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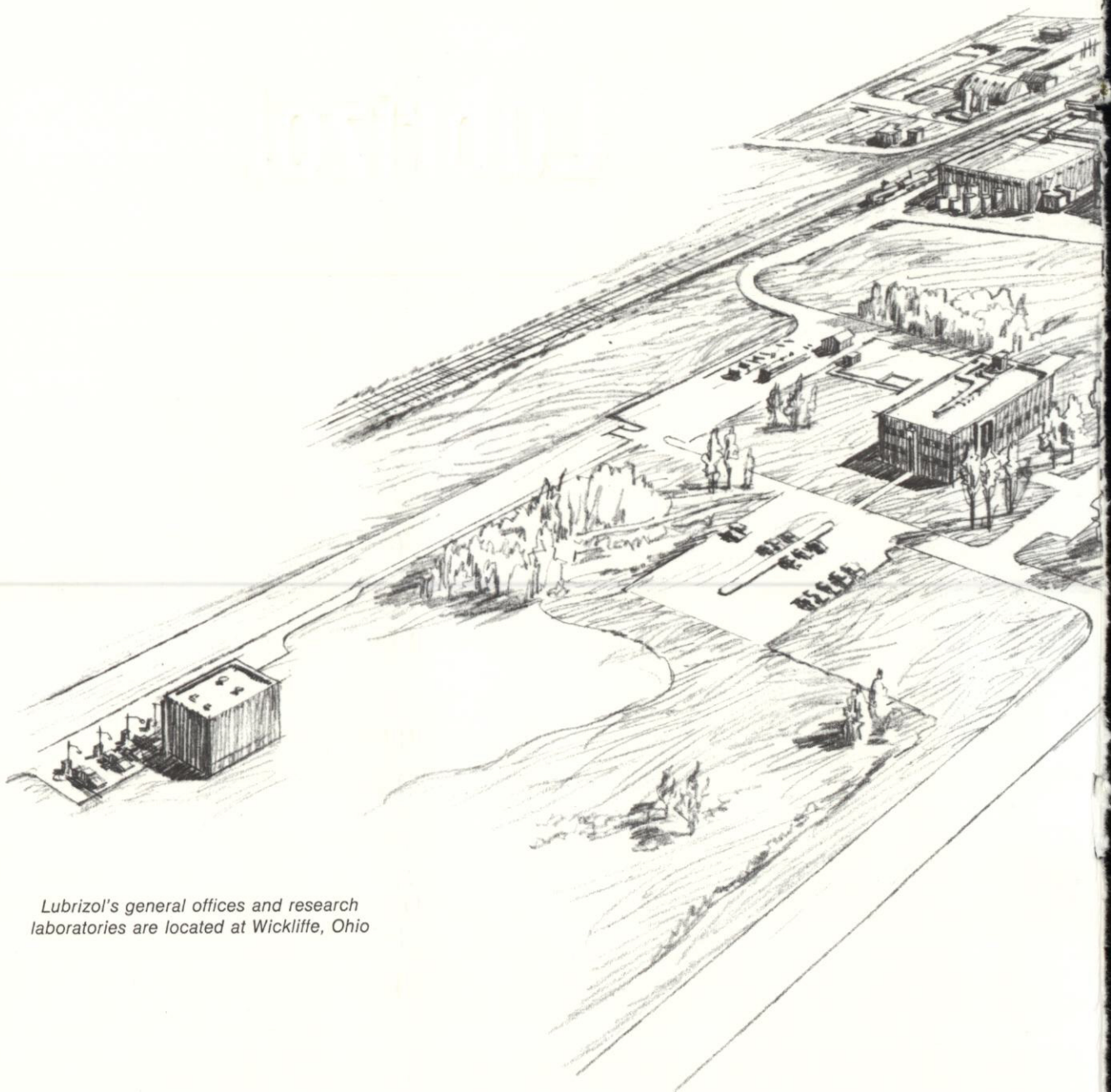
THE LUBRIZOL CORPORATION

1972 ANNUAL REPORT

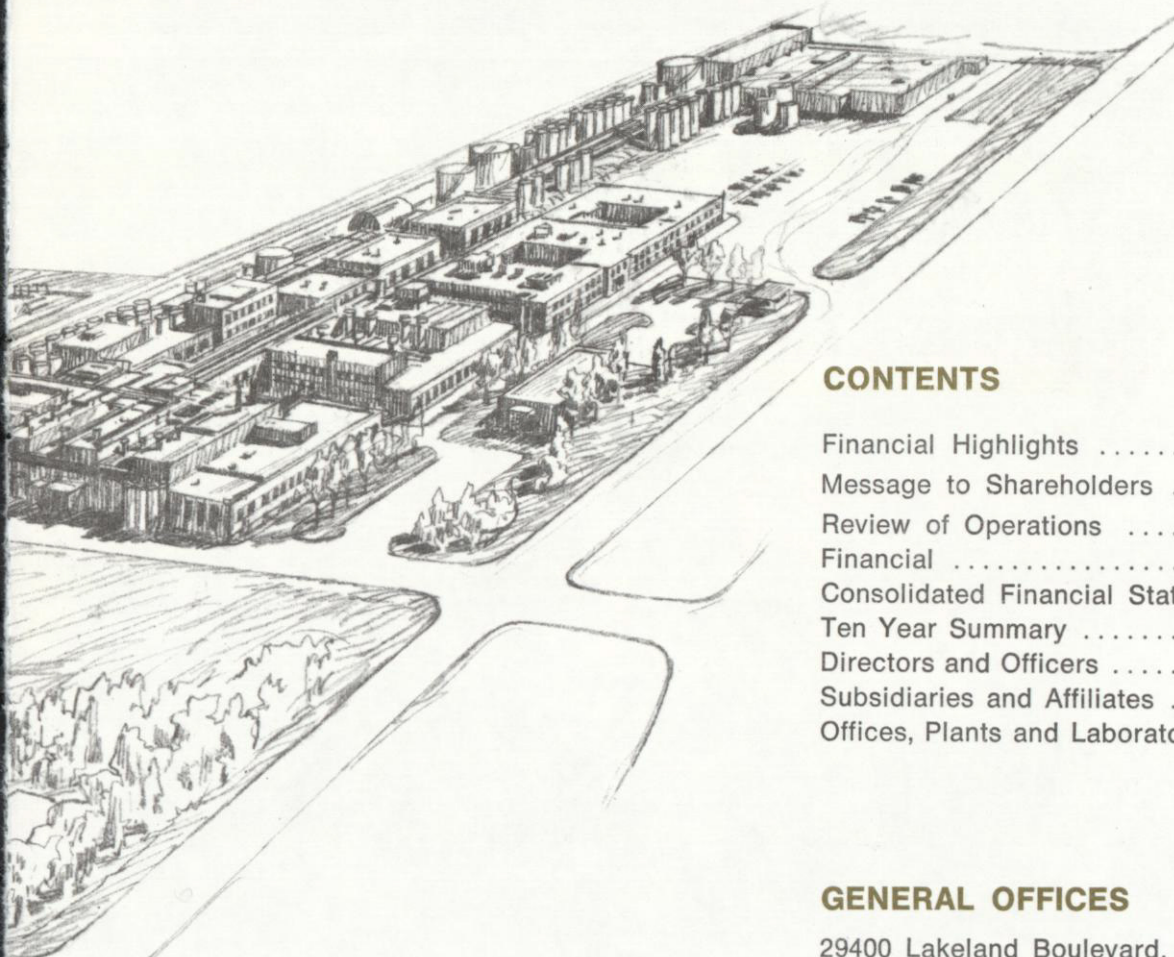
THE COMPANY

Lubrizol is a leading developer and manufacturer of chemicals used to improve lubricants and fuels for cars, trucks, buses, and off-the-road equipment. Its other products include chemicals

used in metal finishing and polymer chemicals to improve the processing and performance of plastics. The company has 14 manufacturing plants and 40 sales offices throughout the world.



Lubrizol's general offices and research laboratories are located at Wickliffe, Ohio



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GENERAL OFFICES

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LISTING

Common Shares of The Lubrizol Corporation are listed on the New York Stock Exchange under the symbol LZ.

ANNUAL MEETING

The annual meeting of shareholders will be held in the Lewis Room of the Sheraton-Cleveland Hotel, Public Square and Superior Avenue, Cleveland, Ohio, at 10:15 a.m. on Monday, April 23, 1973.

