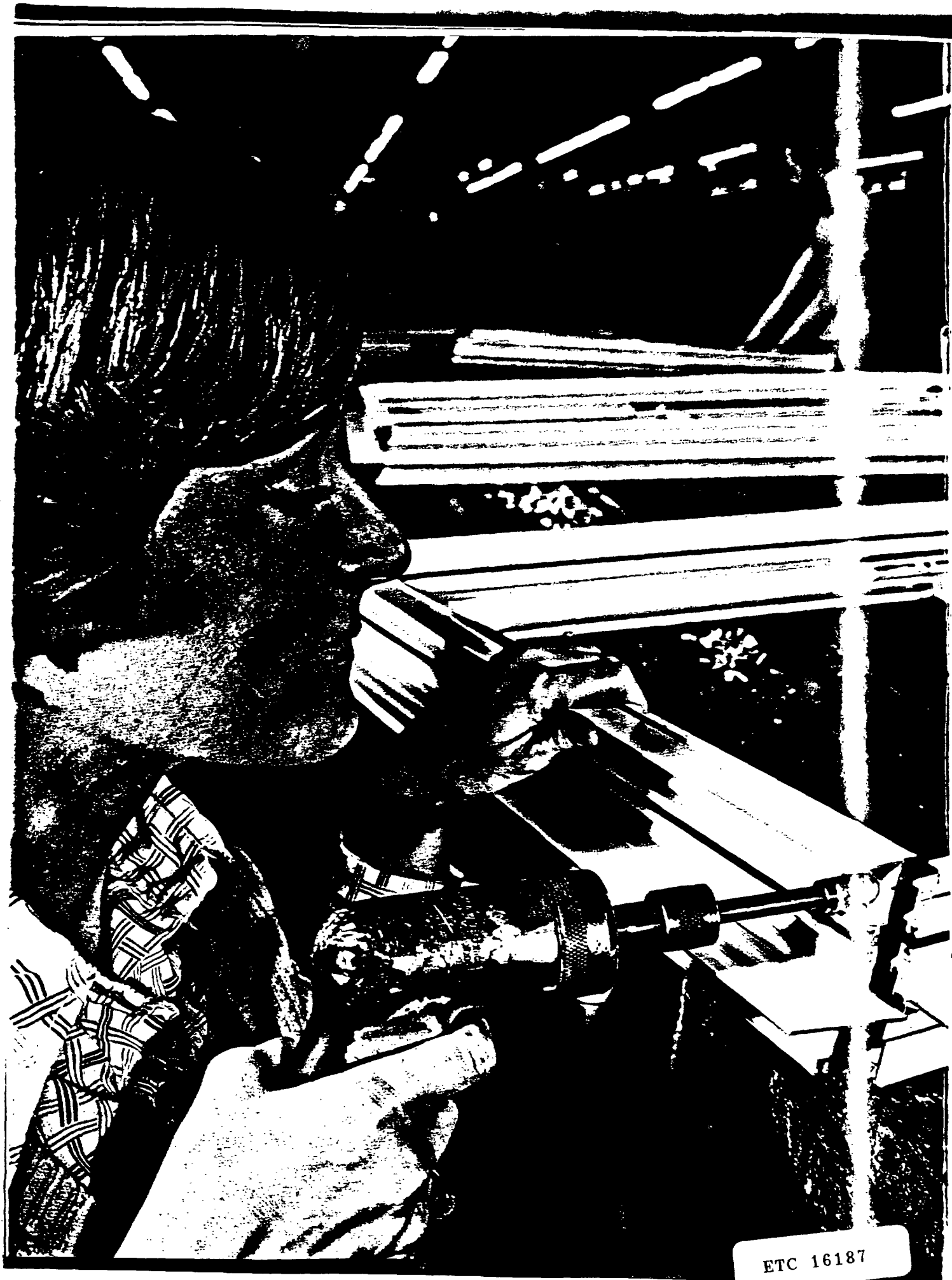
Right: An Imco Container quality control inspector checks the threads on a custom container as part of this division's specialty work.

Below: Ink samples are selected by an Imco Container employee in preparation for decoration of customized plastic containers.





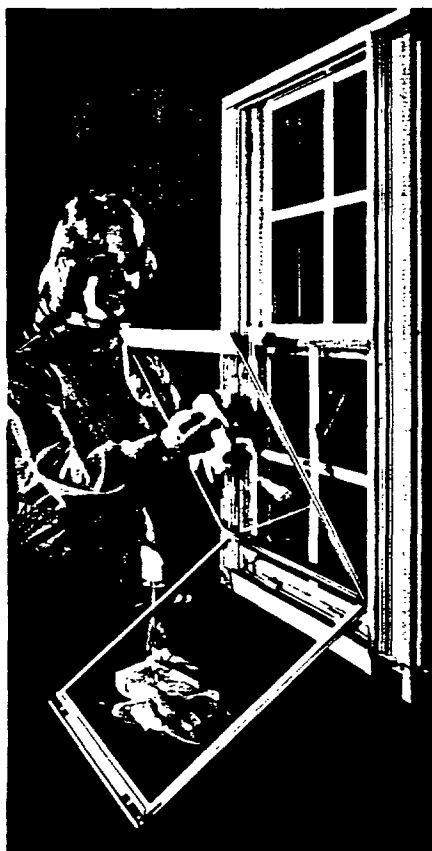
ETC 16186



Paper

Ethyl went out of the paper business when the Oxford Paper Division, acquired by Ethyl in August 1967, was sold on April 26, 1976, to Boise Cascade Corporation for approximately \$90 million cash. The sale included Oxford's pulp and paper mill at Rumford, Me., and about 335,000 acres of timberland. Ethyl decided to sell Oxford because there are better long-term investment opportunities in its chemicals and plastics businesses than in the paper business. (See *Discontinued Operations*, page 28.)

Left: Hand assembly remains an important factor in assuring quality in Capitol Products' production of aluminum thermal-break windows. Below: Capitol's aluminum thermal-break windows ease cleaning of inside sash panels, increase resistance to condensation and aid energy conservation.



ing qualities. The urethane-aluminum products are primarily for architectural applications. They supplement Bonnell's complete line of PVC-aluminum thermalized extrusions currently used in residential housing.

Capitol Products also experienced a sizeable increase in residential window and door sales. While part of the increase came from the recovery of the multi-family housing market, most of it resulted from a wider distribution network, which expanded sales into the larger single-family housing market. In addition, Capitol experienced a strong sales trend toward its new energy-saving product lines. Thermal-break windows, first introduced in 1974 to reduce heat loss and to eliminate frame condensation, were complemented in 1976 by a thermal-break patio door. In 1977, two additional thermal-break window products will be added to provide additional inroads into the growing market for energy-saving products.

Expansion plans for 1977 include a new extrusion press for the Carthage, Tenn., plant of Bonnell. This new press will represent about a one-third increase in the capacity of this plant. It is expected to be in operation by the third quarter of 1977.

Coal

Elk Horn Coal Corporation conducts Ethyl's coal-related activities. Elk Horn owns approximately 130,000 acres of coal land, primarily in Eastern Kentucky, part of which it leases to others. An Elk Horn subsidiary, West Virginia Belt Sales and Repairs, Inc., with offices and warehouses in Mt. Hope, W. Va., and Wayland, Ky., makes and markets a broad range of mine and mill supplies.

Ethyl currently owns about 96% of the outstanding stock of Elk Horn. On September 1, 1976, the headquarters of Elk Horn were moved from Beckley, W. Va., to Ethyl's corporate headquarters in Richmond, Va.

Depressed conditions in the coal industry in 1975 continued into 1976, with the spot market for steam coal extremely weak to non-existent. This caused a decrease in coal production from Elk Horn properties and a resulting decline in revenues. Coal production from Elk Horn properties was 2.8 million tons in 1976 versus 3.2 million tons in 1975.

Oil and Gas Exploration

Exploration programs are conducted by Ethyl in cooperation with other companies in Western Canada, the North Sea and in Louisiana, Texas and Oklahoma.

In 1976, Ethyl's joint exploration program in Canada with BP Canada

Exploration included seven commercial discoveries. Additional development and exploration wells are planned for 1977.

In the North Sea, exploratory drilling was unsuccessful in 1976. Additional drilling is planned in 1977.

A joint exploration program with Amerada Hess Corporation was successful in 1976 with the completion of a gas well in Vermilion Parish, La. The Company has a 50% working interest in this well and surrounding acreage. Additional exploration and development wells are planned in South Louisiana in 1977.

Ethyl has 26,000 acres leased in Matagorda County, Texas, but no operations were conducted on this acreage in 1976. An agreement has been reached for another operator to explore this property further.

Ethyl is the owner and 100% interest operator on approximately 13,000 acres under lease in the Anadarko Basin in Western Oklahoma. Two wells have been drilled there and some oil and gas has been produced. Additional development is needed to determine its long-term commercial viability.

