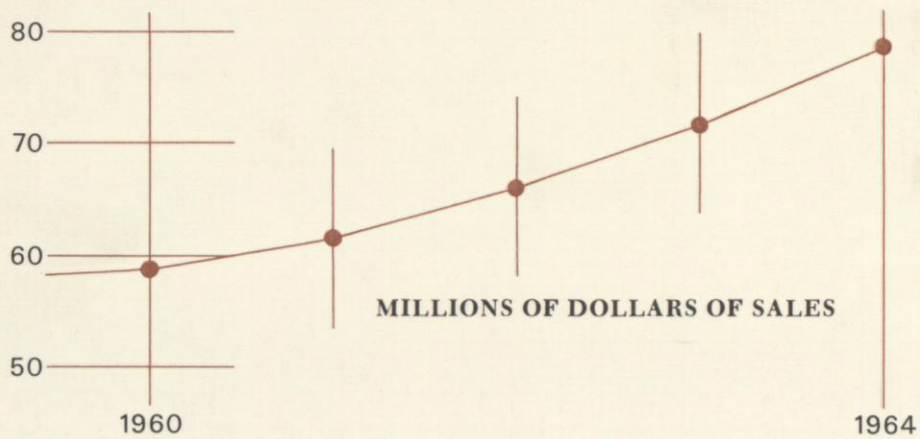


# THE LUBRIZOL CORPORATION

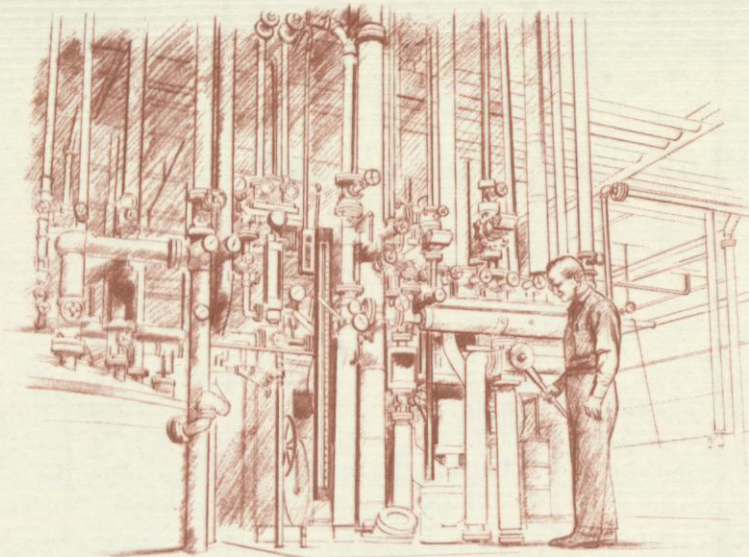


ANNUAL REPORT-1964

*Annual Meeting of Shareholders*

*The annual meeting of shareholders will be held at the general offices of the corporation on Monday, April 26, 1965, at 2:30 P.M. On or about April 3, shareholders will receive a notice of the meeting together with proxy.*

Modern production equipment at our Wickliffe plant is similar to that used in all Lubrizol manufacturing facilities.



## LUBRIZOL PRODUCTS

Lubrizol specializes in the development, manufacture, and sale of additives used by the petroleum industry in a wide variety of lubricants and fuels sold under well known brand names. Additives are chemicals which impart or improve desired performance characteristics of the final product. These are used in:

*Motor Oils*—Lubrizol motor oil additives are used to reduce corrosion and engine wear; to reduce the tendency of oils to thin at high temperatures and thicken as they cool; and to prevent the formation of harmful deposits in automotive engines.

*Gear Lubricants*—Lubrizol additives are used in making gear lubricants which withstand the pressure and heat generated by high-load or high-speed operation of cars, buses, heavy-duty trucks and construction equipment.

*Automatic Transmission Fluids*—Lubrizol ATF additives control clutch surface temperatures, impart smoothness in automatic shift mechanisms and reduce wear in these systems. Similar additives made by the company improve the performance of power steering systems.

Other special-purpose products made by the company include:

- additives to prevent rusting and accumulation of residues in furnace fuels;
- additives to control smoke in diesel fuels;
- anti-icing, carburetor detergency, and other additives for various types of motor fuels;
- additives to improve resin and plastic manufacturing processes;
- thin-film, rustproofing undercoatings for automobiles;
- rust-inhibiting systems marketed by International Rustproof Company, a division, to the appliance industry, steel processors and manufacturers of small metal parts;
- products of Addex Manufacturing Company, a subsidiary, for industrial roof maintenance.

## PRESIDENT'S LETTER

The year 1964 was one of continued activity and growth highlighted by record sales and earnings for the third consecutive year and by a large increase in the number of shareholders.

Sales in 1964 were nearly 10% higher than those in 1963 and earnings rose 7%. The dividend on Lubrizol shares was increased in March and again in June with a total of 83-1/3¢ per share declared during 1964 as compared with 64-1/6¢ during 1963. The fractional figures reflect the adjustment made for the six-for-one stock split, March 18, 1964. Since the year-end, the regular quarterly dividend has been increased from 20¢ to 25¢ per share, an increase of 25%.

The number of shareholders has grown during the past year from about 1,000 to nearly 4,000. Consequently we are having the privilege of reporting to many of you for the first time.

Several events brought about this change in ownership. A secondary offering was made on April 15, 1964, by a group of shareholders making available for this purpose approximately 10% of the total shares outstanding. Further, a stock purchase plan was initiated for employees and in view of the interest shown — more than half the eligible employees participated — the plan is being continued and expanded. In addition, during the year the company issued 12,762 common shares to employees who exercised stock options.

During the last quarter of the year, the company purchased in the open market 15,963 of its common shares, a program which has been continued. Shares so acquired are being held in the treasury to be available for various corporate purposes, including possible acquisitions and the employee stock option program.

While 1964 was a year of continued activity and growth, it was also one of planning ahead. Many of our shareholders are familiar with Lubrizol's outstanding record for emphasis on and accomplishment in research. This year, plans were announced for a major expansion of the company's facilities to provide for both new and continuing research projects. Arrangements were also made for participation with two distinguished institutions in research programs of special interest.

Expansion of plant and facilities continued both at home and abroad. Expenditures for these purposes exceeded 5 million dollars during 1964.

Production began in England at the new Bromborough plant. In Japan, construction of a new plant was initiated and completion is anticipated for the third quarter of 1965.

1964 marked the tenth year of successful operation of the Rouen, France plant. The remarkable performance of Lubrizol France since its inception has contributed greatly to Lubrizol's success and justifies the expectation that continued expansion of the Rouen plant will bring about still greater contributions.

Politically and fiscally, 1964 was an unsettled year for Brazil. However, our operations there had a favorable net effect on consolidated profits for the year, notwithstanding severe devaluation of the Brazilian cruzeiro. We can take a more optimistic view of the future because there are indications of increasing economic and political stability in that country.

Year after year Lubrizol produces a favorable dollar balance of payments. In addition to substantial payments received for exports from three domestic plants, there are cash remittances for dividends, fees, and royalties, which in 1964 alone exceeded \$2,500,000. The flow of dollars into the United States from these sources resulted from investments abroad financed by less than \$2,000,000 sent out of the United States in prior years.

The past year then was one of continued progress. Lubrizol's success was the direct result of the skill and dedication of its employees, now numbering over 1200 in the United States and over 600 abroad. Encountering increased competition, they set new records for sales and earnings. Confronted with new technical requirements, they developed new and better products. Faced with growing demands, they produced Lubrizol products in record volume.

