THE LUBRIZOL CORPORATION

1993 Annual Report

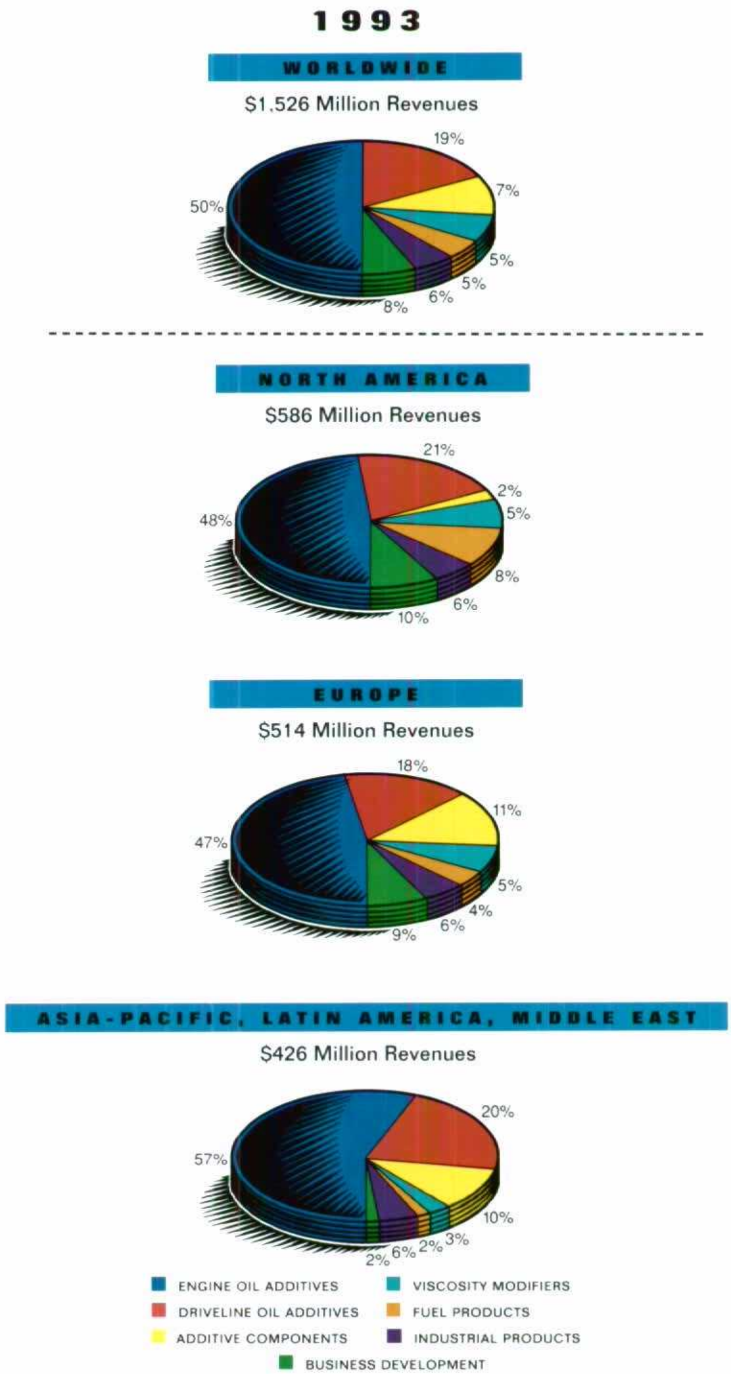
The Lubrizol Corporation is a leading full-service supplier of performance chemicals to diverse markets worldwide. These specialty chemical products are created through the application of advanced chemical, mechanical and biological technologies to enhance the performance, quality and value of the customer products in which they are used.

Founded in 1928 in Cleveland, Ohio, the company now operates plants, laboratories and offices staffed by more than 4,500 employees around the globe. Business operations are technology-based, market-oriented and focused on effectively meeting a broad range of customer needs and service requirements.

During 1993, Lubrizol consolidated its former business unit structure into a single operating organization. It also realigned its marketing, technical, manufacturing and customer service activities to achieve higher manpower and facilities utilization, important operating cost savings and a more customer-oriented focus.

Lubrizol is the recognized leader in specialty additive systems for oils used in gasoline and diesel engines, automatic transmission fluids, gear oils, marine and tractor lubricants. The company also supplies specialty products for industrial fluids, fuel additives and process chemicals, and develops performance chemicals for specialized markets.

In all aspects of its business, Lubrizol works with its customers to achieve their product performance goals in the most effective, timely and cost-efficient manner.



CHANGE...A CATALYST FOR GROWTH

In a year of dynamic changes in markets, technology and global trade, Lubrizol is meeting these challenges through a comprehensive realignment of its organizational structure, manufacturing base and worldwide technical service. The goal is to serve the needs of diverse customers more efficiently and effectively.

This realignment is the most far-reaching structural change in the company's history. It makes Lubrizol a leaner, more flexible and more responsive organization. It also provides enhanced capabilities to develop and produce the performance additives customers require to keep their lubricant and fuel products competitive in fast-paced markets.

For the future, Lubrizol will be better positioned to capitalize on growing opportunities for new product development and further penetration of both existing and emerging market segments.

FINANCIAL HIGHLIGHTS

(In Thousands of Dollars Except Per Share Data)	**1993**	1992	Increase (Decrease)
Revenues	**$1,525,500**	$1,552,248	(2)%
Net income	**45,600***	124,646	(63)%
Net income per share	**.67***	1.81	(63)%
Dividends per share	**.85**	.81	5%
Capital investments	**168,201**	98,216	71%
Research, testing and development expenses	**171,540**	154,762	11%
Shareholders' equity	**732,236**	819,362	(11)%
Return on average shareholders' equity	**6%***	15%	(60)%

*Includes special charge, Genentech gain and accounting changes.

Common Share Price History

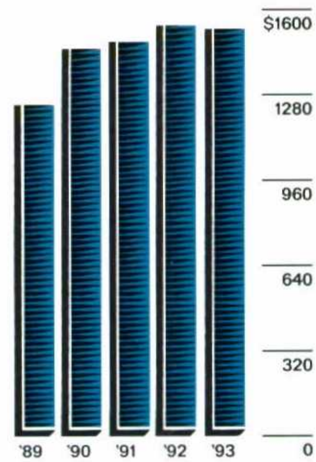
	1993		1992	
	High	Low	High	Low
1st quarter	$31¼	$26⅝	$34	$27⅞
2nd quarter	34½	28⅞	34⅞	31
3rd quarter	36	29	34⅞	27⅜
4th quarter	36⅜	30¾	28¾	24⅝

Dividends per Common Share

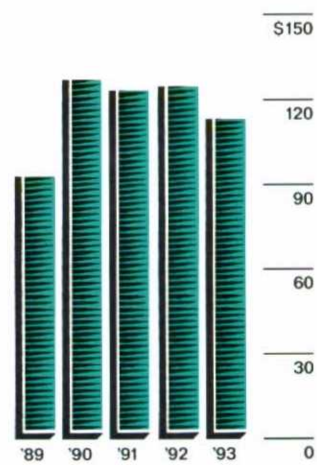
	1993	1992
1st quarter	$.21	$.20
2nd quarter	.21	.20
3rd quarter	.21	.20
4th quarter	.22	.21
Total	$.85	$.81

All share and per share data have been restated to reflect the 2-for-1 stock split effected on August 31, 1992.

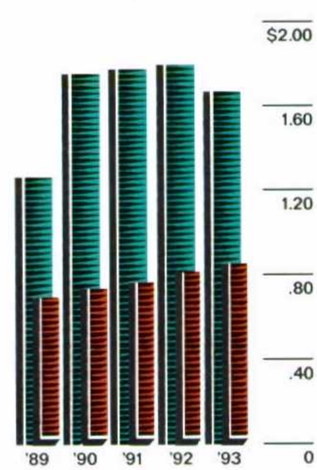
Revenues
(millions)



Net Income
(Before special charge, Genentech gain and accounting changes)
(millions)



Net Income per Share*/ Dividends per Share



DIVIDENDS PER SHARE
NET INCOME PER SHARE

*Net income per share is before special charge, Genentech gain and accounting changes

TO OUR SHAREHOLDERS

We believe that the changes which have occurred at Lubrizol in 1993 are indeed a catalyst for growth.

Higher revenues from increased pricing and new product introductions, lower operating expenses and better returns from our agribusiness investments will enable Lubrizol to resume its earnings growth.

Lubrizol once again achieved record revenues from the sale of specialty chemicals in 1993. The company was able to achieve higher gross profit in 1993 through higher prices and the introduction of new higher-performing products into the U.S. market. However, these gains were offset by significantly increased technical spending to meet new performance standards, ongoing litigation expenses, employee and retiree benefit costs and lower returns from our agribusiness investments. As a result, the revenue growth did not carry through to earnings growth. In response, the company took several very positive steps in 1993 to manage these issues in a way which will result in improved profit growth beginning in 1994. The changes occurring at Lubrizol today are intended to be a catalyst for this growth.

Consolidated revenues for 1993 were $1.53 billion. Consolidated revenues for 1992 were $1.55 billion and included $88.6 million of revenues from Lubrizol's former Agrigenetics Company. For the year, worldwide additive shipments declined 1 percent from 1992. Consolidated net income in 1993 was $45.6 million, or $.67 per share. This included the effect of changes in accounting principles for postretirement health care benefits and income taxes which reduced 1993 net income by $39.4 million, or $.58 per share. Also included in consolidated 1993 net income was a special pretax charge of $86.3 million for organizational realignment and manufacturing rationalization and a pretax gain of $42.4 million from the sale of Genentech stock. Excluding these special items and accounting changes, net income in 1993 was $113.5 million, or $1.67 per share.

L.E. Coleman

The first half of 1993 was the strongest part of the year for Lubrizol, but actually showed the weakest comparisons with 1992. Additive selling prices were increased at the end of 1992 and positively impacted revenues in 1993. Income from our agribusiness investment, which is seasonal, also contributed to good earnings in the first half. Additive shipments declined 5 percent in the first half. Spending for product development and testing to support new industry performance standards was strong all year. Our total investment for research, testing and product development of specialty chemical additives increased over 20 percent for the full year.

Additive shipments increased 4 percent in the second half of 1993 compared with a weak period the year before. Technical spending remained high relative to revenues, and the second half was also negatively impacted by the strong U.S. dollar, a weaker product mix and higher losses from our investment in agribusiness. Mycogen recorded several special restructuring charges, and weather-related problems in the Midwest increased the losses from our agribusiness investments. Despite these problems, Lubrizol's third and fourth quarters showed positive earnings comparisons with the year earlier periods and ended four consecutive quarters of negative comparisons. A portion of our 1993 technology costs are now being recovered as we sell new, higher-performing products for U.S. engine oils. Also, we are implementing additive price increases in the first quarter of 1994 to more fully recover the costs of our product technology, as well as the costs resulting from increased environmental regulation at our facilities.

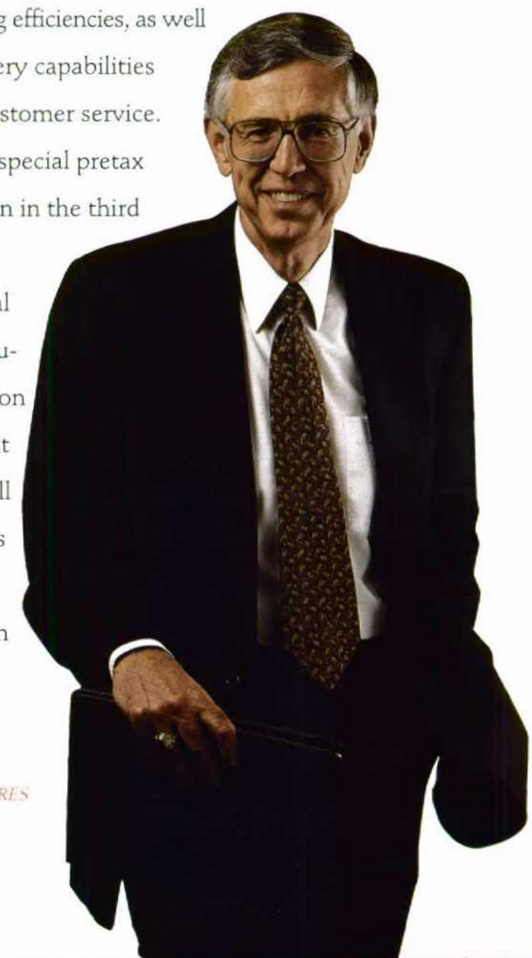
Quarterly dividends were increased 5 percent during the fourth quarter to $.22 per share, yielding an annualized rate of $.88 per share. This is the tenth consecutive year in which dividends were raised. Dividends to shareholders in 1993 totaled $57.6 million.

During the year, the company repurchased 2.08 million of its outstanding shares, and the Board of Directors authorized the repurchase of an additional 4 million shares. At the end of 1993, 3.04 million shares remained in this open authorization.

EVENTS IN 1993

In 1993, we announced that Lubrizol was eliminating its business unit structure and realigning its activities into one combined Lubrizol organization. The new alignment is intended to meet changes in customer and market needs for performance chemicals and to enhance the company's competitive posture in key transportation and industrial markets. This new organization is expected to provide greater cost control and improved coordination within the company. We also implemented initiatives to more effectively manage our manufacturing activities worldwide, to increase the timeliness and effectiveness of new product development, and to create a more simplified and rationalized product line.

The manufacturing rationalization initiative will occur over a three-year period and will result in a reduction by one-third in the number of Lubrizol's individual component production units worldwide. These actions are being taken to improve manufacturing efficiencies, as well as blending and delivery capabilities without sacrificing customer service. The company took a special pretax charge of $86.3 million in the third quarter in connection with its organizational realignment and manufacturing rationalization initiatives. The benefit of these initiatives will be annual cost savings which are estimated to grow to $50 million by 1996.



W.G. Bares

In January of 1993, we completed the acquisition of Langer & Company of Ritterhude, Germany. Langer is a recognized worldwide manufacturer and supplier of performance chemical additives for the coatings industry. This acquisition is helping Lubrizol to expand its coatings additives business into new product and geographic markets.

In the fourth quarter, Lubrizol completed the purchase of selected commercial and technical assets of the Great Lakes Chemical France S.A. lubricant additive business. This transaction involves the technology for polymethacrylate-based viscosity modifiers which will complement our existing line of lubricant additives. Great Lakes Chemical will supply polymethacrylate products to Lubrizol from its Persan, France, facility on a long-term basis.

We must unfortunately continue to report on litigation issues between Lubrizol and Exxon. In Canada, we are awaiting the determination of damages from our case against Exxon for infringement of Lubrizol's patent pertaining to dispersant. Additional cases related to this dispersant patent are pending in the United States and other countries.

In February 1994, a federal court in Houston, Texas, entered a damages judgment of $129 million against Lubrizol pertaining to a December 1992 jury verdict that Lubrizol infringed an Exxon patent by selling lubricant additive packages containing an oil soluble copper component. The original finding of infringement, as well as the jury's determination that the patent is valid, was appealed to the United States Court of Appeals for the Federal Circuit in Washington, D.C., which has jurisdiction over all patent cases. We are awaiting the results of this appeal, and the damages judgment is also appealable to the same court in Washington, D.C. Lubrizol continues to believe that none of its products infringed the Exxon patent and that the patent is invalid and that the trial court judgment will not be upheld on appeal. More details concerning these litigation matters are contained in the Notes to Financial Statements in this report.

We are making progress in our effort to obtain maximum value from our agribusiness investment. At the end of 1992, we completed the restructuring of our agribusiness segment through transactions involving transfer of a majority interest in Agrigenetics Company to Mycogen Corporation. Agrigenetics became part of a partnership owned 49 percent by Lubrizol and 51 percent by Mycogen. In December 1993, we sold 29.5 percent of this partnership to Mycogen for cash of $7 million and 2 million additional shares of Mycogen Common. Mycogen has agreed to purchase our remaining 19.5 percent interest in the future for cash or Mycogen common shares. Also in December, Mycogen redeemed $10 million of its preferred stock from Lubrizol. In addition to the remaining 19.5 percent interest, Lubrizol now holds 6.1 million shares of Mycogen Common and $28.5 million of Mycogen Preferred. We expect that the effects of these transactions with Mycogen will enable both companies to obtain maximum value from these assets.

In January 1994, we announced a marketing alliance between our SVO Specialty Products subsidiary and Cargill, Inc. There is increased interest and acceptance of our high oleic sunflower oil products in the marketplace, and this marketing alliance will support higher sales and lower costs which should enable SVO to be profitable this year.

DIRECTORS AND OFFICERS

Andre Gillet retired as a Director effective March 31, 1993. Mr. Gillet had been a Director since 1985 and was former Chairman of International Multifoods.

Peggy Gordon Elliott was appointed a Director during 1993 to fill the vacancy created by the retirement of Mr. Gillet. Dr. Elliott is President of The University of Akron.

In April, Mark W. Meister was elected Vice President.

In December, James G. Bulger, Stephen A. Di Biase, Joe E. Hodge, Stephen F. Kirk and Yannick Le Couédic were elected Vice Presidents.

In February 1994, Robert W. Scher retired as Senior Vice President after 39 years of service with the company.