Research and Development

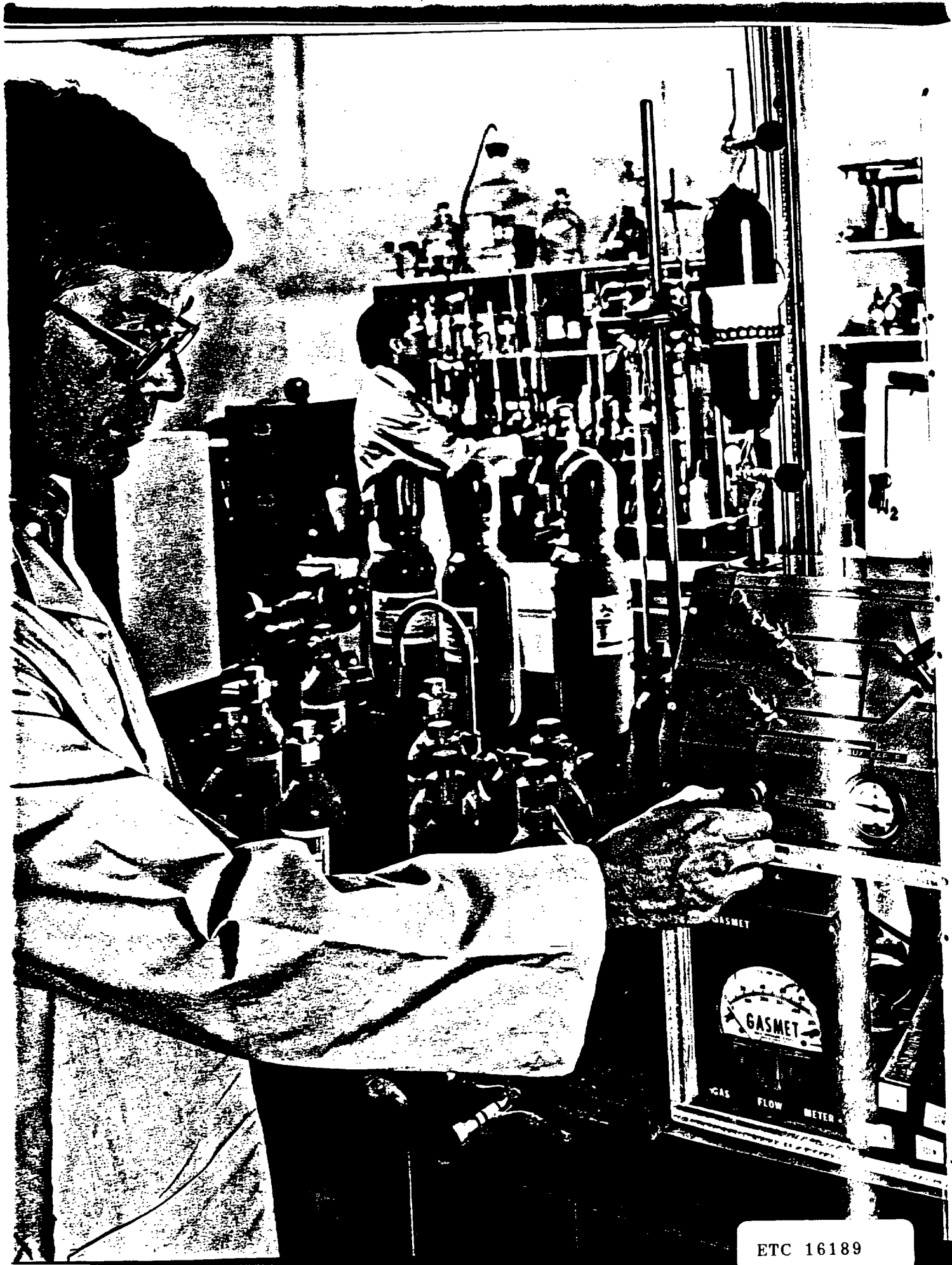
Ethyl received 114 U.S. patents in 1976. The Company currently holds more than 1,950 unexpired U.S. patents. There were also 115 foreign patents received, bringing the total maintained abroad to 850.

New Product Research: Intensive application development of MMT, Ethyl's manganese antiknock for unleaded gasoline, continued successfully throughout 1976. Emphasis was on demonstrating compatibility with the changing automotive emission-control systems that are designed to meet the more stringent emission standards.

Research on other petroleum additives included the synthesis of compounds of interest to Edwin Cooper and development of a new carburetor detergent to complement Ethyl's present product line.

Efforts to expand the Company's line of agricultural chemical intermediates included start-up of a new facility at Magnolia, Ark., and completion of development of processes for several new agricultural chemical intermediates.

Ethyl's efforts in research, development and production of bulk pharmaceutical intermediates have yielded new opportunities. One drug ingredient is now commercial, and others will be produced upon plant completions at Orangeburg, S.C. The Company has extensive process research on several other new drug intermediates in progress and may begin production of these in 1977.



ETC 16189

In the area of alcohol-olefin products and derivatives, emphasis continued on major cost reductions. Plans are being made to start up in 1977 and then support sales from a new alkyl dimethylamines plant at Magnolia. These products are used in the manufacture of surfactants, germicides and corrosion inhibitors.

A process for a new detergent additive was developed and a manufacturing facility is under construction. A marketing program has begun on a new organic detergent builder. Research continues on promising surfactant compounds for tertiary oil recovery operations.

Ethyl's research on new flame retardants has made available a series of developmental bromine and phosphorus-based organic chemicals designed to meet the needs of the textile and plastic industries. One is particularly promising for cotton and another for polyester fabric.

Research on bromine compounds for other applications continues. A plant-scale sewage disinfection study of bromine chloride, conducted in cooperation with the EPA and other organizations, was made in 1976. Further sewage disinfection testing is planned in 1977.

Substantial progress was made during the year in the introduction of injection molded PVC for TV cabinets, and a new PVC resin was developed for use in foamed plastisols for flooring. Research is in progress on orientation processes for PVC and other plastics for lower-cost packaging containers.

Ethyl is building a market development facility for the production of high-purity phosphonitrilic chloride, which will be used in elastomers, flame retardants and other products.

Good progress was made in 1976 in the first full field year of a joint hard-rock mineral exploration program on Doyon, Limited, land in Alaska. Research on coal and lignite as raw materials for the manufacture of chemicals continued, with a cooperative research agreement initiated with a major Japanese chemical company during the year.

An extensive geologic study was made of Elk Horn Coal's properties. New information is being obtained from a program of diamond drilling and field observations, including new coal quality data.

Automotive Emissions Research: For the past several years, Ethyl's research on low-emission systems that are compatible with lead antiknocks has centered on the lean-burn technique (low proportions of gasoline with air), because it offers the desirable combination of low exhaust emissions and good fuel economy. In 1976, one U.S. car company introduced its own design of a lean-burn system that met current emission standards and

operated on leaded gasoline.

Key to the lean-burn program at Ethyl has been the use of the patented Turbulent Flow Manifold (TFM). Because it improves mixture distribution among the cylinders, the TFM effectively reduces emissions through lean-mixture operation while maintaining good driveability. When the TFM is combined with other simple components and engine adjustments, it is called the Turbulent Flow System (TFS).

As reported last year, a 50,000-mile, EPA-type durability test was conducted using a 1975 car equipped with the TFS and exhaust port liners and thermal reactors. Emissions from this car were below the levels of the stringent 1975-76 emissions standards for California. After 50,000 miles, fuel economy tests showed the car gave a combined city-highway fuel economy that was 8.5% better than the average fuel economy of similar 1975 cars meeting the California emission standards. During 1976, the durability test was continued through 100,000 miles. Throughout the test, the car achieved the desired low emission levels and good fuel economy. The 100,000-mile test demonstrated that the TFS-reactor combination can be a life-of-the-car system in contrast to the catalyst. Cooperative development efforts continued with several automotive and supplier companies throughout the world, particularly in Europe where the TFS has been well received.

Another continuing program is the research on particulate traps to capture most of the lead that normally would be exhausted from cars using leaded fuels.

Public Service

Again in 1976, financial support was provided to civic, charitable and educational organizations, primarily in communities where Ethyl has facilities. A *Special Bicentennial Edition* of ETHYL DIGEST was prepared and distributed to shareholders, employees, customers, the media, members of Congress and other government officials during 1976 with excellent reception.

Company executives addressed educational and civic organizations throughout the U.S. during the year on the subject of free enterprise and business credibility. As part of Ethyl's observance of the Bicentennial, the Company sponsored a series of college and university lectures on market economies and the free enterprise system by Dr. Massimo Salvadori, history professor emeritus of Smith College.

The 1977 DIGEST was in preparation at year-end. This edition will attempt to deal with "THE FUTURE." Publication is scheduled for the second quarter of 1977, and copies will be sent to shareholders.

Left: Development of improved quality control procedures for Ethyl's products is an important phase of R&D work.

Below: The Company was recognized in 1976 by the American Revolution Bicentennial Administration for its contributions to the celebration of America's 200th birthday.



Financial Results 1976

Net Sales The following table sets forth Ethyl's net sales represented by each of its lines of business from continuing operations for the period 1972-1976:

Net Sales by Lines of Business (In Thousands of Dollars)

	1976		1975		1974		1973		1972	
	Net Sales	Percent of Total	Net Sales	Percent of Total	Net Sales	Percent of Total	Net Sales	Percent of Total	Net Sales	Percent of Total
Chemicals: (a)										
Domestic	\$ 468,263	41%	\$387,804	42%	\$337,499	37%	\$248,043	41%	\$240,553	44%
Foreign	194,623	17	170,997	18	149,935	17	104,761	18	85,560	16
Plastics (b)	345,737	30	275,659	30	306,076	34	146,323	25	132,108	24
Aluminum	120,274	11	86,719	9	100,234	11	97,918	16	85,193	16
Coal (c)	6,515	1	8,923	1	10,716	1				
Total (d)	<u>\$1,135,412</u>	<u>100%</u>	<u>\$930,102</u>	<u>100%</u>	<u>\$904,460</u>	<u>100%</u>	<u>\$597,045</u>	<u>100%</u>	<u>\$543,414</u>	<u>100%</u>

(a) Includes Edwin Cooper from its acquisition in July 1975.

(b) Includes VCA Corporation from its acquisition in April 1974.

(c) Elk Horn Coal Corporation acquired in January 1974.

(d) 1975 and prior years restated to exclude Oxford Paper Division, sold in April 1976.

Profit Contribution The following table shows, with respect to the Company's lines of business, operating profits from continuing operations exclusive of income taxes, discontinued operations, extraordinary items and certain corporate expenses that are not practical to identify with a particular line of business.

Operating Profit by Lines of Business After Identifiable Corporate Expenses (In Thousands of Dollars)

	1976		1975		1974		1973		1972	
	Operating Profit	Percent of Total	Operating Profit	Percent of Total	Operating Profit	Percent of Total	Operating Profit	Percent of Total	Operating Profit	Percent of Total
Chemicals: (a)										
Domestic	\$109,543	61%	\$ 90,070	56%	\$ 78,008	46%	\$ 69,951	56%	\$ 73,542	61%
Foreign	27,175	15	42,723	26	39,427	23	26,074	21	20,527	17
Plastics (b)	32,484	18	17,209	11	43,723	26	18,842	15	14,554	12
Aluminum	9,865	5	7,858	5	3,362	2	10,417	8	11,197	10
Coal (c)	2,058	1	3,603	2	5,518	3				
Total (d)	<u>\$181,125</u>	<u>100%</u>	<u>\$161,463</u>	<u>100%</u>	<u>\$170,038</u>	<u>100%</u>	<u>\$125,284</u>	<u>100%</u>	<u>\$119,920</u>	<u>100%</u>

(a) Includes Edwin Cooper from its acquisition in July 1975.

