

Segment Results and Other Financial Information
Ethyl Corporation and Subsidiaries

(In millions except per share amounts, unaudited)

	Second Quarter		Six Months	
	2002	2001	2002	2001
Net sales (a):				
Petroleum additives	\$ 172.5	\$ 175.5	\$ 321.4	\$ 381.4
Tetraethyl lead	3.0	2.1	4.7	13.5
Total	\$ 175.5	\$ 177.6	\$ 326.1	\$ 394.9
Segment operating profit (loss):				
Petroleum additives before nonrecurring items	\$ 13.3	\$ 10.6	\$ 24.0	\$ 18.9
Nonrecurring items (b)	0.3	(50.3)	(1.2)	(73.6)
Total petroleum additives	13.6	(39.7)	22.8	(54.7)
Tetraethyl lead	3.4	10.0	7.8	20.6
Nonrecurring items (b)	-	-	(1.6)	-
Total tetraethyl lead	3.4	10.0	6.2	20.6
Segment operating profit (loss)	17.0	(29.7)	29.0	(34.1)
Add back current year nonrecurring item to reconcile Segment Reporting to Consolidated Statements of Income (c)	-	-	3.1	-
Corporate unallocated expense	(4.0)	(5.1)	(6.3)	(11.0)
Interest expense	(6.6)	(9.8)	(13.6)	(18.0)
Pension settlement expense including second quarter 2001 excise tax provision (b)	-	(88.2)	-	(88.2)
Pension (expense) income	(1.5)	2.8	(3.0)	5.6
Other (expense) income, net (b)	(6.6)	(1.0)	(9.6)	(3.1)
Loss before income taxes	\$ (1.7)	\$ (131.0)	\$ (0.4)	\$ (148.8)
Net (loss) income:				
Earnings excluding nonrecurring items	\$ 1.4	\$ 5.1	\$ 2.3	\$ 8.6
Nonrecurring items (b)	(3.9)	(99.9)	(6.4)	(114.7)
Net (loss) income:	\$ (2.5)	\$ (94.8)	\$ (4.1)	\$ (106.1)
Basic and diluted earnings (loss) per share: (d)				
Earnings excluding nonrecurring items	\$ 0.09	\$ 0.30	\$ 0.14	\$ 0.52
Nonrecurring items (b)	(0.23)	(5.98)	(0.38)	(6.87)
Net (loss) income	\$ (0.14)	\$ (5.68)	\$ (0.24)	\$ (6.35)

(a) Certain amounts have been reclassified to conform to the current presentation.

(b) Nonrecurring items after income taxes are shown below. The engine oil additives rationalization and write-off of goodwill are included in segment operating profit. The (loss) gain on impairments and sale of nonoperating assets are reported in other (expense) income, net.

(Loss) gain on impairments and sale of nonoperating assets	(4.1)	0.6	(4.1)	0.6
Write-off of goodwill	-	-	(2.5)	-
Engine oil additives rationalization:				
Write-off assets	-	(18.4)	-	(25.8)
Severance, early retirement, and other costs	0.2	(13.2)	0.2	(20.6)
Pension settlement expense including second quarter 2001 excise tax provision	-	(68.9)	-	(68.9)
	\$ (3.9)	\$ (99.9)	\$ (6.4)	\$ (114.7)

(c) For segment reporting, the write-off of goodwill is shown in operating profit as a nonrecurring item in 2002. In the Consolidated Statement of Income, the write-off is shown as a cumulative effect of an accounting change.

(d) Basic and diluted earnings (loss) per share have been restated for all periods presented to reflect the 1-for-5 reverse stock split.

CONSOLIDATED STATEMENTS OF INCOME
(In thousands except per share amounts, unaudited)

ETHYL CORPORATION AND SUBSIDIARIES

	Three Months Ended June 30		Six Months Ended June 30	
	2002	2001	2002	2001
Net sales (a)	\$ 175,446	\$ 177,643	\$ 326,060	\$ 394,903
Cost of goods sold (a, b, c)	138,621	173,364	257,227	360,449
Gross profit	36,825	4,279	68,833	34,454
TEL marketing agreements services	4,446	11,532	10,162	19,614
Selling, general, and administrative expenses	19,342	16,717	35,811	35,187
Research, development, and testing expenses (c)	13,356	14,288	25,588	32,279
Special items expense (c) (d)	-	(106,261)	-	(116,968)
Operating profit (loss)	8,573	(121,455)	17,596	(130,366)
Interest and financing expenses	6,562	9,783	13,600	17,977
Other (expense) income, net (e)	(3,734)	299	(4,420)	(395)
Loss before income taxes	(1,723)	(130,939)	(424)	(148,738)
Income tax expense (benefit)	739	(36,155)	1,155	(42,687)
Loss before cumulative effect of accounting change	(2,462)	(94,784)	(1,579)	(106,051)
Cumulative effect of accounting change for goodwill write-off (net of tax) (f)	-	-	(2,505)	-
Net loss	\$ (2,462)	\$ (94,784)	\$ (4,084)	\$ (106,051)
Basic and diluted loss per share (g):				
Loss before cumulative effect of accounting change	\$ (0.14)	\$ (5.68)	\$ (0.09)	\$ (6.35)
Cumulative effect of accounting change for goodwill write-off (net of tax) (f)	-	-	(0.15)	-
	\$ (0.14)	\$ (5.68)	\$ (0.24)	\$ (6.35)
Shares used to compute basic and diluted loss per share (g)	16,691	16,691	16,691	16,691

Notes to Consolidated Statements of Income

(a) Certain amounts have been reclassified to conform to the current presentation.

