UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2007

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ______ to ______

Commission file number 1-5263
THE LUBRIZOL CORPORATION
(Exact name of registrant as specified in its charter)

OHIO	34-0367600
(State of incorporation)	(I.R.S. Employer Identification No.)

29400 Lakeland Boulevard
Wickliffe, Ohio 44092-2298
(Address of principal executive officers, including zip code)
Registrant s telephone number, including area code: (440) 943-4200
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares without par value	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act of 1933.
Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.
Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

Aggregate market value (on basis of closing sale price) of voting stock held by nonaffiliates as of June 30, 2007: $4,452,787,002.

Number of the registrant s Common Shares, without par value, outstanding as of February 15, 2008: 68,412,788.

Documents Incorporated by Reference

Portions of the registrant s 2007 Annual Report to its shareholders (Incorporated into Part I and II of this Form 10-K)
Portions of the proxy statement for the 2008 Annual Meeting of Shareholders (Incorporated into Part III of this Form 10-K)

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PART I

ITEM 1. BUSINESS

References to Lubrizol , the company , we , us or our refer to The Lubrizol Corporation and its subsidiaries, except where the context makes clear that the reference only is to The Lubrizol Corporation itself and not its subsidiaries.

Overview

We are an innovative specialty chemical company that produces and supplies technologies that improve the quality and performance of our customers products in the global transportation, industrial and consumer markets. Our business is founded on technological leadership. Innovation provides opportunities for us in growth markets as well as advantages over our competitors. From a base of approximately 1,600 patents, we use our product development and formulation expertise to sustain our leading market positions and fuel our future growth. We create additives, ingredients, resins and compounds that enhance the performance, quality and value of our customers products, while minimizing their environmental impact. Our products are used in a broad range of applications, and are sold into relatively stable markets such as those for engine oils, specialty driveline lubricants and metalworking fluids, as well as higher-growth markets such as personal care and over-the-counter pharmaceutical products, performance coatings and inks and compressor lubricants**.** Our specialty materials products also are used in a variety of industries, including the construction, sporting goods, medical products and automotive industries.

We are an industry leader in many of the markets in which our product lines compete. We produce products with well-recognized brand names, such as Anglamol® (gear oil additives), Carbopol® (acrylic thickeners for personal care products), Estane® (thermoplastic polyurethane) and TempRite® (engineered polymers resins and compounds used in plumbing, industrial and fire sprinkler systems).

We are geographically diverse, with an extensive global manufacturing, supply chain, technical and commercial infrastructure. We operate facilities in 27 countries, including production facilities in 19 countries and laboratories in 12 countries, in key regions around the world through the efforts of more than 6,900 employees. We derived approximately 42% of our consolidated total revenues from North America, 30% from Europe, 21% from the Asia/Pacific and the Middle East region and 7% from Latin America. We sell our products in more than 100 countries and believe that our customers recognize and value our ability to provide customized, high quality, cost-effective performance formulations and solutions worldwide. We also believe our customers highly value our global supply chain capabilities.

Our consolidated results for the year ended December 31, 2007 included total revenues of $4,499.0 million. We have generated consistently strong cash flows from our diverse product lines, leading market positions, disciplined capital expenditure programs and working capital management. We believe our strong cash flow will enable us to maintain our leading market positions and to invest in targeted growth strategies while continuing to reduce indebtedness.

We are organized into two operating and reportable segments. We made the final determination in January 2007 to change the names of our two reportable segments. The new segment names are Lubrizol Additives, previously known as Lubricant Additives, and Lubrizol Advanced Materials, previously known as Specialty Chemicals. The change was in name only as the management structure of the segments and product lines included in each segment remain unchanged.

Our principal executive offices are located at 29400 Lakeland Boulevard, Wickliffe, Ohio 44092-2298 and our telephone number is 440-943-4200. Our website is located at *www.lubrizol.com*. Information contained on our website does not constitute part of this annual report on Form 10-K. We make available free of charge on our website the annual reports on Form 10-K, the quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of

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1934 as soon as reasonably practicable after we electronically file or furnish the material to the Securities and Exchange Commission (SEC).

Acquisitions and Divestitures

On November 1, 2007, we completed the acquisition of the refrigeration lubricants business of Croda International Plc (Croda) for approximately $124.6 million. The acquisition primarily included lubricant technology, trade names, customer lists, manufacturing know-how and inventory. No manufacturing facilities were included in the transaction.

On February 7, 2007, we acquired for approximately $15.7 million a broad line of additive products in the metalworking markets worldwide from Lockhart Chemical Company (Lockhart). We purchased Lockhart s entire metalworking product line, which included natural, synthetic and gelled sulfonates; emulsifier packages; corrosion inhibitors and lubricity agents; grease additives; oxidates; esters; soap; semi-finished coatings; and rust preventatives.

In May 2006, we sold the food ingredients and industrial specialties business (FIIS) and the active pharmaceutical ingredients and intermediate compounds business (A&I), both of which were included in the Lubrizol Advanced Materials segment. A&I and most of the FIIS divestiture reported into the Noveon® consumer specialties product line, while a small portion of the FIIS divestiture reported into the performance coatings product line. In 2006, we recorded a $15.9 million after-tax loss on the sale of these divested businesses.

In February 2006, we sold certain assets and liabilities of our Telene® resins business (Telene), which was included in the Lubrizol Advanced Materials segment.

In December 2005, we sold certain assets, liabilities and stock of our Engine Control Systems (ECS) business, with facilities located in Canada, the United States and Sweden. In September 2005, we sold certain assets and liabilities of our U.S. and U.K. Lubrizol Performance Systems (LPS) operations. Both of these businesses had been included in the Lubrizol Additives segment.

Business Segments

The Lubrizol Additives segment represents approximately 66% of our 2007 consolidated revenues and is comprised of our businesses in engine additives and driveline and industrial additives. The Lubrizol Advanced Materials segment represents approximately 34% of our 2007 consolidated revenues and primarily is comprised of the businesses we acquired in the 2004 Noveon International, Inc. acquisition and our former performance chemicals product group.

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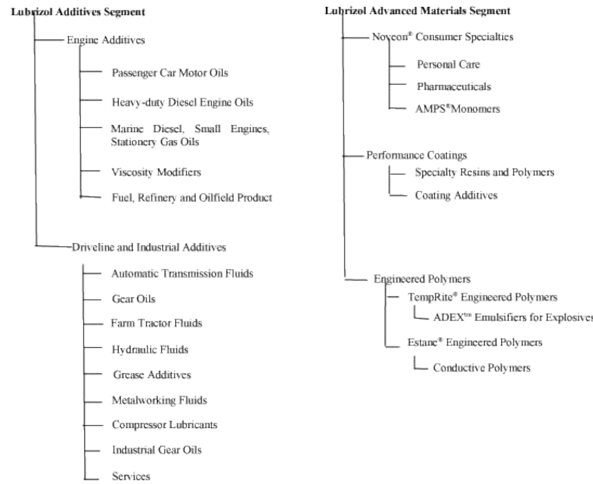
The following chart summarizes the product groupings within each of our key product lines.



Lubrizol Additives Segment

The Lubrizol Additives segment is the leading global supplier of additives for transportation and industrial lubricants. We pioneered the development of lubricant additives 80 years ago and continue to maintain leadership in what we estimate to be a $9.0 billion industry. Our customers rely on our products to improve the performance and lifespan of critical components, such as engines, transmissions and gear drives for cars, trucks, buses, off-highway equipment, marine engines and industrial applications.

For the year ended December 31, 2007, the Lubrizol Additives segment generated revenues of $2,961.1 million and segment operating income of $391.0 million.

Our products provide value to our customers and serve to increase cost-effectiveness by reducing friction and heat, resisting oxidation, minimizing deposit formation, and preventing corrosion and wear. Through our in-house research, development and testing programs, we have the capability to invent and develop a broad range of proprietary chemical components, including antioxidants, anti-wear agents, corrosion inhibitors, detergents, dispersants, friction modifiers and viscosity modifiers. We formulate proprietary additive packages by combining these different components to create unique products targeting specific customer problems. We are recognized by

our customers for innovative technology, the broadest product line and high-quality products. Key components of our additive packages include:

- antioxidants that retard oil thickening;
- anti-wear agents that prevent surfaces metal-to-metal contact;
- corrosion inhibitors that prevent rust;
- detergents that prevent deposit build-up;
- dispersants that protect equipment by suspending contaminant particles;
- friction modifiers that control friction at surfaces;
- polymer-based viscosity modifiers that allow lubricants to operate over broad temperature ranges; and
- pour point depressants that control low temperature fluid thickening.

Our products are essential to the performance of the finished lubricant, yet represent a relatively small portion of its volume. Our products often are designed to meet specific customer requirements. For example, we work with customers to develop additive packages that perform in combination with their proprietary base oil or that meet their marketing objectives to differentiate their lubricant. Extensive testing is conducted in our world-class laboratories, global mechanical testing facilities and in the field to determine additive performance under actual operating conditions. With this testing, we provide proof of performance, which enables our customers to label and certify the lubricant as meeting the exact performance specifications required for these products by the industry. The majority of our products are designed to meet an industry standard or specification.

During 2007, we had two primary product lines within our Lubrizol Additives segment: engine additives and driveline and industrial additives.

Engine Additives. Our engine additives products hold a leading global position for a wide range of additives for lubricating engine oils, such as for gasoline, diesel, marine and stationary gas engines. We also produce additives for fuel and refinery and oilfield chemicals. In addition, this product line sells additive components and viscosity improvers within its lubricant and fuel additives product areas. Our customers, who include major global and regional oil companies, refineries and specialized lubricant producers and marketers, blend our additive products with their base oil and distribute the finished lubricant to end users via retail, commercial or vehicle original equipment manufacturer (OEM) channels. In 2007, our engine additives products generated total revenues of $1,930.6 million.

The following is a list of representative uses for and a description of our engine additives products:

Category	Product/Brand	Description
Engine Additives	Passenger car motor oils, heavy-duty diesel engine oils, marine diesel, small engines, stationary gas and viscosity modifiers	Additives that extend engine life, lower emissions and enhance fuel economy.
	Fuel, refinery and oilfield products and other components	Additives designed to eliminate deposits and provide fuel system cleanliness, prevent rust and corrosion, enhance fuel economy, provide anti-knock, lower volatility and improve storage stability.

Driveline and Industrial Additives. We are a global supplier of specialty driveline and industrial oil additive products for use in driveline and industrial applications. This product line also provides outsourcing services for supply chain and knowledge center management. In 2007, our driveline and industrial additives generated total revenues of $1,030.5 million.

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Driveline Additives

Our driveline additives products include additives for driveline oils, such as automatic transmission fluids, gear oils and tractor lubricants. Relative to engine oils, specialty driveline additives are more complex formulations that carry higher average pricing and value and have longer product life cycles. We sell our products to major global and regional oil companies, specialized lubricant producers and marketers. Our customers use our products to blend with their lubricant fluids and distribute the finished lubricant to end users via retail, commercial or vehicle OEM channels. The specialty driveline additives industry is characterized by well-established product lines that meet OEM specifications and carry OEM approvals.

Industrial Additives

Our industrial oil additives products include additives for hydraulic lubricants, metalworking fluids, industrial gear oils and grease, as well as compressor lubricants. We sell our products to major global and regional oil companies, specialized lubricant producers and marketers. Our customers use our products to blend with their fluid products and distribute the finished lubricant to end users via retail, commercial or OEM channels. Because our products are sold to industrial end-markets, our industrial oil additives products are exposed to economic cycles more than other products within the Lubrizol Additives segment.

The following is a list of representative uses for and a description of our driveline and industrial oil additives products:

Category	Product/Brand	Description
Driveline and Industrial Additives	Driveline additives for automatic transmission fluids, gear oils and farm tractor fluids	Additives that provide multiple and complex performance properties, including reducing friction in order to prevent wear of transmissions, gears and farm tractor components.
	Additives for industrial fluids, including hydraulics, metalworking, industrial gear, grease and compressor fluids	A wide range of additives to meet the lubricant performance requirements of industrial equipment.

Lubrizol Advanced Materials Segment

The Lubrizol Advanced Materials segment represents a diverse portfolio of performance chemicals used in consumer and industrial applications, such as ingredients for personal care and pharmaceutical products, emulsions and additives for coatings and inks, and specialty plastics and materials.

For the year ended December 31, 2007, the Lubrizol Advanced Materials segment generated revenues of $1,537.9 million and segment operating income of $141.8 million.

We have three primary product lines within our Lubrizol Advanced Materials segment: Noveon consumer specialties, performance coatings and engineered polymers.

Noveon Consumer Specialties. We are a global producer of specialty chemicals focusing on the personal care, home care and pharmaceutical industries. Key products include Carbopol acrylic thickeners, film formers, fixatives, emollients, silicones, specialty surfactants, methyl glucoside and lanolin derivatives. In 2007, our Noveon consumer specialties products generated total revenues of $413.6 million.

Noveon consumer specialties products impart physical and sensory properties, such as texture, stability and thickness to products, including lotions, shampoos, hair gels, cosmetics and personal and oral care products. Our products are an important component of the functionality and aesthetics of the end product, but typically represent a small portion of the customer s total product costs. Key product families include:

- Carbopol acrylic thickener, which is a global leader in synthetic thickeners due to its efficient stabilizing properties and superior thickening capabilities. Primary end-uses in the personal care industry include hair

care, skin care and personal and oral care products. Pharmaceutical primary end-uses include topical and controlled-release applications.

Methyl glucoside and lanolin derivatives that enhance the functional and aesthetic properties of personal care products by delivering characteristics such as emulsification, thickening and moisturizing, as well as imparting the elegant feel to lotions and creams.

AMPS® specialty monomers that are used in the manufacture of polymers for a variety of applications such as dishwashing detergents to reduce spotting, skin creams to improve lubricity and feel, medical gels for defibrillator pads to enhance conductivity and coatings and adhesives to improve adhesion.

Specialty surfactants and additives that enhance the functional and aesthetic properties of personal care products and household and industrial cleaners by improving characteristics such as foaming, cleansing, conditioning and mildness. Surfactants primarily are used in hair care products, such as shampoos and body washes.

The following is a list of representative uses for and a description of our personal care and pharmaceuticals products:

Category	Product/Brand	Description
Personal Care and Pharmaceuticals	Carbopol®	Acrylic thickener, which imparts stability and improves aesthetics. Also used as a controlled release agent in pharmaceuticals.
	Pemulen®	Polymeric emulsifier reducing formulation irritancy and providing unique sensory properties.
	Avalure®	Polymers for color cosmetics and skin care.
	Specialty silicones	Polymers affecting slip-and-feel.
	Fixate®	Resin for hair styling.
	Emollients	Improve skin feel and appearance.
	Methyl glucoside derivatives, including Glucamate®	Natural thickeners, emulsifiers and moisturizers for shampoos, liquid cleansers, face and body creams and lotions.
	Lanolin derivatives	Natural emollients, emulsifiers and conditioners for creams, lotions and color cosmetics.
	AMPS® monomers	Specialty monomer for high performance polymers.
	Specialty surfactants, including Sulfochem®	Enhance cleansing, foaming and moisturizing of shampoos, body washes and industrial and household cleaners.
	Calcium polycarbophil	Active agent for bulk laxatives.
	Cassia gum	Gelling agents for human food (select approvals) and pet food.

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Performance Coatings. We are a leading supplier of specialty resins and additives for the coatings and ink markets worldwide. We offer a wide range of products for formulating paints, coatings and inks. In 2007, our performance coatings products generated total revenues of $540.2 million.

Our business strategy for performance coatings is centered on our ability to formulate and compound polymer emulsions to create customized solutions meeting the specific needs of our customers. The performance coatings product line includes high-performance polymers and additives for specialty paper, graphic arts, paint and textile coating applications.

Specialty Resins and Polymers

Our water-based polymer emulsions and dispersions, including resins and auxiliaries, are used in the production of high-end paint and coatings for wood, paper, metal, concrete, plastic, textiles and other surfaces. Our acrylic emulsions and polyurethane dispersions, which are environmentally attractive substitutes for solvent-based and hydrocarbon products, are valued for the superior gloss and durability properties they provide. In addition, our polymers are used as ink vehicles, overprint varnishes and functional coatings for specialty paper, printing and packaging applications. We supply acrylic emulsions used to improve the appearance, texture, durability and flame retardance of high-end specialty textiles sold to the home furnishings and technical fabrics industries. In addition to water-based polymers, we specialize in unique, non-aqueous acrylic and other proprietary polymer resins for the paint and coatings, printing ink, laminating, adhesives and sealants markets. These value-added Doresco® specialty resins not only function as carriers for pigment, but also provide surface protection and adhesion properties. We work closely with our customers to develop resins that address their specific needs.

The following is a list of representative uses for and a description of our resins and polymer products:

Category	Product/Brand	Description
Specialty Resins and Polymers	Acrylic Emulsions, Polyurethane Dispersions and Other Water-based Systems, Hycar®, Sancure®, Algan®, Performax®, Vycar®, Stycar®, Myflam®	Provide superior gloss and durability properties to paints and coatings. End markets include wood, paper, metal, concrete, plastic and textiles.
	Acrylic and Other Polymer Resins, Doresco®	Function as carriers for pigments, and provide surface protection and adhesion properties. End markets include paint and coatings, printing ink, laminating, adhesives and sealants.