(b) Includes VCA Corporation from its acquisition in April 1974.

(c) Elk Horn Coal Corporation acquired in January 1974.

(d) 1975 and prior years restated to exclude Oxford Paper Division, sold in April 1976.

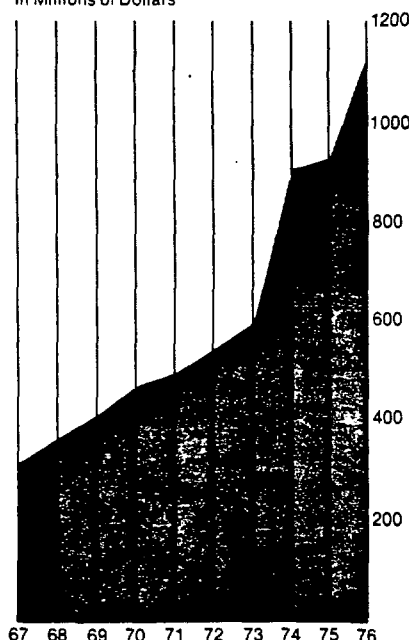
The operating profits used for purposes of the above table include charges for general and administrative and research and development expenses at the corporate level which are identifiable with each line of business but do not include charges that are not practical to identify with lines of business. The latter comprise financing costs (net of investment income), research and development expense in new areas, exploration costs and other unallocated charges, as shown in the following table:

	1976	1975	1974	1973	1972
Net Financing Costs	\$13,825	\$13,400	\$ 9,463	\$ 2,750	\$10,941
Research and Development—					
New Areas	9,785	9,467	8,768	7,873	5,564
Exploration Costs—Oil, Gas & Minerals	4,734	11,496	6,413	1,315	2,337
Other—General and Administrative	23,326	20,641	18,832	\$17,282	16,865
Total	<u>\$51,670</u>	<u>\$55,004</u>	<u>\$43,476</u>	<u>\$29,220</u>	<u>\$35,707</u>

Within the chemicals line of business, Petroleum and Industrial Chemicals often utilize joint facilities for manufacture, research and development and in many instances are interrelated in terms of raw materials, intermediates and by-products. Consequently, while sales of chemical products can be determined accurately with-

Sales

(Continuing Operations)
in Millions of Dollars



out allocations, it is not practicable in management's judgment to make accurate allocations within the chemicals line of business to determine the relative contribution to the Company's operating profits by classes of chemical products. Because lead antiknocks (the largest contributor to chemical sales and profits) are interrelated with certain other chemical products, any substantial reduction or elimination of the use of lead antiknocks in gasoline would adversely affect the costs and profitability of the Company's other present chemicals business as well.

Net Sales by Classes of Similar Products (In Thousands of Dollars)

The following table sets forth the amounts and percentages of net sales from continuing operations of each of the classes of similar products for the period 1972-1976.

	1976		1975		1974		1973		1972	
	Net Sales	Percent of Total	Net Sales	Percent of Total	Net Sales	Percent of Total	Net Sales	Percent of Total	Net Sales	Percent of Total
Chemicals:										
Petroleum (a) \$	417,129	37%	\$349,079	37%	\$298,218	33%	\$243,624	41%	\$225,993	42%
Industrial	245,757	21	209,722	23	189,216	21	109,180	18	100,120	18
Plastics (b)	345,737	30	275,659	30	306,076	34	146,323	25	132,108	24
Aluminum	120,274	11	86,719	9	100,234	11	97,918	16	85,193	16
Coal (c)	6,515	1	8,923	1	10,716	1				
Total (d)	<u>\$1,135,412</u>	<u>100%</u>	<u>\$930,102</u>	<u>100%</u>	<u>\$904,460</u>	<u>100%</u>	<u>\$597,045</u>	<u>100%</u>	<u>\$543,414</u>	<u>100%</u>

(a) Includes Edwin Cooper from its acquisition in July 1975.

(b) Includes VCA Corporation from its acquisition in April 1974.

(c) Elk Horn Coal Corporation acquired in January 1974.

(d) 1975 and prior years restated to exclude Oxford Paper Division, sold in April 1976.

Lead antiknock compounds (which are included in Petroleum Chemicals sales shown above) remain the Company's principal product and contribute to operating profits a substantially higher percentage than their 28% contribution in 1976 to net sales.

Management's Discussion and Analysis of the Consolidated Statements of Income

Continuing Operations

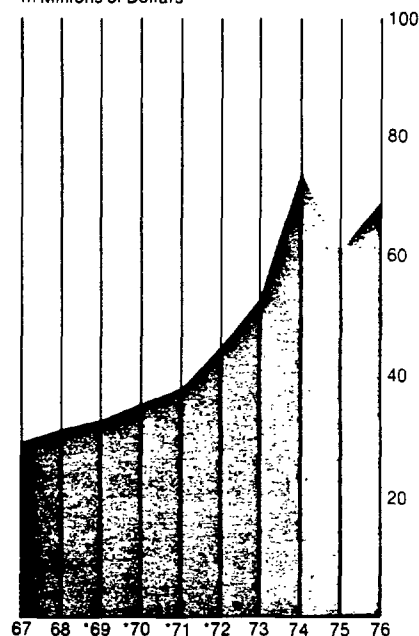
1976 Compared to 1975 Net sales for 1976 increased \$205.3 million (22%) from 1975. Higher sales volumes and selling prices in Ethyl's domestic chemicals, plastics and aluminum lines of business, together with the inclusion of the sales of Edwin Cooper, acquired in July 1975, more than offset lower sales revenues from foreign antiknocks reflecting weakness of the British pound and competitive pressures.

Cost of goods sold in 1976 increased \$176.2 million (25%) from 1975 with the result that the gross profit margin for the Company declined from 25.3% in 1975 to 23.2% in 1976. The higher cost of goods sold was due to the higher sales volumes discussed in the previous paragraph in addition to increased costs for labor, raw materials and energy. Also, cost of goods sold during 1975 was favorably affected by inventory reductions which resulted in liquidations of LIFO inventory quantities carried at lower costs prevailing in prior years compared with 1975 costs. (See Note 5 in the Financial Statements on page 29.)

Domestic chemicals operating profit for 1976 increased by \$19.5 million (22%) over 1975 and was an all-time record. Contributing to this increase were a slight increase in lead antiknock compound shipments and prices for the year and higher sales volume of industrial chemicals, which exceeded the record levels of the previous year. In addition, sales of Ethyl's manganese antiknock additive were substantially higher than 1975's modest levels. Plastics operating results were \$15.3 million (89%) above 1975 although below the record level set in 1974 with the recovery of the economy being the major factor for this improvement. Significant gains were recorded in customized plastic bottles and containers, polyvinyl chloride (PVC) resins and compounds, molded parts and closures while "Visqueen" film products, although above 1975, did not show as substantial a gain as other plastic products. In addition, dispenser products were slightly improved over 1975 despite the market uncertainties due to concerns over the ecological effects of certain aerosol propellants which continued to affect usage throughout the year. Aluminum showed a gain of \$2 million (26%) over 1975 reflecting the recovery in the construction and home improvement markets. Selling prices generally were raised sufficiently to offset

Income

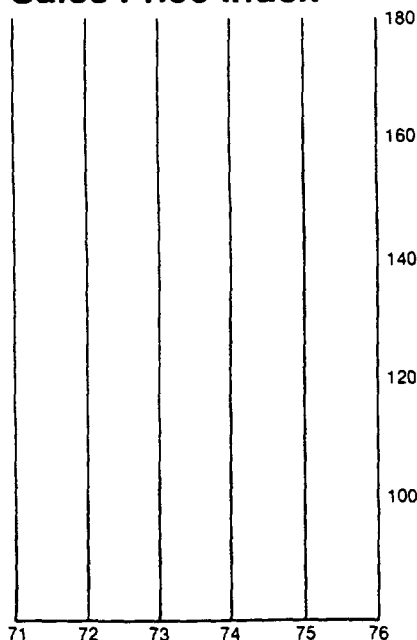
In Millions of Dollars



* Before Extraordinary Items

Financial Results 1976

Sales Price Index



higher aluminum raw material prices which increased during 1976. Foreign chemicals profit, on the other hand, was down \$15.5 million (36%) from 1975 due to continued slow economic recovery, principally in Western Europe, and lower antiknock revenues reflecting price weakness due to a decrease in the British pound and competitive pressures. The decline in coal profits of \$1.5 million (43%) reflects the depressed conditions in the coal industry that existed in 1975 and continued into 1976.

Depreciation and depletion of property, plant and equipment and maintenance and repair costs for 1976 increased \$5 million (14%) and \$9.4 million (23%), respectively, from 1975 due mainly to capital expenditures, the full-year effect of the acquisition of Edwin Cooper and generally higher costs. Labor and employee benefit costs increased \$39.9 million (19%) in 1976 over 1975 principally due to an increase in the number of employees reflecting higher plant operating rates, the Edwin Cooper acquisition and inflation.

Selling and general expenses in 1976 increased \$4.9 million (4%) from 1975 due primarily to the full-year impact of the Edwin Cooper acquisition and inflationary cost pressures on salaries which were offset in part by lower exploration costs charged to operations in 1976 compared with 1975.

Miscellaneous income in 1976 increased \$3 million (58%) from 1975 due mainly to higher investment income resulting from a larger amount of funds invested in short-term securities reflecting the proceeds from the sale of the Oxford Paper Division in April 1976 although average yields in 1976 were lower than in 1975.

Interest and financing costs in 1976 increased \$4.3 million (22%) from 1975 due mainly to higher levels of borrowing in 1976 and higher interest rates.

Income taxes in 1976 increased \$11.4 million (23%) from 1975 due to higher income before taxes. The effective income tax rate in 1976 of 46.6% was slightly higher than the 1975 rate of 45.9% due principally to a combination of several factors including: (1) lower capital gains related to Elk Horn Coal Corporation, (2) higher state income tax provision and (3) foreign currency translation, while the investment credit increased by \$2.4 million in 1976.