No report for the past year would be complete without acknowledging our gratitude to our shareholders for their confidence, and to our customers for their continued loyalty. The year ahead promises to be one of aggressive activity and growth and, if our people's dedication to the task is the measure, we have every reason to expect another fine year in 1965.

*A. W. Willey*  
President

March 11, 1965

## HIGHLIGHTS

	1964	Percent increase over 1963
Sales .....	\$78,713,525	9.8
Net income .....	7,061,444	7.2
Net income per share .....	2.19	7.4
Dividends declared per share .....	.83%	29.7
Capital expenditures .....	5,301,575	20.5
Research & development expenditures ..	5,577,971	4.3
Number of shareholders .....	3,968	291.4

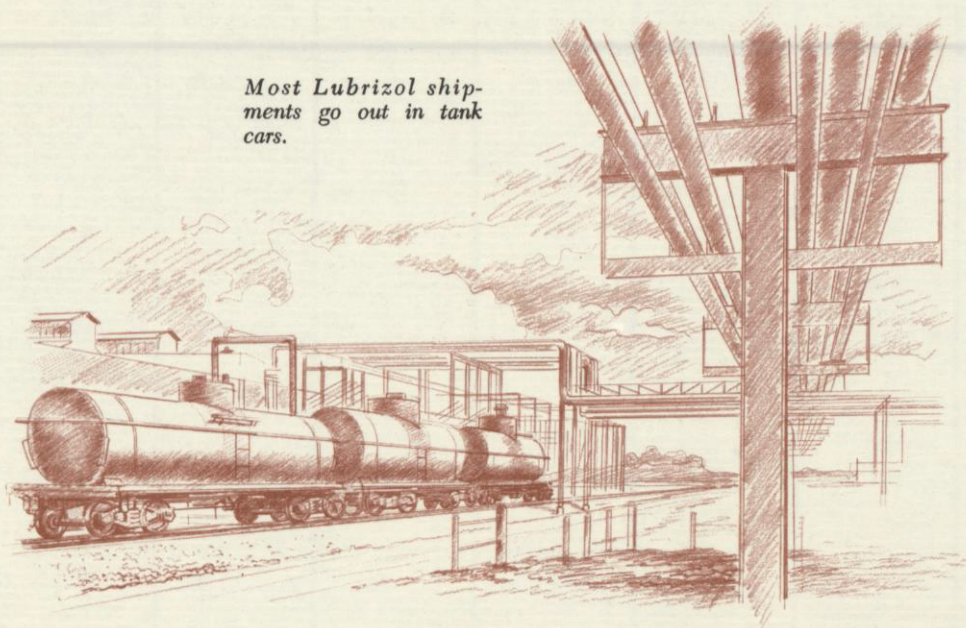
## SALES

Sales in 1964 were \$78,713,525, nearly 10% higher than in 1963. This follows increases of 9% in 1963 and 7% in 1962. A further increase is expected in the coming year despite keen competition both in the United States and abroad.

Lubrizol products are not sold directly to the consumer. Instead, the more than three hundred different chemical additives are sold to petroleum refiners, and to other producers of lubricants and liquid fuels, for incorporation into the product sold to the consumer. Since many new products must be developed to keep up with changes in specifications, a large portion of Lubrizol products sold today has been developed only within the past five years.

Developments in engine design resulting in higher horsepower output and creating more severe operating conditions continue. The growing use of positive crankcase ventilation systems to reduce air pollution by gasoline-powered vehicles requires lubricants with a high degree of dispersancy. Trends such as these constantly improve the market potential for chemical additives of the type manufactured by Lubrizol. Moreover, the transportation explosion abroad continues to accelerate our international growth. Many overseas families formerly using bicycles and motor scooters are now not only regarding a family automobile as a necessity but, as in America, are becoming two-car and three-car families.

*Most Lubrizol shipments go out in tank cars.*

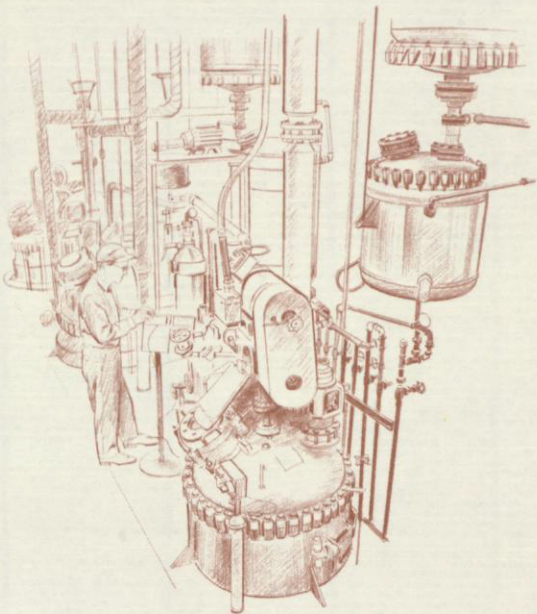


We have been able to take advantage of the rapid growth of overseas markets by continued improvement in customer service. Lubrizol has sales and technical service offices, for the most part company-owned, in twenty-two countries in Europe, South America, the Middle East, Asia and Australia. Our overseas plants and other supply points enable both local customers and affiliates of international oil companies in the area to pay for our products in local currencies and, by reason of prompt delivery, to dispense with large additive inventories.

Lubrizol maintains seven regional sales and technical service offices in the United States and Canada, located in the Chicago, Cleveland, Detroit, Los Angeles, New York, Tulsa and Toronto areas. Maximum service to customers was again the criterion in selecting these locations. The Detroit office performs an additional function by maintaining constant liaison with the automotive industry which helps to implement the company's continuing program of developing additives to meet the requirements of new equipment. A similar office in England carries out this function for the United Kingdom and Western Europe.

Higher sales were also recorded by International Rustproof Company (IRCO), a division of Lubrizol. The most important customers for IRCO's metal-coating and rustproofing systems and products are the manufacturers of appliances, automotive products, and small metal parts. The success of a recent pilot plant for coating strip steels with "Stratabond," an organic protective material, is expected to broaden IRCO's market potential still further.

Emphasis on new and improved products, quality manufacturing, and technical service to customers has increased our growth both at home and abroad. This, in turn, permits us to make an optimistic prediction of continuing increases in sales volume.



*In the pilot plant new additives are produced in quantities sufficient for final testing in the engine test lab and in the field.*

## MANUFACTURING

Keeping pace with increased sales and greater production requirements, manufacturing capacity continued to grow both at home and abroad.

