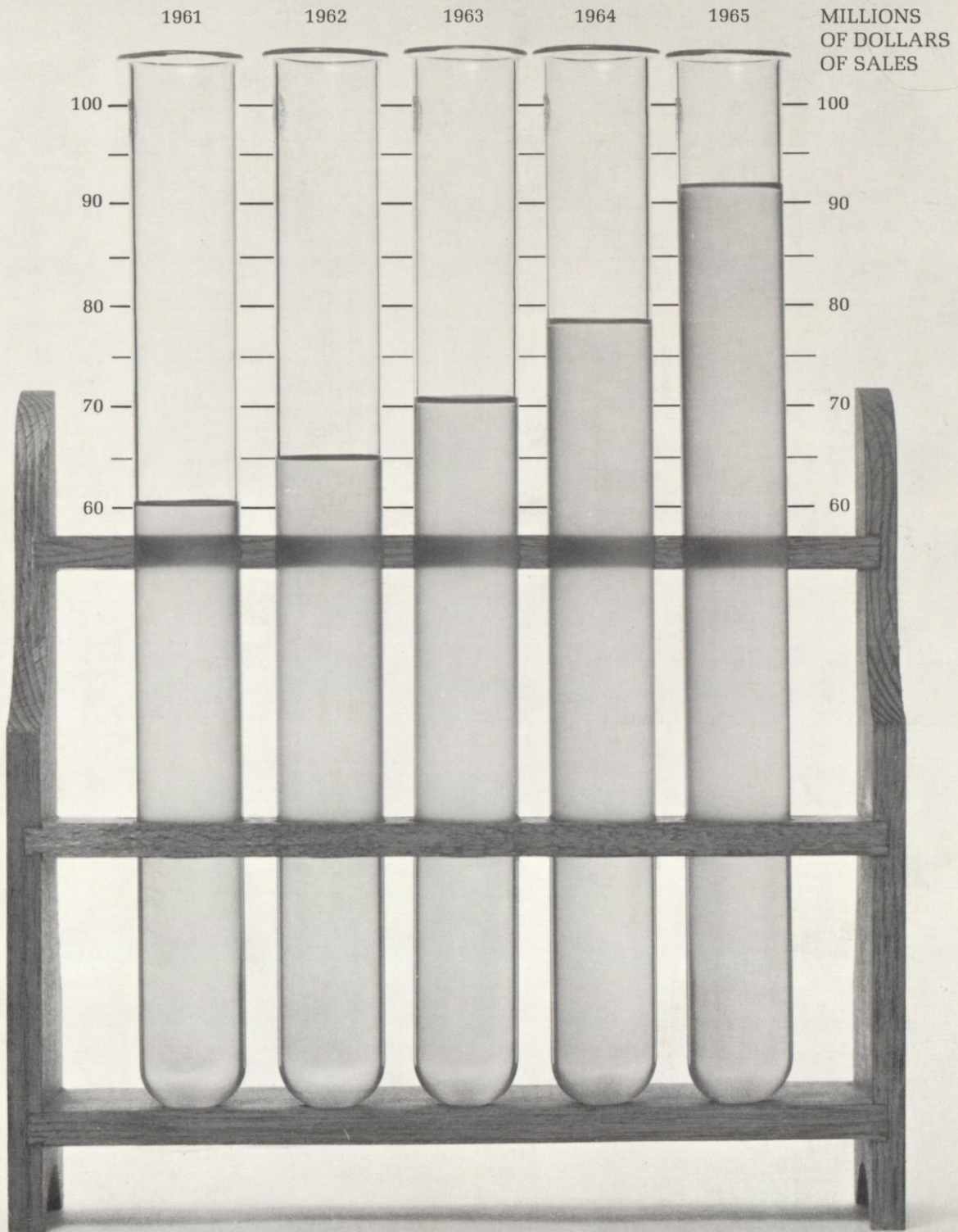
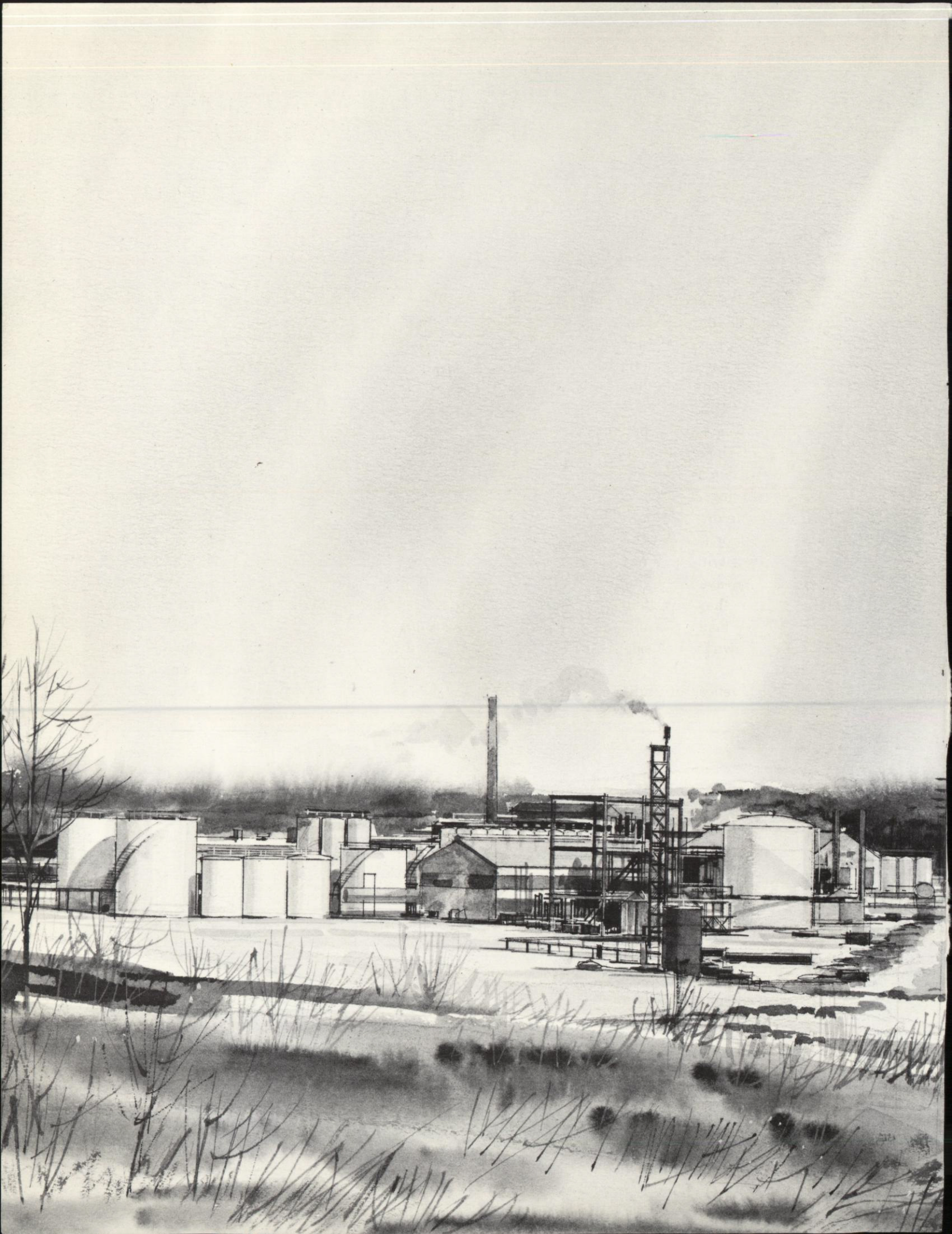