Coating Additives

Our additives for coatings and inks are used to enhance the appearance and durability of coatings in architectural and industrial uses, as well as to improve their processing and application characteristics. Additives such as pigment dispersants enhance the processing and performance of printing ink, while also maximizing color strength and stability in coatings and plastics. We are a leading global supplier of surface modifiers that improve the abrasion resistance properties, gloss, leveling and film characteristics of printing ink and coatings. Our products include:

High-performance hyperdispersants for coatings, inks, thermoplastics and thermoset composites. We are a world leader in polymeric hyperdispersant technology, sold under the Solsperse® and Solplus® trade names. Hyperdispersants improve the dispersion of almost any solid particulate (including pigments, fillers, flame retardants and fibers) into almost any liquid medium (water, solvents and resins). They primarily are used to achieve even color saturation. They enrich and strengthen color, while reducing production costs and solvent emissions. We also produce Ircosperse® pigment dispersants for coatings and COLORBURST pigment dispersants for printing inks.

Surface modifiers improve the performance of industrial, architectural, can, coil, wood and powder coatings by enhancing and protecting surfaces. Lanco®, Lanco® Glidd, Lanco® Matt and Aquaslip surface modifiers impart a variety of properties to a coating, including enhanced slip, improved abrasion and scratch resistance, matting, texturing and a silky, soft feel.

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Rheology control additives improve the performance of coatings by providing thickening, sag control, pigment anti-settling and improved surface appearance. Rheology control additives are sold under the brand names Ircothix®, Ircogel® and Solthix®.

Specialized additives for inks improve rub resistance properties and film characteristics.

The following is a list of representative uses for and a description of our coating additives products:

Category	Product/Brand	Description
Coating Additives	Dispersants, Solsperse® Ircosperse®, COLORBURST	Improve the dispersion of solid particulates into liquid mediums. End markets include paints and printing inks.
	Surface Modifiers Lanco®, Lanco® Glidd, Lanco® Matt, Aquaslip	Impart a variety of properties to a coating, including enhanced slip, improved abrasion and scratch resistance, matting and texturing. End markets include industrial, architectural, can and coil, wood and powder coatings.
	Rheology Control Additives, Ircothix®, Ircogel®, Solthix®	Provide thickening, sag control and improved surface appearance of coatings.
	Specialized Additives for Inks, Duotron®, Liquitron®, Fluotron®	Improve the processing, performance and rub resistance properties.

Engineered Polymers. We are a leading global supplier of engineered polymers (EP) resins and compounds sold under the trademark TempRite. Applications for TempRite resins and compounds include piping for residential and commercial plumbing and fire sprinkler systems. In addition to TempRite, we are also a leading producer of thermoplastic polyurethane (TPU) sold under the trademark Estane. Applications for Estane TPU include plastic film and sheet for various coatings processes. Included in this product line are ADEX™ emulsifers for explosives. In 2007, the engineered polymers product line generated total revenues of $584.1 million.

TempRite Engineered Polymers

TempRite EP is a technologically advanced heat, fire and chemical resistant polymer that we developed to serve technically demanding applications not well served by traditional PVC and other commodity plastics. Our TempRite EP is sold to customers who produce plastic piping for residential and commercial plumbing, fire sprinkler systems and industrial piping applications. TempRite EP piping has inherent advantages over copper and other metals due to its heat and corrosion resistance, increased insulation properties, mold resistance, ease of installation and lower installed cost. We market our branded TempRite EP products for specific applications: FlowGuard® and FlowGuard Gold® for residential and commercial plumbing, BlazeMaster® for fire sprinkler systems and Corzan® for industrial piping. We believe we have built strong end-user awareness of our brands by using a sales force that markets directly to builders, contractors, plumbers, architects, engineers and building owners.

In January 2007, TempRite EP introduced two new piping products, FlowGuard Gold® Bendable and FlowGuard® Flex. Both products are used in residential and commercial plumbing.

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The following is a list of representative uses for and a description of our EP products:

Category	Product/Brand	Description
EP	TempRite®	Residential plumbing
	FlowGuard®	Residential and commercial plumbing
	FlowGuard Gold®	Residential and commercial plumbing
	Corzan®	Industrial and commercial piping
	BlazeMaster®	Fire sprinkler piping
	FlowGuard® Flex	Flexible piping systems

ADEX

ADEX emulsifiers for explosives are customized systems that are designed to combine water and oil for use in producing civil explosives. They are sold on a global basis exclusively to explosive manufacturers.

Estane Engineered Polymers

Estane TPU, an engineered, highly versatile thermoplastic, provides a high performance alternative to rigid plastics and flexible rubber. Performance attributes of Estane TPU include abrasion, heat and chemical resistance, minimal fatigue from bending, ease of processing and good paintability. These performance characteristics make Estane TPU attractive for use in a broad range of end-uses, including film and sheet for various coating processes, wire and cable insulation, athletic equipment (such as footwear), medical applications, pneumatic tubing and automotive molded parts. In addition, Estane TPU has expanded into products that can be melt spun into elastic spandex fibers and materials that offer enhanced breathability for garments. We believe that Estane TPU is one of the industry s leading brand names. In addition, we market fiber-reinforced TPU under the Estaloc® brand. Estaloc reinforced engineering thermoplastics offer the functional properties of traditional TPU, yet are reinforced for higher stiffness to provide the strength, dimensional stability and impact resistance required to withstand a variety of tough applications and harsh environments. Applications include sporting goods, agricultural equipment and other mechanical components.

We market Stat-Rite® conductive polymers, which are static dissipative materials used in a variety of applications such as packaging for electronics components and medical devices.

The following is a list of representative uses for and a description of our Estane engineered polymers products, which include our conductive polymers:

Category	Product/Brand	Description
TPU	Estane®	Aromatic grades for film and sheet, wire and cable insulation, athletic equipment, medical applications, pneumatic tubing, automotive molded parts and adhesives.
	Estaloc®	Automotive trim, sporting goods, agricultural equipment and other mechanical components.
	Stat-Rite®	Packaging of sensitive electronic components and various clean room applications.
	Tecoflex®, Carbothane®	Aliphatic grades for medical tubing and other devices, optical grade film and specialty industrial applications where maintaining aesthetic properties is required.

Competition

Our Lubrizol Additives segment is highly competitive in terms of price, technology development, product performance and customer service. Our principal competitors, both in the United States and overseas, are: Infineum, a joint venture involving Shell Oil Company and Exxon Mobil Corporation; Chevron Oronite Company, a subsidiary of Chevron Corporation; and Afton Chemical Corporation, a subsidiary of NewMarket Corporation (formerly Ethyl Corporation). Petroleum companies also produce, either directly or indirectly, lubricants and fuel additives for their own use and also sell additives to others. These petroleum companies also are our customers, and some of them sell raw materials to us. We believe based on volume sold, that we are a leading supplier of performance additives for lubricants to the petroleum industry.

Our Lubrizol Advanced Materials segment faces a variety of competitors in each of our product lines. The advanced materials industry is highly fragmented. Individual products or service offerings compete on a global, regional and local level due to the nature of the businesses and products, as well as the applications and customers served. The following chart sets forth the principal competitors of the Lubrizol Advanced Materials segment by product line:

Product Line	Principal Competitors
Noveon consumer specialties	BASF, Cognis, Croda, Evonik (Degussa Goldschmidt), ISP, NK Chemicals, Rhodia, Rohm and Haas, Stepan, Sumitomo Seika, 3V Sigma, Toagosei, Vinati
Performance coatings	BASF, Bayer, Byk, Ciba, Clariant, Cytec, Dow Chemical, DSM, Eastman, OMNOVA, Parachem, Reichhold, Rohm and Haas, Tego
Engineered polymers	Atofina, BASF, Bayer, Dow, Georgia Gulf, Huntsman, Kaneka, Merquinsa, Sekisui Chemical, SK, Vanguard, Victaulic, Wirsbo

Sales and Marketing

We primarily market lubricant and fuel additives products worldwide through our direct sales organization. In addition, we use sales agents and distributors where necessary. Our additive customers primarily consist of oil refiners and independent oil blenders and are located in more than 100 countries. Our 10 largest customers, most of which are international oil companies, accounted for approximately 39% of our consolidated net sales in 2007. In 2007, there was no single customer that accounted for more than 10% of consolidated net sales.

In order to maximize our understanding of customer needs as well as emerging trends, our sales and marketing activities for our advanced materials products are organized by end-use applications. Each sales team includes representatives from sales, marketing and research and development.

Our sales and marketing staff is technically oriented and works closely with customers to develop products and formulations that deliver the desired product attributes. Some of our laboratories are equipped with small-scale equipment that replicates our customers processing capabilities, which ensure our solutions are easily and efficiently implemented at our customers facilities.

Finally, many of our sales and marketing resources are dedicated to stimulating end-use demand for our products. For example, in the case of our TempRite plumbing, fire sprinkler and industrial piping applications, our resources are focused on marketing to building contractors, plumbers, distributors and construction code officials to convince them to specify our products in their projects or building codes.

Backlog

We had no material backlog of orders in either business segment at December 31, 2007 or December 31, 2006. All unfilled orders that were placed by December 31, 2007 are reasonably expected to be filled during 2008.

Research, Development and Technology

Technology leadership in design and formulation of additives and specialty chemicals drives our business. Historically, we have emphasized consistent investment in research. We have developed internally a large percentage of the products we manufacture and sell. Our internal technical resources encompass chemical synthesis, world-class physical and analytical science, statistical and computer modeling expertise and extensive applications technology and testing laboratories. We balance centralized research facilities with applications technology capabilities that are closely tied to their counterparts in the commercial organizations. Our technical facilities are located all over the world. We provide tools and processes for knowledge sharing and for leveraging our technology globally and across product lines.

Lubrizol Additives In our Lubrizol Additives segment, the majority of the additives we manufacture and sell are developed by our in-house research group. Technological advances in materials and in the design of engines and other automotive equipment, combined with rising demands for environmental protection and fuel economy, require increasingly sophisticated research capabilities to meet industry performance standards.

We have technical facilities in Wickliffe, Ohio; Hazelwood, United Kingdom; and Kinuura, Japan for lubricant additives research. We also conduct a limited program of corporate research designed to leverage technology across our product lines. We maintain mechanical testing laboratories at those three locations, equipped with a variety of gasoline and diesel engines, driveline and other mechanical equipment to evaluate the performance of additives for lubricants and fuels. In addition, we make extensive use of independent research firms. Global field testing is conducted through various arrangements with fleet operators and others.

We maintain offices in Southfield, Michigan; Hazelwood, United Kingdom; Paris, France; Hamburg, Germany; Shanghai, China; Mumbai, India; Tokyo, Japan; and Seoul, South Korea to maintain close contact with the principal automotive OEMs of the world and to keep us abreast of the performance requirements for our products. These liaison activities also serve as contacts for cooperative development and evaluation of products for future applications.

Lubrizol Advanced Materials Our Lubrizol Advanced Materials segment has had a long history as an industry innovator, creating proprietary, high-performance materials for our customers, including ingredients for personal care products, the invention of Carbopol acrylic thickener, additives for coatings and the commercial development of TempRite engineered polymers. We have leveraged our core surface activity chemistry into new specialty chemicals and materials markets through acquisitions and application technology expertise. Our specialty chemical and materials products are derived from a broad range of technology platforms developed either internally or externally through licensing, acquisition or joint technological alliances with global suppliers and customers.

Our primary research facility for our Lubrizol Advanced Materials segment is located in Brecksville, Ohio, where we develop new technologies and products and conduct applications development and technical service for our customers. We have other technical facilities in various locations around the world with our key satellite facilities located in Blackley, United Kingdom; Ritterhude, Germany; Louvain-la-Neuve, Belgium; Shanghai, China; Hong Kong, China; and Cuautitlan Izcalli, Mexico.

Patents We own approximately 1,600 patents worldwide relating to our products and manufacturing processes. Although these domestic and foreign patents expire from time to time, we continue to apply for and obtain patent protection for new products on an ongoing basis. We believe that, in the aggregate, our patents constitute an important asset. However, we do not regard our business as being materially dependent upon any single patent or any group of related patents. We use patents in both of our reportable segments.

Research, Testing and Development Expenditures Our consolidated research and development expenditures were $148.2 million in 2007, $135.3 million in 2006 and $128.1 million in 2005. These amounts were equivalent to 3.3%, 3.3% and 3.5% of the respective consolidated total revenues for those years. These amounts include expenditures for the performance evaluation of additive developments in engines and other types of mechanical equipment as well as expenditures for the development of specialty chemicals for industrial applications. In addition, we spent $70.7 million, $70.2 million and $70.8 million in 2007, 2006 and 2005, respectively, for technical service (testing) activities, principally for evaluation in mechanical equipment of specific lubricant formulations designed for the needs of petroleum industry customers throughout the world.

Our research and development staff works with both our sales force and customers to use our wide spectrum of technology platforms and processing capabilities to enhance our product offerings in the specialty chemicals industry. We have developed many of our products in cooperation with our customers, often as a result of their specific needs, resulting in long-standing customer relationships.

Raw Materials

We use a broad variety of specialty and commodity chemical raw materials in our manufacturing processes, and use oil in processing and blending additives. These raw materials are obtainable from several sources. The materials that we choose to purchase from a single source generally have long-term supply contracts as a basis to guarantee supply reliability. For the most part, our raw materials are derived from petroleum and petrochemical-based feedstocks.

Lubricant base oil is our single largest purchased raw material, representing approximately 30% of our purchases, by weight, for the Lubrizol Additives segment. Other major categories of raw materials for the Lubrizol Additives segment include olefins and esters (approximately 20% of purchases); and inorganic acids, bases and oxides (approximately 10%). We believe that raw materials derived from petrochemicals are approximately 80% of our purchases for the Lubrizol Additives segment. For our Lubrizol Advanced Materials segment, no single raw material represents more than 8% of purchases. The top eight raw materials total about 38% of our purchases for the Lubrizol Advanced Materials segment. Principal raw materials for the Lubrizol Advanced Materials segment include three different acrylates for personal care and coatings, PVC, PTMEG, MDI and Butanediol for engineered polymers, and styrene for coatings.

Environmental Matters

We are subject to foreign, federal, state and local laws and regulations designed to protect the environment and limit manufacturing wastes and emissions. We believe that, as a general matter, our policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and the consequent financial liability to us. Compliance with environmental laws and regulations requires continuing management effort and expenditures. We have incurred, and will continue to incur, costs and capital expenditures to comply with these laws and regulations and to obtain and maintain all necessary permits. We believe that the cost of complying with environmental laws and regulations will not have a material affect on our earnings, liquidity or competitive position, although we cannot provide you assurance in that regard.

We believe that our business, operations and facilities are being operated in compliance, in all material respects, with applicable environmental laws and regulations, many of which provide for substantial fines, penalties and criminal sanctions for violations. The operation of manufacturing plants entails environmental risks, and we may incur material costs or liabilities in the future that adversely could affect us. For example, we may be required to comply with evolving environmental laws, regulations or requirements that may be adopted or imposed in the future or to address newly discovered contamination or other conditions or information that require a response on our part.

Among other environmental laws, we are subject to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (commonly known as Superfund), under which we have been designated as a potentially responsible party that may be liable for cleanup costs associated with various waste or operating sites, some of which are on the U.S. Environmental Protection Agency Superfund priority list. Our experience, consistent with what we believe to be the experience of others in similar cases, is that Superfund site liability tends to be apportioned among parties based upon the contribution of materials to the Superfund site. Accordingly, we measure our liability and carry out our financial reporting responsibilities with respect to Superfund sites based upon this standard, even though Superfund site liability is technically joint and several in nature. We accrue for estimated environmental liabilities with charges to cost of sales. We believe our environmental accrual is adequate to provide for our portion of the costs of all such known environmental liabilities. Based upon consideration of currently available information, we believe liabilities for environmental matters will not have a material adverse affect on our financial position, operating results or liquidity, although we cannot provide you assurance in that regard.

Noveon International is the beneficiary of agreements with Goodrich Corporation (Goodrich) that require Goodrich to indemnify Noveon International for, among other things, certain environmental liabilities and costs

relating to facilities of the former Performance Materials Segment of Goodrich. However, we cannot assure you that Goodrich or other third-party indemnitors will, in the future, honor their indemnification obligations to us.

Employees

At December 31, 2007, we had approximately 6,900 employees of which approximately 53% were in the United States. We believe that our relationship with our employees is good. Three of our U.S. sites, and approximately 4% of our domestic employees, are organized by labor unions with collective bargaining agreements that are subject to periodic renegotiation. We have one agreement expiring in 2008 and we expect to enter into a new agreement with the union when it expires.

Manufacturing and Properties

We possess global manufacturing, laboratory and sales and technical service facilities enabling us to provide customers with worldwide service and a reliable supply of products. Our corporate headquarters are located in Wickliffe, Ohio. We have manufacturing facilities and laboratories, which we own or lease, at 22 sites in the United States and approximately 38 sites in 18 other countries. In addition, we have entered into manufacturing tolling arrangements for several of our products. We also have entered into long-term contracts for the exclusive use of major marine terminal facilities at various ports and leases for storage facilities. We maintain a capital expenditure program to support our operations and believe our facilities are adequate for our present operations and for the foreseeable future.

Geographic Area Information

Financial information with respect to our domestic and foreign operations is contained in Note 15 to our consolidated financial statements.

We supply our customers abroad through exports from the United States and from overseas manufacturing plants. We believe the political and economic risks related to our foreign operations are mitigated due to the stability of the countries in which our largest foreign operations are located.

ITEM 1A. RISK FACTORS

If any of the events contemplated by the following discussion of risks should occur, our business, results of operations and financial condition could suffer significantly.