CHANGE-A CATALYST FOR GROWTH

We believe that the changes which have occurred at Lubrizol in 1993 are indeed a catalyst for growth. The new realigned organization and management team, the manufacturing rationalization, higher product performance standards, consolidation within our industry, continuing restructuring of our agribusiness assets, share repurchase and sale of investments give us confidence about the future. Our commitment remains to achieve our historic objectives of an average 10 percent annual earnings growth rate and 20 percent return on equity. Higher revenues from increased pricing and new product introductions, lower operating expenses and better returns from our agribusiness investments will enable Lubrizol to resume its earnings growth. We believe these factors may help the company achieve a potential growth in earnings of over 25 percent in 1994 along with an improving return on equity.

On behalf of the Board of Directors and all of our employees, thank you for your investment and confidence in Lubrizol.

L.E. Coleman
L.E. Coleman
Chairman of the Board

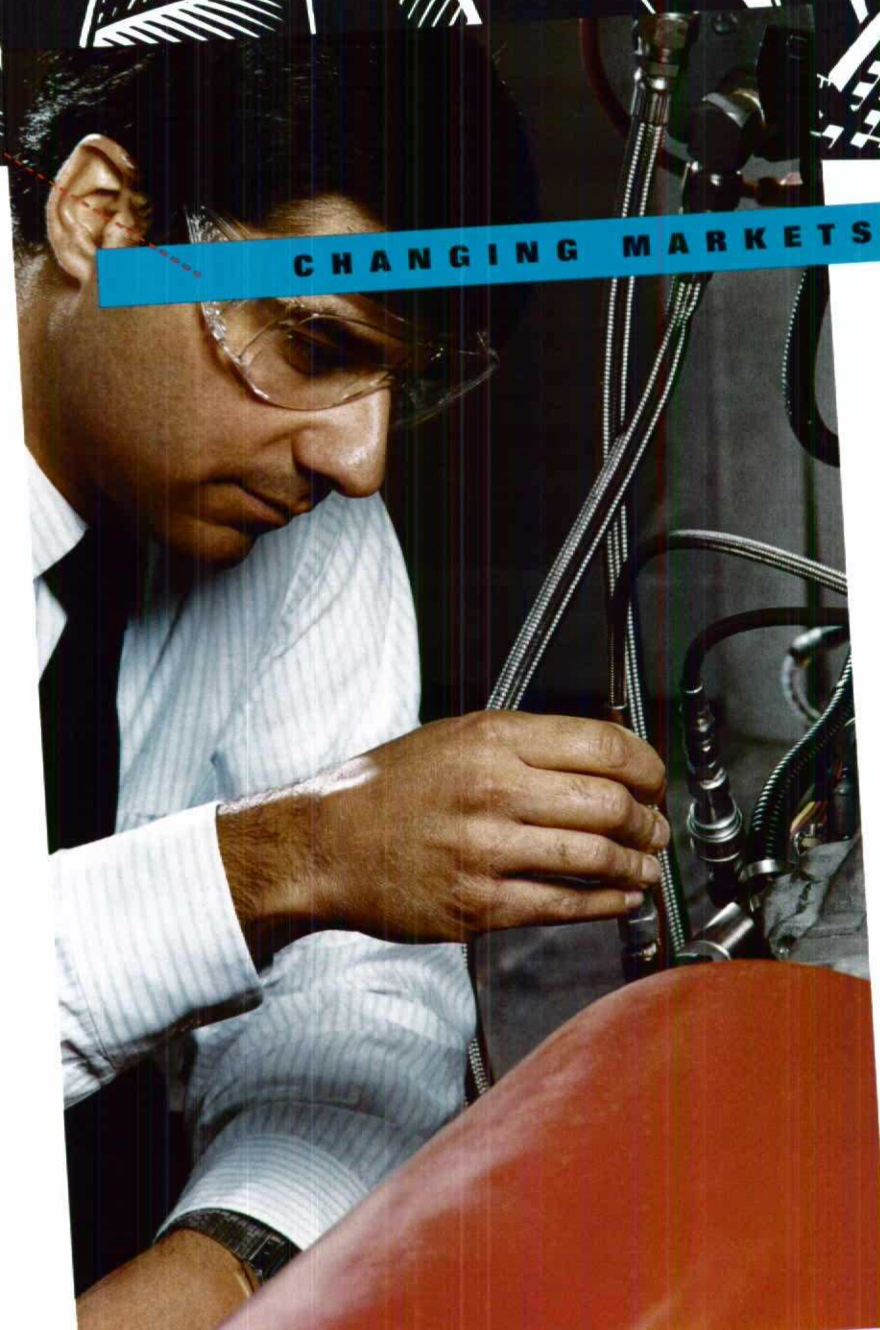
W.G. Bares
W.G. Bares
President

March 16, 1994

The thrust of the company's overall organizational change is to provide the customer with greater added value and service.

A major issue facing the additive industry today is rapidly growing complexity in virtually all segments of the marketplace.

CHANGING MARKETS



Fred Antoon, research manager, Wickliffe, Ohio (Checking out a test transmission)

Markets for Lubrizol's performance chemicals are undergoing continuous evolutionary changes. These changes are being driven by a number of forces, including higher customer performance goals, environmental considerations, tightening government mandates, and design changes in engines and other equipment. Segments impacted by this technical evolution include passenger car engine oils, heavy-duty diesel engine oils, fuels, transmission and gear oils, and industrial lubricants and fluids.

As the leading international supplier of performance additives and intermediate chemicals for transportation and industrial applications, the company has built its business by developing effective value-added technologies to meet specific customer needs. To further enhance its ability to accomplish this and meet growing and increasingly complex market requirements, Lubrizol realigned its operating organization during 1993 by eliminating its business unit structure. This created an organization which is leaner, more responsive, more flexible, tighter focused and truly customer-driven.

For example, Lubrizol today responds to its customers through a more focused sales and marketing organization. Clearly identified account managers now provide each customer with a single person within the company who is empowered to service that customer's needs. For Lubrizol, this results in improved manpower utilization and better customer communications. Also, responsibility is being pushed downward within the organization, with more decisions being made at local levels. This gives the customer the advantage of faster response to both his technical and market needs.

The thrust of this overall organizational change is to provide the customer with greater added value and service.

Laboratory and test facilities are also being expanded and improved, as are manufacturing processes and systems. Certain production facilities are being converted from batch processing to more efficient continuous processing methods. The number of intermediate production units will be reduced, while capacity utilization will be increased in the remaining units. The company is also rationalizing its product lines, but in a way which will continue to be responsive to customers' expectations. Market analysis and surveys make it clear that Lubrizol cannot continue to be an additives supermarket. The company will not reduce the range of its products, only the number of individual low-volume products which it sells.

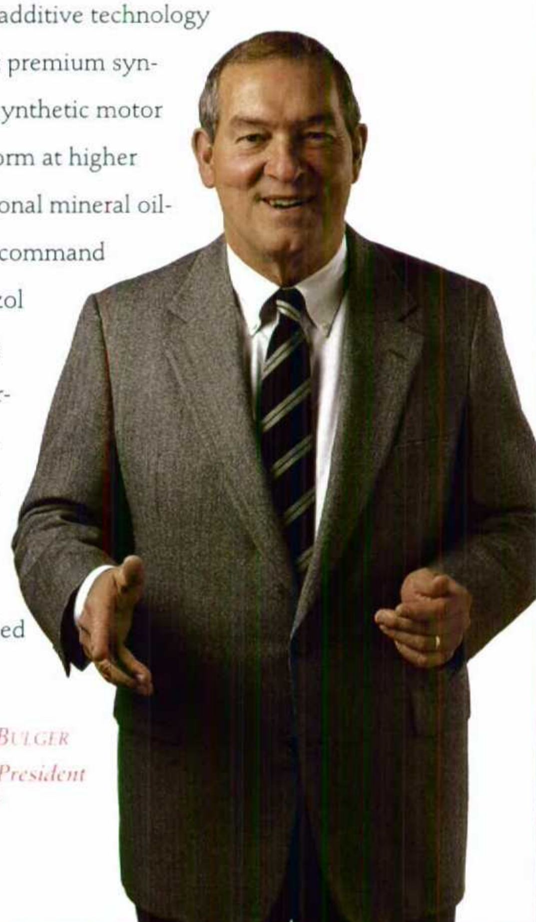
MARKET COMPLEXITY

A major issue facing the additive industry today is rapidly growing complexity in virtually all segments of the marketplace. For example, technology costs, including research, product development and proof of performance testing, have escalated rapidly in recent years. These increased costs have led to consolidation within the additive industry, as some producers were unprepared to make the necessary major investments in technology and new production facilities. Consequently, they elected to exit the market. Lubrizol expects this consolidation to continue. In this environment, Lubrizol's new operating structure positions the company well to retain worldwide leadership in the performance additives industry.

Many customers now rely heavily on Lubrizol to provide the exact additive technology required to upgrade their products to meet increasingly complex industry and government standards. This trend has intensified over the last decade, and the time interval allowed to develop these improvements is shortening.

During 1993, following significant investment in technical development, testing and performance certification, Lubrizol commercialized new additives which enable customers' passenger car motor oils to meet the new API SH specifications. Following this upgrade for passenger car motor oils, a new generation of diesel engine oil upgrades is scheduled to be introduced in 1994. Lubrizol has core technologies in place to meet these requirements, but the costs of technical development and testing will continue to be a large component of the company's overall investment.

Lubrizol also has been successful in providing customers with the additive technology they need to market premium synthetic and partially synthetic motor oils. These oils perform at higher levels than conventional mineral oil-based products and command higher prices. Lubrizol has played a leading role in this customer-driven effort, which is an important step toward moving the motor oil market to premium, value-added products.



J.G. Bulger
Vice President
Sales

Drums of Lubrizol additives being prepared for shipment from the company's plant in Apodaca, Mexico.

The company is fully committed to the research and development efforts necessary to provide the new technology required for more premium additive products.

Among the company's other established businesses, Lubrizol is the world's leading supplier of additive packages for automatic transmission fluids. It is also the world leader in gear oil additives. Lubrizol's products meet all current specifications, as well as providing customers with enhanced performance for new value-added products. Other important products include Lubrizol viscosity modifiers and additives for farm tractor fluids, two-cycle, marine and industrial oils, and fuels.

Apart from the company's established petroleum-related businesses, Lubrizol serves several other market segments showing active growth opportunities. For example, the company has been producing AMPS® Monomer for over a decade. This product has various market applications as a dye receptor in acrylic fiber, in water treatment and in oil recovery. Growing demand for this versatile product has kept the company's production facility running at 100 percent of capacity during the past year. A second production system will begin operation in late 1994. This will maintain the company's position as the leading low-cost producer of this key monomer.

SVO's specialty vegetable oil products will benefit from a new refining and marketing alliance with Cargill, Inc., the world's largest agricultural products company. TRISUN®, a unique Lubrizol-developed high oleic sunflower oil, will now have the advantage of large volume, low-cost production and much broader marketing into major food industry segments.

Lubrizol acquired Langer & Company in January 1993. Langer's primary product is micronized waxes for the paint and coatings industry. This acquisition will augment Lubrizol's current lines of special dispersants and rheology control additives. The company plans to expand markets for Langer products into both the U.S. and Asia. Thus, the company is moving closer to its objective of becoming a leading international paint and coatings additive supplier.

Finally, Lubrizol's Gate City Equipment Company subsidiary tripled its product offerings in 1993 and moved its expanding operations into new facilities in Roswell, Georgia, near Atlanta. Gate City produces precision metering equipment for the petroleum and chemical industries.

G.R. Hill
Senior Vice President
Business Development

NEW BUSINESS OPPORTUNITIES

In addition to the foregoing established products and markets, Lubrizol has several new business opportunities with promise of future growth. Among them is the company's development of new synthetic refrigerant lubes and additives to meet the lubrication needs of compressors using HFC refrigerants instead of ozone-depleting CFCs. The primary markets for these new lubricants are home appliances and commercial refrigeration equipment. Lubrizol has designed and installed testing equipment for these special lubricants and has established strong relationships with original equipment suppliers. Government action to shorten the deadline for conversion to HFC refrigerants is bringing the new synthetic lubes into faster widespread use. Lubrizol's first sales of these LUBRIKUHL™ products occurred during 1993.

The performance characteristics of the company's line of electrorheological fluids have

The company is a leader in additive chemistry for two-cycle engine oils.

been improved, making them candidates for use in automotive semi-active suspension systems. In cooperation with Monroe Auto Equipment Company, a demonstration vehicle featuring this technology has received positive reviews from automotive manufacturers.

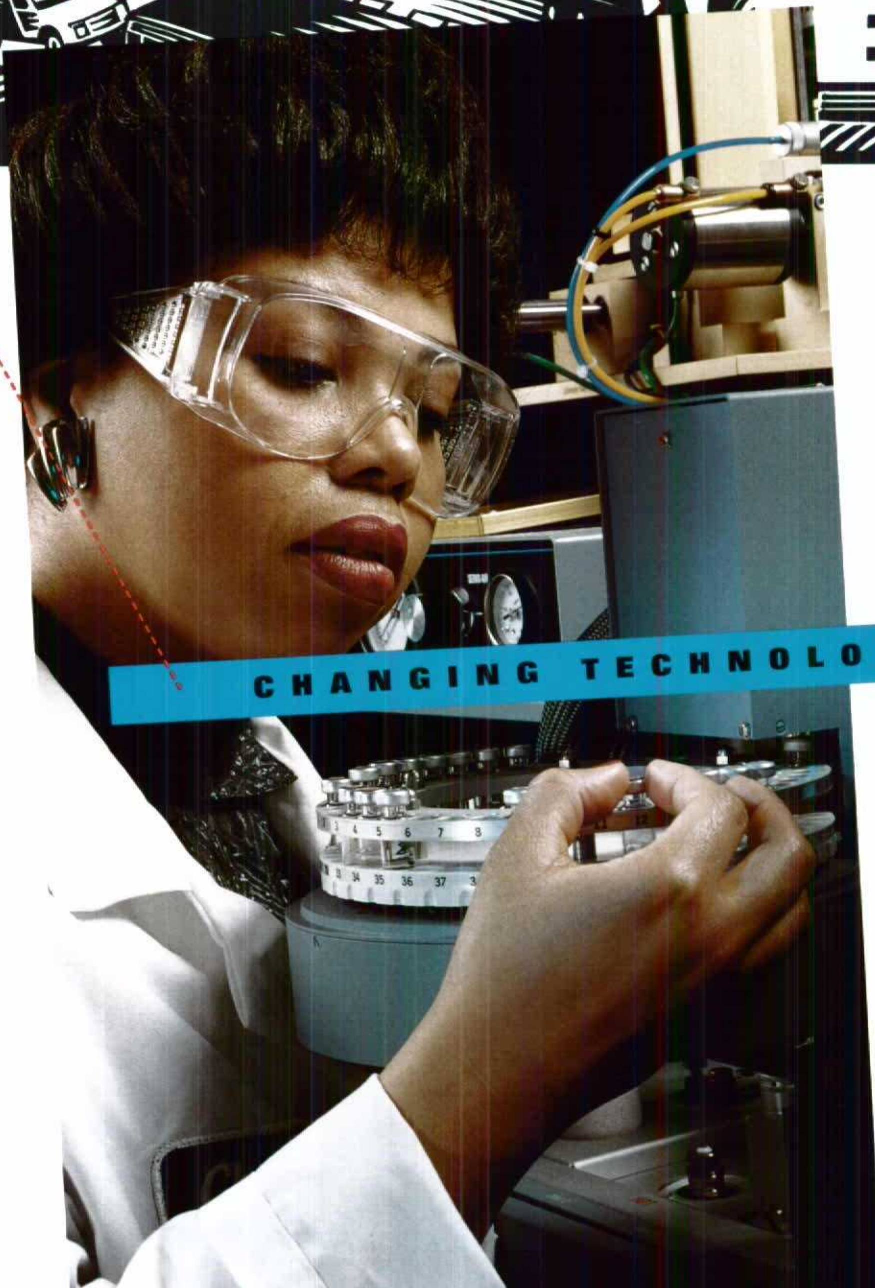
The company also is supplying oil field and petroleum refinery additives which increase efficiency and lower production costs. This market is highly service-oriented, and Lubrizol is increasing its logistics capabilities to meet the special needs of these customers.

Lubrizol expects to leverage its core competencies and market experience to take full advantage of new opportunities created by current and future external market changes.

The company expects its strong technology base to continue to make Lubrizol a leader in its industry.

The major emphasis is on improving all of the customer-related facets of the company's technical programs.

CHANGING TECHNOLOGY



Christine Russell, research chemist, Wickliffe, Ohio [Setting up equipment analysis]

Lubrizol's technology is an essential ingredient in every phase of the company's operations, from product development and manufacturing to acceptance testing, marketing and worldwide customer service. It is technology that gives Lubrizol its competitive advantage.

The company continues to sharpen its focus on its core businesses, as well as on those technologies which provide value-added advantages for customers. Advanced technology, state-of-the-art equipment and processes, and a highly competent and motivated technical staff all combine to chart a successful course for the Corporation.

The major emphasis is on improving all of the customer-related facets of the company's technical programs. This includes those activities which position the organization to better serve customer needs. The current program, designed to flatten the entire organization and make it more responsive and focused, has resulted in important changes in the overall approach to Lubrizol's research and technical development work. Research and development and segment management are now more in line with major end markets and the customers within those markets.

Key testing and product approval programs also are now focused by market, with technical personnel specializing in customer requirements within each particular market segment. This allows greater flexibility for individual customer programs and puts technical personnel in direct contact with the customer. The result is faster response and more timely development of products. Timeliness, in fact, has become the critical factor in many product programs in order to meet customer expectations, as well as regulatory and industry imposed deadlines.