FINANCIAL HIGHLIGHTS

	1972	1971	% Increase (Decrease)
Total revenues	\$221,449,913	\$200,872,700	10.2
Net income	26,243,001	23,400,177	12.1
Net income per share	1.30	1.16	12.1
Dividends per share41 $\frac{3}{5}$.37 $\frac{1}{2}$	10.9
Capital expenditures	11,255,145	14,516,931	(22.5)
Depreciation	8,934,767	8,099,830	10.3
Research and development expenditures	10,889,890	9,857,503	10.5
Shareholders' equity	142,148,782	125,028,236	13.7



M. Roger Clapp

T. W. Mastin

MESSAGE TO SHAREHOLDERS

Lubrizol maintained its steady growth in 1972. For the twelfth consecutive year, both total revenues and net income exceeded the previous year.

As factors affecting international trade stabilized, overseas sales growth resumed the normal trend. Shipments to customers outside the United States and Canada accounted for 59% of the total sales. The recovery in overseas sales together with the above normal improvement in the domestic market, all in the face of intense competition, made 1972 an excellent year.

Through the years many factors have contributed to the company's progress. One in particular has been the dedication to a strong research effort. The directors have extended this commitment with the appropriation of \$2.5 million to increase the size of the central Research Building in Wickliffe, and these new laboratories will be completed by the end of 1973. This confidence in the future is based upon the belief that as oil reserves are depleted and as there is greater need for conservation, more efficient use of petroleum will have to be made and there will be greater need for performance chemicals.

A portion of the company's research budget in recent years has been allocated to products for use outside the petroleum field. However, the major emphasis has been to increase the competitive strength in current product lines and in the development of new products in closely related areas. In keeping with this policy, the new laboratory facilities will be used entirely in the development of additives for petroleum products.

While building for the future through an expanded research program, the company has also taken steps to assure continued strength in its

current operations. Manufacturing at Wickliffe is being consolidated with that at Painesville to achieve greater efficiency. Close study given to raw material utilization and to distribution systems is producing benefits. A new division has been created to concentrate efforts on technical services and new direction has been given to marketing activities. A plant has been opened in South Africa and a mechanical testing laboratory is under construction in Japan.

Capital expenditures for 1972 were \$11 million compared with the \$15 million estimated earlier. Delay in construction of several projects accounted for most of the difference.

During 1972, M. Roger Clapp was elected Chairman of the Board and T. W. Mastin, President and Chief Executive Officer. Ralph S. Tyler, Jr., Chairman since 1968, retired as a director and officer.

Hubert H. Schneider and A. O. Willey also retired as directors. Mr. Willey, former President, Chairman and Chief Executive Officer, retired as an officer in 1968.

Harry Kaye, H. James Sheedy and J. R. Stitt were elected directors. Mr. Kaye and Mr. Stitt are company officers. Mr. Sheedy is a partner in the law firm of Squire, Sanders & Dempsey.

Douglas W. Richardson was elected Vice President - Administration and continues as Secretary.

M. Roger Clapp
Chairman of the Board

T. W. Mastin
President

March 9, 1973

REVIEW OF OPERATIONS

Expansion of Additive Research

In May 1972, ground was broken for a \$2.5 million expansion of the additive research laboratories. The new structure, which is being added to the west end of the Chemical Research Building at Wickliffe, Ohio, will result in a 50% expansion and provide laboratory facilities for an additional 40 people. Completion is scheduled for late 1973.

The Chemical Research Building was doubled in 1959, and in 1966, a separate \$2.5 million Polymer Research Building was completed at Wickliffe.

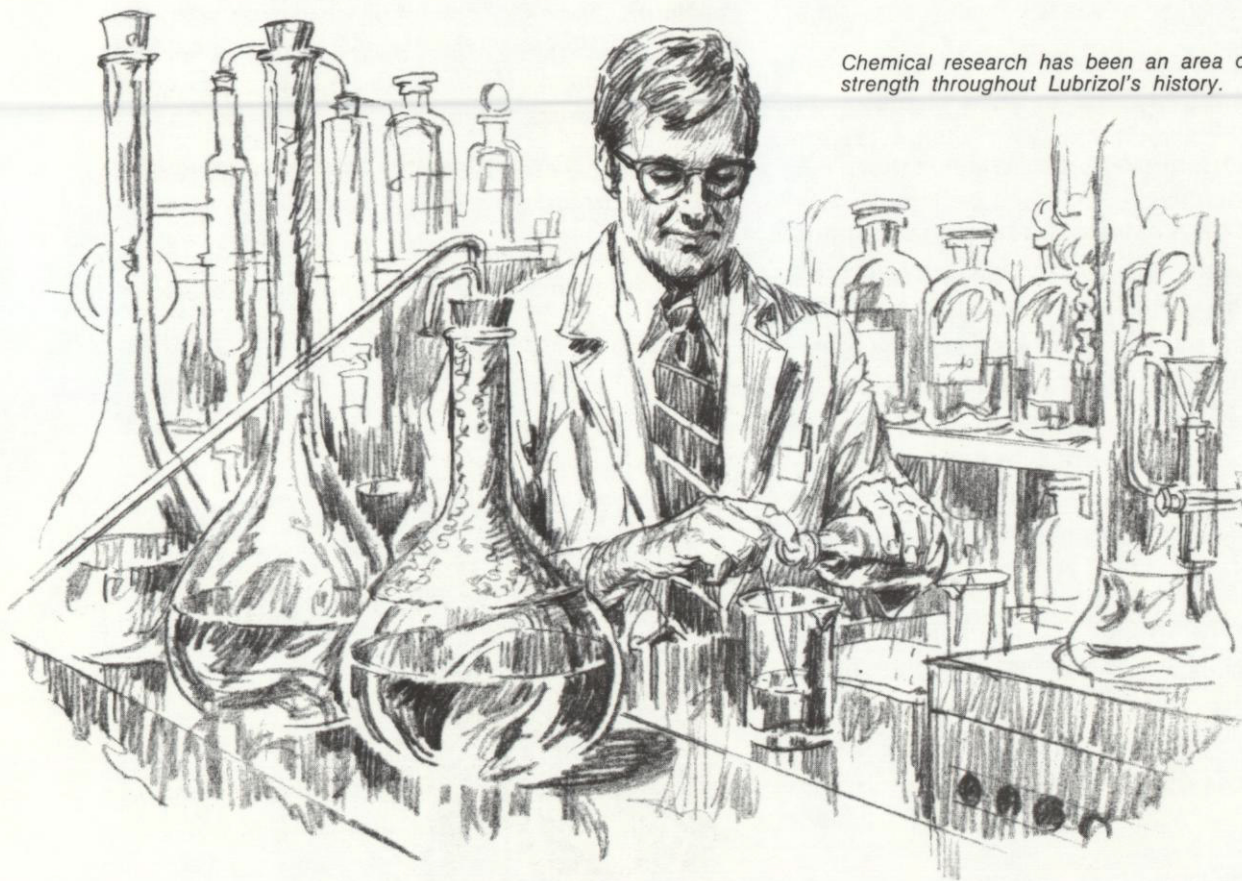
Lubrizol was founded on the belief that chemicals could be used to improve petroleum products. Research is an essential part of that concept, and the company has always maintained a strong commitment in that area. In 1972, research and development expenditures were \$10.9 million, representing 4.9% of revenues. During the past

five years, a total of \$45.4 million has been spent on those activities.

One factor behind recent changes in fuel and lubricant additive requirements has been the emphasis placed on reducing the emissions from the internal combustion engine. Substantial progress has been made in lowering the emission levels of the currently produced vehicles below the uncontrolled levels of 1960. The Clean Air Act of 1970, however, requires even lower levels by 1975-76.

Current emission standards refer to measurements made on vehicles leaving the factory. In the overall problem of air pollution, however, it is important for engines to meet the limitations after 10,000, 50,000 or even 100,000 miles. The improvements to date have been achieved through addition of various control devices and certain modifications in engine operating conditions. Among the modifications which have been made are

Chemical research has been an area of strength throughout Lubrizol's history.



changes in ignition timing and stricter control of air fuel ratio. These changes have led to more sensitive engine adjustments and to a greater need for chemical additives in gasoline to keep carburetors and the entire induction system free of deposits.

To assure continued benefit, engines must be kept in top operating condition. The motoring public has recognized for many years the benefits of high quality motor oil in assuring long periods of trouble-free service. New emphasis on motor oil quality, however, has developed in the search for ways to keep pollution control devices functioning throughout the life of the vehicle.

The eight lane road-test simulator which was completed at Wickliffe two years ago has proven useful in evaluating the effectiveness of gasoline additives in long-duration use. This unit permits rapid accumulation of test information without the setbacks due to adverse weather, road hazards or individual driver variables.