Risks Relating to our Business

Volatility in raw material prices could reduce our profitability and reductions in the availability of raw material supplies could disrupt our operations.

Some of the raw materials that we use are derived from petrochemical-based feedstocks, such as crude oil and natural gas, which have been subject to historical periods of rapid and significant movements in price. These fluctuations in price could be aggravated by political instability, terrorist attacks or other hostilities in oil-producing countries or elsewhere in the world, and supply and demand factors, including OPEC production quotas and increased global demand for petroleum-based products. We also use natural gas as fuel at our facilities, and increases in the price of natural gas may reduce our profitability. Any significant variations in the cost and availability of our specialty and commodity materials or energy may negatively affect our business, financial condition or results of operations. We typically do not enter into hedging arrangements with respect to raw materials or energy, other than for natural gas and electricity. We selectively pass changes in the prices of raw materials to our customers from time to time. However, we cannot always do so, and any limitation on our ability to pass through any price increases could affect our financial performance.

We use significant quantities of a variety of specialty and commodity chemicals in our manufacturing processes, such as lubricant base oils (a derivative of crude oil); C4 feedstreams; acrylates; PVC; inorganic acids, bases and oxides; alcohols, glycols and polyols; olefins and esters; sulfonates; phenates; alkylates; sulfonic acids; and amines.

These raw materials generally are available from numerous independent suppliers. However, some of our raw material needs are met by a sole supplier or only a few suppliers. If any supplier that we rely on for raw materials ceases or limits production, we may incur significant additional costs, including capital costs, in order to find alternate, reliable raw material suppliers. We may also experience significant production delays while locating new supply sources.

We face competition from other chemical companies, which could adversely affect our business, financial condition and consolidated results of operations.

We actively compete with companies producing the same or similar products and, in some instances, with companies producing different products designed for the same uses. We encounter competition in price, delivery, service, performance, product innovation and product recognition and quality, depending on the product involved. For some of our products, our competitors are larger and have greater financial resources and less debt than we do. As a result, these competitors may be better able to withstand a change in conditions within the industries in which we operate, a change in the prices of raw materials or a change in the economy as a whole.

Our competitors can be expected to continue to develop and introduce new and enhanced products, which could cause a decline in market acceptance of our products. Current and future consolidation among our competitors and customers also may cause a loss of market share as well as put downward pressure on pricing. Additionally, a number of our niche product applications are customized or sold for highly specialized uses. Our competitors could cause a reduction in the prices for some of our products as a result of intensified price competition. Competitive pressures can also result in the loss of major customers. If we cannot compete successfully, our business, financial condition and consolidated results of operations could be adversely affected.

Failure to make continued improvements in our technology and productivity could hurt our competitive position.

We believe that we must continue to enhance our existing products and to develop and manufacture new products with improved capabilities in order to continue to be a market leader. We also believe that we must continue to make improvements in our productivity in order to maintain our competitive position. When we invest in new technologies, processes or production facilities, we face risks related to construction delays, cost over-runs and unanticipated technical difficulties. Our inability to anticipate, respond to or utilize changing technologies could have a material adverse effect on our business and our consolidated results of operations.

Our and our suppliers production facilities are subject to operating risks that could affect adversely our operations.

We are dependent upon the continued safe operation of our and our suppliers production facilities. These production facilities are subject to hazards associated with the manufacture, handling, storage and transportation of chemical materials and products, including leaks and ruptures, explosions, fires, inclement weather and natural disasters, unscheduled downtime and environmental hazards. Incidents at our or our suppliers production facilities could temporarily shut down or otherwise disrupt our manufacturing operations, causing production delays and, with respect to our facilities, resulting in liability for workplace injuries and fatalities. In addition, some of our and our suppliers production facilities are highly specialized, which limits our ability to shift production to other facilities in the event of an incident at a particular facility. If a production facility, or a critical portion of a production facility, were temporarily shut down, we likely would incur higher costs for alternate sources of supply for our products. Some of our products involve the manufacture and/or handling of a variety of reactive, explosive and flammable materials. Use of these products by our customers also could result in liability if an explosion, fire, spill or other accident were to occur. We cannot assure you that we will not experience these types of incidents in the future or that these incidents will not result in production delays or otherwise have a material adverse effect on our business, financial condition or results of operations.

Some of our businesses are cyclical and demand by our customers for our products weakens during economic downturns.

A portion of our product sales is attributable to industries and markets, such as the construction and metalworking industries, that historically have been cyclical and sensitive to relative changes in supply and demand and general economic conditions. The demand for our products depends, in part, on the general economic

conditions of the industries or national economies of our customers. Downward economic cycles in our customers industries or countries may reduce sales of some of our products. It is not possible to predict accurately the factors that will affect demand for our products in the future. Any significant downturn in the health of the general economy, either globally or regionally, or the markets in which we sell products could have an adverse effect on our revenues and financial performance.

Failure to implement our common information system platform successfully could impact negatively our ability to conduct business in our Lubrizol Advanced Materials segment.

In 2006 we launched a company-wide initiative to extend our current information system platform to the entire organization so that our core business processes are integrated globally. We successfully implemented a common information system platform in 1998 and now we have begun rolling out the system to the acquired Lubrizol Advanced Materials segment and to those parts of Lubrizol Additives that are not yet utilizing it.

We consider the risk to be low that our information system implementation may significantly disrupt our business processes and impact our ability to serve customers. However, we face the risks that the common information system platform will not be completed on a timely basis, it may cost more than projected or we may not realize its anticipated benefits.

We face numerous risks relating to our foreign operations, including exchange rate fluctuations, exchange controls and currency devaluations, that may affect adversely our results of operations.

In 2007 approximately 35% of our consolidated revenues were generated in currencies other than the U.S. dollar, which is our reporting currency, and 29% of our consolidated cost of sales and 32% of selling, technical, administrative and research (STAR) expenses were generated in currencies other than the U.S. dollar. We recognize foreign currency transaction gains and losses arising from our operations in the period incurred. As a result, currency fluctuations between the U.S. dollar and the currencies in which we do business have caused and will continue to cause foreign currency transaction gains and losses, which historically have been material and could continue to be material. We cannot predict the effects of exchange rate fluctuations upon our future operating results because of the number of currencies involved, the variability of currency exposures and the potential volatility of exchange rates.

We also face risks arising from the imposition of exchange controls and currency devaluations. Exchange controls may limit our ability to convert foreign currencies into U.S. dollars or to remit dividends and other payments by our foreign subsidiaries or businesses located in or conducted within a country imposing controls. Currency devaluations result in a diminished value of funds denominated in the currency of the country instituting the devaluation and, if they occur or continue for significant periods, could adversely affect our earnings or cash flow.

International social, political and economic conditions could affect adversely our operating performance.

Our international operations are also subject to the risk of labor unrest, regional economic uncertainty, political instability, terrorism, expropriation of property, restrictions on the transfer of funds into or out of a country, trade restrictions, export duties, taxes and quotas, domestic and foreign customs and tariffs, and current and changing regulatory environments. Any of these events could have an adverse effect on our international operations in the future by reducing the demand for our products, increasing the prices at which we can sell our products or otherwise having an adverse effect on our operating performance.

Our production facilities are of the type that could attract terrorist attacks, and any attack could disrupt our operations and cause us to incur significant costs and liabilities.

Uncertainty surrounding the possibility and scope of terrorist attacks could affect our operations in unpredictable ways, including the possibility that our chemical production facilities could become direct targets, or indirect casualties, of terrorist attacks. Although our production facilities are under a heightened level of security, this level of security could be insufficient to prevent a terrorist attack. The resulting damage could be severe and could include loss of life and property damage. In addition, some of our production and other facilities are located at sites

near to other chemical plants that could be potential targets of terrorist attacks. The resulting collateral damage could be significant and substantial. Available insurance coverage could not be sufficient to cover all of the damage incurred or could be prohibitively expensive.

The applicability of numerous environmental laws to our manufacturing facilities could cause us to incur significant costs and liabilities.

We are subject to extensive federal, state, local and foreign environmental, safety and health laws and regulations concerning, among other things, emissions to the air, discharges to land and water and the generation, handling, treatment and disposal of hazardous waste and other materials. Under certain environmental laws, we can be held strictly liable for hazardous substance contamination of any real property we have ever owned, operated or used as a disposal site or for natural resource damages associated with such contamination. We also are required to maintain various environmental permits and licenses, many of which require periodic modification and renewal. Our operations entail the risk of violations of those laws and regulations, many of which provide for substantial fines and criminal sanctions for violations. We cannot assure you that we have been or will be at all times in compliance with all of these requirements.

In addition, these requirements and their enforcement may become more stringent in the future. Although we cannot predict the ultimate cost of compliance with any such requirements, the costs could be significant. Non-compliance could subject us to significant liabilities, such as government fines, third-party lawsuits or the suspension of non-compliant operations. We also may be required to make significant site or operational modifications at substantial cost. Future developments also could restrict or eliminate the use of or require us to make modifications to our products, which could have a significant negative impact on our results of operations and cash flows.

At any given time, we are involved in claims, litigation, administrative proceedings and investigations of various types in a number of jurisdictions involving potential environmental liabilities, including cleanup costs associated with hazardous waste disposal sites, natural resource damages, property damage and personal injury. We cannot assure you that the resolution of these environmental matters will not have a material adverse effect on our results of operations or cash flows.

The ultimate costs and timing of environmental liabilities are difficult to predict. Liability under environmental laws relating to contaminated sites can be imposed retroactively and on a joint and several basis. One liable party could be held responsible for all costs at a site, regardless of fault, percentage of contribution to the site or the legality of the original disposal. We also may face liability with respect to acquired businesses for violations under environmental laws occurring prior to the date of our acquisition, and some or all of these liabilities may not be covered by indemnification from the sellers from which we acquired these businesses. We could incur significant costs, including cleanup costs, natural resources damages, civil or criminal fines and sanctions and third-party claims, as a result of past or future violations of, or liabilities under, environmental laws.

If we are unable to protect our intellectual property rights, our product sales and financial performance could be affected adversely.

We rely on a combination of patent, trade secret, copyright and trademark law, nondisclosure agreements and technical security measures to protect our intellectual property rights in our various lines of business. Our performance may depend in part on our ability to establish, protect and enforce intellectual property rights with respect to our patented technologies and proprietary rights and to defend against any claims of infringement, which involves complex legal, scientific and factual questions and uncertainties.

In the future, we may have to rely on litigation to enforce our intellectual property rights and contractual rights. In addition, we may face claims of infringement that could interfere with our ability to use technology or other intellectual property rights that are material to our business operations. If litigation that we initiate is unsuccessful, we may not be able to protect the value of some of our intellectual property. In the event a claim of infringement against us is successful, we may be required to pay royalties or license fees to continue to use technology or other intellectual property rights that we have been using or we may be unable to obtain necessary licenses from third parties at a reasonable cost or within a reasonable time. If we are unable to obtain licenses on reasonable terms, we

may be forced to cease selling or using any of our products that incorporate the challenged intellectual property, or to redesign or, in the case of trademark claims, rename our products to avoid infringing the intellectual property rights of third parties, which may not be possible and may be time-consuming if possible. Any litigation of this type, whether successful or unsuccessful, could result in substantial costs to us and diversions of some of our resources. Our intellectual property rights may not have the value we believe them to have, which could result in a competitive disadvantage or adversely affect our business and financial performance.

Some of our employees are covered by collective bargaining agreements, and the failure to renew these agreements could result in labor disruptions and increased labor costs.

Employees at three of our U.S. sites, who constitute approximately 4% of our domestic employees, are organized by labor unions that have collective bargaining agreements with us that are subject to renegotiation. One agreement expires in 2008. Although we believe that our present labor relations are satisfactory, our failure to renew these agreements on reasonable terms as the current agreements expire could result in labor disruptions and increased labor costs, which could adversely affect our financial performance.

Financial Risks

The limits imposed on us by the restrictive covenants contained in our credit facilities could prevent us from making acquisitions or capital improvements or cause us to lose access to these facilities, and if we are unable to obtain necessary waivers and our debt is accelerated, our financial condition could be affected adversely.

Our existing credit facilities contain restrictive covenants that limit our ability to, among other things:

- borrow money or guarantee the debts of others;
- use assets as security in other transactions;
- materially change the nature of our business; and
- sell assets or merge with or into other companies.

In addition, our credit facilities require us to meet financial ratios, including debt to consolidated earnings before income taxes, depreciation and amortization (EBITDA) (as defined in the credit facilities) and consolidated EBITDA (as defined in the credit facilities) to interest expense. These restrictions could limit our ability to plan for or react to market conditions or meet extraordinary capital needs and could otherwise restrict our financing activities.

Our ability to comply with the covenants and other terms of our credit facilities will depend on our future operating performance. If we fail to comply with such covenants and terms, we will be in default and the maturity of the related debt could be accelerated and become immediately due and payable. We may be required to obtain waivers from our lenders in order to maintain compliance under our credit facilities, including waivers with respect to our compliance with certain financial covenants. If we are unable to obtain any necessary waivers and the debt under our credit facilities is accelerated, our financial condition would be adversely affected.

We may not have access to capital in the future.

We may need new or additional financing in the future to expand our business or refinance existing indebtedness. If we are unable to access capital on satisfactory terms and conditions, we may not be able to expand our business or meet our payment requirements under our existing credit facilities. Our ability to obtain new or additional financing will depend on a variety of factors, many of which are beyond our control. We may not be able to obtain new or additional financing because we have substantial debt or because we may not have sufficient cash flow to service or repay our existing or future debt. In addition, depending on market conditions and our financial performance, equity financing may not be available on satisfactory terms or at all.

We could be affected adversely if our debt is downgraded.

Our ability to complete offerings of debt securities on satisfactory terms in the future will depend on the status of our credit rating. The current rating of our senior unsecured long-term indebtedness is BBB- by Standard & Poor s Ratings Group (S&P) and Baa3 by Moody s Investors Service, Inc. (Moody s). Either S&P or Moody s or both may downgrade our credit rating at any time, which would make it more difficult to complete offerings of debt securities on satisfactory terms and generally would result in increased future borrowing costs and adversely affect our access to debt and capital markets.

ITEM 1B. UNRESOLVED STAFF COMMENTS

At this time, we have no unresolved SEC staff comments that we received more than 180 days before the end of our fiscal year end.

ITEM 2. PROPERTIES

Our corporate headquarters are located in Wickliffe, Ohio. Our commercial centers for Lubrizol Additives and Lubrizol Advanced Materials are located in Wickliffe, Ohio and Brecksville, Ohio, respectively. Our significant Lubrizol Additives segment manufacturing facilities are located in Bayport, Texas; Deer Park, Texas; Le Havre, France; Painesville, Ohio; and Rouen, France. Our significant Lubrizol Advanced Materials manufacturing facilities are located in Antwerp, Belgium; Avon Lake, Ohio; Calvert City, Kentucky; Louisville, Kentucky; and Oevel, Belgium. We have other offices and facilities around the world. The locations of our manufacturing and laboratory facilities are indicated below in the following chart.

			Reportable Segments	
Location	**Owned/ Leased**	**Laboratory (R&D/Testing) or Manufacturing**	**Lubrizol Additives**	**Lubrizol Advanced Materials**
Sydney, Australia	Owned	Manufacturing	x	x
Antwerp, Belgium	Owned	Laboratory, Manufacturing		x
Louvain-la-Neuve, Belgium	Leased	Laboratory		x
Oevel, Belgium	Owned	Manufacturing		x
Vilvoorde, Belgium	Owned	Manufacturing		x
Rio de Janeiro, Brazil	Owned	Manufacturing	x	x
Sao Paulo, Brazil	Leased	Laboratory		x
Niagara Falls, Canada	Owned	Manufacturing	x	
Hong Kong, China	Leased	Laboratory		x
Lanzhou, China[(1)]	Plant is owned; land is leased	Manufacturing	x	
Qingpu, China	Plant is owned; land is leased	Laboratory, Manufacturing		x
Shanghai, China	Leased	Laboratory		x
Shanghai, China	Leased	Laboratory	x	
Songjiang, China	Plant is owned; land is leased	Manufacturing		x
Tianjin, China [(1)]	Plant is owned; land is leased	Manufacturing	x	
Zhejiang, China[(1)]	Plant is owned; land is leased	Manufacturing		x
Le Havre, France	Owned	Manufacturing	x	
Mourenx, France	Owned	Manufacturing	x	
Rouen, France	Owned	Manufacturing	x	x
Hamburg, Germany	Leased	Laboratory, Manufacturing	x	
Ritterhude, Germany	Owned	Laboratory, Manufacturing		x
Turbhe, India[(1)]	Plant is owned; land is leased	Manufacturing	x	
Vadodara, India	Owned	Laboratory, Manufacturing		x
Kinuura, Japan	Owned	Laboratory, Manufacturing	x	x
Sembilan, Malaysia	Owned	Manufacturing		x
Apodaca, Mexico[(1)]	Owned	Laboratory, Manufacturing	x	
Cuautitlan Izcalli, Mexico	Leased	Laboratory	x	x
Delfzijl, The Netherlands	Leased	Manufacturing		x
Yanbu, Saudi Arabia[(1)]	Owned	Laboratory, Manufacturing	x	
Singapore	Plant is owned; land is leased	Manufacturing	x	x
Singapore	Leased	Laboratory		x
Durban, South Africa	Owned	Manufacturing	x	x
Pohang, South Korea	Plant is owned; land is leased	Manufacturing		x

Location	Owned/ Leased	Laboratory (R&D/Testing) or Manufacturing	Reportable Segments Lubrizol Additives	Lubrizol Advanced Materials
Barcelona, Spain	Owned	Laboratory, Manufacturing		x
Barnsley, United Kingdom	Owned	Laboratory, Manufacturing		x
Blackley, United Kingdom	Leased	Laboratory		x
Hazelwood, United Kingdom	Owned	Laboratory	x	
Huddersfield, United Kingdom	Plant is owned; land is leased	Laboratory, Manufacturing		x
Paso Robles, CA	Plant is owned; land is leased	Laboratory, Manufacturing		x
Peachtree City, GA	Owned	Manufacturing		x
Countryside, IL	Owned	Laboratory, Manufacturing		x
McCook, IL	Leased	Laboratory, Manufacturing		x
Calvert City, KY	Owned	Manufacturing		x
Louisville, KY	Owned	Manufacturing		x
Lawrence, MA	Owned	Laboratory, Manufacturing		x
Wilmington, MA	Leased	Manufacturing		x
Midland, MI	Owned	Laboratory, Manufacturing	x	
Pedricktown, NJ	Owned	Manufacturing		x
Gastonia, NC	Owned	Laboratory, Manufacturing		x
Avon Lake, OH	Owned	Laboratory, Manufacturing		x
Bowling Green, OH	Owned	Laboratory, Manufacturing		x
Brecksville, OH	Owned	Laboratory		x
Chagrin Falls, OH	Owned	Laboratory, Manufacturing		x
Painesville, OH	Owned	Manufacturing	x	x
Wickliffe, OH	Owned	Laboratory	x	
Spartanburg, SC	Leased	Laboratory	x	
Spartanburg, SC	Owned	Laboratory, Manufacturing	x	x
Bayport, TX	Owned	Manufacturing	x	x
Deer Park, TX	Owned	Manufacturing	x	x
Houston, TX	Owned	Manufacturing		x

(1) These manufacturing plants are owned and operated by joint venture companies licensed by Lubrizol.