Simultaneous with these changes, the company is upgrading its physical plant, expanding and modernizing development laboratories and testing facilities, and reworking technical procedures to gain added efficiencies. The aim is to provide Lubrizol technical personnel with the optimum equipment and environment in which to work.

People, of course, remain the key to any successful creative process. Innovation comes from people, not facilities or equipment. The important factor is providing creative people with the tools they need to be successful. The company is committed to providing a working environment where research and development personnel can excel.

PROJECT PRIORITIES

Because of the increasing complexity of product development work and the resulting escalating costs, the company's research and development projects have been organized and prioritized into three distinct groups:

• The first group includes projects which are deemed essential to maintaining technical leadership and meeting near-term customer expectations.

• The second group involves projects more medium-range in nature, but still promising in terms of future market development and eventual commercialization.

• The third group includes various longer-term projects and scientific investigations which are designed to sustain Lubrizol's technical leadership position by anticipating future customer needs.

Based upon these categories, research and development funding is being allocated more effectively to maximize the return on available resources. The time factors involved in completing projects are high on the agenda, as are regulatory compliance issues. Lubrizol provides its technical staff with access to outside resources, such as universities and independent research institutions, to assist when project factors dictate.

In 1994, a major objective of the company's technical activities will be to reduce the time and cost involved in providing technical information and data to customers. Another objective will be to balance internal resources to better achieve the company's business objectives, which are:

• To maintain and promote existing businesses.

• To develop new opportunities in existing businesses.

• To invest in new business opportunities on the periphery of Lubrizol's current business.

• To further develop current core technologies.

• To develop new core technologies through exploratory research.

The challenge is to meet both customer and corporate objectives and expectations within the framework of finite resources. The biggest driving force for shorter product life cycles is the original equipment manufacturers' performance demands. This is further complicated by regulatory compliance issues which must be satisfied for increasingly complex products.

As Lubrizol continues to sharpen its focus on the future, it is critical to identify key issues related to its investment in technology. Some of these issues are:

• The need to meet or exceed customer expectations.

S.F. Kirk
Vice President
Segment Management

Lubrizol exports large volumes of additives from its plant in Deer Park, Texas.

- The undervalued nature of many customer products.
- The increasing cost of technology.
- Timely product approvals.
- Effective management of information.
- Improved coordination among technical, commercial and manufacturing staffs.

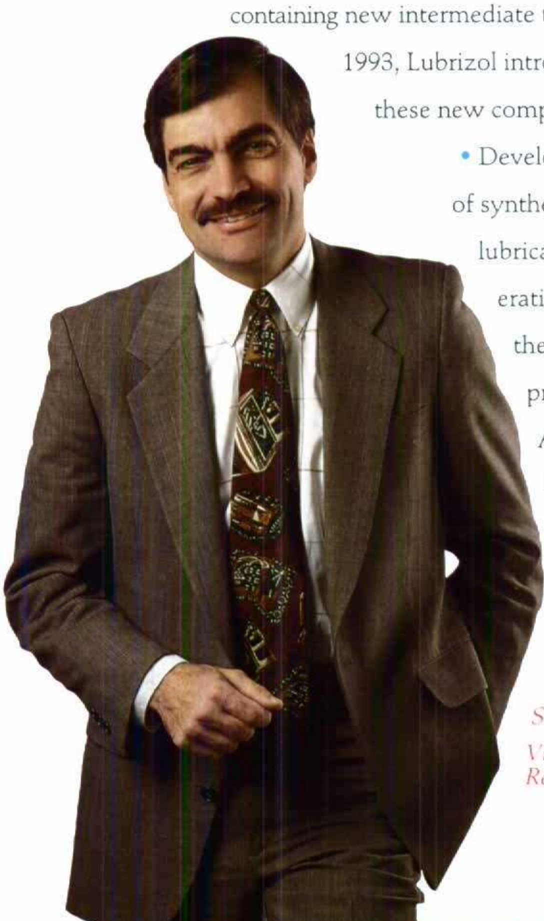
In order to meet the challenges these issues present, some key strategies have been put into place. The company will continue to focus on products that will add value to customers' products. It will retain existing business partnerships by supporting customers with better customer service. Product approval testing procedures will be improved to ensure that they are conducted in the most effective manner possible.

The very nature of Lubrizol's business — its products and markets — demands extensive product testing, both in the laboratory and in the outside world. The criteria for developing new technologies must be, "Does it meet customer expectations?"

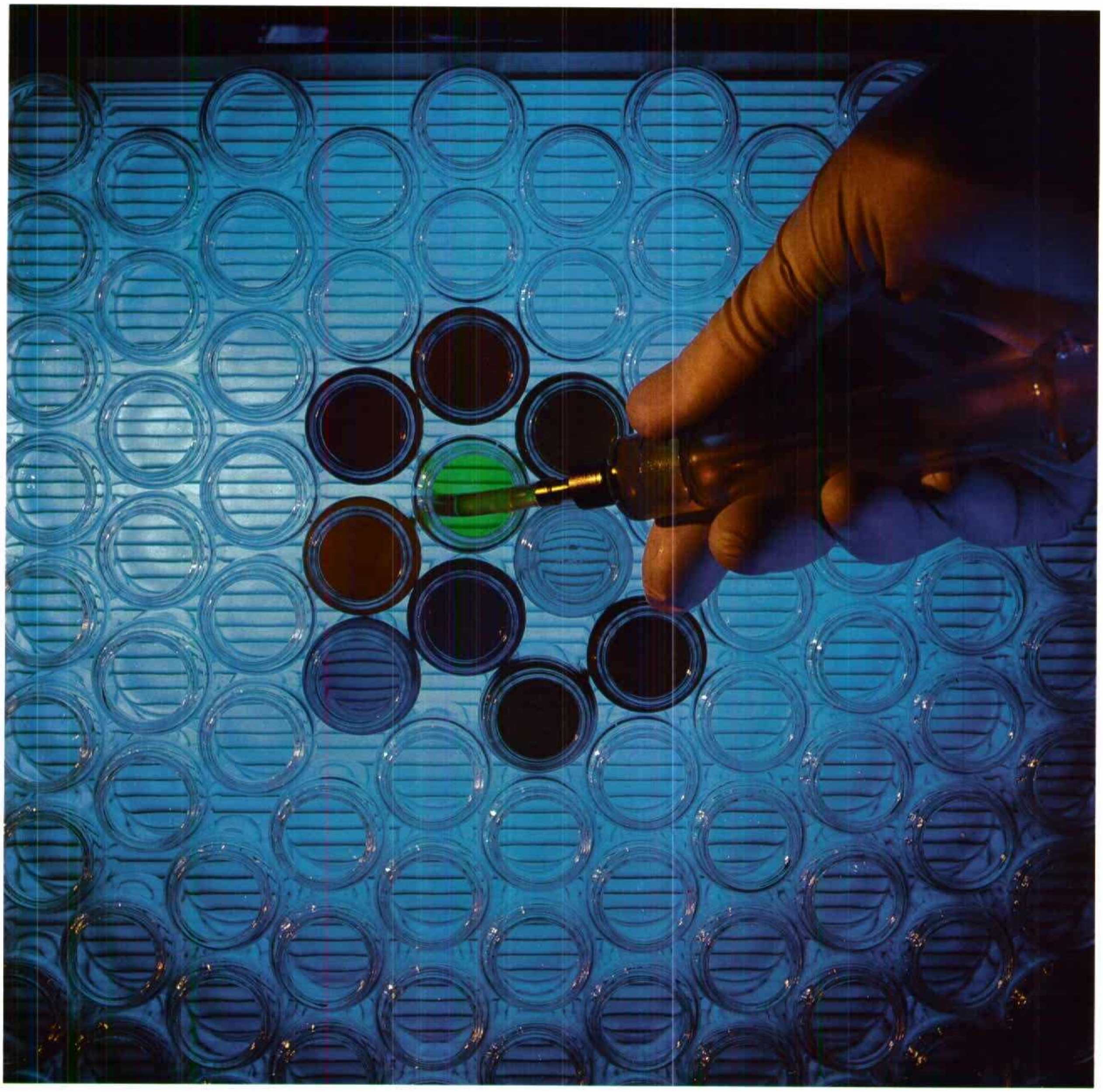
The investment in technology and testing is paying dividends. Among a growing list of successful Lubrizol technology programs for customers are:

- Development of new API SH additive technology which introduced new detergent chemistry to meet the upgraded standards for passenger car motor oils in 1993.
- Development of core formulations in anticipation of new heavy-duty diesel engine oil specifications. These new technologies will enhance the value of customers' products.
- An increase in the number of products containing new intermediate technology. In 1993, Lubrizol introduced a dozen of these new components.
- Development of a family of synthetic refrigerant lubricants for the refrigeration industry under the LUBRIKUHL product line. Approvals have been obtained from several compressor manufacturers.
- New emulsifier technology for commercial explosives was developed and introduced to service world markets.
- Development of a new core system for the next generation of automatic transmission fluid additives. This resulted in new formulations which meet General Motor's Dexron®-III and Ford's Mercon® automatic transmission fluid specifications.
- Development of a series of enhanced vegetable-derived SVO base stocks and formulated fluids for use in biodegradable tractor hydraulic applications.
- New dispersant technology was introduced for use in fuel additives which meet the California Air Resources Board emissions requirements.
- A family of cost-effective viscosity modifiers was developed for use in many applications including engine and driveline oils and hydraulic fluids.
- Several formulations that improve the performance of greases were developed for industrial markets. These products resulted from an extension of Lubrizol's existing core technologies.
- New high quality gear oil technologies were introduced to equipment manufacturers in anticipation of more demanding performance requirements.

Today, meeting customers' needs requires the combined efforts of all divisions of the company working together to improve the processes necessary to meet and exceed customer expectations — on time, every time.



S.A. Di Biase
Vice President
Research and Development



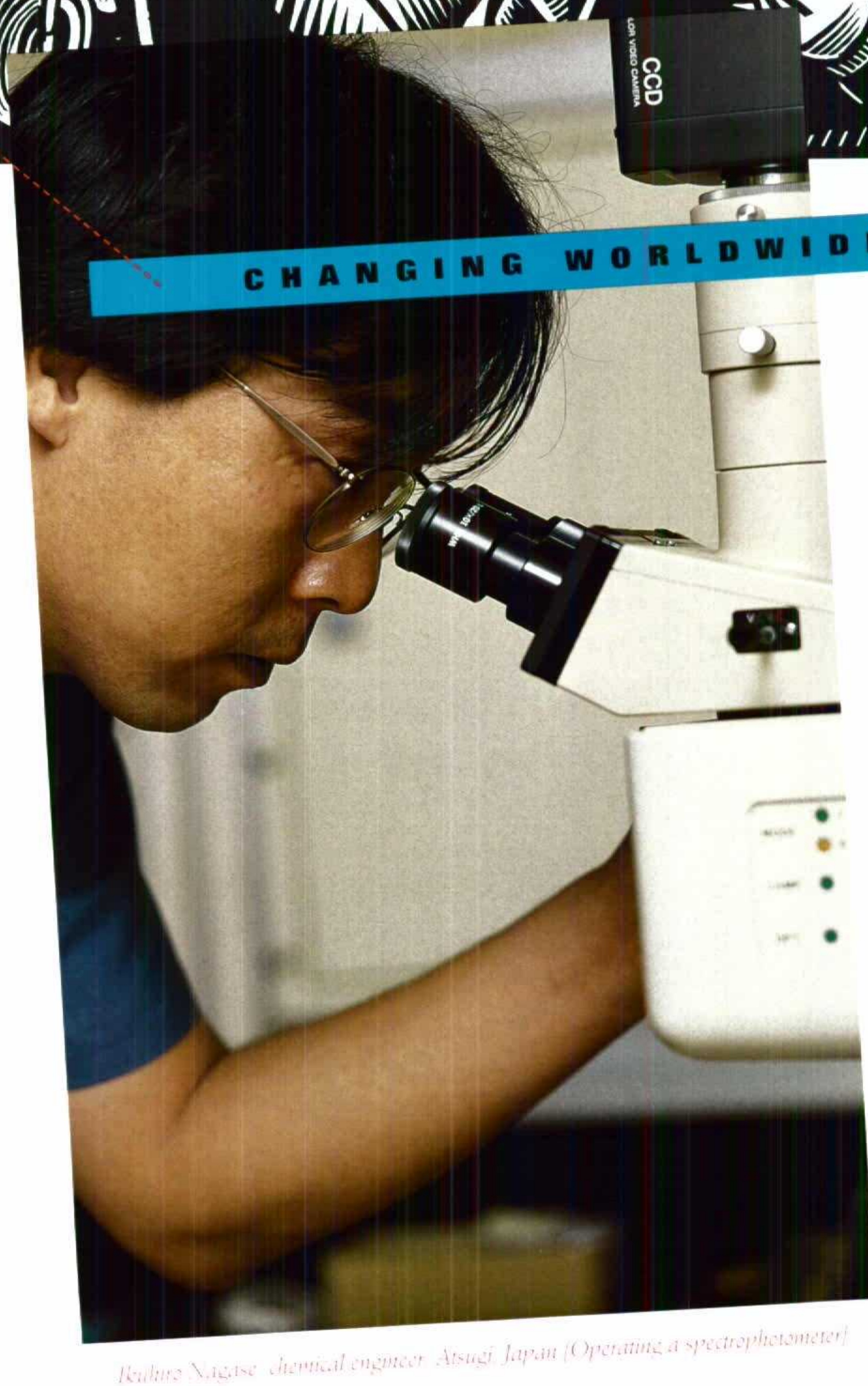
A chemical analysis procedure is conducted at Lubrizol's technical center in Hazelwood, England.

The company expects its strong technology base to continue to make Lubrizol a leader in its industry. By further strengthening its customer relationships and developing new products which fully meet vital customer requirements and changing industry standards, the company can expand its established markets and gain a strong position in emerging new market areas.

CHANGING WORLDWIDE

During 1993, Lubrizol implemented worldwide organizational changes and manufacturing rationalization initiatives.

These are designed to take advantage of changes occurring in the global marketplace, while providing improved service and response to local customer requirements.



Ikuhiro Nagase, chemical engineer, Atsugi, Japan [Operating a spectrophotometer]

Lubrizol has operated internationally for over fifty years and has both technical and production facilities in key global markets.

The company's business is divided among North America, Europe, Asia-Pacific, Latin America and the Middle East. Lubrizol has technical centers in Wickliffe, Ohio; Hazelwood, England; and Atsugi, Japan. It operates a network of 20 manufacturing and blending plants and more than 50 sales and technical service offices in over 100 countries on five continents. Over 60 percent of revenues result from sales outside of the United States, and approximately 45 percent of revenues occur in currencies other than the U. S. dollar.

Lubrizol's performance chemicals are used principally by customers in the lubricant, fuel and industrial markets and in all geographic areas of the world. Customers include petroleum producers and refiners, independent compounders and blenders, industrial lubricant producers, specialty fluid compounders, equipment builders and process chemical producers.

Lubrizol's customers around the world share similar goals and concerns for performance, energy efficiency and the environment. They use Lubrizol performance chemicals in similar transportation and industrial applications. However, the needs of each geographic market are unique. Lubrication requirements and additive chemistry vary with the type of equipment, its use, service and maintenance, the quality of base oils and numerous other variables defined by regional equipment manufacturers and oil companies.

During 1993, Lubrizol implemented worldwide organizational changes and manufacturing rationalization initiatives. These are designed to take advantage of changes occurring in the global marketplace, while providing improved service and response to local customer requirements. In the past, Lubrizol expanded internationally by establishing manufacturing facilities in local overseas markets in order to avoid often high import tariffs and trade restrictions and to establish a presence in the market.

CHANGING WORLDWIDE

Today, the lowering of trade barriers and tariffs has reduced the cost of exporting products to different geographic regions. At the same time, higher operating, maintenance, environmental and regulatory compliance costs make it less attractive to operate small manufacturing units in various geographic regions.

Lubrizol will reduce the number of its worldwide intermediate manufacturing units by about one-third over the next three years. No plant sites will be closed, but certain facilities will be converted from production to blending operations and will continue to supply regional and local needs. Despite the reduction in intermediate production facilities, blending, flexibility, service and delivery to customers are being enhanced. Actual production capacity will remain approximately the same because of throughput improvements and, where appropriate, the installation of continuous processing methods will achieve higher levels of product consistency. Many of the production units which are being converted formerly had low capacity utilizations.

The coordination of customer orders, product specifications, production and distribution activities is supported by a worldwide communications network and information systems integration. Lubrizol operates a system designed to improve the timeliness and effectiveness of response to customer problems and inquiries. This system focuses on managing the two-way communication process between Lubrizol and its customers and provides minute-by-minute tracking of problems and solutions. It gives a permanent record of a specific need and response. Standardization of procedures and processes will help to assure consistent product uniformity and maximum quality and performance levels.