In addition to testing gasoline additives, this facility has provided a convenient means of making evaluations of additives for motor oils, automatic transmission fluids and gear oils which were formerly made in road tests.

Lubrizol through the years has benefited by solving problems arising from technological advances in automotive equipment design. A continuing part of the research program is to evaluate the fuel and lubricant needs of new engines. Cars powered with Wankel engines were added to the road-test fleet when these vehicles first became available. Additional cars and laboratory test stands were added to the Wankel program in 1972. The purpose of this research is to develop additives to meet the particular operating characteristics of rotary engines.

Technical Services Division Created

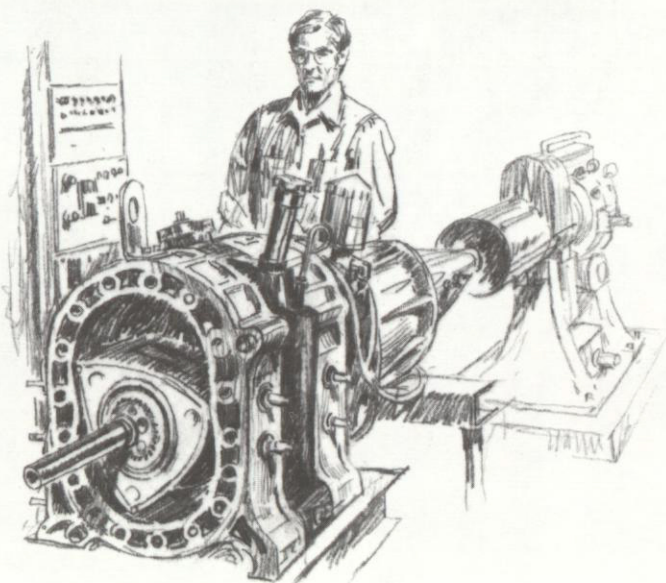
Greater emphasis has been given to customer service with the concentration of all phases of such activities into a new organization known as the Technical Services Division.

The new division is responsible for performance evaluation of customers' fuels and lubricants formulated with Lubrizol additives. These evaluations often involve extensive programs in the laboratory as well as in typical, full-scale equipment under actual service conditions. Many of the procedures used are designed to measure standards of performance developed by the combined efforts of the automotive and petroleum industries. Other test procedures are designed to meet particular customer requirements.

The division is also in charge of the preparation of technical literature on the performance and the chemical and physical characteristics of various products, on automotive developments, test procedures, and regulations affecting the industry, and the preparation of papers for presentations before technical societies.

Another important function of this division is to maintain a continuous liaison with principal automotive manufacturers of the world. To this end three groups are in operation. One group located in Detroit, Michigan, maintains contact with the automotive industry in the United States. A second group working with the automotive manufacturers of Western Europe is located at the Lubrizol International Laboratories in Hazelwood, England. The third group is located in Tokyo to be in close

A program to develop additives for the Wankel engine is under way.

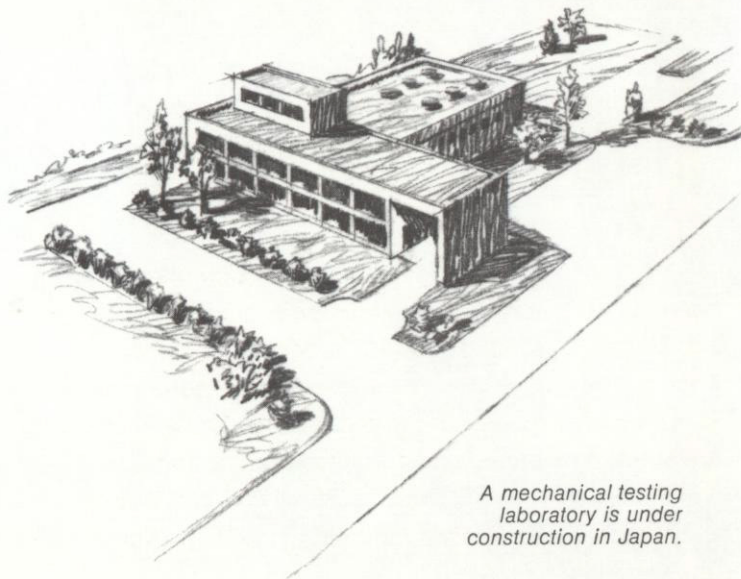


contact with the fast growing automotive industry of Japan.

Through this activity, other divisions of the company are kept abreast of field performance experience of Lubrizol products in current vehicles. These groups also serve as contact for cooperative developments and evaluation of products for future applications. This relationship with the automotive industry is an important factor in giving necessary direction and lead time for the development of products for use in engines, automatic transmissions and other equipment of advanced design.

Mechanical Testing Laboratory in Japan

Lubrizol's third mechanical testing laboratory is under construction near Tokyo, Japan. The \$1.5 million laboratory, which is being constructed by Lubrizol Japan, Ltd., will be equipped with Japanese engines and will be used to qualify Lubrizol products in local fuels and lubricants for this expanding market. Similar testing for the European market is conducted at the Lubrizol International Laboratories in England, and Lubrizol's principal testing for research purposes is carried out in the



A mechanical testing laboratory is under construction in Japan.

Wickliffe, Ohio laboratories. The new laboratory, which will consist of a number of test cells, a control room for remote programming and data logging, engine inspection and rebuild rooms, and other supporting facilities, is scheduled to open in August 1973.

Sales Records Achieved

Worldwide sales increased by \$20 million in 1972, and over the past five years have grown by \$98 million, an amount greater than the total sales growth during the first thirty-seven years of the company's history.

The gains in 1972 have been made despite the highly competitive nature of Lubrizol's markets in the field of additives for petroleum fuels and lubricants, in metal finishing chemicals, and in specialty chemicals for use in the plastics industry.

The gains are the result of new product introductions, increased share of markets, and more effective geographical coverage. They represent the combined efforts of 270 sales and technical service representatives in 32 different countries who communicate new product and marketing opportunities to the research and manufacturing groups for conversion into profitable sales.

Particularly gratifying in 1972 were the sales gains in the United States and Canada where market competition in recent years has intensified.

In 1969, a special group was organized to increase Lubrizol's share of the growing market for additives for industrial lubricants. In 1972, strong sales gains resulted from this effort.

In 1957, Lubrizol entered the field of chemicals for metal finishing by acquisition of another company. Since that time, this marketing arm has been strengthened, both in the field of products and organization. In 1972, sales growth exceeded any prior year and contributed to overall progress.

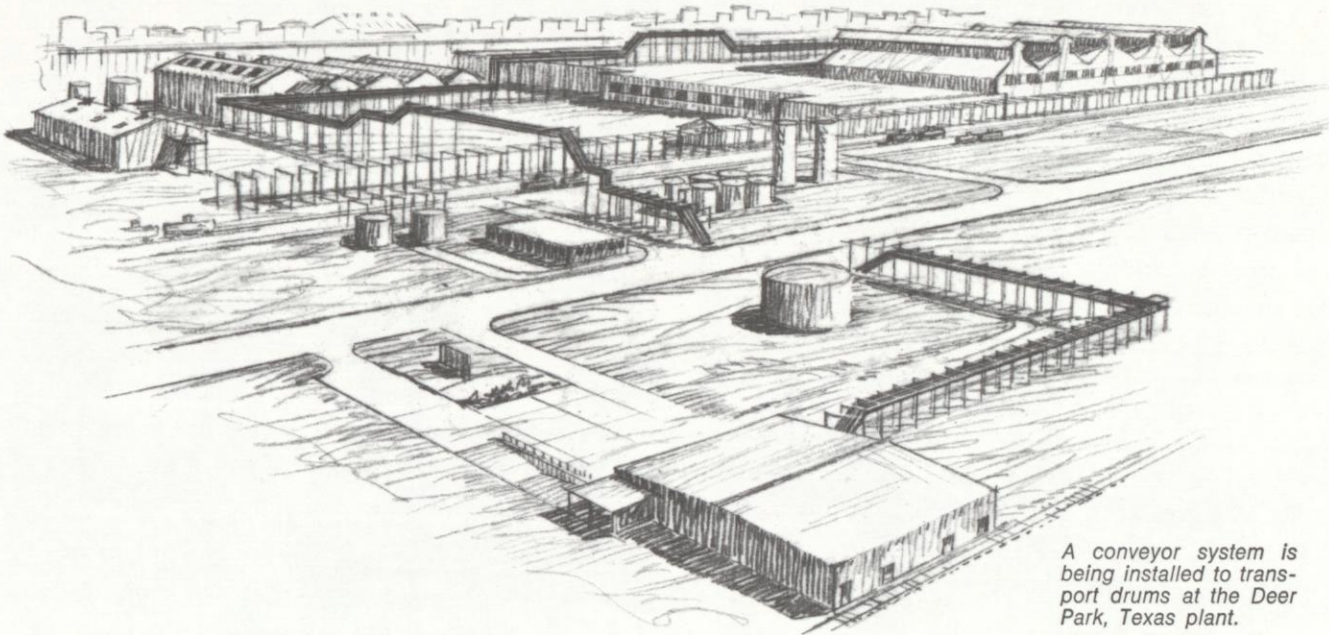
Wickliffe Production Being Transferred to Painesville

Plans have been announced to complete transfer of production facilities from Wickliffe to Painesville over the next three years. All manufacturing expansion in the Ohio area in recent years has taken place at Painesville and, in addition, a gradual shifting of Wickliffe manufacturing to that location has occurred. The two plants are approximately 15 miles apart.

