

INNOSPEC INC.

FORM 10-K (Annual Report)

Filed 03/26/99 for the Period Ending 12/31/98

Address	8310 SOUTH VALLEY HIGHWAY SUITE 350 ENGLEWOOD, CO, 80112
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SIC Code	2800 - Chemicals and Allied Products
Industry	Specialty Chemicals
Sector	Basic Materials
Fiscal Year	12/31

OCTEL CORP

FORM 10-K (Annual Report)

Filed 3/26/1999 For Period Ending 12/31/1998

Address	GLOBAL HOUSE BAILEY LANE MANCHESTER UK, M90 4AA
Telephone	011-441-5135
CIK	0001054905
Industry	Chemical Manufacturing
Sector	Basic Materials
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 1998
Commission file number 1-13879

OCTEL CORP.

(Exact name of registrant as specified in its charter)

DELAWARE

98-0181725

(State or other jurisdiction of
incorporation or organization)

(IRS Employer
Identification No.)

P.O. Box 17,
Oil Sites Road,
Ellesmere Port,
South Wirral,
United Kingdom

L65 4HF
(Zip Code)

(Address of principal executive offices)

Registrant's telephone number, including area code: 011-44-151-355-3611 **Securities registered pursuant to Section 12(b) of the Act:**

Title of each class -----	Name of each exchange on which registered -----
Common stock, \$0.01 par value	New York Stock Exchange -----

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to the filing requirements for the past 90 days.

Yes X

No

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

As of March 10, 1999, the aggregate market value of the voting stock held by non-affiliates of the registrant was \$183,759,030.

As of March 10, 1999 13,934,334 shares of the registrant's stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 1998 Annual Report to Stockholders are incorporated by reference into Parts I, II, III and IV. Certain portions of Octel Corp.'s proxy statement to be mailed to stockholders on or about March 30, 1999 for the annual meeting of Stockholders to be held on May 11, 1999 are incorporated in Part III hereof by reference.

PART I

Item 1. Business

General

Octel Corp., a Delaware corporation (the "Company") is a major manufacturer and distributor of fuel additives and other specialty chemicals. Its primary manufacturing operation is located at Ellesmere Port, South Wirral, United Kingdom. The Company's products are sold globally, primarily to oil refineries. Principal product lines are lead alkyl antiknock compound ("TEL"), other petroleum additives and performance chemicals.

Until May 22, 1998, the Company was a wholly owned subsidiary of Great Lakes Chemical Corporation, a Delaware corporation ("GLCC"). On May 22, 1998, GLCC consummated the spin-off of its petroleum additives business by distributing shares in the Company to the stockholders of GLCC in a ratio of one Company share for every four GLCC shares held. In connection with the spin-off the Company issued 14,762,417 shares of common stock on May 26, 1998. A further 969 shares were subsequently issued in respect of late notified changes in GLCC stockholders at the record date of the spin-off issue.

The term "Octel" as used herein means Octel Corp. and its subsidiaries unless the context indicates otherwise.

Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 14 through 23 of the 1998 Annual Report to Stockholders (the "Report") are incorporated herein by reference.

Segmental Information

The Company presently has one principal business segment, petroleum additives. Note 2 on the Financial Statements included in the Report (the "Financial Statements") on pages 33 and 34 of the Report, is incorporated herein by reference.

Description of the business

Management's Discussion and Analysis of Financial Condition and Results of Operations, on pages 14 through 23 of the Report, is incorporated herein by reference.

Overview

The Associated Octel Company Limited was formed in 1938 to manufacture and market TEL as an antiknock additive for gasoline. The Company is an international chemical company specialising in the manufacture, distribution and marketing of fuel additives. The Company is organised into three Strategic Business Units - TEL, Petroleum Specialties and Performance Chemicals. The TEL business, which accounted for approximately 79% of the Company's 1998 sales, is the world's leading producer of TEL that is used by oil refineries world-wide to boost the octane levels in gasoline which allows fuel to burn more efficiently and prevents engine knock during the fuel cycle. The Company manufactures

approximately 80% of the global demand for TEL. The Petroleum Specialties business, which accounted for approximately 14% of the Company's 1998 sales, provides a broad range of petroleum additives, including combustion improvers, fuel detergents and functional performance products. The Performance Chemicals business, which accounted for approximately 7% of the Company's 1998 sales, manufactures and distributes a range of chemicals including Octaquest(R) a biodegradable chelating agent developed for the detergent market.

TEL

TEL, the most significant of the Company's products, accounted for approximately 79% of the Company's 1998 sales. TEL was first developed in 1928 and introduced into the European market for internal combustion engines to boost octane levels in gasoline, allowing it to burn more efficiently and eliminating engine knock. TEL remains the most cost-effective octane enhancer for motor gasoline and has the added benefit of acting as a lubricity aid, reducing engine wear. TEL is used as a gasoline additive in various concentrations depending on the intrinsic nature of the base fuel and the targeted octane number.

While TEL remains the most cost-effective and energy-efficient additive from an octane-boosting perspective, leaded gasoline undermines the effectiveness of catalytic converters, which are increasingly being used to reduce automobile exhaust emissions. There has also been increasing pressure from regulators and environmental groups regarding the alleged harmful effects on human health of leaded gasoline. Environmental agencies and the World Bank are advocating the elimination of TEL in automotive gasoline.

Worldwide use of TEL has declined since 1973 following the enactment of the US Clean Air Act of 1970 and similar legislation in other countries. The decline in TEL volumes since 1990 has been approximately 12% per annum, and management believes that volumes will continue to fall at roughly 15% per annum.

While TEL business is declining, it will remain viable for a number of years. It is costly for refineries to switch their gasoline production process to unleaded gasoline and therefore upgrading some refineries may not be economically justifiable. These refineries may decide to continue operating until reduced demand for leaded gasoline forces their closure. There are also significant costs and delays in converting automobiles and gasoline stations to accommodate the increased use of unleaded fuels. The transition to lead-free fuel is therefore unlikely to happen globally all at once.

The Company intends to manage the decline safely and effectively and to maximize the cash flow through the decline. Continuous cost improvement measures have been, and will continue to be, taken to respond to declining market demand. A key step was reducing capacity which will no longer be needed through the closure of French and Italian manufacturing operations in 1996 and of one of the three UK based TEL plants in December 1998. The Company will continue to downsize its manufacturing and operating cost base and restructure its operations as the market continues to decline, whilst also looking for opportunities for further industry consolidation.

Petroleum Specialties

The Petroleum Specialties business develops, produces and markets a range of specialty products used as fuel additives, built on the TEL operations. The Company has developed a range of products and customized blends to meet market demand for cleaner-burning and more efficient fuels. The Refinery Services unit supplies a growing list of products and services that improve operational efficiencies and product performance at the refinery. The addition of Octel Deutschland GmbH to Octel's group during 1998 opens new marketing opportunities and an expanded product range including Ferrocene, an iron based combustion improver.

Performance Chemicals

This business originally centered on intermediates and raw materials related to the TEL operations. The Company's focus going forward is to develop high performance and particularly environmentally friendly products from its technology base. The major current line is Octaquest, developed for the detergent market but now addressing new markets in personal care, paper, photographics and other markets where biodegradability is a key requirement. Octaquest technology is also the platform for the development of a family of products such as Octahib (R), a biodegradable corrosion inhibitor that protects metal.

Raw Materials

Raw material purchases comprise approximately 20% of the Company's total Cost of Goods Sold. The major purchases are lead, ethylene, salt and dibromoethane. These materials are available readily from more than one source, and the Company uses long term contracts to manage the risk of price escalation.

Patents and Intellectual Property

The Company has a portfolio of trademarks and patents, granted and in the application stage, covering products and processes. These trademarks and patents relate primarily to the Petroleum Specialties and the Performance Chemicals businesses, in which intellectual property forms a significant part of the Company's competitive strength. The majority of these patents were developed by the Company. Most patents have more than ten years life remaining. The Company also holds a license for the manufacture of fuel detergents. The Company has trademark registrations for the use of the name Octel(R) and for the Octagon device in Classes 1 and 4 of the "International Classification of Goods and Services for the Purposes of the Registration of Marks" in all countries in which it has a significant market presence except for the US in respect of which the appropriate applications have been made. Octel also has trademark registrations for Octaquest(R). The Company has applications in progress for a number of other trademark registrations in several jurisdictions.

Octel America Inc., a subsidiary of the Company, has trademarks for Stadis(R), an aviation and ground fuel conductivity improver, Ortholeum (R), a lube oil additive antioxidant and metal deactivator, Ocenol(R), an antifoam for refinery use, and Valve Master(R), a valve seat recession additive. The Company does not consider its business as a whole to be dependent on any one trademark, patent or licence.

Customers

TEL sales are made either to the retail refinery market or to Ethyl Corporation ("Ethyl"). In 1998 79% of Octel's sales volume was to retail refinery customers, some 200 independent, state or major oil company - owned refineries located throughout the world. Within this market, refineries owned by British Petroleum, Mobil Oil and Texaco Oil are entitled to profit participation payments, based on their ongoing purchases from the Company, by virtue of their former partnership interest in Octel Associates, an Octel Corp. subsidiary. Selling prices to other refineries are principally negotiated under long term supply agreements, with varying prices and terms of payment.

The customers of the Petroleum Specialties business are comprised of multinational oil companies and fuel retailers. Traditionally, a large portion of the total market was captive to oil companies which had fuel additives divisions providing supplies directly to their respective refinery customers. As a result of recent corporate restructurings and various mergers, joint ventures and other collaborative arrangements involving downstream refining and marketing operations, the tied supply arrangements between oil companies and their captive fuel additive divisions have been weakened and many refineries are increasingly looking to purchase their fuel additive requirements on the open market. This trend is creating new opportunities for independent additive marketers such as the Company.

Competition

The world-wide market for the Company's primary product, TEL, is highly competitive. In this market Octel competes not only with other sellers of TEL but with marketers of products and processes providing alternative ways of enhancing octane performance in automotive gasoline. Approximately 98% of all TEL sold is used to improve the antiknock characteristics of gasoline for automobiles. Other products and processes which are used to enhance octane performance in automotive gasoline include oxygenates, primarily methyl tertiary butyl ether ("MTBE") and ethanol, as gasoline blending components as well as the installation of additional reforming capacity through refinery upgrades. In addition, non-lead metallic based antiknock additives are currently under development by several companies including Octel. Government regulations have restricted or eliminated the use of TEL as an automotive gasoline additive in many of the largest and developed markets such as the US. As a result, worldwide demand for TEL is progressively shrinking as the use of unleaded gasoline becomes more widespread. On a worldwide basis Octel remains the largest TEL marketer, although the number and strength of its competitors vary depending on the geographical area involved.

The Company's Petroleum Specialties business operates in a competitive environment with its main competitors being large oil and chemical companies. No one company holds a dominant market share. The Company considers its competitive strengths are its strong technical development capacity, independence from major oil companies and its strong long-term relationships with refinery customers in the TEL market which provide synergies with the Petroleum Additives business.

The Company is seeking to expand its Specialty Chemicals business and is currently evaluating opportunities to implement this strategy. Growth will be sought from a combination of internal and external sources, including the in-house development of new products through research and development, exploitation of current products into new markets, licensing agreements, custom synthesis of specialty products and acquisitions of products and/or businesses.

Ethyl Agreements

The Company supplies Ethyl on a wholesale basis with TEL for resale to customers under two separate long-term supply agreements at prices adjusted annually through agreed formulas. Under one of these agreements (the "US TEL Supply Agreement"), effective January 1, 1998, Ethyl purchases from the Company its TEL requirements for resale to its customers in the United States. In the other agreement, dated December 22, 1993, Ethyl purchases TEL from the Company for resale to customers located outside the United States. The maximum quantities of TEL Ethyl can purchase under the non-US agreement is 35,000 metric tons per year through 1998 and, thereafter, is set at a fixed percentage of the Company's annual production capacity. Pursuant to a Bulk Transportation Agreement, dated March 25, 1994, Ethyl supplies the Company with all of its bulk transportation requirements for TEL. The Company, Ethyl and GLCC reached an agreement with the Federal Trade Commission on June 24, 1998 with respect to the terms of a consent decree governing sales of TEL by the Company to Ethyl for resale in the US market. The Company and Ethyl complied with the provisions of the consent decree by negotiating and putting into effect a new long term contract governing the supply of TEL to Ethyl for resale in the US market. It should be noted that the entire US TEL market is relatively small and therefore only a very minor portion of the Company's sales to Ethyl are for resale in the US market. Neither the terms of the consent decree nor the execution of the US TEL contract with Ethyl is expected to have a material adverse effect on the Company's business, results of operation or financial condition.

Effective October 1, 1998 the Company's UK subsidiary The Associated Octel Company Limited ("Associated Octel") signed agreements with Ethyl to market and sell TEL in areas of the world excluding North America and European Union. The agreements implemented the memorandum of understanding between the companies previously announced on July 27, 1998. Under the agreements, all marketing and sales efforts made to customers are made in the name of Associated Octel. Ethyl provides bulk transportation services in support of the agreements while Octel continues to produce all TEL marketed under these agreements. Depending upon cost, performance and flexibility, one or both companies provide other TEL services. As countries move increasingly toward lead-free fuel and the demand for TEL continues to decline, it becomes increasingly more expensive to market, sell, manufacture and distribute a given quantity of TEL. The Company believes that significant cost savings can be achieved under these agreements by permitting more efficient marketing, sales and distribution of TEL products.

Technology

The Company's research and development facilities are located at Ellesmere Port, UK, while its advanced fuel testing facility to support the TEL and Petroleum Specialties businesses is located at Bletchley, UK. The Company's research and development activity has been, and will continue to be, focused primarily on the development of new products and formulations for the Petroleum Specialties and the Performance Chemicals businesses. Technical customer support is also provided for the TEL business. Expenditures to support research, product/application development and technical support services to customers were \$3.1 million, \$3.8 million and \$5.6 million in 1998, 1997 and 1996, respectively. The Company considers that its strong technical capability provides it with a significant competitive advantage. In the last three years, the Petroleum Specialties business has developed new detergent, lubricity and combustion improver products, in addition to the introduction of several new cost effective fuel additive packages. A patented process for manufacturing Octaquest(R) has enabled the Company to enter into a new market in the performance chemicals area.

Health, Safety and Environmental Matters

The Company is subject to Environmental Laws in all of the countries in which it does business. The principal Environmental Laws to which the Company is subject in the UK are the Environmental Protection Act 1990, the Water Resources Act 1991, the Health and Safety at Work Act 1974 and regulations and amendments thereto. Management believes that the Company is in material compliance with all applicable Environmental Laws, and has made appropriate provision for the continued costs of compliance with Environmental Laws. Nevertheless, there can be no assurance that changes in existing Environmental Laws, or the discovery of additional liabilities associated with the Company's current or former operations, will not have a material adverse effect on the Company's business, results of operations or financial condition.

Human Resources

The Company's workforce at December 31, 1998 consisted of 1305 employees, of which 1118 were in the UK. Approximately half of the Company's employees in the UK are represented by unions, including the Transport and General Workers Union and the Amalgamated Engineering and Electrical Union.

The Company has a major employee communication program to help its employees understand the business issues surrounding the Company, the TEL business and the corporate downsizing program that has been implemented to respond to declining TEL demand. Regular monthly briefings are conducted by line managers where Company-wide and departmental issues are discussed. More formal communication takes place with the trade unions which the Company recognizes for negotiating and consultative purposes.

Management believes that the communication program has been highly successful and has contributed to achieving a significant reduction in the Company's UK workforce since January 1, 1996. The Company has implemented an extensive retraining program which will enable further improvements in the productivity and flexibility of the Company's UK workforce. A major change in working practices was introduced during 1996 whereby the workforce began an annualised hours contract, monthly pay and staff status. This program reflects the co-operative employee relations climate which exists at Ellesmere Port. A further example of the positive working relationship is the signing of a two-year salary contract on January 1, 1998, which gives predictability of employment costs through January 1, 2000.

The Company closed one of its three TEL buildings at year-end, 1998. Following the agreement of a further voluntary severance program in November 1998, 280 employees based in the United Kingdom will leave the Company by June 1999. Approximately 70 of these employees had already left by December 31, resulting in a 1998 reduction of 161 people. By mid-1999, the total UK workforce will be reduced by 50% from the 1,800 employed in June 1996. This has all been achieved through voluntary severance programs.

Item 2. Properties

A summary of the Company's principal facilities is shown in the following table. Each of these properties is owned by the Company, except where otherwise noted:

Location -----	Principal Operations -----
Newark, Delaware, US (1).....	Octel Corp. Headquarters; Petroleum Specialties regional office
London, UK (1)	Sales & Marketing
Ellesmere Port, UK	Associated Octel Headquarters; Business Team; Manufacturing; Research & Development; Administration
Bletchley, UK	Fuel Technology Center
Herne, Germany (1).....	Octel Deutschland GmbH; Manufacturing and Administration

(1) Leased property

The Ellesmere Port facility, which includes 94 acres of land, houses the administrative headquarters and offices for Associated Octel, Research and Development laboratories and all the Company's manufacturing facilities. These manufacturing facilities consist of a chlorine plant (capacity - 40,000 metric tons per annum), a sodium plant (capacity - 24,000 metric tons per annum), an ethyl chloride plant (capacity -44,000 metric tons per annum), an EDDS plant for the manufacture of Octaquest (capacity - 3,000 metric tons per annum), a detergents plant for the Petroleum Specialties business (capacity - 5,000 metric tons per annum) and Lead Alkyls plants for the manufacture of TEL (capacity - 66,000 metric tons per annum).

Item 3. Legal Proceedings

There are no material pending legal proceedings involving the Company, its subsidiaries or any of its properties. Furthermore, no director, officer or affiliate of the Company or any associate of any director or office is involved, or has a material interest in, any proceeding which would have a material adverse effect on the Company.

Item 103 of Regulation S-K requires disclosure of administrative or judicial

proceedings arising under any federal, state or local provisions dealing with protection of the environment, if the monetary sanctions might exceed \$100,000. There are currently no such proceedings.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of security holders during the quarter ended December 31, 1998.

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

The Company's common stock is listed on the New York Stock Exchange. As of March 10, 1999 there were approximately 2,480 registered holders of the common stock.

Quarterly stock prices on page 47 of the Report are incorporated herein by reference.

The borrowings entered into by the Company in relation to the spin-off from GLCC restrict the Company's ability to pay dividends or buy back stock to a maximum of \$15 million per annum in aggregate.

Item 6. Selected Financial Data

The Financial Highlights on the inside cover of the Report and the Quarterly Summary on page 47 of the Report are incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition

The discussion on pages 14 through 23 of the Report is incorporated herein by reference. This includes the following cautionary statement regarding forward looking statements:

"Some of the information presented in this Annual Report constitutes forward-looking comments within the meaning of the Private Litigation Reform Act of 1995. Although the Company believes its expectations are based on reasonable assumptions within the bounds of its knowledge of its business and operations, there can be no assurance that actual results will not differ materially from its expectations. Factors which could cause actual results to differ from expectations include, without limitation, the timing of orders received from customers, the gain or loss of significant customers, competition from other manufacturers and changes in the demand for the company's products, including the rate of decline in demand for TEL. In addition, increases in the cost of product, changes in the market in general and significant changes in new product introduction could result in actual results varying from expectations."

Item 7a. Quantitative and Qualitative Disclosures About Market Risk

Information relating to the Company's exposure to market risk is set out below.

Raw materials

Raw material purchases comprise approximately 20% of the Company's total Cost of Goods Sold. The major purchases are lead, ethylene, salt and dibromoethane. These materials are available readily from more than one source, and the Company uses long term contracts to manage the risk of price escalation.

Foreign currency

The Company invoices between 50% and 60% of its sales in US dollars to match dollar outgoings, principally debt and interest payments. The balance is mainly invoiced in UK pounds sterling to match the Company's sterling costs. The Company uses financial instruments to hedge firm foreign currency commitments as required. These are used to minimize exposure and are not for speculative trading purposes. At December 31, 1998 the Company had no outstanding foreign exchange.

Fluctuations in foreign currency may also impact the stockholders' equity of the Company. The local currency has been used as the functional currency for each company throughout the group. Exchange differences arising on the retranslation of non-US company balance sheets to year end rates are recorded in stockholders' funds as cumulative translation adjustments.

Interest rates

The Company is exposed to interest rate fluctuations on its borrowings. The Company manages this exposure by borrowing at fixed and variable rates and by entering into interest rate swap, floor and collar and cap agreements to exchange floating rate for fixed rate interest payments periodically over the life of the debt agreements.

At December 31, 1998 the Company had the following interest rate instruments in effect (notional amount and fair value in millions):

	Notional Amount	Strike Rate	Period	Fair value
Interest swap	\$100.0	5.87%	12/98-12/01	\$(0.3)
Interest collar	\$ 65.7	5.75%	12/98-12/00	(0.9)
		5.45%		-----
				\$(1.2)

Fair value of financial instruments

The following table presents the carrying amounts and fair values of the Company's financial instruments at December 31, 1998 and 1997:

(in millions)	1998		1997	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	\$ 26.5	\$ 26.5	\$ 29.7	\$ 29.7
Long term debt	300.8	306.8	-	-
Derivatives (see above)	-	(1.2)	-	-

The carrying amount of cash and cash equivalents approximates to fair value because of the short term maturities of such instruments. For long term debt, carrying amount approximates to fair value for variable rate debt and the fair value of fixed rate debt is based on quoted market prices for the same or similar debt. The fair value for derivatives is estimated based on current settlement prices and comparable contracts using current assumptions.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements, together with the report of PricewaterhouseCoopers dated February 9, 1999 and quarterly financial information, which are on pages 14 through 47 of the Report, are incorporated herein by reference. The Financial Highlights on the inside front cover of the Report are also incorporated herein by reference.

Item 9. Changes In and Disagreement with Accountants on Accounting and Financial Disclosures

Until May 22, 1998 the Company was a subsidiary of GLCC. Accordingly the Combined Financial Statements for the period ended December 31, 1997 were audited by Ernst & Young LLP, the auditors of GLCC. The Company's management sought independent advice from PricewaterhouseCoopers on certain aspects of the spin-off from Great Lakes.

Following the consummation of the spin-off and the creation of Octel as a group independent of GLCC, the Board of Directors believed that it was appropriate to appoint PricewaterhouseCoopers as the auditors of Octel Corp. and all its UK and US subsidiaries. PricewaterhouseCoopers were duly appointed on August 11, 1998. Ernst & Young were never appointed as auditors of Octel Corp., so their resignation was not required.

PART III

Item 10. Directors and Executive Officers of the Registrant

Information under the heading "Management" set out in the proxy statement relating to the, 1999 Annual Meeting of Stockholders dated May 11, 1999 (The "Proxy Statement") is incorporated herein by reference.

Item 11. Executive Compensation

The information under the heading "Executive Compensation and Other Information" in The Proxy Statement is incorporated herein by reference.

Item 12. Security of Ownership of Certain Beneficial Owners and Management

The information under the heading "Security Ownership of Certain Beneficial Owners and Management" in The Proxy Statement is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

Note 16 on pages 45 and 46 of the Financial Statements is incorporated herein by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) (1) Financial Statements

The Consolidated Financial Statements of Octel Corp. and its subsidiaries and related notes thereto, together with the report thereon of PricewaterhouseCoopers dated February 9, 1999, appearing on pages 14 through 47 of the 1998 Annual Report to Stockholders, are incorporated by reference in Item 8.

(2) Financial Statement Schedules

All financial statement schedules have been omitted since the information required to be submitted has been included in the financial statements or because they are either not applicable or not required under the Rules of Regulation S-X.