During first quarter 2001, certain TEL inventories were permanently reduced resulting in a liquidation of LIFO layers. This LIFO liquidation decreased cost of goods sold by \$1.5 million and increased net income by \$900 thousand or \$.06 per share.

(c) Asset writedowns, severance, early retirement, and other costs related to the rationalization of our engine oil additives product lines were \$50.3 million (\$31.6 million after tax or \$1.89 per share) for second quarter 2001 and \$73.6 million (\$46.4 million after tax or \$2.78 per share) for six months 2001. These costs are included in the Consolidated Statements of Income as follows:

Cost of goods sold	\$ (31.0)	\$ (41.8)
Research, development, and testing expenses	(1.2)	(3.0)
Special items expense	(18.1)	(28.8)
	<u>\$ (50.3)</u>	<u>\$ (73.6)</u>

(d) In addition to the 2001 special items expense shown in Note (c), there was a recognition of a \$62 million noncash loss (\$42.7 million after tax or \$2.56 per share) on the settlement of pension liabilities related to the termination of our U.S. salaried pension plan and a \$26.2 million charge (\$26.2 after tax or \$1.57 per share) related to excise tax on the pension reversion.

(e) Other (expense) income, net includes a loss on the impairment of nonoperating assets for second quarter 2002 and six months 2002 of \$4.1 million (\$4.1 million after tax or \$.24 per share), as well as expenses related to debt refinancing activities of \$1.0 million for six months 2002. Other (expense) income, net in second quarter 2001 includes \$1.0 million income (\$600 thousand after tax or \$.04 per share) related to the gain on the sale of a nonoperating asset.

(f) In conformity with Statement of Financial Accounting Standards No. 142, during the first quarter 2002, we wrote-off goodwill of \$3.1 million (\$2.5 million after tax or \$.15 per share.)

(g) The number of shares, as well as basic and diluted loss per share, have been restated to reflect the 1-for-5 reverse stock split.

CONSOLIDATED BALANCE SHEETS
(In thousands)
ETHYL CORPORATION AND SUBSIDIARIES

	June 30 2002 (unaudited)	December 31 2001
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 15,145	\$ 12,382
Restricted cash	771	996
Trade and other accounts receivable, less allowance for doubtful accounts (\$897 - 2002; \$889 - 2001)	129,604	121,261
Receivable - TEL marketing agreements services	7,545	16,935
Inventories	106,893	121,458
Deferred income taxes and prepaid expenses	15,838	11,742
Total current assets	275,796	284,774
Property, plant and equipment, at cost	760,675	760,649
Less accumulated depreciation and amortization	553,445	544,892
Net property, plant and equipment	207,230	215,757
Prepaid pension cost	23,670	25,731
Deferred income taxes	12,175	12,440
Other assets and deferred charges	81,926	102,007
Goodwill and other intangibles, net of amortization	72,693	78,916
Total assets	\$ 673,490	\$ 719,625
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 45,840	\$ 54,376
Accrued expenses	43,419	59,907
Long-term debt, current portion (a)	298,478	30,504
Income taxes payable	10,809	14,648
Total current liabilities	398,546	159,435
Long-term debt	23,931	305,453
Other noncurrent liabilities	105,192	109,444
Shareholders' equity		
Common stock (\$1 par value)		
Issued - 16,690,930 in 2002 and 83,454,650 in 2001 (b)	16,691	83,455
Additional paid in capital (b)	66,764	
Accumulated other comprehensive loss	(22,558)	(27,170)
Retained earnings	84,924	89,008
Total liabilities and shareholders' equity	145,821	145,293
	\$ 673,490	\$ 719,625

(a) The current maturity date of our bank loans is March 31, 2003. While it is our intent to extend these loans, the amounts outstanding are classified as current in accordance with generally accepted accounting principles.

(b) Common stock and additional paid in capital have been restated for the June 30, 2002 balance sheet to reflect the 1-for-5 reverse stock split.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands, unaudited)

ETHYL CORPORATION AND SUBSIDIARIES

	Six Months Ended June 30	
	2002	2001
Cash and cash equivalents at beginning of year	\$ 12,382	\$ 4,470
Cash flows from operating activities:		
Net loss	(4,084)	(106,051)
Adjustments to reconcile net loss to cash flows from operating activities:		
Depreciation and amortization (a)	27,141	71,750
Write-off of goodwill	3,120	-
Accrued severance, early retirement and other engine oil additives rationalization charges	-	27,428
Deferred income taxes	(4,361)	(91,775)
Prepaid pension cost	2,957	(5,628)
Net loss (gain) on impairments and sale of assets	4,033	(956)
Pension reversion	-	26,154
Loss on pension contract settlements	-	62,000
TEL working capital advance	479	-
Working capital changes	4,653	49,331
Other, net	4,396	(619)
Cash provided from operating activities	38,334	31,634
Cash flows from investing activities:		
Capital expenditures	(7,248)	(4,864)
Prepayment for TEL marketing agreements services	(12,800)	-
Equity investments	-	(1,250)
Proceeds from sale of certain assets	-	2,873
Other, net	7	(16)
Cash used in investing activities	(20,041)	(3,257)
Cash flows from financing activities:		
Repayment of term loans	(43,640)	(60,000)
Net borrowings	30,340	44,059
Debt issuance costs	(1,982)	(9,792)
Other, net	(248)	1,074
Cash used in financing activities	(15,530)	(24,659)
Increase in cash and cash equivalents	2,763	3,718
Cash and cash equivalents at end of period	\$ 15,145	\$ 8,188

Notes to the Condensed Consolidated Statements of Cash Flows

- (a) Six months 2001 includes \$41.2 million of accelerated depreciation for the engine oil additives facilities indefinitely idled in 2001.