THE LUBRIZOL CORPORATION

ANNUAL REPORT • 1965





PRODUCTS

The Lubrizol Corporation is recognized throughout the world as a leader in the development, manufacture and sale of chemicals for use in lubricants and fuels. These "additives" are supplied to the petroleum industry and become a small but important part of the finished products used in practically all types of transportation, construction and industrial equipment.

Additives enhance the performance of lubricants in engines, automatic transmissions and gear systems as well as in many phases of manufacturing such as machining, metal forming and hydraulic control. In fact, it is impractical to operate much of today's modern equipment without lubricants containing additives. The availability of them and the characteristics they contribute to the finished product have made possible advances previously unknown in the design and efficiency of equipment.

The effectiveness of additives can be ob-

served in your own car where satisfactory performance depends upon the use of additive-treated lubricants in the engine, automatic transmission, rear axle and power steering mechanism.

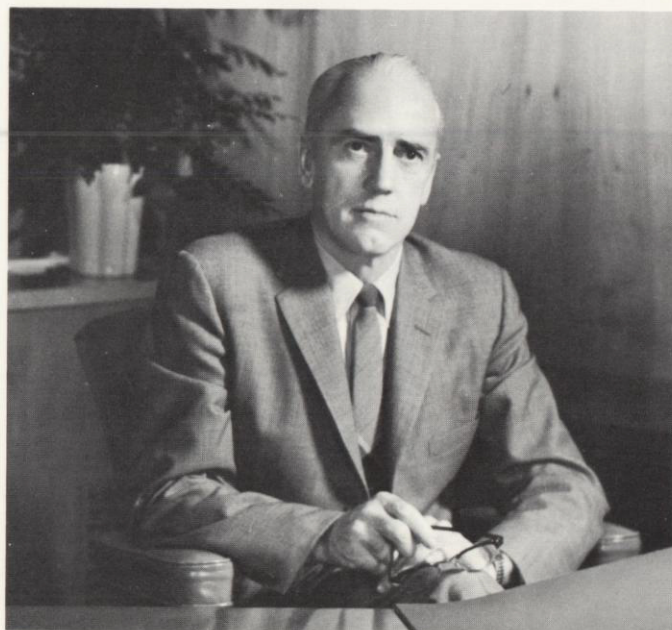
Lubrizol also produces additives for use in gasoline, diesel fuel and furnace oils. These products provide protection against corrosion, carburetor icing and harmful deposits from gasoline; reduce smoke emission from diesel engine exhausts and lessen filter and burner deposits in furnace operations.

Other products made by Lubrizol include additives for resins and plastics to improve important properties such as stability and flow characteristics; high quality industrial roofing materials; and several types of chemical coatings which provide adherent rust-proof metal surfaces for paint. The latter are used widely by the appliance industry, steel processors and manufacturers of small metal parts.

HIGHLIGHTS	1965	1964	Percent Increase over 1964
Income:			
Net sales	\$92,019,801	\$78,713,525	16.9
Royalties and fees	490,458	27,483	
Total	92,510,259	78,741,008	17.5
Net income	9,600,243	7,061,444	36.0
Net income per share	2.96	2.19	35.2
Dividends declared per share	1.05	.83½	26.0
Capital expenditures	6,712,924	5,301,575	26.6
Depreciation	2,717,407	2,391,836	13.6
Research and development expenditures ..	5,651,439	5,577,971	1.3
Shareholders' equity	50,979,766	44,769,772	13.9



Kelvin Smith



A. O. Willey

A MESSAGE TO SHAREHOLDERS

It is a pleasure to report to you the progress made by the company during 1965. Compared with 1964, sales increased 17% to \$92,019,801 and earnings 36% to \$9,600,243. It is particularly gratifying to note that this was accomplished as a result of general improvement throughout our entire product line and widespread geographic markets; no single factor was primarily responsible.

During the year, a deeper and broader domestic market penetration was noted as Lubrizol made the most of opportunities furnished by changes in engine design and operation. For example, the fast-expanding number of automobiles equipped with systems designed to reduce air pollution brought about new lubrication problems which raised the level of lubricant additive requirements. An additional expansion of the market resulted from the higher quality and performance standards for lubricants set by automotive manufacturers. We anticipate that these trends will continue to benefit the company.

In a similar manner, our overseas sales have been stimulated by rising standards of living throughout the Free World which, in the transportation, construction and manufacturing industries, create new demands on lubricants and fuels that can only be met by expanded use of additives.

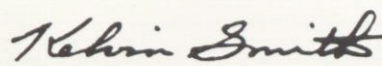
The information contained in the "Sales" section of this report briefly sets forth the basis of our optimism toward Lubrizol's international operations. In this connection, we believe it is important to remain alert to political and economic changes which can affect our foreign markets.

Continuing research has contributed much to the year's growth in the demands for our products. Research is also counted on to further diversify our product lines. To promote that effort, construction of a new research facility in Wickliffe is well under way and is scheduled for completion by the end of 1966. This laboratory, concerned primarily with research in polymer chemistry, is described in more detail in the Research and Development Engineering section which follows.