1975 Compared to 1974 Net sales for 1975 increased \$25.6 million (3%) from 1974. The inclusion of sales of Edwin Cooper from its acquisition in July 1975 and higher unit selling prices across virtually all product lines more than offset lower unit sales volumes in all lines of business, particularly in plastics.

In spite of lower unit sales volumes, cost of goods sold in 1975 increased \$19.9 million (3%) from 1974, with the result that the gross profit margin for the Company was unchanged from 25.3% in 1974. The increase in costs of goods sold was due to: (1) the acquisition of Edwin Cooper, (2) higher costs of labor, raw materials and supplies, especially feedstocks and energy, (3) lower plant operating rates and (4) higher operating costs to comply with environmental laws and the requirements of OSHA. In addition, the Company set up reserves of about \$2.5 million during the year to cover proposed shutdowns of several plants which are expected to reduce its operating costs in the future. Cost of goods sold during 1975 was affected by inventory reductions as described in Note 5 to the Financial Statements on page 29.

The profitability of the Plastics Division which was down \$26.5 million (61%) from 1974 was adversely affected in particular by the general slowdown of the economy, especially in the construction and automotive industries, inventory reductions by customers and continuing cost increases in raw materials and supplies. When compared with the record levels in 1974, the decline was quite significant although when compared with 1973 the decline was much less adverse. Within the Plastics Division, aerosol containers, polymers and PVC pipe were particularly depressed due to the factors referred to above. Additionally, aerosol container sales were adversely affected by publicity over fluorocarbon emissions into the atmosphere. On the other hand, the profitability of domestic chemicals, which was higher than 1974 by \$12.1 million (15%), was favorably affected in 1975 by the inclusion of the domestic results of Edwin Cooper for the last half of 1975, together with improved profit margins on antiknocks resulting from selling price increases, net of cost increases, which mainly occurred late in 1974.

Depreciation and depletion of property, plant and equipment and maintenance and repair costs increased \$3.7 million (11%) and \$2.9 million (8%), respectively, in 1975 as compared with 1974 due mainly to capital expenditures, the acquisition of Edwin Cooper and higher costs. Expenditures for labor and employee benefit costs increased \$15 million (8%) in 1975 over 1974 primarily because of the acquisition of Edwin Cooper and wage and salary increases due to inflation. Rental expense in 1975 increased \$1 million (7%) over 1974 due to the acquisition of Edwin Cooper and increased distribution equipment.

Selling and general expenses in 1975 increased \$20.4 million (22%) from 1974 due primarily to the acquisition of Edwin Cooper, expanded research and development activity in new product areas, higher exploration costs charged to operations

resulting from the decision to write-off about \$5 million of investment in a natural gas well in Matagorda County, Texas, and continuing inflationary cost pressures.

Miscellaneous income in 1975 decreased \$3.3 million (39%) from 1974 due principally to (1) a reduction in interest income resulting from lower yields on investments in short-term securities, and (2) losses of approximately \$900,000 in 1975 from the translation of European and Canadian currencies due to the strengthening of the U.S. dollar.

Interest and financing costs in 1975 increased \$2.1 million (12%) from 1974 due primarily to higher levels of borrowing during 1975 and higher interest rates.

Income taxes in 1975 decreased \$10.1 million (17%) from 1974 due to lower income before taxes. The effective income tax rate in 1975 of 45.9% was slightly lower than the 1974 rate of 46.6% due principally to an increase in the investment credit of \$1.4 million.

Discontinued Operations The sale of the Oxford Paper Division in 1976 resulted in an after-tax loss on disposal of \$1,459,000. Income from Oxford's operations from January 1 to February 22, 1976, amounted to \$1,419,000. This compared with Oxford's income from operations for the year 1975 of \$3,450,000.

A five-year summary of Income and Retained Earnings is shown on page 26.

Selected Quarterly Financial Data The following table shows selected quarterly financial data for each quarter in 1976 and 1975:

	(In Thousands of Dollars except Earnings per Share)			
1976	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Continuing Operations:				
Net Sales	\$255,354	\$292,193	\$298,582	\$289,283
Gross Profit	59,165	67,725	68,298	68,761
Net Income	15,052	19,206	19,101	15,721
Earnings per Share	\$1.53	\$2.00	\$2.01	\$1.64
Fully Diluted Earnings per Share ...	\$1.35	\$1.73	\$1.74	\$1.44
1975				
Continuing Operations:				
Net Sales	212,028	217,771	255,939	244,364
Gross Profit	52,815	58,587	63,730	59,733
Net Income	13,782	15,961	17,258	14,003
Earnings per Share	\$1.35	\$1.59	\$1.73	\$1.42
Fully Diluted Earnings per Share ...	\$1.20	\$1.39	\$1.51	\$1.25

Working Capital Provided from Continuing Operations Working capital provided from continuing operations (refer to Changes in Financial Position — page 27) amounted to \$115 million in 1976 compared with \$105.4 million in 1975. This was sufficient in 1976 to provide for capital stock acquisitions, dividends and to provide substantial funds for capital expenditures.

At December 31, 1976, working capital was \$325.2 million and the ratio of current assets to current liabilities was 3.51 to 1. This compared with working capital of \$266.1 million and a ratio of 3.53 to 1 at December 31, 1975.

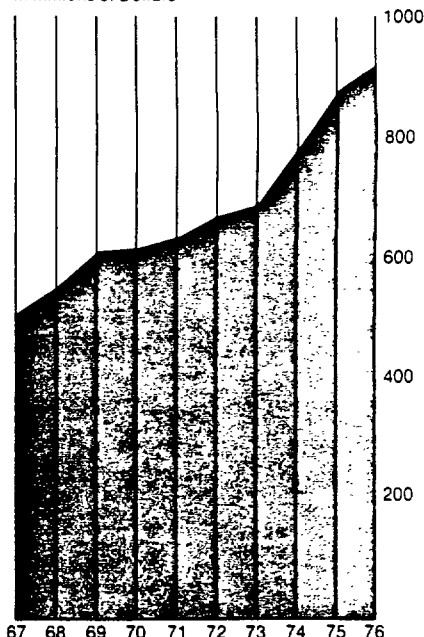
Internal Revenue Service Examination The Internal Revenue Service has completed its examination of the Company's first twelve taxable periods after the 1962 Ethyl-Albemarle merger through the calendar year 1973. The IRS has proposed tax increases of about \$39 million, including interest, which would total about \$45 million if assessed on the same basis through 1976. The IRS position results largely from differences in the valuation of assets acquired in the merger and the allocation of values between tangible and intangible assets. The IRS valuation of assets was made by a government engineer during the course of its examination. The Company based its asset valuation on an appraisal by independent appraisers made at the time of the merger.

It is the opinion of the Company's counsel that the tax increase proposed by the IRS is far in excess of any tax which ultimately might be payable by the Company on the basis of a reasonable asset valuation. The Company has commenced litigation in the Tax Court of the United States on the valuation issue for the fiscal periods ended on March 31, 1963, and December 31, 1963, and calendar 1964, and continues to contest the remaining nine periods.

Replacement Cost Information A new rule of the Securities and Exchange Commission will require the Company to disclose in its annual 10K report certain replacement cost information with respect to year-end 1976 inventories and productive capacity (generally buildings, machinery and equipment), and the approximate

Total Assets

In Millions of Dollars



Financial Results 1976

effect which replacement cost would have had on the computation of the cost of goods sold and the provision for depreciation for the year. A copy of the 10K report will be made available upon request.

The replacement of plant and equipment takes place normally over extended periods at costs substantially greater than amounts expended originally for capital additions, reflecting the cumulative impact of inflation. The current cost of replacing inventories is also significantly higher than historical cost. However, the use of the LIFO method of inventory valuation for substantially all domestic inventories states cost of goods sold at approximate replacement cost. Historical cost will continue to be the basis for presentation of the Company's financial statements, in accordance with generally accepted accounting principles.

The Company continues to compensate for cost increases by increasing sales prices to the extent the marketplace will allow.

Capital Expenditures and Acquisitions During 1976, about \$88 million was spent on capital projects for new plants, expansions and modernizations compared with about \$109 million in 1975. The 1975 figure included about \$40 million for the acquisition of Edwin Cooper. Expenditures in 1976 included about \$9.4 million for pollution abatement and OSHA projects, and over the next several years it is estimated that annual expenditures in the range of \$5 million to \$10 million can be expected for such purposes.

Common Dividend Increased The Board of Directors increased the regular quarterly dividend on the Common Stock twice during 1976—from 35 cents to 37½ cents per share effective with the July 1, 1976, payment and from 37½ cents to 40 cents per share effective with the January 1, 1977, payment. The following table shows the quarterly dividends declared in 1976 and 1975:

	1976	1975
First Quarter	\$.35	\$.30
Second Quarter	.37½	.32½
Third Quarter	.37½	.32½
Fourth Quarter	.40	.35
	<u>\$1.50</u>	<u>\$1.30</u>

In addition, regular quarterly dividends of 60 cents per share on the \$2.40 Cumulative Second Preferred Stock and \$1.50 per share on the 6% First Preferred Stock were paid during 1976 and 1975.

How Ethyl Used The Revenues It Received During 1976 (Millions of Dollars)

\$1,143.7 100.0% WAS RECEIVED BY ETHYL from all sources

THESE RECEIPTS WENT:

\$ 680.1	59.5%	To suppliers for materials, services, etc.
\$ 246.0	21.5%	To employees for payrolls, employee benefits
\$ 80.0	7.0%	For income and other taxes
\$ 22.6	2.0%	For interest expense
\$ 17.3	1.5%	To Ethyl shareholders
\$ 97.7	8.5%	For use in the business, including expansion, modernization and working capital

Market Prices of Listed Stock The Company's Common Stock and \$2.40 Cumulative Second Preferred Stock are traded principally on the New York Stock Exchange. The following table shows the reported high and low prices of these listed stocks, by quarters, for the years 1976 and 1975:

	Common		\$2.40 Cumulative Second Preferred	
	High	Low	High	Low
1976—First Quarter	49½	29½	63½	39½
Second Quarter	44½	38½	57½	49½
Third Quarter	41½	36	53	47
Fourth Quarter	44½	36½	58	47½
1975—First Quarter	33½	23½	45½	34½
Second Quarter	37½	30½	49½	42½
Third Quarter	33½	26	45½	36
Fourth Quarter	30½	25½	39½	35½

Long-Term Debt As of December 31, 1976, the long-term portion of Ethyl's debt was \$261.2 million, equal to 35% of the Company's total capitalization.