Wickliffe has been the location of the company's general offices since 1931. Space freed by the

Major Expansion of Distribution System at Deer Park

Major expansion of the distribution system at the Deer Park, Texas plant is under way. Deer Park is Lubrizol's largest plant. During 1972, substantial improvement of the railroad system was accomplished by the addition of some 3,000 feet of track, the purchase of a switching locomotive, and the installation of a weigh-in-motion, track scale. The trackage completes the in-plant network by connecting all existing spurs independent of the main line track. With the addition



A conveyor system is being installed to transport drums at the Deer Park, Texas plant.

shift of manufacturing is being used for administrative and research activities.

Most of the processing operations being moved to Painesville will be integrated with larger facilities and thus reduce costs. Further savings will result from reduced inventories, lower transportation costs and more efficient use of manpower. The Painesville plant site and original buildings were acquired in 1956 and adjacent land was purchased in 1971, making a total of 85 acres. The plant is Lubrizol's second largest in production capacity.

of the locomotive, the flow of shipments has been greatly improved since switching can be scheduled to freely service operations as needed. The new track scale speeds up preparation of shipping and billing documents. Railroad cars are weighed in motion, and this information together with product identification, destination and price, is electronically printed out on the bill of lading and invoice.

Another phase of distribution receiving attention is the system of storing, filling and shipping products in drums. A major project has been started

to increase efficiency. A warehouse to centralize shipping and receiving of drums has been completed. In addition, a conveyor is being installed to transport drums to and from the various loading stations to the warehouse. The conveyor will be approximately 2,500 feet in length and while it will pass overhead for most of the distance, it will tunnel under a public highway at one point.

Blending Plant Opened in South Africa

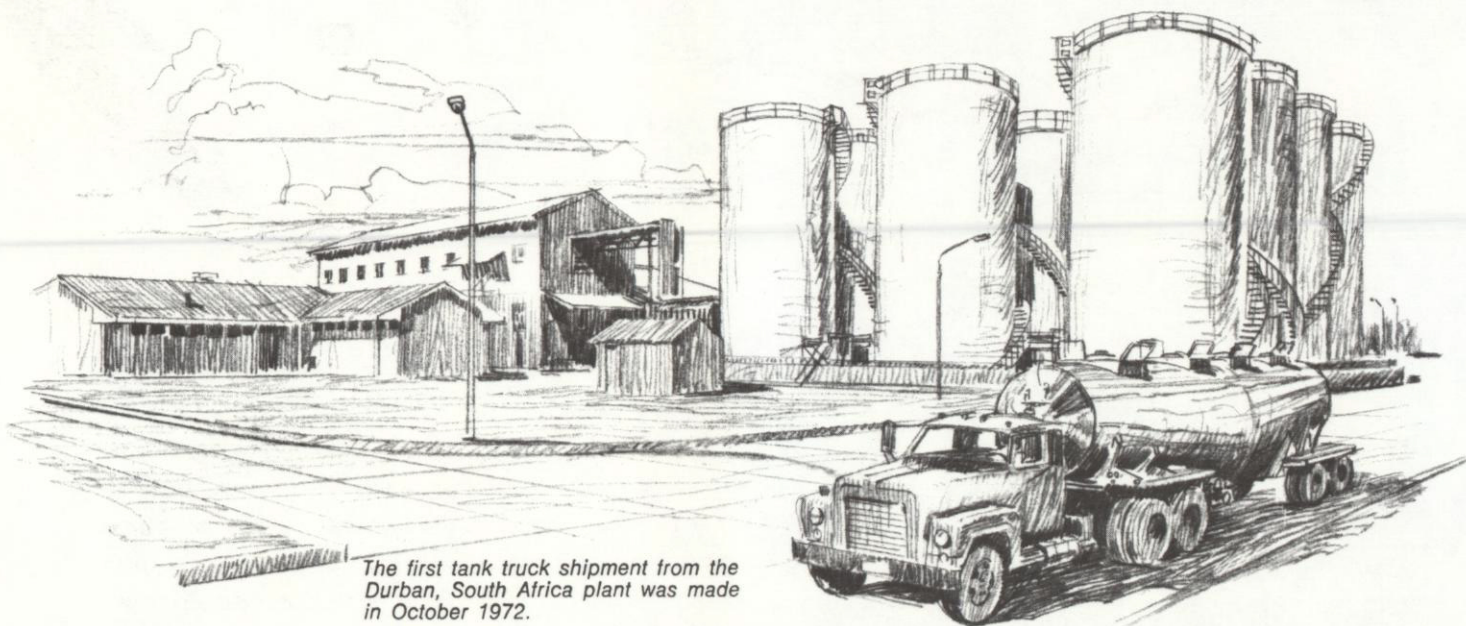
Lubrizol South Africa (Pty.) Limited completed construction of its blending plant during 1972 and the first tank truck shipment to a customer was made in October. Lubrizol South Africa (Pty.) Limited was established in 1961 and has for a number of years supplied that market from a bulk

Plant Additions in England, India and Japan

With the addition of Lubrizol South Africa (Pty.) Limited's new facilities, Lubrizol now has fourteen plants located to serve principal markets throughout the world. Improvements at each of these plants are made on a continual basis.

During 1972, two acres were added to Lubrizol Limited's plant at Bromborough, England, and will be used for additional bulk storage tanks. Warehouse facilities were enlarged and a new unit to produce detergent additives for motor oils went on stream.

Construction of a unit to manufacture an important additive component used in motor oils was started by Lubrizol India Limited at its plant near Bombay. Lubrizol India Limited, an affiliate jointly-owned with the Government of India, is becoming



The first tank truck shipment from the Durban, South Africa plant was made in October 1972.

storage terminal near Durban, a principal oil refinery center. Growth in the South African market made expansion desirable. Six acres of land at Isipingo, some 12 miles inland from the present terminal, were acquired and in 1971, construction of the blending plant was started. These new facilities will enable Lubrizol South Africa (Pty.) Limited to provide a greater variety of products and increased service for the South African market.