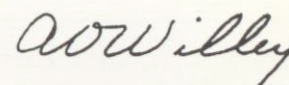
As in the past, a major portion of profits which this year reached an all time high, was retained in the business for research and for additional manufacturing facilities. In spite of this, it was found possible also to increase the quarterly dividend in the fourth quarter from \$.25 to \$.30. This increase brought the total dividends declared for the year to \$1.05 per share as compared with \$.83 $\frac{1}{3}$ during 1964.

The advances made during the year could only have been realized through the effective effort of Lubrizol's more than 2,000 employees. The loyalty and satisfaction of our customers in such a competitive field is clear evidence of the excellent performance of the entire employee group.

We hope that in this report all of you will find reason to share our anticipation of continued growth in the years ahead.



Chairman of the Board



President



RESEARCH AND DEVELOPMENT / ENGINEERING

The research facility now under construction in Wickliffe, Ohio is intended primarily as a means of furthering diversification of product lines. It is, as well, the largest single capital expenditure Lubrizol has yet made for research and development. When completed in late 1966, it will represent an investment of nearly \$2,500,000.

The polymer chemistry research in this laboratory will be directed toward the fields of plastics, laminates and adhesives; materials of construction; and protective coatings. It is estimated that during the next few years the use of chemical products in these fields will increase rapidly. The facility is designed particularly to encourage exploratory, developmental and applications research which will tie in with work already being conducted at Lubrizol. In fact, certain specialty chemical products were introduced by Lubrizol to the plastics industry in 1965 and others are now being assessed for market potential.

During 1965, research, development and engineering effort was continued in anti-rust and corrosion-control compounds as well as in Lubrizol's basic lubricant and fuel additives. A multi-purpose gasoline additive was introduced, and field tests of several other fuel additives were conducted — these included a diesel fuel smoke suppressant and several anti-icing and carburetor cleaning additives. Still other test programs involved additives for use in turbo-charged diesel engines used for heavy duty equipment, and in two-cycle engines.

Among the lubricant additives tested in recent programs, the most important were those which prevent harmful deposits from forming

on moving parts, promote free flow of the lubricant, inhibit corrosion and rusting, and reduce deterioration of the lubricant at high temperature.

Most of the testing activities at Lubrizol are under the direction of our Engineering Division. It has the responsibility for operation of the Mechanical Testing Laboratory at Wickliffe where products are evaluated in a total of more than 100 automotive and diesel engines, axles, automatic transmissions and outboard motors. A similar, but smaller, mechanical laboratory is operated in England to test our products in European equipment.

The effectiveness of the Wickliffe Mechanical Laboratory will be improved further by the installation of automatic monitor, control and data-logging equipment now in process. This equipment will facilitate the continuous collection and review of 1,800 vital readings which it records every three and one half minutes with a high degree of accuracy. To obtain the same amount of data manually would be a practical impossibility.

Testing does not end in the laboratory but continues in the field where products are used in cars, trucks and construction equipment for long periods of time involving many miles of operation. A major field test concerned with additive-containing lubricants was completed in Japan during 1965. This was the first large-scale test ever conducted in the Orient; it involved many vehicles which were driven a total of 600,000 miles over an eight-month period. Road test projects in the United States, also supervised by the Wickliffe staff, totaled over 17,000,000 miles during 1965. In England, road tests, under the direction of the mechani-

cal testing group at the laboratory there, logged the equivalent of 900,000 miles.

In addition to product testing and evaluation, Engineering Division personnel perform two other major functions for the company. A Technical Service group maintains close liaison with the military, equipment manufacturers and independent laboratories; it also gives important support to our salesmen in dealing with customers. A General Engineer-

ing department is responsible for plant construction and maintenance and the design of process equipment. In addition, this group supplies the engineering services required for the expansion of manufacturing operations in Lubrizol plants all over the world. In 1965, all of the architectural drawings and specifications for the new research building were prepared by this department.

PERSONNEL

A total of 167 employees joined the company during the year, an increase of 8.8% over 1964. About half of this increase resulted from the start-up of the new manufacturing plant in Bromborough, England. Most of the balance was added at other manufacturing locations to meet growing product demands. Some additions were also made to the research group in anticipation of our needs in new product development areas and to staff the research building now under construction.

A number of important executive changes occurred in 1965. A new director was added and two men who joined the company during its first decade, and had contributed importantly to its success, retired as officers of the company.

Thomas L. Holland, with Lubrizol since 1937, retired as vice president - sales. Mr. Holland was instrumental in building the company's sales to their present record levels. He has been a director of the company since 1942.

Russell J. Ferree retired as vice president - finance in October after almost 30 years of service. Mr. Ferree, who was elected a direc-

tor in 1953, helped guide the finances of the company to their present strong position.

Karl H. Rudolph, executive vice president of The Cleveland Electric Illuminating Company, was elected to the Board of Directors in August.

James N. Crawford, formerly general sales manager, foreign and domestic, was elected vice president - sales in April 1965. Mr. Crawford has been with Lubrizol since 1955.

M. M. McGrew was elected vice president - manufacturing. Mr. McGrew, who joined Lubrizol in 1936 and was director of purchases for more than 20 years, had been assistant division head of manufacturing prior to his election as vice president.

Additional executive appointments made during 1965 include Robert K. Williams, formerly assistant head of engineering, as executive assistant to the president, and Gordon B. Cameron as assistant head of the personnel and public relations division. Mr. Cameron recently came to Lubrizol from the University of California where he had been manager of personnel and retirement systems.

SALES

Consolidated sales of the company during 1965 exceeded \$92,000,000, 17% higher than in 1964. This compares favorably with the average annual growth of about 10% experienced over the past ten years.

The refinement of our basic product lines to meet market demands for improved quality and performance was the most important factor in establishing this sales record. An example of such refinement was the development of an automotive lubricant additive treatment balanced to withstand both high-temperature turnpike operation and low-temperature, start-and-stop "housewife" driving. Lubrizol's ability to meet such market demands should continue to give us the opportunity to increase sales of established products.

Of course, attention was also given to new products. Engine systems designed to reduce air pollution, mentioned in the "Message to Shareholders", are now used in all recently manufactured American automobiles. A gasoline additive of the dispersant-type which inhibits harmful deposits in these new systems was introduced in 1965. While increased acceptance of fuel additives in general is evident, this product appears to be unusually promising.

Last year's Annual Report described briefly a diesel fuel additive which reduces exhaust smoke. Recent tests indicate that this additive may also lessen engine maintenance. While testing is continuing, interest in this product has grown substantially both here and overseas and we anticipate increased sales for it during 1966.