CAPACITY ADDITIONS

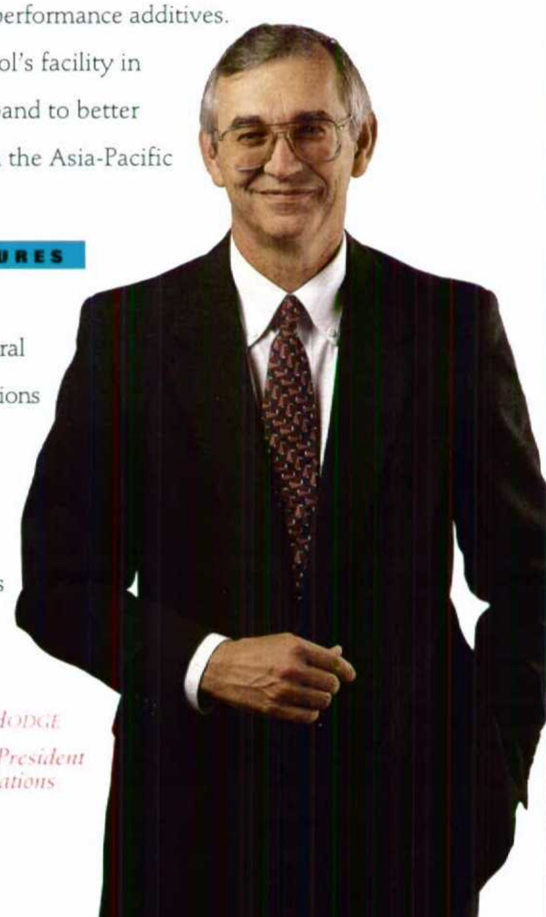
New capacity additions are being made to plants in Texas, Ohio, France and England. These additions include new capacity for Lubrizol's latest API SH chemistry, AMPS Monomer, diesel engine oil detergent additives and various blend plant expansions. These capacity additions will improve the level of service to customers around the world.

Lubrizol operates a strong manufacturing and distribution infrastructure within the European Community and will not be affected by the new GATT Agreement. An expanding list of customers in Eastern Europe and Russia will continue to be served principally through these European facilities.

Asia is the world's fastest growing economic region. China, in particular, has potential for increased sales of performance additives. The role of Lubrizol's facility in Singapore will expand to better serve customers in the Asia-Pacific region.

JOINT VENTURES

Lubrizol also participates in several joint venture operations around the world. These operations serve specific geographic markets including Mexico,



J.E. Hodge
Vice President Operations

A field test of Lubrizol's heavy-duty diesel engine additive technology being run in Australia.

Venezuela, India and Saudi Arabia. In addition, the company participates in a joint venture technical center in Russia, where it works to upgrade the performance of lubricants available in that market. The company will consider opportunities to participate in additional joint ventures, as appropriate, to expand the sales of performance chemicals into new areas around the world.

"RESPONSIBLE CARE®"

Lubrizol manages all of its facilities, both domestic and international, in compliance with stringent environmental standards with respect to pollution prevention, emissions, safety and health. In 1993, worldwide spending on environmental projects exceeded $20 million.

The company is a strong supporter of the chemical industry's Responsible Care program. Around the world, production facilities are working hard to meet or exceed the principles contained in this initiative. Lubrizol is a successful participant in the U.S. EPA 33/50 program — a program to voluntarily reduce the emission of certain chemicals over a period of time. Consistent with the company's overall quality improvement efforts, ISO 9000 series quality standard certifications have been awarded to Lubrizol's worldwide manufacturing facilities in the U.S., Europe, Singapore, South Africa and Brazil.

STRATEGIC PLANNING & DEVELOPMENT

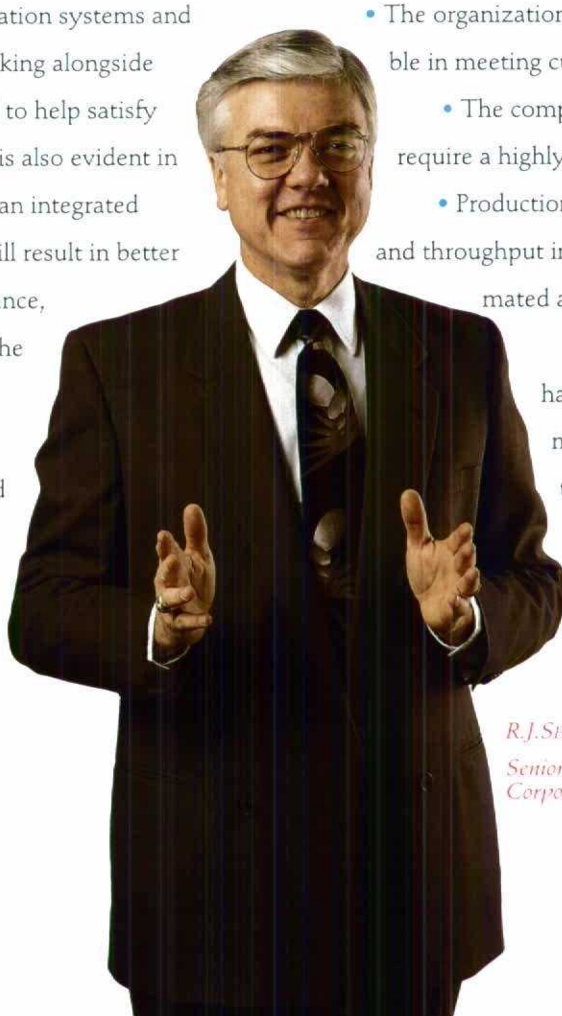
Continuous improvement is the key to a successful future. This is reflected in the company's improved logistics, information systems and manufacturing teams, working alongside market segment personnel to help satisfy the needs of customers. It is also evident in the renewed emphasis on an integrated planning process which will result in better overall corporate performance, strategy and monitoring. The enhancement of the Corporation's planning process has been identified as an important focus to help chart the course for the years ahead.

A new division has been formed to be responsible for strategic planning, corporate initiatives, evaluating acquisitions and divestitures and partnership relations with joint ventures. The division also combines various separate planning groups which had operated independently under the previous business unit structure. In addition, this division will help improve the processes used to monitor and evaluate corporate performance against strategic goals and objectives.

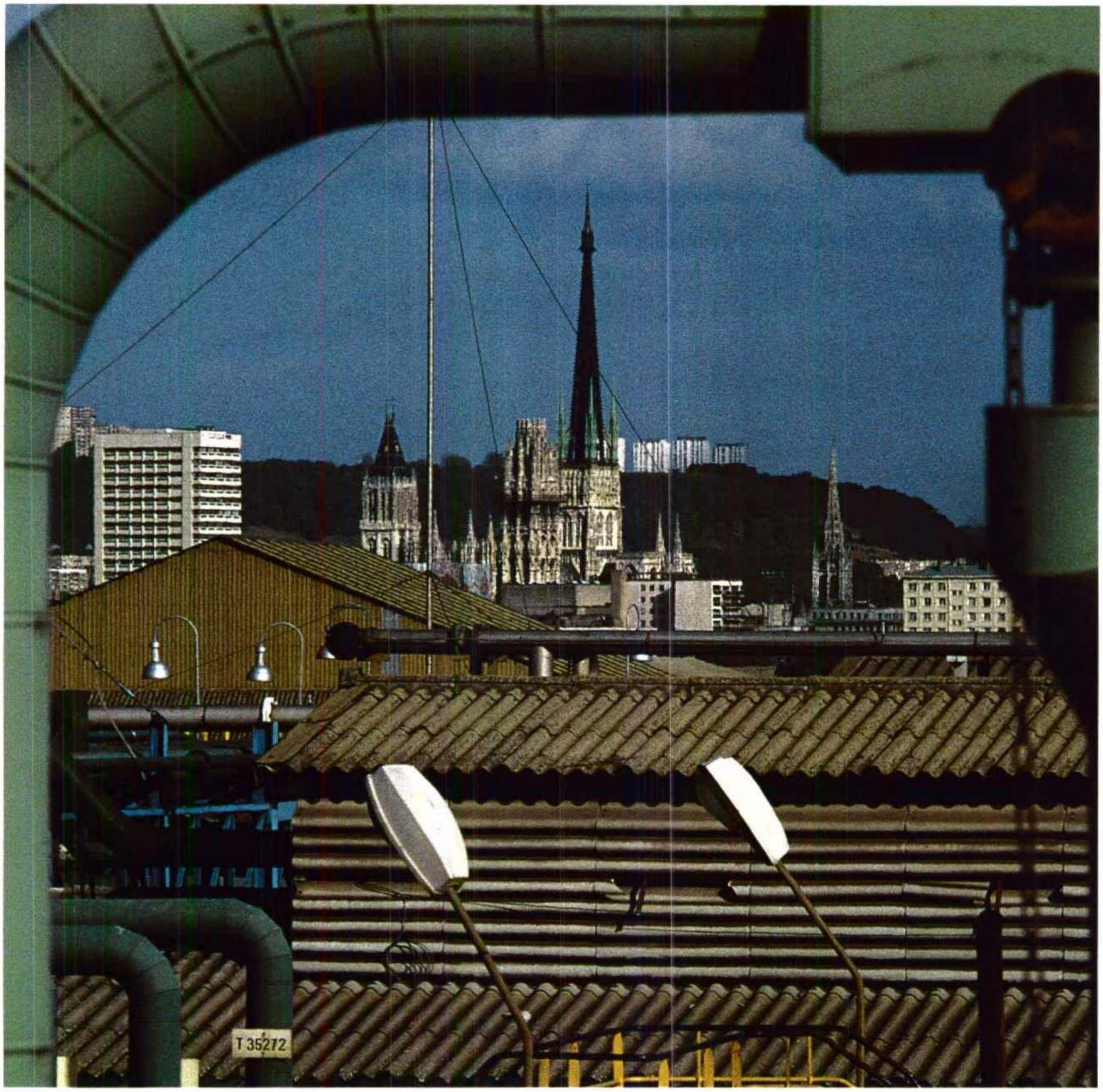
LOOKING AHEAD

Lubrizol's vision of the future as a realigned and consolidated global supplier can be summarized as follows:

- A high level of customer service will continue to set Lubrizol apart from the competition.
- The organization will become more flexible in meeting customer needs.
- The company will continue to require a highly skilled labor force.
- Production volumes will be higher and throughput increased using more automated and continuous processes.
- The company will have fewer intermediate manufacturing units, but the same broad range of products.



R.J. Senz
Senior Vice President
Corporate Planning and Development



A view from the company's Rouen, France, manufacturing facility—Lubrizol's largest in Europe.

• The number of individual products manufactured will be smaller.

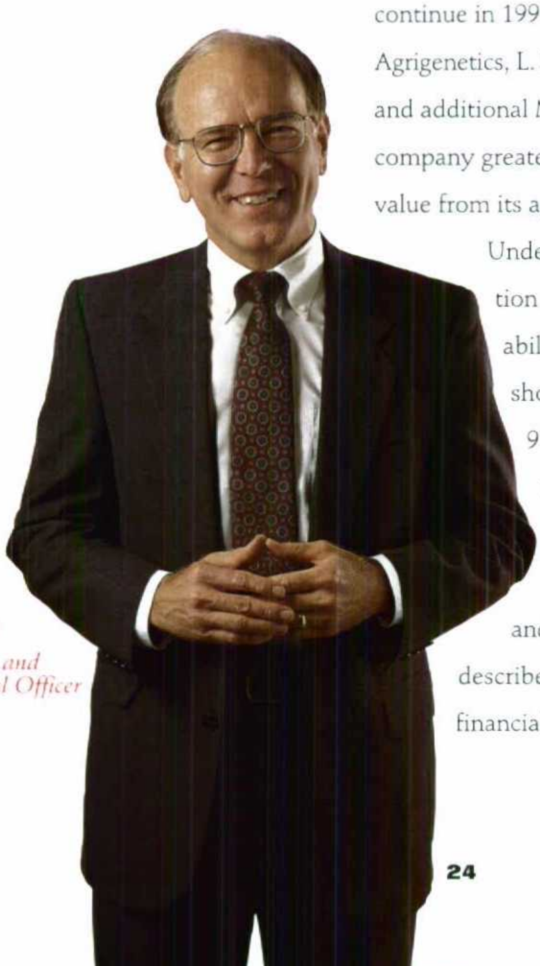
Lubrizol's leadership in performance chemistry, formulation science, manufacturing, distribution and customer service is demonstrated by the company's business relationships around the world. The strength and scope of these global activities signify Lubrizol's ability to provide superior products and service anywhere in the world. These capabilities will continue to set the company apart from competition and drive its growth into the future.

FINANCIAL INFORMATION

The year 1993 included many operating and financial activities to further strengthen Lubrizol for the future.

While specialty chemical revenues in 1993 increased 4 percent, earnings per share before unusual items decreased 8 percent. The company continued to invest heavily in technology to meet customer needs for new products, which will benefit future years. The unusual items include the organizational realignment, manufacturing rationalization and other initiatives described elsewhere in this annual report. They resulted in a special charge of $86.3 million and will reduce costs in 1994 and beyond.

In 1993, Lubrizol repurchased 3 percent of its stock for $67 million. Funds used for these repurchases included proceeds from the sale of one-third of the investment in Genentech, Inc. These programs will continue in 1994. Lubrizol also sold 29.5 percent of Agrigenetics, L. P. to Mycogen Corporation for cash and additional Mycogen stock. This gives the company greater flexibility in obtaining maximum value from its agribusiness investments.



R.A. Andreas
Vice President and Chief Financial Officer

Under a currently effective shelf registration statement, the company has the ability to borrow up to $100 million should the need arise. With a low 9 percent debt to total capitalization, Lubrizol is well positioned to meet future cash needs.

The Management's Discussion and Analysis, which follows, further describes these diverse operating and financial activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

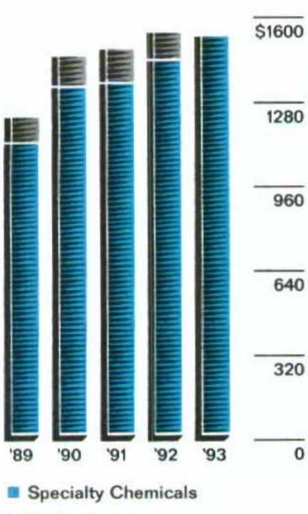
The Lubrizol Corporation is a full service supplier of performance chemicals to diverse markets worldwide. These specialty chemical products are created through the application of advanced chemical, mechanical and biological technologies to enhance the performance and quality of the customer products in which they are used. The company develops, produces and sells chemical additives for transportation and industrial lubricants and functional fluids, fuel additives and diversified specialty chemical products.

Prior to December 1, 1992, the company had a separately reportable Agribusiness segment. That segment included traditional operations which develop, produce and market planting seeds and specialty vegetable oils, and also included strategic biotechnology research and development. As described in Note16 to the financial statements, on December 1, 1992, the company transferred substantially all of its Agribusiness segment, other than the specialty vegetable oil operations, to Mycogen Corporation and a joint venture partnership formed with Mycogen. The transferred assets were related to the seed business activities of the company's former Agrigenetics division and are referred to in the following discussion as "Agrigenetics." The agribusiness assets and operations retained by the company are not reportable as a separate industry segment after 1992.

1993 Results of Operations

In 1993, consolidated revenues were $1.53 billion. Consolidated revenues for 1992 were $1.55 billion which included $88.6 million of revenues from Agrigenetics. Excluding the Agrigenetics revenues from 1992, consolidated revenues increased $61.9 million or 4% in 1993. Higher selling prices of 4% and favorable product mix of 1% were partially offset by unfavorable currency effects of 2% and volume decreases of 1%. Revenues of Langer & Company, which was acquired in January 1993, accounted for the remaining 2% revenue increase.

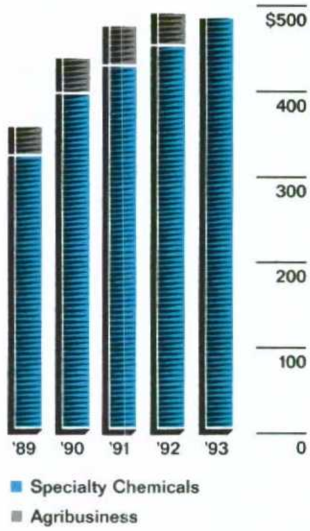
Revenues by Segment
(millions)



The increase in 1993 selling prices resulted from price increases which were implemented in the fourth quarter of 1992 and from the introduction late in 1993 of higher performing products to meet new passenger car motor oil standards in the U.S. market. The company is implementing additional price increases of 3.5% to 6% on a worldwide basis in the first quarter of 1994 to more fully recover the costs of its product technology as well as the costs resulting from increased environmental regulations at its facilities.

North American volume decreased 9% in 1993 from the record levels of volume in 1992 as a result of a decrease in market share. The revenue impact of this volume decrease was offset by an increase in sales of more profitable products. International volume increased 6% over 1992 and accounts for approximately 60% of revenues.

Gross Profit by Segment
(millions)

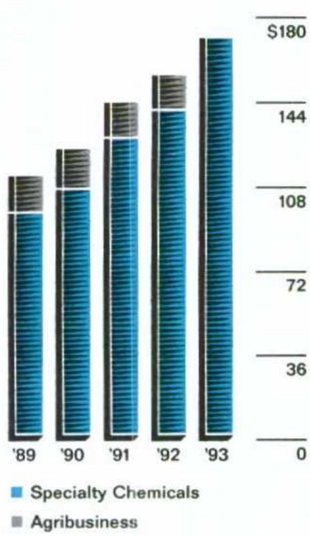


Gross profit (sales less cost of sales) was $485.4 million in 1993 compared to $490.3 million in 1992. Excluding the impact of Agrigenetics ($35.3 million in 1992), gross profit increased by $30.4 million or 7% primarily as a result of higher average selling prices. Gross profit as a percentage of sales was 32.0% in 1993 compared to 31.2% (excluding Agrigenetics) in 1992.

Selling and administrative expenses decreased $22.8 million to $158.5 million. Excluding Agrigenetics ($29.1 million in 1992), selling and administrative expenses increased $6.3 million or 4%. This increase primarily resulted from the inclusion of Langer's expenses in 1993.