In some cases, the ownership or leasing of these facilities is through a subsidiary or affiliate. We have entered into long-term contracts for our exclusive use of major marine terminal facilities at the Port of Houston, Texas.

We maintain a capital expenditure program to support our operations and believe our facilities are adequate for our present operations and for the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS

In the third quarter of 2007, we finalized the settlement with the Louisville (KY) Metro Air-Pollution Control District relating to alleged violations of the air permit held by our Louisville, Kentucky facility. We paid a penalty of approximately $0.1 million and updated some procedures and plans at the facility.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to the vote of the security holders during the three months ended December 31, 2007.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following sets forth the name, age, recent business experience and certain other information relative to each person who was an executive officer as of February 28, 2008.

Name	Age	Position
James L. Hambrick	53	Chairman of the Board, President and Chief Executive Officer
Joseph W. Bauer	54	Vice President and General Counsel
Donald W. Bogus	60	Senior Vice President and President Lubrizol Advanced Materials
Charles P. Cooley	52	Senior Vice President, Treasurer and Chief Financial Officer
W. Scott Emerick	43	Corporate Controller
Stephen F. Kirk	58	Senior Vice President and President Lubrizol Additives
Mark W. Meister	53	Vice President and Chief Ethics Officer
Leslie M. Reynolds	47	Corporate Secretary
Patrick Saunier	52	Vice President, Information Systems
Julian M. Steinberg	53	Lubrizol Advanced Materials Senior Vice President and Chief Operating Officer
Gregory D. Taylor	49	Vice President, Corporate Planning, Development and Communications
Jeffrey A. Vavruska	47	Chief Tax Officer

James L. Hambrick is chairman of the board of directors, president and chief executive officer of The Lubrizol Corporation. He was elected president in January 2003, chief executive officer in April 2004 and chairman of the board effective January 3, 2005.

Joseph W. Bauer has been the vice president and general counsel of The Lubrizol Corporation since April 1992.

Donald W. Bogus became a senior vice president of The Lubrizol Corporation in July 2004 and president of the Lubrizol Advanced Materials segment in April 2004. He joined Lubrizol in 2000 and became the vice president responsible for the Fluid Technologies for Industry segment. He also led Lubrizol s mergers and acquisitions committee.

Charles P. Cooley is a senior vice president and the chief financial officer of The Lubrizol Corporation. He joined Lubrizol in 1998 as its chief financial officer and vice president. He was also treasurer from April 1998 to September 2001 and since September 2006. Mr. Cooley became a senior vice president in July 2004.

W. Scott Emerick joined The Lubrizol Corporation as corporate controller in June 2004. Prior to that, Mr. Emerick was at Noveon International, Inc., where he held the positions of director of finance - TempRite products from September 2003 to June 2004 and director of accounting and external financial reporting from April 2001 to September 2003.

Stephen F. Kirk became a senior vice president of The Lubrizol Corporation in July 2004 and the president of the Lubrizol Additives segment in June 2004. Previously, he was vice president of sales and marketing for Lubrizol since January 1999.

Mark W. Meister has been the vice president of human resources for The Lubrizol Corporation since 1993 and chief ethics officer since 1994.

Leslie M. Reynolds is corporate secretary and counsel for The Lubrizol Corporation. She has been counsel since February 1991. She served as assistant secretary from 1997 until her appointment as corporate secretary in April 2001.

Patrick H. Saunier became the vice president for information systems and business processes for The Lubrizol Corporation in July 2004. From 1999 to 2004, Mr. Saunier led the European shared services organization.

Julian M. Steinberg became the senior vice president and chief operating officer of Lubrizol Advanced Materials, Inc. in March 2007. From June 2005 to February 2007, he was senior vice president & general manager,

performance coatings for Lubrizol Advanced Materials, Inc. From September 2002 to June 2005, he served as vice president and general manager, Estane and later as senior vice president and general manager, Estane.

Gregory D. Taylor became the vice president for corporate planning, development and communications for The Lubrizol Corporation in February 2007. From 2003 to 2007, Mr. Taylor was the managing director of corporate planning and development for Lubrizol.

Jeffrey A. Vavruska joined The Lubrizol Corporation as chief tax officer in April 2004. Previously, he worked at American Greetings Corporation, where he was executive director of tax from September 2001 to April 2004.

All executive officers serve at the pleasure of the Board.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common shares are listed on the New York Stock Exchange under the symbol LZ. The number of shareholders of record of common shares was 3,040 as of February 15, 2008.

Information relating to the recent price and dividend history of our common shares follows:

	Common Share Price History				Dividends	
	2007		2006		Per Common Share	
	High	Low	High	Low	2007	2006
1st quarter	$ 54.13	$ 48.76	$ 46.44	$ 41.70	$ .26	$ .26
2nd quarter	69.89	51.40	45.20	38.52	.30	.26
3rd quarter	68.46	52.38	46.25	38.03	.30	.26
4th quarter	69.95	54.16	50.75	44.16	.30	.26
					$ 1.16	$ 1.04

We have no restrictions on the payment of dividends on Lubrizol common shares.

On October 1, 2007 we issued 597 common shares in private placement transactions exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) of that Act. We issued the common shares to one former director and one former officer under deferred compensation plans.

On October 11, 2007, we issued 950 common shares in a transaction exempt from registration under the Securities Act of 1933 pursuant to Regulation S. We issued the common shares to one employee of a wholly owned U.K. subsidiary of the company under an employee benefit plan.

On November 1, 2007, we issued 5,509 common shares in private placement transactions exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) of that Act. We issued the common shares to one former director and two former officers under deferred compensation plans.

On December 1, 2007, we issued 73 common shares in private placement transactions exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) of that Act. We issued the common shares to one former director, one former officer and one upper level manager under deferred compensation plans.

The following table provides information regarding our purchases of Lubrizol common shares during the quarter.

Period	Total Number of Shares (or Units) Purchased[1]	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs[2]	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet be Purchased Under the Plans or Programs
Month #1 (Oct. 1, 2007 through Oct. 31, 2007)	120 Shares	$ 65.06	N/A	5,401,918
Month #2 (Nov. 1, 2007 through Nov. 30, 2007)	292,466 Shares	$ 63.00	290,000	5,111,918
Month #3 (Dec. 1, 2007 through Dec. 31, 2007)	28 Shares	$ 64.14	N/A	5,111,918
Total	292,614 Shares		290,000	5,111,918

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[1] This column includes common shares (120 in October; 2,466 in November and 28 in December) that we purchased pursuant to our deferred compensation plans whereby we withhold shares upon a distribution to pay the withholding taxes on behalf of the employee and pursuant to our stock incentive plan in which participants exchange already owned shares to us to pay for the exercise price of an option or whereby we withhold shares upon the exercise of an option to pay the withholding taxes on behalf of the employee.

[2] This column represents common shares that we purchased at a cost of $18.2 million pursuant to a share repurchase program announced on June 23, 1997. On April 23, 2007, our board of directors authorized an enhanced share repurchase program that permits the company to repurchase up

to 5.0 million of its common shares upon completion of repurchases under the previous share repurchase program. These shares may be repurchased in the open market or through negotiated transactions. The program does not have an expiration date.

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ITEM 6. SELECTED FINANCIAL DATA

The summary of selected financial data for each of the last five years included in the Historical Summary contained on page 57 of our 2007 Annual Report to shareholders is incorporated herein by reference.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Management s Discussion and Analysis of Financial Condition and Results of Operations, including the information appearing under the heading Cautionary Statements for Safe Harbor Purposes, contained on pages 11 through 27, inclusive, of our 2007 Annual Report to shareholders is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information appearing under the heading Quantitative and Qualitative Disclosures about Market Risk contained on page 27 of our 2007 Annual Report to shareholders is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements, together with the reports of the independent registered public accounting firm relating thereto, contained on pages 29 through 56, inclusive of our 2007 Annual Report to shareholders, and the Quarterly Financial Data (Unaudited) contained on page 56 of the 2007 Annual Report to shareholders, are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

At the end of the period covered by this annual report (December 31, 2007), we carried out an evaluation under the supervision and with the participation of the company s management, including our chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures, as such term is defined in Rule 13a-15(3) of the Securities Exchange Act of 1934 (Exchange Act). Based on that evaluation, our chief executive officer and chief financial officer concluded that as of the end of such period, our disclosure controls and procedures were effective and designed to ensure that all material information required to be disclosed by the company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

In our Form 10-Q for the quarterly period ending September 30, 2007, we described a material weakness in our internal control over financial reporting for deficiencies at some international locations due to insufficient requisite technical knowledge of accounting for postemployment employee benefit plans in accordance with U.S. GAAP. As a result of this material weakness, we took steps to remediate the internal control weakness. Specifically, we contracted a third-party benefits consultant to complete a detailed benefits review at our wholly owned subsidiary that generated the majority of the reporting errors, made inquiries and conducted reviews of other international locations and enhanced our training on the application of U.S. GAAP. In the fourth quarter of 2007, we concluded that our remediation efforts were complete and our disclosure controls and procedures were effective as of the date we filed our Form 10-Q for the quarterly period ending September 30, 2007.

Other than the enhancements to our internal control over financial reporting and remediation efforts related to the accounting for postemployment employee benefit plans during the fourth quarter of 2007, there were no changes

in our internal control over financial reporting during the fourth quarter of 2007 that have affected materially, or are reasonably likely to affect materially, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information contained under the headings Election of Directors and Section 16(a) Beneficial Ownership Reporting Compliance of our proxy statement for the 2008 Annual Meeting of Shareholders is incorporated herein by reference. Information relative to executive officers is contained under Executive Officers of the Registrant in Part I of this annual report on Form 10-K. Information regarding the identification of a financial expert on the Audit Committee contained under the heading Audit Committee in our proxy statement for the 2008 Annual Meeting of Shareholders is incorporated herein by reference.

We have a code of ethics, entitled the Ethical and Legal Conduct Guidelines, that applies to our directors and all employees, including our chief executive officer, chief financial officer and controller. The Ethical and Legal Conduct Guidelines are posted at the company overview area of our website, *www.lubrizol.com*.

ITEM 11. EXECUTIVE COMPENSATION

The information relating to executive compensation contained under the headings Director Compensation, Executive Compensation, Board Committees - Organization and Compensation Committee and Board Committees - Compensation Committee Report in our proxy statement for the 2008 Annual Meeting of Shareholders is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information relating to security ownership set forth under the heading Share Ownership of Directors, Executive Officers and Large Beneficial Owners in our proxy statement for the 2008 Annual Meeting of Shareholders is incorporated herein by reference.

The following table gives information about our common shares that may be issued under the company s equity compensation plans as of December 31, 2007.

Plan Category	(a) Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding Securities reflected in Column (a))
Equity compensation plans approved by security holders	2,593,837	$ 35.07	2,673,725(1)
Equity compensation plans not approved by security holders	(2)	N/A	(2)
Total	2,593,837	$ 35.07	2,673,725(1)

(1) The 1991 Stock Incentive Plan was terminated with respect to future grants effective November 15, 2004. The shares shown are with respect to the 2005 Stock Incentive Plan. In addition to the shares shown, during 2008, pursuant to grants under the 1991 Stock Incentive Plan, Donald W. Bogus, Charles P. Cooley and Stephen F. Kirk each will be issued 15,000 shares since each of them remained an employee until January 1, 2008. There

are no voting or dividend rights associated with these common shares until they are issued.

(2) Under the Executive Council Deferred Compensation Plan, certain executive officers may defer any amount of their variable pay under the annual incentive pay plan. Deferred amounts are converted into share units based on the current market price of Lubrizol s common shares. There is a 25% company match. Additional share units are credited for quarterly dividends paid on Lubrizol common shares. At the end of the deferral period,

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which is at least three years, common shares are issued equal to the number of share units in the participant s account. Amounts attributable to the company match credited after January 1, 2004 will be paid in cash. As of December 31, 2007, there were 113,849 share units outstanding that are payable in shares.

Prior to January 1, 2004, under the Deferred Stock Compensation Plan for Outside Directors, each director who was not a Lubrizol employee received 500 share units on each October 1st and was credited with additional share units for quarterly dividends paid on Lubrizol common shares. When a person is no longer a director, Lubrizol common shares are issued equal to the number of share units in the person s account. As of December 31, 2007, there were 28,543 share units outstanding

that are payable in shares. No additional share units other than those credited for quarterly dividends have been or will be granted after January 1, 2004.

Under the Deferred Compensation Plan for Directors, each director who is not a Lubrizol employee may defer all or any portion of his or her yearly fee and meeting attendance fees and have these amounts credited to various cash investment accounts and/or a share unit account. The number of share units credited to the share unit account is based on the price of Lubrizol common shares on the day the share units are credited to the account and includes share units credited for quarterly dividends paid on Lubrizol common shares. When a person is no longer a director, Lubrizol shares are issued equal to the number of share units in the person s share unit account. As of December 31, 2007, there were 69,289

share units outstanding, 36,620 of which must be paid in Lubrizol shares and the remainder of which may be invested in the various cash investment accounts at the discretion of the director, and paid in cash.

Under the Senior Management Deferred Compensation Plan, each executive officer may defer all or any portion of his or her total annual pay and have these amounts credited to various cash investment accounts and/or a share unit account. The number of share units credited to the share unit account is based on the price of Lubrizol common shares on the day the share units are credited to the account and includes share units credited for quarterly dividends paid on Lubrizol common shares. Upon the distribution date, Lubrizol common shares are issued equal to the number of share units in the person s share unit account. As of December 31, 2007, there were 161,699

share units outstanding.

Under the Supplemental Retirement Plan for Donald W. Bogus, 500 share units are credited each anniversary date of the officer s employment to an officer s account and includes share units credited for quarterly dividends paid on Lubrizol common shares. Upon retirement, Mr. Bogus may elect to receive cash or Lubrizol shares equal to the number of share units in the account. As of December 31, 2007, there were 2,381 share units outstanding that could be paid in shares. For units credited after January 1, 2004, the payment will be made in cash only.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information relating to certain relationships, related transactions and director independence contained under the headings Director Independence and Related Person Transactions in our proxy statement for the 2008 Annual Meeting of Shareholders is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information included under the heading entitled Independent Registered Public Accountant Fees in our proxy statement for the 2008 Annual Meeting of Shareholders is incorporated herein by reference.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this Annual Report:

1. The following consolidated financial statements of The Lubrizol Corporation and its subsidiaries, together with the reports of the independent registered public accounting firm relating thereto, contained on pages 11 through 56, inclusive, of our 2007 Annual Report to shareholders, and incorporated herein by reference:

   Management s Report on Internal Controls over Financial Reporting.

   Reports of Independent Registered Public Accounting Firm.

   Consolidated Statements of Income for the years ended December 31, 2007, 2006 and 2005.

   Consolidated Balance Sheets at December 31, 2007 and 2006.

   Consolidated Statements of Cash Flows for the years ended December 31, 2007, 2006 and 2005.

   Consolidated Statements of Shareholders Equity for the years ended December 31, 2007, 2006 and 2005.