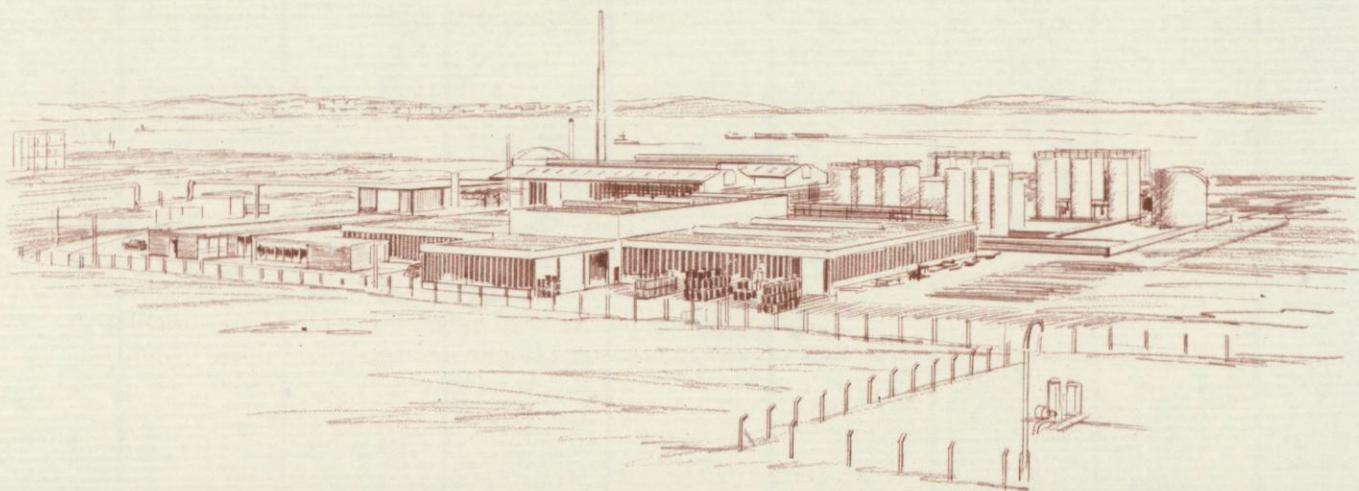
In this country expansion of manufacturing facilities at Wickliffe and Painesville, Ohio; and Houston, Texas has continued. The Houston plant produced an all-time high volume of products in 1964, almost 4% higher than in 1963, the previous peak. Production facilities at Rouen, France were also expanded further.

After more than two years of planning and construction, the new \$3,000,000 plant at Bromborough, England went on stream as scheduled. Operations began in the fall and have proceeded efficiently. This plant, located on the Mersey River near Liverpool, will supply the United Kingdom and the British Commonwealth and will supplement the Rouen plant in serving Continental Europe.

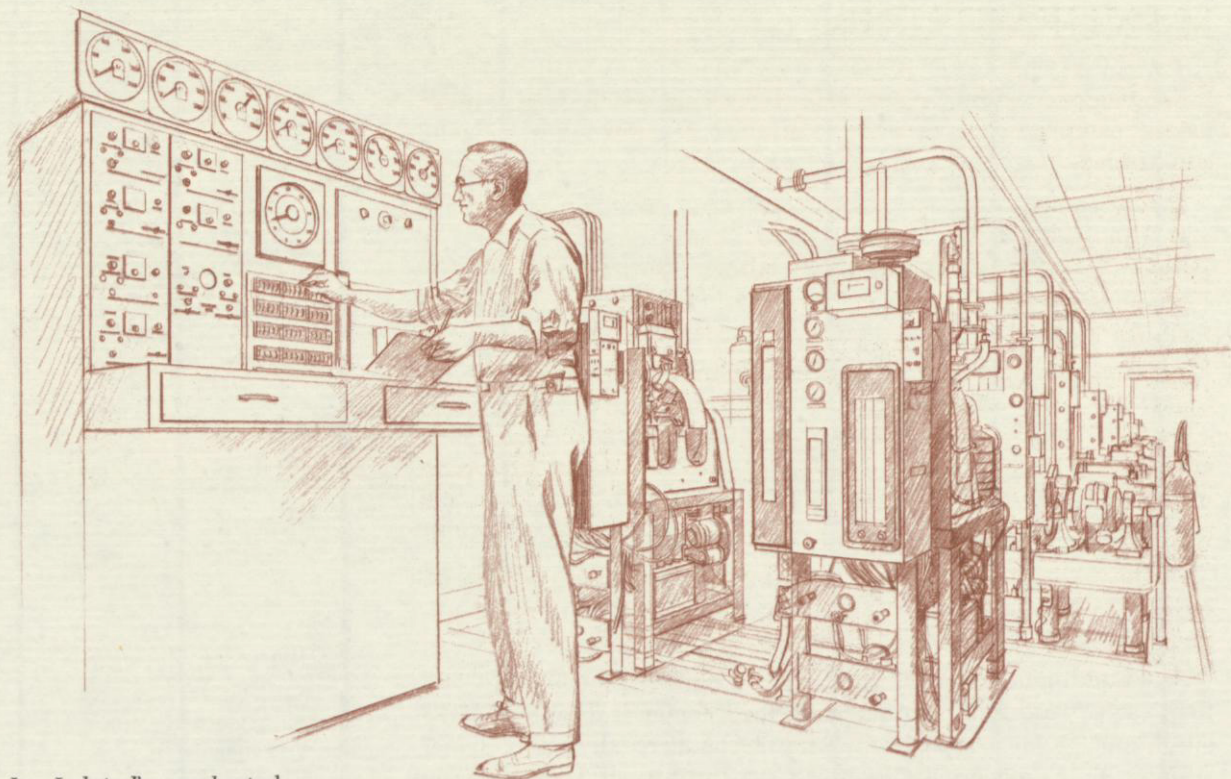
In July, 1964, following validation by the Japanese Government, Nippon-Lubrizol Industries, Inc., was formed. This is a joint venture owned 45% by Lubrizol and 55% by Nippon Oils and Fats Co., Ltd., an old and respected chemical manufacturer. The new company, which will pay fees to Lubrizol for its rights to manufacture our products in Japan, is constructing a \$1,500,000 plant near Nagoya with start-up scheduled for the third quarter of this year. Lubrizol Japan, Ltd., a wholly-owned Lubrizol subsidiary, is presently in charge of all Lubrizol sales and technical service activities in Japan and will be the exclusive sales outlet for this new manufacturing company.

Capital expenditures of \$5,301,575 in 1964 follow an annual average of about \$3,000,000 over the previous ten years. In spite of the disruption which might normally accompany all this expansion, our production has continued to meet the high standards for quality and prompt delivery which have been our goal. At the same time, competition has been met by continued attention to efficient operation and effective use of the most favorable raw materials. This modernization effort, we believe, puts us in a good position to take advantage of improving opportunities for the sale of new products and further growth in the sale of current products.

*In 1964 the Bromborough plant began manufacturing additives for the United Kingdom and western Europe.*







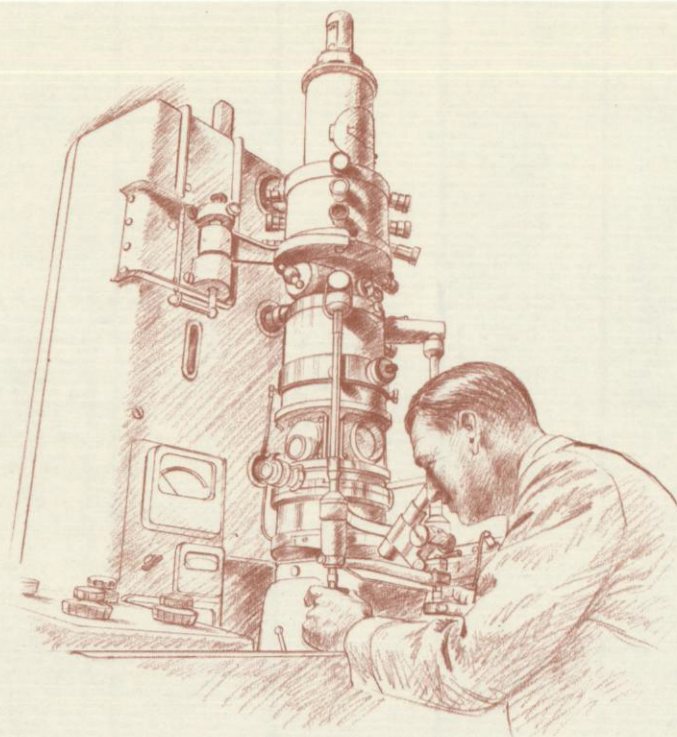
*In Lubrizol's mechanical testing laboratory, unique in the industry, performance characteristics of additives are determined.*

## RESEARCH & DEVELOPMENT AND ENGINEERING

To meet the continuing demand for new and improved additives for lubricants and fuels, Lubrizol's research and development programs in this area have always been aggressive and in 1964 were further strengthened and broadened. Moreover, programs aimed at the development of products in new fields were given new emphasis.