Debt repayments during 1976 amounted to \$12.6 million. These consisted of \$1,250,000 on the 4½% Promissory Notes due 1983, \$10 million on bank Promissory Notes and \$1,328,000 on Miscellaneous Debt.

SUMMARY OF LONG-TERM DEBT

Senior Debt

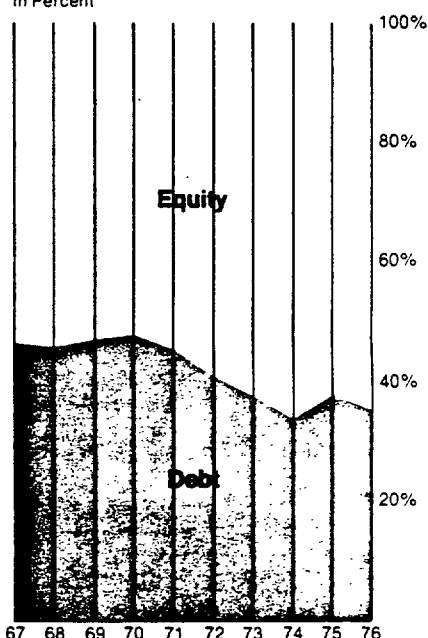
9½% Promissory Notes—due 1984-1993	\$ 94,000,000	
7½% Promissory Notes—due 1978-1983	45,000,000	
10½% Promissory Notes—due 1984-1993	56,000,000	\$195,000,000
The Prudential Insurance Company of America		
The Equitable Life Assurance Society of the United States		
The Northwestern Mutual Life Insurance Company		
New York Life Insurance Company		
4½% Promissory Notes—due 1977-1983		17,750,000
The Northwestern Mutual Life Insurance Company		
John Hancock Life Insurance Company		
New York Life Insurance Company		
Miscellaneous	2,883,000	\$215,633,000

Subordinated Debt

5¾% Subordinated Notes—due 1979-1982	50,000,000	
Various Institutional Investors		
Less unamortized discount (the balance of the amount corresponding to the proceeds of warrants sold with the Notes in 1962), reflecting an imputed total interest rate of 7.4%		
	2,896,000	47,104,000
Total Debt at December 31, 1976		262,737,000
Current Portion of Debt		1,564,000
Long-Term Debt		\$261,173,000

Debt Ratio

In Percent



SUMMARY OF DEBT MATURITIES TO 1986

	5¾% Subordinated Notes Due 1979-82	9½% Promissory Notes Due 1993	7½% Promissory Notes Due 1983	10½% Promissory Notes Due 1993	4½% Promissory Notes Due 1983	Miscella- neous to 1992	Total Amount
1977					\$ 1,250,000	\$314,000	\$ 1,564,000
1978			\$7,500,000		1,250,000	321,000	9,071,000
1979	\$ 8,000,000		7,500,000		1,250,000	273,000	17,023,000
1980	8,000,000		7,500,000		1,250,000	251,000	17,001,000
1981	8,000,000		7,500,000		1,250,000	259,000	17,009,000
1982	26,000,000		7,500,000		1,250,000	146,000	34,896,000
1983			7,500,000		10,250,000	145,000	17,895,000
1984		\$9,400,000		\$5,600,000		152,000	15,152,000
1985		9,400,000		5,600,000		160,000	15,160,000
1986		9,400,000		5,600,000		168,000	15,168,000

ETHYL CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets**ASSETS**

December 31

1976

1975

Current assets:

Cash and short-term securities	\$189,586,000	\$103,930,000
Accounts and notes receivable	135,804,000	131,460,000
Inventories	118,283,000	124,864,000
Prepaid expenses	11,192,000	11,149,000
Total current assets	454,865,000	371,403,000

Property, plant and equipment, at cost:

Land and land improvements	30,916,000	31,921,000
Coal lands	16,808,000	16,786,000
Development costs, producing properties	12,245,000	9,915,000
Timberlands and standing timber		11,348,000
Buildings	67,957,000	97,753,000
Machinery and equipment	510,770,000	565,424,000
	638,696,000	733,147,000

Less, Accumulated depreciation,
depletion and amortization

	273,530,000	327,687,000
Net property, plant and equipment	365,166,000	405,460,000

Deferred charges and other assets	37,186,000	32,628,000
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Goodwill and other intangibles	64,723,000	66,318,000
	<u>\$921,940,000</u>	<u>\$875,809,000</u>

The accompanying notes are an integral part of these statements.

LIABILITIES

December 31

1976

1975

Current liabilities:

Accounts payable and accrued expenses	\$ 85,937,000	\$ 79,623,000
Dividends payable	4,541,000	4,200,000
Notes payable	114,000	2,522,000
Long-term debt, current portion	1,564,000	2,018,000
Income taxes	<u>37,535,000</u>	<u>16,907,000</u>
Total current liabilities	<u>129,691,000</u>	<u>105,270,000</u>

Long-term debt:

Senior	214,069,000	226,193,000
Subordinated:		
Principal amount	50,000,000	50,000,000
Less unamortized discount	<u>2,896,000</u>	<u>3,481,000</u>
Subordinated debt less unamortized discount	47,104,000	46,519,000
Deferred income taxes	48,871,000	54,623,000
Provision for employee benefits	5,718,000	6,668,000
Minority interest	603,000	555,000

SHAREHOLDERS' EQUITY

Capital stock:

Cumulative First Preferred Stock, 6% Series A, par \$100 per share	2,561,000	2,674,000
Cumulative Second Preferred Stock, \$2.40 Convertible Series A, par \$10 per share (aggregate liquidation price \$80,939,000 on 1,432,299 outstanding shares, after treasury stock)	18,762,000	19,621,000
Common Stock, par \$1 per share	10,285,000	10,173,000
Capital surplus	44,741,000	43,972,000
Retained earnings	<u>459,552,000</u>	<u>407,764,000</u>
	<u>535,901,000</u>	<u>484,204,000</u>
Less, Treasury stock at cost	60,017,000	48,223,000
Total shareholders' equity	<u>475,884,000</u>	<u>435,981,000</u>
	<u>\$921,940,000</u>	<u>\$875,809,000</u>

The accompanying notes are an integral part of these statements.

ETHYL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income and Retained Earnings

<i>Years ended December 31</i>	1976	1975	1974	1973	1972
Income:					
Net sales	\$1,135,412,000	\$930,102,000	\$904,460,000	\$597,045,000	\$543,414,000
Miscellaneous income, net	8,278,000	5,242,000	8,531,000	14,693,000	7,899,000
	<u>1,143,690,000</u>	<u>935,344,000</u>	<u>912,991,000</u>	<u>611,738,000</u>	<u>551,313,000</u>
Costs and expenses:					
Cost of goods sold	871,463,000	695,237,000	675,304,000	429,277,000	381,644,000
Selling and general expenses	119,376,000	114,515,000	94,117,000	69,625,000	67,477,000
Interest and financing costs	23,396,000	19,133,000	17,008,000	16,772,000	17,979,000
Income taxes	60,335,000	48,905,000	58,973,000	46,498,000	40,773,000
	<u>1,074,570,000</u>	<u>877,790,000</u>	<u>845,402,000</u>	<u>562,172,000</u>	<u>507,873,000</u>
Income from continuing operations	69,120,000	57,554,000	67,589,000	49,566,000	43,440,000
Discontinued operations, Oxford Paper Division:					
Income from operations	1,419,000	3,450,000	6,708,000	3,318,000	1,267,000
Loss on disposal	(1,459,000)				
Income before extraordinary item	69,080,000	61,004,000	74,297,000	52,884,000	44,707,000
Extraordinary item					4,535,000
NET INCOME	69,080,000	61,004,000	74,297,000	52,884,000	49,242,000
 Retained earnings at beginning of year ..	 407,764,000	 362,742,000	 304,135,000	 265,627,000	 229,359,000
Deduct, cash dividends:					
6% First Preferred Stock, \$6.00 per share	126,000	137,000	166,000	169,000	169,000
Second Preferred Stock, \$2.40 per share	3,496,000	3,644,000	3,644,000	3,759,000	3,893,000
Common Stock, per share \$1.50; \$1.30; \$1.25; \$1.07½; \$.88½ respectively	13,670,000	12,201,000	11,880,000	10,448,000	8,912,000
	<u>17,292,000</u>	<u>15,982,000</u>	<u>15,690,000</u>	<u>14,376,000</u>	<u>12,974,000</u>
Retained earnings at end of year	<u>\$ 459,552,000</u>	<u>\$407,764,000</u>	<u>\$362,742,000</u>	<u>\$304,135,000</u>	<u>\$265,627,000</u>
 Earnings per share:					
Continuing operations	<u>\$7.18</u>	<u>\$5.72</u>	<u>\$6.70</u>	<u>\$4.68</u>	<u>\$3.90</u>
NET INCOME	<u>\$7.18</u>	<u>\$6.09</u>	<u>\$7.41</u>	<u>\$5.02</u>	<u>\$4.48</u>
 Fully diluted earnings per share assuming conversion of the Second Preferred Stock:					
Continuing operations	<u>\$6.26</u>	<u>\$5.05</u>	<u>\$5.87</u>	<u>\$4.19</u>	<u>\$3.55</u>
NET INCOME	<u>\$6.26</u>	<u>\$5.35</u>	<u>\$6.45</u>	<u>\$4.47</u>	<u>\$4.02</u>

The accompanying notes are an integral part of these statements.