(3) Exhibits

2.1 Transfer and Distribution Agreement, dated as of April 24, 1998, between Great Lakes Chemical Corporation ("GLCC") and the Registrant. (3)

3.1 Amended and Restated Certificate of Incorporation of the Registrant. (1)

3.2 Amended and Restated By-laws of the Registrant. (1)

4.1 Form of Common Stock Certificate. (2)

4.2 Form of Rights Agreement between the Registrant and First Chicago Trust Company of New York, as Rights Agent. (2)

4.3 Form of Certificate of Designations, Rights and Preferences of Series A Junior Participating Preferred Stock of the Registrant. (2)

4.4 Indenture dated as of May 1, 1998 among the Registrant, Octel Developments PLC and the IBJ Schroder Bank and Trust Company, as trustee. (4)

4.5 Form of 10% Senior Notes (contained in Exhibit 4.4 as Exhibit A). (4)

4.6 Registration Rights Agreement dated as of April 30, 1998 among the Registrant, Octel Developments PLC and the initial purchasers. (1)

4.7 Purchase Agreement dated as of April 30, 1998 among the Initial Purchasers, Octel Developments PLC and the Registrant. (4)

10.1 Tax Disaffiliation Agreement between GLCC and the Registrant. (1)

10.2 Corporate Services Transition Agreement between GLCC and the Registrant. (1)

10.3 Supply Agreement between GLCC and the Registrant for the supply of ethylene dibromide. (1)

10.4 Supply Agreement between GLCC and the Registrant for the Supply of anhydrous hydrogen bromide.

(1)

10.5 Supply Agreement for the Supply of 10% sodium hydroxide solution. (1)

10.6 Ethyl Corporation Market and Sales Agreement. (4)

10.7 Octel Corp. Non Employee Directors Stock Option Plan. (4)

- 10.8 Employment Agreement between Associated Octel Limited and Steve W Williams, Geoff J Hignett, Graham M Leathes and Robert A Lee. (1)
- 10.9 Employment Agreement between Associated Octel Limited and Dennis J Kerrison. (1)
- 10.10 Agreement between GLCC and the Registrant for the Toll Manufacture of Stadis Product. (4)
- 10.11 Octel Corp. Time Restricted Stock Option Plan. (3)
- 10.12 Octel Corp. Performance Related Stock Option Plan. (3)
- 10.13 Associated Octel Savings-Related Stock Option Plan. (3)
- 10.14 Form of Octel Corp. Approved Company Share Option Plan.
- 10.15 Form of Octel Corp. Profit Sharing Share Scheme.
- 12.1 Statement Regarding Computation of Financial Ratios.
- 13.1 1998 Annual Report of Octel Corp.
- 13.2 Opinion of Ernst & Young LLP on 1997 combined financial statements.
- 21.1 Subsidiaries of the Registrant.
- 24.1 Powers of Attorney of Directors and Officers of the Registrant. (4)
- 27.1 Consolidated Financial Data Schedule.
 - (1) Incorporated by reference to the Company's amendment dated April 21, 1998, to a previously filed Form 10-/A.
 - (2) Incorporated by reference to the Company's Form 10-/A previously filed on April 10, 1998.
 - (3) Incorporated by reference to the Company's amendment dated May 4, 1998 to a previously filed form 10-/A.
 - (4) Incorporated by reference to the Company's form S-4 previously filed on October 1, 1998.
 - (5) Filed with the Company's form 10Q on November 10, 1998

(b) Reports on Form 8-K

The Company did not file any current reports on Form 8-K during the last quarter of the period covered by this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

OCTEL CORP.
(Registrant)
Date: March 19, 1999

By: /s/ DENNIS J KERRISON
President, Chief
Executive Officer and
Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated:

March 19, 1999	/s/ Alan G Jarvis ----- Alan G Jarvis, Vice President and Chief Financial Officer
March 19, 1999	/s/ Robert E Bew ----- Dr Robert E Bew, Chairman and Director
March 19, 1999	/s/ Dennis J Kerrison ----- Dennis J Kerrison, President, Chief Executive Officer and Director
March 19, 1999	/s/ Martin M Hale ----- Martin M Hale, Director
March 19, 1999	/s/ Thomas M Fulton ----- Thomas M Fulton, Director
March 19, 1999	/s/ James Puckridge ----- James Puckridge, Director
March 19, 1999	/s/ Benito Fiore ----- Dr Benito Fiore, Director
March 19, 1999	/s/ Charles M Hale ----- Charles M Hale, Director
March 19, 1999	/s/ Steven W Williams ----- Steven W Williams, Vice President, Group Operations
March 19, 1999	/s/ H Alan Hanslip ----- H Alan Hanslip, Vice President, Human Resources
March 19, 1999	/s/ Geoffrey J Hignett ----- Dr Geoffrey J Hignett, Vice President, Specialty Chemicals

OCTEL CORP.

RULES
of the
OCTEL CORP. COMPANY SHARE OPTION PLAN

Approval by the Company's Board of Directors on 10 May 1998 and by the Company's Stockholder on

PRICEWATERHOUSECOOPERS
Benson House
33 Wellington Street
Leeds
LS1 4JP

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PART A APPROVED BY THE INLAND REVENUE UNDER THE INCOME AND CORPORATION TAXES ACT 1988 ON [] UNDER REFERENCE []

1. DEFINITIONS FOR THE PURPOSE OF PART A

In this Plan, the following words and expressions shall, where the context so permits, have the meanings set forth below:

"Acquiring Company"	the person mentioned in Rule 5.1, being a company within the meaning of Section 832 of the Act;
"Acquisition Price"	in relation to an Option, the total amount payable on any exercise being an amount equal to the relevant Share Price multiplied by the number of Shares in respect of which the Option is exercised;
"the Act"	the Income and Corporation Taxes Act 1988;
"Associated Company"	the meaning ascribed by Section 416 of the Act;
"the Auditors"	the auditors for the time being of the Company acting as experts and not as arbitrators;
"the Code"	the United States Federal Internal Revenue Code of 1986 (as amended);
"the Company"	save as provided in Rule 5.7, Octel Corp., a Delaware corporation;
"Control"	the meaning ascribed by Section 840 of the Act;
"Date of Grant"	the date on which the Directors resolve to grant an Option under the Plan pursuant to Rule 2;
"Dealing Day"	a day on which the New York Stock Exchange is open for business;
"the Directors"	the board of directors of the Company, or a duly authorised committee thereof;

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"Eligible Employee"

any person who

- (1) (a) is a director of a Participating Company required to work for not less than 25 hours a week (exclusive of meal breaks); or
 - (b) if not a director, is employed by a Participating Company on terms which require him to work for not less than 20 hours a week (exclusive of meal breaks); and
- (2) is not ineligible to participate in the Plan by virtue of paragraph 8 of Schedule 9 to the Act (material interest in a close company); and does not own within the meaning of Section 422(b)(6) of the Code to own Shares possessing more than ten per cent of the total combined voting power of all classes of share of the Company (or its Parent or any of its subsidiaries);

"Grant Period"

a period of 20 days commencing on the Dealing Day following any of:

- (1) a day on which the Plan is approved by the Inland Revenue under the Act; or
- (2) a day on which the Company makes an announcement of its results for any year, half year or other period or issues any prospectus, listing particulars or other document containing equivalent information relating to Shares; or
- (3) a day on which the Directors resolve that exceptional circumstances have arisen which justify the grant of Options; or

	(4)	a day on which any announcement is made of modifications to be made to the Act or a day on which any such modifications come into force;
"Group"		the Company and its Subsidiaries;
"Holding Company"		in relation to the Acquiring Company, a company falling within the definition in Section 736 of the Companies Act 1985;
"Incentive Stock Option"		an option which qualifies for relief under Section 422 of the Code;
"Listing"		the meaning ascribed in Article 4.4.1(b)(ii) of the Articles of Association of the Company;
"Market Value"		in relation to a Share on any day:
	(1)	if and so long as the Shares are listed on the New York Stock Exchange, the reported closing price of Octel Corp. common stock on the New York Stock Exchange for that day, or the last Dealing Day prior to that day if that day is not a Dealing Day.
	(2)	save as mentioned in (1) above, its market value as determined in accordance with Part VIII of the Taxation of Chargeable Gains Act 1992 and agreed in advance with the Shares Valuation Division of the Inland Revenue;
"Option"		a right to acquire Shares pursuant to the Plan;
"Option Certificate"		a certificate issued under Rule 2.2;
"Option Holder"		a person to whom an Option has been granted (or, as the context requires, his personal representatives);

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"Parent"	any company which is a parent corporation of the Company within the meaning of Section 424(e) of the Code;
"Participating Company"	the Company and any other company for the time being designated by the Directors as a Participating Company being a company which is both a Subsidiary of the Company and under the Control of the Company;
"the Plan"	the Octel Corp. Company Share Option Plan in its present form, or as from time to time altered in accordance with the Rules;
"Relevant Share Option Scheme"	any other share option scheme (except a Savings Related Share Option Scheme) established by the Company or any Associated Company;
"Rules"	the Rules of the Plan and "Rule" shall be construed accordingly;
"Savings Related Share Option Scheme"	a savings related share option scheme approved by the Inland Revenue under the Act;
"Securities Act"	the United States Securities Act of 1933 as amended;
"Share"	save as provided in Rule 5.7, a share in the Company satisfying paragraphs 10 to 14 inclusive of Schedule 9 to the Act;
"Share Price"	the price per Share, as determined by the Directors, at which an Eligible Employee may acquire Shares in respect of which an Option has been granted to

him, being not less than:

- (1) the Market Value of a Share on the Date of Grant (or where in accordance with Rule 2.1, the Directors issue invitations to apply for Options the Dealing Day by reference to which the Market Value is calculated);
or
- (2) if greater and Shares are to be subscribed, the nominal value of a Share,

subject to any adjustment pursuant to Rule 8.1;
- "Statutory Limit" (pound)30,000 or any other limit from time to time specified under paragraph 28 of Schedule 9 to the Act;
- "Subsidiary" any company which is both a subsidiary within the meaning ascribed by Section 736 of the Companies Act 1985 and a subsidiary corporation within the meaning of Section 424(f) of the Code;

References to any statutory provision are to that provision as amended or re-enacted from time to time, and, unless the context otherwise requires, words in the singular shall include the plural (and vice versa) and words importing the masculine the feminine (and vice versa).

2. GRANT OF OPTIONS

2.1. Procedure for Grant of Options

a Within a Grant Period, the Directors may, at their absolute discretion, grant Options under the Plan to Eligible Employees.

b The Directors may adopt such procedure as they think fit for granting Options, whether by invitation to Eligible Employees to apply for Options or by granting Options without issuing invitations, PROVIDED THAT any documentation used in such procedure is approved in advance by the Inland Revenue in accordance with Rule 10.2

c Where an Option is to be granted pursuant to an invitation and the Share Price is determined at the date of the invitation, the Option must be granted no later than the twenty-ninth day in the period commencing with the Dealing Day by reference to which the Share Price was calculated.

2.2. Requirement to Issue Option Certificate

The Company shall issue to each Option Holder an Option Certificate which shall be executed in such manner as shall take effect as a binding contractual obligation of the Company and which shall be in such a form as the Directors from time to time determine (subject to the approval of the Inland Revenue). The Option Certificate shall include details of:

a the Date of Grant of the Option;

b the Share Price; and

c the number of Shares subject to the Option; and

d any date or dates determined by the Directors in accordance with Rule 3.6 upon which the Option is first exercisable in whole and/or part and, where on any date only part is first exercisable, the number of Shares over which such partial exercise may be made[; and

e the performance targets or conditions to be satisfied as a condition of the exercise of the Option in accordance with Rule 3.6.]

2.3. Right to Disclaim Option

Each Eligible Employee to whom an Option is granted may by notice in writing within 30 days of the Date of Grant disclaim in whole or in part his rights under the Option in which case the Option shall for all purposes be deemed never to have been granted.

2.4. Options may not be transferred

Subject to the rights of an Option Holder's personal representatives to exercise an Option as provided in Rule 4.3, every Option shall be personal to the Eligible Employee to whom it is granted and shall not be capable of being transferred, assigned or charged. Each Option Certificate shall carry a statement to this effect.

3. CONDITIONS RELATING TO THE GRANT OF OPTIONS

3.1. Statutory Limit

Any Option granted to an Eligible Employee shall be limited and take effect so that immediately following such grant, the aggregate Market Value of all the Shares which he may acquire on the exercise of all options which he then holds and which are or may become capable of being exercised and which were granted under:

a Part A of the Plan; and

b any Relevant Share Option Scheme approved by the Inland Revenue under the Act shall not exceed the Statutory Limit.

3.2. Interpretation of Individual Limits

a For the purposes of Rule 3.1, the Market Value of an Option shall be taken as at its Date of Grant and in relation to options granted under any Relevant Share Option Scheme the Market Value of an option shall be taken as being the fair market value of the Shares subject to that option at its date of grant determined in accordance with the Rules of such other scheme.

b For the purposes of determining the application of the statutory Limit in Rule 3.1, the rate of exchange for US dollar into sterling shall be the noon fixed rate for US dollars in the Wall Street Journal on the Date of Grant of the Option.

3.3. Calendar Year Limitation

The aggregate Market Value (determined at the Date of Grant) of Shares with respect to which Incentive Stock Options first become exercisable by any individual Option Holder in any calendar year shall not exceed \$100,000.

3.4. Maximum Aggregate Number Of Shares

The present maximum aggregate number of Shares which may be issued under the Plan is [] subject to any future increase in this limit which may be substituted at the discretion of the Directors.

3.5. United States Securities Act Of 1933

The grant of any Option under the Plan to any person subject to United States securities laws shall be subject to fulfilling the requirements (including obtaining any required approval or consent) of the provisions of the Securities Act or of any applicable regulation or enactment. The Options have not been, and will not be, registered under the Securities Act, or under any other securities laws in any other jurisdiction in the United States. Shares issued pursuant to the exercise of an Option will be registered on Form S-8. Until so registered, any transfer of such Shares may be restricted.

3.6. Additional Conditions

The Directors when granting any Option may in their absolute discretion impose any conditions and limitations (additional to any conditions and limitations contained in any other of these Rules) upon the exercise of any Option provided that such additional conditions and limitations shall: -

i be objective, specified at the Date of Grant and set out in full, or details given with, the Option Certificate: and

ii be such that the right to exercise any Option after the fulfilment or attainment of the conditions and limitations so specified shall not be dependent upon the further discretion of any person; and

iii not be capable of amendment, variation or waiver unless an event occurs which causes the Directors to consider that a waived, varied or amended condition would be a fairer measure of performance and would be no more difficult to satisfy. When such conditions or limitations have been imposed and have ceased to be capable of being satisfied or being satisfied in full [except as a result of an event to which Rules: 4.7, 4.8 or 5 apply] that Option shall lapse in whole or in part as the case may be.

4. RIGHTS OF EXERCISE

4.1. Earliest Date of Exercise

Save as provided in Rules 4.3, 4.4 and 5 an Option may not be exercised before whichever is the latest of:

a Listing; and

b the third anniversary of the Date of Grant; and

c any date or dates which may have been specified in accordance with Rule 2.2 in the relevant Option Certificate; and

any additional conditions and limitations imposed on the Option (and which have not be waived) in accordance with Rule 3.6 have been fulfilled.

but in any event may not be exercised later than the day preceding the tenth anniversary of the Date of Grant.

4.2. Requirement to remain in Employment

Save as provided in Rules 4.3, 4.4, 4.5 and 5, an Option may only be exercised by an Option Holder while he is a director or employee of a Participating Company or an Associated Company of a Participating Company.

4.3. Death of Option Holder

An Option may be exercised by the personal representatives of a deceased Option Holder during the period of one year following the date of death.

4.4. Right to Exercise Prematurely irrespective of Additional Conditions

An Option may be exercised by an Option Holder within the period of one year following the date on which he ceases to hold any office or employment with a Participating Company or an Associated Company of a Participating Company on account of:

a injury, ill-health or disability; or

b redundancy (within the meaning of the Employment Rights Act 1996); or

c the transfer of the undertaking or part-undertaking in which the Option Holder is employed to a person other than a Participating Company or an Associated Company of a Participating Company; or

d the Company by which the Option Holder is employed ceasing to be under the Control of the Company.

4.5. Right to Exercise Prematurely if Additional Conditions Achieved

If any additional conditions and limitations imposed on the Option (and which have not been waived) in accordance with Rule 3.6 have been fulfilled an Option may be exercised by an Option Holder within the period of one year following the date on which he ceases to hold any office or employment with a Participating Company or an Associated Company of a Participating Company on account of:

a retirement at contractual retirement age including late retirement; or

b early retirement by agreement with his employer; or

c any other reason in the absolute discretion of the Directors.

4.6. Extended Exercise Period

Where an Option Holder ceases employment on account of any of the reasons set out in Rules 4.4 or 4.5 prior to the date which is three years and six months after the relevant Date of Grant, or the date on which he last exercised an option under a Relevant Share Option Scheme (whichever is later), he may in addition (at the discretion of the Directors) exercise the Option at any time within whichever of the following periods is applicable:

a in relation to Rule 4.4, the period which starts on the date his employment ceases and ends six months after the earliest date on which he could exercise the Option without incurring any liability to income tax in consequence thereof; or

b in relation to Rule 4.5, the period which begins on the first date by reference to which it may be established (if relevant) that the condition specified in Rule 3.6 has been satisfied and ends six months after the earliest date on which he could exercise the Option without incurring any liability to income tax in consequence thereof;

but in no case may an Option be exercised more than 42 months after the date the Option Holder's employment ceased.

4.7. Transfer of Employment within Group

An Option Holder shall not be treated for the purposes of Rules 4.4, 4.5, and 4.8 as ceasing to hold an office or employment with a Participating Company until such time as he is no longer a director or employee of any Participating Company or an Associated Company of a Participating Company and an Option Holder (being a woman) who ceases to be such a director or employee by reason of pregnancy or confinement and who exercises her right to return to work under section 79 of the

Employment Rights Act 1996 before exercising an Option shall be treated for those purposes as not having ceased to hold such an office or employment.

4.8. Transfer of Employment Overseas

Subject to the satisfaction of any additional conditions and limitations imposed pursuant to Rule 3.6 if an Option Holder, whilst remaining a director or employee of a Participating Company or an Associated Company of a Participating Company, is transferred to work in another country and as a result of that transfer will either

a become subject to tax on his remuneration in the country to which he is transferred and the Directors are satisfied that as a result he will suffer a tax disadvantage upon exercising an Option; or

b become subject to restrictions on his ability to exercise his Option or to hold or deal in the shares or the proceeds of the sale of the shares he may acquire on exercise of that Option by reason of or in consequence of the securities laws or exchange control laws of the country to which he is transferred

the Option Holder may exercise that Option in the period commencing three months before and ending three months after the transfer takes place. If he chooses not to exercise his Option at that time, it will not thereby lapse.

4.9. Lapse of Options

An Option shall lapse on the occurrence of the earliest of the following:

a the tenth anniversary of the Date of Grant; or

b the expiry of the period (if any) allowed for the satisfaction of any condition of exercise specified in the Option Certificate pursuant to Rule 3.3 without such condition having been satisfied or the date on which it becomes apparent that any such condition has become incapable of being satisfied; or

c subject to Rule 5.7, the expiry of any of the applicable periods specified in Rules 4.3, 4.5, 4.6, 5.1, 5.2, 5.3, 5.4, and 5.5, but where an Option Holder dies while time is running under Rules 4.5 or 4.6, the Option shall not lapse until the expiry of the period in Rule 4.3; or

d the date on which an Option Holder ceases to be a director or employee of any Participating Company or any Associated Company of a Participating Company for any reason other than his death or those specified in Rules 4.5 and 4.6; or

e the date on which a resolution is passed, or an order is made by the Court, for the compulsory winding-up of the Company; or

f the date on which the Option Holder becomes bankrupt or does or attempts or omits to do anything as a result of which he is deprived of the legal or beneficial ownership of the Option.

4.10. Compliance with the United States Securities Laws

Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act, the United States Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the Shares may then be listed, and shall be further subject to the approval of Counsel for the Company with respect to such compliance.

4.11. Shares to be held for Investment Purposes

As a condition to the exercise of an Option, the Company may require the person exercising such Option to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of Counsel for the Company, such a representation is required in order to comply with any of the aforementioned relevant provisions of law.

4.12. Shareholder Approval

If any amendment requiring the approval of the Company's Shareholders is made subsequent to the first registration of any class of equity security by the Company under Section 12 of the Securities Exchange Act of 1934, such shareholder approval shall be:

(a) solicited substantially in accordance with Section 14(a) of that Act and the rules and regulations promulgated thereunder; or

(b) solicited after the Company has furnished in writing to the holders entitled to vote substantially the same information concerning the Plan as that which would be required by the rules and regulations in effect under Section 14(a) of that Act at the time such information is furnished.

4.13. Option Holder with Material Interest

An Option may not be exercised by an Option holder at any time when he is prohibited from such exercise by virtue of the provisions of paragraph 8 of Schedule 9 to the Act (material interest in a close company).

5. TAKE-OVER, RECONSTRUCTION AND AMALGAMATION AND LIQUIDATION

5.1. Take-over pursuant to Tender Offer

If any person obtains Control of the Company as a result of making either a tender offer to acquire the whole of the Company's issued share capital (other than any shares already owned by the Holding Company or any Subsidiary of the Holding Company) and which is made on a condition that if it is satisfied the offer or will have such Control, or a tender offer to acquire all the Shares in the Company which are of the same class as the Shares then an Option may be exercised within the period of six months of the date on which Control is so obtained and any condition subject to which the offer is made is satisfied (or until the expiry of the period mentioned in Rule 5.4, if earlier).

5.2. Take-over pursuant to Scheme of Arrangement

If any person obtains Control of the Company in pursuance of a compromise or scheme of arrangement sanctioned by the Court under legislation which the Inland Revenue has agreed is equivalent to Section 425 of the Companies Act 1985 then an Option may be exercised during the period which starts on the date the Court sanctions such scheme of arrangement and ends six months later or, if earlier, on the day immediately preceding the date upon which the scheme shall become effective.

5.3. Scheme of Arrangement without Change of Control

If, without any person obtaining Control of the Company, the Court sanctions a scheme of arrangement affecting the Shares under legislation which the Inland Revenue has agreed is equivalent to Section 425 of the Companies Act 1985 then an Option may be exercised during the period which starts on the date the Court sanctions such scheme of arrangement and ends six months later or, if earlier, on the day immediately preceding the date upon which the scheme shall become effective.

5.4. Compulsory Acquisition of Shares

If any person becomes bound or entitled to acquire Shares in the Company under legislation which the Inland Revenue has agreed is equivalent to Sections 428 to 430 of the Companies Act 1985 then an Option may be exercised during any period such person remains so bound or entitled.

5.5. Voluntary Winding Up of the Company

If a resolution is passed for the voluntary winding-up of the Company, an Option may be exercised during the period of six months starting on the commencement of such winding-up provided that any issue of shares pursuant to such exercise is authorised by the liquidator or the Court (if appropriate) upon the application of and at the sole cost and expense of the Option Holder.

5.6. Meaning of Obtaining Control

For the purpose of this Rule 5, a person shall be deemed to have obtained Control of the Company if he and others acting in concert with him have together obtained Control.

5.7. Rollover of Options

Notwithstanding anything to the contrary in these Rules, where any person mentioned in Rule 5.1 is a company an Option Holder may, by agreement with the Acquiring Company and within the appropriate period release his Option under the Plan ("the Old Option") in consideration of the grant to him of a new Option ("the New Option") which, within the meaning ascribed by paragraph 15(3) of Schedule 9 to the Act, is equivalent to the Old Option but relates to shares in a different company (whether the Acquiring Company or some other company falling within sub-paragraph (b) or (c) of paragraph 10 of Schedule 9 to the Act. With effect from the date of release references in Rules 4, 5, 6, 7, 8, 9, 10 and 11 (and, in relation to expressions used in those Rules, in Rule 1) to "the Company" and "Shares" shall, in relation to the New Option, be construed as references to the Acquiring Company and Shares in the Acquiring Company or that other company as the case may be, but references to Participating Company shall continue to be construed as if references to the Company were references to Octel Corp..

5.8. Meaning of "appropriate period"

For the purpose of Rule 5.7, the "appropriate period" is:

a where Rules 5.1 or 5.4 apply, the periods mentioned in those Rules respectively; or

b where Rule 5.2 applies, the period of six months beginning with the time when the Court sanctions the scheme of arrangement.

6. MANNER OF EXERCISE

6.1. Actions Required of the Option Holder

An Option may be exercised, in whole or in part, by the delivery to the secretary of the Company, or his duly appointed agent, of an Option Certificate covering not less than all the Shares over which the Option is then to be exercised, with the notice of exercise in the prescribed form duly completed and signed by the Option Holder together with a remittance for the Acquisition Price payable in respect of the Shares over which the Option is to be exercised.

6.2. Actions Required of the Company

The relevant Shares shall be allotted or transferred (as the case may be) within 28 days following such delivery and, accordingly in cases where Shares are to be transferred, the Company shall use its best endeavours to ensure due transfer thereof. At the request of the Option Holder, the Shares may be allotted or transferred (as the case may be) to a nominee provided the Option Holder has beneficial ownership of the Shares at the time of such allotment or transfer.

6.3. Partial Exercise

Where an Option is exercised in part the minimum number of Shares which may be exercised is 100 Shares and the Company shall issue a balancing Option Certificate to the Option Holder.