Penetration of foreign markets has progressed very satisfactorily during the past year.

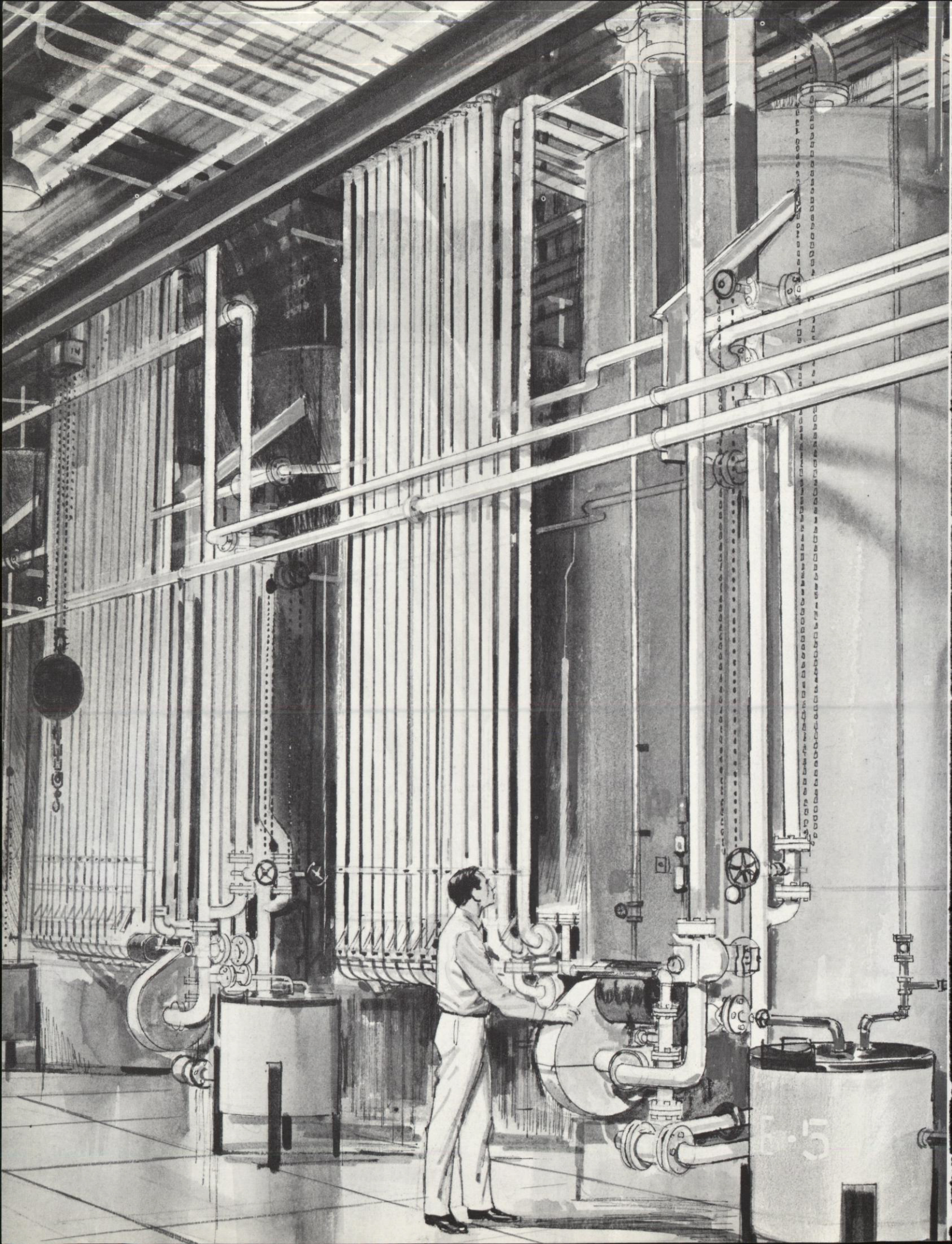
Through the maintenance of sales and technical service offices in Australia and 23 countries of Europe, South America, the Middle East and Asia the company has been able to participate in the rapid growth of overseas markets.

We anticipate that Lubrizol's new joint venture in Taketoyo, Japan will enable us to increase substantially our share of that market. Another joint venture was recently announced in Mexico — where a manufacturing plant has been in operation for eight years. In India, too, increased demand for our products has resulted in an agreement to construct a manufacturing facility in that country.

In the field of metal surface protection, International Rustproof Company (IRCO), a division of Lubrizol, reported increased sales for 1965. The market potential of certain new metal-coating products and the increased acceptance of Irco's established rustproofing products and systems make it likely that this trend will continue. The Irco sales force has expanded during the year to help accelerate increasing sales.

Addex Manufacturing Company, a subsidiary of Lubrizol, manufactures and sells industrial roofing products and asphaltic compounds. Addex sales increased appreciably during the year.

The fast-changing needs of Lubrizol's markets and customers put strong emphasis on technical services as the springboard for our sales effort. The quality of these services together with the effectiveness of the company's research, testing and manufacturing activities support the expectation that sales will increase significantly during 1966.



MANUFACTURING

In anticipation of increased sales and greater product requirements, expansion of the company's manufacturing facilities continued during 1965. Additions to production capacity were made at all three domestic plants (Wickliffe and Painesville in Ohio and Houston in Texas) to provide new manufacturing equipment for the production of intermediates and finished additives, not only for immediate requirements but also for future growth.

Each of the domestic plants produced a record volume of products during the year. At Wickliffe, a production record was broken which had remained unassailed since 1951 when the plant at that location was the sole manufacturing operation.

Foreign expansion was highlighted last year by the dedication and highly successful start-up of a new \$1,500,000 manufacturing facility in Taketoyo, Japan. The new plant is operated by Nippon-Lubrizol Industries, Inc., which is jointly owned by Nippon Oil and Fats Co., Ltd. of Tokyo and Lubrizol. Additives produced in the new facility include detergents, dispersants, oxidation inhibitors, viscosity index improvers and rust preventives.

All other overseas manufacturing activities were expanded during 1965.

A new \$3,600,000 plant at Bromborough, England went on stream as scheduled, January 1, 1965 and almost immediately required expansion because of unexpected increased demand. This facility in the United Kingdom will also supplement our French plant in serving continental Europe's expanding additive requirements.