Proposed construction of a \$1,500,000 research facility in Wickliffe is the principal current item in the company's plans for expanding research activities. Ground will be broken this spring for the new unit, the Chemical Products Laboratory, with completion scheduled for 1966. It will provide an opportunity for concentrating in such areas as:

- polymer research;
- laminates, adhesives and other materials of construction;
- organic protective coatings for metals and other materials.



*With the aid of a powerful electron microscope Lubrizol research physicists analyze characteristics of contaminants, oils and additives.*

As an additional effort in these areas, Lubrizol is taking part in a cooperative research program with the Mellon Institute of Pittsburgh and giving support to a project conducted by the Polymer Science and Engineering Group of Case Institute of Technology in Cleveland.

During 1964, Lubrizol began installation of improved monitor, control and data-logging equipment in the Wickliffe mechanical testing laboratory to facilitate performance evaluation of lubricants and fuel additives in test engines. When installation is completed this summer, our engineers will be able to collect and review performance data from every engine 20 times each hour. This will permit substantially continuous control of the equipment and thus lead to a higher degree of accuracy.

In addition to laboratory testing, Lubrizol continues to study the performance of its additives in field-test fleets. Late in 1964, a program was organized involving the cars of eighty employees to study anti-icing and carburetor detergency qualities in gasoline additives, and intensive practical research in this field continues. Keeping pace with the trend to the outdoors, important information was obtained by field-testing oil additives for small two-cycle engines, such as those used in power lawn mowers and outboard motors.

A test program involving off-the-road construction equipment powered by turbo-charged diesel engines was started in 1964 and will be accelerated during 1965.

One of the most important developments completed during the year was an additive for diesel fuels to reduce smoke, particularly for engines used in trucks and buses. Smoke from exhausts of

diesel engines is being given considerable attention in this country as a source of air pollution and particularly of smog formation. This problem appears to be receiving even more serious consideration in European countries.

Among other important projects undertaken during the year by the research division were:

- development of high-temperature additives for high-performance diesel service;
- development of an automatic transmission additive with improved high-temperature stability;
- development of highly dispersant motor oil additives with improved rust inhibiting properties;
- development of improved metal protective treatments and application techniques for use in the appliance industry.

Each proposed research program is carefully reviewed before it is undertaken to determine whether it is justified in terms of its sales and profit potential, probable cost and probable success.

## EXECUTIVE CHANGES

During 1964, several important executive changes were made. F. Alex Nason, a founder of the company, its president from 1929 to 1932, a member of the board since 1928 and chairman since 1959, retired as chairman. He continues in an active capacity as a director and as a consultant.

Kelvin Smith, a founder of the company and its president from 1951 to 1962, was elected chairman of the board of directors.

M. Roger Clapp, a director since 1956, was elected executive vice president. He continues as vice president, manufacturing—a position he has held since 1958.

Ralph S. Tyler, Jr., formerly a partner in the law firm of Squire, Sanders & Dempsey, and a Lubrizol director since 1963, was elected vice president and general counsel, effective July 1, 1964.

Other important appointments made during the year include James N. Crawford as general sales manager, foreign and domestic, M. M. McGrew as assistant division head of manufacturing, and Harry Kaye as controller.

# TEN-YEAR SUMMARY

	1964	1963
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT END OF YEAR</b>		
Current assets .....	\$33,362,430	\$29,592,317
Current liabilities .....	10,910,607	10,554,765
Working capital .....	22,451,823	19,037,552
Plant property—net .....	22,290,620	19,454,666
Other assets (less minority interest) .....	2,027,329	2,230,218
Total .....	46,769,772	40,722,436
Long-term debt .....	2,000,000	—
Net assets—Shareholders' equity .....	<u>\$44,769,772</u>	<u>\$40,722,436</u>

## CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR

Net sales .....	\$78,713,525	\$71,687,103
Costs and expenses .....	65,856,316	59,755,331
Income before provision for taxes on income .....	12,857,209	11,931,772
Provision for taxes on income .....	5,795,765	5,291,559
Income before deduction of minority interest .....	7,061,444	6,640,213
Less minority interest .....	—	55,982
Net income .....	<u>\$ 7,061,444</u>	<u>\$ 6,584,231</u>

## OTHER DATA

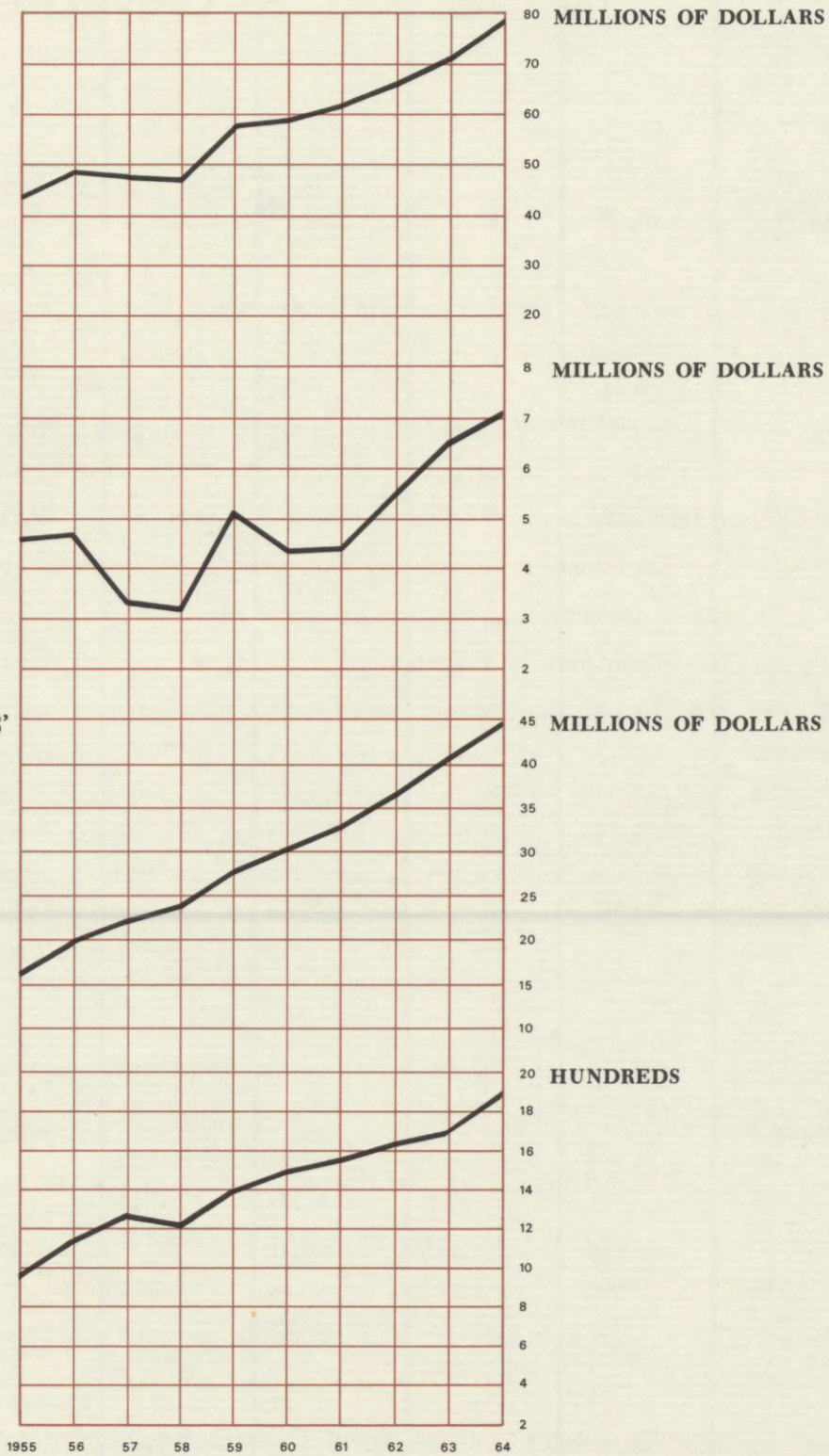
Capital expenditures .....	\$ 5,301,575	\$ 4,399,363
Depreciation .....	2,391,836	2,333,629
Number of employees at end of year .....	1,899	1,730
Number of shareholders at end of year .....	3,968	1,014
Common shares outstanding at end of year .....	3,230,679	3,233,880
Shareholders' equity per share at end of year .....	\$13.86	\$12.59
Net income per share .....	2.19	2.04
Dividends per share .....	.83	.64