7. ISSUE OF SHARES

7.1. Ranking of Shares

All Shares issued pursuant to the exercise of Options under the Plan shall as to voting, dividend, transfer and other rights (including those arising on a liquidation) rank pari passu in all respects with the Shares then in issue, except that they shall not rank for any dividend or other rights declared by reference to a record date preceding the date of such exercise.

7.2. Admission to the New York Stock Exchange

If and so long as the Shares are listed on the New York Stock Exchange the Company shall use its best endeavours to procure that as soon as practicable after the allotment of any Shares pursuant to the Plan application shall be made to the New York Stock Exchange for permission to deal in those shares unless such application has already been made.

8. ADJUSTMENTS

8.1. General Power of Adjustment

The number of Shares over which an Option is granted and the Share Price thereof may, subject to the prior approval of the Inland Revenue, be adjusted in such manner as the Directors shall determine following any capitalisation issue, subdivision, consolidation or reduction of share capital and in respect of any discount element in any rights issue or other variation of share capital to the intent that (as nearly as may be possible without involving fractions of a Share or a Share Price calculated to more than two places of decimals) the Acquisition Price payable in respect of an Option shall remain unchanged PROVIDED that, save as provided in Rules and 7.2, no adjustment made pursuant to this Rule 7.1 shall have the effect of reducing the Share Price below the par value of a Share.

8.2. Requirement to Capitalise Reserves

Any adjustment made to the Share Price of unissued Shares which would have the effect of reducing the Share Price to less than the par value of the Share shall only be made if and to the extent that the Directors are authorised to capitalise from the reserves of the Company a sum equal to the amount by which the par value of the Shares in respect of which the Option is exercisable exceeds the adjusted Share Price. The Directors may apply such sum in paying up such amount on such Shares so that on the exercise of any Option in respect of which such a reduction shall have been made, the Directors shall capitalise such sum (if any) and apply the same in paying up such amount as aforesaid.

8.3. Notification of Option Holders

The Directors may take such steps as they may consider necessary to notify Option Holders of any adjustments made under Rule 8.1 and to call in, cancel, endorse, issue or re-issue any Option Certificate consequent upon such adjustment.

9. ADMINISTRATION

9.1. Delivery of Notices or Documents

Notices or documents required to be given to an Eligible Employee or to an Option Holder shall either be delivered to him by hand or sent to him by post at his last known home or business address according to the information provided by him. Notices sent by post shall be deemed to have been given on the day following the date of posting.

9.2. Copies of Shareholder Communications

The Company may distribute to Option Holders copies of any notice or document sent by the Company to its shareholders generally.

9.3. Maintenance of Unissued Share Capital

The Company shall at all times either keep available sufficient unissued Shares to satisfy the exercise of all Options which have neither lapsed nor been exercised (taking account of any other obligations of the Company to allot unissued Shares) or shall ensure that sufficient issued Shares will be available to satisfy the exercise of such Options.

9.4. Directors' Power to Administer Plan

The Directors may make such regulations for the administration of the Plan as they deem fit, provided that no regulation shall be valid to the extent it is inconsistent with the Rules.

9.5. Directors' Decisions are Final and Conclusive

The decision of the Directors in any dispute relating to an Option, or the due exercise thereof, or any other matter in respect of the Plan, shall be final and conclusive.

9.6. Costs of Administering Plan

The costs of introducing and administering the Plan shall be borne by the Company.

10. ALTERATIONS

10.1. Power to alter Rules prior to Inland Revenue approval

The Directors may, prior to approval of Part A of the Plan under the Act by the Inland Revenue, alter the Rules of the Plan as may be necessary in order to obtain such approval.

10.2. Power to alter Rules following Inland Revenue approval

Subject to Rule 10.3, after the date on which Part A of the Plan is approved by the Inland Revenue under the Act, the Directors may in their discretion alter the Rules provided that no such alteration to Part A shall be effective until it has been approved by the Inland Revenue.

10.3. Alteration which affects subsisting rights of Option Holders

No alteration may be made which would abrogate or adversely affect the subsisting rights of Option Holders.

10.4. Notification to Option Holders

Written notice of any amendment made in accordance with this Rule 10 shall be given to all Option Holders.

11. GENERAL

11.1. Termination of the Plan

The Plan shall terminate on the tenth anniversary of the date on which it is approved by the Company in general meeting or at any earlier time by the passing of a resolution by the Directors. Termination of the Plan shall be without prejudice to the subsisting rights of Option Holders.

11.2. No Compensation for loss of Option Rights

If an Option Holder shall cease for any reason to be in the employment of a Participating Company or an Associated Company of a Participating Company, he shall not be entitled, by way of compensation for loss of office or otherwise howsoever, to any sum or any benefit to compensate him for the loss of any right or benefit accrued or in prospect under the Plan.

11.3. Governing Law

This Plan and all Options shall be governed by and construed in accordance with English law.

PART B

12. DEFINITIONS FOR PURPOSES OF PART B

12.1. Part B not Approved by Inland Revenue

This Part B of the Rules of the Plan is not approved by the Inland Revenue under the provisions of the Act.

12.2. Terms of Part A apply except as amended

The Rules as contained in Part A of the Plan shall apply to Options granted under this Part B unless amended in accordance with the provisions hereof.

13. GRANT OF UNAPPROVED OPTIONS

13.1. Specification of Unapproved Option

The Directors shall specify when an Option is granted under this Part B of the Rules of the Plan and the relevant Option Certificate shall be written accordingly.

13.2. Modified Terms and Conditions

The Directors may determine that any Option granted under this Part B of the Rules shall be subject to additional and/or modified terms and conditions relating to the grant and terms of exercise as may be necessary to comply with or take account of any securities, exchange control or taxation laws, regulations or practice of any territory which may have application to the relevant Eligible Employee, Option Holder or Participating Company.

13.3. Additional Requirements

In exercising their discretion under Rule 13.2, the Directors may:

a require an Option Holder to make such declarations or take such other action (if any) as may be required for the purpose of any securities, taxes or other laws of any territory which may be applicable to him at the Date of Grant or on exercise; and

b adopt any supplemental rules or procedures governing the grant or exercise of Options as may be required for the purpose of any securities, tax or other laws of any territory which may be applicable to an Eligible Employee or Option Holder.

14. CONDITIONS RELATING TO THE GRANT OF UNAPPROVED OPTIONS

Rule 3.1 of Part A shall not apply to this Part B of the Plan.

15. EXERCISE OF UNAPPROVED OPTIONS

Rule 4.12 of Part A shall not apply to Part B of the Plan.

16. DISCRETION TO PAY CASH ON EXERCISE OF AN OPTION

If an Option Holder exercises an Option the Directors may in lieu of allotting or procuring the transfer of Shares in accordance with Rule 6.2 of Part A pay to such Option Holder a cash sum equal to the amount by which the value of the Shares in respect of which the notice of exercise was given (calculated as the average of the middle market quotations on the New York Stock Exchange for the three Dealing Days prior to the date of exercise) exceeds the Acquisition Price of those Shares.

If payment is made pursuant to this Rule to an Option Holder, he shall have no further rights in respect of the Shares for which the notice of exercise was given. The Company may make any deductions in respect of such payment which it is required to make under the laws of any territory which laws are applicable to the Option Holder and/or his employing Participating Company.

No Option granted under Part B of the Plan will be paralleled with an Option granted under Part A of the Plan.

17. EMPLOYMENT AND SOCIAL TAXES

The Option Holder shall indemnify the company (and, where relevant, any Participating Company) against any tax arising in respect of the exercise of the Option which is a liability of the Option Holder but for which such company is required to account under the laws of any relevant territory. Such company may recover the tax from the Option Holder in such manner as the Directors think fit including (but without prejudice to the generality of the foregoing):-

- a withholding shares when the Option is exercised and selling the same;
- b deducting the necessary amount from the Option Holder's remuneration; or
- c requiring the Option Holder to account directly to such company for such tax.

EXHIBIT 10.15

THE ASSOCIATED OCTEL COMPANY LIMITED

- and -

OCTEL PROFIT SHARING TRUST CO. LIMITED

TRUST DEED and RULES

of the

OCTEL PROFIT SHARING SHARE SCHEME

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THIS DEED of TRUST

is made the day of 1999

BETWEEN

1 The Associated Octel Company Limited whose registered office is situated at Suite 2, 4th Floor, Berkeley Square House, Berkeley Square, London, W1X 6DT ("the Company") and

2 Octel Profit Sharing Trust Co. Limited, whose registered office is situated at Suite 2, 4th Floor, Berkeley Square House, Berkeley Square, London, W1X 6DT ("the Trustee" which expression shall where the context so permits include the trustee or trustees for the time being hereof).

WHEREAS

A The Company is incorporated in England and Wales;

B The Company wishes to establish a profit sharing share scheme to be approved in accordance with the provisions of Schedule 9 of the Income and Corporation Taxes Act 1988 (as amended) for the purposes of providing funds to the Trustee to enable shares in the capital of the Company's ultimate parent, Octel Corp. to be acquired by the Trustee and to be appropriated to employees and directors of the Participating Companies (as hereinafter defined) in accordance with the Rules of the Scheme;

C THE terms of the said Employee Share Trust (which are contained in this Deed) have been approved by resolution of the Company dated 17 February 1999;

D THE Trustee has agreed to be the first trustee of the Scheme.

NOW THIS DEED WITNESSES as follows:

1. DEFINITIONS

1.1 General

In this Deed:

a references to any statute or statutory instrument or to any part or parts thereof include any modification, amendment or re-enactment thereof for the time being in force; and

b references to any deed, agreement, document or instrument (including this Deed) shall be construed as a reference to such deed, agreement, document or instrument as from time to time amended, supplemented or varied; and

c where the context permits words of the masculine gender shall include the feminine and vice versa and words in the singular shall include the plural and vice versa.

d unless the context otherwise requires words and expressions defined in Schedule One shall have the same meaning in the other parts of this Deed and references to "Clauses" shall mean clauses of this Deed and references to "Rules" in this Deed and in Schedule One shall mean the rules set out in Schedule One.

1.2 Clause Headings

The Clause headings in this Deed are included for reference purposes only and do not affect its interpretation wherever they may appear.

2. TRUSTS OF THE SCHEME

2.1 Covenant to pay Amounts due in accordance with the Scheme

The Company and the Participating Companies hereby covenant with the Trustee to pay to the Trustee in accordance with and subject to the provisions of the Scheme the amounts due from it for the purposes of the subscription for or purchase of Shares by the Trustee to be appropriated under the Scheme to the Participants employed by it together with any other amounts required to cover any costs, charges, and expenses incurred in such subscription or purchase and any other expenses and charges incurred by the Trustee in the establishment, operation and determination of the Scheme. Each Participating Company shall be separately liable to fund only the amount necessary to purchase Shares to be appropriated to the Participants specifically employed by it.

2.2 Trustee's Covenant to Apply Moneys in Acquisition of Shares

Subject as hereinafter provided, the Trustee hereby covenants with the Company to apply the moneys received pursuant to Clause 2.1 in the subscription for or purchase of Shares and to hold the same, once appropriated, and all other trust property deriving therefrom, UPON TRUST for the Participants respectively entitled thereto, subject to the Rules of the Scheme.

2.3 Appropriation in Accordance with Rules of the Scheme

As soon as reasonably practicable after the acquisition of Shares by it pursuant to the Scheme the Trustee shall appropriate the Shares so acquired to the Participants in accordance with the Rules of the Scheme and shall as soon as reasonably practicable thereafter notify each Participant in writing in the form (or substantially in the form) of Schedule Two of the description and number of Shares so appropriated to him, the date of the appropriation and the Initial Market Value of the Shares.

2.4 Holding of Shares pending Distribution

If, in the case of any acquisition of Shares under the Scheme, it is not possible to appropriate all the Shares without fractional entitlements arising in respect of individual Participants or, if for any other reason the Trustee holds Shares for the purpose of the Scheme which are not to be appropriated, the Trustee may hold so many of the Shares as the Company shall direct for a period not exceeding 18 months from the relevant date of acquisition and the Trustee may sell the Shares if they cannot be appropriated within that period.

2.5 Payments of Money or Monies Worth

Subject to their obligations under paragraph 7 of Schedule 10 to the Act and to any such direction as is mentioned in paragraph 4(2) of that Schedule the Trustee:

a shall pay over to the Participant any money or money's worth received by them in respect of or by reference to any of his Shares other than money's worth consisting of new shares within the meaning of paragraph 5 of Schedule 10 to the Act; and

b the Trustee shall deal only pursuant to a direction given by or on behalf of the Participant or any person in whom the beneficial interest in his Shares is for the time being vested with any right conferred in respect of any of his Shares to be allotted shares, securities or rights of any description.

2.6 Rights Issue in respect of Unappropriated Shares

If, prior to the appropriation of any Shares under the Scheme, the Trustee becomes entitled in respect of those Shares to any rights to be allotted or to subscribe for further securities (other than an issue of bonus shares of the same class as Shares then held by the Trustee pending any such appropriation, which bonus shares shall be retained by the Trustee and shall form part of the Shares to be appropriated among the Participants on the relevant Appropriation Day) the Trustee may exercise those rights or sell those rights for the best consideration in money reasonably obtainable at the time.

2.7 Use of Cash Balances

The Trustee shall hold:

a any unused cash balances arising under Clause 2.2;

b the net proceeds of any sale made pursuant to Clauses 2.4 and 2.5;

c any income therefrom;

d any dividends received in respect of any unappropriated Shares held under the Scheme; and

e any Capital Receipt of less than (pound)1 otherwise distributable to a particular Participant

UPON TRUST to apply the same in or towards any reasonable expenses of administering and determining the Scheme (including any provision for taxation for which the Trustee is liable) and the Trustee shall notify the Company on request of the amounts so held by it. The Trustee shall not be under any duty to invest any moneys of which it stands possessed under this Clause.

2.8 Accounting for Moneys on Termination of the Scheme

Upon the termination of the Scheme for whatever reason the Trustee shall sell all unappropriated Shares and thereupon account (so far as practicable) to the Company and to any Participating Companies for any moneys held by it as far as is practicable in the same proportions as they were provided or as may otherwise be appropriate.

3. DIVIDENDS AND OTHER DISTRIBUTIONS

As soon as practicable following their receipt of any dividends or other distributions in respect of Scheme Shares, the Trustee shall pay and account for such dividends or other distributions to the Participants concerned, in accordance with their respective entitlements.

4. GROUP COMPANIES

4.1 Addition of New Participating Companies

The Scheme may, with the consent of the Directors and after notification to the Inland Revenue, be extended to any company which is under the Control of the Company not a party to this Deed by the adherence of such company to the provisions of the Scheme by a deed supplemental hereto, in the form of Schedule Three, amended as may be thought necessary by the Company and the Trustee and thereupon the provisions of the Scheme and of this Deed shall apply to such company as though it were a party to this Deed.

4.2 Company ceasing to be a Participating Company

The Scheme shall cease to apply to any Participating Company other than the Company at any time when:

a such company ceases to be under the Control of the Company; or

b a notice is served by the Company upon the Trustee that the Scheme shall cease to apply to such company provided that the conditions specified in paragraph 2(3) of Schedule 9 to the Act continue to be satisfied;

but any Shares previously appropriated to employees of any such Participating Company shall be unaffected.

4.3 Provision of Information to Trustee

If, and so long as, the Scheme applies to any Participating Company, such company shall provide the Trustee with all information required from it for the purposes of the administration and determination of the Scheme and shall do so in such form as the Trustee shall reasonably require and the Trustee shall in good faith rely on such information without further enquiry.

4.4 Company acts through Board of Directors

If, and so long as, the Scheme applies to any Participating Company the powers and discretions exercisable by such company in relation to the Scheme shall be exercisable by resolution of its board of directors or a duly appointed committee thereof and a minute of any resolution thereof signed by the secretary or a director of such company shall be sufficient authority for the Trustee to act.

5. ACQUISITION OF SHARES

5.1 Methods by which Shares may be acquired

Shares to be used under the Scheme may be acquired by the Trustee by way of:

a subscription; or

b purchase including from Participants; or

c a rights or capitalisation issue in respect of Shares which have been acquired by the Trustee and have not been appropriated under the Scheme.

5.2 Use of Sums not Applied in Acquisition of Shares

Any sums paid by a Participating Company to the Trustee pursuant to Clause 2.1 shall if not applied for the purposes of the Scheme within nine months from the date of such payment be used to cover the Trustee's incidental costs and expenses or be repaid promptly to that company.

6. ISSUE OF SHARES

6.1 Rights of Shares Subscribed by Trustee

All Shares subscribed for by the Trustee pursuant to the Scheme shall as to voting, dividend, transfer and other rights (including those arising on a liquidation) rank *pari passu* except that they will not rank for any dividend or other rights declared by reference to a record date preceding the date of such subscription.

6.2 Admission to the New York Stock Exchange

If, and so long as, the Shares which are to be issued are of the same class as shares which are traded on The New York Stock Exchange, the Company shall use its best endeavours to procure that as soon as practicable after the allotment of any Shares to the Trustee pursuant to the Scheme, application shall be made to The New York Stock Exchange for permission to deal in those Shares unless such application has already been made.

7. RETENTION OF SHARES

7.1 No Disposal before Release Date

The Trustee shall not dispose of any Scheme Shares held on behalf of a Participant before the Release Date during the applicable Period of Retention except in accordance with a direction of such Participant (or his personal representatives) in the event of a Reconstruction or Take-over affecting such shares.

7.2 Disposals after Period of Retention and before Release Date

The Trustee shall not dispose of any Scheme Shares held on behalf of a Participant (other than in accordance with a direction given by a Participant or his personal representatives in the event of a Reconstruction or Take-over affecting his Scheme Shares) after the end of the applicable Period of Retention and before the Release Date except:

- a at the written direction of such Participant or any other person in whom the beneficial interest is vested by law; and
- b by a transaction which would not involve a breach of paragraphs 2(2)(c) and (d) of Schedule 9 to the Act.

7.3 Sale by Participant after Period of Retention

After the applicable Period of Retention and before the Release Date nothing shall prevent a Participant from selling his beneficial interest in his Scheme Shares to the Trustee for the same consideration as in accordance with Clause 7.2b would be required to be obtained on a sale of such Shares to a third party.

8. VOTING RIGHTS

In respect of any Scheme Shares the Trustee shall upon any matter in relation to which at a general meeting of the Relevant Company or at any class meeting they are entitled to exercise any voting rights attaching thereto vote in such way as the Trustee, in its discretion considers to be in the interests of the Participants as a whole. The Trustee shall not exercise any voting rights in respect of any unappropriated Shares acquired by it pursuant to the Scheme.

9. NOTICES AND CIRCULARS

9.1 Notices to Participants

Notices or documents which the Trustee is required or may desire to give to any Eligible Employee or Participant shall either be delivered to him by hand or sent to him by post at his last known home or business address according to information provided by him to the relevant Participating Company. Notices sent by post shall be deemed to have been given on the day following the date of posting.

9.2 Circulars to Shareholders

The Company shall make available to Participants copies of all circulars and documents sent by it to the holders of its Shares and if and for so long as the Company is not the Relevant Company shall use all reasonable endeavours to procure that all circulars and documents sent by the Relevant Company to its ordinary shareholders shall be made available to Participants.

10. RIGHTS ISSUES

10.1 Action by Trustee

Whenever any rights to acquire shares or other securities or other rights of any nature are granted by the Relevant Company in respect of Scheme Shares the Trustee shall act in the best interests of the Participants in deciding whether:

a (subject to the provision by him of funds) to take up the rights on behalf of the Participants; or

b to sell the rights (in whole or in part); or

c to allow the rights to lapse; or

d to sell rights nil paid to the extent necessary to enable the Trustee to subscribe in full for the balance of any unsold rights.

10.2 Acquisition of New Shares

Any New Shares (within the meaning of paragraph 5 of Schedule 10 of the Act) taken up by the Trustee on behalf of any Participant under this Clause shall subject to Clause 14 form part of the Participant's Scheme Shares and shall be deemed to have been acquired or appropriated at the same time as the Scheme Shares to which they relate.

10.3 Trustee Requires Indemnity

Nothing in this Clause shall require the Trustee to act in any manner whereby they would be involved in any liability unless indemnified to their satisfaction by the Participant in question against such liability. In the exercise of any discretion conferred upon it the Trustee shall not be liable for any loss to any Participant arising by reason of any matter or thing other than wilful fraud or wrongdoing on the part of the relevant trustee sought to be made liable.

11. CAPITALISATION ISSUES

Where the Relevant Company allots any New Shares (within the meaning of paragraph 5 of Schedule 10 of the Act) by way of capitalisation to the Trustee in respect of any Scheme Shares held by it such New Shares shall subject to and in accordance with Clause 14 form part of such Scheme Shares and shall be deemed to have been acquired or appropriated at the same time as the Scheme Shares in respect of which they are allotted.

12. SCRIP DIVIDENDS

12.1 Election by Trustee

Whenever the Relevant Company offers to the holders of any Scheme Shares the right to elect to receive Shares wholly or partly in lieu of a cash dividend the Trustee shall act in the best interests of the Participants in electing whether to receive cash or Shares in respect of such dividend.

12.2 Shares shall not be Scheme Shares

Any Shares taken up by the Trustee on behalf of any Participant under this Clause shall not form part of the Scheme Shares to which they relate but shall be registered in the name of the relevant Participant.

12.3 Cash Distribution

In so far as any dividend or other distribution consists of cash it shall belong to the Participants concerned and be paid to them in accordance with Clause 3.

13. RECONSTRUCTIONS AND TAKE-OVERS

13.1 Participants shall be Notified

Participants shall be notified of any Reconstruction or Take-over and any Participant may give notice in writing to the Trustees instructing them in respect of any of his Scheme Shares (and where appropriate exercising any right to elect to receive any particular form of consideration available thereunder).

13.2 Consideration consisting of Cash

To the extent the consideration received by virtue of any Reconstruction or Take-over consists of cash it shall be treated as the proceeds of a disposal under Clause 7.2 and so far as it consists of New Shares (within the meaning of paragraph 5 of Schedule 10 of the Act) it shall be held by the Trustee as Scheme Shares subject to the terms of this Deed and the Rules of the Scheme mutatis mutandis as if the same were the Scheme Shares in respect of which they are issued or which they otherwise represent.

13.3 Compulsory Acquisition or Transfer of Shares

In the event of any Scheme Shares being compulsorily acquired or Scheme Shares are transferred to another company or cancelled for a consideration consisting of cash and/or shares the Participants concerned shall receive notification thereof from the Trustees as soon as practicable after such acquisition transfer or cancellation. The Trustee shall act in the best interests of the Participants in electing whether to receive cash or Shares in respect of such consideration and the provisions of this Clause and Clause 14 shall apply mutatis mutandis.

14. ENTITLEMENTS

14.1 Proportionate Allocation of Securities

Where in respect of Shares of the same class as the Scheme Shares an offer or invitation is made conferring rights to acquire against payment additional securities in the Relevant Company or where new securities by way of capitalisation are to be allotted by such company the Trustee shall allocate such rights or securities amongst the Participants concerned on a proportionate basis and if such allocation shall give rise to a fraction of a right or a security shall round such allocation down to the next whole right or security and the Trustee shall use its best endeavours to sell any rights or securities which are not allocated and distribute the net proceeds of sale (after deducting therefrom any expenses of sale and any taxation which may be payable by the Trustee in respect thereof) among the Participants whose allocation was rounded down such proceeds being treated as a Capital Receipt in accordance with Section 186(3) of the Act provided that any sum of less than (pound)1 otherwise distributable to a particular Participant may be retained by the Trustee.

14.2 Allocation of Securities forming part of holding of Scheme Shares

In any circumstances in which the Trustee receives new securities which are deemed to form part of a holding of Scheme Shares the Trustee shall allocate the securities to the Participant by reference to the relevant dates of appropriation or acquisition of the Scheme Shares to which they relate and if any such allocation should give rise to a fraction of a security the Trustee shall subject to the Act round such allocation up or down to the next whole security.

15. INFORMATION

The Trustee shall maintain such records as may be necessary to comply with the Act and shall at all times and from time to time give to each Participant such information as shall be in its possession to enable him to determine and quantify any liability he may have to income tax under Schedule E by reason of any Relevant Event.

16. TRUSTEE'S POWERS OF DELEGATION

16.1 Delegation to Professional Person

In the exercise of its discretions and the performance of its duties hereunder the Trustee may employ and pay a registrar, solicitor, broker, actuary, accountant, banker or other adviser and may appoint any such person as its agent to transact all or any business and may act on the advice or opinion of any such solicitor, broker, actuary, accountant, banker or other adviser and shall not be responsible for anything done or omitted to be done or suffered in good faith in reliance on such advice or opinion.