   Notes to Financial Statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
The Lubrizol Corporation

We have audited the consolidated financial statements of The Lubrizol Corporation and subsidiaries (the Company) as of December 31, 2007 and 2006, and for each of the three years in the period ended December 31, 2007, and the Company s internal control over financial reporting as of December 31, 2007, and have issued our reports thereon dated February 28, 2008 (which report relating to the consolidated financial statements expresses an unqualified opinion and includes an explanatory paragraph regarding the Company s adoption of new accounting standards in 2007 and 2006); such consolidated financial statements and reports are included in your 2007 Annual Report to Shareholders and are incorporated herein by reference. Our audits also included the consolidated financial statement schedule of the Company listed in Item 15. This consolidated financial statement schedule is the responsibility of the Company s management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Deloitte & Touche LLP
Cleveland, Ohio
February 28, 2008

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2. Schedule

SCHEDULE II - Valuation and Qualifying Accounts

For the years ended December 31, 2007, 2006 and 2005

(in millions of dollars)

Description	Balance at Beginning of Year	Charged /(Credited) to Expenses	Charged /(Credited) to Other Accounts*	Deductions	Balance at End of Year
Year ended December 31, 2007					
Allowance for uncollectible accounts	$ 7.5	$ 1.1		$ 2.3	$ 6.3
Inventory reserves	$ 16.1	$ 12.9		$ 14.0	$ 15.0
Deferred tax asset valuation allowance	$ 17.8	$ 1.5	$ (0.6)		$ 18.7
Year ended December 31, 2006					
Allowance for uncollectible accounts	$ 10.1	$ 0.8	$ (1.2)	$ 2.2	$ 7.5
Inventory reserves	$ 18.2	$ 9.1	$ 1.2	$ 12.4	$ 16.1
Deferred tax asset valuation allowance	$ 18.1	$ (0.1)	$ (0.2)		$ 17.8
Year ended December 31, 2005					
Allowance for uncollectible accounts	$ 11.0	$ 1.9	$ (0.9)	$ 1.9	$ 10.1
Inventory reserves	$ 19.1	$ 10.9	$ (2.8)	$ 9.0	$ 18.2
Deferred tax asset valuation allowance	$ 18.8	$ 4.0	$ (4.7)		$ 18.1

* Valuation and qualifying accounts of acquired and divested companies.

All other schedules have been omitted because they are not applicable.

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3. Exhibits

3.1 Amended Articles of Incorporation of The Lubrizol Corporation, as adopted September 23, 1991 (incorporated by reference to Exhibit 3.1 to The Lubrizol Corporation s annual report on Form 10-K for the year ended December 31, 2004).

3.2 Regulations of The Lubrizol Corporation, as amended effective April 27, 1992 (incorporated by reference to Exhibit 3.2 to The Lubrizol Corporation s annual report on Form 10-K for the year ended December 31, 2004).

4.1 Amendment to Article Fourth of Amended Articles of Incorporation (incorporated by reference to Exhibit 4.1 to The Lubrizol Corporation s annual report on Form 10-K for the year ended December 31, 2004).

4.2 Amended and Restated Indenture dated September 28, 2004 (originally dated June 1, 1995) by and among The Lubrizol Corporation, all of The Lubrizol Corporation s wholly owned direct and indirect domestic subsidiaries, as guarantors, and J.P. Morgan Trust Company, National Association, as successor trustee (incorporated by reference to Exhibit 99.1 of the Form 8-K of The Lubrizol Corporation filed with the SEC on September 29, 2004).

4.3 Amended and Restated Indenture dated September 28, 2004 (originally dated November 25, 1998), by and among The Lubrizol Corporation, all of The Lubrizol Corporation s wholly owned direct and indirect domestic subsidiaries, as guarantors, and J.P. Morgan Trust Company, National Association, as successor trustee (incorporated by reference to Exhibit 99.2 of the Form 8-K of The Lubrizol Corporation filed with the SEC on September 29, 2004).

4.4 Form of Indenture for Debt Securities of The Lubrizol Corporation (incorporated by reference to Exhibit 4.2 of Amendment No. 2 to the Registration Statement on Form S-3 of The Lubrizol Corporation filed with the SEC on August 24, 2004).

10.1* The Lubrizol Corporation 1991 Stock Incentive Plan, as amended (incorporated by reference to Exhibit (10)(h) to The Lubrizol Corporation s current report on Form 8-K filed with the SEC on November 18, 2004).

10.2* The Lubrizol Corporation 2005 Stock Incentive Plan, as amended.

10.3* The Lubrizol Corporation Amended Deferred Compensation Plan for Directors (incorporated by reference to Exhibit (10)(b) to The Lubrizol Corporation s current report on Form 8-K filed with the SEC on November 18, 2004).

10.4* The Lubrizol Corporation Deferred Stock Compensation Plan for Outside Directors, as amended (incorporated by reference to Exhibit (10)(i) to The Lubrizol Corporation s annual report on Form 10-K for the year ended December 31, 2003).

10.5* The Lubrizol Corporation Deferred Compensation Plan for Officers, as amended (incorporated by reference to Exhibit (10)(k) to The Lubrizol Corporation s current report on Form 8-K filed with the SEC on November 18, 2004).

10.6* The Lubrizol Corporation Executive Council Deferred Compensation Plan, as amended (incorporated by reference to Exhibit (10)(l) to The Lubrizol Corporation s current report on Form 8-K filed with the SEC on November 18, 2004).

10.7* The Lubrizol Corporation 2005 Deferred Compensation Plan for Directors, as amended.

10.8*	The Lubrizol Corporation Senior Management Deferred Compensation Plan, as amended.
10.9*	The Lubrizol Corporation 2005 Executive Council Deferred Compensation Plan, as amended.
10.10*	The Lubrizol Corporation Excess Defined Benefit Plan, as amended (incorporated by reference to Exhibit (10)(d) to The Lubrizol Corporation s current report on Form 8-K filed with the SEC on December 15, 2004).
10.11*	The Lubrizol Corporation Excess Defined Contribution Plan, as amended (incorporated by reference to Exhibit (10)(e) to The Lubrizol Corporation s current report on Form 8-K filed with the SEC on December 15, 2004).
10.12*	The Lubrizol Corporation Officers Supplemental Retirement Plan, as amended (incorporated by reference to Exhibit (10)(j) to The Lubrizol Corporation s current report on Form 8-K filed with the SEC on December 15, 2004).
10.13*	The Lubrizol Corporation 2005 Excess Defined Benefit Plan, as amended.
10.14*	The Lubrizol Corporation 2005 Excess Defined Contribution Plan, as amended.
10.15*	The Lubrizol Corporation 2005 Officers Supplemental Retirement Plan, as amended.
10.16*	Supplemental Retirement for Donald W. Bogus, as amended.
10.17*	The Lubrizol Corporation Executive Death Benefit Plan, as amended.
10.18*	Form of Employment Agreement between The Lubrizol Corporation and certain of its senior executive officers, as amended.
10.19*	Employment Agreement effective January 1, 2003, between The Lubrizol Corporation and Charles P. Cooley, as amended.
10.20*	Employment Agreement effective January 1, 2003, between The Lubrizol Corporation and Stephen F. Kirk, as amended.
10.21*	Employment Agreement effective January 1, 2003, between The Lubrizol Corporation and Donald W. Bogus, as amended.
10.22*	The Lubrizol Corporation Annual Incentive Pay Plan, as amended.
10.23*	The Lubrizol Corporation Annual Incentive Pay Plan Award Letter, as amended (incorporated by reference to Exhibit 10.2 to The Lubrizol Corporation s current report on Form 8-K filed with the SEC on December 13, 2005).
10.24*	The Lubrizol Corporation Financial Planning Program, as amended.
10.25*	Form of Indemnification Agreement between The Lubrizol Corporation and certain of its senior executive officers (incorporated by reference to Exhibit 10.26 to The Lubrizol Corporation s annual report on Form 10-K for the period ended December 31, 2006).
10.26*	Employment Agreement effective June 3, 2004 between Noveon, Inc. and Julian M. Steinberg, as amended.
10.27	Asset Purchase Agreement, dated March 16, 2006, by and among Noveon, Inc., Noveon Hilton Davis, Inc., Noveon Kalama, Inc., Noveon Textile Chemicals, Inc., Lubrizol Foam Control Additives, Inc., Lubrizol do Brasil Aditivos Ltda., and SPM Group Holdings LLC (incorporated by reference to

Exhibit 10.1 to The Lubrizol Corporation s current report on Form 8-K filed with the SEC on May 5, 2006).

10.28 Credit Agreement dated as of August 24, 2004 among The Lubrizol Corporation, the Initial Lenders named therein, Citigroup Global Markets Inc. and KeyBanc Capital Markets, as co-lead arrangers and co-bookrunners, KeyBank National Association and ABN Amro Bank N.V., as co-syndication agents, Wachovia Bank, National Association, as documentation agent, and Citicorp North America, Inc., as agent (incorporated by reference to Exhibit 10.1 to The Lubrizol Corporation s current report on Form 8-K filed with the SEC on August 30, 2004).

10.29 Amended and Restated Credit Agreement dated as of March 29, 2005 among The Lubrizol Corporation, the Initial Lenders named therein, Citicorp North America, Inc., as administrative agent, and Citigroup Global Markets, Inc., as arranger and syndication agent (incorporated by reference to Exhibit 10.5 to The Lubrizol Corporation s quarterly report on Form 10-Q for the period ended March 31, 2005).

10.30 Amendment No. 2 to the Credit Agreement among The Lubrizol Corporation, the banks, financial institutions and other institutional lenders who are parties to the Credit Agreement dated as of August 24, 2004, as amended and restated as of March 29, 2005, and as further amended as of August 23, 2005, and Citicorp North America, Inc. as agent (incorporated by reference to Exhibit 10.1 to The Lubrizol Corporation s current report on Form 8-K filed with the SEC on September 22, 2006).

10.31 Five Year Credit Agreement dated as of September 14, 2005 among Europe Chemical Holdings C.V., Noveon Holdings France S.A.S. and Noveon Europe BVBA, The Lubrizol Corporation, the Initial Lenders named therein, ABN AMRO Bank N.V. as administrative agent, and ABN AMRO Bank N.V., Calyon, Citigroup Global Markets Inc., and Fortis Capital Corp., as mandated lead arrangers and bookrunners (incorporated by reference to Exhibit 10.1 to The Lubrizol Corporation s current report on Form 8-K filed with the SEC on September 16, 2005).

10.32 Letter Amendment dated as of September 20, 2006 among Lubrizol Holdings France S.A.S. (formerly known as Noveon Holdings France S.A.S.) and Noveon Europe BVBA (collectively, the Borrowers), The Lubrizol Corporation, the Lenders named therein, ABN AMRO Bank N.V. as agent, to the Five Year Credit Agreement dated as of September 14, 2005 among the Borrowers, The Lubrizol Corporation, the Initial Lenders named therein, ABN AMRO Bank N.V., Calyon, Citigroup Global Markets Inc. and Fortis Capital Corp. (incorporated by reference to Exhibit 10.2 to The Lubrizol Corporation s current report on Form 8-K filed with the SEC on September 22, 2006).

12.1 Computation of Ratio of Earnings to Fixed Charges.

13.1 The following portions of The Lubrizol Corporation 2007 Annual Report to its shareholders (the 2007 Annual Report is available on our website at *www.lubrizol.com* as a separate pdf file):

Pages 11-27	Management s Discussion and Analysis of Financial Condition and Results of Operations.
Page 28	Management s Report on Internal Control Over Financial Reporting.
Page 28	New York Stock Exchange Certifications.
Pages 29-30	Reports of Independent Registered Public Accounting Firm.
Page 31	Consolidated Statements of Income for the years ended December 31, 2007, 2006 and 2005.
Page 32	Consolidated Balance Sheets at December 31, 2007 and 2006.

Page 33	Consolidated Statements of Cash Flows for the years ended December 31, 2007, 2006 and 2005.
Page 34	Consolidated Statements of Shareholders Equity for the years ended December 31, 2007, 2006 and 2005.
Pages 35-56	Notes to Financial Statements.
Page 57	Historical Summary.

21.1 List of Significant Subsidiaries of The Lubrizol Corporation.

23.1 Consent of Independent Registered Public Accounting Firm.

31.1 Rule 13a-14(a) Certification of the Chief Executive Officer, as created by Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Rule 13a-14(a) Certification of the Chief Financial Officer, as created by Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Chief Executive Officer and Chief Financial Officer of The Lubrizol Corporation pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002.

* Indicates management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the Registrant has duly caused this annual report on Form 10-K to be signed on February 28, 2008, on its behalf by the undersigned, thereunto duly authorized.

THE LUBRIZOL CORPORATION

BY /s/ James L. Hambrick
James L. Hambrick, President and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below on February 18, 2008, by the following persons on behalf of the Registrant and in the capacities indicated.

/s/ James L. Hambrick James L. Hambrick	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)
/s/ Charles P. Cooley Charles P. Cooley	Sr. Vice President, Treasurer and Chief Financial Officer (Principal Financial Officer)
/s/ W. Scott Emerick W. Scott Emerick	Corporate Controller (Chief Accounting Officer)
/s/ Robert E. Abernathy Robert E. Abernathy	Director
/s/ Jerald A. Blumberg Jerald A. Blumberg	Director
/s/ Forest J. Farmer, Sr. Forest J. Farmer, Sr.	Director
/s/ Gordon D. Harnett Gordon D. Harnett	Director
/s/ William P. Madar William P. Madar	Director
/s/ Dominic J. Pileggi Dominic J. Pileggi	Director
/s/ James E. Sweetnam James E. Sweetnam	Director
/s/ Harriett Tee Taggart Harriett Tee Taggart	Director

Exhibit 10.2

THE LUBRIZOL CORPORATION 2005 STOCK INCENTIVE PLAN
(As Amended January 1, 2008)

Section 1. Purpose.

The purposes of The Lubrizol Corporation 2005 Stock Incentive Plan are to encourage selected employees of The Lubrizol Corporation and its Subsidiaries and Outside Directors of the Company to acquire a proprietary and vested interest in the growth and performance of the Company, to generate an increased incentive to contribute to the Company s future success and prosperity, thus enhancing the value of the Company for the benefit of shareholders, and to enhance the ability of the Company and its Subsidiaries to attract and retain individuals of exceptional talent upon whom, in large measure, the sustained progress, growth and profitability of the Company depends.

Section 2. Definitions.

As used in the Plan, the following terms have the meanings set forth below:

(a) Award means any Option, Stock Appreciation Right, Restricted Stock Award, Restricted Stock Unit Award, or Stock Award granted pursuant to the provisions of the Plan.

(b) Award Agreement means a written document evidencing any Award granted hereunder, signed by the Company and delivered to the Participant or Outside Director, as the case may be.

(c) Board means the Board of Directors of the Company.

(d) Code means the Internal Revenue Code of 1986, as amended from time to time.

(e) Committee means a committee of not less than three (3) Outside Directors of the Board, each of whom must be a disinterested person within the meaning of Rule 16b-3(d)(3) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the Exchange Act), or any successor rule or statute; provided, however, that with respect to Awards granted to non-Section 16 officers, Committee may mean the Chair of the Organization and Compensation Committee of the Board of Directors and at least one other member of the Organization and Compensation Committee.

(f) Company means The Lubrizol Corporation.

(g) Employee means any employee of the Company or of any Subsidiary.

(h) Fair Market Value means the closing price of a Share on the New York Stock Exchange on the Grant Date (in the case of a Grant), or any other relevant date.

(i) Full-value Awards means Awards that result in the Company transferring the full value of any underlying Share issued in the transaction. Full-value Awards will include all Restricted Stock Awards, performance shares, performance rights, Stock-settled SARs, and certain other stock based Awards.

(j) Grant Date means the date on which the Board approves the grant of an Option, Stock Appreciation Right, Restricted Stock Award, Restricted Stock Unit Award or Stock Award, and, with respect to a Restricted Stock Unit Award granted to an Outside Director, the date specified pursuant to Section 10 on which such Award is granted.

(k) Incentive Stock Option means an Option that is intended to meet the requirements of Section 422A of the Code or any successor provision thereto.

(l) Non-Statutory Stock Option means an Option that is not intended to be an Incentive Stock Option.

(m) Option means an option to purchase Shares granted hereunder.

(n) Option Price means the purchase price of each Share under an Option.

(o) Outside Director means a member of the Board who is not an employee of the Company or of any Subsidiary.

(p) Participant means an Employee who is selected by the Committee to receive an Award under the Plan.

(q) Plan means The Lubrizol Corporation 2005 Stock Incentive Plan.

(r) Restricted Stock Award means an award of restricted Shares under Section 8 hereof.

(s) Restricted Stock Unit Award means an award of restricted stock units under Section 10 hereof.

(t) Restriction Period means the period of time specified in an Award Agreement during which the following conditions remain in effect: (i) certain restrictions on the sale or other disposition of Shares awarded under the Plan, (ii) subject to the terms of the applicable Award Agreement, the continued employment of the Participant, and (iii) other conditions forth in the applicable Award Agreement.

(u) Shareholders Meeting means the annual meeting of shareholders of the Company in each year.

(v) Shares means common shares without par value of the Company.

(w) Stock Appreciation Right means the right to receive a payment in cash or in Shares, or in any combination thereof, from the Company equal to the excess of the Fair Market Value of a stated number of Shares at the exercise date over a fixed price for such Shares.

(x) Stock Award means the grant of Shares under the Plan.

(y) Stock-settled SAR means the grant of a Stock Appreciation Right whereby the appreciation of the underlying Shares (the value to the Employee from the exercise of any

Stock Appreciation Right grant) is settled in Shares, either for the full number of Shares or the appreciation net of any tax obligation.

(z) Subsidiary means a corporation which is at least 80% owned, directly or indirectly, by the Company.

(aa) Voting Stock means the then-outstanding securities entitled to vote generally in the election of directors of the Company.

Section 3. Administration.