ETHYL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Financial Position

	Years ended December 31	1976	1975
Source of Funds:			
Operations:			
Income from continuing operations	\$ 69,120,000	\$ 57,554,000	
Expenses not requiring outlay of working capital:			
Depreciation, depletion and amortization ...	43,493,000	38,210,000	
Deferred income taxes	2,392,000	9,629,000	
Working capital provided from continuing operations	115,005,000	105,393,000	
Working capital provided from discontinued operations	2,466,000	9,811,000	
Working capital provided on sale of Oxford Paper Division	72,685,000		
Additional borrowing		56,000,000	
Current portion of long-term debt refinanced ...		14,500,000	
Working capital of consolidated subsidiary at date of acquisition		18,912,000	
Other items—net		2,078,000	
Total	<u>\$190,156,000</u>	<u>\$206,694,000</u>	
Application of Funds:			
Additions to property, plant and equipment	\$ 87,656,000	\$ 69,470,000	
Reduction of long-term debt	12,124,000	2,282,000	
Cash dividends	17,292,000	15,982,000	
Capital stock reacquired	11,886,000	8,727,000	
Acquisition of consolidated subsidiaries		35,880,000	
Purchase of manufacturing license		3,506,000	
Long-term note receivable		4,718,000	
Other items—net	2,157,000		
Increase in working capital	59,041,000	66,129,000	
Total	<u>\$190,156,000</u>	<u>\$206,694,000</u>	
Changes in Working Capital:			
Increase (decrease) in current assets:			
Cash and short-term securities	\$ 85,656,000	\$ 61,405,000	
Accounts and notes receivable	4,344,000	2,058,000	
Inventories	(6,581,000)	(24,503,000)	
Prepaid expenses	43,000	4,938,000	
	<u>83,462,000</u>	<u>43,898,000</u>	
Increase (decrease) in current liabilities:			
Accounts payable and accrued expenses	6,314,000	(2,035,000)	
Dividends payable	341,000	368,000	
Notes payable	(2,408,000)	26,000	
Long-term debt, current portion	(454,000)	(14,696,000)	
Income taxes	20,628,000	(5,894,000)	
	<u>24,421,000</u>	<u>(22,231,000)</u>	
Increase in working capital	<u>\$ 59,041,000</u>	<u>\$ 66,129,000</u>	

The accompanying notes are an integral part of these statements.

ETHYL CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Consolidation The consolidated financial statements include the accounts and operations of Ethyl Corporation and all of its subsidiaries (the "Company").

Inventories Inventories are stated at the lower of cost or market with cost determined on the last-in, first-out basis for substantially all domestic inventories and on either average cost or first-in, first-out for other inventories. Cost elements included in work in process and finished goods inventories are raw materials, direct labor and manufacturing overhead. Raw materials include purchase and delivery costs. Stores and supplies include purchase costs.

Depreciation Provisions for depreciation are based on the estimated useful lives of depreciable property, plant and equipment and are computed primarily on the straight-line method. Expenditures for renewal and betterments are capitalized, and expenditures for ordinary repairs and maintenance are charged to income as incurred. The costs and accumulated depreciation applicable to assets retired or sold are removed from the respective accounts, and gains or losses thereon are included in income.

Unamortized Discount Unamortized discount on long-term debt is amortized by charges to income on straight-line bases over periods ending from 1979 to 1982.

Exploration Costs Bonus and deposit payments, geophysical costs of active exploration prospects and drilling costs of active exploratory wells are capitalized as deferred costs. Such costs are amortized if commercial discoveries are made or charged to income if prospects are abandoned or deemed likely to be abandoned. Costs of dry holes (unless valuable in defining active prospects) and annual charges related to prospects are charged to income.

Intangibles Goodwill acquired prior to November 1, 1970, (\$34,280,000) is not being amortized. Goodwill acquired subsequently (\$24,070,000) is being amortized over 40 years.

Retirement Income Plans Annual pension costs are actuarially determined and include amortization of prior service costs over varying periods not exceeding 30 years. The policy of the Company is to fund pension costs accrued.

Income Taxes Deferred income taxes arise from timing differences between financial and income tax reporting of various items principally depreciation, intangible drilling and development costs and provisions for income taxes on undistributed earnings of certain subsidiaries.

The investment tax credit is accounted for by the flow-through method as a reduction of the provision for income taxes in the year realized.

Earnings Per Share Earnings, and fully diluted earnings, per common share are computed using the weighted average number of shares of common stock outstanding during the year including common stock options as common stock

equivalents and after deducting preferred stock dividends. Proceeds from common stock equivalents are assumed to be used to purchase outstanding shares of the Company's common stock. Fully diluted earnings per share assumes the complete conversion of the Cumulative Second Preferred Stock.

Shares used in the computation of earnings per share were:

	Earnings Per Share	Fully Diluted Earnings Per Share
1976	9,117,525	11,011,472
1975	9,398,487	11,371,991
1974	9,512,470	11,485,996
1973	9,756,992	11,793,684
1972	10,086,799	12,200,515

2. Discontinued Operations:

In April 1976, the Company sold its Oxford Paper Division, consisting principally of a pulp and paper mill in Rumford, Maine, and about 335,000 acres of timberland, for approximately \$89,850,000, which resulted in a loss of \$1,459,000, after tax benefit of \$1,485,000.

The results of operations of the Oxford Paper Division for periods prior to February 22, 1976, the measurement date, are included in the consolidated statements of income and retained earnings under the caption "Discontinued Operations, Oxford Paper Division." The following is a summary of the operations of the Oxford Paper Division for periods prior to February 22, 1976:

	1976	1975	1974	1973	1972
Net Sales	\$18,798,000	\$99,118,000	\$115,099,000	\$101,957,000	\$88,185,000
Costs & Expenses	15,988,000	93,165,000	103,481,000	95,933,000	85,254,000
Income Taxes	1,391,000	2,503,000	4,910,000	2,706,000	654,000
Net Income	\$ 1,419,000	\$ 3,450,000	\$ 6,708,000	\$ 3,318,000	\$ 1,267,000

Amounts applicable to the operations of Oxford Paper Division have been excluded in the following notes.

3. Foreign Operations:

Foreign exchange conversion and translation losses of \$1,317,000 and \$1,411,000 (net of a reserve for foreign exchange fluctuations of \$637,000 as of December 31, 1974) were charged to income for 1976 and 1975, respectively.

Following is a summary of certain financial information relating to operations (including oil and gas) of the Company's foreign branches and subsidiaries:

	1976	1975
Net sales	\$145,972,000	\$132,448,000
Net earnings	6,215,000	10,745,000
Working capital	57,644,000	45,858,000
Net assets	92,156,000	77,691,000

4. Marketable Securities:

Short-term securities, amounting to \$162,620,000 at December 31, 1976, and \$87,437,000 at December 31, 1975, are stated at cost plus accrued income which approximates market value.

Marketable equity securities included in noncurrent assets and stated at cost amounted to \$6,538,000 at December 31, 1976 and 1975. The amount by which quoted market value exceeds cost at December 31, 1976, is \$3,345,000.

Realized gains and losses on sales of marketable equity securities included in net income are not material.

5. Inventories:

	1976	1975
Inventories include:		
Finished goods	\$ 53,597,000	\$ 55,399,000
Raw materials and		
work in process	48,281,000	45,928,000
Stores, supplies, etc.	16,405,000	16,593,000
Oxford Paper Division		6,944,000
	<u>\$118,283,000</u>	<u>\$124,864,000</u>

Inventories stated on the last-in, first-out basis amounted to \$67,477,000 at December 31, 1976, and \$67,256,000 at December 31, 1975, which are below replacement cost by approximately \$46,800,000 and \$44,104,000, respectively.

In 1975, inventory reductions resulted in liquidations of LIFO inventory quantities carried at lower costs prevailing in prior years as compared with 1975 costs, the effect of which increased income from continuing operations by approximately \$6,562,000, or 70 cents per share.

In 1974, the last-in, first-out method of valuing inventories was extended to substantially all the domestic inventories which were accounted for previously on first-in, first-out or average cost. The effect of this change was to reduce net income for 1974 by \$5,756,000, or 60 cents per share, from what it would have been if the former inventory valuation methods had been continued.

The change in inventory method was made to minimize the impact of price level changes on inventory valuations and to achieve a better match of current costs with current revenues for determining profits. There is no cumulative effect of this change on prior years' reported earnings.

The following disclosure is made for the purpose of complying with Internal Revenue Procedure 72-29. The application of the principles of APB No. 16 to the valuation of LIFO inventories of subsidiaries acquired in 1974 caused inventories in the accompanying consolidated balance sheets at December 31, 1976, and December 31, 1975, to exceed inventories used for income tax reporting purposes by \$443,000.

6. Internal Revenue Service Examination:

The Company has received reports of the Internal Revenue Service proposing additional income taxes for the twelve taxable periods ended December 31, 1973. See caption "Internal Revenue Service Examination" in the Financial Results Section (page 21) of this report for further information.

7. Long-Term Debt:

Reference is made to captions "Summary of Long-Term Debt" and "Summary of Debt Maturities to 1986" in the Financial Results Section (page 23) of this report for information concerning the Company's long-term borrowings.

8. Capital Stock:

Transactions in capital stock during 1976 were as follows:

	Issued		Treasury	
	Shares	Amounts	Shares	Amounts
Cumulative First Preferred (authorized 1,000,000 shares):				
January 1, 1976	26,744	\$ 2,674,400	5,615	\$ 443,889
Purchases			522	38,315
Retired	(1,130)	(113,000)	(1,130)	(89,085)
December 31, 1976	<u>25,614</u>	<u>\$ 2,561,400</u>	<u>5,007</u>	<u>\$ 393,119</u>
Cumulative Second Preferred (authorized 10,000,000 shares):				
January 1, 1976	1,962,059	\$19,620,590	444,162	\$19,381,556
Purchases			6	291
Converted into common stock	(85,592)	(855,920)		
Converted into common stock in prior years	(277)	(2,770)	(277)	(2,770)
December 31, 1976	<u>1,876,190</u>	<u>\$18,761,900</u>	<u>443,891</u>	<u>\$19,379,077</u>
Common (authorized 25,000,000 shares):				
January 1, 1976	10,173,393	\$10,173,393	960,086	\$28,397,743
Purchases			287,800	11,847,231
Issued upon conversion of cumulative second preferred	111,267	111,267		
December 31, 1976	<u>10,284,660</u>	<u>\$10,284,660</u>	<u>1,247,886</u>	<u>\$40,244,974</u>

The Cumulative First Preferred is redeemable at \$101 at the option of the Company and is preferentially entitled to par value in involuntary liquidation and the redemption price in voluntary liquidation. Annual sinking fund payments of approximately \$114,000 are required for mandatory redemption.