16.2 Delegation to Other Person or Company

Except as otherwise provided by Section 186 and Schedules 9 and 10 to the Act the Trustee may delegate any of their powers and duties hereunder or any business including the exercise of any discretion to any person or company including any Participating Company.

16.3 Revocation of Delegation

The Trustee may at any time and shall if so directed by the Company revoke any delegation or arrangement made under this Clause and require any trust property held by another person to be returned to the Trustee.

16.4 Execution of Documents

The Trustee may execute or sign or appoint an attorney to execute or sign and may authorise any of its directors, officers or employees on its behalf to effect the execution or signature of any deeds, documents, cheques or other instruments by the impression of any signature on behalf of or as witness of any sealing by the Trustee in writing, printing, lithography, photocopying or any other mode of representing or reproducing words in a visible form. Any such signature or sealing shall constitute due execution by the Trustee.

16.5 Deposit of Trust Property

The Trustee may at any time cause any part of the trust property to be deposited for safekeeping with any person on behalf of the Trustee and may pay any expenses in connection therewith.

17. ADMINISTRATION

17.1 Trustee's Power to make Regulations

Subject to, and in accordance with, the provisions of this Deed, including Schedule One, the Trustee may make such regulations as it considers appropriate relating to the administration of the Scheme.

17.2 Decisions taken by Majority

The directors of the Trustee shall meet together as may be necessary for the administration of the trusts hereof and all decisions taken by a majority (or as a result of the casting vote of any chairman appointed by the directors of the Trustee present at the meeting) of the directors of the Trustee present at any meeting of the board of the Trustee of which notice has been given to all of them present in the United Kingdom (provided at least two directors shall be present) shall be as effective for all purposes as if such decisions had been unanimous decisions of all the directors. A written resolution signed by all the directors arrived at without any meeting shall be effective for all purpose. Nothing herein shall preclude a sole director from acting on its own.

17.3 Accounting for Tax

The Trustee shall arrange for the relevant Participating Companies to account to the Inland Revenue or other authority concerned for any amounts deducted from payments made pursuant to the Scheme in respect of income tax or any other deductions required in accordance with paragraph 7 of Schedule 10 to the Act. Where there is no relevant Participating Company in respect of a Participant the Trustee shall account to the Inland Revenue or other authority concerned for any amounts of income tax or any other deductions required to be made in accordance with paragraph 7 to Schedule 10 of the Act.

17.4 Minimum Number of Trustees

The number of trustees of the Scheme shall not be less than two persons unless a company is appointed as sole trustee and if at any time the number of trustees shall fall below such limits the surviving or continuing trustees shall have power to act only for the purpose of doing all things necessary to concur in or secure the appointment of a new trustee or trustees.

18. PROVISIONS RELATING TO THE TRUSTEE

18.1 Trustee's Indemnity

The Company shall pay to or reimburse the Trustee or its directors, as appropriate, upon demand for all charges and expenses reasonably incurred by it or them in the course of the administration and determination of the trusts of this Deed and of the Scheme and shall keep the estates and effects of the Trustee's directors fully indemnified and saved harmless against all actions, claims, losses, demands, proceedings, charges, expenses, costs, damages, taxes, duties and other liabilities arising out of anything done or caused to be done by them or suffered or incurred by them in the exercise or purported exercise of any of the powers and discretions vested in them by this Deed and the Scheme or otherwise howsoever arising out of or in connection with the preparation, administration, operation, or termination of the Scheme but so that no director shall be indemnified or exonerated in respect of any fraud or wilful default on his part and in addition the Trustee shall have the benefit of all indemnities conferred upon trustees generally by law and by the Trustee Act 1925.

18.2 Trustee's Interests

A person shall not be disqualified from acting as director of the trustee hereof or exercising any power vested in the Trustee by reason of the fact that he is or has been a director or employee of any Participating Company or is participating in or has participated in the Scheme or for any remuneration or other benefit received thereby or in connection therewith.

18.3 Banker may be Trustee

Any bank which is banker to any Participating Company may act as trustee without being required to account for any profit resulting therefrom.

18.4 Charges of Professional Trustee

Any person acting as a director of the trustee in the course of any profession or business carried on by him may charge and be paid such reasonable remuneration charges or disbursements whether in connection with the Scheme or otherwise as shall from time to time be agreed between him and the Company.

18.5 Trustee not precluded from personal investment

No director or officer of a body corporate or a trust corporation acting as a trustee shall on his own account be precluded from acquiring, holding, or dealing with any debentures, debenture stock, shares or securities whatsoever of the Company or any other company in the shares of which the Company may be interested or from entering into any contract or other transaction with the Company or any such other company or from being interested in any such contract or transaction and nor shall he be in any way liable to

account to the Company, or any Participant in the Scheme for any profits made fees, commissions, shares of brokerage, discounts allowed or advantages obtained by him from or in connection with such acquisition, holding, dealing, contract or transaction whether or not in connection with his duties hereunder.

18.6 Information Supplied by Company

The Trustee shall be entitled in the absence of manifest error to rely without further enquiry on information supplied to them by the Company for the purposes of the Scheme and shall also be entitled to rely in the absence of manifest error on any direction, notice or document purporting to be given or executed by or with the authority of the Company or by any Participant in the Scheme as having been so given or executed.

19. APPOINTMENT REMOVAL AND RETIREMENT OF TRUSTEES

19.1 Statutory Power Vested in Company

The statutory power of appointing new and additional trustees shall be vested in the Company, which may at any time by writing under hand of a person duly authorised by a resolution of the Directors appoint a new trustee including a corporate trustee.

19.2 Power to Appoint Additional Trustees

In addition to the said statutory power the Company shall have power at any time by deed to appoint any person to be an additional trustee hereof notwithstanding that the effect of such appointment would be to increase the number of trustees hereof beyond four.

19.3 Company Ceasing to Exist

All powers of appointment and removal shall be vested in the Trustee in the event that the Company ceases to exist otherwise than in consequence of a reconstruction or amalgamation.

19.4 Removal of Trustee

The Company may at any time by writing under hand of a person duly authorised by a resolution of the directors remove a trustee from office (but not so as to leave in office fewer than two trustees unless a corporate trustee) without assigning any reason therefor and such removal shall (in the absence of any other date specified in the notice) take place forthwith.

19.5 Retirement of Trustee

A trustee may retire by giving to the Company written notice of his desire to retire and such notice shall take effect at the expiry of three months (or such other period as may be agreed with the Company) from the date of such notice. The trustee shall not be obliged and shall not be responsible for any costs occasioned by such retirement but shall execute all such documents and do all such things as may be necessary to give proper effect to such retirement.

19.6 Transfer of Trust Property following Retirement

Forthwith upon his removal or retirement a trustee shall transfer all trust property held by him and deliver all documents in his possession relating to the Scheme to the remaining trustees (if any) or otherwise as the Company may direct.

19.7 Sole Continuing Trustee

After such removal or retirement as is mentioned in Clauses 19.4 or 19.5 a sole trustee (whether or not a trust corporation) may continue to act as a trustee in all respects but so that if after such removal or retirement there shall be no continuing trustee the Company shall forthwith appoint a new trustee in place of such removed or retired trustee.

19.8 Trust Corporation

The provisions of Sections 37 and 39 of the Trustee Act 1925 shall apply hereto as if all references therein to a trust corporation were references to any company authorised to undertake trust business.

20. RESIDENCE OF THE TRUSTEES

If there is more than one trustee at least one of their number shall at all times be resident in the United Kingdom for United Kingdom tax purposes. If there is only one trustee it shall be a body corporate (which in accordance with Clause 19.8 need not be a trust corporation) at all times resident in the United Kingdom for United Kingdom tax purposes.

21. ALTERATIONS

The Company may at any time (with the concurrence of the Trustee) by deed supplemental hereto alter any of the provisions of this Deed (including the Schedules hereto) in accordance with Rule 13.

22. TERMINATION

No appropriation of shares under the Scheme may be made later than seventy-six years after the date of this Deed and the perpetuity period applicable to this Deed shall be eighty years.

23. GENERAL

23.1 Governing Law

This Deed shall be governed by and construed in accordance with the laws of England and Wales.

THE OCTEL PROFIT SHARING SHARE SCHEME

23.2 Schedule One

Schedule One shall have effect as part of this Deed.

IN WITNESS whereof this document has been executed and delivered as a deed the day and year first above mentioned.

SCHEDULE ONE: THE RULES

1. DEFINITIONS

In these Rules, the following words and expressions shall, where the context so permits, have the meanings set forth below:

"Accounting Period"	any period as the Directors may from time to time determine, being the period for which the audited accounts of the Company are made up;
the "Act"	the Income and Corporation Taxes Act 1998;
"Agreement"	a letter in the form (or substantially in the form) of Schedule Five;
the "Appropriate Percentage"	in relation to Scheme Shares shall be determined as follows according to the time of the Relevant Event: (1) subject to (2) below, if the Relevant Event occurs before the third anniversary of the relevant Appropriation Day, 100 %; (2) if the Relevant Event occurs before the third anniversary of the relevant Appropriation Day and the Relevant Participant either: (a) ceases to be a director or employee of any Participating Company by reason of injury disability or redundancy with in the meaning of the Employment Rights Act 1996; or (b) reaches age 65, 50 %;
"Appropriation Day"	a day determined by the Directors (and agreed in advance with the Trustee) as the day on which Shares are to be appropriated to Participants in accordance with this Scheme;
"Capital Receipt"	in relation to the Scheme Shares of a Participant, any money or money's worth which the Trustee or the Participant become entitled to receive, save to the extent that it is disregarded pursuant to the provisions of Section 186(3) of the Act;

RULES OF OCTEL PROFIT SHARING SHARE SCHEME

the "Company"	The Associated Octel Company Limited, registered in England and Wales (registered number 344359);
"Continuous Employment"	the meaning ascribed by Section 211 of the Employment Rights Act 1996;
"Control"	means the power of a person to secure (a) by means of the holding of shares or the possession of voting power in relation to any body corporate; or (b) by virtue of any powers conferred by the articles of association or other document regulating any body corporate, that the affairs of a body corporate are conducted in accordance with the wishes of that person;
"Dealing Day"	a day on which The New York Stock Exchange is open for the transaction of business;
the "Deed"	the Trust Deed constituting, inter alia, this Scheme as amended from time to time;
the "Directors"	the board of directors of the Company, or a duly authorised committee thereof;
"Eligible Employee"	any person (other than one who has served notice under Rule 2.3 that he does not wish to participate in the proposed appropriation) who on the applicable Appropriation Day: (1) is a Full Time Director or employee of a Participating Company and: (a) is chargeable to tax in respect of his office or employment under Case I of Schedule E of the Act; and

(b) on the immediately preceding Qualifying Date had such period of Continuous Employment with any one or more Participating Companies (taken consecutively) as the Directors may determine provided, being a period not exceeding five years in total ending on the relevant Appropriation Date; or

(2) is a former employee who ceased employment with a Participating Company in the preceding eighteen months whom the Directors may in their absolute discretion permit to participate; or

(3) would be eligible to participate under (1) above save that he is not chargeable to tax under Case I of Schedule E of the Act but whom the Directors may in their absolute discretion permit to participate;

PROVIDED THAT:

- (A) a person who at the relevant Qualifying Date is absent due to pregnancy or confinement (and who immediately prior to such absence satisfied the criteria set out in paragraph (1) above) shall be treated as an employee on the relevant Qualifying Date provided that the employment during such pregnancy or confinement shall be taken to be part of the required period of Continuous Employment with any one or more Participating Companies; and
- (B) a person who is ineligible to participate by virtue of paragraphs 8 or 35 of Schedule 9 to the Act shall not be treated as an Eligible Employee;

"Full Time Director" a Director who is contracted to work at least 25 hours per week (exclusive of meal breaks) (or such lower number of hours per week as the Directors may determine from time to time in their absolute discretion) for any one or more of the Participating Companies;

RULES OF OCTEL PROFIT SHARING SHARE SCHEME

- "Initial Market Value" (1) save as mentioned in (2) below, the value of a Share immediately before the relevant Appropriation Day determined in accordance with Part VIII of the Taxation of Chargeable Gains Act 1992 and agreed in advance with the Shares Valuation Division of the Inland Revenue; or
- (2) in relation to appropriations of Shares quoted on the New York Stock Exchange, their value determined by reference to the average cost to the Trustees (exclusive of all incidental expenses) of all Shares acquired during the following periods:
- (a) in respect of subscribed Shares (if any) in the period of 30 days immediately preceding the relevant Appropriation Day provided that such shares shall only be subscribed at a price which is equivalent to the middle market quotation for such Shares as derived from the Wall Street Journal for the Dealing Day preceding subscription; and
- (b) in respect of purchased Shares (if any) the period of 60 days immediately preceding the relevant Appropriation Day.
- "Invitation" a letter of offer in the form (or substantially the form) of Schedule Four;
- "Locked-In Value" in relation to any Scheme Shares, shall be construed in accordance with Section 186(5) of the Act, being at the date of the Deed:
- (1) the Initial Market Value of the Scheme Shares; or
- (2) in the event that the Participant has by virtue of Section 186(3) of the Act become chargeable to income tax on a percentage of the amount or value of any Capital Receipt in respect of the Scheme Shares, the amount by which the Initial Market Value of the Scheme Shares exceeds the amount or value of such percentage of such Capital Receipt or, if there has been more than one Capital Receipt, the aggregate of them;

RULES OF OCTEL PROFIT SHARING SHARE SCHEME

"Participant"	an Eligible Employee to whom Scheme Shares are appropriated in accordance with this Scheme (or, where the context admits, his personal representatives);
"Participating Company"	the Company and any other company for the time being designated as a Participating Company being a company which is under the Control of the Company;
"Period of Retention"	<p>in relation to Scheme Shares, the period beginning on the date on which they are appropriated to a Participant and ending on whichever is the earliest of:-</p> <ol style="list-style-type: none">(1) the second anniversary of such date;(2) the date on which such Participant ceases to be a director or employee of any Participating Company by reason of injury disability or redundancy within the meaning of the Employment Rights Act 1996;(3) the date on which such Participant reaches age 65; and(4) the date of such Participant's death;
"Qualifying Corporate Bond"	has the meaning attributed by Section 117 of the Taxation of Chargeable Gains Act 1992;
"Qualifying Date"	a date as the Directors may from time to time determine (or, in the absence of any such determination, the last day of the Company's accounting period) in the period of one year immediately preceding the relevant Appropriation Day;
"Qualifying Remuneration"	in relation to any Participant shall mean his total earnings from the Company and any Participating Company for the Year of Assessment immediately preceding the Appropriation Day;
"Reconstruction and Take-over"	<p>a transaction affecting any Scheme Shares which:</p> <ol style="list-style-type: none">(1) is an offer for those Scheme Shares which if accepted, would result in a new holding of shares being equated with such Scheme Shares for the purposes of capital gains tax; or

RULES OF OCTEL PROFIT SHARING SHARE SCHEME

- (2) is entered into pursuant to a scheme of arrangement or a compromise applicable to or affecting:-
- (a) all the issued ordinary share capital of the Relevant Company or, as the case may be, all of it that is of the class in question; or
- (b) all the shares, or shares of the class in question, which are held by a class of shareholders identified otherwise than by reference to their employment or their participation in an approved profit sharing scheme approved by the Inland Revenue under the Act; or
- (3) is an offer of cash (with or without other assets) where the offer forms part of a general offer which is made to the holders of shares of the same class in the Relevant Company and which is made in the first instance on a condition such that if it is satisfied the offer or will have control (within the meaning of Section 416 of the Act); or
- (4) is an offer of a Qualifying Corporate Bond, whether alone or with cash or other assets or both where the offer forms part of a general offer which is made as mentioned in paragraph (3) above;
- "Redundancy" the meaning ascribed by the Employment Rights Act 1996;
- "the Release Date" the meaning ascribed by Section 187(2) of the Act;
- "the Relevant Amount" in relation to a Participant, an amount equal to 10% of his salary (or, if greater, (pound)3,000) subject to a maximum of (pound)8,000; "salary" for this purpose shall have the meaning ascribed by Section 187(5) of the Act for the current or preceding Year of Assessment, whichever is the greater;
- "the Relevant Company" Octel Corp. or any other company whose shares are as a result of a Reconstruction or Take Over, Scheme Shares;
- "Relevant Event" in relation to any Scheme Shares, an event which gives rise to a charge to income tax under Schedule E pursuant to the provisions of the Act;

RULES OF OCTEL PROFIT SHARING SHARE SCHEME

"Rules"	the Rules of the Scheme and "Rule" shall be construed accordingly;
"Scheme"	Octel Profit Sharing Share Scheme in its present form, or as from time to time altered in accordance with the Rules;
"Scheme Shares"	Shares held by the Trustee upon the terms of this Scheme on behalf of the Participants;
"Share"	a share in Octel Corp. satisfying paragraphs 10, 11, 12 and 14 of Schedule 9 to the Act;
"Trustee"	the Trustee referred to in the Deed, or such other person or persons who is or are the trustee or trustees from time to time of the Scheme;
"Year of Assessment"	a year beginning on any 6 April and ending on the following 5 April.

References to any statutory provision are to that provision as amended or re-enacted from time to time and, unless the context otherwise requires, words in the singular include the plural (and vice versa) and words importing the masculine shall include the feminine (and vice versa).

2. INVITATIONS TO PARTICIPATE

2.1 Issue of Invitations

When the Directors have determined that this Scheme shall operate, the Company shall, following the applicable Qualifying Date, issue an invitation to each Eligible Employee inviting him to consent (if he has not already done so) to the appropriation of Shares on the proposed Appropriation Day (or if so provided in the Invitation, on all future Appropriation Days until further notice) by signing and returning the accompanying Agreement duly completed and signed by such date at least fourteen days after the date of the Invitation as shall be specified in the Invitation (but in any event prior to the relevant Appropriation Day).

2.2 Terms of Agreement

Save as provided in Clause 6 of the Deed, an Agreement shall bind the relevant Eligible Employee in contract with the Company:

a to permit the Scheme Shares to be appropriated to him to remain in the hands of the Trustee throughout the applicable Period of Retention; and

b not to assign, charge or otherwise dispose of his beneficial interest in those Scheme Shares during the applicable Period of Retention; and

c if he directs the Trustee to transfer the legal title of those Scheme Shares to him at any time before the applicable Release Date, to pay to the Trustee before such transfer takes place a sum equal to income tax at the basic rate on the Appropriate Percentage of the Locked-In-Value of such Scheme Shares at the time of such direction; and

d not prior to the relevant Release Date to direct the Trustee to dispose of those Scheme Shares otherwise than as aforesaid or by sale for the best consideration in money that can reasonably be obtained therefor at the time of such sale.

2.3 Employee Electing not to Participate

Notwithstanding anything to the contrary, an Eligible Employee may by written notice given to the Company before an Appropriation Day direct that Shares shall not be appropriated to him on that Appropriation Day or, if applicable, on each subsequent Appropriation Day until further notice.

3. PURCHASE OF SHARES FOR APPROPRIATION

3.1 Arrangements for Purchasing Shares

The Trustee may upon the direction of the Directors, purchase Shares from time to time until the Dealing Day preceding the relevant Appropriation Day. Such Shares may be purchased on The New York Stock Exchange or privately (provided that any such private purchase made at the time when the Shares are listed is made at a price which is equivalent to the middle market quotation for such Shares as reported in The Wall Street Journal for the Dealing Day preceding the day in question) and provided that an Appropriation of Shares shall be at not less than the Initial Market Value.

3.2 When Shares may not be Purchased

The Trustee shall not purchase any Share unless it is reasonably certain at that time that any appropriation of that Share on the relevant Appropriation Day would not breach any relevant term of this Scheme or any similar scheme established by the Company or any of its Subsidiaries.

4. SUBSCRIPTION OF SHARES FOR APPROPRIATION

4.1 Arrangements for Subscription for New Shares

The Trustee, at the direction of the Directors, may at any time within the period of 30 days prior to the Dealing Day immediately preceding the relevant Appropriation Day, subscribe for Shares for appropriation under this Scheme on that Appropriation Day, and the price per Share at which the Trustee subscribes for Shares under this Scheme shall be the greater of:-

a the nominal value of a Share on the date of subscription; and

b the market value of a Share which:

i so long as the Shares are listed on the New York Stock Exchange, shall be the middle market quotation of a Share as derived from the New York Stock Exchange (as derived from the Wall Street Journal) on the day immediately preceding the Dealing Day before the date of subscription; or

ii so long as the Shares are not listed on the New York Stock Exchange shall be their value determined in accordance with Section 272 of the Taxation of Chargeable Gains Act 1992 and as agreed in advance with the Shares Valuation Division of the Inland Revenue for the purposes of the Scheme.

4.2 Timing of Contributions to Trustees

Contributions to be made by the Company and each Participating Company to the Trustee to support any purchase for or subscription of Shares to be made by the Trustee for appropriation on any Appropriation Day shall be paid not later than the Dealing Day immediately prior to the relevant Appropriation Day.

5. APPROPRIATION OF SHARES

5.1 Number of Appropriations

Not more than two appropriations of Shares shall be made under the Scheme in each Year of Assessment out of profits of the Participating Companies.

5.2 Method of Appropriation

Shares shall be appropriated amongst Eligible Employees on an Appropriation Day in accordance with such one or more of the following methods as the Directors shall determine:-

a Eligible Employees shall receive Shares having an Initial Market Value equal to such percentage of their Qualifying Remuneration as the Directors shall determine; or

b Eligible Employees shall receive a number of Shares per year of Continuous Employment with one or more Participating Companies and/or Subsidiaries; or

c Eligible Employees shall receive a fixed number of Shares or a number of Shares with a Market Value equal to a fixed sum; or

d such other formula to be determined by the Directors and contained in a supplementary Trust Deed to be executed by the Trustees and the Company, and approved by the Inland Revenue.

For the avoidance of doubt, the methods mentioned in this Rule may be added but not multiplied.

5.3 Proportionate allocation of Shares which do not rank pari passu

Where the Trustee on an Appropriation Day appropriates Shares a proportion of which rank for any dividend or other rights by reference to a record date preceding the relevant Appropriation Day and a proportion of which do not, then the Shares to be appropriated to each Eligible Employee shall as far as practicable be in the same proportions thereto.

5.4 Limitation to Relevant Amount

The aggregate of the Initial Market Value of all Shares which may be appropriated to any Participant in any Year of Assessment shall not exceed the Relevant Amount.

5.5 Evidence of share ownership

Evidence of share ownership shall be provided by the Company in respect of Scheme Shares and shall be delivered to or to the order of the Trustee.

6. ISSUE OF SHARES

Shares to rank pari passu

All Shares issued under the Scheme shall as to voting, dividend, transfer and other rights (including those arising on a liquidation) rank pari passu in all respects with the Shares then in issue.

7. DISPOSALS AND PAYMENT

7.1 Prohibition on Disposal by Trustee

The Trustee shall not dispose of any Scheme Shares which have been appropriated to a Participant (whether to the Participant concerned or otherwise) except in accordance with Clause 5 of the Deed.

7.2 Accounting for Cash Receipts

Upon receipt of a sum of money being (or being part of) the proceeds of any disposal or Capital Receipt in respect of any Scheme Shares, the Trustee shall (subject to compliance with the provisions of the Act) account to the Participant for any balance remaining in their hands and relating to such Scheme Shares, provided that any sum of less than (pound)1 distributable to a particular Participant may be retained by the Trustee.

7.3 Accounting by Participating Company

Any Participating Company to which the Trustee pays any part of any such sum as is referred to in Rule 7.2 shall (subject to compliance with the Act) forthwith account to the Participant for the balance remaining in its hands.

8. TRANSFER OF LEGAL TITLE

8.1 Transfer free of Income Tax

Forthwith upon the earlier of:

a the Release Date of any Scheme Shares; and

b any time at which by reason of the provisions of the Act any such Scheme Shares shall cease to give rise upon their disposal to a charge to income tax on the relevant Participant,

the Trustee shall transfer the applicable Scheme Shares to the Participant concerned.

8.2 Transfer after Period of Retention

At any time after the end of the applicable Period of Retention, a Participant may, by notice in writing require the Trustee to transfer the relevant Scheme Shares into his name.

9. STAMP DUTY

Any stamp duty, stamp duty reserve tax or other expenses involved in any transfer of Shares by the Trustee shall be payable:-

a in the case of a transfer into the name of the Participant concerned, by the Trustee (and reimbursed by the Company); and

b in any other case, by the Participant concerned or the purchaser from the Participant concerned.