Production capacity in Rouen, France has been growing rapidly in recent years. This growth continued in 1965 with the installation of equipment to manufacture new additives.

Our Canadian operation in Niagara Falls, Ontario, produced additional intermediates during the year and began manufacturing IRCO products for the increasing market for rustproofing chemicals in Canada.

A new \$2,000,000 manufacturing plant will be built in Monterrey, Mexico, in conjunction with Lubrizol's entrance into a joint-venture company with a group headed by Carlos Trouyet, banker and industrialist of Mexico City. The plant, to be operated by Industrias Lubrizol S. A. de C. V., will produce additives for petroleum products from chemicals manufactured in Mexico whenever available. Lubrizol's existing manufacturing equipment and personnel in Monterrey will eventually be moved to the new location. The production of the joint-venture company will serve the growing Mexican market as well as markets in the Latin American Free Trade Association.

In December of 1965 Lubrizol also entered into an agreement with the Government of India to form a joint-venture company, Lubrizol India Limited, which will construct a plant in the Bombay area. Production from this plant, expected to be in operation by late 1967, will be used primarily to serve India's expanding petroleum industry.

In addition to these new facilities, the Manufacturing Division has made plans to manufacture new specialty chemicals developed for other industries.

Technical competence, a better use of existing equipment, general expansion and the addition of new manufacturing facilities have all contributed to increased production during 1965. This manufacturing capacity together with that planned for 1966 will give the company increased potential for the sale of existing products and improved opportunities for the sale of new and future products.

FINANCE

Income for 1965 of \$9,600,243 (equivalent to \$2.96 per share), as reported in the "Message to Shareholders", was a new record — 36% above that for the previous year.

These figures were increased by the favorable adjustment of a foreign tax liability. This non-recurring item of \$135,000 added \$.04 to the earnings per share.

It was also noted in earlier sections of this report that a substantial part (\$1.91 per share) of the earnings was reinvested by the company in its business. The balance of \$1.05 per share, declared as dividends which included a fourth quarter increase, was 26% higher than the \$.83 $\frac{1}{3}$ of 1964. Dividends of \$3,398,777 declared in 1965 were the highest in the company's history.

The number of common shares outstanding increased from 3,230,679 to 3,238,399 during the year. The net increase of 7,720 shares represented the excess of 13,420 shares issued on exercise of employee stock options, over 5,700 shares purchased by the company in the open market and held in the treasury.

This year for the first time we have shown separately under "Income", patent royalties and technical fees received from licensees.

This change was made because of the substantial increase in such income in 1965, a trend expected to continue.

Payments for exports together with remittances from abroad for dividends, fees and royalties set a new high for the year, so that Lubrizol again made a substantial favorable contribution to the U. S. balance of payments.

Additional 1965 items of note are:

—Expenditures for plant and equipment were \$6,712,924, an all-time high, and 27% more than in the previous year.

—A total of \$2,717,407 for depreciation was charged to income, compared with \$2,391,836 in 1964.

—Working capital on December 31 was \$24,398,773, an increase of \$1,946,950 during the year. (A statement of source and application of funds is shown on Page 17 of this Annual Report.)

—Book value per share increased from \$13.86 to \$15.74.

—Shareholders' equity was \$50,979,766 at year end, compared with \$44,769,772 for the previous year.

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

	Year ended December 31	
	1965	1964
Income:		
Net sales	\$92,019,801	\$78,713,525
Royalties and fees	490,458	27,483
Total	92,510,259	78,741,008
Expenses:		
Cost of sales	57,868,132	48,972,700
Selling, administrative and research expenses	18,366,500	17,160,310
Total	76,234,632	66,133,010
Income from operations	16,275,627	12,607,998
Other income credits—net	344,616	249,211
Income before taxes on income	16,620,243	12,857,209
Provision for taxes on income	7,020,000	5,795,765
Net income	9,600,243	7,061,444
Retained earnings, January 1	26,835,499	22,884,625
Total	36,435,742	29,946,069
Less:		
Dividends	3,398,777	2,702,353
Excess of cost over stated value of treasury shares	156,690	408,217
Total	3,555,467	3,110,570
Retained earnings, December 31	\$32,880,275	\$26,835,499

The notes to financial statements on Page 16 are an integral part of this statement.

CONSOLIDATED

ASSETS	December 31	
	1965	1964
Current assets:		
Cash	\$ 4,269,676	\$ 4,409,223
United States Government and other short-term marketable securities—at lower of cost or market	5,059,961	3,599,925
Receivables:		
Customers	9,618,715	7,346,838
Other	1,430,170	2,573,639
Inventories—at cost (first-in first-out method) not in excess of market:		
Finished products	4,149,299	3,907,876
Products in process	6,228,969	5,649,099
Raw material and supplies	6,031,828	5,082,358
Prepaid expenses	1,002,402	793,472
Total current assets	37,791,020	33,362,430
Plant property—at cost:		
Land and improvements	3,106,431	2,857,492
Buildings and improvements	13,255,959	10,740,000
Machinery and equipment	25,666,344	21,437,147
Construction in progress	2,655,994	4,044,453
	44,684,728	39,079,092
Less accumulated depreciation	18,625,433	16,788,472
Plant property—net	26,059,295	22,290,620
Patents and trademarks—at cost less accumulated amortization	890,266	956,741
Other assets:		
Investments and advances	401,556	283,657
Unamortized excess of cost over book value of subsidiaries' shares purchased	46,361	143,906
Cash surrender value of life insurance	46,551	282,466
Miscellaneous	136,964	360,559
Total other assets	631,432	1,070,588
	\$65,372,013	\$57,680,379

BALANCE SHEET

	December 31	
LIABILITIES AND SHAREHOLDERS' EQUITY	<u>1965</u>	<u>1964</u>
Current liabilities:		
Notes payable by foreign subsidiaries to banks — 1965 includes \$1,000,000 current portion of long-term debt	\$ 1,965,840	\$ 1,016,066
Accounts payable:		
Trade	4,909,593	3,445,682
Other	580,537	776,012
Dividends payable	—	324,544
Accrued expenses:		
Income taxes	3,604,768	3,607,803
Other taxes	496,097	436,053
Employee compensation	1,608,335	1,102,291
Other	227,077	202,156
Total current liabilities	<u>13,392,247</u>	<u>10,910,607</u>
Long-term debt — 4½% note payable by foreign subsidiary to bank — due in 1967	<u>1,000,000</u>	<u>2,000,000</u>
Shareholders' equity (Note 2):		
Common shares without par value:		
Authorized—5,000,000 shares		
Outstanding—3,238,399 shares in 1965 and 3,230,679 shares in 1964 (after deducting 21,663 and 15,963 treasury shares respectively)	18,099,491	17,934,273
Retained earnings	32,880,275	26,835,499
Total shareholders' equity	<u>50,979,766</u>	<u>44,769,772</u>
	<u>\$65,372,013</u>	<u>\$57,680,379</u>

The notes to financial statements on Page 16 are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

1. Principles of Consolidation

All subsidiaries are wholly-owned and consolidated.