Each share of Cumulative Second Preferred has one vote and is convertible into 1.3 shares of common stock. The voluntary or involuntary liquidation value of the Cumulative Second Preferred Stock is the greater of (1) \$42 per share or (2) an amount equivalent to the book value of that number of shares of common stock into which such preferred stock is convertible. The aggregate excess of liquidation value over par value on shares of outstanding stock is approximately \$66,616,000 as of December 31, 1976. These shares are callable at \$75 per share, plus accrued divi-

Notes to Financial Statements Cont'd

dends. The changes in Capital Surplus during 1976 and 1975 are the excess of par value over cost of shares of First Preferred Stock retired and the excess of par value of Second Preferred Stock over par value of Common Stock issued upon conversion of Second Preferred Stock to Common Stock.

9. Stock Option Plan:

Under the Company's qualified stock option plan, 300,000 shares of unissued common stock are reserved for issuance to officers and other key employees at 100 percent of fair market value on the date of grant. No options were granted or exercised during 1976. An option to purchase 29,500 shares at \$30.00 per share, granted in 1973, was outstanding at December 31, 1976, of which 23,600 shares were exercisable. There are no charges to income in connection with the plan.

10. Retained Earnings Restriction:

The Company's articles of incorporation and note agreements contain restrictions, among others, against the payment of cash dividends and purchases of the Company's stock. At December 31, 1976, \$54,163,000 of retained earnings is free of such restriction under the agreement presently most restrictive.

11. Depreciation, Depletion and Amortization:

Depreciation and depletion charged to income amounted to \$27,436,000, \$26,076,000, \$32,451,000, \$36,135,000 and \$41,177,000 for the years 1972 through 1976. Amortization of deferred charges and intangibles charged to income amounted to \$1,136,000, \$851,000, \$1,388,000, \$2,075,000 and \$2,316,000 in the respective years.

12. Income Taxes:

Income tax expense excluding amounts applicable to the extraordinary item is composed of the following:

	Currently Payable	Deferred	Total
1976	\$57,943,000	\$2,392,000	\$60,335,000
1975	39,278,000	9,629,000	48,905,000
1974	51,689,000	7,284,000	58,973,000
1973	42,246,000	4,252,000	46,498,000
1972	40,152,000	621,000	40,773,000

Currently payable includes provisions for U.S. income taxes of \$31,251,000, \$30,459,000, \$37,589,000, \$29,816,000 and \$44,855,000 for the years 1972 through 1976. Such provisions were reduced, and net income for the respective years was increased by investment tax credits of \$1,204,000, \$1,483,000, \$2,065,000, \$3,436,000 and \$5,838,000.

No provision has been made for additional income taxes that might result from the remittance to the Company of prior years' undistributed earnings of \$3,900,000 of a foreign subsidiary since it is the intention of the Company to continue to reinvest such amount of earnings indefinitely.

13. Research and Development:

Research and development expenses amounted to \$24,790,000 for 1976 and \$18,547,000 for 1975. The 1975 amount has been restated to conform to the guidelines prescribed by Statement of Financial Accounting Standards No. 2.

14. Employee Retirement Plans:

The Company provides retirement benefits for substantially all of its employees under several different plans funded with insurance companies or corporate trustees. Plan contributions charged to income for the years 1972 through 1976 were \$6,518,000, \$7,018,000, \$8,455,000, \$11,666,000, and \$11,800,000. Contributions were irrevocably devoted to the payment of retirement and other benefits for employees and their beneficiaries.

15. Extraordinary Item:

The extraordinary item in 1972 was the net gain from an award, including interest, received as compensation for the expropriation of certain timberlands (after income taxes of \$4,812,000, of which \$3,689,000 was deferred).

16. Lease Commitments:

Rental expense was \$7,939,000, \$9,578,000, \$14,256,000, \$15,252,000 and \$14,276,000 for the years 1972 through 1976. Rental expense in 1976 excludes \$1,500,000 of ship operating costs which were included in rental expense in prior years.

Following are the rental commitments under all non-cancellable leases as of December 31, 1976:

Years	Total	Transportation Equipment	Office and Plant Space	Other
1977	\$11,191,000	\$ 6,216,000	\$4,035,000	\$ 940,000
1978	9,225,000	5,381,000	3,150,000	694,000
1979	7,719,000	4,711,000	2,648,000	360,000
1980	6,420,000	4,277,000	2,042,000	101,000
1981	5,953,000	4,106,000	1,793,000	54,000
1982-86	25,886,000	17,516,000	8,187,000	163,000
1987-1991	14,765,000	8,421,000	6,179,000	165,000
1992-1996	5,479,000		5,314,000	165,000
Remainder	7,800,000		6,485,000	1,315,000

The present value of commitments under non-capitalized financing leases and the effect on net income if such leases were capitalized are not material.

17. Selected Quarterly Financial Data (Unaudited):

See caption, "Selected Quarterly Financial Data" in the Financial Results Section (page 21) of this report for net sales, gross profit, net income and earnings per share for each quarter of 1976.

18. Replacement Cost Information (Unaudited):

A new rule of the Securities and Exchange Commission will require the Company to disclose in its annual 10K report current replacement cost information for certain assets and expenses.

The current replacement cost of the Company's inventories and plant and equipment and the associated provision for depreciation thereon, subject to the disclosure requirement, are significantly higher than the comparable historical amounts shown in the consolidated financial statements. The use of the LIFO method of inventory valua-

tion for substantially all domestic inventories states cost of goods sold at approximate replacement cost.

19. Subsequent Event:

On March 4, 1977, the Company announced its offer, expiring March 22, 1977, to purchase up to 750,000 shares of its outstanding Common Stock, \$1.00 par value, at a price of \$46 per share. Payment for the shares acquired will be from general corporate funds; however, the Company expects to offset the reduction in funds by selling a new Cumulative First Preferred Stock, 7 $\frac{3}{4}$ %, Series C in a private offering for \$35,000,000. Convertible Preferred shareholders may convert their shares and tender the common shares issuable upon conversion. If more than 750,000 shares are validly tendered the Company is not obligated to purchase any of the excess although, it may purchase all or any part thereof; but will not purchase more than 1,000,000 shares in any event.

Auditors' Report

To the Board of Directors and Shareholders of Ethyl Corporation:

We have examined the consolidated balance sheets of Ethyl Corporation and Subsidiaries as of December 31, 1976 and 1975, and the related consolidated statements of income, retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the Corporation's consolidated financial statements for the three years ended December 31, 1974, from which the consolidated statements of income for 1974, 1973 and 1972 were taken.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Ethyl Corporation and Subsidiaries at December 31, 1976 and 1975, the results of their operations and changes in their financial position for the years then ended and their net income and other data for the years ended December 31, 1974, 1973 and 1972, all in conformity with generally accepted accounting principles applied on a consistent basis, except for the change, with which we concur, in the method of valuing inventories as described in Note 5 to the consolidated financial statements.

Suite 1000
Seventh and Franklin Building
Richmond, Virginia 23219
February 11, 1977, except for Note 19,
as to which the date is March 4, 1977

Coopers & Lybrand

COOPERS & LYBRAND

ETHYL CORPORATION AND SUBSIDIARIES

Ten-Year Summary

(In Thousands of Dollars Except Common Stock Data)

Years Ended December 31	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967
SALES AND INCOME										
Net Sales ⁽¹⁾	\$1,135,412	\$930,102	\$904,460	\$597,045	\$543,414	\$491,392	\$464,573	\$411,519	\$366,052	\$317,093
Depreciation, depletion and amortization ⁽¹⁾	43,493	38,210	33,839	26,927	28,572	26,381	25,268	22,976	20,436	19,654
Income from continuing operations	69,120	57,554	67,589	49,566	43,440	37,707	33,949	30,292	25,116	20,879
Income (Loss) from discontinued operations	(40)	3,450	6,708	3,318	1,267	533	1,633	2,732	6,385	8,783
Income before extraordinary items	69,080	61,004	74,297	52,884	44,707	38,240	35,582	33,024	31,502	29,662
Net Income	69,080	61,004	74,297	52,884	49,242	34,914	37,199	29,524	31,502	29,662
FINANCIAL CONDITION										
Working Capital	325,174	266,133	200,004	268,902	261,959	229,996	209,724	176,499	176,332	129,757
Ratio of current assets to current liabilities	3.51 to 1	3.53 to 1	2.57 to 1	3.82 to 1	4.13 to 1	4.22 to 1	4.54 to 1	2.71 to 1	3.47 to 1	3.52 to 1
Property, plant and equipment (Net)	365,166	405,460	367,557	281,380	280,440	283,678	298,771	293,200	269,761	301,345
Capital expenditures & acquisitions	87,656	108,856	195,237	37,664	31,508	24,383	64,190	53,312	64,156	26,943
Long-term debt	261,173	272,712	203,910	207,581	223,261	238,834	247,757	223,165	207,550	198,263
Shareholders' equity	475,884	435,981	399,686	342,563	322,360	289,459	274,159	252,885	243,855	228,948
COMMON STOCK										
Weighted average number of shares outstanding ⁽²⁾ ..	9,117,525	9,398,487	9,512,470	9,756,992	10,086,799	10,140,533	10,138,482	10,169,972	10,171,893	10,164,357
Earnings per share ⁽³⁾	\$ 7.18	\$ 6.09	\$ 7.41	\$ 5.02	\$ 4.03	\$ 3.36	\$ 3.06	\$ 2.77	\$ 2.61	\$ 2.41
Fully diluted earnings per share assuming conversion of the Second Preferred Stock ⁽³⁾ ..	\$ 6.26	\$ 5.35	\$ 6.45	\$ 4.47	\$ 3.65	\$ 3.09	\$ 2.85	\$ 2.61	\$ 2.46	\$ 2.29
Equity per share ⁽⁴⁾	\$43.47	\$38.78	\$34.61	\$28.89	\$25.17	\$21.64	\$19.62	\$17.18	\$15.73	\$13.88
Dividends per share	\$ 1.50	\$ 1.30	\$ 1.25	\$ 1.07½	\$.88½	\$.84	\$.84	\$.75	\$.63	\$.60

(1) 1975 and prior years have been restated to exclude Oxford Paper Division and Albemarle Paper Division which were sold in 1976 and 1968, respectively.