The Plan is administered by the Committee. Members of the Committee are appointed by and serve at the pleasure of the Board, and may resign by written notice filed with the Chairman of the Board or the Secretary of the Company. A vacancy on the Committee will be filled by the appointment of a successor member by the Board. Subject to the express provisions of this Plan, the Committee has conclusive authority to select Employees to be Participants for Awards and determine the type and number of Awards to be granted, to construe and interpret the Plan, any Award granted hereunder, and any Award Agreement entered into hereunder, and to establish, amend, and rescind rules and regulations for the administration of this Plan and has additional authority as the Board may from time to time determine to be necessary or desirable. Notwithstanding the foregoing, the Committee does not have the discretion with respect to Restricted Stock Awards granted to Outside Directors pursuant to Section 10 as to prevent any Award granted under this Plan from meeting the requirements for exemption from Section 16(b) of the Exchange Act, as set forth in Rule 16b-3 thereunder or any successor rule or statute.

Section 4. Shares Subject to the Plan.

(a) Subject to adjustment as provided in the Plan, the maximum number of shares as to which Awards may be granted under this Plan is 4,000,000 Shares, of which no more than 2,000,000 Shares can be settled as full-value Awards; provided, however, that no more than 500,000 Shares will be available for grant to any Participant during a calendar year. In addition to the stated maximums described above, this Plan provides the Committee with the flexibility to convert the Shares reserved solely for Options and the grant of Stock Appreciation Rights into full value awards (e.g., restricted stock, performance shares, etc.). Specifically:

(i) For every Option or Stock Appreciation Right granted, the number of Shares available for grant shall be reduced by one Share for every one Share granted;

(ii) For each of the first 2,000,000 Shares granted as Awards other than Options or the grant of a Stock Appreciation Right, the number of Shares available for grant shall be reduced by one Share for every one Share granted;

(iii) For any Awards settled as a full-value Award in excess of the 2,000,000 Share limit, the number of Shares available for grant shall be reduced by three Shares for every one Share granted

For example, if we issue 2,000,000 Shares as performance shares prior to exhausting our pool of shares for Options, the Committee has the flexibility to convert a portion of the remaining options into other Award types, but it must be consistent with the 3-to-1 ratio described above.

The Company believes this provision provides for the maximum equity plan design flexibility while continuing to protect the long-term interests of shareholders.

(b) Any Shares issued hereunder may consist, in whole or in part, of authorized and unissued Shares or treasury shares. If: (i) any Shares subject to any Award granted hereunder are forfeited, (ii) any Award otherwise terminates without the issuance of Shares or payment of other consideration in lieu of Shares; (iii) Shares are used to pay the exercise price of an Option; or (iv) Shares are withheld from issuance to pay withholding taxes, the Shares subject to the Award, to the extent of any such forfeiture, termination or withholding, will not again be available for issuance under the Plan.

(c) The number of Shares which remain available for issuance pursuant to this Plan, together with Shares subject to outstanding Awards, at the time of any change in the Company s capitalization, including stock splits, stock dividends, mergers, reorganizations, consolidations, recapitalizations, or other changes in corporate structure will be appropriately and proportionately adjusted to reflect such change in capitalization.

Section 5. Eligibility.

Any Employee is eligible to be selected as a Participant.

Section 6. Stock Options.

Non-Statutory Stock Options and Incentive Stock Options may be granted hereunder to Participants either separately or in conjunction with other Awards granted under the Plan. Any Option granted to a Participant under the Plan will be evidenced by an Award Agreement in the form as the Committee may from time to time approve. Any Option will be subject to the following terms and conditions and to any additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee deems desirable.

(a) Option Price. The purchase price per Share under an Option will be fixed by the Committee in its sole discretion; provided that the purchase price will not be less than one hundred percent (100%) of the Fair Market Value of the Share on the Grant Date of the Option. Payment of the Option Price may be made in cash, Shares, or a combination of cash and Shares, as provided in the Award Agreement relating thereto.

(b) Option Period. The term of each Option will be fixed by the Committee in its sole discretion; provided that no Incentive Stock Option may be exercisable after the expiration of ten years from the Grant Date.

(c) Exercise of Option. Options may be exercisable to the extent of fifty percent (50%) of the Shares subject thereto after one year from the Grant Date, seventy-five percent (75%) of such Shares after two years from the Grant Date, and one hundred percent (100%) of such Shares after three years from the Grant Date, subject to any

provisions respecting the exercisability of Options that may be contained in an Award Agreement.

(d) Incentive Stock Options. The aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options held by any Participant which are exercisable for the first time by such Participant during any calendar year under the Plan (and under any other benefit plans of the Company, of any parent corporation, or Subsidiary) will not exceed $100,000 or, if different, the maximum limitation in effect at the Grant Date under Section 422A of the Code, or any successor provision, and any regulations promulgated thereunder. The terms of any Incentive Stock Option granted hereunder will comply in all respects with the provisions of Section 422A of the Code, or any successor provision, and any regulations promulgated thereunder.

Section 7. Stock Appreciation Rights.

Stock Appreciation Rights may be granted hereunder to Participants either separately or in conjunction with other Awards granted under the Plan and may, but need not, relate to a specific Option granted under Section 6. The provisions of Stock Appreciation Rights need not be the same with respect to each Participant. Any Stock Appreciation Right related to a Non-Statutory Stock Option may be granted at the same time such Option is granted or at any time thereafter before exercise or expiration of such Option. Any Stock Appreciation Right related to an Incentive Stock Option must be granted at the same time such Option is granted. Any Stock Appreciation Right related to an Option will be exercisable only to the extent the related Option is exercisable. In the case of any Stock Appreciation Right related to any Option, the Stock Appreciation Right or applicable portion thereof terminates and is no longer exercisable upon the termination or exercise of the related Option. Similarly, upon exercise of a Stock Appreciation Right as to some or all of the Shares covered by a related Option, the related Option will be canceled automatically to the extent of the Stock Appreciation Rights exercised, and such Shares will not thereafter be eligible for grant under Section 4(a). The Committee may impose any conditions or restrictions on the exercise of any Stock Appreciation Right as it deems appropriate.

Section 8. Restricted Stock Awards.

(a) Issuance. Restricted Stock Awards may be issued hereunder to Participants, either separately or in conjunction with other Awards granted under the Plan. Each Award under this Section 8 will be evidenced by an Award document from the Company which will specify the vesting schedule, any rights of acceleration and such other terms and conditions as the Board determines, which need not be the same with respect to each Participant.

(b) Registration. Shares issued under this Section 8 will be evidenced by issuance of a stock certificate or certificates registered in the name of the Participant bearing the following legend and any other legend required by, or deemed appropriate under, any federal or state securities laws:

The sale or other transfer of the common shares represented by this certificate is subject to certain restrictions set forth in the Award document granted to ___(the registered owner) by The Lubrizol Corporation dated ___, under The Lubrizol Corporation 2005 Stock Incentive Plan. A copy of the Plan and Award document may be obtained from the Secretary of The Lubrizol Corporation.

Unless otherwise provided in the Award document from the Company, the certificates will be retained by the Company until the expiration of the Restriction Period. Upon the expiration of the Restriction Period, the Company will (i) have the legend removed from the certificates for the Shares to which a Participant is entitled in accordance with the Award document from the Company and (ii) release the Shares to the custody of the Participant.

(c) Forfeiture. Except as otherwise determined by the Committee at the Grant Date, upon separation of service of the Participant for any reason during the Restriction Period, all Shares still subject to restriction will be forfeited by the Participant and retained by the Company; provided that in the event of a Participant s retirement, permanent disability, death, or in cases of special circumstances, the Committee may, in its sole discretion, when it finds that a waiver would be in the best interests of the Company, waive in whole or in part any or all remaining restrictions with respect to the Participant s Shares. In such case, unrestricted Shares will be issued to the Participant at the time determined by the Committee.

(d) Rights as Shareholders. At all times during the Restriction Period, Participants will be entitled to full voting rights with respect to all Shares awarded under this Section 8 and will be entitled to dividends with respect to the Shares.

Section 9. Stock Awards.

Awards of Shares may be granted hereunder to Participants, either separately or in conjunction with other Awards granted under the Plan. Subject to the provisions of the Plan, the Committee has the sole and complete authority to determine (i) the Employees to whom Awards will be granted, (ii) the time or times at which the Awards will be granted, (iii) the number of Shares to be granted pursuant to the Awards, and (iv) all other conditions of the Awards. Conditions may include issuance of Shares at the time of the Award is granted or issuance of Shares at a time or times subsequent to the time the Award is granted, which subsequent times may be specifically established by the Committee and/or may be determined by reference to the satisfaction of one or more performance measures specified by the Committee. The provisions of Stock Awards need not be the same with respect to each Participant.

Section 10. Outside Directors Restricted Stock Unit Awards.

On the close of business on the date of each Annual Meeting of Shareholders, each Outside Director will automatically be granted a number of Restricted Stock Units equal to an amount calculated by dividing $75,000 by the Fair Market Value of a Share on the Grant Date, which will be subject to the following terms and conditions and to any additional terms and conditions, not inconsistent with the provisions of the Plan, as are contained in the applicable Award Agreement.

(a) Vesting. Restricted Stock Unit Awards granted pursuant to this Section 10 will vest upon the earliest to occur of the following dates:
(i) one year after the Grant Date;
(ii) separation from service under a retirement plan or policy of the Company;
(iii) death while serving as a director; or
(iv) Change in Control pursuant to Section 11.

Section 11. Change in Control.

Notwithstanding the provisions of Sections 6(c) and 10(a), outstanding Options will become 100% exercisable and any other outstanding Awards hereunder will become fully vested and without any restrictions upon the occurrence of any Change in Control (as hereafter defined) of the Company; except that no Option may be exercised prior to the end of six months from the Grant Date.

Notwithstanding the provisions of Section 8 and the applicable Award Agreement, any outstanding Restricted Stock Awards will become fully vested and without any restrictions upon the occurrence of any Change in Control of the Company.

For all purposes of the Plan, a Change in Control of the Company shall mean the occurrence of any of the following events:

(a) The date that any one person, or more than one person acting as a group, acquires ownership of stock of the Company that, together with the stock held by such person or group, constitutes more than 50 percent of the total fair market value or total voting power of the stock of the Company.

(b) The date any person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or person) ownership of stock of the Company possessing 30% or more of the total voting power of the stock of the Company.

(c) The date a majority of members of the Company s board of directors is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Company s board of directors before the date of the appointment or election.

(d) The date that any person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of the Company immediately before the acquisition or acquisitions.

Section 12. Amendments and Termination.

The Board may, at any time, amend, alter or terminate the Plan, but no amendment, alteration, or termination may be made that would impair the rights of an Outside Director or Participant under an Award previously granted, without the Outside Director s or Participant s consent, or that without the approval of the shareholders would:

(a) except as is provided in Sections 4(b) and 13(c) of the Plan, increase the total number of Shares which may be issued under the Plan;

(b) change the class of employees eligible to participate in the Plan; or

(c) materially increase the benefits accruing to Participants under the Plan;

so long as such approval is required by law or regulation; provided that, as long as required by law or regulation, the provisions of Section 10 hereof may not be amended or altered more than once every six (6) months, other than to comport with changes in the Code, the Employee Retirement Income Security Act, or the rules thereunder.

The Committee may amend the terms of any Award heretofore granted (except, with respect to Restricted Stock Awards granted pursuant to Section 10 hereof, only to the extent not inconsistent with Rule 16b-3 under the Exchange Act or any successor rule or statute), prospectively or retroactively, but no such amendment may impair the rights of any Participant or Outside Director without his consent.

Section 13. General Provisions.

(a) No Option or other Award may be assignable or transferable by a Participant or an Outside Director otherwise than by will or the laws of descent and distribution, and Options and Stock Appreciation Rights may be exercised during the Participant s lifetime only by the Participant, or, if permissible under applicable law, by the guardian or legal representative of the Participant.

(b) The term of each Award will be for a period of months or years from its Grant Date as may be determined by the Committee or as set forth in the Plan; provided that in no event may the term of any Incentive Stock Option or any Stock Appreciation Right related to any Incentive Stock Option exceed a period of ten (10) years from the Grant Date.

(c) In the event of a merger, reorganization, consolidation, recapitalization, stock dividend or other change in corporate structure such that Shares are changed into or become exchangeable for a larger or smaller number of Shares, thereafter the number of Shares subject to outstanding Awards granted to Participants and to any Shares subject to Awards to be granted to Participants pursuant to this Plan will be increased or decreased, as the case may be, in direct proportion to the increase or decrease in the number of Shares by reason of such change in corporate structure; provided, however, that the number of Shares will always be a whole number, and the purchase price per Share of any outstanding Options will, in the case of an increase in the number of Shares, be proportionately reduced, and, in the case of a decrease in the number of Shares, be

proportionately increased. The above adjustment will also apply to any Shares subject to Restricted Stock Awards granted to Outside Directors pursuant to the provisions of Section 10.

(d) No Employee may have any claim to be granted any Award under the Plan and there is no obligation for uniformity of treatment of Employees or Participants under the Plan.

(e) The prospective recipient of any Award under the Plan will not, with respect to the Award, be deemed to have become a Participant, or to have any rights with respect to the Award, until and unless the recipient complies with the then applicable terms and conditions.

(f) All certificates for Shares delivered under the Plan pursuant to any Award will be subject to any stock-transfer orders and other restrictions as the Committee deems advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Shares are then listed, and any applicable federal or state securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(g) Except as otherwise required in any applicable Award document or by the terms of the Plan, Participants will not be required, under the Plan, to make any payment other than the rendering of services.

(h) The Company is authorized to withhold from any payment under the Plan, whether the payment is in Shares or cash, all withholding taxes due in respect of the payment hereunder and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes.

(i) Nothing contained in this Plan prevents the Board from adopting other or additional compensation arrangements, subject to shareholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

(j) Nothing in the Plan interferes with or limits in any way the right of the Company or any Subsidiary to terminate any Participant s employment at any time, nor does the Plan confer upon any Participant any right to continued employment with the Company or any Subsidiary.

Section 14. Effective Date of the Plan.

The Plan will be effective upon adoption of the Plan by the Board of Directors of the Company. The Plan will be submitted to the shareholders of the Company for approval within one year after its adoption by the Board of Directors, and if the Plan is not approved by the shareholders, the Plan will be void and of no effect. Any Awards granted under the Plan prior to the date the Plan is submitted for approval by the shareholders will be void if the shareholders do not approve the Plan.

Section 15. Expiration of the Plan.

Awards may be granted under this Plan at any time prior to April 1, 2010, on which date the Plan will expire but without affecting any outstanding awards.

THE LUBRIZOL CORPORATION
2005 STOCK INCENTIVE PLAN
RESTRICTED STOCK AWARD AGREEMENT

THIS RESTRICTED STOCK AWARD AGREEMENT, dated this ___day of ___, 2___, (being the date this restricted stock award is granted (the Grant Date)) by The Lubrizol Corporation (hereinafter called the Company) to ___(hereinafter called the Employee), an employee of the Company and/or a Subsidiary (as defined in the Plan).

W I T N E S S E T H :

That the parties hereto have agreed and do hereby agree as follows:

Section 1. The Company hereby grants to the Employee, under the provisions of the Company s 2005 Stock Incentive Plan, as amended (the Plan), the number of Company Common Shares, without par value, set forth below, subject to the restrictions, terms and conditions as hereinafter set forth. The Company Common Shares granted hereunder are referred to herein as the Shares .

Section 2. The aggregate number of Shares granted hereunder is ___.

Section 3. A certificate or certificates evidencing the Shares will be issued by the Company in the name of the Employee upon acceptance hereof by the Employee, but in no event beyond the end of the year of grant. Each certificate evidencing the Shares shall bear the following legend, and any other legend deemed necessary or desirable by the Company in order to comply with the applicable laws or to ensure the enforceability of the provisions of the Plan or this Agreement:

The sale or other transfer of the common shares represented by this certificate is subject to certain restrictions set forth in the Award Agreement between ___(the registered owner) and The Lubrizol Corporation dated ___under The Lubrizol Corporation 2005 Stock Incentive Plan. A copy of the Plan and Award Agreement may be obtained from the Secretary of The Lubrizol Corporation.

Section 4.

(a) Except as otherwise provided in Section 8 hereof, until the expiration of the Restriction Period (as hereinafter defined), the certificate or certificates representing the Shares will be held on behalf of the Employee by the Vice President Human Resources of the Company, or his/her designee, and the Employee may not sell, exchange, transfer, pledge, hypothecate or otherwise dispose of the Shares. For purposes of this Agreement, Restriction Period shall mean the period beginning on the Grant Date and ending as set forth below:

SHARES	RESTRICTION PERIOD
_____	____________________
_____	____________________
_____	____________________
_____	____________________

(b) In the event of termination of the Employee s employment with the Company and/or a Subsidiary for any reason prior to the expiration of the Restriction Period for any Shares, the Employee will forfeit to the Company all Shares for which the Restriction Period has not expired, provided that in the event of the Employee s retirement, permanent disability, death, or in cases of special circumstances, the Committee (as defined in the Plan) may, in its sole discretion, when it finds that a waiver would be in the best interests of the Company, determine that the Restriction Period for any or all of the Shares is deemed to have expired and new certificates will be issued in accordance with Section 6.

Section 5. Notwithstanding the provisions of Section 4, the Restriction Period all be deemed to have expired with respect to all Shares and the Shares will not be subject to forfeiture upon the occurrence of any Change of Control (as defined from time to time in the Plan) of the Company.

Section 6. Upon the expiration of the Restriction Period with respect to any Shares without forfeiture of the Shares by the Employee and the satisfaction of the withholding obligations set forth in Section 7 of this Agreement, the Company will cause a new certificate or certificates to be issued without legend in the name of the Employee in exchange for the certificate evidencing the Shares within 60 days of the Change in Control.