10. DISPUTES

The decision of the Directors in any dispute or question affecting any Eligible Employee or Participant under this Scheme shall be final and conclusive.

11. RIGHTS ON TERMINATION OF EMPLOYMENT

In no circumstances shall any person who has ceased to be an employee of any Participating Company by reason of dismissal or otherwise howsoever or who is under notice of termination of his employment be entitled to claim as against such Participating Company or the Trustee any compensation for or in respect of any consequential loss he may suffer by reason of the operation of the terms of the Scheme or of the provisions of the Act.

12. DUTY TO ACCOUNT FOR PAYE ETC

12.1 Deduction from Cash Payments

Where the Trustee receives a sum of money which constitutes (or forms part of):

a the proceeds of a disposal of Shares falling within Clause 6 which constitutes a Relevant Event, or

b a Capital Receipt,

then, if required by and in accordance with the provisions of paragraph 7 of Schedule 10 of the Act it shall pay to the Company or relevant Participating Company out of that sum of money an amount equal to that on which income tax is payable and the Company or relevant Participating Company shall then pay over that amount to the Participant in question but in so doing shall make a PAYE deduction, unless such Participant shall have ceased to be employed by the Company or Participating Company or the Board of Inland Revenue otherwise directs when the Trustee shall pay over the amount to the Participant but in so doing shall deduct United Kingdom income tax at the basic rate for the time being in force on an amount equal to that on which income tax is payable.

12.2 Transfer of Shares prior to Release Date

Where the Trustee receives from a Participant who has directed it to transfer the ownership of his Shares to him at any time before the Release Date, the sum calculated in accordance with Rule 2.2c, that sum shall be treated as a PAYE deduction by the Trustee.

12.3 Maintenance of records

The Trustee shall maintain such records as may be necessary to enable then to carry out their obligations under paragraph 7 of Schedule 10 of the Act, including records of all payments to the Company and sums deducted by the Trustee falling within Rule 12.1 and all sums received from Participants falling within Rule 12.2.

12.4 Information to Participants

The Trustee shall inform each Participant in writing of any facts relevant to determining the liability (if any) of that Participant to income tax under Schedule E by reason of an occurrence of an event under the Scheme in relation to his Scheme Shares.

RULES OF OCTEL PROFIT SHARING SHARE SCHEME

13. ALTERATIONS

13.1 General Power to Amend Scheme

Subject to the concurrence of the Trustee in a deed supplemental hereto, the Rules of the Scheme may be altered in accordance with the following provisions of this Rule. Any such alterations shall be binding on all Participating Companies.

13.2 Amendment prior to Inland Revenue approval

The Directors may, prior to the approval of the Scheme under the Act by the Inland Revenue, alter the Rules of the Scheme as may be necessary in order to obtain such approval.

13.3 Amendment subsequent to Inland Revenue approval

After the date on which the Scheme is approved by the Inland Revenue under the Act, the Directors may in their discretion alter the Rules provided that no such alteration shall be effective until approved by the Inland Revenue.

13.4 Amendment which adversely affects Participants

No alteration which purports to enlarge the obligations or restrict the rights of any Participant in respect of Scheme Shares already appropriated to him shall be effective.

14. GENERAL

The Company in general meeting or the Directors may at any time resolve to terminate this Scheme, in which event no further Scheme Shares shall be appropriated but the provisions of this Scheme shall continue in full force and effect in relation to Scheme Shares already appropriated

SCHEDULE TWO: NOTICE OF APPROPRIATION

To: (Name) Date:

(Address)

From: The Trustee of Octel Profit Sharing Share Scheme

This is to certify that the Trustee has now made an appropriation to [Name of Participant] ("the Participant") of [] Ordinary Shares of [\$] each in Octel Corp. under the Scheme, and their initial market value for income tax purposes is set out below [based on the current share price of \$ [] converted at an

exchange rate of \$: (pound)1]:-

Date of Initial Appropriation	Number of Shares	Value per share (pound)	Market Value (pound)
----------------------------------	------------------	----------------------------	-------------------------

The Ordinary Shares are held for the Participant by the Trustee of Octel Profit Sharing Scheme and are subject to a valid contract under paragraph 2 (2) of Schedule 9 of the Income and Corporation Taxes Act 1988.

Yours faithfully
for Octel Profit Sharing Trust Co. Limited

Notes:

1. PAYMENTS OF DIVIDENDS

Any dividends will be paid by the BACS system directly to your nominated bank account. It is very important therefore that you notify the Trustee immediately if you change your bank details (see below).

2. INCOME TAX

Income tax is not payable on the value of your shares if they are held on your behalf by the Trustee until the `Release Date' (currently three years from the date of appropriation). The amount of any dividend received and its tax credit should be entered on your Income Tax Return for the relevant year.

Write to the Trustee if:

- (1) you change your name: (give your old names and new names in full and send a copy of any documentation, e.g. marriage certificate);
- (2) you change your address: (give your old and new address and state your full names).

Address all such correspondence to the Trustee at:-

Trustee of Octel Profit Sharing Share Scheme Octel Profit Sharing Trust Co. Limited
c/o The Associated Octel Company Ltd
PO BOX 17
Oil Sites Road
Ellesmere Port
South Wirral
L65 4 HF

ALWAYS WRITE NAMES AND ADDRESSES IN BLOCK CAPITALS

SCHEDULE THREE: DEED OF ADHERENCE

THIS DEED is made the [] day of [] 1999

BETWEEN

- (1) The Associated Octel Company Limited whose registered office is at Suite 2, 4th Floor, Berkeley Square House, Berkeley Square, London, W1X 6DT ("the Company");
- (2) Octel Profit Sharing Trust Co. Limited whose registered office is at Suite 2, 4th Floor, Berkeley Square House, Berkeley Square, London, W1X 6DT ("the Trustee"); and
- (3) [] whose registered office is at [] ("the New Participating Company").

WHEREAS

- (A) This Deed is supplemental to a Deed dated [] and made between the Company and the Trustee (hereinafter called the "Principal Deed") whereby the Company established Octel Profit Sharing Share Scheme (hereinafter called "the Scheme").
- (B) The New Participating Company is controlled by the Company within the meaning of Section 840 of the Income and Corporation Taxes Act 1988.
- (C) In pursuance of the power contained in Clause 4 of the Principal Deed, the Company has agreed that subject to its entering into this Deed of Adherence, the New Participating Company may become a Participating Company for the purposes of the Scheme.

NOW THIS DEED WITNESSES as follows:-

1. The Company hereby agrees that the New Participating Company shall be a Participating Company for the purposes of the Scheme.
2. The New Participating Company hereby covenants with the Company and with the Trustee that it will observe and perform all covenants, conditions and provisions contained in the Principal Deed and all the provisions of the Scheme applicable to Participating Companies.

IN WITNESS whereof the parties hereto have caused this Deed to be executed the day and year first before written

OCTEL PROFIT SHARING SHARE SCHEME: DEED OF ADHERENCE

THE COMMON SEAL of
The Associated Octel Company
Limited hereto affixed in
the presence of:

Director

Secretary

THE COMMON SEAL of)
Octel Profit Sharing Trust Co. Limited)
was hereto affixed in)
the presence of:)

Authorised signatory

Authorised signatory

THE COMMON SEAL of
[]
was hereto affixed in
the presence of:

Director

Secretary

SCHEDULE FOUR: INVITATION LETTER

Dear []

Octel Profit Sharing Share Scheme ("the Scheme")

The Directors of the Company invite you to participate in the Scheme, and I am pleased to announce that you are eligible to have [] Ordinary Shares in Octel Corp. with a value of [(pound)] appropriated to you.

In order to participate in this appropriation you must complete the top copy of the Contract of Participation which is enclosed and return it to [] not later than []. **THE SECOND COPY OF THE CONTRACT OF PARTICIPATION SHOULD BE RETAINED - PLEASE KEEP IT IN A SAFE PLACE**

Yours faithfully

SCHEDULE FIVE: PARTICIPATION AGREEMENT

Octel Profit Sharing Share Scheme ("the Scheme")

To: []

Section I

I have received the invitation to participate in Octel Profit Sharing Share Scheme dated [] notifying me of my entitlement to receive ordinary shares of [\$] each in Octel Corp. and I hereby instruct you that I wish to take up my full entitlement to Shares.

You will receive your full entitlement to Shares provided you have completed Section II below.

Section II

You must complete this Section if you intend to take any Shares;

I wish to be appropriated Shares under the Scheme and in consideration of such appropriation I agree with the Company as follows:-

- (1) I will be bound by the Rules of the Scheme;
- (2) I will permit the Shares appropriated to me under the Scheme to remain in the hands of the Trustee of the Scheme throughout the period up to the Release Date (as defined in the Rules of the Scheme currently three years after the Shares are appropriated to me);
- (3) I will not assign, charge or otherwise dispose of my beneficial interest in the Shares period up to the Release Date;
- (4) If I direct the Trustee of the Scheme to transfer the ownership of my Shares to me at any time before the Release Date (as defined in the Rules of the Scheme - currently three years after the Shares are appropriated to me), I will pay to the Trustee of the Scheme before the transfer takes place such sum on account of income tax as they are required to collect under the Income and Corporation Taxes Act 1988;
- (5) I will not direct the Trustee of the Scheme to dispose of my Shares in any other way at any time after the Retention Period and before the Release Date, except by sale for the best consideration in money that can reasonably be obtained at the time of the sale.

OCTEL PROFIT SHARING SHARE SCHEME:

(6) I will permit the Trustee to make any payments of dividends directly to me through the Bank Automated Clearing System (BACS) and understand that this will require details of my nominated bank account to be disclosed to the Trustee for the purposes of making this payment to me.

Provided that none of the obligations contained in paragraphs (2) and (3) above shall prevent me from:-

a giving directions to the Trustee of the Scheme; or

b agreeing to sell to the Trustee of the Scheme my beneficial interest in my Shares in accordance with the provisions of paragraph 1 of Schedule 10 of the Income and Corporation Taxes Act 1988 (which only applies in the event of company reconstructions, schemes of arrangement, take-overs and similar events).

Signed **Dated**

Signed **Dated**

OCTEL PROFIT SHARING SHARE SCHEME:

EXECUTED as a DEED by)
The Associated Octel Company Limited)

Director

Director/Secretary

EXECUTED as a DEED by)
Octel Profit Sharing Trust Co. Limited)

Director

Director/Secretary

EXHIBIT 12.1 - STATEMENT REGARDING COMPUTATION OF FINANCIAL RATIOS

(Dollars in millions)

	1998	1997	1996	1995
1. NET INCOME AS A PERCENT OF SALES				
A NET INCOME	\$ 70.4	\$117.7	\$128.3	\$145.1
B NET SALES	\$465.0	\$539.1	\$597.4	\$628.3
A% OF B	15.1%	21.8%	21.5%	23.1%
2. EFFECTIVE INCOME TAX RATE				
C INCOME TAXES	\$ 41.5	\$ 56.7	\$ 63.8	\$ 71.7
D INCOME BEFORE INCOME TAXES	\$111.9	\$174.4	\$192.1	\$216.8
C% OF D	37.1%	32.5%	33.2%	33.1%
3. CURRENT RATIO				
E CURRENT ASSETS	\$240.9	\$282.7	\$339.6	\$314.9
F CURRENT LIABILITIES	\$205.2	\$102.8	\$123.5	\$138.8
E : F	1.2	2.7	2.7	2.3

EXHIBIT 13.2**REPORT OF INDEPENDENT AUDITORS**

Board of Directors and Stockholder
Octel Corp.

We have audited the accompanying combined balance sheet of the businesses that comprise Octel Corp. as of December 31, 1997, and the related combined statements of income, cash flows and stockholders' equity for each of the two years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of the businesses that comprise Octel Corp. at December 31, 1997, and the combined results of their operations and their cash flows for each of the two years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

Indianapolis, Indiana
April 4, 1998

EXHIBIT 21.1**SUBSIDIARIES OF REGISTRANT**

1. Octel Corp., a Delaware corporation
2. Octel L.L.C., a Delaware corporation
3. Octel America Inc., a Delaware corporation
4. Octel International Ltd., a United Kingdom corporation
5. Octel Developments PLC, a United Kingdom corporation
6. Octel Trading Ltd., a United Kingdom corporation
7. Octel Resources Ltd., a United Kingdom corporation
8. Octel Associates, a United Kingdom corporation
9. The Associated Octel Co. Ltd., a United Kingdom corporation
10. Associated Octel Co. (Plant) Ltd., a United Kingdom corporation
11. AKC Trading Ltd., a United Kingdom corporation
12. AKC GmbH, a German corporation
13. Octel France SAS, a French corporation
14. Societa Italiana Additivi per Carburanti srl, an Italian corporation

15. Octel Deutschland GmbH, a German corporation.

[PHOTO OF DENNIS J. KERRISON APPEARS HERE]

Dennis J. Kerrison
President and Chief Executive Officer
Octel Corp.

DEAR SHAREHOLDERS: There are three realities that define Octel. One, our main business is declining, and it's not coming back. Two, that business remains profitable. Three, those profits will fund our strategies for growth. Our mission is very clear.....

**A CLEAR PATH
OCTEL CORP. ANNUAL REPORT 1998**

1998 HIGHLIGHTS

SPIN-OFF FROM GREAT LAKES CHEMICAL CORPORATION.

**ITALIAN PLANT SALE. IMPROVED SAFETY RECORD,
50% IMPROVEMENT OVER 3 YEARS.**

**PURCHASED FUEL ADDITIVES BUSINESS FROM VEBA OEL.
PLUTO (ESTABLISHED AS OCTEL DEUTSCHLAND GMBH.**

EPS MET MARKET EXPECTATIONS.

**ESTABLISHED A MARKETING ALLIANCE
WITH ETHYL FOR THE SALE, MARKETING AND DISTRIBUTION OF TEL.**

**GENERATED \$238M CASH FROM OPERATING ACTIVITIES,
50% OF SENIOR DEBT PAID IN FIRST 8 MONTHS.**

REPURCHASED \$14.0M IN SHARES (5.6%).

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Financials	13

[BACKGROUND ARTWORK APPEARS HERE]

FINANCIAL HIGHLIGHTS

(DOLLAR AMOUNTS IN MILLIONS EXCEPT PER SHARE FIGURES)

	1998	1997	1996	1995
SUMMARY OF EARNINGS:				
NET SALES	\$ 465.0	\$ 539.1	\$ 597.4	\$ 628.3
OPERATING INCOME	134.9	194.7	226.1	254.6
INCOME BEFORE INCOME TAXES AND MINORITY	111.9	198.7	221.7	249.1
MINORITY INTEREST	--	24.3	29.6	32.3
INCOME TAXES	41.5	56.7	63.8	71.7
NET INCOME	70.4	117.7	128.3	145.1
CASH GENERATED BY OPERATING ACTIVITIES	238.3	167.5	127.8	175.8
FINANCIAL POSITION AT YEAR END:				
WORKING CAPITAL	106.7	179.9	216.1	175.8
TOTAL ASSETS	806.7	832.9	841.0	798.4
LONG TERM DEBT (INCLUDING CURRENT PORTION)	300.8	--	--	--
GLCC INVESTMENT	--	652.8	584.6	530.8
STOCKHOLDERS' EQUITY	301.1	--	--	--
FINANCIAL RATIOS:				
NET INCOME AS A PERCENT TO SALES	15.1	21.8	21.5	23.1
EFFECTIVE INCOME TAX RATE	37.1	32.5	33.2	33.1
CURRENT RATIO	1.2	2.7	2.7	2.3
SHARE DATA:				
EARNINGS -- BASIC	4.85	7.84	8.08	8.88
-- FULLY DILUTED	4.85	7.84	8.08	8.88
SHARES OUTSTANDING (BASIC, THOUSANDS)				
-- AT YEAR END	13,934	15,000	15,900	16,300
-- AVERAGE DURING YEAR	14,514	15,000	15,900	16,300
STOCK PRICE				
-- HIGH	22.7	--	--	--
-- LOW	11.6	--	--	--
-- AT YEAR END	13.9	--	--	--

. 1995 BALANCE SHEET DATA IS UNAUDITED.

. ACCOUNTS DETAILS PRIOR TO THE SPIN-OFF (MAY 22, 1998) ARE DERIVED FROM GLCC HISTORIC DATA.

OCTEL IS A GLOBAL CHEMICAL COMPANY SPECIALIZING IN HIGH PERFORMANCE FUEL ADDITIVES -- PRIMARILY TETRAETHYL LEAD (TEL) ANTI-KNOCK COMPOUND.

We manufacture approximately 80 percent of the global demand for TEL and, through the recently formed marketing alliance with Ethyl Corporation, market directly to approximately 75 percent of global customers. The market is declining roughly 15 percent per year due to the incompatibility of leaded fuel with catalytic converters and certain health and environmental concerns. We have pledged to manage this decline safely under our Product Stewardship Program. By vigorous strategic management of our cost base, we will work to maintain high margins to pay off debt and generate sufficient cash to grow our two strategic business units: Petroleum Specialties and Performance Chemicals. The result, we believe, will be the creation of value for our shareholders.

... We will manage the declining lead business safely and effectively and maximize cash flow through the decline. We will differentiate ourselves from our competition and manage costs tightly to drive productivity improvements throughout the organization. Also, we will look for opportunities for further industry consolidation. We will accelerate our debt repayment, invest in our specialties businesses, and return value to our shareholders. Our challenges, of course, are also very clear. We must reinvent the company. We will create the infrastructure of people, operations and technology to become a new company on a new track towards profitable growth.

Our overriding mission is to execute these strategies in a way that creates value for the shareholders who invest in our business. We can't do that by tinkering at the margins of change. It takes fundamental redirection. And that, in turn, takes tough decisions. We faced up to reality early. When you're looking at a business that is declining by 15 percent a year, you can't waste energy trying to change the rules. You create new ones. You adapt.

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[PICTURE OF PLANE APPEARS HERE]

[SOUND BITE 2 - SEE PAGE 53]

WHERE WE STAND

The first step in rewriting the rules for the new company was the spin-off from Great Lakes Chemical Corporation. Being on our own allows us to deal positively with our issues, set our own strategies, focus on our strengths and invest in our technologies. We can now create our own future.

THREE KEY UNITS As a number of businesses historically managed by Octel were retained by Great Lakes, we organized the company into three Strategic Business Units (SBUs) -- Lead Alkyls (TEL), Petroleum Specialties and Performance Chemicals. We understand the drivers, competitors, challenges and opportunities for each of these businesses.

While the TEL business is declining, it will remain a viable business for a considerable number of years. TEL remains the most efficient octane enhancer available, meaning the transition to lead-free fuel is unlikely to happen globally all at once. Also, in some uses -- piston-engined aircraft, for example -- there is no realistic substitute.

However, we do not have the market to ourselves. There are three competitors: Ethyl Corporation (U.S.), competing in North America and Western Europe, Alcor/Novoktan

[PHOTO OF STEVE W. WILLIAMS APPEARS HERE]

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(Switzerland/Eastern Germany) and Sintez(Russia). However, our competitive advantages are substantial.

A SERVICE ADVANTAGE One advantage is our size. Serving a market that spans the globe, we are the clear number one player in the TEL market. We supply our global distribution network from a world-class manufacturing facility in Ellesmere Port, UK and subsidiaries and offices across the world. We can provide a range of services that go well beyond the delivery of product. All of this gives customers compelling reasons to make Octel the supplier of choice.

Our profile is raised further by the fact that, as the industry leader, we have taken on the role of setting standards. Through our Product Stewardship Program -- which focuses on excellence in safety and quality -- and our environmental services team, we will help the industry work responsibly and safely during the decline of lead.

OPPORTUNITIES IN CONSOLIDATION Given the rapid decline in TEL, and the high costs and logistical complexity facing the industry, we decided immediately after the spin-off to seek opportunities for industry consolidation.

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[PHOTO OF MAN AT CONTROL PANEL APPEARS HERE]

[SOUND BITE 6 - SEE PAGE 53]

[GRAPHIC APPEARS HERE]

In October, we forged a marketing alliance with Ethyl Corporation to improve services to customers outside the U.S. and Western Europe. The cultural similarities between the companies and our joint commitment to safety, quality and excellence give us confidence that the alliance will allow us to manage the decline efficiently and increase our ability to meet the full range of customer needs. We will continue to seek further opportunities for consolidation, maintaining our leadership position and ensuring that our global customers receive the service and support they demand.

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[PHOTO OF ALAN G. JARVIS APPEARS HERE]

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OUR OPPORTUNITY FOR GROWTH

As we generate revenues from our lead business to pay back debt, we are also building our position in Specialty Chemicals, where we are concentrating on two main markets: Petroleum Specialties and Performance Chemicals.

The larger of the two is Petroleum Specialties, a performance fuel additives business built on the TEL operation. Over the last 8 years our global coverage and extensive customer network has enabled us to build a solid business with sales of \$64M in 1998. We believe that our long experience in fuels and our broad market presence will be an ongoing advantage.

A NEED FOR CLEANER FUELS Recognizing the opportunity in the demand for cleaner- burning and more efficient fuels early on, we have used our experience to develop a range of products and customized performance blends for both diesel and gasoline engines. We are now one of the largest independent suppliers of products that enable our petroleum industry customers to improve and differentiate their products in the marketplace.

Petroleum Specialties' Refinery Services unit supplies a growing list of products and services that improve operational efficiencies and product performance at the Refinery.

[PHOTO OF CHEMICAL CONTAINERS APPEARS HERE]

[SOUND BITE 8 - SEE PAGE 53]

[SOUND BITE 9 - SEE PAGE 53]

Also, in December we completed the acquisition of Pluto from Veba Oel. The company, which now operates as Octel Deutschland GmbH, opens wide new marketing opportunities to serve customers in more places with an expanded range of Petroleum Specialty products.

Our second growth opportunity, Performance Chemicals, originally centered on intermediates and raw materials related to our main businesses. Our focus as we go forward is to develop high performance, and particularly environmentally friendly, products from our technology base. The major current product line is Octaquest(R), which was originally developed for the detergent market. We are now finding applications in the personal care, paper, photographic and other markets where biodegradability is a key requirement.

BUILDING ON STRENGTHS We are not the volume leader in these growth industries, but we do have a strong niche position and an excellent technology base -- footholds we need to become a major factor in the market in the future.

In Petroleum Specialties, we are developing interesting combustion enhancers for both diesel and gasoline. The acquisition of Pluto has added Ferrocene, an iron-based

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[SOUND BITE 11 - SEE PAGE 53]

combustion improver, into our family of products, giving us flexibility in formulating to meet the new, vigorous air standards being introduced. In Performance Chemicals, the Octaquest technology is the platform for the development of a family of products, such as Octahib(R), a biodegradable corrosion inhibitor that protects metal.

BALANCED OPTIONS FOR GROWTH We have a number of ways we can grow the business beyond organic growth from home-grown R&D. Among the relatively low-cost, low-risk options for building our business are: licensing, acquisitions, custom synthesis and developing ways to use existing technologies in product applications for new markets.

For example, the licensing program we launched in 1998 will allow us to introduce new technologies into a number of our markets. Many of the industries that are moving toward outsourcing manufacturing are benefiting from our infrastructure and experience.

PRODUCTS FOR NEW MARKETS Another clear opportunity is to move products currently sold by Petroleum Specialties into other market segments without high market entry and

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[BACKGROUND PHOTO APPEARS HERE]

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development costs. One good example is Stadis(R), an anti-static agent for fuels that could have many other similar applications in various manufacturing processes.

Finally, we intend to accelerate the growth of the company over time through bolt-on acquisitions. These will be companies that are small, affordable and in areas we know.

They typically will help us fill strategic gaps and move faster in building shareholder value.

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PLAN IN MOTION

Real change, of course, is more than a strategic course correction. It takes a rethinking of the basics -- people, costs and operations. It takes rebuilding around new realities.

THE PEOPLE FACTOR Once a fairly traditional hierarchy, we are recreating our culture around heavy employee involvement in decision-making and open, two-way communications. We have asked our people for their ideas and their support. The response of our employees and their representatives during a difficult period of downsizing has been outstanding. They have been absolutely key to the progress we have made, and they are critical to our future.

HOLDING THE MARGINS Rather than pursuing individual cost-improvement programs on an ad hoc basis, we adopted a strategic cost management program. Continuous cost improvement is central to all we do: our lines of business, our site operations and our longer-term investment plans. A key step was to reduce capacity we would no longer need. In 1996 we closed both our French and Italian manufacturing operations, consolidating all TEL manufacture at Ellesmere Port.