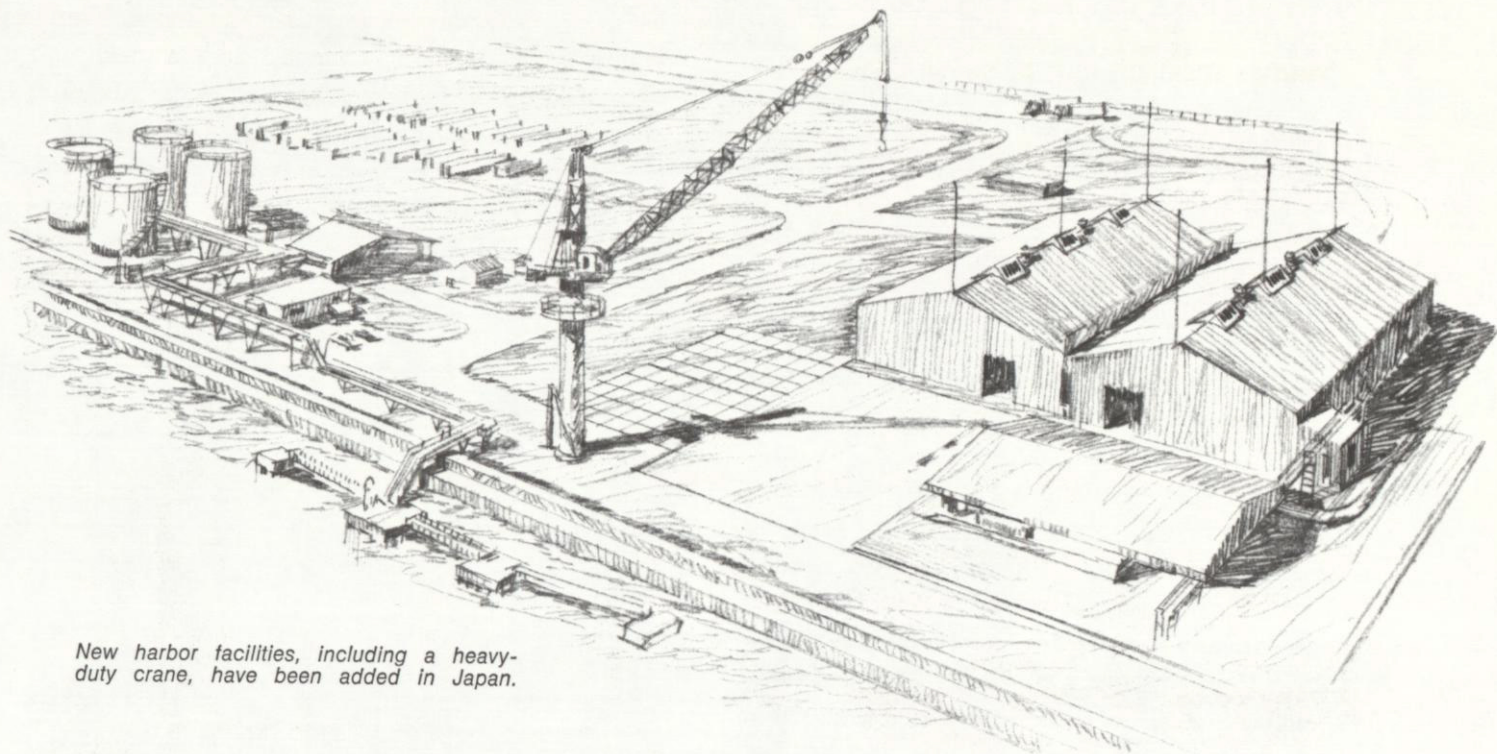
more basic in its manufacturing and this project, to be completed in 1973, will be one of the first steps in this direction.

In Japan, further improvements were made to the 17-acre harbor site acquired three years ago by Nippon-Lubrizol Industries, Inc., an affiliate jointly-owned with Nippon Oil & Fats Co. Limited. A heavy-duty crane has been installed to permit off-loading of vessels, thus in many cases elim-

inating the need for transshipment from more distant port facilities. The harbor site is less than a mile from the Taketoyo plant and the two can eventually be joined by pipeline.

Capital expenditures for these and other improvements at overseas plants totaled \$4.3 million for 1972.

Lubrizol's concern with the environment is also evident. Capital expenditures in this area totaled \$5.5 million for the past three years. Major projects have included installation of a waste-water treatment system at the Deer Park plant and construction at the Painesville plant of a special facility to incinerate industrial wastes and use the heat



New harbor facilities, including a heavy-duty crane, have been added in Japan.

Responsibilities to the Community

Increased attention has been given in recent years to the social responsibilities of business. The Lubrizol Foundation helps illustrate Lubrizol's concern and involvement. The Foundation was established by Lubrizol in 1952 to provide support for activities in the charitable field. Principal emphasis has been given to education and since its inception, the Foundation has provided grants for scholarships and fellowships to more than 1,600 students. During 1972, contributions were made to education, youth activities, health, social service and other charitable needs.

produced to generate steam. Substantial additions to plant odor control systems were made both in the United States and overseas. Each of these projects is an extension of Lubrizol's long-term commitment to maintain a pollution-free environment.

Lubrizol has developed and makes a substantial number of chemicals which add beneficial qualities to lubricants and fuels used throughout the world. Its success has created employment for more than 3,000 people. These talented people contributed to the achievement of new records in 1972 and helped Lubrizol in full measure carry out its responsibilities to the community as a whole.

FINANCIAL



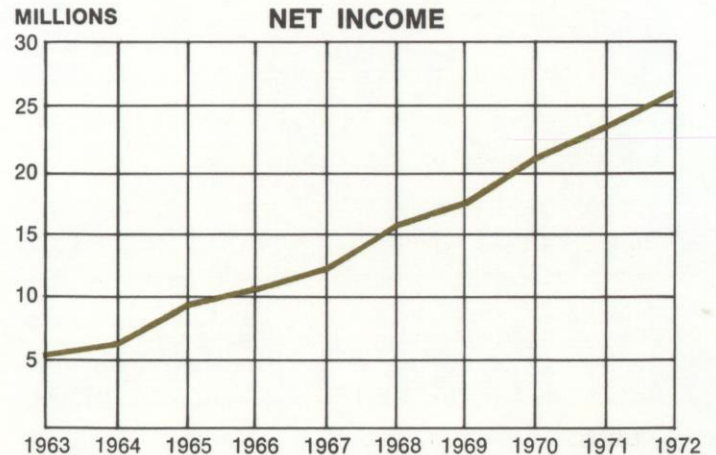
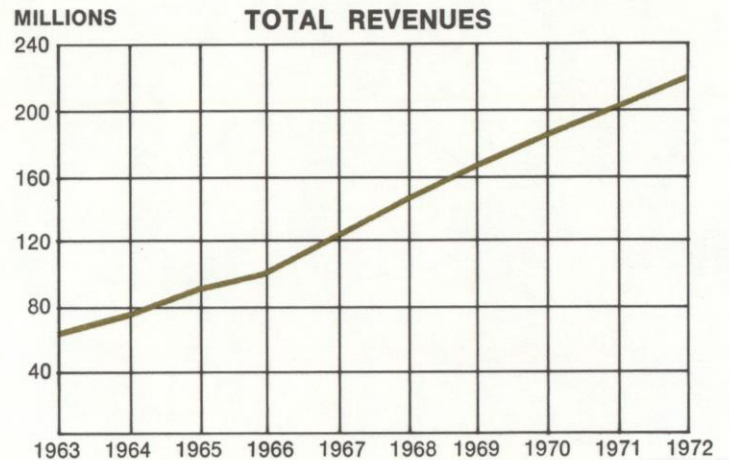
Lubrizol's worldwide revenues amounted to \$221,449,913 in 1972, an increase of \$20,577,213 or 10.2% over the prior year. Net income was \$26,243,001, an increase of \$2,842,824 or 12.1% over 1971, amounting to \$1.30 per share compared with \$1.16 for the prior year.

The company's financial position continues strong. Cash and short-term securities at year end totaled \$25,102,874, an increase of \$14,042,570 for the year. The only liability for borrowed money amounted to \$348,077 of short-term bank loans to overseas subsidiaries. Lubrizol has no funded debt.

Capital expenditures for the year were \$11,255,145, compared with \$14,516,931 for 1971. The United States investment tax credit applicable to certain expenditures amounted to \$490,497 and was applied as a reduction of the current income tax expense.

The number of common shares outstanding decreased from 20,161,486 to 20,158,176 during the year. The company purchased 25,000 shares in the open market and issued 21,690 shares upon exercise of employee stock options.

Lubrizol's flow of funds into the United States from exports, dividends, royalties, fees, interest and other remittances continued to exceed the outflow of funds. During 1972, the favorable contribution to the U. S. balance of payments was approximately \$59.6 million.



CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

Year ended December 31

	1972	1971
Revenues:		
Net sales	\$217,409,665	\$197,587,420
Royalties and fees	4,040,248	3,285,280
Total	<u>221,449,913</u>	<u>200,872,700</u>
Cost and expenses:		
Cost of sales	146,086,249	132,031,304
Selling, administrative and research expenses	31,550,372	29,534,754
Total	<u>177,636,621</u>	<u>161,566,058</u>
Income from operations	43,813,292	39,306,642
Other income (expense):		
Equity in earnings of affiliated companies	1,398,483	1,179,540
Interest:		
Income	847,657	542,369
Expense	(33,367)	(243,969)
Other items — net	224,936	936,595
Income before provision for income taxes	46,251,001	41,721,177
Provision for income taxes	20,008,000	18,321,000
Net income	26,243,001	23,400,177
Retained earnings, January 1	103,427,999	87,585,424
Total	<u>129,671,000</u>	<u>110,985,601</u>
Less:		
Dividends (per share: 1972 — \$.41 ³ / ₅ ; 1971 — \$.37 ¹ / ₂)	8,390,580	7,557,602
Excess of cost over stated value of treasury shares purchased ..	988,855	—
Total	<u>9,379,435</u>	<u>7,557,602</u>
Retained earnings, December 31	<u>\$120,291,565</u>	<u>\$103,427,999</u>
Net income per share	<u>\$1.30</u>	<u>\$1.16</u>

The accompanying notes to financial statements are an integral part of this statement.