Section 7. Upon (or immediately prior to) the expiration of the Restriction Period with respect to any Shares, the Employee agrees to pay the amount, if any, required to be withheld for federal, state or local tax purposes on account of the lapse of restrictions of the Shares. The payment of any tax to be withheld from those Shares otherwise issuable upon the expiration of the Restriction Period. For purposes of determining the number of Shares that are to be withheld to provide for the tax withholding, Shares will be valued at the closing price of Shares on the New York Stock Exchange on the date of the expiration of the Restriction Period.

Section 8. In the event of a merger, reorganization, consolidation, recapitalization, stock dividend or other change in corporate structure such that Company Common Shares are changed into or become exchangeable for a larger or smaller number of Company Common Shares, thereafter the number of Shares subject to this Agreement will be increased or decreased, as the case may be, in direct proportion to the increase or decrease in the number of Company Common Shares by reason of the change in corporate structure; provided, however, that the number of Shares will always be a whole number. In the event that there is any other change in the number or kind of outstanding Company Common Shares or other securities of the Company, or of any shares of stock or other securities into which the Company Common Shares are changed or for which they are exchanged, then the Committee may make an adjustment in the number or kind of shares of stock or other securities granted hereunder, as the Committee, in its sole discretion, may determine is equitably required by the change, and the adjustment will be effective and binding for all purposes.

Section 9. The Restriction Period with respect to the Shares will not expire if the lapse of restrictions would violate:

(a) any applicable state securities law;

(b) any applicable registration or other requirements under the Securities Act of 1933, as amended (the Securities Act), the Securities Exchange Act of 1934, as amended, or the listing requirements of any stock exchange; or

(c) any similar legal requirement of any governmental authority regulating the issuance of shares by the Company.

Furthermore, if a Registration Statement with respect to the Shares is not in effect or if counsel for the Company deems it necessary or desirable in order to avoid possible violation of the Securities Act, the Company may require, as a condition to its issuance and delivery of certificates for the Shares, the delivery to the Company of a commitment in writing by the Employee that at the Grant Date and at the time of expiration of the Restriction Period it is the Participant s intention to acquire such Shares for his or her own account for investment only and not with a view to, or for resale in connection with, the distribution thereof other than in a transaction that does not require registration under the Securities Act (which may, but will not be required to, be conclusively determined for the purposes of this Agreement based upon written advice of counsel for the Company or the Employee); that the Participant understands the Shares may be restricted securities as defined in Rule 144 of the Securities and Exchange Commission; and that any resale, transfer or other disposition of said Shares will be accomplished only in compliance with Rule 144, the Securities Act, or other or subsequent applicable Rules and Regulations thereunder. In these circumstances (except as aforesaid), the Company may place on the certificates evidencing such Shares an appropriate legend reflecting the aforesaid commitment and the Company may refuse to permit transfer of such certificates until it has been furnished evidence satisfactory to it that no violation of the Securities Act or the Rules and Regulations thereunder would be involved in such transfer.

Section 10. The Committee has conclusive authority, subject to the express provisions of the Plan as in effect from time to time and this Agreement, to construe this Agreement and the Plan, and to establish, amend and rescind rules and regulations for the administration of the Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in this Agreement in the manner and to the extent it deems expedient to carry the Plan into effect, and it will be the sole and final judge of such expediency. The Board of Directors of the Company may from time to time grant to the Committee further powers and authority as the Board determines to be necessary or desirable. Notwithstanding any other provision of this Agreement to the contrary, no amendment, construction, establishment, rescission or correction of the type referenced above which is made or adopted following a Change in Control, and which amendment, construction, establishment or correction adversely affects the rights of the Employee hereunder, will be effective without the express prior written consent of the Employee.

Section 11. Notwithstanding any other provision of this Agreement, the Shares will be subject to all of the provisions of the Plan in force from time to time.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate as of the day and year first above written.

THE LUBRIZOL CORPORATION	EMPLOYEE
By	
M. W. Meister, Vice President Human Resources	

THE LUBRIZOL CORPORATION
2005 STOCK INCENTIVE PLAN
PERFORMANCE SHARE AWARD

THIS PERFORMANCE SHARE AWARD, dated this ___day of ___, 2___, (the Grant Date) by The Lubrizol Corporation (the Company) to ___, an employee of the Company and/or a Subsidiary (as defined in the Plan).

The following terms and provisions apply to this Performance Share Award:

1. The Company hereby grants to you, under the provisions of Section 9 of the Company s 2005 Stock Incentive Plan, as amended (the Plan), the number of Company Common Shares, without par value, in accordance with the three-year performance target approved by the Organization and Compensation Committee. The Company Common Shares granted hereunder are referred to herein as the Shares .

2. If there is a Change in Control, as defined under the Plan, prior to the receipt of Shares under Section 1, above, you will receive a pro-rata number of Shares within 60 days after the Change in Control. The pro-rata number of Shares will be determined as shown on Exhibit A attached to this Award.

3. If you separate from service due to retirement (either normal or early retirement) prior to the receipt of Shares pursuant to Section 1, above, you will receive a pro-rata number of Shares between the January 1 and March 15 of the year following the end of the three-year cycle based on the number of full months which have elapsed since the date of this Award at the time or your separation from service or death. In no event will the payment of Shares be made earlier than six months after your separation from service due to retirement.

If you separate from service due to death prior to the receipt of Shares pursuant to Section 1, above, your beneficiary will receive a pro-rata number of Shares between the January 1 and March 15 of the year following the end of the three-year cycle based on the number of full months which have elapsed since the date of this Award at the time or your service or death. If the Company does not have a beneficiary election on file at the time of your death, the Shares will be issued to your spouse, or if your spouse is not living at the time of issuance, your children who are living, or if you have no living children at the time of issuance, your estate.

If you separate from service (voluntarily or involuntarily) for any other reason prior to the receipt of Shares pursuant to Section 1, above, you will forfeit any Shares under this Award.

4. The Award is not transferable by you during your life.

5. Prior to the issuance of Shares to you, you will not be a shareholder of the Company and you will have no rights under the Award as a shareholder of the Company. No dividends or other amount will be allocated or paid to you with respect to the Award.

6. If there is a stock split, reverse stock split or stock dividend, the number of Shares specified in Section 1, above will be increased or decreased in direct proportion to the increase

or decrease in the number of Company Shares by reason of the stock split, reverse stock split or stock dividend.

7. Shares will not be distributed under this Award if the issuance of the Shares would violate:

(a) any applicable state securities law;

(b) any applicable registration or other requirements under the Securities Act of 1933, as amended (the Securities Act), the Securities Exchange Act of 1934, as amended, or the listing requirements of any stock exchange on which the Company s Shares are listed; or

(c) any similar legal requirement of any governmental authority regulating the issuance of shares by the Company.

Further, if a Registration Statement with respect to the Shares to be issued is not in effect or if counsel for the Company deems it necessary or desirable in order to avoid possible violation of the Securities Act, the Company may require, as a condition to its issuance and delivery of certificates for the Shares, that you deliver to the Company a statement in writing that you understand the Shares may be restricted securities as defined in Rule 144 of the Securities and Exchange Commission and that any resale, transfer or other disposition of the Shares will be accomplished only in compliance with Rule 144, the Securities Act, or other or subsequent applicable Rules and Regulations thereunder. Further still, the Company may place on the certificates evidencing the Shares an appropriate legend under Rule 144.

8. (a) When the Common Shares are distributable to you pursuant to Section 1, above, you may be subject to income and other taxes on the value of the Shares on the date of distribution. The Company will withhold a sufficient number of Shares that will provide for the federal, state and/or local income tax at the rates then applicable for supplemental wages, unless otherwise requested by you, but in no event less than the statutory minimums for tax withholding.

(b) For purposes of determining the number of Common Shares that are to be withheld to provide for the tax withholding pursuant to Section 8(a), Common Shares will be valued at the closing price of a Common Share on the New York Stock Exchange on the date Shares are distributable to you. If the determination of the tax withholding requires the withholding of a fractional Share, the Company shall withhold the nearest whole number of Shares needed to pay the tax withholding, rounded up, and remit to you in cash the amount of the excess after the withholding taxes have been satisfied.

9. Prior to the distribution of Shares pursuant to Section 1, the Committee has the right in its sole discretion to reduce the amount of this Award.

10. The Committee has conclusive authority, subject to the express provisions of the Plan, as in effect from time to time, and this Award, to interpret this Award and the Plan, and to establish, amend and rescind rules and regulations for the administration of the Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in this Award in the manner and to the extent it deems expedient to carry the Plan into effect, and it is

the sole and final judge of such expediency. The Board of Directors of the Company may from time to time grant to the Committee such further powers and authority as the Board determines to be necessary or desirable.

11. You must hold any Shares that are distributed to you under this Award at least until you have met your Share ownership guideline.
12. Notwithstanding any other provision of this Award, your Award will be subject to all of the provisions of the Plan in force from time to time.

THE LUBRIZOL CORPORATION

By

James L. Hambrick
Chairman, President and CEO

EXHIBIT A

Determination of Pro-Rata Common Shares Upon a Change in Control Under Section 2

Pursuant to the terms of Section 2, the number of pro-rata Common Shares upon a Change in Control will be determined as follows:

1. No payout if 12 months has not elapsed since the date of this Award.
2. If more than 12 months has elapsed since the date of this Award:
   (a) Determine the measurement growth rate for each full year that has elapsed in the 3-year period as of the date of the Change in Control,

   (b) The 3-year cumulative measurement growth will be imputed as either the 1-year measurement growth (if the Change in Controls occurs during the second year) or the 2-year cumulative measurement growth (if the Change in Control occurs during the third year).

   (c) Payout is then pro-rated based on number of full months that have elapsed since the date of this Award, payable within 60 days after the Change in Control.

THE LUBRIZOL CORPORATION
2005 STOCK INCENTIVE PLAN
OUTSIDE DIRECTOR
RESTRICTED STOCK UNIT AWARD

THIS RESTRICTED STOCK UNIT AWARD, dated this ___day of ___, 2___, (the Grant Date) by The Lubrizol Corporation (the Company) to ___, a member of the Board of Directors of the Company who is not a Director of the Company or a Subsidiary (as defined in the Plan).

The following terms and provisions apply to this Restricted Stock Unit Award:

1. This Award grants to you, under the provisions of the Company s 2005 Stock Incentive Plan, as amended (the Plan), the number of Stock Units (Units) equal to the amount, set forth in Section 2, which is calculated by dividing $70,000.00 by the Fair Market Value of a Share of Lubrizol common stock, on the date of the most recent Annual Meeting of Shareholders, subject to the restrictions, terms and conditions as hereinafter set forth.

2. The aggregate number of Units granted under this Award is ___.

3. (a) The Restriction Period is one year beginning on the Grant Date and ending on the first anniversary of the Grant Date.

(b) If you separate from service as a director of the Company for any reason prior to the end of the Restriction Period, you will forfeit to the Company all Units for which the Restriction Period has not expired, provided that in cases of special circumstances, the Committee (as defined in the Plan) may, in its sole discretion, when it finds that a waiver would be in the best interests of the Company, determine that the Restriction Period for any or all of the Units is deemed to have expired and Share certificates will be issued in accordance with Section 5.

4. Notwithstanding the provisions of Section 3, the Restriction Period will end upon: (a) your separation from service in accordance with any retirement plan or policy of the Company then in effect; (b) your death; or (c) the occurrence of any Change of Control (as defined in the Plan) of the Company.

5. Within 60 days after the end of the Restriction Period, a Share certificate(s) will be issued to you in an amount equal to the number of Units subject to the Restriction Period.

6. If there is a merger, reorganization, consolidation, recapitalization, stock dividend or other change in corporate structure such that Company Common Shares are changed into or become exchangeable for a larger or smaller number of Company Common Shares, the number of Units specified in Section 2, above, will be increased or decreased, as the case may be, in direct proportion to the increase or decrease in the number of Company Common Shares by reason of the change in corporate structure; provided, however, that the number of Units will always be a whole number.

7. The Restriction Period will not expire if the lapse of restrictions would violate:

(a) any applicable state securities law;

(b) any applicable registration or other requirements under the Securities Act of 1933, as amended (the Securities Act), the Securities Exchange Act of 1934, as amended, or the listing requirements of any stock exchange; or

(c) any similar legal requirement of any governmental authority regulating the issuance of shares by the Company.

In addition, if a Registration Statement with respect to Shares distributable under this Plan is not in effect or if counsel for the Company deems it necessary or desirable in order to avoid possible violation of the Securities Act, the Company may require, as a condition to its issuance and delivery of certificate(s) for the Shares, the delivery to the Company of a commitment in writing by you that at the Grant Date and at the time of expiration of the Restriction Period it is your intention to acquire such Shares for your own account for investment only and not with a view to, or for resale in connection with, the distribution thereof other than in a transaction that does not require registration under the Securities Act (which may, but will not be required to, be conclusively determined for the purposes of this Agreement based upon written advice of counsel for the Company or the Director); that you understand the Shares distributable hereunder may be restricted securities as defined in Rule 144 of the Securities and Exchange Commission; and that any resale, transfer or other disposition of the Shares will be accomplished only in compliance with Rule 144, the Securities Act, or other or subsequent applicable Rules and Regulations thereunder. In these circumstances (except as aforesaid), the Company may place on the certificate(s) an appropriate legend reflecting the aforesaid commitment and the Company may refuse to permit transfer of the certificate(s) until it has been furnished evidence satisfactory to it that no violation of the Securities Act or the Rules and Regulations thereunder would be involved in such transfer.

8. The Committee has conclusive authority, subject to the express provisions of the Plan as in effect from time to time and this Award to interpret this Award and the Plan, and to establish, amend and rescind rules and regulations for the administration of the Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in this Award in the manner and to the extent it deems expedient to carry the Plan into effect, and it is the sole and final judge of such expediency. The Board of Directors of the Company may from time to time grant to the Committee further powers and authority as the Board determines to be necessary or desirable. Notwithstanding any other provision of this Agreement to the contrary, no amendment, construction, establishment, rescission or correction of the type referenced above which is made or adopted following a Change in Control, and which amendment, construction, establishment or correction adversely affects your rights, will be effective without your express prior written consent.

9. Notwithstanding any other provision of this Award, the Units will be subject to all of the provisions of the Plan in force from time to time.

THE LUBRIZOL CORPORATION

By

J. L. Hambrick
President and CEO

THE LUBRIZOL CORPORATION
2005 STOCK INCENTIVE PLAN
NONSTATUTORY STOCK OPTION AWARD AGREEMENT

THIS STOCK OPTION AWARD AGREEMENT, dated this ___day of ___, 2___, (the Grant Date) by The Lubrizol Corporation (the Company) to ___(the Employee), an employee of the Company and/or a Subsidiary (as defined in the Plan).

The parties to this Agreement agree to the following terms and provisions:

1. The Company grants to you, under the provisions of Company s 2005 Stock Incentive Plan, as amended (the Plan), the option of purchasing the number of Company Common Shares (Shares) indicated in Section 2, at the price and subject to the terms and conditions described in this Agreement. The option rights described in this Agreement will be called Option Rights . This Option award is not intended to be an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended.
2. The number of Shares you may purchase is ___.
3. The option price is $ per Share.
4. (a) Except as provided in Sections 4(b), 4(c), 4(d), 4(e), 4(f), 4(g) and 8 hereof, you cannot exercise any of the Option Rights until you have remained continuously employed by the Company and/or any of its subsidiaries for one year after the Grant Date. After one year, you can exercise the Option Rights up to 50% of the Shares specified above. After two years you can exercise up to 75% of the Shares and after three years, you can exercise up to 100% of the Shares.

(b) Notwithstanding Section 4(a), the Option Rights will become, and for the period specified in Section 6, will remain, 100% exercisable upon any Change in Control (as defined in the Plan) of the Company.

(c) If you separate from service due to retirement from the Company or any of its subsidiaries in accordance with any retirement plan or policy of your employer (1) you, at any time within the period specified in Section 6, may exercise the Option Rights and (2) if there is a Change in Control within seven (7) months following your retirement (but within the period specified in Section 6), you may, in accordance with Section 9, exercise the LSARs (as defined below), in either case as follows: (A) if you have reached the normal retirement age you may exercise the Option Rights and LSARs up to 100% of the Shares, and (B) if you have not reached the normal retirement age but elect to retire pursuant to early retirement provisions of any applicable retirement plan or policy of your employer, you may exercise the Option Rights and LSARs to the extent you were entitled to exercise them immediately prior to your early retirement, or if the Organization and Compensation Committee of the Board of Directors of Lubrizol (Committee), upon the recommendation of the Chief Executive Officer of Lubrizol, specifically approves, you may exercise the Option Rights and LSARs up to 100% of the Shares.

(d) If you separate from service with Lubrizol or any of its subsidiaries for any reason other than retirement or death, then you, at any time within three months following your separation from service (but within the period specified in Section 6), (1) may exercise the Option Rights and/or (2) may, in accordance with Section 9, exercise the LSARs, in each case to the extent you were entitled to exercise them immediately prior to your cessation of employment, or if the Committee**,** upon the recommendation of the Chief Executive Officer, specifically approves, you may exercise the Option Rights and LSARs up to 100% of the Shares.

(e) If you die while employed by Lubrizol or any of its subsidiaries, then (1) for 12 months following the date of death, (but within the period specified in Section 6), the executor or administrator of your estate or the person entitled by will or the applicable laws of descent and distribution may exercise the Option Rights and (2) if there is Change in Control within seven months after your death, the person entitled by will or by the applicable laws of descent and distribution may, in accordance with Section 9, exercise the LSARs, in each case up to of 100% of the Shares.