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 rates in effect at December 31, 1965; other income accounts, at average rates for the year. No significant gains or losses resulted from translation of foreign currencies.

A summary of net assets outside the United States and Canada at December 31, 1965 follows:

	(In thousands of dollars)				
	France	Japan			
	Switzerland	Bahamas			
	Germany	England			
	Scandinavia	Australia			
	Italy	South Africa	Brazil	Mexico	Total
Current assets	\$ 6,763	\$ 9,961	\$ 1,088	\$ 1,815	\$19,627
Current liabilities	2,178	3,196	388	105	5,867
Working capital	4,585	6,765	700	1,710	13,760
Fixed assets	3,747	5,074	191	297	9,309
Other assets	128	48	3	80	259
Long term debt	—	(1,000)	—	—	(1,000)
Net assets outside the United States and Canada	\$ 8,460	\$10,887	\$ 894	\$ 2,087	\$22,328

Notes payable of \$2,966,000 included above are guaranteed by the company.

2. Employee Stock Option Plans

At the beginning of the year options were outstanding to purchase 128,988 shares under the 1962 stock option plan. During the year options for 8,250 shares were granted, options for 1,520 shares were surrendered, and options for 13,420 shares were exercised. At the end of the year options were outstanding for 122,298 shares under this plan.

In April 1965 the shareholders approved the 1965 stock option plan for 150,000 shares. During the year options for 8,950 shares were granted. At the end of the year options were outstanding for 8,950 shares and there remained 141,050 unoptioned shares under this plan.

The option price per share was the fair market value on the date of grant with respect to all options.

3. Depreciation

Depreciation included in costs and expenses amounted to \$2,717,407 in 1965 and \$2,391,836 in 1964.

4. 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.

5. Retained Earnings

At December 31, 1965 retained earnings included \$994,805 of capitalized earnings and statutory reserves of foreign subsidiaries.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Year ended December 31	
	1965	1964
SOURCE OF FUNDS:		
Operations:		
Net income	\$ 9,600,243	\$ 7,061,444
Charges to operations not requiring an expenditure of funds:		
Depreciation	2,717,407	2,391,836
Other	361,983	525,665
Total	12,679,633	9,978,945
Proceeds from long-term bank loan	—	2,000,000
Increase in accounts payable and short-term borrowings	1,218,210	731,200
Increase (decrease) in accrued expenses	587,974	(133,973)
Proceeds from stock options exercised	196,970	185,048
Total	14,682,787	12,761,220
APPLICATION OF FUNDS:		
Capital expenditures	6,712,924	5,301,575
Dividends on common shares	3,398,777	2,702,353
Increase in receivables and inventories	2,899,171	5,008,412
Treasury shares purchased	188,442	496,803
Investments in affiliated companies	34,550	146,924
Other — net	128,434	305,233
Total	13,362,298	13,961,300
INCREASE (DECREASE) IN CASH AND MARKETABLE SECURITIES	\$ 1,320,489	\$ (1,200,080)

ACCOUNTANTS' OPINION

To the Shareholders and Board of Directors of The Lubrizol Corporation:

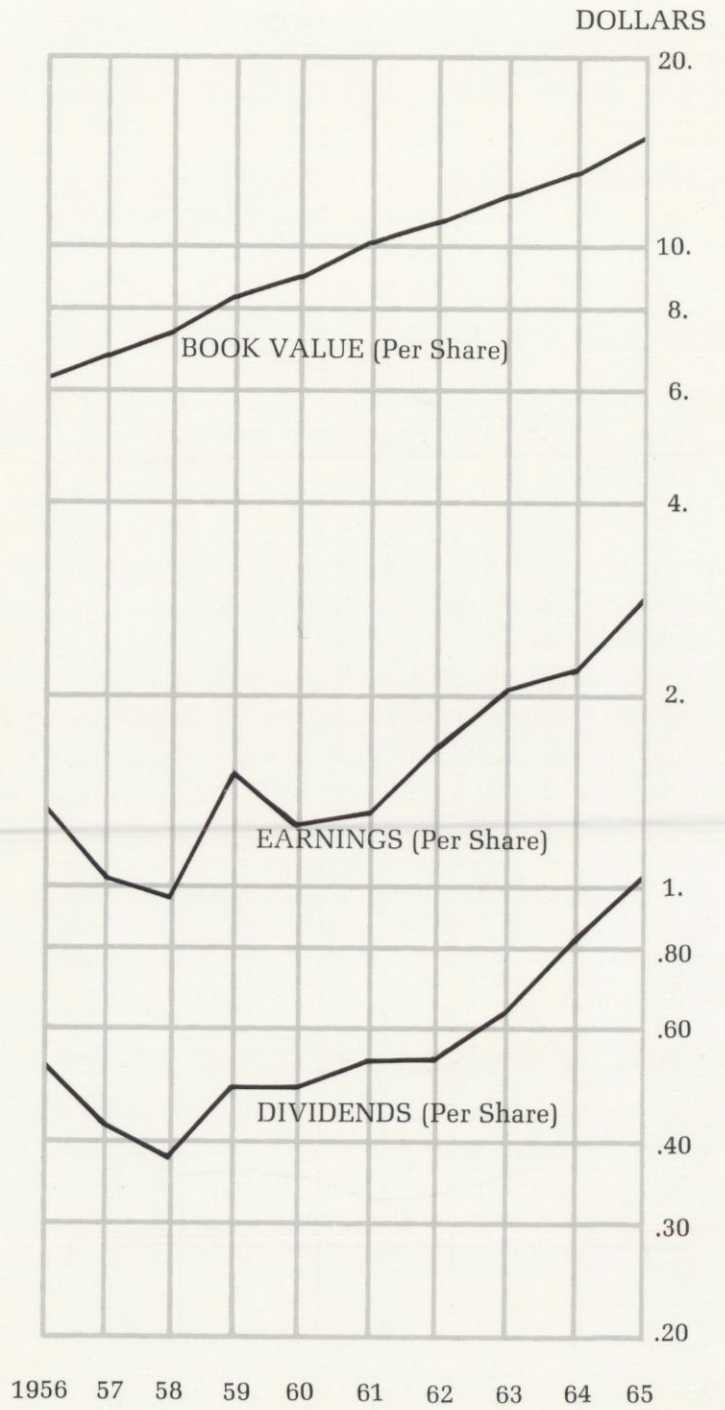
We have examined the consolidated balance sheet of The Lubrizol Corporation and its subsidiaries as of December 31, 1965 and the related consolidated statements of income and retained earnings and of source and application of funds for the year then ended. Our examination was made in accordance with 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 statements present fairly the financial position of the companies at December 31, 1965 and the result of their operations and the source and application of their funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