(2) Including warrants and common stock options as common stock equivalents.

(3) Based on net income except for years 1969 through 1972, which are based on income before extraordinary items. After extraordinary items, would be \$4.48 and \$4.02 in 1972, \$3.03 and \$2.82 in 1971, \$3.22 and \$2.98 in 1970 and \$2.43 and \$2.33 in 1969, respectively.

(4) Reflects a deduction for the liquidating value of the Second Preferred Stock, and is based on the number of shares outstanding at the end of each year, treating warrants and common stock options as common stock equivalents.

ETHYL CORPORATION AND SUBSIDIARIES

DIRECTORS

OFFICERS AND STAFF

LAWRENCE E. BLANCHARD, JR.
S. DOUGLAS FLEET
Retired Vice President
M. F. GAUTREAU
JAMES M. GILL
• BRUCE C. GOTTFWALD
• FLOYD D. GOTTFWALD
• FLOYD D. GOTTFWALD, JR.
• ROBERT HERZOG
A. B. HORN, JR.
GEORGE F. KIRBY
Chairman and President
Texas Eastern Transmission Corp.
Houston, Texas
JOSEPH M. LOWRY
Retired Senior Vice President
ANDREW M. MCBURNEY
Senior Advisor—Paper
Boise Cascade Corp.
New York, N.Y.
ROBERT T. MARSH, JR.
Retired Chairman of the Board
First & Merchants National Bank
Richmond, Va.
JAMES F. MILLER
Vice Chairman—Management Committee
Blyth Eastman Dillon Co., Inc.
New York, N.Y.
CLARENCE M. NEHER
• PRIME F. OSBORN, III
President & Chief Operating Officer
Seaboard Coast Line Industries, Inc.
Jacksonville, Fla.
MELVIN M. PAYNE
Chairman of the Board
National Geographic Society
Washington, D.C.
• W. THOMAS RICE
Chairman & Chief Executive Officer
Seaboard Coast Line Industries, Inc.
Richmond, Va.
SIDNEY BUFORD SCOTT
Chairman
Scott & Stringfellow, Inc.
Richmond, Va.
ERWIN H. WILL
Retired Chairman of the Board
Virginia Electric & Power Co.
Richmond, Va.
• Member of the Executive Committee
• Elected December 23, 1976
• Resigned October 28, 1976

FLOYD D. GOTTFWALD, JR.
Chairman of the Board
Chief Executive Officer
Chairman—Executive Committee
BRUCE C. GOTTFWALD
President
FLOYD D. GOTTFWALD
Vice Chairman of the Board
Vice Chairman—Executive Committee
LAWRENCE E. BLANCHARD, JR.
Executive Vice President
ROBERT HERZOG
Executive Vice President
M. F. GAUTREAU
Senior Vice President—
Research & Development
JAMES M. GILL
Senior Vice President—
Chemicals Group
A. B. HORN, JR.
Senior Vice President—
International Group
CLARENCE M. NEHER
Senior Vice President—
Plastics Group
LLOYD B. ANDREW
Vice President
Director—Financial Relations
WALLACE F. ARMSTRONG
Vice President—Manufacturing
C. RAYMOND HAILEY
Vice President
President—The Elk Horn Coal
Corporation
E. MALCOLM HARVEY
Vice President—Aluminum
President—The William L.
Bonnell Company, Inc.
President—Capitol Products
Corporation
ARTHUR W. HELWIG
Vice President
Secretary—Executive Committee
Director—Planning & Profit
Improvement
HOWARD E. HESSELBERG
Vice President—Air Conservation
FREDERICK P. WARNE
Vice President
Secretary & General Counsel
FRANK J. McNALLY
Treasurer
JAMES H. KIRBY
Controller
KARL F. CAST
General Manager—Engineering,
Central Systems & Data Processing
J. E. CRUTCHFIELD
Director—Central Systems
& Data Processing
G. SAMUEL ROBERTS
Chief Engineer
STEPHEN B. RODI
Director—Corporate Employee Relations
GORDON E. SAXON
Director—Advertising & Sales
Promotion
PAUL E. WEIMER
Budget Director
J. C. WRIGHT
Director—Purchasing & Traffic
CHARLES H. ZEANAH
Director—Corporate Public Relations

Corporate Headquarters
330 South Fourth Street
Richmond, Va. 23219
(804) 644-6081

Executive Offices
451 Florida Street
Baton Rouge, La. 70801
(504) 388-8011
100 Park Avenue
New York, N.Y. 10017
(212) 679-2000

Stock Transfer Agents
First & Merchants National Bank
Richmond, Va.
Chase Manhattan Bank, N.A.
New York, N.Y.
Montreal Trust Co.
Toronto, Canada

Registrars of Stock
Bank of Virginia
Richmond, Va.
Morgan Guaranty Trust Co.
New York, N.Y.
The Royal Trust Co.
Toronto, Canada

General Counsel
Huntton & Williams
Richmond, Va.

Stock Listings
New York Stock Exchange
Pacific Coast Stock Exchange
Toronto Stock Exchange

Ticker Symbol: EY

Number of Employees
Approximately 16,000

DIVISIONS

PETROLEUM CHEMICALS

JOHN F. KOEHNLE
Divisional Vice President
& General Manager
T. E. LOCKERBIE
General Manager—Product
Development & Sales Application
R. M. THURSTON
Director—Marketing

INDUSTRIAL CHEMICALS

ROGER A. MOSER
General Manager
A. E. VAUGHAN
Director—Marketing Management
J. M. RIDDLE
Sales Manager
H. W. REES
Manager—National Accounts
& Sales Development

ETHYL INTERNATIONAL

Petroleum Chemicals
M. WHITLOCK
General Manager
W. J. RUSHER
General Manager—Sales
A. M. SCHILS
Director—Ethyl S.A.
E. G. AMOLOCHITIS
Managing Director—
Ethyl Hellas Chemical Co. S.A.

Industrial Chemicals

L. B. REYNOLDS
General Manager
R. R. DOWNEY
Managing Director—Ethyl S.A.

Oil & Gas

L. N. APPLIGATE
Director

EDWIN COOPER

J. A. HANCOCK
President
R. WILKINS
Managing Director—
Edwin Cooper Limited
G. R. BUCHANAN
President—Edwin Cooper, Inc.
E. P. CUNNINGHAM
Vice President—Research
& Development

ETHYL CORPORATION OF CANADA LIMITED

KENNETH A. FREBERG
President
C. A. PARKINSON
General Manager—Sales

ELK HORN COAL

H. H. BAIRD, JR.
Vice President & Treasurer

PLASTICS

ROBERT X. HAFELE
Director—Central Development
JAMES R. LEES
Director—Marketing
ROLAND E. MCKENZIE
Director—Manufacturing
GEORGE E. ROONEY
Director—Financial Controls

Dispenser, Metal and Molded Products Divisions

RICHARD F. SANDS
President
Dispenser Products
ANTHONY J. RINALDI
General Manager
DANIEL J. MASSEY
General Sales Manager
Metal Products
PHILLIPS E. PATTON
General Manager
E. PAUL WINSLOW
General Manager—Sales
Molded Products
ROBERT D. BISHOP
Vice President & General
Manager—Packaging
JOHN B. SHERIDAN
Vice President & General
Manager—Engineering Plastics

Film, Polymer and Pipe Products Divisions

CHARLES W. MONTGOMERY
President
VISQUEEN Film Products
RICHARD W. GOODRUM
General Manager
JOHN K. SHIFFLER
General Sales Manager
Polymer Products
RAYMOND M. WOLBER
General Manager
CHARLES W. BENJAMIN
Sales Manager
Pipe Products
DALE W. SULLIVAN
General Manager

Imco Container Products Division

B. HANSEL BONDS
President
CHARLES MINARIK
Vice President—Sales & Marketing
MARION HIERMAN
President—Imco of Canada

ALUMINUM

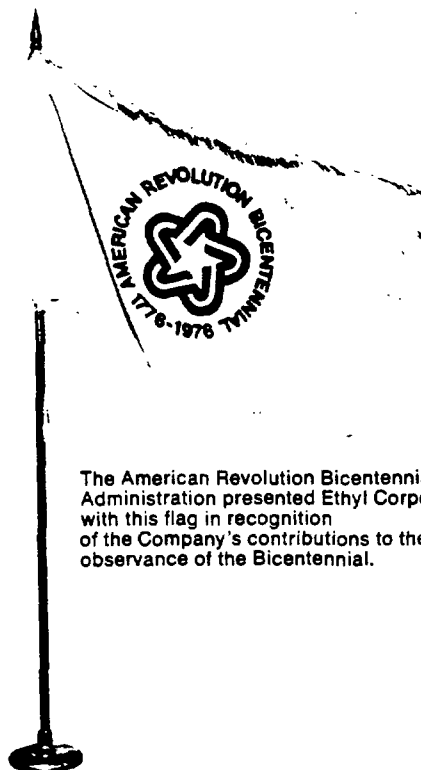
WILLIAM H. MORGAN
General Manager—Marketing
& Product Development

The William L. Bonnell Company, Inc.

H. T. SMITH
Executive Vice President
& General Manager
WARREN H. BROCKWAY
Vice President—Trim Sales
JOHN C. DUNN
Vice President—Industrial Sales
Capitol Products Corporation
GEORGE S. THUMBERT
Executive Vice President
& General Manager
WALLACE FREMONT
Vice President—Fabricated Sales
DONALD C. HORNUNG
Vice President—Extrusion Sales

ETHYL CORPORATION
330 South Fourth Street
Richmond, Virginia 23219

BULK RATE
U.S. POSTAGE
PAID
ETHYL
CORPORATION



The American Revolution Bicentennial
Administration presented Ethyl Corporation
with this flag in recognition
of the Company's contributions to the
observance of the Bicentennial.

ETC 16207