NOTE: The number of shares and per share amounts have been computed on the basis of shares outstanding at the end of each year after giving retroactive effect to the six-for-one split referred to in Note 3 to Financial Statements.

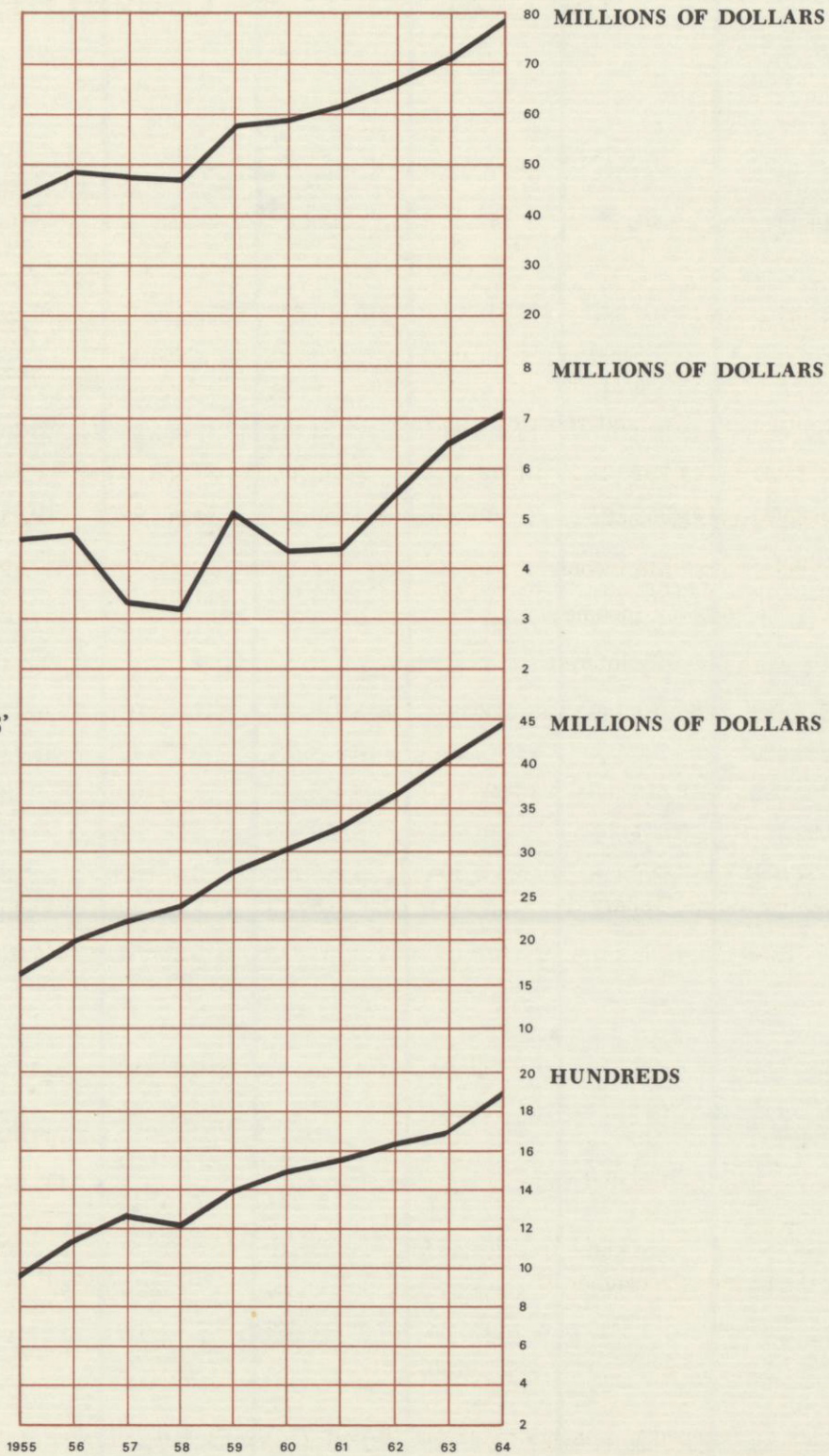
1962	1961	1960	1959	1958	1957	1956	1955
\$25,011,148	\$20,780,139	\$19,154,287	\$18,913,114	\$14,973,639	\$12,446,773	\$16,295,324	\$15,611,690
8,047,575	5,952,525	6,785,690	7,562,624	5,336,581	4,953,381	7,485,831	7,531,858
16,963,573	14,827,614	12,368,597	11,350,490	9,637,058	7,493,392	8,809,493	8,079,832
17,463,388	16,865,490	16,342,047	14,818,858	12,573,777	12,802,565	10,802,604	8,236,479
1,786,317	925,809	1,257,583	1,560,218	1,342,302	1,568,265	226,852	661,148
36,213,278	32,618,913	29,968,227	27,729,566	23,553,137	21,864,222	19,838,949	16,977,459
—	—	—	—	—	—	10,612	940,612
<u>\$36,213,278</u>	<u>\$32,618,913</u>	<u>\$29,968,227</u>	<u>\$27,729,566</u>	<u>\$23,553,137</u>	<u>\$21,864,222</u>	<u>\$19,828,337</u>	<u>\$16,036,847</u>
\$65,601,605	\$61,373,492	\$58,803,719	\$57,906,060	\$46,946,875	\$47,658,922	\$48,433,644	\$43,463,334
55,343,159	52,643,400	50,290,514	47,307,273	40,533,704	40,955,421	38,645,403	33,763,631
10,258,446	8,730,092	8,513,205	10,598,787	6,413,171	6,703,501	9,788,241	9,699,703
4,518,584	3,992,421	3,851,056	5,161,283	3,069,983	3,387,672	5,000,366	4,987,004
5,739,862	4,737,671	4,662,149	5,437,504	3,343,188	3,315,829	4,787,875	4,712,699
243,524	284,797	272,392	367,314	187,574	38,465	108,028	88,097
<u>\$ 5,496,338</u>	<u>\$ 4,452,874</u>	<u>\$ 4,389,757</u>	<u>\$ 5,070,190</u>	<u>\$ 3,155,614</u>	<u>\$ 3,277,364</u>	<u>\$ 4,679,847</u>	<u>\$ 4,624,602</u>
\$ 2,887,310	\$ 2,483,831	\$ 3,175,013	\$ 3,750,051	\$ 1,235,357	\$ 3,277,506	\$ 3,190,252	\$ 2,596,523
2,249,923	1,936,145	1,634,624	1,412,357	1,345,574	1,237,414	982,836	894,065
1,628	1,546	1,483	1,392	1,204	1,250	1,132	950
718	637	344	214	184	149	123	108
3,233,880	3,243,480	3,252,480	3,264,480	3,187,710	3,219,510	3,216,810	3,103,812
\$11.20	\$10.06	\$9.21	\$8.49	\$7.39	\$6.79	\$6.16	\$5.17
1.70	1.37	1.35	1.55	.99	1.02	1.45	1.49
.54	.54	.50	.50	.38	.42	.54	.67