Research, testing and development (technology) expenses increased $16.8 million to $171.5 million. Excluding Agrigenetics ($13.5 million in 1992), technology expenses increased $30.3 million or 21%. This increase is a result of higher testing costs associated with customer test programs to meet new industry performance standards for passenger car and diesel engine oils and automatic transmission fluids. These standards change periodically as engine and transmission designs are improved by the equipment manufacturers to meet new requirements for fuel economy, emissions, efficiency, durability and other performance factors. The frequency of these performance upgrades is compressing the time cycles for new product development and has been increasing the company's technology expenses. This high level of technology expense is likely to continue in the first half of 1994 before beginning to ease as customer test programs are completed and new products are introduced into the market.

Research Testing &
Development by Segment
(millions)



As a result of the above factors and increased royalties, after excluding Agrigenetics from 1992, total cost and expenses increased $5.9 million more than revenues in 1993.

As discussed in Note 17 to the financial statements, the company recorded a special pretax charge of $86.3 million in the third quarter of 1993 in connection with manufacturing rationalization and organizational realignment initiatives. These initiatives were developed, formalized and presented by management to the Board of Directors during the third quarter. The plans will be implemented over the next several years and through consolidation are expected to result in savings from a reduced number of employees, lower operating costs and a one third reduction in the number of manufacturing units used to produce intermediate products. When the plans are fully implemented, annual expense savings are estimated to be approximately $50 million.

During the last half of the year, the company sold approximately one million shares of Genentech common stock resulting in a pretax gain of $42.4 million. The net proceeds of these sales were used to repurchase common shares of the company as described under Working Capital, Liquidity and Capital Resources below.

Other income-net was $.5 million in 1993 compared to $11.9 million in 1992. Other income includes the company's share of equity losses in Mycogen and the agribusiness joint venture. Mycogen recorded restructuring charges and incurred weather-related problems in the Midwest which adversely affected agribusiness results. The reduction in other income was attributable to increased equity losses of $18.3 million in Mycogen and the agribusiness joint venture, partially offset by increased gains on the sale of investments, excluding Genentech, of $6.7 million.

The equity losses related to Mycogen and the agribusiness joint venture, net of preferred stock dividends and a gain on the sale of investment, were $4.1 million less in 1993 than the Agrigenetics operating loss and equity losses recorded in 1992.

The company conducts a significant amount of its business and has a number of operating facilities in countries outside the United States. As a result, the company is subject to business risks inherent in non-U.S. activities, including political uncertainty, import and export limitations, exchange controls and currency fluctuations. The company believes risks related to its foreign operations are mitigated due to the political and economic stability of the countries in which its largest foreign operations are located.

While changes in the dollar value of foreign currencies will affect earnings from time to time, the longer term economic effect of these changes should not be significant given the company's net asset exposure, currency mix and pricing flexibility.

Generally, the income statement effect of changes in the dollar value of foreign currencies is partially or wholly offset by the company's ability to make corresponding price changes in local currency. The company's consolidated net income will generally benefit (decline) as foreign currencies increase (decrease) in value compared to the U.S. dollar. In 1993, European currencies weakened and the Japanese yen strengthened resulting in an insignificant net earnings effect.

Interest income decreased $3.2 million due to lower average balances of cash and short-term investments. An increase in borrowings resulted in slightly higher interest expense in 1993.

As a result of the above factors, income before income taxes was $119.7 million in 1993, a decrease of $57.5 million from 1992. Net income in 1993, excluding the special charge, Genentech gain and the accounting changes discussed below, decreased 9% to $113.5 million or $1.67 per share, from $124.6 million or $1.81 per share in 1992.

Accounting Changes

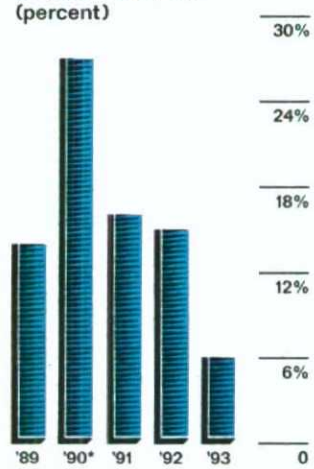
As described in Note 10 to the financial statements, effective January 1, 1993, the company adopted SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The company recorded the cumulative effect of this accounting change of $79.9 million before taxes ($51.5 million or $.76 per common share after taxes) in the first quarter of 1993. As a result of this accounting change, postretirement health care and life insurance costs increased $8.1 million ($.08 per share after taxes) in 1993. This expense is allocated among the various cost and expense categories in the consolidated statements of income. SFAS 106 has no effect on cash flows since the company continues to pay claims as incurred.

As described in Note 8 to the financial statements, effective January 1, 1993, the company also adopted SFAS 109, "Accounting for Income Taxes." The cumulative effect of this accounting change reduced net deferred tax liabilities and increased net income in 1993 by $12.1 million or $.18 per share. The positive effect of adopting SFAS 109 was primarily attributable to more favorable treatment of the deferred income taxes on intercompany profit in inventory. SFAS 109 has no effect on cash flows.

Return on average shareholders' equity was 6% in 1993 (14% excluding the special charge, the Genentech gain and accounting changes), 15% in 1992 and 16% in 1991.

1992 and 1991 Results of Operations

Return on Equity (percent)



*Return on Equity is 18% before Genentech gain.

Following is a discussion of the results of operations for 1992 and 1991, first on a summary consolidated basis and then as the company historically reported its business segments.

In 1992, consolidated revenues increased $75.9 million or 5% compared to 1991 primarily as a result of record volume in the Specialty Chemicals segment. The increased revenues were partially offset by increased manufacturing costs in Specialty Chemicals, and higher specialty vegetable oil production costs, with the result that gross profit increased $14.7 million or 3%. Gross profit as a percentage of sales was 31.7% in 1992, compared to 32.4% in 1991. Selling, administrative and technology expenses increased $19.7 million or 6% (all in the Specialty Chemicals segment), more than offsetting the higher gross profit. As a result of these factors and reduced royalties, total cost and expenses increased $5.8 million more than revenues.

Other income-net increased $2.4 million in 1992, primarily as a result of a gain on sales of investments of $6.5 million, partially offset by the company's share of losses related to the agribusiness joint venture formed in December 1992, and expenses related to closing facilities in the mining chemicals market. Accordingly, combined segment income was $3.4 million lower in 1992 than in 1991. As explained in the segment discussions, this consisted of a $6.0 million increase in Specialty Chemicals and a $9.4 million decrease in Agribusiness. Net interest income increased $2.4 million primarily as a result of the repayment of debt early in the year.

As a result of the above factors, income before income taxes was $1 million or 1% lower than 1991. However, the company had a lower income tax rate in 1992 than in 1991, due principally to increased tax benefits from foreign dividends, and net income in 1992 increased $1.0 million or 1% over 1991.

In 1991, consolidated revenues increased $23.6 million or 2% compared to 1990 with both of the company's business segments achieving record revenues. Gross profit increased $37.2 million or 8% over 1990 primarily due to higher average selling prices in Specialty Chemicals. Selling, administrative and technology expenses, predominantly in the Specialty Chemicals segment, increased $34.4 million or 12% in 1991 and largely offset the higher gross profit.

Other income-net increased $9 million in 1991 primarily because the prior year included an asset write-off of $9.7 million in the Agribusiness segment. Net interest income decreased by $3.5 million in 1991 due to lower interest rates and lower average investment balances during the year.

Income before income taxes increased $3.7 million or 2% in 1991, after excluding a $101.9 million gain in 1990 on the exchange of Genentech stock as a result of the merger between Genentech and Roche Holdings, Inc., net of $5.1 million of related expenses. However, the company had a higher effective income tax rate in 1991 compared to 1990 because of benefits in 1990 from settlements of tax audits. As a result, net income in 1991 decreased $3.4 million or 3% from 1990, after excluding the effects of the Genentech transaction.

Specialty Chemicals Segment

In 1992, the Specialty Chemicals segment accounted for 92% of consolidated revenues. The segment's revenues increased $84.6 million or 6% in 1992 as a volume increase of 8% and favorable currency effects of 2% were partially offset by unfavorable product and geographic mix of 4%. Volume was at a record level for the year. North American volume was up 21% for the year as a result of market share gains and a comparatively weak first half of 1991. International volume, which accounts for approximately 60% of revenues, was flat for the year. Average selling prices declined slightly during the first three quarters. In the fourth quarter, the company announced price increases which increased revenues for part of the period.

Gross profit increased $21.1 million or 5% compared to 1991. The increase in gross profit resulting from higher revenues was partially offset by higher manufacturing costs that reflected the effects of higher volume, increased pension and health care costs, certain product recovery costs and environmental costs. As a percentage of sales, gross profit decreased in 1992 to 31.6% from 32.1% in 1991.

Selling and administrative expenses increased $7.7 million or 6% primarily due to higher international selling expenses and higher pension and health care costs. Technology expenses increased $12.1 million or 10% as a result of increased operating and staffing levels necessary to meet customer and product development needs relating to new performance standards for gasoline engine oil effective in July 1993, and diesel engine oils in 1994.

In 1992, the U.S. dollar weakened against other currencies, resulting in a net favorable effect on the company when international transactions were translated into U.S. dollars.

The increase in gross profit was greater than the increase in expenses, and when combined with a $5.6 million increase in other income-net, Specialty Chemicals segment income was $6 million or 3% higher than in 1991.

In 1991, Specialty Chemicals revenues increased 1% as higher average selling prices (net of mix and currency effects) of 4% were partially offset by volume decreases of 3%. Selling prices were favorably affected by price increases implemented during 1990 in response to higher raw material costs associated with the Middle East crisis. The volume decreases were solely in international markets as shipments in North America for 1991 were at the same level as 1990. The worldwide recession weakened product demand and, during the first half of the year, customers reduced inventory levels which had been built up in the last half of 1990 during the Middle East crisis.

Gross profit increased $31.7 million or 8% because of higher selling prices, lower cost of sales due to the volume decrease and a $5.0 million provision in 1990 for the closure of a manufacturing facility in Spain. As a percentage of sales, gross profit improved to 32.1% in 1991 from 30.0% in 1990.

Selling and administrative expenses increased $12.7 million or 10% primarily due to increases in personnel, higher international selling expenses and legal expenses associated with protection of proprietary technology and potential acquisitions. Technology expenses increased $20.2 million or 19%. This was a result of increases in testing and new product development costs relating to changing lubricant standards and testing procedures as well as customer programs related to new business opportunities.

In 1991, foreign currencies weakened slightly against the U.S. dollar resulting in a net unfavorable effect on the company due to decreased revenues and expenses when international transactions were translated into U.S. dollars.

Increased gross profit was offset by the higher expenses discussed previously, with the result that Specialty Chemicals segment income was approximately the same as 1990.

Agribusiness Segment

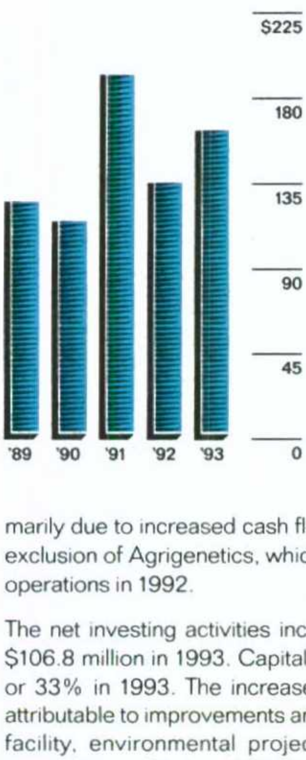
In 1992, Agribusiness revenues decreased $8.6 million or 7% as a result of lower specialty vegetable oil volume due to more competition in international markets and a fire at a customer's plant in Asia. Gross profit decreased $6.4 million or 14% as a result of the lower sales, costs associated with inventory market adjustments and higher storage costs, all of which related to specialty vegetable oil operations. Gross profit as a percent of sales decreased in 1992 to 33.1% compared to 35.9% in 1991.

Selling, administrative and research expenses were approximately the same as 1991. Lower specialty vegetable oil selling expenses and lower research expenses offset costs associated with the company's partnership with Mycogen. Agribusiness segment loss increased $9.4 million due to the lower gross profit and the company's share of losses in Mycogen and the agribusiness joint venture.

In 1991, Agribusiness revenues increased 9% to $128 million due to increased specialty vegetable oil volume. Gross profit increased 14% to $45.7 million due to higher revenues and improved margins. Gross profit as a percentage of sales was 35.9% in 1991 compared to 34.3% in 1990. Higher gross profit was partially offset by a 3% increase in expenses, primarily marketing.

Traditional operations in the Agribusiness segment contributed $7.5 million to segment income in 1991. Strategic activities, mostly research, had net expense of $9.5 million, resulting in an Agribusiness segment loss of $2.0 million compared to a loss of $14.5 million in 1990. Included in 1990 was a $9.7 million write-off of receivables and inventory in the traditional operations relating to the company's former affiliate in Italy which was unable to meet its financial obligations to the company. Excluding this write-off, Agribusiness improved $2.8 million in 1991 compared to 1990.

Cash Provided from Operating Activities
(millions)



Working Capital, Liquidity and Capital Resources

The company's cash flows for the years 1991 through 1993 are presented in the consolidated statements of cash flows. Cash provided from operating activities during 1993 was $162.5 million, an increase of $27.3 million compared to 1992 primarily due to increased cash flows from higher selling prices and the exclusion of Agrigenetics, which generated negative cash flows from operations in 1992.

The net investing activities increased from $88.2 million in 1992 to $106.8 million in 1993. Capital expenditures increased $32.0 million or 33% in 1993. The increase in spending over 1992 was equally attributable to improvements and additions at the company's Wickliffe facility, environmental projects and increases in manufacturing expenditures. During 1993, the company expended $40.3 million to acquire Langer and certain commercial and technology assets of Great Lakes Chemical, S.A. Cash proceeds from the sale of Genentech common stock and the sale of a portion of the company's interest in its agribusiness joint venture were $44.5 million and $7.0 million, respectively. In addition, the company received $10.0 million when Mycogen Preferred Stock was mandatorily redeemed on December 1, 1993.

In 1993, the net proceeds from the sale of Genentech common stock as well as cash generated from operations were used to repurchase common shares of the company. The company repurchased 2,076,000, or 3%, of its common shares for $67.1 million compared to the repurchase of 835,000 common shares for $23.0 million in 1992. At December 31, 1993, there was Board authorization remaining for the repurchase of 3.0 million common shares. Other financing activities in 1993 included additional long-term borrowing related to the acquisition of Langer and to finance a technical facility expansion in Japan.

As a result of the activities discussed above, cash and short-term investments at December 31, 1993, decreased by $52.4 million compared to December 31, 1992.

The company has continued to sell Genentech stock during the first quarter of 1994 and expects sales to continue during the balance of the year. The company held approximately 2.0 million shares of Genentech common stock as of December 31, 1993.

Capitalization
(millions)

The company's financial position continues to be strong. The ratio of current assets to current liabilities was 2.5:1 at December 31, 1993, compared to 2.9:1 at December 31, 1992. The decrease is primarily attributable to lower cash and short-term investment balances. Aggregate debt as a percent of total capitalization (shareholders' equity plus short-term and long-term debt) was approximately 9% at the end of 1993 compared to 6% at the end of 1992. The company's share repurchase program, which reduces shareholders' equity, is the primary reason for this increase.

At December 31, 1993, the company had unused revolving credit agreements and other credit lines aggregating $55 million. Under a currently effective shelf registration statement, the company has the ability to offer to the public up to $100 million of debt securities. Management believes the company's internally generated funds as well as its credit facilities and shelf registration will be sufficient to meet its cash requirements. Capital expenditures, primarily to provide manufacturing, administrative and technical support, are anticipated to approximate $140 million in 1994, including approximately $20 million for environmental projects.

A special charge of $86.3 million recorded in the third quarter of 1993 (see Note 17 to the financial statements) will involve cash outlays of approximately $36 million over the next three years. Partially offsetting the cash outlays will be cash savings which are expected to grow to approximately $40 million annually when the plans are fully implemented. The after-tax impact of the special charge on the balance sheet at December 31, 1993, was to reduce working capital by $6.7 million, reduce noncurrent assets by $19.6 million and increase noncurrent liabilities by $25.4 million.

The Financial Accounting Standards Board has issued SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities," which is effective for fiscal years beginning after December 15, 1993. Refer to Note 3 to the financial statements for the effects on the company's consolidated financial statements of adopting SFAS 115.

The company is involved in patent litigation with Exxon Corporation in various countries. Determinations of liability against the company in the U.S., which is subject to appeal, and against Exxon in Canada have been made by the courts. Management is unable to predict the eventual outcomes of this litigation and, therefore, their impact on future cash flows is not known. If Exxon prevails in the U.S. case, management believes the company has sufficient financial resources to meet any resulting obligation and, other than a potential one-time charge against income, the litigation would not have a material adverse effect on future results of operations. Refer to Note 18 for further information regarding this litigation.