CONSOLIDATED BALANCE SHEET

	December 31	
	1972	1971
ASSETS		
Current assets:		
Cash	\$ 4,087,257	\$ 6,053,433
Short-term cash investments — at cost which approximates market	21,015,617	5,006,871
Receivables:		
Customers	32,931,798	27,208,328
Affiliated companies	3,346,750	2,928,173
Other	2,259,958	2,416,991
Inventories — at cost (first-in first-out method) not in excess of market:		
Finished products	9,387,233	9,541,370
Products in process	11,871,989	11,754,492
Raw material and supplies	10,098,940	10,272,843
Prepaid expenses	2,353,939	2,702,190
Total current assets	97,353,481	77,884,691
Plant property — at cost:		
Land and improvements	11,839,580	10,656,955
Buildings and improvements	24,702,456	23,119,390
Machinery and equipment	87,803,179	78,117,086
Construction in progress	3,390,186	7,617,044
Total	127,735,401	119,510,475
Less accumulated depreciation	52,942,155	46,469,262
Plant property — net	74,793,246	73,041,213
Patents — at cost less accumulated amortization	455,766	517,399
Other assets:		
Investments in affiliated companies — at equity	5,733,359	4,252,190
Loan to affiliated company	—	440,000
Miscellaneous	303,881	213,603
Total other assets	6,037,240	4,905,793
TOTAL	\$178,639,733	\$156,349,096

December 31

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Loans payable by overseas subsidiaries to banks	\$ 348,077	\$ 485,382
Accounts payable:		
Trade	10,800,751	9,621,231
Affiliated companies	5,581,560	4,304,218
Other	1,412,287	898,379
Accrued expenses:		
Income taxes	6,898,357	6,228,887
Other taxes	1,566,349	1,164,863
Employee compensation	4,128,491	3,794,152
Other	1,044,043	1,149,815
Total current liabilities	<u>31,779,915</u>	<u>27,646,927</u>

Deferred cash grants from a foreign government (being amortized over the lives of the related assets acquired)	<u>1,371,208</u>	<u>1,375,337</u>
Deferred income taxes	<u>3,339,828</u>	<u>2,298,596</u>

Shareholders' equity — Notes 2 and 3:

Serial preferred stock without par value —
Authorized and unissued — 2,000,000 shares

Common shares without par value:

Authorized — 25,000,000 shares

Outstanding — 20,158,176 shares in 1972 and 20,161,486 shares
in 1971 (after deducting 68,526 treasury shares in 1972 and
45,726 in 1971)

Retained earnings	21,857,217	21,600,237
Total shareholders' equity	<u>120,291,565</u>	<u>103,427,999</u>
TOTAL	<u>142,148,782</u>	<u>125,028,236</u>
TOTAL	<u>\$178,639,733</u>	<u>\$156,349,096</u>

The accompanying notes to financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS — 1972

1. Accounting Policies

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 appropriate rates in effect; other income accounts at average rates for the year. No significant gains or losses resulted from translation of foreign currencies. The dollar devaluation on February 12, 1973 had no material effect on the company's consolidated financial statements.

A summary of net assets of subsidiaries located outside the United States and Canada at December 31, 1972 follows:

	(In thousands of dollars)				
	England and Europe	Central and South America	Asia and Australia	Other	Total
Current assets	\$26,027	\$ 6,997	\$ 7,183	\$10,432	\$50,639
Current liabilities	9,059	2,935	3,738	429	16,161
Working capital	16,968	4,062	3,445	10,003	34,478
Fixed assets	19,336	173	1,419	1,515	22,443
Other assets	120	6	104	8	238
Deferred income and taxes	(4,044)	—	—	—	(4,044)
Net assets	<u>\$32,380</u>	<u>\$ 4,241</u>	<u>\$ 4,968</u>	<u>\$11,526</u>	<u>\$53,115</u>

The company is not required to provide United States income taxes on approximately \$48,000,000 of undistributed earnings of subsidiaries and affiliates at December 31, 1972, since such earnings have been reinvested indefinitely in foreign operations.

Depreciation — Depreciation of \$8,934,767 was computed using the straight-line, sum of the years - digits and declining balance methods, at rates based on the useful lives of the assets. Different methods and rates are used for income tax purposes in certain instances. The income taxes related to these differences have been deferred to future years.

Retirement Plans — The company and certain subsidiaries have retirement plans for hourly and salaried employees. The cost of these plans charged to 1972 operations was \$2,380,455. The practice is to fund accrued costs of the plans. There was no unfunded past service cost and pension fund assets exceeded the actuarially computed value of vested benefits.

Investment Credit — Investment credit has been recorded on the flow-through method as a reduction of the provision for income taxes.

Research and Development — Research and development costs are charged to current operations as incurred.

2. Treasury Shares

During the year the company acquired 25,000 of its common shares for \$1,015,906. Common shares capital account and retained earnings were reduced \$27,051 and \$988,855, respectively. Distribution of 2,200 treasury shares was made upon exercise of stock options.

3. Employee Stock Options

At the beginning of the year, options were outstanding to purchase 60,290 shares. During the year options for 10,650 shares were granted and options for 21,690 shares were exercised for a total consideration of \$284,031 which was credited to the common shares capital account. At December 31, 1972, options were outstanding for 49,250 shares and options for 770,050 shares were available for grant. The option prices were the fair market values on the dates the options were granted.

**CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITION**

Year ended December 31

SOURCE OF FUNDS

Operations:

	<u>1972</u>	<u>1971</u>
Net income	\$26,243,001	\$23,400,177
Charges to operations not requiring funds:		
Depreciation	8,934,767	8,099,830
Other — net	950,090	664,201
Total	36,127,858	32,164,208
Increase (decrease) in accounts payable	2,970,770	(88,655)
Increase in accrued expenses	1,299,523	40,611
Proceeds from stock options exercised	284,031	221,860
Other — net	1,414,964	159,499
Total	<u>\$42,097,146</u>	<u>\$32,497,523</u>

APPLICATION OF FUNDS

Capital expenditures	\$11,255,145	\$14,516,931
Dividends on common shares	8,390,580	7,557,602
Repayment of bank borrowings	137,305	3,787,565
Increase (decrease) in receivables	5,985,014	(3,492)
Increase (decrease) in inventories	(210,543)	3,932,607
Increase in investments in affiliated companies	1,481,169	1,039,295
Purchase of common shares	1,015,906	—
Increase in cash and short-term cash investments	14,042,570	1,667,015
Total	<u>\$42,097,146</u>	<u>\$32,497,523</u>

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, 1972 and the related consolidated statements of income and retained earnings and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated statements present fairly the financial position of the companies at December 31, 1972 and the results of their operations and the changes in their financial position 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 23, 1973

Haskins & Sells

TEN YEAR SUMMARY

CONSOLIDATED STATEMENT OF INCOME

Revenues:

	<u>1972</u>	<u>1971</u>	<u>1970</u>
Net sales	\$217,409,665	\$197,587,420	\$183,639,824
Royalties and fees	4,040,248	3,285,280	3,202,552
Total	<u>221,449,913</u>	<u>200,872,700</u>	<u>186,842,376</u>
Cost and expenses less other income	175,198,912	159,151,523	145,819,384
Income before provision for income taxes	46,251,001	41,721,177	41,022,992
Provision for income taxes	20,008,000	18,321,000	19,173,000
Income before deduction of minority interest	<u>26,243,001</u>	<u>23,400,177</u>	<u>21,849,992</u>
Less minority interest	—	—	—
Net income	<u>\$ 26,243,001</u>	<u>\$ 23,400,177</u>	<u>\$ 21,849,992</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