NOTE: The income tax provisions and net income for the years 1957 through 1961 have been retroactively adjusted to reflect (1) the reduction in income taxes resulting from the liquidation of a wholly-owned subsidiary in 1961, and (2) additional income taxes assessed in 1960.

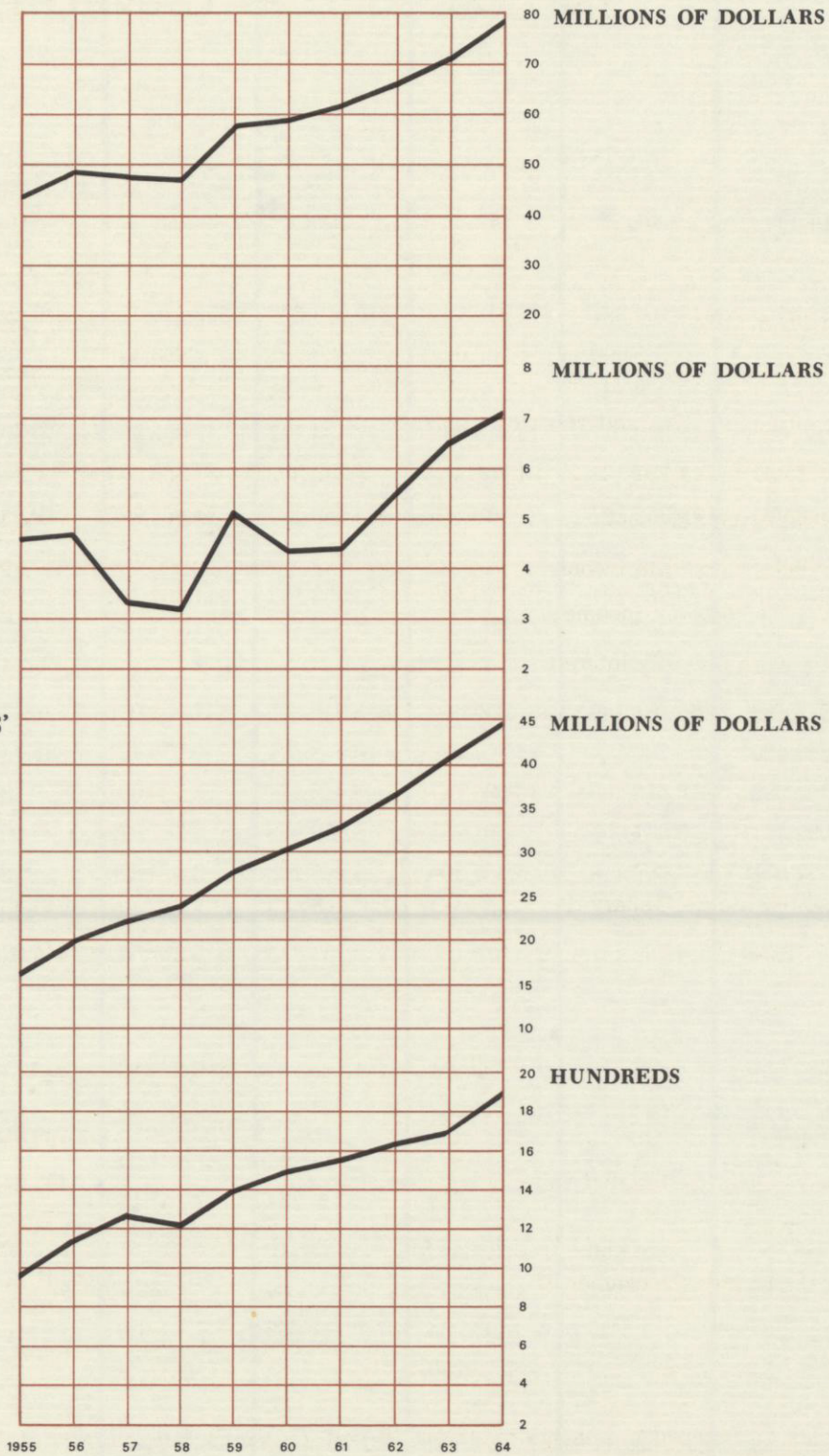
**SALES**



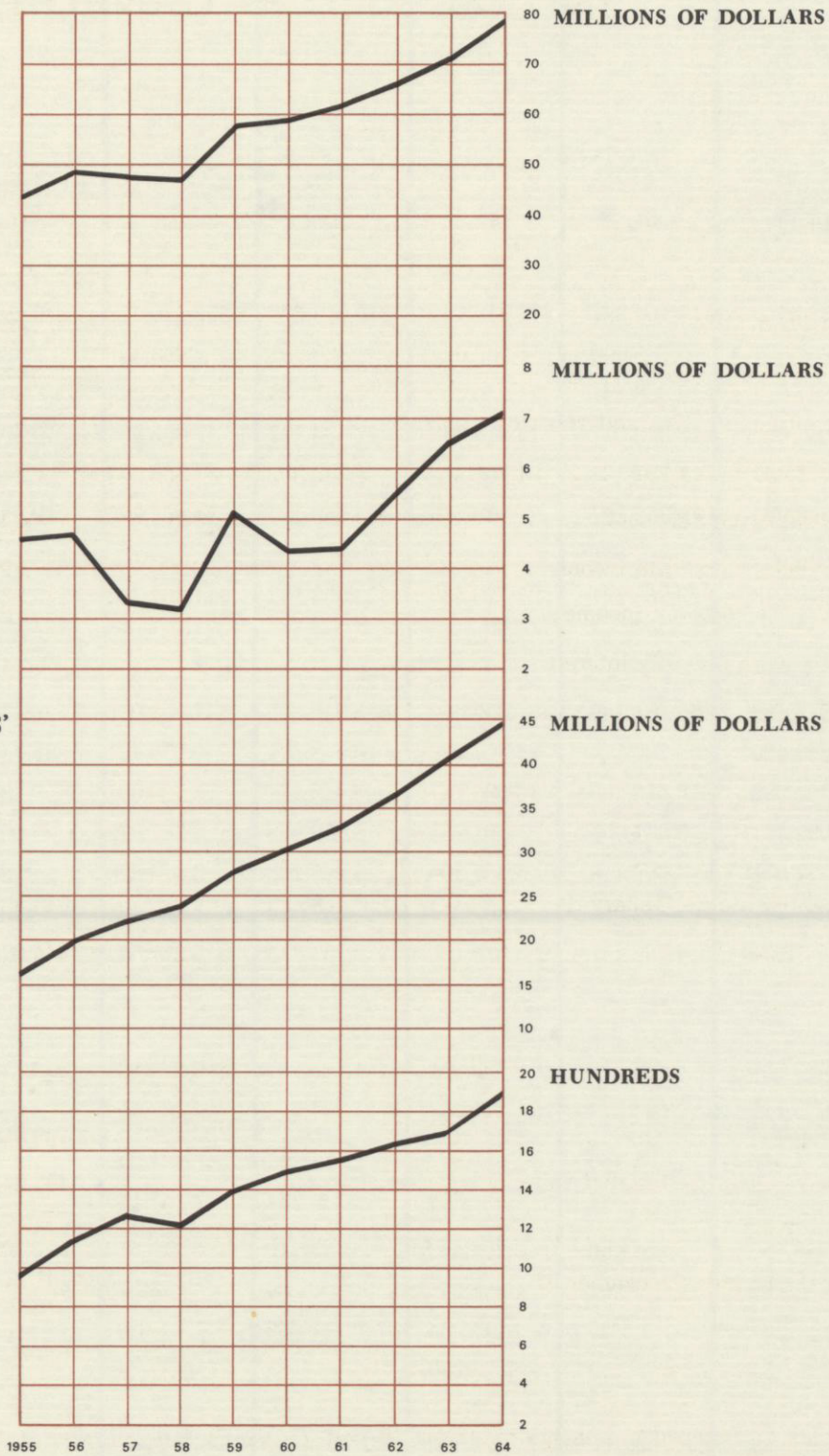
**NET INCOME**



**STOCKHOLDERS' EQUITY**



**EMPLOYEES**



CONSOLIDATED STATEMENT OF  
INCOME AND RETAINED EARNINGS

	Year ended December 31	
	1964	1963
Net sales . . . . .	\$78,713,525	\$71,687,103
Cost of goods sold . . . . .	48,972,700	43,922,212
Gross profit . . . . .	29,740,825	27,764,891
Selling, administrative and research expenses . . . . .	17,160,310	15,978,103
Income from operations . . . . .	12,580,515	11,786,788
Other income credits—net . . . . .	276,694	144,984
Income before taxes on income . . . . .	12,857,209	11,931,772
Provision for taxes on income . . . . .	5,795,765	5,291,559
Income before minority interest . . . . .	7,061,444	6,640,213
Less minority interest . . . . .	—	55,982
Net income . . . . .	7,061,444	6,584,231
Retained earnings, January 1 . . . . .	22,884,625	18,375,467
Total . . . . .	29,946,069	24,959,698
Less:		
Dividends . . . . .	2,702,353	2,075,073
Excess of cost over stated value of treasury shares . . . . .	408,217	—
Total . . . . .	3,110,570	2,075,073
Retained earnings, December 31 . . . . .	<u>\$26,835,499</u>	<u>\$22,884,625</u>

*The notes to financial statements on Pages 16 and 17 are an integral part of this statement.*

# CONSOLIDATED BALANCE SHEET

ASSETS	December 31	
	1964	1963
Current assets:		
Cash .....	\$ 4,409,223	\$ 4,217,910
United States Government and other short-term marketable securities—at lower of cost or market .....	3,599,925	4,991,318
Receivables:		
Customers .....	7,346,838	6,748,199
Other .....	2,573,639	1,493,098
Inventories—at cost (first-in first-out method) not in excess of market:		
Finished products .....	3,907,876	2,759,040
Products in process .....	5,649,099	3,695,319
Raw material and supplies .....	5,082,358	4,855,742
Prepaid expenses .....	793,472	831,691
Total current assets .....	33,362,430	29,592,317
Plant property—at cost:		
Land and improvements .....	2,857,492	2,604,847
Buildings and improvements .....	10,740,000	10,121,770
Machinery and equipment .....	21,437,147	20,065,896
Construction in progress .....	4,044,453	1,481,840
	39,079,092	34,274,353
Less accumulated depreciation .....	16,788,472	14,819,687
Plant property—net .....	22,290,620	19,454,666
Patents and trademarks—at cost less accumulated amortization ..	956,741	1,026,445
Other assets:		
Unamortized excess of cost over book value of subsidiaries' shares purchased .....	143,906	509,211
Cash surrender value of life insurance .....	282,466	288,411
Deferred charges .....	199,316	8,437
Investments and advances .....	283,657	57,246
Miscellaneous .....	161,243	340,468
Total other assets .....	1,070,588	1,203,773
	\$57,680,379	\$51,277,201

*The notes to financial statements on Pages 16 and 17 are an integral part of this statement.*