OPERATING RESULTS BY BUSINESS SEGMENT *

(In Thousands of Dollars)	1992	1991
Revenues:		
Specialty Chemicals	$1,433,358	$1,348,804
Agribusiness	118,890	127,502
Total	$1,552,248	$1,476,306
Gross profit:		
Specialty Chemicals	$ 450,967	$ 429,902
Agribusiness	39,327	45,724
Total	$ 490,294	$ 475,626
Selling and administrative expenses:		
Specialty Chemicals	$ 147,653	$ 139,947
Agribusiness	33,673	32,471
Total	$ 181,326	$ 172,418
Research, testing and development expenses:		
Specialty Chemicals	$ 139,810	$ 127,675
Agribusiness	14,952	16,308
Total	$ 154,762	$ 143,983
Segment income (loss):		
Specialty Chemicals	$ 185,148	$ 179,160
Agribusiness	(11,459)	(2,030)
Total	$ 173,689	$ 177,130
Identifiable assets:		
Specialty Chemicals	$ 871,401	$ 862,235
Agribusiness	104,339	158,747
Corporate investments	151,380	150,701
Total	$1,127,120	$1,171,683

*Agribusiness is no longer reportable as a separate industry segment after 1992.

Segment income is before interest and income taxes.

CONSOLIDATED STATEMENTS OF INCOME

(In Thousands of Dollars Except Per Share Data)	Year Ended December 31 1993	1992	1991
Net sales	**$1,517,631**	$1,544,670	$1,467,901
Royalties and other revenues	**7,869**	7,578	8,405
Total revenues	**1,525,500**	1,552,248	1,476,306
Cost of sales	**1,032,199**	1,054,376	992,275
Selling and administrative expenses	**158,506**	181,326	172,418
Research, testing and development expenses	**171,540**	154,762	143,983
Total cost and expenses	**1,362,245**	1,390,464	1,308,676
Special charge	**[86,303]**		
Gain on sale of Genentech	**42,443**		
Other income – net	**537**	11,905	9,500
Interest income	**3,873**	7,070	8,748
Interest expense	**[4,154]**	(3,615)	(7,738)
Income before income taxes	**119,651**	177,144	178,140
Provision for income taxes	**34,676**	52,498	54,481
Income before accounting changes	**84,975**	124,646	123,659
Cumulative effect of accounting changes	**[39,375]**		
Net income	**$ 45,600**	$ 124,646	$ 123,659
Per Common Share:			
Income before accounting changes	**$1.25**	$1.81	$1.79
Cumulative effect of accounting changes	**[.58]**		
Net income per share	**$ .67**	$1.81	$1.79
Dividends per share	**$ .85**	$ .81	$ .77

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

CONSOLIDATED BALANCE SHEETS

(In Thousands of Dollars)	December 31 1993	1992
Assets		
Cash and short-term investments	$ 24,220	$ 76,593
Receivables	225,603	221,094
Inventories	284,537	272,418
Other current assets	34,553	20,911
Total current assets	568,913	591,016
Property and equipment – at cost	1,089,106	958,692
Less accumulated depreciation	651,471	583,105
Property and equipment – net	437,635	375,587
Investments in nonconsolidated companies	103,246	139,660
Other assets	72,786	20,857
TOTAL	$1,182,580	$1,127,120
Liabilities and Shareholders' Equity		
Short-term debt	$ 14,590	$ 25,140
Accounts payable	116,775	105,237
Income taxes and other current liabilities	92,883	75,871
Total current liabilities	224,248	206,248
Long-term debt	55,298	23,258
Postretirement health care obligation	89,423	
Noncurrent liabilities	70,022	41,217
Deferred income taxes	11,353	37,035
Total liabilities	450,344	307,758
Contingencies and commitments		
Preferred stock without par value – unissued		
Common shares without par value – Outstanding 66,590,028 shares in 1993 and 68,450,586 shares in 1992	80,830	80,274
Retained earnings	683,269	759,906
Accumulated translation adjustment	[31,863]	(20,818)
Total shareholders' equity	732,236	819,362
TOTAL	$1,182,580	$1,127,120

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of Dollars)	Year Ended December 31 1993	1992	1991
Cash provided from [used for]:			
Operating activities:			
Received from customers	**$1,509,270**	$1,549,848	$1,480,776
Paid to suppliers and employees	**[1,293,189]**	(1,361,971)	(1,265,058)
Income taxes paid	**[61,199]**	(62,576)	(55,116)
Interest and dividends received	**6,616**	12,071	9,960
Interest paid	**[3,886]**	(5,245)	(7,129)
Tax refund received, including interest			20,418
Other – net	**4,899**	3,036	8,266
Total operating activities	**162,511**	135,163	192,117
Investing activities:			
Proceeds from sale or redemption of investments	**61,494**	8,512	
Capital expenditures	**[127,855]**	(95,814)	(82,398)
Acquisitions and investments in nonconsolidated companies	**[40,346]**	(2,402)	(1,143)
Other – net	**[87]**	1,541	3,589
Total investing activities	**[106,794]**	(88,163)	(79,952)
Financing activities:			
Short-term borrowing (repayment)	**168**	(3,837)	2,587
Long-term borrowing	**36,048**	3,690	18,400
Long-term repayment	**[23,146]**	(20,000)	(18,660)
Dividends paid	**[57,608]**	(55,883)	(53,322)
Common shares purchased, net of options exercised	**[64,073]**	(19,235)	(10,327)
Total financing activities	**[108,611]**	(95,265)	(61,322)
Effect of exchange rate changes on cash	**521**	(1,289)	(796)
Net increase (decrease) in cash and short-term investments	**[52,373]**	(49,554)	50,047
Cash and short-term investments at the beginning of year	**76,593**	126,147	76,100
Cash and short-term investments at the end of year	**$ 24,220**	$ 76,593	$ 126,147

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Number of Shares Outstanding	Shareholders' Equity: Common Shares	Shareholders' Equity: Retained Earnings	Shareholders' Equity: Accumulated Translation Adjustment
			(In Thousands of Dollars)	
Balance, December 31, 1990	69,396,748	$ 75,651	$ 654,991	$ 5,569
Net income for 1991			123,659	
Cash dividends			(53,322)	
Translation adjustment for 1991				(1,755)
Common shares – Treasury:				
Shares purchased	(570,000)	(651)	(12,099)	
Shares issued upon exercise of stock options	204,716	2,423		
Balance, December 31, 1991	69,031,464	77,423	713,229	3,814
Net income for 1992			124,646	
Cash dividends			(55,883)	
Translation adjustment for 1992				(24,632)
Common shares – Treasury:				
Shares purchased	(835,200)	(957)	(22,086)	
Shares issued upon exercise of stock options	254,322	3,808		
Balance, December 31, 1992	**68,450,586**	**80,274**	**759,906**	**(20,818)**
Net income for 1993			**45,600**	
Cash dividends			**(57,608)**	
Translation adjustment for 1993				**(11,045)**
Common shares – Treasury:				
Shares purchased	**(2,075,645)**	**(2,479)**	**(64,629)**	
Shares issued upon exercise of stock options	**215,087**	**3,035**		
Balance, December 31, 1993	**66,590,028**	**$80,830**	**$683,269**	**$(31,863)**

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

(In Thousands of Dollars Unless Otherwise Indicated)

Note 1 — Accounting Policies

CONSOLIDATION — The consolidated financial statements include the accounts of The Lubrizol Corporation and its majority-owned subsidiaries. For nonconsolidated companies (affiliates), the equity method of accounting is used when ownership exceeds 20% or when the company has the ability to exercise significant influence over the policies of the investee. Other affiliates are carried at cost. Refer to Note 16 regarding changes in Agribusiness.

ACCOUNTING CHANGES — Effective January 1, 1993, the company changed its method of accounting for postretirement benefits to conform with Statement of Financial Accounting Standards (SFAS) 106 (see Note 10) and its method of accounting for income taxes to conform with SFAS 109 (see Note 8). The cumulative effect of these changes in accounting principles, net of tax, is separately reported on the Consolidated Statements of Income.

INVENTORIES — Inventories are stated at cost which is not in excess of market. Cost of inventories is determined by the last-in, first-out (LIFO) method in the United States and the first-in, first-out (FIFO) method elsewhere. The average cost method is used for specialty vegetable oil and, prior to December 1, 1992, other agribusiness inventory.

DEPRECIATION AND AMORTIZATION — Accelerated depreciation methods are used in computing depreciation on approximately 69% of the depreciable assets. The remaining assets are depreciated using the straight-line method. Effective January 1, 1993, the company changed to the straight-line method for newly acquired machinery and equipment in the United States. Management believes that straight-line depreciation provides for a better matching of costs and revenues over the lives of the newly acquired assets and conforms to predominant industry practices. The new depreciation method did not have a material effect on 1993 net income. Amortization of intangible and other assets is on a straight-line method over periods ranging from 5 to 25 years. For income tax purposes, different methods and rates are used in certain instances.

FOREIGN CURRENCY TRANSLATION — The assets and liabilities of most non-U.S. subsidiaries are translated into U.S. dollars at exchange rates in effect at the balance sheet date. Operating results are translated at weighted average exchange rates in effect during the period. Net unrealized translation adjustments are recorded as a separate component of shareholders' equity.

PER SHARE AMOUNTS — Net income per share has been computed by dividing net income by the average number of common shares outstanding during the period. Net income per share has not been adjusted for the effect of stock options as the dilution effect would be less than 3% in any year. All share and per share data have been restated to reflect the 2-for-1 stock split effective August 31, 1992.

RESEARCH, TESTING AND DEVELOPMENT — Research, testing and development costs are expensed when incurred. Research and development expenses, excluding testing, were $88.5 million, $91.2 million and $80.0 million in 1993, 1992 and 1991, respectively.

Note 2 — Inventories

	1993	1992
Finished products	$ 89,817	$ 97,221
Products in process	92,067	85,640
Raw materials and supplies	102,653	89,557
	$284,537	$272,418

Inventories on the LIFO method at December 31, 1993 and 1992 were 25% of consolidated inventories. The current replacement cost of these inventories exceeded the LIFO cost at December 31, 1993 and 1992 by $43.0 million and $46.3 million, respectively.

Note 3 — Investments in Nonconsolidated Companies

	1993	1992
Investments carried at equity	$ 59,909	$ 92,265
Investments carried at cost	43,337	47,395
	$103,246	$139,660

Investments carried at equity exceeded the company's equity in the underlying book values by $8.9 million at December 31, 1992.

Included within investments in nonconsolidated companies are marketable equity securities having a book carrying value of $45.3 million in 1993 and $31.2 million in 1992. The fair value of these securities based upon quoted market prices exceeded the book carrying value by $136.7 million and $138.9 million at December 31, 1993 and 1992, respectively.

The Financial Accounting Standards Board has issued SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities," which is effective for 1994. SFAS 115 requires that certain investments in debt and equity securities be reported at fair value, rather than historical cost. When the company adopts SFAS 115 on January 1, 1994, certain of its marketable equity securities will be classified as available-for-sale. Unrealized gains and losses will be excluded from earnings and reported net of tax as a separate component of shareholders' equity until realized. If the company adopted SFAS 115 as of December 31, 1993, its available-for-sale securities would have a fair value of $105.6 million, and gross unrealized gains of $99.2 million would increase shareholders' equity, net of tax, by $64.5 million. There are no unrealized losses.

Note 4 — Short-Term and Long-Term Debt

Long-term debt consists of:

	1993	1992
7.875% Industrial development revenue bonds, due 2000	$ 1,000	$ 1,000
6.5% Marine terminal refunding revenue bonds, due 2000	18,375	18,375
Term loans:		
Yen denominated, at 3.8% to 5.8%, due 1993-2002	24,210	19,516
Deutschmark denominated, at 6.78%, due 1996	13,825	
Other (various rates)	184	109
	57,594	39,000
Less current portion	(2,296)	(15,742)
	$55,298	$23,258

Short-term debt consists of:

	1993	1992
Current portion of long-term debt	$ 2,296	$15,742
Loans with terms less than one year	12,294	9,398
	$14,590	$25,140

The Marine Terminal Refunding Revenue Bonds have a variable interest rate. The company has entered into an interest rate swap agreement that effectively fixes the interest rate at 6.5%. The bondholders may put the bonds back to the company; however, the bonds are classified as noncurrent due to a remarketing agreement and credit facilities which permit the company to refinance for a period beyond one year.

Amounts due on long-term debt are $2.3 million in 1994, $2.3 million in 1995, $16.1 million in 1996, $2.3 million in 1997, $10.7 million in 1998 and $23.9 million thereafter.

The company has available $55 million under revolving credit agreements and other credit lines which would permit the company to borrow at or below the U.S. prime rate. These facilities, which were unused at December 31, 1993, may be used to support commercial paper borrowing.

The company filed a Form S-3 with the Securities and Exchange Commission which permits the company to offer up to $100 million of debt securities in amounts, at prices and on terms to be determined at the time of offering. The shelf registration became effective January 12, 1994. The debt securities would be unsecured senior securities ranking equal with all other unsecured senior securities of the company.

Note 5 — Other Balance Sheet Information

Receivables:	1993	1992
Customers	$ 200,218	$191,451
Affiliates	10,459	9,141
Other	14,926	20,502
	$ 225,603	$221,094

Receivables are net of allowance for doubtful accounts of $2.1 million in 1993 and $2.8 million in 1992.

Other Current Assets:	1993	1992
Deferred income taxes	$ 28,453	$ 7,228
Other	6,100	13,683
	$ 34,553	$ 20,911

Property and Equipment:	1993	1992
Land and improvements	$ 80,669	$ 75,997
Buildings and improvements	181,618	153,232
Machinery and equipment	727,409	659,574
Construction in progress	99,410	69,889
	$1,089,106	$958,692

Depreciation expense was $59.6 million in 1993, $58.4 million in 1992 and $54.6 million in 1991.

Other Assets:	1993	1992
Goodwill and other intangibles	$ 36,609	$ 15,595
Deferred income taxes	25,821	
Other	10,356	5,262
	$ 72,786	$ 20,857

Accumulated amortization of intangible and other assets was $14.3 million and $10.2 million at December 31, 1993 and 1992, respectively.

Accounts Payable:	1993	1992
Trade	$ 106,005	$ 98,662
Affiliates	10,770	6,575
	$ 116,775	$105,237

Income Taxes and Other Current Liabilities:	1993	1992
Employee compensation	$ 30,369	$ 28,524
Income taxes	25,714	19,184
Taxes other than income	9,793	8,893
Other	27,007	19,270
	$ 92,883	$ 75,871

Noncurrent Liabilities:	1993	1992
Employee benefits	$ 35,070	$ 24,194
Other	34,952	17,023
	$ 70,022	$ 41,217

Note 6 — Shareholders' Equity

The company has 147 million authorized shares consisting of 2 million shares of Serial Preferred Stock, 25 million shares of Serial Preference Shares and 120 million Common Shares, each of which is without par value. The outstanding Common Shares shown on the balance sheets exclude Common Shares held in treasury of 19,605,866 and 17,745,308 at December 31, 1993 and 1992, respectively. The company effected a two-for-one stock split effective August 31, 1992.

The company has a shareholder rights plan under which one right to buy one-half Common Share has been distributed for each Common Share held. The rights may become exercisable under certain circumstances involving actual or potential acquisitions of 20% or more of the Common Shares by a person or affiliated persons who acquire such stock without complying with the requirements of the company's articles of incorporation. The rights would entitle shareholders, other than such person or affiliated persons, to purchase Common Shares of the company or of certain acquiring persons at 50% of then current market value. At the option of the directors, the rights may be exchanged for Common Shares, and may be redeemed in cash, securities or other consideration. The rights will expire in 1997 unless earlier redeemed.

Under another shareholder rights plan, each holder of Common Shares has one right to buy shares of Serial Preferred Stock for each Common Share held. The rights may become exercisable under certain circumstances involving actual or potential acquisitions of 20% or more of the company's Common Shares by a person or affiliated persons. The rights would entitle shareholders, other than such person or affiliated persons, to purchase shares of Serial Preferred Stock at the purchase price of $1 plus 25 rights per share. The dividend and redemption value of the Serial Preferred Stock would be determined in relation to after-tax amounts which have been or may be recovered by the company from Exxon or its affiliates as a result of certain patent claims. The rights will expire in November 1996 unless earlier redeemed.

Note 7 — Other Income and Genentech Gain

During 1993, the company sold 1.0 million shares of Genentech, Inc. redeemable common stock for cash. The gain realized on these transactions was $42.4 million and, after tax, contributed $.41 cents per share to net income. At December 31, 1993, the company held 2.0 million shares of Genentech redeemable common stock. Genentech, at its option, may redeem the common stock in whole, but not in part, at various redemption prices per share ranging from $53.75 at January 1, 1994, to $60 at June 30, 1995.

Other income – net consists of the following:

	1993	1992	1991
Gain on sales of investments – excluding Genentech	$13,174	$ 6,484	
Equity earnings (losses) of non-consolidated companies	(15,966)	1,798	$4,791
Other – net	3,329	3,623	4,709
	$ 537	$11,905	$9,500

Included in other income – net for 1993 are gains on sale of investments of $13.2 million and equity losses of $21.0 million related to agribusiness investments. See Note 16.

Note 8 — Income Taxes

Effective January 1, 1993, the company adopted SFAS 109, which is an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the company's financial statements and tax returns. In estimating future tax consequences, SFAS 109 generally considers all expected future events other than tax law or rate changes not yet enacted. Previously, the company accounted for income taxes under SFAS 96, which gave no recognition to future events other than the recovery of assets and settlement of liabilities at their carrying value. As permitted under SFAS 109, the company elected not to restate the financial statements of any prior years. The cumulative effect of adopting SFAS 109 at January 1, 1993 increased net income by $12.1 million, or $.18 per share. The effects of the change on both income before income taxes and the effective tax rate for the year ended December 31, 1993, were not material.