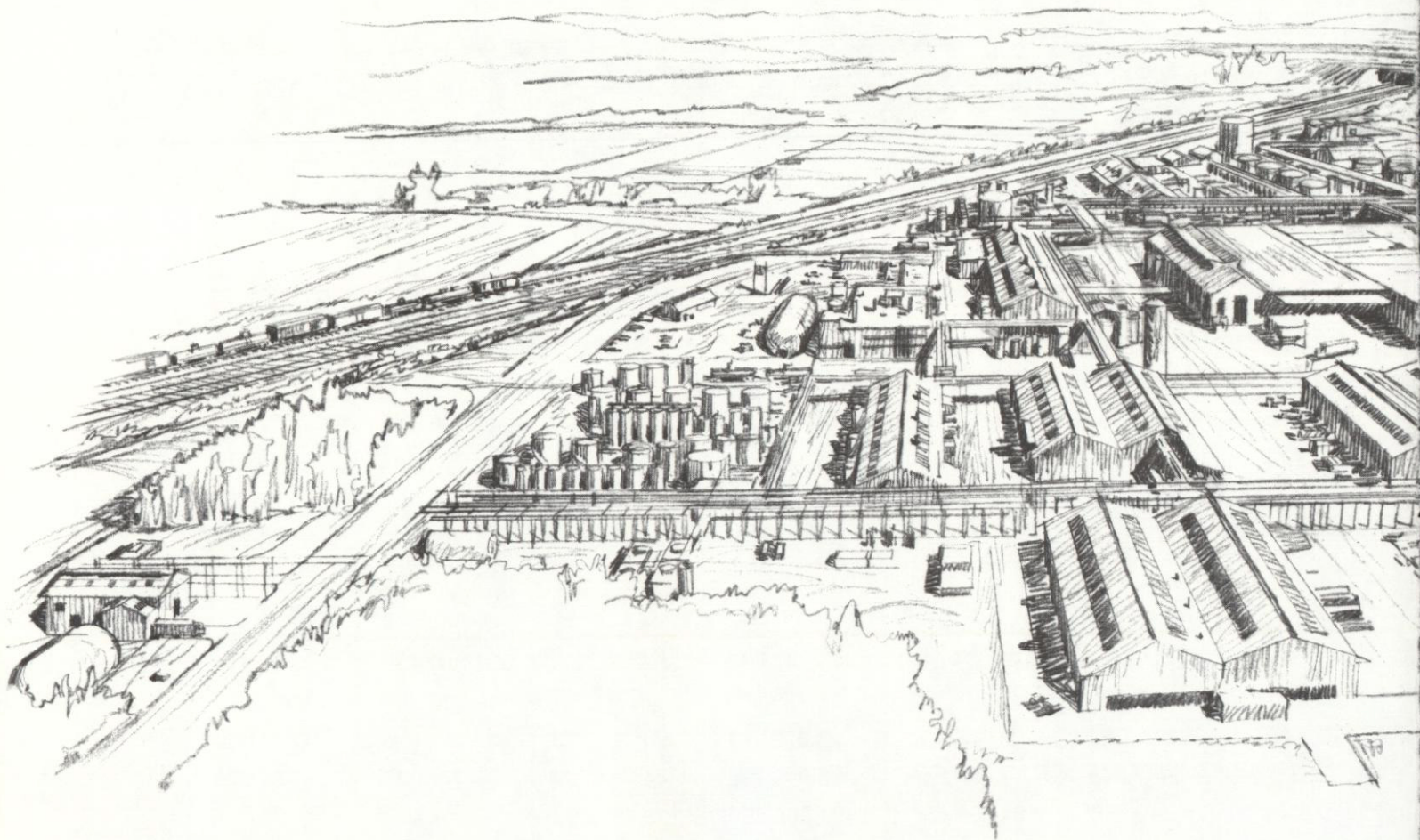
Current assets	\$ 97,353,481	\$ 77,884,691	\$ 72,045,910
Current liabilities	31,779,915	27,646,927	28,482,536
Working capital	<u>65,573,566</u>	<u>50,237,764</u>	<u>43,563,374</u>
Plant property — at cost	127,735,401	119,510,475	106,533,314
Accumulated depreciation	(52,942,155)	(46,469,262)	(39,852,127)
Other assets	6,493,006	5,423,192	4,709,026
Total	<u>146,859,818</u>	<u>128,702,169</u>	<u>114,953,587</u>
Less:			
Long-term debt	—	—	3,000,000
Deferred cash grants	1,371,208	1,375,337	1,453,477
Deferred income taxes	3,339,828	2,298,596	1,536,309
Net assets — Shareholders' equity	<u>\$142,148,782</u>	<u>\$125,028,236</u>	<u>\$108,963,801</u>

OTHER DATA

Capital expenditures	\$ 11,255,145	\$ 14,516,931	\$ 14,006,802
Depreciation	8,934,767	8,099,830	7,316,742
Number of employees at end of year	3,037	3,037	2,906
Number of shareholders at end of year	7,972	7,815	6,995
Common shares outstanding at end of year	20,158,176	20,161,486	20,146,824
Shareholders' equity per share at end of year	\$7.05	\$6.20	\$5.41
Return on average shareholders' equity	20%	20%	22%
Net income per share	\$1.30	\$1.16	\$1.09
Dividends per share41 $\frac{3}{8}$.37 $\frac{1}{2}$.32 $\frac{1}{2}$

NOTE: The number of shares and per share amounts have been adjusted to give retroactive effect to stock splits, 6 for 1 in 1964, 3 for 2 in 1966, 2 for 1 in 1968 and 2 for 1 in 1971.

<u>1969</u>	<u>1968</u>	<u>1967</u>	<u>1966</u>	<u>1965</u>	<u>1964</u>	<u>1963</u>
\$162,530,305	\$149,391,177	\$119,223,314	\$106,101,731	\$92,019,801	\$78,713,525	\$71,687,103
3,131,330	1,173,896	958,125	1,096,329	490,458	27,483	7,740
165,661,635	150,565,073	120,181,439	107,198,060	92,510,259	78,741,008	71,694,843
131,481,903	117,705,376	98,713,259	87,867,164	75,890,016	65,883,799	59,763,071
34,179,732	32,859,697	21,468,180	19,330,896	16,620,243	12,857,209	11,931,772
16,321,000	16,307,000	9,077,000	8,185,000	7,020,000	5,795,765	5,291,559
17,858,732	16,552,697	12,391,180	11,145,896	9,600,243	7,061,444	6,640,213
—	—	—	—	—	—	55,982
<u>\$ 17,858,732</u>	<u>\$ 16,552,697</u>	<u>\$ 12,391,180</u>	<u>\$ 11,145,896</u>	<u>\$ 9,600,243</u>	<u>\$ 7,061,444</u>	<u>\$ 6,584,231</u>
\$ 60,891,665	\$ 58,003,826	\$ 45,897,012	\$ 39,447,590	\$37,791,020	\$33,362,430	\$29,592,317
23,669,618	24,498,099	17,187,161	15,775,499	13,392,247	10,910,607	10,554,765
37,222,047	33,505,727	28,709,851	23,672,091	24,398,773	22,451,823	19,037,552
94,573,703	82,431,043	71,404,651	55,989,722	44,684,728	39,079,092	34,174,913
(34,270,858)	(28,949,686)	(24,589,551)	(21,050,299)	(18,625,433)	(16,788,472)	(14,720,247)
3,947,443	3,509,785	2,631,815	1,687,236	1,521,698	2,027,329	2,230,218
101,472,335	90,496,869	78,156,766	60,298,750	51,979,766	46,769,772	40,722,436
5,400,000	7,950,000	8,250,000	750,000	1,000,000	2,000,000	—
1,471,228	1,441,262	1,398,625	—	—	—	—
1,368,997	1,280,975	1,128,968	978,341	—	—	—
<u>\$ 93,232,110</u>	<u>\$ 79,824,632</u>	<u>\$ 67,379,173</u>	<u>\$ 58,570,409</u>	<u>\$50,979,766</u>	<u>\$44,769,772</u>	<u>\$40,722,436</u>
\$ 13,172,709	\$ 12,289,764	\$ 16,118,287	\$ 12,134,232	\$ 6,712,924	\$ 5,301,575	\$ 4,399,363
6,150,700	5,193,074	4,149,871	3,133,510	2,717,407	2,391,836	2,333,629
2,799	2,646	2,472	2,252	2,066	1,899	1,730
6,752	6,230	5,469	5,228	4,385	3,968	1,014
20,080,104	19,832,044	19,691,932	19,536,184	19,430,392	19,384,072	19,403,280
\$4.64	\$4.03	\$3.42	\$3.00	\$2.62	\$2.31	\$2.10
21%	22%	20%	20%	20%	17%	17%
\$.89	\$.84	\$.63	\$.57	\$.49	\$.36	\$.34
.28¾	.23¾	.21¼	.20	.17½	.13¾	.10¾



DIRECTORS

RAYMOND Q. ARMINGTON
Chairman of the Board
The TRIAX Company

M. ROGER CLAPP
Chairman of the Board

HARRY KAYE
Vice President - International
Operations and Treasurer

HARRY T. MARKS
Chairman of the Board and
Chief Executive Officer
Ferro Corporation