LIABILITIES AND SHAREHOLDERS' EQUITY	December 31	
	1964	1963
Current Liabilities:		
Notes payable by foreign subsidiaries to banks .....	\$ 1,016,066	\$ 64,516
Accounts payable:		
Trade .....	3,445,682	3,693,778
Other .....	776,012	748,266
Dividends payable .....	324,544	565,929
Accrued expenses:		
Income taxes .....	3,607,803	3,728,458
Other taxes .....	436,053	442,269
Employee compensation .....	1,102,291	1,082,628
Other .....	202,156	228,921
Total current liabilities .....	<u>10,910,607</u>	<u>10,554,765</u>
Long-term debt—4½% note payable by foreign subsidiary to bank— due in four equal semi-annual installments beginning January 15, 1966 .....	<u>2,000,000</u>	<u>—</u>
Shareholders' equity: (Notes 2 and 3)		
Common shares without par value:		
Authorized—5,000,000 shares		
Outstanding—3,230,679 shares in 1964 (after deducting 15,963 treasury shares); and 3,233,880 shares in 1963 .....	17,934,273	17,837,811
Retained earnings .....	26,835,499	22,884,625
Total shareholders' equity .....	44,769,772	40,722,436
	<u>\$57,680,379</u>	<u>\$51,277,201</u>

*The notes to financial statements on Pages 16 and 17 are an integral part of this statement.*

## NOTES TO FINANCIAL STATEMENTS

### 1. Principles of Consolidation

All subsidiary companies are wholly-owned and consolidated for 1964. Lubrizol Japan, Ltd., which was not consolidated in prior years, was included in the consolidation in 1964 because withdrawal of its earnings is no longer restricted. The 1963 financial statements have not been retroactively adjusted because the effect of the change is not material.

The accounts of the subsidiaries located outside the United States have been translated into United States dollars as follows: Property, related depreciation, and inventories at rates in effect at the time of acquisition; other assets and liabilities, at current rates in effect at December 31, 1964; other income accounts, at average rates for the year. Similar translation procedures were used in prior years except that inventories were translated at exchange rates in effect as of the close of each year. The effect of this change is not material in relation to consolidated net income. Losses resulting from translation have been charged to income.

A summary of net assets outside the United States and Canada at December 31, 1964, follows:

	(In thousands of dollars)					Total
	France Switzerland Germany Scandinavia Italy	Japan Bahamas England Australia South Africa	Brazil	Mexico		
Current assets . . . . .	\$5,903	\$8,693	\$2,659	\$1,275	\$18,530	
Current liabilities (A) . . . . .	1,550	2,565	539	15	4,669	
Working capital . . . . .	4,353	6,128	2,120	1,260	13,861	
Fixed assets . . . . .	2,125	4,676	210	282	7,293	
Other assets . . . . .	209	391	2	—	602	
Long term debt (A) . . . . .	—	(2,000)	—	—	(2,000)	
Net assets outside the United States and Canada . .	<u>\$6,687</u>	<u>\$9,195</u>	<u>\$2,332</u>	<u>\$1,542</u>	<u>\$19,756</u>	

(A) Includes approximately \$3,000,000 of notes payable to banks by subsidiary companies which notes are guaranteed by The Lubrizol Corporation.