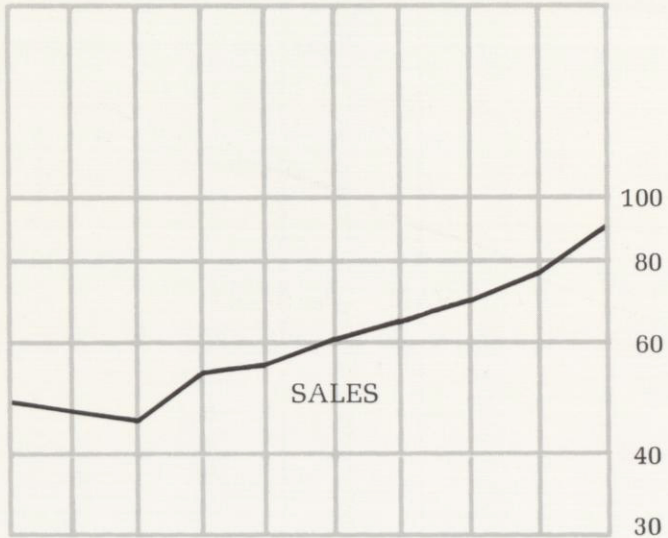
Cleveland, Ohio
February 28, 1966

Haskins & Sells

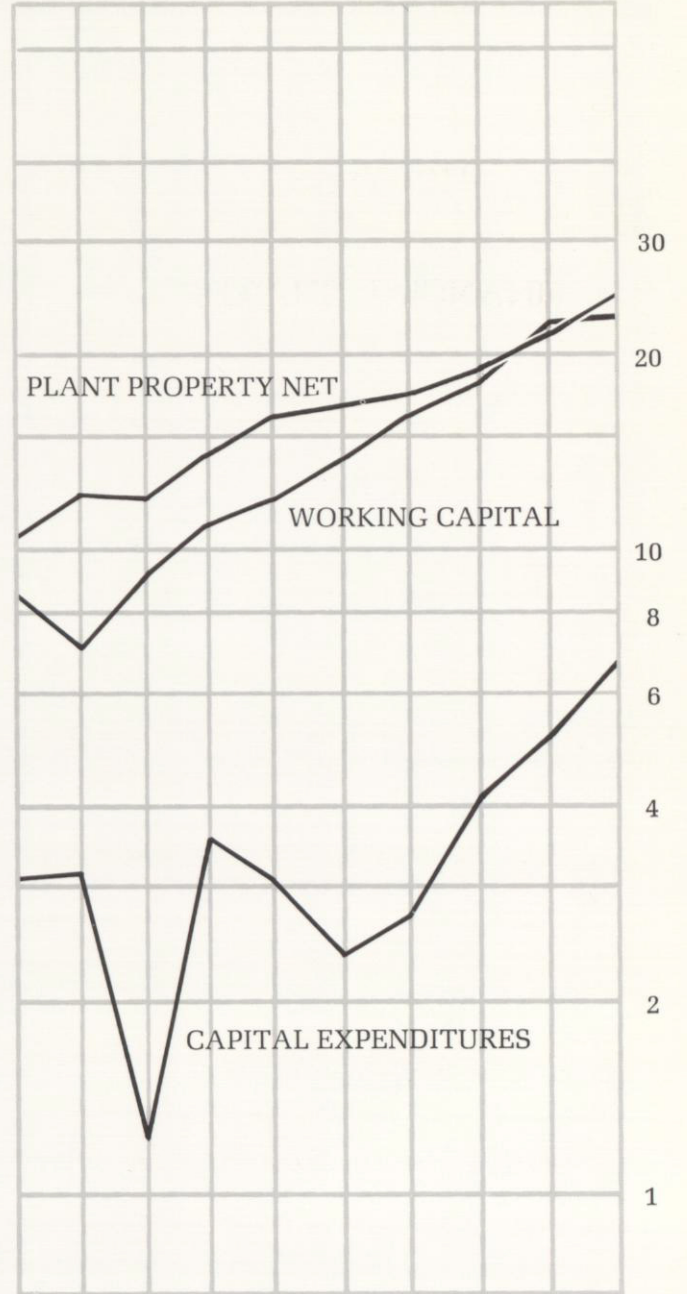
TEN YEAR
FINANCIAL CHARTS



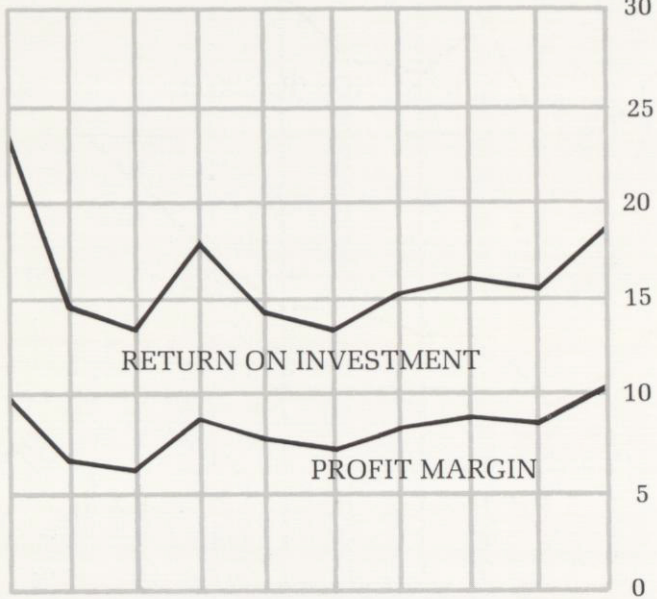
MILLIONS OF DOLLARS



MILLIONS OF DOLLARS



PERCENT



1956 57 58 59 60 61 62 63 64 65

1956 57 58 59 60 61 62 63 64 65

TEN YEAR SUMMARY

	1965	1964
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT END OF YEAR		
Current assets	\$37,791,020	\$33,362,430
Current liabilities	13,392,247	10,910,607
Working capital	24,398,773	22,451,823
Plant property—net	26,059,295	22,290,620
Other assets (less minority interest)	1,521,698	2,027,329
Total	51,979,766	46,769,772
Long-term debt	1,000,000	2,000,000
Net assets—Shareholders' equity	\$50,979,766	\$44,769,772
 CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR		
Income:		
Net sales	\$92,019,801	\$78,713,525
Royalties and fees	490,458	27,483
Total	92,510,259	78,741,008
Costs and expenses	75,890,016	65,883,799
Income before taxes on income	16,620,243	12,857,209
Provision for taxes on income	7,020,000	5,795,765
Income before deduction of minority interest	9,600,243	7,061,444
Less minority interest	—	—
Net income	\$ 9,600,243	\$ 7,061,444
 OTHER DATA		
Capital expenditures	\$ 6,712,924	\$ 5,301,575
Depreciation	2,717,407	2,391,836
Number of employees at end of year	2,066	1,899
Number of shareholders at end of year	4,385	3,968
Common shares outstanding at end of year	3,238,399	3,230,679
Shareholders' equity per share at end of year	\$15.74	\$13.86
Net income per share	2.96	2.19
Dividends per share	1.05	.83

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 approved by the Shareholders on March 18, 1964.

1963	1962	1961	1960	1959	1958	1957	1956
\$29,592,317	\$25,011,148	\$20,780,139	\$19,154,287	\$18,913,114	\$14,973,639	\$12,446,773	\$16,295,324
10,554,765	8,047,575	5,952,525	6,785,690	7,562,624	5,336,581	4,953,381	7,485,831
19,037,552	16,963,573	14,827,614	12,368,597	11,350,490	9,637,058	7,493,392	8,809,493
19,454,666	17,463,388	16,865,490	16,342,047	14,818,858	12,573,777	12,802,565	10,802,604
2,230,218	1,786,317	925,809	1,257,583	1,560,218	1,342,302	1,568,265	226,852
40,722,436	36,213,278	32,618,913	29,968,227	27,729,566	23,553,137	21,864,222	19,838,949
—	—	—	—	—	—	—	10,612
<u>\$40,722,436</u>	<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>
\$71,687,103	\$65,601,605	\$61,373,492	\$58,803,719	\$57,906,060	\$46,946,875	\$47,658,922	\$48,433,644
7,740	—	—	—	—	—	—	—
71,694,843	65,601,605	61,373,492	58,803,719	57,906,060	46,946,875	47,658,922	48,433,644
59,763,071	55,343,159	52,643,400	50,290,514	47,307,273	40,533,704	40,955,421	38,645,403