Income before income taxes consists of the following:

	1993	1992	1991
United States	$ 68,673	$ 80,248	$ 93,088
Foreign	50,978	96,896	85,052
Total	$119,651	$177,144	$178,140

The provision for income taxes consists of the following:

	1993	1992	1991
Current:			
United States	$ 31,560	$ 13,981	$ 25,169
Foreign	34,774	37,791	31,755
	66,334	51,772	56,924
Deferred:			
United States	(15,306)	1,603	(2,084)
Foreign	(16,352)	(877)	(359)
	(31,658)	726	(2,443)
Total	$ 34,676	$ 52,498	$ 54,481

Foreign taxes include withholding taxes. The United States tax provision includes the U.S. tax on foreign income distributed to the company. U.S. and foreign income tax rate changes occurring during 1993 did not have a material effect on the company's provision for income taxes. The differences between the provision for income taxes at the U.S. statutory rate (35% for 1993 and 34% for 1992 and 1991) and the tax shown in the consolidated statements of income are summarized as follows:

	1993	1992	1991
Tax at statutory rate	$ 41,878	$ 60,229	$ 60,568
Foreign sales corporation earnings	(2,964)	(3,702)	(4,042)
Equity income	(1,551)	(1,955)	(2,405)
Other – net	(2,687)	(2,074)	360
Provision for income taxes	$ 34,676	$ 52,498	$ 54,481

The components of deferred tax assets (liabilities) as of December 31 are as follows:

	1993	1992	1991
Accrued compensation and benefits	$ 42,425	$ 2,791	$ 4,424
Intercompany profit in inventory	11,208	3,829	3,084
Equity investments	7,541	978	553
Net operating losses carried forward	6,668		
Depreciation and other basis differences	(28,238)	(32,555)	(33,126)
Partnership allocations	(4,841)	(4,615)	(4,572)
Other – net	5,312	(1,593)	(3,173)
Net deferred tax assets (liabilities)	$ 40,075	$(31,165)	$(32,810)

At December 31, 1993, certain foreign subsidiaries have net operating loss carry forwards of $16 million for income tax purposes, of which $11 million expires in years 1994 through 2002 and $5 million has no expiration. After evaluating tax planning strategies and historical and projected profitability, the tax benefit of these net operating loss carry forwards has been recognized as a deferred tax asset.

U.S. income taxes or foreign withholding taxes are not provided on undistributed earnings of foreign subsidiaries which are considered to be indefinitely reinvested in the operations of such subsidiaries. The amount of such earnings was approximately $248 million at December 31, 1993. Determination of the net amount of unrecognized U.S. income tax with respect to these earnings is not practicable. If such earnings were to be repatriated, foreign withholding taxes of approximately $16 million would be incurred. A portion or all of such withholding taxes may be offset by credits in the United States.

Note 9 — Supplemental Cash Flow Information

The company generally invests its excess cash in short-term investments with various banks and financial institutions. Short-term investments are cash equivalents as they are part of the cash management activities of the company and are comprised primarily of investments having maturities of less than three months.

The following is a reconciliation of net income to net cash provided by (used for) operating activities:

	1993	1992	1991
Net income	$ 45,600	$124,646	$123,659
Depreciation and amortization	61,674	62,013	59,473
Deferred income taxes	(32,751)	(37)	(2,716)
Equity (earnings) losses, net of distributions	18,138	2,792	(3,743)
Special charge	86,303		
Gain on sale of investments	(55,617)	(6,484)	
Cumulative effect of changes in accounting principles	39,375		
Change in current assets and liabilities:			
Receivables	(16,066)	(2,400)	4,470
Inventories	(14,043)	(30,807)	(14,187)
Accounts payable and accrued expenses	16,056	(13,693)	1,780
Other current assets	7,359	(316)	15,304
Increase in noncurrent liabilities	12,370	714	1,554
Other items – net	(5,887)	(1,265)	6,523
Net cash provided by operating activities	$162,511	$135,163	$192,117

See Note 16 which describes transactions with Mycogen involving an exchange of nonmonetary assets.

Note 10 — Postretirement Benefits

The company has retirement plans, including non-contributory defined benefit pension plans and a profit sharing plan, covering most full-time employees in the United States and at non-U.S. subsidiaries. Pension benefits are based on years of service and the employee's compensation. The company's funding policy in the United States is to contribute amounts to satisfy the Internal Revenue Service funding standards and elsewhere to fund amounts in accordance with local regulations. Several defined benefit plans are unfunded. Plan assets are invested principally in listed equity securities and fixed income instruments.

Expense for all retirement plans was $25.1 million in 1993, $20.0 million in 1992 and $13.3 million in 1991, including profit sharing contributions in the U.S. of $3.8 million in 1993, $3.9 million in 1992 and $4.7 million in 1991.

Net periodic pension cost of the U.S. and significant international defined benefit plans consists of:

	1993	1992	1991
Service cost – benefits earned during period	$ 10,107	$ 9,814	$ 7,820
Interest cost on projected benefit obligation	16,115	14,787	11,480
Actual return on plan assets	(24,830)	(17,926)	(28,630)
Net amortization and deferral	16,363	5,779	15,830
Net periodic pension cost	$ 17,755	$ 12,454	$ 6,500

The increase in net periodic pension cost for 1993 results largely from the company's realignment and early retirement programs accounted for in the special charge (see Note 17).

The weighted average assumptions used at December 31 were:

	1993	1992	1991
Assumed discount rate	7.2%	8.0%	8.1%
Assumed rate of compensation increase	5.1%	5.8%	5.8%
Expected rate of return on plan assets	8.5%	8.9%	8.9%

The funded status of such defined benefit pension plans and the amounts recognized in the consolidated balance sheets at December 31 are as follows:

	1993		1992	
	Assets Exceed Accum. Benefits	Accum. Benefits Exceed Assets	Assets Exceed Accum. Benefits	Accum. Benefits Exceed Assets
Fair value of plan assets	$133,755	$ 48,142	$165,152	$ 4,229
Projected benefit obligation	(140,363)	(79,541)	(160,675)	(26,914)
Plan assets in excess of (less than) projected benefit obligation	(6,608)	(31,399)	4,477	(22,685)
Unrecognized net transition obligation (asset)	(12,794)	119	(19,297)	2,907
Unrecognized net loss (gain)	(446)	12,049	(2,728)	5,282
Unrecognized prior service cost	17,566	3,179	20,205	2,126
Minimum liability adjustment		(3,177)		(2,478)
Accrued pension asset (liability)	$ (2,282)	$ (19,229)	$ 2,657	$ (14,848)
Accumulated benefit obligation	$ 88,735	$ 70,608	$119,099	$ 17,600
Vested benefits	$ 83,543	$ 67,344	$115,239	$ 14,675

The company provides certain postretirement benefits other than pensions, primarily health care, for retired employees. Currently, substantially all of the company's full-time employees in the U.S. become eligible for these benefits after five years of service and attainment of age 55 at retirement. Participants currently contribute 25% to 50% of the cost of such benefits. The company's postretirement health care plans are not funded.

Effective January 1, 1993, the company adopted SFAS 106 which requires the company to accrue the estimated cost of retiree benefit payments during the years the employee provides services. The company previously expensed the cost of these benefits as claims were incurred. The company has elected to immediately recognize the cumulative effect of this change in accounting principle. The cumulative effect at January 1, 1993 of adopting SFAS 106 was to record an increase in a noncurrent liability for the accumulated postretirement benefit obligation of $79.9 million, an increase in deferred income tax assets of $28.4 and a decrease in net income of $51.5 million after taxes ($.76 per share).

The status of the plans at December 31, 1993, is as follows:

Accumulated postretirement benefit obligation:	
Retirees	$32,885
Fully eligible active plan participants	20,866
Other active plan participants	38,198
	91,949
Unrecognized net loss	(2,526)
Accrued postretirement health care costs	$89,423

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 11.25% in 1993, with subsequent annual decrements of .75% to an ultimate trend rate of 6%. A one-percentage-point increase in the assumed health care cost trend rate for each year would increase the accumulated postretirement benefit obligation by approximately 19% and net postretirement benefit costs by approximately 15%. The discount rate used in determining the accumulated postretirement benefit obligation was 7.5%.

Net postretirement health care cost for the year ended December 31, 1993, consisted of the following components:

Service cost – benefits earned during the year	$ 2,620
Interest cost on accumulated postretirement benefit obligation	6,724
Net postretirement health care cost	$ 9,344

The postretirement health care costs increased $8.1 million ($.08 per share after taxes) as a result of adopting SFAS 106. Postretirement health care expense on a pay-as-you-go basis was $1.8 million in 1992 and $1.5 million in 1991.

Note 11 — Leases

The company has commitments under operating leases primarily for office space, terminal facilities, land and various office equipment. Rental expense was $19.0 million in 1993, $18.3 million in 1992 and $16.5 million in 1991. Future minimum rental commitments under operating leases having initial or remaining non-cancelable lease terms exceeding one year are $14.3 million in 1994, $9.1 million in 1995, $5.6 million in 1996, $4.4 million in 1997, $2.9 million in 1998 and $21.2 million thereafter.

Note 12 — Operations in Geographic Areas

Financial data by geographic area, based on the location of the subsidiary which shipped and billed the product, is as follows:

	1993	1992	1991
Revenues from customers:			
United States	$ 660,674	$ 734,273	$ 687,654
Europe	501,551	472,982	446,699
Far East	203,327	178,702	173,351
Other	159,948	166,291	168,602
	1,525,500	1,552,248	1,476,306
Intercompany transfers:			
United States	290,487	258,673	273,037
Europe	22,276	20,657	10,004
Far East	496		
Other	26,707	32,674	23,554
	339,966	312,004	306,595
Gross revenues	1,865,466	1,864,252	1,782,901
Less: Intercompany transfers	(339,966)	(312,004)	(306,595)
Consolidated revenues	$1,525,500	$1,552,248	$1,476,306
Operating profit:			
United States	$ 105,591	$ 94,800	$ 123,058
Europe	58,781	63,141	67,630
Far East	14,374	9,493	7,927
Other	11,392	13,640	4,675
Eliminations	(129)	6,500	(7,718)
	190,009	187,574	195,572
General corporate expenses	(26,754)	(25,790)	(27,942)
Special charge	(86,303)		
Gain on sale of Genentech	42,443		
Other income – net	537	11,905	9,500
Interest – net	(281)	3,455	1,010
Income before income taxes	$ 119,651	$ 177,144	$ 178,140
Identifiable assets:			
United States	$ 637,919	$ 548,601	$ 650,410
Europe	289,649	248,723	283,526
Far East	143,542	124,132	132,038
Other	71,651	73,836	80,144
Eliminations	(88,012)	(88,619)	(159,027)
	1,054,749	906,673	987,091
Corporate assets	127,831	220,447	184,592
Total assets	$1,182,580	$1,127,120	$1,171,683

Notes:

A. Intercompany transfers are made at prices comparable to normal unaffiliated customer sales for similar products.

B. Affiliated companies are not allocated to geographic segments.

C. Corporate assets consist of short-term investments and investments in affiliated companies.

Export sales from the United States to customers, primarily in Latin America, the Middle East and Asia, were $119 million in 1993, $136 million in 1992 and $161 million in 1991.

Net assets of non-U.S. subsidiaries at December 31, 1993 and 1992 were $326 million and $310 million, respectively. Net income of these subsidiaries was $42 million in 1993, $59 million in 1992 and $50 million in 1991; and dividends received from the subsidiaries were $34 million, $26 million and $12 million, respectively.

Note 13 — Fair Value of Financial Instruments

The company has various financial instruments, including cash and short-term investments, investments in nonconsolidated companies, forward exchange contracts for currencies, interest rate swaps and short- and long-term debt. The company has determined the estimated fair value of these financial instruments by using available market information and appropriate valuation methodologies which require judgment. Accordingly, the use of different market assumptions or estimation methodologies could have a material effect on the estimated fair value amounts. Except for investments in marketable equity securities and investments in nonconsolidated companies as described in Note 3, the company believes that the carrying values of financial instruments approximate their fair values.

The company periodically enters into forward exchange contracts to manage currency exposure. At December 31, 1993, the company had short-term forward contracts to sell currencies at various dates during 1994 for $15.4 million. The value of these contracts is adjusted monthly to reflect market value, and the gains or losses are recognized immediately and offset the exchange adjustment related to the exposed currency position.

Note 14 — Business Segment Information

As a result of the company's agribusiness transactions as discussed in Note 16, the company's agribusiness activities are not reportable as an industry segment after December 1, 1992.

A description of the company's segments and a summary of operating results and identifiable assets by segment prior to December 1, 1992, are contained on pages 25 and 29. Following is additional industry segment information:

	Capital Expenditures	Depreciation & Amortization
1992		
Specialty Chemicals	$89,172	$55,024
Agribusiness	6,642	6,989
	$95,814	$62,013
1991		
Specialty Chemicals	$76,547	$51,791
Agribusiness	5,851	7,682
	$82,398	$59,473

The company has a concentration of sales and receivables in the oil and chemical industries. The ten largest customers, most of which are international oil companies and a number of which are groups of affiliated entities, accounted for approximately 44% of consolidated sales in 1993 and 1992, and 43% in 1991. Although the largest single group accounted for 9% of sales in 1993, 10% in 1992 and 11% in 1991, this group is made up of a number of separate entities that the company believes make independent purchasing decisions.

Note 15 — Stock Options

The 1991 Stock Incentive Plan provides for granting of options to buy Common Shares intended either to qualify as "incentive stock options" under the Internal Revenue Code or "non-statutory stock options" not intended to so qualify, up to an amount equal to one percent of the outstanding Common Shares at the beginning of any year, plus any unused amount from prior years. Under the 1991 Plan, options generally become exercisable 50% one year after grant, 75% after two years, and 100% after three years, and expire up to ten years after grant. The 1985 Employee Stock Option Plan and the 1991 Plan also provide for "reload options," which are options to purchase additional shares if a grantee uses already-owned shares to pay for an option exercise. The 1991 Plan generally supersedes the 1985 Plan, which replaced the 1981 Incentive Stock Option Plan. A 1975 Employee Stock Option Plan expired by its terms in 1985. Options remain outstanding and exercisable under the 1975 Plan, the 1981 Plan and the 1985 Plan. The option price under all plans is the fair market value of the shares on the date of grant. All plans permit or permitted the granting of stock appreciation rights in connection with the grant of options, and the 1991 Plan also permits the grant of restricted and unrestricted shares. In addition, the 1991 Plan provides for an automatic annual grant to each outside director of the company of an option to purchase 2,000 Common Shares, with terms generally comparable to employee stock options.

Information regarding these option plans is as follows:

	Number of Shares		
	1993	1992	1991
Outstanding, January 1	2,147,263	1,970,446	1,671,602
Granted at $28.13 to $33.75 per share	624,546	596,290	620,380
Exercised at $10.97 to $32.81 per share	(394,178)	(407,697)	(313,796)
Surrendered at $16.66 to $33.34 per share	(38,756)	(11,776)	(7,740)
Outstanding, December 31	2,338,875	2,147,263	1,970,446
Exercisable, December 31	1,341,767	1,210,767	1,014,556
Available for grant, December 31	1,816,751	1,718,036	1,612,230

Both the 1975 and 1981 Plan options expire through November 1994, with an average option price of $11.06. The 1985 Plan options expire June 1995 to November 2003, with an average option price of $23.09. The 1991 Plan options expire April 2001 to April 2003, with an average option price of $31.05.

Note 16 — Transactions with Mycogen Corporation

In separate transactions, the company transferred on December 1, 1992, certain of its Agribusiness assets to Mycogen Corporation in exchange for 2,294,590 shares of Mycogen Common Stock and $39.4 million par value of Mycogen Series A Preferred Stock. The remainder of its Agribusiness assets, plus cash of $4.6 million, and exclusive of specialty vegetable oil operations, was transferred to Agrigenetics, L.P., a partnership with Mycogen, in exchange for a 49% partnership interest. There was no gain or loss resulting from the transaction. The company's investment in the partnership was recorded at $40.8 million, which represented 49% of the net assets transferred. The investment in Preferred Stock was recorded at $39.4 million par value, which was its fair value as agreed by the parties at the transaction date. The investment in Mycogen Common Stock was recorded at $13.1 million which was equivalent to the remaining book value of net assets transferred.

On December 31, 1993, the company sold 29.54% of Agrigenetics, L.P. to Mycogen in exchange for cash of $7.0 million and 2,000,000 shares of Mycogen Common Stock. The additional shares of Common Stock were valued at $20.5 million and increased the company's ownership of the outstanding Mycogen Common Stock from 25% to 32%. Mycogen liquidated Agrigenetics, L.P. into a successor corporation named Agrigenetics Inc. ("AGI") and issued to the company AGI common shares representing a 19.46% ownership interest.

The company has the right to convert, at any time, some or all of its interest in AGI into Mycogen Common Stock. In addition, on or after November 30, 2000, the company may require Mycogen to purchase, and Mycogen may require the company to sell, some or all of its then remaining interest in AGI for cash. The company and Mycogen have agreed the value for the conversion or sale of the company's interest in AGI will not be less than $21.4 million nor more than $26.3 million.

On December 1, 1993, Mycogen mandatorily redeemed $10 million of the Preferred Stock for cash. Effective December 31, 1993, the company transferred $3.0 million of Mycogen Preferred Stock to AGI to settle claims regarding the asset values of the Agribusiness transferred assets.