## **2. Employee Stock Option Plan**

At the beginning of the year options were outstanding to purchase 86,700 shares. During the year options for 56,850 shares were granted, options for 1,800 shares were surrendered and options for 12,762 shares were exercised. At the end of the year options were outstanding for 128,988 shares and there remained 8,250 unoptioned shares under the plan. The option price per share was the fair market value on the date of grant with respect to all options.

## **3. Common Shares**

On March 18, 1964 the shareholders of the Company adopted Amended Articles of Incorporation changing the authorized common shares from 800,000 shares, \$1 par value, to 5,000,000 shares, without par value, and approved a six-for-one split of the issued and outstanding common shares.

## **4. Depreciation**

Depreciation included in costs and expenses amounted to \$2,391,836 in 1964 and \$2,333,629 in 1963.

## **5. Investment Credit**

The prior years unamortized portion of investment credits relating to purchases of qualified depreciable property, previously being taken into income over the lives of the respective assets, has been credited to the provision for income taxes in 1964 because of the retroactive effect of the Revenue Act of 1964. The amount is not material.

## **6. Retained Earnings**

At December 31, 1964 retained earnings included \$961,898 of capitalized earnings and statutory reserves of foreign subsidiaries.

## **7. Guarantee**

The Company has guaranteed 45% of a \$1,400,000 note payable to a bank, issued by the Company's 45%-owned Japanese affiliate, Nippon-Lubrizol Industries, Inc.

# ACCOUNTANTS' OPINION

To the Shareholders  
and Board of Directors of  
THE LUBRIZOL CORPORATION:

We have examined the consolidated balance sheet of The Lubrizol Corporation and its subsidiaries as of December 31, 1964 and the related consolidated statement of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income and retained earnings present fairly the financial position of the companies at December 31, 1964 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Haskins & Sells*

Cleveland, Ohio  
March 2, 1965

# THE LUBRIZOL CORPORATION

## DIRECTORS

KELVIN SMITH, *Chairman*  
M. ROGER CLAPP  
RUSSELL J. FERREE  
✕ THOMAS L. HOLLAND  
THOMAS W. MASTIN  
✕ F. ALEX NASON

JOHN L. PALMER  
✕ KENT H. SMITH  
✕ VINCENT K. SMITH  
RALPH S. TYLER, JR.  
ARTHUR O. WILLEY  
JOSEPH M. ZLATOPER

## OFFICERS

KELVIN SMITH  
ARTHUR O. WILLEY  
M. ROGER CLAPP  
  
RUSSELL J. FERREE  
THOMAS L. HOLLAND  
THOMAS W. MASTIN

JOHN L. PALMER  
RALPH S. TYLER, JR.  
DOUGLAS W. RICHARDSON  
JOSEPH M. ZLATOPER

*Chairman of the Board*  
*President and Chief Executive*  
*Executive Vice President and*  
*Vice President, Manufacturing*  
*Vice President, Finance*  
*Vice President, Sales*  
*Vice President, Research and*  
*Development*  
*Vice President, Engineering*  
*Vice President and General Counsel*  
*Secretary*  
*Treasurer*

# THE LUBRIZOL CORPORATION

CLEVELAND, OHIO 44117

## SUBSIDIARIES

Addex Manufacturing Company	Lubrizol Italiana S.p.A.
Cleveland Industrial Research, Inc.	Lubrizol International S.A.
Lubrizol of Canada, Ltd.	Lubrizol Australia (a branch)
Lubrizol France	Lubrizol de Mexico, S. de R.L.
Lubrizol Great Britain Limited	Lubrizol do Brasil, Limitada
Lubrizol Limited—(England)	Lubrizol South Africa (Pty.) Limited
Lubrizol G.m.b.H.—(Germany)	Lubrizol Japan, Ltd.
Lubrizol A.G.—(Switzerland)	Lubrizol Scandinavia AB

Nippon-Lubrizol Industries, Inc. (affiliate)

## MANUFACTURING PLANTS

Wickliffe, Ohio	Bromborough, England	Niagara Falls, Canada
Painesville, Ohio	Monterrey, Mexico	Rouen, France
Houston, Texas		Sydney, Australia

Taketoyo, Japan (under construction)

## RESEARCH and TESTING LABORATORIES

Wickliffe, Ohio	Hazelwood, near Derby, England
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## SALES and TECHNICAL SERVICE OFFICES and SALES AGENTS

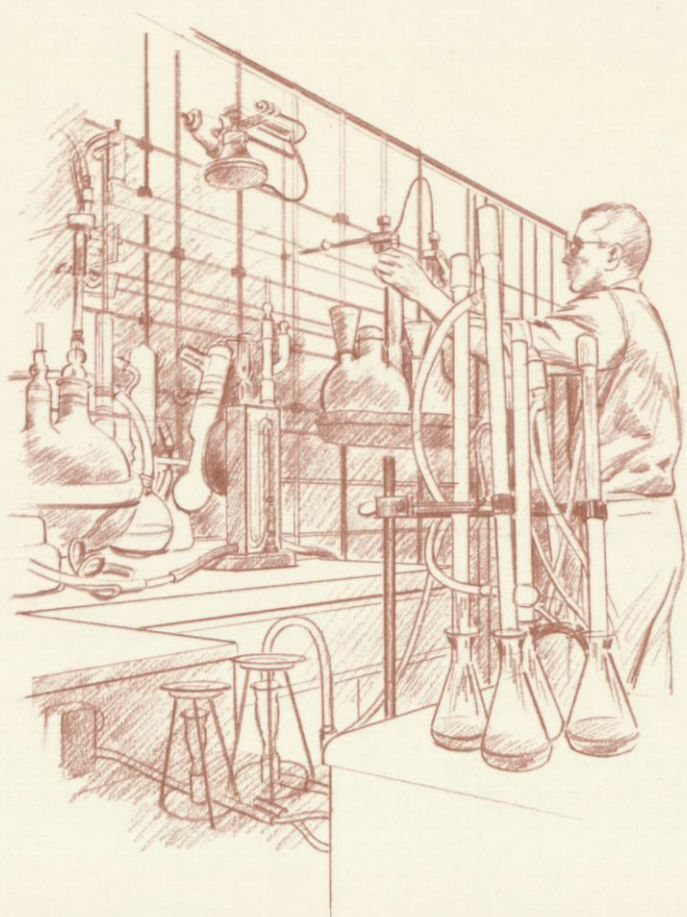
Chicago (Naperville, Ill.)	London, England
Cleveland	Melbourne, Australia
Detroit	Mexico City, Mexico
Los Angeles (Pasadena, Calif.)	Milan, Italy
New York (Ridgewood, N. J.)	Nassau, Bahamas
Tulsa, Oklahoma	Oslo, Norway
Athens, Greece	Paris, France
Baghdad, Iraq	Rio de Janeiro, Brazil
Brussels, Belgium	Santiago, Chile
Buenos Aires, Argentina	Stockholm, Sweden
Copenhagen, Denmark	Sydney, Australia
Durban, South Africa	Taipei, Taiwan
Hamburg, West Germany	Tokyo, Japan
Helsinki, Finland	Toronto, Canada
La Paz, Bolivia	Vienna, Austria

## REGISTRARS

The National City Bank of Cleveland  
Chemical Bank New York Trust Co.

## TRANSFER AGENTS

The National City Bank of Cleveland  
First National City Bank



*Lubrizol research not only develops new additives but also finds more economical raw materials and efficient production methods.*