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[SOUND BITE 16 - SEE PAGE 54]

Also, from May 1996 to the end of 1998, we reduced our employee force by approximately 50 percent. However, as we continue to rationalise, we will also continue to create new and better management systems, performance measurements and training programs.

A MATTER OF RESPONSIBILITY To improve on our past safety and environmental record, we have adopted Organizational Stewardship as a core value -- which means we answer not only to our profit statement, but also to the safety of our employees and neighbors and the well-being of the environment.

We have signed up to the Guiding Principles of the Chemical Industries Association's Responsible Care Program, and we have set new internal improvement targets. As a result of these and related efforts, we have improved our safety record for the third consecutive year. There is still more improvement to be made, but we are clearly on the right track.

A CLEAR PATH FORWARD The productive year behind us is a first, solid step along what I see as a five-year horizon. The first years, by necessity, will focus on managing our current business and paying down our debt ahead of schedule. But,

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[SOUND BITE 18 - SEE PAGE 54]

as we manage those situations, we will be moving forward toward a new and exciting future for Octel and our shareholders.

My thanks to you, our shareholders, for your support, and to our employees for all you have done in making our future possible.

Sincerely,

/s/ Dennis J. Kerrison
DENNIS J. KERRISON
President and Chief Executive Officer, Octel Corp.

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[PHOTO OF DR ROBERT E. BEW APPEARS HERE]

CHAIRMAN'S MESSAGE

I am pleased to have chaired the company through its first eight months as a public company and to have seen it deliver performance in line with expectations.

I believe our performance relates directly to the quality of leadership. In addition to a very experienced management team, we have assembled a first-rate Board of Directors, giving us a wealth of international experience in the chemical, petrochemical and financial services industries. Guiding our efforts is a system of good Corporate Governance practices to meet our shareholders' expectations.

The most tumultuous period of change is now behind us. Ahead, I believe, is a time of building on the platform we have created, and of progress in our number one objective: creating a business that delivers value for our shareholders.

Sincerely,

/s/ Dr Robert E. Bew

*DR. ROBERT E. BEW
Chairman, Octel Corp.*

[SOUND BITE 20 - SEE PAGE 54]

FINANCIALS

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- 24. Management's Statement of Responsibility for Financial Statements
- 25. Report of Independent Accountants
- 26. Consolidated Statements of Income
- 27. Consolidated Balance Sheets
- 28. Consolidated Statements of Cash Flows
- 29. Consolidated Statements of Stockholders' Equity
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**MANAGEMENT'S DISCUSSION
AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS**

OVERVIEW

The following discussion is based upon the separate financial statements of the Company, which present the Company's results of operations, financial position and cash flows. In so far as they relate to the periods prior to May 22, 1998 when the spin-off of Octel Corp. from the Great Lakes Chemical Corporation group (GLCC) was consummated, these financial statements include the assets, liabilities, income and expenses that related to the Octel businesses as they were operated as a part of the Petroleum Additives Business Unit of GLCC, and the Company's statement of income includes all the related costs of doing business, including charges for the use of facilities and for employee benefits. The financial information included herein, however, may not necessarily reflect the results of operations, financial position and cash flows that would have been achieved if the Company had been an independent company during the periods presented.

Some of the information presented in this Annual Report constitutes forward- looking comments within the meaning of the Private Litigation Reform Act of 1995. Although the Company believes its expectations are based on reasonable assumptions within the bounds of its knowledge of its business and operations, there can be no assurance that actual results will not differ materially from its expectations. Factors which could cause actual results to differ from expectations include, without limitation, the timing of orders received from customers, the gain or loss of significant customers, competition from other manufacturers and changes in the demand for the Company's products, including the rate of decline in demand for tetraethyl lead (TEL). In addition, increases in the cost of product, changes in the market in general and significant changes in new product introduction could result in actual results varying from expectations.

The Company has three businesses -- Lead Alkyls (TEL), Petroleum Specialties and Performance Chemicals. TEL is the Company's principal product, and the Company is the world's leading manufacturer of TEL. Over the last few years, approximately 70% of the Company's TEL production has been sold on a retail basis to oil refineries, and the remaining 30% has been sold to distributors, principally Ethyl Corporation (Ethyl), under long-term wholesale contracts. Pricing to distributor customers is substantially below pricing to retail refinery customers.

From 1989 to 1995, the Company was able to substantially offset the financial effects of the declining demand for TEL through higher TEL pricing. The magnitude of these price increases reflected the cost effectiveness of TEL as an octane enhancer as well as the high cost of converting refineries to produce higher octane grades of fuel. More recently, however, as the optimum TEL levels in gasoline have been reached, and as competition has

intensified due to the decline in demand for TEL, it has been increasingly difficult for the Company to secure general price increases. The Company expects that this trend will continue in the foreseeable future.

As world demand for TEL has declined, the Company has been reducing its cost base in an attempt to maintain its margins. In 1989, the Company closed its German manufacturing facility. In 1996, the Company ceased production at its Italian and French manufacturing facilities. The closure of the Italian and French facilities has reduced the Company's workforce by 193 and will result in a further reduction of 59 employees upon substantial completion of site remediation activities in France. All of the Company's current TEL requirements are now produced at its sole remaining TEL manufacturing facility which is located in Ellesmere Port in the United Kingdom. In December, 1998 one of the three TEL buildings on this site was closed. Since 1996, the Company's cost reduction efforts and operating improvement programs in the UK have reduced the workforce by 686 people as at December 31, 1998 and by mid 1999 the total UK workforce will be reduced by 50% from the 1,800 employed in June 1996. All this has been achieved through voluntary severance programs. The Company will continue to downsize its manufacturing and operating cost base and restructure its operations as the TEL market continues to decline.

RECENT DEVELOPMENTS

On September 29, 1998 the Company announced that its UK subsidiary The Associated Octel Company Limited (Associated Octel) had signed agreements with Ethyl Corporation and its UK subsidiary to market and sell TEL in areas of the world excluding North America and the European Union. The agreements, which became effective October 1, 1998, finalized the memorandum of understanding between the companies previously announced on July 27, 1998. Under the agreements, all marketing and sales efforts made to customers are made in the name of Associated Octel. Ethyl provides bulk transportation services in support of the agreements while Octel continues to produce all TEL marketed under these agreements. Depending upon cost, performance and flexibility, one or both companies provide under the agreements other TEL services. As countries move increasingly toward lead-free fuel and the demand for TEL continues to decline, it becomes increasingly more expensive to market, sell, manufacture and distribute a given quantity of TEL. The Company believes that significant cost savings can be achieved under these agreements by permitting more efficient marketing, sales and distribution of TEL products.

In order to diversify and expand its non-TEL product line, in December 1998 the Company concluded an agreement with Veba Oel AG for the acquisition of its petroleum specialties subsidiary, Chemische Betriebe Pluto GmbH (Pluto). Based in Herne, Germany, Pluto manufactures and sells fuel additives mainly based on ferrocene, an iron-based metal organic product used as a combustion improver and octane enhancer. Pluto has annual sales of approximately \$18 million. The Company and Pluto had already entered into a joint marketing arrangement in 1997.

The Company continues to reduce TEL costs in line with the market decline and announced another voluntary severance program in September 1998 which is to be implemented in early 1999. The Company closed one TEL building at the end of 1998 and has announced a formal review into the economics of manufacturing raw materials currently produced to support the manufacture of TEL.

FISCAL 1998 COMPARED TO FISCAL 1997

Net sales decreased \$74.1 million (or 14%) in 1998 to \$465.0 million from \$539.1 million in 1997. Net sales by business area are set forth in the following table:

(DOLLARS IN MILLIONS)	1998		1997		INCREASE (DECREASE)
TEL	\$ 369.0	79%	\$ 442.0	82%	(16)%
PETROLEUM SPECIALTIES	63.9	14	62.6	12	2
PERFORMANCE CHEMICALS	32.1	7	34.5	6	(7)
TOTAL	\$ 465.0	100%	\$ 539.1	100%	(14)%

TEL sales in 1998 were \$73 million (16%) lower than 1997, attributable to volume decreases of \$65.5 million and price reductions of \$9.1 million offset by exchange gains of \$1.6 million. The reduction is largely due to the decreased worldwide demand for TEL which reduced volumes and increased surplus capacity and competition in the marketplace.

Retail TEL volumes decreased by 9% to 50,600 metric tons, and prices fell by 3%. Sales on a wholesale basis fell in volume terms by 45% to 13,400 metric tons, principally due to reduced off-take by Ethyl.

Petroleum Specialties net sales in 1998 were \$63.9 million, an increase of 2% over 1997 levels, despite reduced market demand for additives in Asia Pacific. The acquisition of Pluto (now Octel Deutschland) in December 1998 will add to sales in 1999 but its results are not included in 1998.

Performance Chemicals net sales in 1998 were \$2.4 million (7%) below 1997 levels, mainly as a result of reduced demand for Octaquest(R) and a plant maintenance shutdown, prior to expansion during the year.

Gross profit of \$220.7 million in 1998 was \$44.0 million (17%) below 1997 levels. As a percentage of sales, gross profit in 1998 was 47% compared to 49% in 1997. The reduction reflects the decline in TEL sales but also reflects an increase in rationalization charge from \$13 million to \$16 million, including the settlement of all liabilities relating to the Bussi site (Italy) in return for a payment of \$5 million.

Operating expenses in 1998 were \$85.8 million, increased by \$15.8 million (23%) on 1997. The increase is principally due to higher amortization charges on intangible assets from \$27.6 million in 1997 to \$42.6 million in 1998, mainly resulting from the acquisition in late 1997 of the minority interest in the Company's subsidiaries previously held by Chevron Chemical Company (Chevron). Sales, general and administrative expenses were \$40.1 million compared to \$38.6 million in 1997, but the increase of \$1.5 million includes \$3.0 million of public company costs which did not exist in 1997.

Operating income in 1998 was \$134.9 million, a return of 29% on net sales. The reduction in the rate of return from 36% in 1997 was mainly the result of lower gross profit and increased amortization charges.

Interest expense in 1998 was \$25.2 million compared to \$2.2 million in 1997. Interest on the Senior Debt and Notes issued in connection with the spin-off from GLCC was \$21 million for the eight months through December, the balance being interest paid to GLCC on loans to fund the acquisition of Chevron's minority interest in November 1997. Interest income decreased from \$3.9 million in 1997 to \$2.7 million in 1998.

The decrease in other expenses and other income, compared to 1997, of \$1.8 million and \$4.6 million, respectively, relates to foreign exchange movement from an income of \$6.8 million to an expense of \$2.5 million.

The minority interest in the Company was acquired from Chevron in the fourth quarter of 1997, resulting in an improvement of \$24.3 million in profit attributable to the Company in 1998.

Income tax charges of \$41.5 million in 1998 decreased by \$15.2 million from 1997, largely due to the decrease in pre-tax profits but also due to a \$3.5 million refund of Italian withholding tax received by the Company.

FISCAL 1997 COMPARED TO FISCAL 1996

Net sales decreased \$58.3 million (or 10%) in 1997 to \$539.1 million from \$597.4 million in 1996. Net sales by business are set forth in the following table:

(DOLLARS IN MILLIONS)	1997		1996		INCREASE (DECREASE)
TEL	\$ 442.0	82%	\$505.1	85%	(12)%
PETROLEUM SPECIALTIES	62.6	12	70.9	12	(12)
PERFORMANCE CHEMICALS	34.5	6	21.4	3	61
TOTAL	\$ 539.1	100%	\$597.4	100%	(10)%

This total decrease was primarily attributable to a decline in sales volume of \$67.9 million which was partly offset by a price increase of \$8.7 million and foreign exchange gains of \$0.9 million. In 1997 the retail volume of TEL sold was 55.8 thousand metric tons as compared with 63.8 thousand metric tons in 1996, a decline of approximately 12%, which was slightly improved from the 13% annual volume decline experienced in 1996. Reduced sales in Western Europe, the Middle East and Australia were partly offset by increases in Eastern Europe and Central America, but the Company believes it maintained its share of the worldwide retail TEL market during this period. Retail sales prices of TEL increased by approximately 2% in 1997 as compared to 1996. Product pricing reflected (i) the Company's strategy to extend the life of TEL by reducing or foregoing price increases, (ii) changing refinery economics related to achieving octane ratings by using different production processes, (iii) a changing mix of customers and regions of the world where TEL is sold (e.g., TEL demand in higher priced regions declined at a faster rate than in other regions), and (iv) aggressive pricing by competitors. Sales of TEL on a wholesale basis decreased by approximately 20% in 1997 as compared to 1996, declining from 30.2 thousand metric tons in 1996 to 24.2 thousand metric tons in 1997. This higher than normal rate of decline mainly resulted from a Mexican phase-out of leaded gasoline, which market had been supplied by E.I. du Pont de Nemours & Company (DuPont) with TEL purchased from the Company. The ratio of the Company's retail TEL sales

to wholesale TEL sales was 70/30 in 1997 as compared to 68/32 in 1996. Net sales of Petroleum Specialties declined 12% in 1997 as compared to 1996 because of the loss of a major customer, while net sales of Performance Chemicals increased 61% in 1997 as compared to 1996 because of increased demand for Octaquest, a biodegradable chelating agent used in laundry products.

Gross profit decreased \$33.9 million (or 11%) in 1997 to \$264.7 million from \$298.6 million in 1996 because lower TEL volumes and adverse currency effects offset selling price gains and cost improvements. As a percentage of net sales, gross profit decreased to 49.1% in 1997 as compared to 50% in 1996. This decrease also reflects TEL being a lower percentage of total sales in 1997.

Operating expenses decreased \$2.5 million (or 3.4%) in 1997 to \$70.0 million from \$72.5 million in 1996 primarily as a result of cost reduction programs, including a decrease in research and development expenses of \$1.8 million, net of unfavorable currency translations. As a percentage of net sales, operating expenses increased in 1997 to 13.0% as compared to 12.1% in 1996.

Other income increased \$6.7 million to \$7.9 million in 1997 from \$1.2 million in 1996 mainly due to foreign currency gains of \$6.8 million.

LIQUIDITY AND FINANCIAL CONDITION

Cash provided by operating activities in 1998 amounted to \$238.3 million, an increase of \$70.8 million (42%) over 1997. \$45 million of the working capital reduction related to tax because cash flows in respect of 1997 taxation liabilities were met by GLCC as part of the spin-off. A further \$83.6 million reduction resulted from internally generated working capital reductions, notably in debtors where reduced sales levels and a reduction in debtor days from 109 days to 98 days combined to create a \$53.6 million reduction. Inventory levels increased overall, with raw material reductions more than offset by \$25 million increases in finished goods due to bulk shipping patterns and the inclusion of \$3 million of Octel Deutschland inventories on acquisition.

Total expenditure on plant closures was \$27.8 million compared to \$35.3 million in 1997. Of this \$14.9 million related to personnel severance, and a further payment of \$5 million was made in settlement of all remediation liabilities at the Bussi site in Italy.

Cash outflows in investing activities included capital expenditure of \$23.5 million and business combinations of \$26.4 million, the latter including \$9.4 million relating to the acquisition of Octel Deutschland and \$8.7 million paid to a former partner in the Cetex International joint venture to acquire the goodwill and customer list of the Cetex diesel fuel additives business.

Payments of \$468.5 million were made to GLCC in 1998, principally relating to the spin-off. External borrowings in the year relate to the Senior Notes of \$150 million and the Senior Debt of \$280 million and \$11 million under the Revolving Credit Facility which were put in place as part of the spin-off. During the year \$140 million, 50% of the Senior Debt, was repaid.

In the period from August to year-end the Company undertook a stock buyback program and repurchased 882,280 shares at an aggregate cost of \$14.0 million. 53,228 shares were issued at an aggregate cost of \$0.8 million, comprising 3,000 new stock and 50,228 reissued treasury stock.

DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Between 50% and 60% of the Company's sales are in US dollars. Foreign currency sales, primarily in UK pounds sterling, offset most of the Company's costs, which are also in UK pounds sterling. To the extent required by the Company, dollars are sold forward to cover local currency needs. The instruments utilized by the Company in its hedging activities are considered risk management tools, and are not used for trading or speculative purposes. The Company diversifies the counterparties used and monitors the concentration of risk to limit its counterparty exposure.

ENVIRONMENTAL MATTERS AND PLANT CLOSURES

The Company is subject to laws, regulations and legal requirements relating to the use, storage, handling, generation, transportation, emission, discharge, disposal and remediation of, and exposure to, hazardous and non-hazardous substances and wastes (Environmental Laws) in all of the countries in which it does business. Under certain Environmental Laws, the Company is responsible for the remediation of hazardous substances or wastes at currently or formerly owned or operated properties.

The manufacturing operations of the Company have been conducted outside the United States and, therefore, any liability of the Company pertaining to the investigation and remediation of contaminated properties is likely to be determined under non-US law.

Management believes (based upon its internal review and the review of reports prepared by independent experts) that the Company is in material compliance with all applicable Environmental Laws. Such expenditure as is required to maintain compliance has been and will continue to be made at all sites for which the Company has responsibilities. The Company has developed estimates for the costs of compliance, which are set out below. Management believes these to be reasonable (based upon its internal review and the review of reports prepared by independent experts). There can be no assurance, however, that these estimates will prove accurate or that the Company will not incur costs in excess of these estimates. Further, there can be no assurance that changes in existing laws, or the discovery of additional environmental liabilities associated with current or historical operations, will not require the Company to incur material costs or otherwise adversely affect the Company's business, results of operations or financial condition.

Total expenditure on remediation, decontamination and demolition projects related to the closed manufacturing sites in France, Germany and Italy amounted to \$10.6 million, \$13.1 million and \$2.8 million in the years 1998, 1997 and 1996, respectively. In December 1998 the Bussi site in Italy was transferred to Ausimont SpA, and in return for a payment of \$5 million Ausimont SpA has accepted full responsibility for remediation and has indemnified

the Company against all current and future environmental liabilities. Other expenditure of \$5.6 million in 1998 relates to ongoing projects.

At Ellesmere Port site in the UK remediation, decontamination and demolition revenue expenditure was \$2.3 million, \$0.4 million and \$0.9 million and capital expenditure was \$2.7 million, \$0.6 million and \$0.1 million in the years 1998, 1997 and 1996, respectively.

In addition to environmental compliance the Company has also incurred personnel severance costs in relation to the ongoing management of the decline in TEL business. Total severance costs group-wide were \$14.9 million, \$21.8 million and \$16.0 million in the years 1998, 1997 and 1996, respectively.

Management estimates the total future revenue costs of environmental matters to be as follows:

(MILLIONS OF DOLLARS)		
ENVIRONMENTAL	-- OVERSEAS GROSS	\$10
	-- LESS RECOVERIES	(6)
		4
	-- UK	56
TOTAL ENVIRONMENTAL SEVERANCE		60
		35
		\$95

Of the total environmental costs some \$34 million relates to costs which will not be incurred unless and until all manufacturing operations at Ellesmere Port cease and the site is sold to third parties. Capital costs, not included in the \$95 million noted above, are estimated at \$18 million. The majority of expenditure in 1999 is expected to relate to severance costs of some \$16 million.

INFLATION

Inflation has not been a significant factor for the Company over the last several years. Management believes that inflation will continue to be moderate over the next several years.

SINGLE EUROPEAN CURRENCY

In January 1999, certain European countries began the transition to the Euro. The transition to the Euro has both internal recordkeeping and external commercial aspects, neither of which are expected to have a material effect on the Company's business, results of operations or financial condition.

Octel is implementing a program of work, the objective of which is to ensure that the Company is not adversely affected by "Date Discontinuity" problems in computers, software and embedded processors during the transition from 1999 to 2000 and as a result of 2000 being a leap year.

Date discontinuity occurs when time as expressed by a system or its software does not move forward successfully in line with true time. The most commonly known manifestation of this occurs in systems that recognize years as two digits and, when moving from '99' to '00', recognize '00' as 1900 or fail altogether. Additionally, some systems fail to recognize 2000 as a leap year, omitting Feb 29th from their calendars.

PROJECT SCOPE

The project covers Information Technology (IT) systems, embedded processors, supply chain and business continuity.

IT systems include central and network hardware, business systems and desktop hardware and software. Octel has very little bespoke software, the majority being industry standard packages, customized only where necessary.

Embedded processors include, for example, plant instruments, laboratory equipment, control systems, data acquisition systems, vehicles and telecommunications.

Supply chain considerations include liaison with suppliers and customers about our respective states of readiness for the Year 2000.

Business continuity will consider all areas of the business and put in place contingency plans to mitigate the consequences arising from key risks identified.

The project covers all Octel Corp. sites.

PROGRAM

Work is divided into the following key stages:

1. Inventory of hardware, software and embedded systems
2. Analysis of compliance
3. Defining and planning of solutions
4. Implementation and testing of solutions
5. Confirmation of major suppliers' and customers' state of readiness
6. Contingency planning

Steps 1 and 2 are substantially complete.

Step 3 is progressing in all areas as compliance analysis information is generated. This is being produced by business process reviews and impact assessments.

In the UK there are two key IT legacy system replacement programs (Step 4), both of which are advancing well:

- . Replacement of the existing purchasing and sales order processing system.
- . Introduction of Windows NT environment, which will result in substantial replacement of desktop hardware and software.

In Step 5, all current suppliers of goods and services have been approached and replies have been received from most suppliers. Key suppliers are the subject of more detailed scrutiny to monitor the progress of their program. Liaison with key customers is now ongoing.

The risk analysis relevant to the business which feeds into the contingency plan (Step 6) covers internal processes, resource requirements and supply chain issues. This program is progressing well.

Octel Corp. expects to be in full Year 2000 readiness for critical systems by the end of the third quarter 1999 and will then continue to monitor all areas through January 2000 and beyond.

COSTS

It is estimated that the total cost of achieving Year 2000 compliance will be approximately \$8.0 million of which \$6.5 million will be on IT systems and \$1.5 million on embedded processors. This figure is subject to ongoing review and throughout the project life cycle the business benefit of systems is constantly challenged and redundant systems will be decommissioned prior to the Year 2000. Approximately \$3 million has been spent to date.

RISKS

The most reasonably likely worst case scenario is an event which would shut down the Sodium manufacturing process. It has been estimated that this would reduce TEL production for up to six months. During this time the Company would be able to maintain supplies to its customers but the cost to the business would be approximately \$11 million.

Through its internal and Supplier Year 2000 projects the Company is working to minimize the probability of such an event occurring and, through its contingency planning, to mitigate the consequences.

FUTURE OUTLOOK

The Company is, and for the next several years is likely to remain, highly dependent on its principal product, TEL. Over the last three years, TEL has represented more than 80% of the Company's net sales and has provided essentially all the Company's profits and cash flow. The Company believes that its strong, although declining, cash flow in the foreseeable future will be adequate to fund the Company's future capital and operating needs. In addition, the Company will have access to the \$9 million Revolving Credit Facility not presently drawn down.

World demand for TEL has been in decline since the 1970s, and this trend is expected to continue. Through the mid-1990s the Company was able, in part, to offset the effects of declining volumes with selling price increases.

More recently, however, the Company has reduced or foregone price increases in order to extend the life of the product and to remain competitive with other TEL marketers and alternate methods of achieving higher octane levels in gasoline. The Company believes that a competitive pricing environment will continue which will increasingly limit the ability of the Company to partially offset the effects of future declines in TEL volumes with price increases.

The Company has and will continue to downsize and restructure its operations consistent with declining demand for TEL. The cessation of TEL production in France and Italy and the restructuring of the UK operations have reduced the cost base to maintain operating margins. Notwithstanding the Company's continuing downsizing and productivity improvement programs, management expects the fixed cost per ton of TEL to increase gradually in the future as cost reductions are not expected to keep pace with declining TEL sales volume.

The marketing agreement with Ethyl positions the Company to optimize returns over the remaining life of TEL, but is not expected to yield significant benefits during 1999.

Raw materials, particularly lead, ethylene and salt, account for a substantial portion of the total manufacturing costs of TEL. These materials are commodities and are subject to significant price fluctuations over time. While the Company may or may not be able to pass through to its customers the impact of any such fluctuations in raw material prices in the future, management does not believe that any such fluctuations will have a material effect on the Company's results of operations.

A strong, although declining, cash flow is expected in future years. The Company does not anticipate any significant capital expenditures, other than maintenance and environmental compliance costs, in the foreseeable future.

Although the Company anticipates significant sales growth from the Petroleum Specialties business and the Performance Chemicals business in the future, earnings from these businesses will not be sufficient to fully offset the projected decline in TEL sales and earnings, at least over the next several years.