On December 31, 1993, Mycogen Preferred Stock was amended to eliminate the mandatory redemption feature, to change the preferential dividend rights and to change the rights for conversion into Mycogen Common Stock. As a result, the Preferred Stock held by the company pays cumulative dividends of 5% per year through November 30, 1996; 8.5% from December 1, 1996 through November 30, 2000; and the higher of 10% or prime plus 3% per annum thereafter. At Mycogen's option, dividends may be paid in cash or additional shares of Preferred Stock through November 30, 1997 and, thereafter, are payable in cash. The company, at its option, may convert the Preferred Stock into Mycogen Common Stock at the lower of $17.96 per share or 125% of the market price.

The company uses the equity method of accounting for its investment in the Common Stock of Mycogen which includes AGI (formerly Agrigenetics, L.P.). In 1991, Mycogen was accounted for by the cost method. Other income – net includes the following amounts related to these investments.

	1993	1992
Equity losses	$(20,997)	$ (2,708)
Preferred dividends	1,975	164
Gain on sale of investments	13,174	
	$ (5,848)	$ (2,544)

At December 31, 1993, the book carrying values of the company's investments aggregated $41.3 million for Mycogen and AGI Common Stock and $28.5 million for Mycogen Preferred Stock.

The consolidated financial statements include the following summary results of operations of the agribusiness transferred assets for 1992 (eleven months) and 1991:

	1992	1991
Total revenues	$ 88,575	$ 87,616
Total cost and expenses	(95,903)	(95,435)
Other income (expense) – net	(1,021)	1,025
	(8,349)	(6,794)
Intercompany items	2,204	5,050
Segment loss	$ (6,145)	$ (1,744)

The company has a Technology and Development Agreement with AGI whereby the company has a commitment to provide a minimum of $9 million of funding over the next four year period to support the development of plant varieties to produce specialty oils. The company retains exclusive commercial rights with respect to the resulting specialty oils.

Note 17 — Special Charge

The company recorded a special charge of $86.3 million ($.83 per share after tax) in the third quarter of 1993 in connection with manufacturing rationalization and organizational realignment initiatives. The manufacturing rationalization plan will be implemented over the next several years and through consolidation is expected to result in cost savings from a reduced number of employees, lower operating costs and fewer manufacturing units used to produce intermediate products.

Approximately $56 million of the special charge is related to the manufacturing rationalization of which $33 million relates to asset write-downs, including $25 million for the shutdown of manufacturing units used to produce intermediate products. The remainder of the manufacturing rationalization portion of the special charge relates to expected employee reductions at manufacturing locations through early retirements, equipment cleanup and dismantling, employee relocation and other transitional costs.

The organizational realignment relates to the consolidation of the company's nonmanufacturing activities. This portion of the special charge is approximately $30 million and includes $15 million for employee relocation and early retirement. The remainder of this portion of the special charge relates to asset write-downs of $13 million, primarily in the company's agribusiness investments, and accruals for transitional costs.

The special charge will involve outlays of cash of approximately $36 million, primarily for the early retirements and employee relocation expenses of which approximately $4 million was expended during 1993, and approximately $14 million will be expended in 1994.

Note 18 — Litigation

On November 18, 1993, a federal court jury in Houston, Texas, awarded Exxon Corporation $48 million in damages in a patent case brought, in 1989, against the company. The damages award relates to a December 1992 verdict that the company willfully infringed an Exxon patent pertaining to an oil soluble copper additive component. On February 18, 1994, the trial court judge doubled the damages amount and awarded prejudgment interest, court costs and additional attorneys' fees to Exxon. The total amount of the judgment, including previously awarded attorneys' fees, is $129 million. The company has obtained a bond to stay enforcement of the judgment pending the company's appeal discussed below.

The original December 1992 finding of willful infringement, as well as that jury's determination that the patent is valid, remains on appeal to the United States Court of Appeals for the Federal Circuit Court in Washington, D.C., which has jurisdiction over all patent cases. Oral arguments on this appeal were held on December 6, 1993, and a decision may be forthcoming in 1994. This decision could reverse or modify the judgment against the company. In addition, the company has the right to appeal the February 1994 damages award to the same court in Washington, D.C. The company's management continues to believe that it has not infringed the Exxon patent and that the patent is invalid. Based on the advice of legal counsel, management believes that the December 1992 trial court judgment will not be upheld on appeal. Therefore, no amount related to the judgment has been recorded in the company's financial statements.

The company has prevailed in a separate case brought in Canada against Exxon's Canadian affiliate, Imperial Oil, Ltd., for infringement of the company's patent pertaining to dispersant, the largest additive component used in motor oils. A 1990 trial court verdict in favor of the company regarding the issue of liability was upheld by the Federal Court of Appeals of Canada in December 1992, and in October 1993, the Supreme Court of Canada dismissed Imperial Oil's appeal of the Court of Appeals decision. The case has returned to the trial court for an assessment of damages, which management believes should take 9 to 12 months. A reasonable estimation of the company's potential recovery cannot be made at this time.

INDEPENDENT AUDITORS' REPORT

Deloitte & Touche

To the Shareholders and Board of Directors of
The Lubrizol Corporation

We have audited the accompanying consolidated balance sheets of The Lubrizol Corporation and its subsidiaries as of December 31, 1993 and 1992, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of The Lubrizol Corporation and its subsidiaries at December 31, 1993 and 1992, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1993 in conformity with generally accepted accounting principles.

As discussed in Notes 8 and 10 to the financial statements, in 1993 the Company changed its method of accounting for income taxes to conform with Statement of Financial Accounting Standards ("SFAS") No. 109 and its method of accounting for postretirement benefits to conform with SFAS No. 106.

Deloitte + Touche

Cleveland, Ohio
February 18, 1994

QUARTERLY FINANCIAL DATA [UNAUDITED]

	Three Months Ended			
	March 31	June 30	Sept. 30	Dec. 31
	(In Thousands of Dollars Except Per Share Data)			
1993				
Net sales	$365,580	$392,236	$390,819	$368,996
Gross profit	$118,168	$121,625	$129,225	$116,414
Income before accounting changes	$ 35,431	$ 31,342	$ (15,905)	$ 34,107
Net income	$ (3,944)	$ 31,342	$ (15,905)	$ 34,107
Net income per share:				
Before accounting change	$.52	$.46	$(.24)	$.51
Net income	$(.06)	$.46	$(.24)	$.51
1992				
Net sales:				
Specialty Chemicals	$357,868	$369,932	$354,801	$343,179
Agribusiness	57,033	44,783	7,576	9,498
Total	$414,901	$414,715	$362,377	$352,677
Gross profit:				
Specialty Chemicals	$121,568	$123,824	$103,394	$102,181
Agribusiness	23,917	16,164	(468)	(286)
Total	$145,485	$139,988	$102,926	$101,895
Net income	$ 44,096	$ 44,806	$ 19,019	$ 16,725
Net income per share	$.64	$.65	$.28	$.24

In the third quarter of 1993, the company recorded a special charge decreasing net income $56.1 million ($.83 per share).

In the third and fourth quarters of 1993, the company recorded Genentech gains increasing net income $13.1 million ($.19 per share) and $14.5 million ($.22 per share) respectively.

Most of the sales of the Agribusiness segment were made during the first half of the year, and operating losses were recorded in the third and fourth quarters as a result of incurring operating expenses with low sales. Agribusiness' cost of sales includes certain period costs and, therefore, may exceed sales in a quarter which has low volume.

All share and per share data have been restated to reflect the 2-for-1 stock split effected on August 31, 1992.

HISTORICAL SUMMARY

(In Thousands of Dollars Except Per Share Data)	**1993**	1992
Summary of Operations		
Revenues	**$1,525,500**	$1,552,248
Cost of sales	**1,032,199**	1,054,376
Selling, administrative, research, testing and development expenses	**330,046**	336,088
Total cost and expenses	**1,362,245**	1,390,464
Other income (charges)	**(43,604)**	15,360
Income before income taxes	**119,651**	177,144
Provision for income taxes	**34,676**	52,498
Changes in accounting principles	**(39,375)**	
Net income	**$ 45,600**	$ 124,646
For the Year:		
Net income per share	**$.67**	$1.81
Dividends declared per share	**.85**	.81
Average Common Shares outstanding (in thousands)	**67,706**	68,966
Consolidated Statement of Financial Position		
Current assets	**$ 568,913**	$ 591,016
Current liabilities	**224,248**	206,248
Working capital	**344,665**	384,768
Property – net	**437,635**	375,587
Other assets	**176,032**	160,517
Total	**958,332**	920,872
Less:		
Long-term debt	**55,298**	23,258
Noncurrent liabilities	**159,445**	41,217
Deferred income taxes	**11,353**	37,035
Net assets – Shareholders' equity	**$ 732,236**	$ 819,362
Other Data		
Return on average shareholders' equity	**6%**	15%
Total assets	**$1,182,580**	$1,127,120
Capital investments	**168,201**	98,216
Depreciation	**59,595**	58,435
At End of Year:		
Number of employees	**4,613**	4,609
Number of shareholders	**6,616**	6,822
Common Shares outstanding (in thousands)	**66,590**	68,451
Shareholders' equity per share	**$ 11.00**	$ 11.97

All share and per share data have been restated to reflect the 2-for-1 stock split effected on August 31, 1992.

1991	1990	1989	1988	1987	1986	1985	1984	1983
$1,476,306	$1,452,701	$1,227,910	$1,125,731	$1,022,277	$985,182	$913,351	$844,175	$800,303
992,275	1,006,341	864,576	783,113	713,152	695,068	659,130	627,378	588,266
316,401	282,050	245,132	226,776	203,236	180,650	158,358	114,501	113,363
1,308,676	1,288,391	1,109,708	1,009,889	916,388	875,718	817,488	741,879	701,629
10,510	106,902	19,544	69,908	23,310	19,200	7,582	12,788	15,032
178,140	271,212	137,746	185,750	129,199	128,664	103,445	115,084	113,706
54,481	81,166	43,766	54,544	47,864	50,479	43,221	47,353	48,962
			8,751					
$ 123,659	$ 190,046	$ 93,980	$ 139,957	$ 81,335	$ 78,185	$ 60,224	$ 67,731	$ 64,744
$1.79	$2.67	$1.26	$1.81	$1.03	$.99	$.74	$.87	$.83
.77	.73	.69	.65	.61	.59	.58	.56	.54
69,260	71,121	74,665	77,391	79,117	79,356	80,817	78,276	78,390
$ 701,571	$ 668,810	$ 543,166	$ 573,002	$ 513,342	$462,982	$447,441	$376,050	$361,964
262,162	248,351	180,908	184,888	169,166	162,797	182,543	132,252	129,766
439,409	420,459	362,258	388,114	344,176	300,185	264,898	243,798	232,198
380,030	353,551	316,493	298,670	297,573	289,078	290,298	251,735	274,337
90,082	92,235	100,525	98,999	128,463	125,847	116,706	74,189	46,563
909,521	866,245	779,276	785,783	770,212	715,110	671,902	569,722	553,098
34,982	54,023	53,180	55,339	56,138	52,616	73,444	30,416	27,213
41,979	39,663	29,320	26,851	23,952	16,806	13,161	11,480	10,038
38,094	36,348	33,512	39,285	68,489	73,009	65,999	53,483	44,326
$ 794,466	$ 736,211	$ 663,264	$ 664,308	$ 621,633	$572,679	$519,298	$474,343	$471,521
16%	27%	14%	22%	14%	14%	12%	14%	14%
$1,171,683	$1,114,596	$ 960,184	$ 970,671	$ 939,378	$877,907	$854,445	$701,974	$682,864
83,541	92,231	82,720	71,891	56,460	52,986	103,990	49,001	27,961
54,614	53,960	48,682	46,598	47,229	42,591	44,605	38,723	37,038
5,299	5,169	5,030	4,781	4,817	4,802	5,205	4,176	4,165
6,767	6,692	7,370	7,782	8,335	9,240	10,803	10,804	11,277
69,031	69,397	74,016	76,020	77,922	79,382	79,321	78,221	78,390
$ 11.51	$ 10.61	$ 8.96	$ 8.74	$ 7.98	$ 7.21	$ 6.55	$ 6.06	$ 6.02

CORPORATE INFORMATION

Transfer Agent, Registrar, and Dividend Disbursing Agent

Society National Bank
Corporate Trust Division
P.O. Box 6477
Cleveland, Ohio 44101-1477
(216) 737-5745
(800) 542-7792

Annual Meeting

The Annual Meeting of Shareholders will be held at the Clarion Hotel & Conference Center, Eastlake, Ohio, on April 25, 1994.

Form 10-K

The Form 10-K Annual Report to the Securities and Exchange Commission will be available April 1. A copy may be obtained without charge upon written request to the Secretary of the Corporation.

Shareholder Information

The Common Shares of The Lubrizol Corporation are listed on the New York Stock Exchange under the symbol LZ. The number of shareholders of record of Common Shares was 6,576 as of February 10, 1994.

DIRECTORS

L. E. COLEMAN
Chairman of the Board and Chief Executive Officer

W. G. BARES
President and Chief Operating Officer

EDWARD F. BELL
Retired President and Chief Executive Officer of Ameritech Ohio, which provides telephone service, data transmission and other advanced telecommunications services to residential and business customers in Ohio.

PEGGY GORDON ELLIOTT
President of The University of Akron.

DAVID H. HOAG
Chairman, President and Chief Executive Officer of The LTV Corporation and Chief Executive Officer of LTV Steel Company. The LTV Corporation is a diversified company engaged in the production of steel and the manufacture and distribution of oil field supplies.

THOMAS C. MacAVOY
Professor of Business Administration, Darden School, University of Virginia and Retired Vice Chairman of the Board of Corning, Inc., a diversified glass and glass products company.

WILLIAM P. MADAR
President and Chief Executive Officer of Nordson Corporation, a company which manufactures and markets industrial equipment, along with the software and application technologies that enhance its use.

RICHARD A. MILLER
Retired Chairman and Chief Executive Officer of Centerior Energy Corporation, an electric utility holding company with operating subsidiaries in Northern Ohio.

RONALD A. MITSCH
Executive Vice President, Industrial and Consumer Sector and Corporate Services of 3M, a manufacturer of products for industrial, commercial, health care and consumer markets.

RENOLD D. THOMPSON
Vice Chairman and a Director of Oglebay Norton Company, a raw materials and Great Lakes marine transportation company.

KARL E. WARE
Chairman and Chief Executive Officer of Ware Industries, Inc., a company which designs, manufactures and markets a broad range of specialty wire forms and steel components.

OFFICERS

L. E. COLEMAN
Chairman of the Board and Chief Executive Officer

W. G. BARES
President and Chief Operating Officer

GEORGE R. HILL
Senior Vice President

WILLIAM D. MANNING
Senior Vice President

R. JOHN SENZ
Senior Vice President

RAY A. ANDREAS
Vice President and Chief Financial Officer

JOSEPH W. BAUER
Vice President and General Counsel

J. G. BULGER
Vice President

STEPHEN A. DI BIASE
Vice President

JOE E. HODGE
Vice President

K. H. HOPPING
Vice President and Secretary

S. F. KIRK
Vice President

YANNICK LE COUÉDIC
Vice President

MARK W. MEISTER
Vice President

Recycled pa

LUBRIZOL
29400 Lakeland Boulevard
Wickliffe, Ohio 44092
(216) 943-4200

PRINCIPAL SUBSIDIARIES AND BRANCHES

Lubrizol A.G. (Switzerland)
Lubrizol Australia
Lubrizol do Brasil Aditivos, Ltda.
Lubrizol Canada Limited
Lubrizol de Chile Limitada
Lubrizol Española, S.A.
Lubrizol France S.A.
Lubrizol Gesellschaft m.b.H. (Austria)
Lubrizol G.m.b.H. (Germany)
Lubrizol Great Britain Limited
Lubrizol International Inc.
Lubrizol International Management Corporation
Lubrizol Italiana, S.p.A.
Lubrizol Japan, Limited
Lubrizol Korea
Lubrizol Limited (England)
Lubrizol de Mexico, S. de R.L.
Lubrizol Overseas Trading Corporation
Lubrizol S.A. (Belgium)
Lubrizol Scandinavia AB
Lubrizol Servicios Tecnicos S. de R.L. (Mexico)
Lubrizol South Africa (Pty.) Limited
Lubrizol Southeast Asia (Pte.) Ltd. (Singapore)
Lubrizol de Venezuela C.A.
Gate City Equipment Company, Inc.
Langer & Company G.m.b.H. (Germany)
SVO Specialty Products, Inc.

AFFILIATES

Lubrizol India Limited
Industrias Lubrizol S.A. de C.V. (Mexico)
Lubrizol Transarabian Company Limited (Saudi Arabia)
C.A. Lubricantes Quimicos L.Q. (Venezuela)
Solub Product Application Laboratory (Russia)

MANUFACTURING PLANTS

Painesville, Ohio
Bayport, Texas
Deer Park, Texas
Atlanta, Georgia
Culbertson, Montana
Sydney, Australia
Rio de Janeiro, Brazil
Niagara Falls, Canada
Bromborough, England
LeHavre, France
Rouen, France
Mourenx, France
Ritterhude, Germany
Bombay, India
Kinuura, Japan
Apodaca, Mexico
Yanbu, Saudi Arabia
Jurong, Singapore
Durban, South Africa
Valencia, Venezuela

TECHNICAL CENTERS

Atsugi, Japan
Hazelwood, England
Wickliffe, Ohio

LUBRIZOL

29400 Lakeland Boulevard
Wickliffe, Ohio 44092
216 943-4200