T. W. MASTIN
President and
Chief Executive Officer

JOHN L. PALMER
Vice President -
Technical Services

KARL H. RUDOLPH
President and
Chief Executive Officer
The Cleveland Electric
Illuminating Company

H. JAMES SHEEDY
Partner
Squire, Sanders & Dempsey

J. R. STITT
Vice President - Sales

RENOLD D. THOMPSON
Senior Vice President
Oglebay Norton Company

ROBERT K. WILLIAMS
Vice President - Corporate
Planning and Development

J. M. ZLATOPER
Vice President - Finance

F. ALEX NASON
Honorary Director
Founder of the Company

KELVIN SMITH
Honorary Chairman of the Board
Founder of the Company

KENT H. SMITH
Honorary Director
Founder of the Company

VINCENT K. SMITH
Honorary Director
Founder of the Company

OFFICERS

M. ROGER CLAPP
Chairman of the Board

T. W. MASTIN
President and
Chief Executive Officer

PAUL L. CARLL
Vice President - Manufacturing

HARRY KAYE
Vice President - International
Operations and Treasurer

W. M. LeSUER
Vice President - Research
and Development

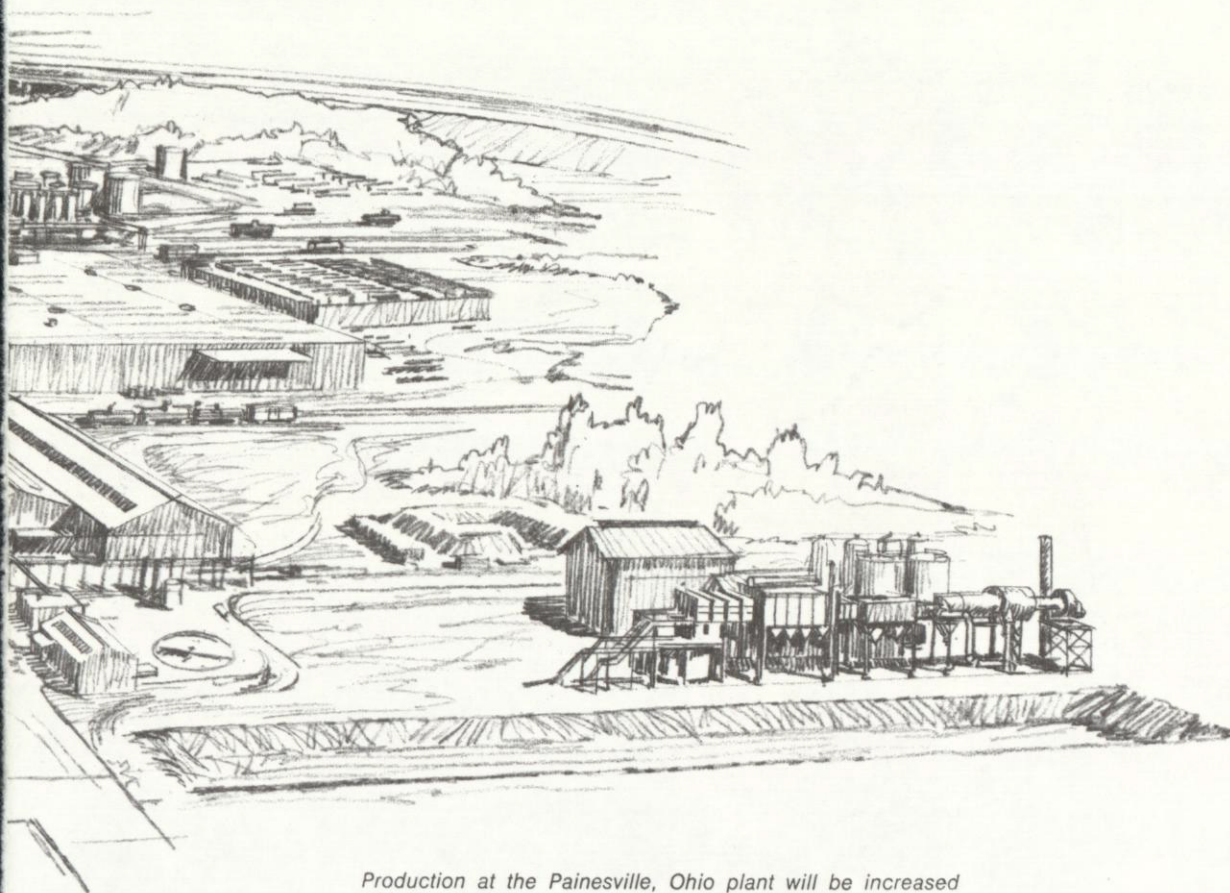
JOHN L. PALMER
Vice President -
Technical Services

DOUGLAS W. RICHARDSON
Vice President - Administration
and Secretary

J. R. STITT
Vice President - Sales

ROBERT K. WILLIAMS
Vice President - Corporate
Planning and Development

J. M. ZLATOPER
Vice President - Finance



Production at the Painesville, Ohio plant will be increased with the transfer of manufacturing from Wickliffe.

SUBSIDIARIES

Lubrizol Management, Inc.
 Lubrizol A.G. - (Switzerland)
 Lubrizol do Brasil, Limitada
 Lubrizol of Canada, Ltd.
 Lubrizol Espanola S.A.
 Lubrizol Far East, Inc. - (Philippines)
 Lubrizol France
 Lubrizol G.m.b.H. - (West Germany)
 Lubrizol Great Britain Limited
 Lubrizol International S.A. - (Bahamas)
 Lubrizol Australia (a branch)
 Lubrizol Italiana S.p.A.
 Lubrizol Japan, Ltd.
 Lubrizol Limited - (England)
 Lubrizol de Mexico, S. de R. L.
 Lubrizol Scandinavia AB
 Lubrizol Servicios Tecnicos, S. de R. L.
 Lubrizol South Africa (Pty.) Limited

AFFILIATES

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

TRANSFER AGENTS

THE NATIONAL CITY BANK OF CLEVELAND
 623 Euclid Avenue
 Cleveland, Ohio 44114
 FIRST NATIONAL CITY BANK
 111 Wall Street
 New York, New York 10015

REGISTRARS

THE CLEVELAND TRUST COMPANY
 900 Euclid Avenue
 Cleveland, Ohio 44101
 CHEMICAL BANK
 20 Pine Street
 New York, New York 10015

DIVIDEND DISBURSING AGENT

THE NATIONAL CITY BANK OF CLEVELAND
 623 Euclid Avenue
 Cleveland, Ohio 44114



- LABORATORY
- MANUFACTURING PLANT
- ▣ PLANT AND LABORATORIES
- SALES OFFICES, AGENTS

GENERAL OFFICES
 Wickliffe, Ohio

LABORATORIES
 Wickliffe, Ohio
 Chemical Research
 Polymer Research
 Mechanical Testing
 Hazelwood, England
 Mechanical Testing



MANUFACTURING PLANTS

- Wickliffe, Ohio
- Painesville, Ohio
- Bayport, Texas
- Deer Park, Texas

- Apodaca, Mexico
- Bombay, India
- Bromborough, England
- Durban, South Africa
- Huelva, Spain
- LeHavre, France
- Niagara Falls, Canada
- Rouen, France
- Sydney, Australia
- Taketoyo, Japan

SALES OFFICES AND SALES AGENTS

- Chicago (Naperville, Illinois)
- Cleveland (Wickliffe, Ohio)
- Detroit, Michigan
- Houston, Texas
- Los Angeles (Whittier, California)
- New York (Ridgewood, New Jersey)
- Tulsa, Oklahoma
- Wilmington, Delaware

- Athens, Greece
- Bogota, Colombia
- Bombay, India
- Brussels, Belgium
- Buenos Aires, Argentina
- Caracas, Venezuela
- Cham-Zug, Switzerland
- Copenhagen, Denmark
- Durban, South Africa
- Freeport, The Bahamas
- Guyaquil, Ecuador
- Hamburg, West Germany

- Helsinki, Finland
- La Paz, Bolivia
- Lima, Peru
- London, England
- Madrid, Spain
- Manila, Philippines
- Melbourne, Australia
- Mexico City, Mexico
- Milan, Italy
- Oslo, Norway
- Paris, France
- Rio de Janeiro, Brazil
- Santiago, Chile
- Seoul, South Korea
- Stockholm, Sweden
- Sydney, Australia
- Taipei, Taiwan
- Tokyo, Japan
- Toronto, Canada
- Vienna, Austria