**MANAGEMENT'S STATEMENT OF
RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The management of Octel Corp. is responsible for the preparation and presentation of the accompanying consolidated financial statements and all other information in this Annual Report. The financial statements are prepared in accordance with generally accepted accounting principles and include amounts that are based on management's informed judgements and estimates.

The Company maintains accounting systems and internal accounting controls which management believes provide reasonable assurance that the Company's financial reporting is reliable, that assets are safeguarded, and that transactions are executed in accordance with proper authorization. This internal control structure is supported by the selection and training of qualified personnel and an organizational structure which permits the delegation of authority and responsibility. The systems are monitored by an internal audit function that reports its findings to management.

The Company's financial statements have been audited by independent accountants, in accordance with generally accepted auditing standards. These standards provide for the review of internal accounting control systems to plan the audit and determine auditing procedures and tests of transactions to the extent they deem appropriate.

The Audit Committee of the Board of Directors, which consists solely of non-employee directors, is responsible for overseeing the functioning of the accounting systems and related internal controls and the preparation of annual financial statements. The Audit Committee periodically meets with management, internal auditors and the independent accountants to review and evaluate their accounting, auditing and financial reporting activities and responsibilities. The independent accountants and internal auditors have full and free access to the Audit Committee without management's presence to discuss internal accounting controls, results of their audits and financial reporting matters.

/s/ Alan G. Jarvis

*ALAN G. JARVIS
Vice President and Chief Financial Officer*

**REPORT OF
INDEPENDENT ACCOUNTANTS**

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, cash flows and stockholders' equity present fairly, in all material respects, the financial position of Octel Corp. at December 31, 1998, and the results of their operations and their cash flows for the year in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above. The financial statements of Octel Corp. as of December 31, 1997 and for each of the two years ended December 31, 1997 and 1996 were audited by other independent accountants whose report, dated April 4, 1998, expressed an unqualified opinion on those statements.

/s/ PricewaterhouseCoopers

*PRICEWATERHOUSECOOPERS
February 9, 1999*

CONSOLIDATED STATEMENTS OF INCOME
(IN MILLIONS, EXCEPT PER SHARE DATA)

YEARS ENDED DECEMBER 31	1998	1997	1996
NET SALES (NOTE 2)	\$ 465.0	\$ 539.1	\$ 597.4
COST OF GOODS SOLD	244.3	274.4	298.8
GROSS PROFIT	220.7	264.7	298.6
OPERATING EXPENSES:			
SELLING, GENERAL AND ADMINISTRATIVE	40.1	38.6	40.2
RESEARCH AND DEVELOPMENT	3.1	3.8	5.6
AMORTIZATION OF INTANGIBLE ASSETS	42.6	27.6	26.7
TOTAL	85.8	70.0	72.5
OPERATING INCOME	134.9	194.7	226.1
INTEREST EXPENSE	25.2	2.2	1.6
OTHER EXPENSES	3.8	5.6	7.5
INTEREST INCOME	(2.7)	(3.9)	(3.5)
OTHER INCOME	(3.3)	(7.9)	(1.2)
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	111.9	198.7	221.7
MINORITY INTEREST	--	24.3	29.6
INCOME BEFORE INCOME TAXES (NOTE 2)	111.9	174.4	192.1
INCOME TAXES (NOTE 5)	41.5	56.7	63.8
NET INCOME	\$ 70.4	\$ 117.7	\$ 128.3
BASIC AND DILUTED EARNINGS PERSHARE	\$ 4.85	\$ 7.84	\$ 8.08
WEIGHTED AVERAGE SHARES OUTSTANDING (IN THOUSANDS)	14,514	15,000	15,900

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

CONSOLIDATED BALANCE SHEETS
(IN MILLIONS)

AT DECEMBER 31	1998	1997
ASSETS		
CURRENT ASSETS		
CASH AND CASH EQUIVALENTS	\$ 26.5	\$ 29.7
ACCOUNTS RECEIVABLE (LESS ALLOWANCE OF \$0.8 AND \$0.9, RESPECTIVELY)	120.6	169.8
INVENTORIES		
FINISHED GOODS	61.1	35.7
RAW MATERIALS AND WORK IN PROGRESS	27.8	43.1
	88.9	78.8
PREPAID EXPENSES	4.9	4.4
TOTAL CURRENT ASSETS	240.9	282.7
PROPERTY, PLANT AND EQUIPMENT (NOTE 9)	116.1	106.0
GOODWILL (NOTE 7)	360.5	379.3
PREPAID PENSION COST (NOTE 3)	73.5	63.3
DEFERRED FINANCING COSTS (NOTE 8)	15.7	--
OTHER ASSETS	--	1.6
	\$ 806.7	\$ 832.9
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	\$ 78.6	\$ 40.0
ACCRUED EXPENSES	13.0	9.0
ACCRUED INCOME TAXES	42.6	53.8
CURRENT PORTION OF LONG-TERM DEBT (NOTE 11)	71.0	--
TOTAL CURRENT LIABILITIES	205.2	102.8
PLANT CLOSURE PROVISIONS (NOTE 10)	47.1	57.2
DEFERRED INCOME TAXES (NOTE 5)	21.6	20.1
LONG-TERM DEBT (NOTE 11)	229.8	--
OTHER LIABILITIES	1.9	--
GLCC INVESTMENT (NOTE 12)	--	652.8
STOCKHOLDERS' EQUITY (NOTE 13)		
COMMON STOCK, \$0.01 PAR VALUE, AUTHORIZED 40,000,000 SHARES, ISSUED 14,766,386 SHARES (ZERO AT 12.31.97)	0.1	--
ADDITIONAL PAID-IN CAPITAL	276.1	--
TREASURY STOCK (832,052 SHARES AT COST)	(13.2)	--
RETAINED EARNINGS	39.9	--
ACCUMULATED OTHER COMPREHENSIVE INCOME	(1.8)	--
TOTAL STOCKHOLDERS' EQUITY	301.1	--
	\$ 806.7	\$ 832.9

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

**CONSOLIDATED STATEMENTS OF
CASH FLOWS
(IN MILLIONS)**

YEARS ENDED DECEMBER 31	1998	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES			
NET INCOME	\$ 70.4	\$ 117.7	\$ 128.3
ADJUSTMENTS TO RECONCILE NET INCOME TO CASH PROVIDED BY OPERATING ACTIVITIES:			
DEPRECIATION AND AMORTIZATION	59.7	46.8	42.9
DEFERRED INCOME TAXES	1.5	13.3	4.0
OTHER	(0.9)	0.5	1.3
CHANGES IN OPERATING ASSETS AND LIABILITIES:			
ACCOUNTS RECEIVABLE	53.6	26.6	9.2
INVENTORIES	(5.7)	1.6	(12.4)
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	35.7	(2.6)	(19.0)
INCOME TAXES AND OTHER CURRENT LIABILITIES	45.0	(11.6)	(9.8)
OTHER NON-CURRENT ASSETS AND LIABILITIES	(21.0)	(24.8)	(16.7)
NET CASH PROVIDED BY OPERATING ACTIVITIES	238.3	167.5	127.8
CASH FLOWS FROM INVESTING ACTIVITIES			
CAPITAL EXPENDITURES	(23.5)	(17.8)	(20.6)
BUSINESS COMBINATIONS, NET OF CASH ACQUIRED	(26.4)	(130.8)	(17.0)
OTHER	1.0	1.6	(14.9)
NET CASH USED IN INVESTING ACTIVITIES	(48.9)	(147.0)	(52.5)
CASH FLOWS FROM FINANCING ACTIVITIES			
NET CASH PAID TO GLCC	(468.5)	(31.4)	(103.0)
MINORITY INTEREST	--	3.3	7.1
RECEIPT OF LONG-TERM BORROWINGS	441.0	--	--
REPAYMENT OF LONG-TERM BORROWINGS	(140.2)	--	--
DEFERRED FINANCING COSTS	(15.2)	--	--
NET REPURCHASE OF COMMON STOCK (NOTE 13)	(13.2)	--	--
NET CASH USED IN FINANCING ACTIVITIES	(196.1)	(28.1)	(95.9)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	3.5	(17.6)	21.1
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3.2)	(25.2)	0.5
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	29.7	54.9	54.4
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 26.5	\$ 29.7	\$ 54.9

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

**CONSOLIDATED STATEMENTS OF
STOCKHOLDERS' EQUITY
(IN MILLIONS)**

	GREAT LAKES INVESTMENT	COMMON STOCK	TREASURY STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	CUMULATIVE TRANS- LATION ADJUST- MENT	TOTAL COMPRE- HENSIVE INCOME
BALANCE AT JANUARY 1, 1996	\$ 530.8	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
NET INCOME	--	--	--	--	128.3	--	128.3
PAYMENTS TO GLCC	(102.3)	--	--	--	--	--	--
NET CTA* CHANGE	--	--	--	--	--	27.8	27.8
TOTAL	428.5	--	--	--	128.3	27.8	156.1
TRANSFER (NOTE 12)	156.1	--	--	--	(128.3)	(27.8)	(156.1)
BALANCE AT DECEMBER 31, 1996	584.6	--	--	--	--	--	--
NET INCOME	--	--	--	--	117.7	--	117.7
PAYMENTS TO GLCC	(31.0)	--	--	--	--	--	--
NET CTA* CHANGE	--	--	--	--	--	(18.5)	(18.5)
TOTAL	553.6	--	--	--	117.7	(18.5)	99.2
TRANSFER (NOTE 12)	99.2	--	--	--	(117.7)	18.5	(99.2)
BALANCE AT DECEMBER 31, 1997	652.8	--	--	--	--	--	--
NET INCOME	--	--	--	--	70.4	--	70.4
NET CTA* CHANGE	--	--	--	--	--	(1.8)	(1.8)
SPIN-OFF (NOTE 1)	(652.8)	0.1	--	276.1	(30.5)	--	(30.5)
REPURCHASE OF TREASURY STOCK (NOTE 13)	--	--	(14.0)	--	--	--	--
SHARE ISSUE (NOTE 13)	--	--	0.8	--	--	--	--
BALANCE AT DECEMBER 31, 1998	--	0.1	(13.2)	276.1	39.9	(1.8)	38.1

*Cumulative translation adjustment

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

BASIS OF PRESENTATION

Until May 22, 1998 the Company was a wholly-owned subsidiary of GLCC. On May 22, 1998 GLCC consummated the spin-off of its petroleum additives business by distributing shares in the Company to the stockholders of GLCC in a ratio of one Company share for every four GLCC shares held (the spin-off). In connection with the spin-off, the Company issued 14,762,417 shares of common stock on May 26, 1998.

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and include all subsidiaries of the Company. All significant intercompany accounts and balances have been eliminated upon consolidation.

All acquisitions are accounted for as purchases and the results of operations of the acquired businesses are included in the combined financial statements from the date of acquisition.

The combined financial statements presented herein for the years ended December 31, 1997 and 1996 give effect to the spin-off as a transfer of ownership interests between entities under common control. Accordingly, the financial statements reflect the assets, liabilities, revenues and expenses of GLCC's petroleum additives business, adjusted only for those parts of that business which remained part of GLCC after the spin-off. The financial statements have been prepared as if the Company had existed as an independent entity for all years and include allocations of certain GLCC expenses prior to the spin-off. Management believes these allocations are reasonable.

The financial information relating to the pre spin-off period may not necessarily reflect the consolidated financial position, results of operations or cash flows of the Company that would have been achieved if the Company had been a separate, independent company.

NATURE OF OPERATIONS

The Company is a major manufacturer and distributor of TEL, Petroleum Specialties and Performance Chemicals. Its primary manufacturing operation is located at Ellesmere Port in the United Kingdom. The Company's products are sold globally, primarily to oil refineries. Principal product lines are TEL, other petroleum additives and performance chemicals.

On October 1, 1998, the Company entered into sales and marketing agreements with Ethyl Corporation (Ethyl) to market and sell TEL in all areas of the world except North America and the European Economic Area (the Territory) for the period to December 31, 2009. All marketing and sales effort made under the arrangement is made in the name of Octel. Octel will continue to produce all TEL marketed under the agreements and also provide marketing and other services. Ethyl will continue to provide bulk distribution services, marketing and other

services related to sales made within the Territory. The net proceeds under the agreements are paid to Octel and Ethyl as compensation for services and are based on an agreed-upon formula with Octel receiving approximately two-thirds of the total compensation for services provided. No separate legal entity or joint venture has been established as a consequence of the agreements. Sales and expenses incurred under the agreements are included within Octel's income statement. These comprise all revenues and costs incurred directly by Octel, together with costs recharged by Ethyl for distribution and other services provided under the terms of the agreements. Ethyl's share of the net proceeds for services is charged as a distribution expense within cost of goods sold.

USE OF ESTIMATES

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the amount reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

REVENUE RECOGNITION

Revenue from sales of products is recognized at the time products are shipped to the customer or, in the case of bulk shipments, at the time of delivery to the customer.

CASH EQUIVALENTS

Investment securities with maturities of three months or less when purchased are considered to be cash equivalents.

INVENTORIES

Inventories are stated at the lower of cost (FIFO method) or market price.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The cost of additions, improvements and interest on construction are capitalized. Maintenance and repairs are charged to expense when incurred.

GOODWILL

Goodwill, the excess of investments over the net assets of subsidiaries acquired, is amortized over periods of up to 35 years. The majority of goodwill relates to the TEL business and is being amortized over 10 years, the expected remaining life of the business. The Company regularly evaluates the realizability of goodwill based on projected undiscounted cash flows and operating income for each business with material goodwill balances.

DEFERRED FINANCING COSTS

The costs related to debt financing are classified as intangible assets in the balance sheets. All are amortized over the life of the debt.

MINORITY INTEREST

Minority interest represents income before income taxes as earnings are predominantly from a partnership and taxes are therefore paid by each partner individually.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses various derivative instruments including forward contracts and options to manage certain foreign currency exposures. These instruments are entered into under the Company's corporate risk management policy to minimize exposure and are not for speculative trading purposes. Management periodically reviews the effectiveness of the use of the derivative instruments.

Derivatives used for hedging purposes must be designed as, and effective as, a hedge of the identified risk exposure at the inception of the contract. Accordingly, changes in the value of the derivative contract must be highly correlated with changes in the market value of the underlying hedged item at the inception of the hedge and over the life of the hedge contract. Any derivative instrument designated but no longer effective as a hedge would be reported at market value and the related gains and losses recognized in earnings.

Derivatives that are designated as, and effective as, a hedge of foreign currency commitments are accounted for using the deferral method. Gains and losses from instruments that hedge firm commitments are deferred and recognized as part of the economic basis of the transactions underlying the commitments when the associated hedged transaction occurs. Gains and losses from instruments that hedge foreign currency denominated receivables, payables and debt instruments are reported in earnings and offset the effects of foreign exchange gains and losses from the associated hedged items.

ENVIRONMENTAL COMPLIANCE AND REMEDIATION

Environmental compliance costs include ongoing maintenance, monitoring and similar costs. Environmental costs are accrued when environmental assessments or remedial efforts are probable and the cost can be reasonably estimated. Such accruals are adjusted as further information develops or circumstances change. Costs of future obligations are not discounted to their present values.

EARNINGS PER SHARE

The Company has adopted Statement of Financial Accounting Standard No. 128 "Earnings Per Share" for 1998.

Basic earnings per share is based on the weighted average number of common shares outstanding during the period, whilst diluted earnings per share includes the effect of options and restricted stock that are dilutive and outstanding during the period.

Prior to the spin-off the Company was not a separate operating company with a capital structure of its own. Weighted average shares outstanding for 1997 and 1996 have been calculated by applying the distribution ratio (one Company share for every four GLCC shares) to average GLCC shares outstanding.

FOREIGN CURRENCIES

The local currency has been used as the functional currency throughout the group. Exchange differences arising on the retranslation of opening balance sheets of overseas subsidiaries are taken to a separate equity reserve, the cumulative translation adjustment. Gains and losses on foreign currency transactions are included in other expenses in the income statement.

2. BUSINESS SEGMENT AND GEOGRAPHICAL AREA DATA

The Company has adopted Statement of Financial Accounting Standard No. 131 "Disclosures about Segments of an Enterprise and Related Information" for its annual financial statements.

The Company's operations consist of one dominant industry segment: petroleum additives.

Within the industry segment the Company has identified three main product groups: TEL, Petroleum Specialties and Performance Chemicals. The following table analyzes sales and other financial information by product group:

PRODUCT GROUP DATA (IN MILLIONS)	1998	1997	1996

NET SALES:			
TEL	\$ 369.0	\$ 442.0	\$ 505.1
PETROLEUM SPECIALTIES	63.9	62.6	70.9
PERFORMANCE CHEMICALS	32.1	34.5	21.4
	-----	-----	-----
	\$ 465.0	\$ 539.1	\$ 597.4
=====			
GROSS PROFIT:			
TEL	\$ 203.5	\$ 245.5	\$ 281.1
PETROLEUM SPECIALTIES	13.8	13.8	15.9
PERFORMANCE CHEMICALS	3.4	5.4	1.6
	-----	-----	-----
	\$ 220.7	\$ 264.7	\$ 298.6
=====			

No discrete financial information is maintained below gross profit level.

IDENTIFIABLE ASSETS AT YEAR END:

(IN MILLIONS)	1998	1997	1996
TEL	\$ 733.2	\$ 766.5	\$ 772.3
PETROLEUM SPECIALTIES	51.2	44.3	44.4
PERFORMANCE CHEMICALS	22.3	22.1	24.3
	\$ 806.7	\$ 832.9	\$ 841.0

The majority of the Company's operations are conducted by its UK enterprises. Sales are reported in the geographic area where the transaction originates, rather than where the final sale to customers is made. Intercompany sales are priced to recover cost plus an appropriate mark-up for profit and are eliminated in the consolidated financial statements.

Identifiable assets are those directly associated with the operations of the geographic area.

GEOGRAPHICAL AREA DATA

(IN MILLIONS)	1998	1997	1996
NET SALES:			
UNITED STATES	\$ 36.1	\$ 39.0	\$ 43.6
UNITED KINGDOM	421.6	512.2	527.3
WEST OF EUROPE	70.1	103.5	138.5
SALES BETWEEN AREAS	(62.8)	(115.6)	(112.0)
	\$ 465.0	\$ 539.1	\$ 597.4
INCOME (LOSS) BEFORE INCOME TAXES:			
UNITED STATES	\$ (1.6)	\$ (1.2)	\$ 1.7
UNITED KINGDOM	109.4	198.1	208.3
WEST OF EUROPE	4.1	1.8	11.7
	\$ 111.9	\$ 198.7	\$ 221.7
IDENTIFIABLE ASSETS AT YEAR END:			
UNITED STATES	\$ 34.7	\$ 30.8	\$ 34.8
UNITED KINGDOM	725.1	741.2	717.3
WEST OF EUROPE	46.9	60.9	88.9
	\$ 806.7	\$ 832.9	\$ 841.0

3. PENSION PLANS

Statement of Financial Accounting Standard No. 132, "Employers' Disclosures about Pensions and Other Post-retirement Benefits" was issued in December 1997 and is effective for the Company's 1998 fiscal year.

The Company maintains a contributory defined benefit pension plan (The Octel Pension Plan) covering substantially all UK employees. The Projected Benefit Obligation (PBO) is based on final salary and years of credited service, reduced by social security benefits according to a plan formula. Normal retirement age is 65, but provisions are made for early retirement.

The Company's funding policy is to contribute amounts to the plan to cover service costs to date as recommended by the Company's actuary. Based on this advice, no contributions were made by the Company or by its employees in the years 1998, 1997 and 1996. The plan's assets are invested by two investment management companies in funds holding UK and overseas equities, UK and overseas fixed interest security, index linked securities, property unit trusts and cash or cash equivalents.

Assumptions for the plan as of the end of the last three years were as follows:

	1998	1997	1996
WEIGHTED AVERAGE DISCOUNT RATE	6.25%	7.75%	7.75%
RATE OF INCREASE IN COMPENSATION LEVELS	4.0%	5.5%	5.5%
RATE OF RETURN ON PLAN ASSETS	7.0%	8.5%	8.5%

Net pension cost for the UK pension plan is as follows:

(IN MILLIONS)	1998	1997	1996
SERVICE COST	\$ 10.6	\$ 13.4	\$ 12.0
INTEREST COST ON PBO	37.8	39.7	35.2
ACTUAL RETURN ON PLAN ASSETS	(5.6)	(103.4)	(60.6)
NET AMORTIZATION AND DEFERRAL	(49.9)	50.8	14.1
	\$ (7.1)	\$ 0.5	\$ 0.7

Movements in PBO and the fair value of plan assets, and the funded status and prepaid pension cost of the plan are as follows:

(IN MILLIONS)	1998	1997

CHANGE IN PBO		
BALANCE AT JANUARY 1	\$ 494.6	\$ 495.6
INTEREST COST	37.8	40.8
SERVICE COST	10.6	15.0
BENEFITS PAID	(22.2)	(16.1)
ACTUARIAL GAINS/LOSSES	20.2	(20.6)
EXCHANGE VARIANCE	6.5	(20.1)

BALANCE AT DECEMBER 31	547.5	494.6

FAIR VALUE OF PLAN ASSETS		
BALANCE AT JANUARY 1	708.2	644.2
ACTUAL BENEFITS PAID	(22.2)	(21.1)
ACTUAL CONTRIBUTIONS	--	0.7
ACTUAL RETURN ON ASSETS	5.6	110.6
EXCHANGE VARIANCE	9.0	(26.2)

BALANCE AT DECEMBER 31	700.6	708.2

PLAN ASSETS EXCESS OVER PBO	153.1	213.6
UNRECOGNIZED NET GAIN	(82.0)	(151.3)
UNRECOGNIZED PRIOR SERVICE COST	7.1	8.0

PREPAID PENSION COST	78.2	70.3
ESTIMATED TRANSFER	(4.7)	(7.0)

	\$ 73.5	\$ 63.3
=====		

The estimated transfer represents prepaid pension cost attributable to employees who participate in the Octel Pension Plan that remained with GLCC after the spin-off. Final determination of the transfer is subject to, among other things, a final actuarial evaluation and election of the employees.

4. STOCK OPTION PLANS

Prior to the spin-off, certain employees of the Company participated in GLCC's employee stock option plans which covered officers and key employees of GLCC.

The Octel Corp. Savings Related Stock Plan became effective from November 1, 1998. This is a stock purchase plan, open to all employees at the offer date, whereby employees may save up to \$416 per month over a three-

year period. Stock options may then be exercised for a period of six months, after which the options expire. 141,683 options were granted under the scheme at a price of \$13.20 per share, the market price of the shares at the grant date, and are exercisable from November 2001 through May 2002. The fair value of the options was \$4.99 estimated using the Black-Scholes model with the following assumptions: dividend yield 0.0%, expected life of 3 years, volatility 50% and risk free interest rate of 4.33%.

The Company has elected to follow Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25) and related Interpretations in accounting for its employee stock options. Under APB 25, because the exercise price of employee stock options equals the market price of the underlying stock on the date of the grant, no compensation expense is recorded. The Company has adopted the disclosure-only provision of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (FAS 123). Had compensation expense for the Company's stock-based compensation plan been recorded based on the fair value of the stock options at grant date consistent with the method prescribed by FAS 123, the effect on the Company's net income and earnings per share for 1998 would not have been material.

5. INCOME TAXES

Income taxes are accounted for using the asset and liability method pursuant to Statement of Financial Accounting Standards No. 109 Accounting for Income Taxes (FAS 109). Deferred taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory rates applicable to future years to differences between the financial statements carrying amounts and the tax bases of existing assets and liabilities. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. In addition, FAS 109 requires the recognition of future tax benefits to the extent that realization of such benefits is more likely than not.

The sources of income (loss) before income taxes were as follows:

(IN MILLIONS)	1998	1997	1996
DOMESTIC	\$ (1.6)	\$ (1.2)	\$ 1.7
FOREIGN	113.5	175.6	190.4
	\$ 111.9	\$ 174.4	\$ 192.1

The components of income tax provisions are summarized as follows:

(IN MILLIONS)	1998	1997	1996
CURRENT:			
FEDERAL	\$ 0.1	\$ 0.1	\$ 0.1
FOREIGN	39.8	43.3	59.6
	39.9	43.4	59.7
DEFERRED:			
FEDERAL	--	--	0.4
FOREIGN	1.6	13.3	3.7
	1.6	13.3	4.1
	\$ 41.5	\$ 56.7	\$ 63.8

Cash payments(receipts) for income taxes were \$(5.7) million, \$62.0 million and \$58.0 million during 1998, 1997 and 1996, respectively. Tax payments in respect of 1998 were made by GLCC.