11,931,772	10,258,446	8,730,092	8,513,205	10,598,787	6,413,171	6,703,501	9,788,241
5,291,559	4,518,584	3,992,421	3,851,056	5,161,283	3,069,983	3,387,672	5,000,366
6,640,213	5,739,862	4,737,671	4,662,149	5,437,504	3,343,188	3,315,829	4,787,875
55,982	243,524	284,797	272,392	367,314	187,574	38,465	108,028
<u>\$ 6,584,231</u>	<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>
\$ 4,399,363	\$ 2,887,310	\$ 2,483,831	\$ 3,175,013	\$ 3,750,051	\$ 1,235,357	\$ 3,277,506	\$ 3,190,252
2,333,629	2,249,923	1,936,145	1,634,624	1,412,357	1,345,574	1,237,414	982,836
1,730	1,628	1,546	1,483	1,392	1,204	1,250	1,132
1,014	718	637	344	214	184	149	123
3,233,880	3,233,880	3,243,480	3,252,480	3,264,480	3,187,710	3,219,510	3,216,810
\$12.59	\$11.20	\$10.06	\$9.21	\$8.49	\$7.39	\$6.79	\$6.16
2.04	1.70	1.37	1.35	1.55	.99	1.02	1.45
.64	.54	.54	.50	.50	.38	.42	.54

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.

THE LUBRIZOL CORPORATION

SUBSIDIARIES

Addex Manufacturing Company	Lubrizol A.G.—(Switzerland)
Cleveland Industrial Research, Inc.	Lubrizol Italiana S.p.A.
Lubrizol Management, 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 Scandinavia AB	

AFFILIATES

Industrias Lubrizol S.A. de C.V.—(Mexico)
Nippon-Lubrizol Industries, Inc.—(Japan)

MANUFACTURING PLANTS

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

RESEARCH and TESTING LABORATORIES

Wickliffe, Ohio Hazelwood, near Derby, England

SALES and TECHNICAL SERVICE OFFICES and SALES AGENTS

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

REGISTRARS

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

TRANSFER AGENTS

DIRECTORS AND OFFICERS

DIRECTORS

Kelvin Smith, <i>Chairman</i>	John L. Palmer
M. Roger Clapp	Karl H. Rudolph
Russell J. Ferree	Kent H. Smith
Thomas L. Holland	Vincent K. Smith
Thomas W. Mastin	Ralph S. Tyler, Jr.
F. Alex Nason	Arthur O. Willey

Joseph M. Zlatoper

OFFICERS

Kelvin Smith	<i>Chairman of the Board</i>
Arthur O. Willey	<i>President and Chief Executive</i>
M. Roger Clapp	<i>Executive Vice President</i>
James N. Crawford	<i>Vice President - Sales</i>
Thomas W. Mastin	<i>Vice President - Research and Development</i>
M. M. McGrew	<i>Vice President - Manufacturing</i>
John L. Palmer	<i>Vice President - Engineering</i>
Ralph S. Tyler, Jr.	<i>Vice President and General Counsel</i>
Douglas W. Richardson	<i>Secretary</i>
Joseph M. Zlatoper	<i>Treasurer</i>

ANNUAL MEETING OF SHAREHOLDERS

The annual meeting of shareholders will be held at the Statler Hilton Hotel, Cleveland, Ohio on Monday, April 4, 1966 at 2:30 P.M. On or about March 12, shareholders will receive a notice of the meeting and proxy form.

Lubrizol[®]

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