The effective tax rate varies from the US federal statutory rate because of the factors indicated below:

	1998	1997	1996
STATUTORY RATE	35.0%	35.0%	35.0%
FOREIGN TAX RATE			
DIFFERENTIAL	(4.9)	(3.5)	(2.9)
GOODWILL AMORTIZATION	11.3	2.1	1.3
OTHER	(4.3)	(1.1)	(0.2)
	37.1%	32.5%	33.2%

Details of deferred tax assets and liabilities are as follows:

(IN MILLIONS)	1998	1997
DEFERRED TAX ASSETS:		
CLOSURE COSTS	\$ 12.9	\$ 17.7
DEFERRED TAX LIABILITIES:		
PENSION COSTS	22.1	18.6
GOODWILL AMORTIZATION	--	4.1
OTHER	12.4	15.1
	34.5	37.8
TOTAL NET PROVISION	\$ 21.6	\$ 20.1

6. ACQUISITIONS

The Company's 100% ownership interest in Octel Associates and The Associated Octel Company Limited was acquired in three transactions. The Company acquired a 51.15% interest in 1989, a further 36.67% interest in 1992 and the balance in 1997. The 1989 agreement provides for profit participation payments to be made to certain former owners (The Vendor Partners) through 2006. Such payments are treated as an adjustment to the purchase price and for 1998 amounted to \$9.0 million.

In 1997 the Company completed the determination of the profit participation payments for the years 1989 through 1995 resulting in an addition to the purchase price of approximately \$30 million.

On October 31, 1997 the Company acquired certain fractional interests in the Company's subsidiaries held by the Vendor partners for a nominal amount.

On November 20, 1997 the Company completed the acquisition of the outstanding minority in the Company's subsidiaries previously owned by Chevron Chemical Company for \$117 million. The excess of purchase price over the value of net assets was added to goodwill in 1997.

On October 31, 1998 the Company acquired the customer list of the Cetex International partnership, a diesel additives business in which the Company previously held a 50% interest, for \$8.7 million.

On December 1, 1998 the Company completed the previously announced acquisition of Chemische Betriebe Pluto GmbH, a petroleum specialties company formerly owned by Veba Oel AG. The Company, now known as Octel Deutschland GmbH, has annual sales of approximately \$18 million.

7. GOODWILL

Goodwill comprises the following:

(IN MILLIONS)	1998	1997
GROSS COST	\$ 522.1	\$ 496.9
ACCUMULATED AMORTIZATION	(161.6)	(117.6)
	\$ 360.5	\$ 379.3

Based on its most recent analysis the Company believes that no impairment of goodwill exists as of December 31, 1998.

Amortization of goodwill was \$39.9 million, \$27.6 million and \$26.7 million in 1998, 1997 and 1996, respectively.

8. DEFERRED FINANCING COSTS

Costs related to the financing of the spin-off from GLCC were incurred during 1998 and are amortized over the related debt profile.

(IN MILLIONS)	1998	1997
GROSS COST	\$ 16.9	\$ --
ACCUMULATED AMORTIZATION	(1.2)	--
	\$ 15.7	\$ --

9. PROPERTY, PLANT AND EQUIPMENT

The estimated useful lives of the major classes of depreciable assets are as follows:

**BUILDINGS 7 TO 25 YEARS
EQUIPMENT 3 TO 10 YEARS**

Property, plant and equipment consists of the following:

(IN MILLIONS)	1998	1997
LAND	\$ 2.9	\$ 2.8
BUILDINGS	1.1	0.6
EQUIPMENT	112.0	101.0
CONSTRUCTION IN PROGRESS	31.0	18.4
	147.0	122.8
LESS ACCUMULATED DEPRECIATION	30.9	16.8
	\$ 116.1	\$ 106.0

The estimated additional cost to complete construction in progress is \$6.1 million (1997, \$17.6 million).

10. PLANT CLOSURE PROVISIONS

The liability for estimated closure costs of Octel's TEL manufacturing facilities includes costs for personnel reductions (severance) and decontamination and environmental remediation activities (remediation) when demand for TEL diminishes.

The Company has and will continue to downsize and restructure its operation consistent with declining demand for TEL. Octel closed its German manufacturing facility in 1989 and ceased production in Italy and France in 1996. All of the Company's TEL is now produced at its manufacturing plant at Ellesmere Port in the UK. In December 1998 one of the three TEL plants at the Ellesmere Port site was closed. Since 1996 the UK workforce has been reduced by 686 people in response to the downsizing of the TEL plants.

Total plant closure costs are evaluated on a regular basis. As at December 31, 1997, the range of potential net remediation costs was assessed as \$45-\$133 million, with a most likely cost of \$94 million. At the same date management estimated the additional related severance costs to be \$50 million. Management has revised these estimates as of December 31, 1998 to take account of expenditure incurred during 1998. The current estimate is as follows:

(IN MILLIONS)		1998	1997
OPERATING EXPENSES	-- REMEDIATION	\$ 60	\$ 74
	-- SEVERANCE	35	50
		95	124
CAPITAL COSTS	-- REMEDIATION	18	20
		\$113	\$144

The estimated remediation costs shown above include \$34 million which comprises the potential cost of vacating the Ellesmere Port site. Management has no present intention to adopt this course of action and intends to continue manufacturing other products at Ellesmere Port when production of TEL ceases. Consequently, management views the \$34 million as a contingent liability.

No provision is made for estimated future severance costs until the employees concerned have been notified and the expenditure is committed. As stated above, at December 31, 1998 estimated total future severance costs were \$35 million of which \$17.1 million were committed.

Capital remediation costs will be included in property, plant and equipment as expenditure is incurred, in accordance with Company policy. The costs will be depreciated over the remaining useful life of the related plant.

The year-end provision of \$47.1 million is held to cover operating remediation expenses (excluding contingencies) of \$30.0 million and committed severance costs of \$17.1 million.

Movements in the provision are summarized as follows:

(IN MILLIONS)	1998	1997
BALANCE AT JANUARY 1	\$ 57.2	\$ 90.3
EXCHANGE EFFECT	2.0	(10.4)
CHARGE FOR THE YEAR	15.7	12.6
EXPENDITURE	(27.8)	(35.3)
BALANCE AT DECEMBER 31	\$ 47.1	\$ 57.2

Expenditure against provisions was as follows:

(IN MILLIONS)	1998	1997	1996
SEVERANCE	\$ 14.9	\$ 21.8	\$ 16.0
REMEDICATION -- UK	2.3	0.4	0.9
REMEDICATION -- OTHER	10.6	13.1	2.8
	\$ 27.8	\$ 35.3	\$ 19.7

Capital expenditure relating to environmental matters in 1998, 1997 and 1996 was \$2.7 million, \$0.6 million and \$1.0 million, respectively.

11. LONG-TERM DEBT

Long-term debt consists of the following:

(IN MILLIONS)	1998	1997
SENIOR TERM LOAN	\$ 139.8	\$ --
CREDIT FACILITY	11.0	--
SENIOR NOTES	150.0	--
	300.8	--
LESS CURRENT PORTION	(71.0)	--
	\$ 229.8	\$ --

On April 27, 1998 the Company entered into a \$300 million secured credit facility consisting of a \$280 million senior secured term loan and a \$20 million revolving credit facility. The credit facility will mature on December 31, 2001 and the term loan is amortized in quarterly installments to December 31, 2001 subject to early repayment conditions. The term loan is secured on the Company's UK assets. Loans under the credit facility bear

interest at LIBOR plus 1.75 per cent, reducing to LIBOR plus 1.25 per cent when the outstanding balance under the credit facility is below \$140 million or 12 months from first drawdown (whichever is the later).

Also on April 27, 1998 the Company issued \$150 million of Senior Notes due 2006. The Company is required to redeem \$37.5 million principal amount of Notes in each of the years 2003, 2004 and 2005. The notes bear interest at a fixed rate of 10%.

The proceeds of the credit facility and the notes were used principally to repay an intercompany loan to GLCC which arose as a result of the acquisition of the Chevron minority interest as described in note 6 above and to pay a special dividend to GLCC in connection with the spin-off.

The credit facility and the notes both contain substantial restrictions on the Company's operations, including the ability to pay dividends.

The following table presents the projected annual maturities for the next five years after 1998:

(IN MILLIONS)	
1999	\$ 71.0
2000	60.0
2001	19.8
2002	--
2003	37.5
THEREAFTER	112.5

	\$ 300.8

12. GLCC INVESTMENT

GLCC investment comprises all GLCC funding, including intercompany balances and debt prior to the spin-off (see note 1).

Payments to GLCC included exchange effect of \$4.7 million, \$0.4 million and \$0.7 million in 1998, 1997 and 1996, respectively.

The net payment of \$31.0 million in 1997 includes the receipt of a short-term loan from GLCC of \$116.8 million used to fund the acquisition of the Chevron interest described in note 6 above.

13. STOCKHOLDERS' EQUITY

On May 26, 1998 the Company issued 14,762,417 shares of common stock with a par value of \$0.01, nil paid, in connection with the spin-off (see note 1).

A further 969 shares were subsequently issued in respect of late notified changes in GLCC stockholders at the record date of the spin-off issue.

During 1998 the Company's Board of Directors approved a stock buy back program, authorizing the repurchase of up to \$15 million of its stock, as allowed under its debt covenants. At December 31, 1998 882,280 shares had been repurchased at an aggregate cost of \$14.0 million.

The Company has also issued 53,228 shares to Directors and senior management at an aggregate cost of \$0.8 million, comprising 3,000 new shares and 50,228 issues from treasury stock.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amount and fair values of the Company's financial instruments at December 31, 1998 and 1997:

(IN MILLIONS)	1998		1997	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
NON-DERIVATIVES:				
CASH AND CASH EQUIVALENTS	\$ 26.5	\$ 26.5	\$ 29.7	\$ 29.7
LONG-TERM DEBT	300.8	306.8	--	--
DERIVATIVES:				
MISCELLANEOUS	--	(1.2)	--	--

The following methods and assumptions were used to estimate the fair values of financial instruments:

Cash and cash equivalents: The carrying amount approximates to fair value because of the short-term maturities of such instruments.

Long-term debt: The carrying amount of term borrowings at variable interest rates approximates to fair value. The fair value of fixed interest rate debt is based on the quoted market prices for the same or similar debt.

Derivatives: The fair value of derivatives, including forward exchange contracts and interest rate swaps, was estimated based on current settlement prices and comparable contracts using current assumptions.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company has limited involvement with derivative financial instruments and does not trade them. The Company does use derivatives to manage well defined interest rate and foreign exchange exposures.

The Company invoices between 50% and 60% of its sales in US dollars, the balance mainly invoiced in pounds sterling to match the Company's sterling costs. Prior to the spin-off from GLCC foreign exchange contracts were taken out with GLCC and (until November 1997) Chevron Chemical Company to hedge dollar income and, thereby, dollar profit distributions to both parties.

The Company uses interest rate swap, floor and collar and cap agreements to reduce the impact of changes in interest rates on its floating rate debt. The swap agreements are contracts to exchange floating rate for fixed interest payments periodically over the life of the agreements without the exchange of the underlying notional amounts. The notional amounts of interest rate agreements are used to measure interest to be paid or received and do not represent the amount of exposure to credit loss.

As of December 31, 1998 the Company had the following interest rate instruments in effect (notional amounts in millions; cap, floor and collar rates based on 3-month LIBOR):

	NOTIONAL AMOUNT	1998 STRIKE RATE	PERIOD
INTEREST SWAP	\$ 100.0	5.87%	12/98-12/01
INTEREST COLLAR	65.7	5.75%	12/98-12/00
		5.45%	

No such interest rate agreements were in place at December 31, 1997.

The Company sells a range of TEL and petroleum additives to major oil refineries throughout the world. Credit limits, ongoing credit evaluation and account monitoring procedures are utilized to minimize risk. Collateral is not generally required.

Approximately half of the Company's workforce are covered by a collective bargaining agreement which expires on January 1, 2000.

16. RELATED PARTY TRANSACTIONS

The Company sells significant quantities of TEL to refineries wholly or partly owned by BP, Texaco and Mobil (The Vendor Partners) and Chevron Chemical Company, who ceased to be related parties on October 31, 1997 and November 20, 1997, respectively. Sales were made at arm's length and at prices which varied according to individual customers and the market in which they operated. In the years 1997 and 1996 such sales amounted

to \$80.2 million and \$94.7 million, respectively, and amounts due in respect of those sales at December 31, 1997 were \$26.3 million.

Until the spin-off GLCC was a related company. Sales to GLCC are included in the accounts at estimated market value, and in 1998 (to the spin-off date) 1997 and 1996 amounted to \$3.3 million, \$7.4 million and \$6.4 million, respectively. Purchases from GLCC for the same periods amounted to \$7.1 million, \$18.5 million and \$15.7 million, respectively.

Interest charges from GLCC in respect of funding provided for acquisitions in 1998 (to the spin-off date), 1997 and 1996 amounted to \$3.4 million, \$2.1 million and \$1.5 million, respectively.

17. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities" which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. This Statement is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. The Company is at present evaluating the impact of SFAS 133 on its operations.

Statement of Financial Accounting Standard No. 134, "Accounting for Mortgage-Backed Securities Retained after the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise" was issued in October 1998. This Statement relates to entities engaged in mortgage banking activities and so does not affect the Company.

18. POST BALANCE SHEET EVENTS

In February 1999 the Company granted zero cost share options to senior management under the terms of the Octel Corp. Performance Related Stock Option Plan (PRSOP) and The Octel Corp. Time Restricted Stock Option Plan (TRSOP). The 107,079 options granted under the PRSOP are exercisable from January 1, 2001 through January 1, 2008. The 181,521 options granted under the TRSOP are exercisable from December 31, 1999 through December 31, 2007.

QUARTERLY SUMMARY (UNAUDITED)

(DOLLAR AMOUNTS IN MILLIONS EXCEPT PER SHARE DATA)	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
1998				
NET SALES	\$ 123.2	\$ 115.6	\$ 113.4	\$ 112.8
OPERATING INCOME	41.0	35.9	28.0	29.9
NET INCOME	25.6	16.6	10.6	17.7
NET CASH PROVIDED BY OPERATING ACTIVITIES	47.9	66.9	70.3	53.2
PER COMMON SHARE:				
EARNINGS -- BASIC	1.73	1.12	0.73	1.26
-- FULLY DILUTED	1.73	1.12	0.73	1.26
MARKET PRICE -- HIGH	--	22.7	20.6	16.2
-- LOW	--	18.2	13.7	11.6
1997				
NET SALES	\$ 123.5	\$ 134.6	\$ 137.5	\$ 143.6
OPERATING INCOME	41.5	48.3	53.2	51.7
NET INCOME	26.4	27.7	29.2	34.4
NET CASH PROVIDED BY OPERATING ACTIVITIES	62.8	41.4	62.3	1.0
PER COMMON SHARE:				
EARNINGS -- BASIC	1.79	1.88	1.98	2.19
-- FULLY DILUTED	1.79	1.88	1.98	2.19
MARKET PRICE -- HIGH	--	--	--	--
-- LOW	--	--	--	--

OCTEL CORP.

BOARD OF DIRECTORS

DR. ROBERT E. BEW

Chairman and Director

Chairman of European Process Industries Competitiveness Centre Ltd and The Teesside Chemical Initiative Retired CEO of ICI Chemical & Polymer Division and Chairman of Phillips Imperial Petroleum Ltd.

DENNIS J. KERRISON

President and Chief Executive Officer

Previously Executive Vice President,

Great Lakes Chemical Corporation

Former CEO of Hickson International PLC

MARTIN M. HALE

Director

Executive Vice President and Director of Hellman, Jordan Management Co.Inc.

Chairman of Great Lakes Chemical Corporation Former President and CEO of Marsh & McLennan Asset Management Company

THOMAS M. FULTON

Director

Recently Retired Executive Vice President and CEO of Landauer Inc.

Director of Landauer Inc.

Director of Great Lakes Chemical Corporation

JAMES PUCKRIDGE

Director

Chairman of Ato Findley UK Ltd.

Director of Thomas Swan & Co. Ltd.

Retired Chairman of Elf Atochem UK Ltd.

DR. BENITO FIORE

Director

Former Chairman and CEO of Enichem UK Ltd.

CHARLES M. HALE

Director

Chairman of Donaldson, Lufkin & Jenrette International Former General Partner of Lehman Brothers Kuhn Loeb Managing Director of AG Becker International

CORPORATE OFFICERS

DENNIS J.KERRISON

President and Chief Executive Officer

ALAN G. JARVIS

Vice President and Chief Financial Officer

GRAHAM DE M. LEATHES

Corporate Secretary and General Counsel

STEVEN W. WILLIAMS

Vice President, Group Operations

H. ALAN HANSLIP

Vice President, Human Resources

DR. GEOFFREY J. HIGNETT

Vice President, Specialty Chemicals

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LEGAL COUNSEL

Kirkland & Ellis, London, UK
Linklaters & Paines, London, UK

INVESTOR RELATIONS INQUIRIES

Octel Corp.
c/o The Associated Octel Co. Ltd.
P.O. Box 17, Oil Sites Road
Ellesmere Port
South Wirral L65 4HF
UK
Tel: +44(0)151 356 6100

OCTEL CORP. COMMON STOCK

New York Stock Exchange
Symbol: OTL

CORPORATE WEBSITE

<http://www.octel-corp.com>

FORM 10-K AND ADDITIONAL INFORMATION

Form 10-K is the company's annual report filed with the Securities and Exchange Commission. Copies of the Form 10-K and other financial information are available from the Office of Investor Relations.

[OCTEL LOGO APPEARS HERE]

"I see this as a five-year horizon. The first years, by necessity, will focus on managing our current business and paying down our debt ahead of schedule. But, as we manage those situations, we will be moving forward toward a new and exciting future for Octel and our shareholders."

-- Dennis J. Kerrison, President and Chief Executive Officer, Octel Corp.

SOUND BITES

SOUND BITE 1

"We faced up to reality early. When you're looking at a business that is declining by 15 percent a year, you can't waste energy trying to change the rules. You create new ones. You adapt."

- Dennis J Kerrison, President and Chief Executive Officer, Octel Corp.

SOUND BITE 2

While the TEL business will decline, it will not dry up completely. Lead is still the most powerful octane booster available, and in many markets, change will take time. In aviation, for example, there is no substitute for leaded fuel in gasoline engine planes.

SOUND BITE 3

"The central advantage we have over the short term is that we lead the market. At 80 percent of worldwide manufacturing volume and, with the Ethyl Corporation marketing alliance, nearly 75 percent of sales volume, we have the lion's share of the market and with that comes our responsibility as leader of the pack."

-- Steve W. Williams, Vice President, Group Operations, Octel Corp.

SOUND BITE 4

Octel is the only manufacturer of TEL that manufactures and distributes on a global basis, a key advantage in serving global oil companies.

SOUND BITE 5

The TEL business is declining at 15 percent a year worldwide. But it remains a business with high margins and excellent cash flow.

SOUND BITE 6

Octel provides a range of services, such as environmental consulting, decommissioning and refinery management, that smaller competitors can't match. This is the foundation of our service differentiation and Product Stewardship Program.

SOUND BITE 7

"As we look ahead to the future, we will concentrate on paying down debt and managing the TEL decline. But our objective, our mission, is to put Octel firmly on a growth track."

-- Alan G. Jarvis, Vice President and Chief Financial Officer, Octel Corp.

SOUND BITE 8

Growth in new fuel additives is a logical progression for a company that has been in the additives business for over 60 years.

SOUND BITE 9

"When you have a global infrastructure in place like ours, taking new products through the pipeline is infinitely easier than breaking into a new distribution system."

-- Steve W. Williams, Vice President, Group Operations, Octel Corp.

SOUND BITE 10

Petroleum Specialities supplies a broad range of additives -- such as combustion enhancers for diesel engines, fuel detergents and corrosion inhibitors.

SOUND BITE 11

Experience, technical excellence and market knowledge allow Octel to blend additives made to order for its customers. It's a level of service

few competitors can match.

SOUND BITE 12

The core of the Performance Chemicals business is the Octaquest range of products, the main one being an environmentally friendly biodegradable detergent ingredient. It was developed in partnership with a major detergent manufacturer.

SOUND BITE 13

The Octaquest range also has potential markets in pulp and paper, cosmetics, photography and personal care.

SOUND BITE 14

"The future for Specialty Products is very promising. We have many low-cost, low-risk ways to grow -- including licensing, bolt-on acquisitions, alliances, custom synthesis and the development of new markets with existing technologies."

-- Dr. Geoff J. Hignett, Vice President, Specialty Chemicals

SOUND BITE 15

"Reducing the employee work force with maximum sensitivity to the human cost and an aggressive program of retraining have kept union-management relations positive in a time of difficult change."

-- Alan Hanslip, Vice President, Human Resources, Octel Corp.

SOUND BITE 16

"We had to get a very clear understanding of our cost base, and then develop and implement a plan to drive unnecessary costs out of the business."

-- Alan G. Javis, Vice President and Chief Financial Officer, Octel corp.

SOUND BITE 17

Even as the company changes dramatically some areas remain constant. Octel continues to be totally committed to safety and environmental responsibility. Major emissions at the Ellesmere Port plant, for example, have been reduced by half in three years.

SOUND BITE 18

A key step in rethinking and redirecting Octel was to assemble a group of experienced managers who understand both the oil and chemical industries. They also have a balance of skills and experience to strategically manage the decline of TEL, and understand how to grow new businesses. The top eight executives average 25 years of industry experience.

SOUND BITE 19

"I see this as a five-year horizon. The first years, by necessity, will focus on managing our current business and paying down our debt ahead of schedule. But, as we manage those situations, we will be moving forward toward a new and exciting future for Octel and our shareholders."

-- Dennis J. Kerrison, President and Chief Executive Officer, Octel Corp.

SOUND BITE 20

"The most tumultuous period of change is now behind us. Ahead, I believe, is a time of building on the platform we have created."

-- Dr. Robert E. Bew, Chairman, Octel Corp.

EXHIBIT 13.2

17.1 REPORT OF INDEPENDENT AUDITORS

Board of Directors and Stockholder
Octel Corp.

We have audited the accompanying combined balance sheet of the businesses that comprise Octel Corp. as of December 31, 1997, and the related combined statements of income, cash flows and stockholders' equity for each of the two years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of the businesses that comprise Octel Corp. at December 31, 1997, and the combined results of their operations and their cash flows for each of the two years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

Indianapolis, Indiana

April 4, 1998

EXHIBIT 21.1

17.2. SUBSIDIARIES OF REGISTRANT

1. Octel Corp., a Delaware corporation
2. Octel L.L.C., a Delaware corporation
3. Octel America Inc., a Delaware corporation
4. Octel International Ltd., a United Kingdom corporation
5. Octel Developments PLC, a United Kingdom corporation
6. Octel Trading Ltd., a United Kingdom corporation
7. Octel Resources Ltd., a United Kingdom corporation
8. Octel Associates, a United Kingdom corporation
9. The Associated Octel Co. Ltd., a United Kingdom corporation
10. Associated Octel Co. (Plant) Ltd., a United Kingdom corporation
11. AKC Trading Ltd., a United Kingdom corporation
12. AKC GmbH, a German corporation
13. Octel France SAS, a French corporation
14. Societa Italiana Additivi per Carburanti srl, an Italian corporation

15. Octel Deutschland GmbH, a German corporation.

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMBINED BALANCE SHEETS, STATEMENTS OF INCOME, AND STATEMENTS OF CASH FLOWS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

PERIOD TYPE	12 MOS
FISCAL YEAR END	DEC 31 1998
PERIOD START	JAN 01 1998
PERIOD END	DEC 31 1998
CASH	26,500
SECURITIES	0
RECEIVABLES	120,600
ALLOWANCES	800
INVENTORY	88,900
CURRENT ASSETS	240,900
PP&E	147,000
DEPRECIATION	30,900
TOTAL ASSETS	806,700
CURRENT LIABILITIES	205,200
BONDS	229,800
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	100
OTHER SE	301,000
TOTAL LIABILITY AND EQUITY	806,700
SALES	465,000
TOTAL REVENUES	471,000
CGS	244,300
TOTAL COSTS	330,100
OTHER EXPENSES	3,800
LOSS PROVISION	(100)
INTEREST EXPENSE	25,200
INCOME PRETAX	111,900
INCOME TAX	41,500
INCOME CONTINUING	70,400
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	70,400
EPS PRIMARY	4.85
EPS DILUTED	4.85

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