(f) If there is a Change in Control and your employment with the Company or any of its subsidiaries terminates either (1) by your employer other than for Cause (as defined below), or (2) by you for Good Reason (as defined below) then, notwithstanding anything in this award to the contrary, you, at any time within seven months following your termination (but within the period specified in Section 6), (A) may exercise the Option Rights and/or (B) may, in accordance with Section 9, exercise the LSARs, in each case up to 100% of the Shares. The term Cause means that, prior to your termination of the employment you committed: (I) an intentional act of fraud, embezzlement or theft in connection with your duties or in the course of your employment; (II) intentional wrongful damage to the property of the Company or any of its subsidiaries; or (III) intentional wrongful disclosure of secret processes or confidential information of the Company or any of its subsidiaries; or (IV) intentional wrongful engagement in any Competitive Activity (as defined below); and any of these acts was materially harmful to the Company. No act or failure to act on your part will be considered intentional if it was due primarily to an error in judgment or negligence, but will be considered intentional only if done, or omitted to be done, by you not in good faith and without reasonable belief that the action or omission was in the best interest of the Company. Notwithstanding the above, you will not be considered to have been terminated for Cause unless there is delivered to you a copy of a resolution duly adopted by the affirmative vote of at least three-fourths of the Directors of the Company at a meeting of the Directors called and held for that purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Directors), finding that, in the good faith opinion of the Directors, you had committed an act described above in this Section 4(f) and specifying the particulars thereof in detail. Termination of employment by you will be considered for Good Reason if you terminate employment and any of the following events has occurred (regardless of whether any other reason, other than for Cause, for the termination exists or has occurred, including without limitation other employment):

(i). Failure to elect or reelect or otherwise maintain you in the office or in the position, or a substantially equivalent office or position, which you held immediately prior to a Change in Control, or your removal as a Director of the

Company (or any successor thereto) if you were a Director of the Company immediately prior to the Change in Control;

(ii). A significant adverse change in the nature or scope of the authorities, powers, functions, responsibilities or duties attached to the position you held immediately prior to the Change in Control, a reduction in the aggregate of your annual compensation, or the termination or denial of your rights to employee benefits in which your similarly situated co-workers participate, or a reduction in scope or value thereof without your prior written consent, any of which is not remedied within ten calendar days after receipt by the Company of your written notice of the change, reduction or termination, as the case may be;

(iii). A determination you made in good faith that as a result of a Change in Control and a change in circumstances thereafter significantly affecting your position, including, a change in the scope of the business or other activities for which you were responsible immediately prior to a Change in Control, you have been rendered substantially unable to carry out, have been substantially hindered in the performance of, or have suffered a substantial reduction in, any of the authorities, powers, functions, responsibilities or duties attached to the position held by you immediately prior to the Change in Control, which situation is not remedied within ten calendar days after receipt by the Company of your written notice of your determination; or

(iv). The Company relocates its principal executive offices, or changes your principal location of work, to any location which is more than 50 miles from the location immediately prior to the Change of Control or to travel away from your office significantly more than was required prior to the Change in Control without, in either case, your prior written consent.

The term Competitive Activity means your participation, without the written consent of an officer of the Company, in the management of any business enterprise if that enterprise engages in substantial and direct competition with the Company and the enterprise s sales of any product or service competitive with any product or service of the Company amounted to 25% of such enterprise s net sales for its most recently completed fiscal year and if the Company s net sales of said product or service amounted to 25% of the Company s net sales for its most recently completed fiscal year. Competitive Activity does not include (i) the mere ownership of securities in any such enterprise and exercise of rights appurtenant thereto or (ii) participation in management of any such enterprise other than in connection with the competitive operations of such enterprise.

(g) If you, after leaving the employ of the Company, die during one of the periods described in Section 4(c), (d) or (f), the executor or administrator of your estate, or the person entitled by will or the applicable laws of descent and distribution, may exercise the Option Rights held by you at the time of your death during the applicable period, as follows:

(i). If Section 4(c) was in effect, for one (1) year after your death;

(ii). If Section 4(d) was in effect, for three (3) months after your death;
(iii). If Section 4(f) was in effect, for one (1) year after your death;
provided that, the Option Rights may not be exercised after the period specified in Section 6.

5. The Option Rights and LSARs are not transferable other than by will or by the laws of descent and distribution, and are exercisable during your lifetime only by you or your guardian or legal representative. In addition, except as otherwise provided by Sections 4(c), 4(d), 4(e), 4(f), 4(g) and 8, the Option Rights and/or LSARs can be exercised only if you remain continuously employed by Lubrizol or any of its subsidiaries from the Grant Date to the date of exercise.

6. Notwithstanding any other provision hereof, the Option Rights expire ten years after the Grant Date, or earlier as described in Sections 4(c), 4(d), 4(e), 4(f), 4(g) or 8.

7. If there is a merger, reorganization, consolidation, recapitalization, stock dividend or other change in corporate structure so that Company Common Shares are changed into or become exchangeable for a larger or smaller number of Company Common Shares, the number of Shares subject to this award will be increased or decreased in direct proportion to the increase or decrease in the number of Company Common Shares by reason of the change in corporate structure; provided, however, that the purchase price per Share will, in the case of an increase in the number of Shares, be proportionately reduced, and, in the case of a decrease in the number of Shares, be proportionately increased. If there is any other change in the number or kind of outstanding Company Common Shares or other Company securities, or of any shares of stock or other securities into which Company Common Shares have been changed or for which they have been exchanged, then the Committee may make an adjustment in the number or kind of shares of stock or other securities purchasable hereunder, and in the manner of purchasing such stock or other securities and the price to be paid, as the Committee determines is equitably required by the change, and the adjustment will be effective and binding for all purposes of the Option Rights.

8. If the Company liquidates or dissolves, the Company will give to you at least thirty (30) days prior written notice, and you will have the right within the thirty (30) day period (but within the period specified in Section 6) to exercise the Option Rights to the extent you otherwise are entitled to exercise the Option Rights. Any Option Rights which have not been exercised before the effective date of the liquidation or dissolution will terminate.

9. In accordance with the terms described in this Section 9, the Company grants to you limited stock appreciation rights (LSARs) with respect of each of the Shares to which the Option Rights relate. Upon exercise of the LSARs, (a) you will be entitled to receive a cash amount equal to the amount by which the Fair Market Value (as defined below) of a Share exceeds the option price set forth in Section 3 hereof, multiplied by the number of LSARs exercised, and (b) an equal number of Option Rights will automatically be canceled. You may

exercise a LSAR only within sixty (60) days (but within the period specified in Section 6) after you receive written notice from the Company that there has been a Change in Control. You may exercise the LSARs by delivering to the Company at the office of its Vice President, Human Resources, a signed written notice, of your election to exercise in whole or in part the LSARs. The term Fair Market Value means the higher of (1) the highest daily closing price (as reported on the New York Stock Exchange Composite Transactions) for a Share during the period beginning on the 60th day prior to the date on which the LSAR is exercised and (2) the highest gross price paid or to be paid for a Share in any Change in Control event described in Section 4(b).

10. (a) You may exercise the Option Rights by delivering to the Company at the office of its Vice President, Human Resources, a signed written notice of your election to exercise the Option Rights. You must include with the notice payment of the full purchase price of the Shares to be purchased, except as provided in Section 10(b). You must also pay, within the time period specified by the Company, the amount, if any, of the tax to be withheld for federal, state or local tax purposes on account of the exercise of the Option Rights. You may pay the purchase price and any withholding tax in cash (which may include withholding from your next salary payment), in Company Common Shares or in any combination of cash and Company Common Shares. If you use Company Common Shares to pay the purchase price of Shares being purchased: (1) you may do so either by actually delivering the share certificates or by attesting as to the ownership of the Common Shares; and (2) you must have owned them at least for six (6) months.

(b) You may elect to pay the purchase price upon the exercise of the Option Rights by authorizing a third party to sell all the Shares (or a sufficient portion of the Shares) acquired upon the exercise of the Options Rights and to remit to the Company a sufficient portion of the sale proceeds to pay the entire purchase price and any tax withholding resulting from the exercise.

(c) All elections must be made in writing and be submitted to the Company s Vice President, Human Resources. All elections by officers are irrevocable and are subject to the approval of the Committee.

(d) The Company will withhold a sufficient number of Shares that will provide for the federal, state and/or local income tax at the rates then applicable for supplemental wages, unless otherwise requested by you, but in no event less than the statutory minimums for tax withholding.

(e) For purposes of determining the number of Company Common Shares that are to be used in payment of the purchase price or to be withheld to provide for the tax withholding pursuant to Section 10(a), Company Common Shares will be valued at the closing price of a Common Share on the New York Stock Exchange on the date you exercise the Option Rights. If the determination of the tax withholding would require the withholding of a fractional Share, the Company shall withhold the nearest whole number of Shares needed to pay the tax withholding, rounded up, and remit to you in cash the amount of the excess after the withholding taxes have been satisfied. Upon payment of any tax withholding, as described above, the Option Rights are considered to be exercised as of the date the Company received your notice of the election to exercise the Option Rights, or, if applicable, the date of the sale of Shares as described in Section 10(b). Upon the proper exercise of the Option Rights, the Company will issue and deliver to you, a certificate or certificates for the Shares purchased. You agree that, as a holder of the Option Rights, you have no rights as a shareholder with respect to any

of the Shares as to which this Option applies unless you effectively exercise your Option Rights in accordance with the provisions in this Section 10.

11. Neither the Option Rights nor the LSARs will be exercisable if the exercise would violate:

(a) any applicable state securities law;

(b) any applicable registration or other requirements under the Securities Act of 1933, as amended (the Securities Act), the Securities Exchange Act of 1934, as amended, or the listing requirements of any stock exchange; or

(c) any similar legal requirement of any governmental authority regulating the issuance of shares by the Company.

In addition, if a Registration Statement for Shares under this Plan is not in effect or if the Company s counsel considers it necessary or desirable in order to avoid possible violation of the Securities Act, the Company may require the delivery to the Company of your written commitment that: (1) it is your intention to acquire the Shares for your own account for investment purposes only and not with a view to resell the Shares other than in a transaction that does not require registration under the Securities Act; (2) you understand the Shares may be restricted securities as defined in Rule 144 under the Securities Act; and (3) that any resale, transfer or other disposition of the Shares will be accomplished only in compliance with Rule 144 under the Securities Act. In certain circumstances, the Company may place a legend on the Shares certificates reflecting the commitment described above, and the Company may refuse to permit transfer of the Share certificates until the Company has been furnished with evidence satisfactory to it that the transfer would not result in a violation of the Securities Act or the Rules and Regulations.

12. Notwithstanding any other provision of this Agreement, if you are terminated from employment by the Company for Cause (as defined in Section 4(f) above), you will forfeit all of your vested and non-vested Options granted under this Agreement that are outstanding on the date of your termination.

13. The Committee has conclusive authority, subject to the express provisions of the Plan as in effect from time to time and this award, to construe this award and the Plan, and to establish, amend and rescind rules and regulations for the administration of the Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in this award in the manner and to the extent it considers expedient to carry the Plan into effect. The Board of Directors of the Company may from time to time grant to the Committee further powers and authority as the Board determines to be necessary or desirable. Notwithstanding any other provision of this award to the contrary, no amendment, construction, establishment, rescission or correction of the type referenced above which is made or adopted following a Change in Control, and which amendment, construction, establishment or correction adversely affects your rights, will be effective without your express prior written consent.

14. You must hold any Shares that are distributed to you upon the exercise of the Option under this Award, at least until you have met your Share ownership guideline.

15. Notwithstanding any other provision of this award, the Option Rights will be subject to all of the provisions of the Plan in force from time to time.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate as of the day and year first above written.

THE LUBRIZOL CORPORATION EMPLOYEE

By

J. L. Hambrick Chairman, President and CEO

Exhibit 10.7

THE LUBRIZOL CORPORATION

2005 Deferred Compensation Plan For Directors

(As Amended and Restated January 1, 2008)

1. Purpose. The purpose of this 2005 Deferred Compensation Plan For Directors (the Plan) is to continue to permit any member of the Board of Directors (the Participant) of The Lubrizol Corporation (the Company), to defer all or a portion of the compensation earned as a director in calendar years beginning on or after January 1, 2005, until after the Participant separates from service as a director, all as provided in the Plan.

2. Administration. The Plan shall be administered by the Organization and Compensation Committee of the Board of Directors of the Company (the Committee). The Committee s interpretation and construction of all provisions of this Plan shall be binding and conclusive. In the event that a Participant is a member of the Committee, such Participant shall not participate in any decision of the Committee relating to that Participant s participation in this Plan.

3. Right to Defer Compensation.

(a) Any director of the Company may, at any time prior to January 1 of a given calendar year, elect to defer under this Plan all, or such portion as the director may designate, of (i) that director s annual retainer fee, (ii) the attendance fees for attending directors meetings or committees thereof and/or (iii) stock compensation under The Lubrizol Corporation 2005 Stock Incentive Plan. All compensation deferred shall be deferred on the day that such compensation would otherwise have been paid to the director.

(b) The election described in paragraph (a) shall be made by written notice delivered to the Vice President, Human Resources, of the Company specifying (i) the portion of designated compensation to be deferred for such year, (ii) time of distribution, and (iii) if applicable, the payment option.

(c) The election under this Section 3 shall take effect on the first day of the calendar year following the year in which the election is made. A new election must be made for each calendar year.

(d) Notwithstanding paragraphs (a), (b) and (c), the first year a Participant becomes eligible to participate in the Plan, he may make an initial deferral election within 30 days after he becomes eligible to participate but only with respect to compensation paid for services performed after the election.

4. Deferral of Cash Compensation.

(a) On the date the cash compensation (and effective January 1, 2008, stock compensation) deferred under the Plan would have become payable to the Participant in the absence of an election under the Plan to defer payment thereof, the amount of such deferred compensation shall be credited to a Stock Deferral Account and/or any of the Cash Deferral Account investment portfolios designated as available by the Committee from time to time. All Deferral Accounts shall be established and maintained for each Participant in the Company s accounting books and records and the Company shall be under no obligation to purchase any investments designated by the Participant.

(b) Participant s Cash Deferral Accounts shall be credited with any gains or losses equal to those generated as if the Participant s Cash Deferral Account balances had been invested in the applicable investment portfolio(s) selected by the Participant

(c) A Participant s deferred cash compensation (and effective for deferrals after January 1, 2008, stock compensation) credited to a Participant s Stock Deferral Account shall be used to determine the number of full and fractional units (Units) representing Company Common Shares (Shares) which the deferred amount would purchase at the closing price for the Shares on the New York Stock Exchange (NYSE) composite transactions reporting system on the date that the deferred amount is credited pursuant to paragraph (a) and if Shares were not traded on that date on the NYSE, then such computation shall be made as of the first preceding day on which Shares were so traded. The Company shall credit the Participant s Stock Deferral Account with the number of full and fractional Units so determined. A Participant s Stock Deferral Account shall be administered in accordance with Section 5(b) through (e).

(d) A Participant may elect pursuant to rules established by the Committee to transfer a portion or all of the balance of any Deferral Account established under this Section 4 to any other such Deferral Account.

5. Deferral of Stock Compensation.

(a) Prior to January 1, 2008, at the time that Shares are distributable to a Participant, who has elected to defer the receipt thereof under Section 3, in lieu of Shares being issued, there shall be credited to a separate Stock Deferral Account for the Participant, full stock equivalent units (Units) which shall be established and maintained on the Company s records. One Unit shall be allocated to the Stock Deferral Account for each such Share. The balance of a Stock Deferral Account established under this Section 5(a) pursuant to deferrals under Section 3 may not be transferred to any other Deferral Account.

(b) As of each dividend payment date established by the Company for the payment of cash dividends with respect to its Shares, the Company shall credit each separate Stock Deferral Account of a Participant with an additional number of whole and/or fractional Units equal to:

(i) the product of (x) the dividend per Share which is payable with respect to such dividend payment date, multiplied by (y) the number of whole and fractional Units credited to the separate Stock Deferral Account of a Participant as of such payment date;

divided by

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(ii) The closing price of a Share on the dividend payment date (or if Shares were not traded on that date, on the next preceding day on which Shares were so traded), as reported on the NYSE-composite tape.

(c) At no time prior to actual delivery of Shares pursuant to the Plan, shall the Company be obligated to purchase or reserve Shares for delivery of a Participant and the Participant shall not be a shareholder nor have any of the rights of a shareholder with respect to the Units credited to the Participant s Stock Deferral Accounts.

(d) In the event of any change in the number of outstanding Shares by reason of any stock dividend, stock split up, recapitalization, merger, consolidation, exchange of shares or other similar corporate change, the number of Units in each separate Stock Deferral Account of a Participant shall be appropriately adjusted to take into account any such event.

6. Payment of Deferred Compensation.

(a) In the event a Participant separates from service prior to commencing to receive scheduled withdrawal payments of the Participant s Deferral Accounts, such scheduled withdrawal payments, if any, that have not commenced pursuant to Section 7, and the amount selected by Participant to be paid upon a separation from service, shall be to the Participant in: (i) a single lump sum; (ii) annual, semi-annual or quarterly substantially equal installments over a period, not exceeding twenty (20) years; or (iii) a specified percentage in a lump sum followed by annual, semi-annual or quarterly substantially equal installments over a period, not exceeding twenty (20) years, as the Participant shall have selected pursuant to Section 3(b). Such periodic payments shall begin or the lump sum payment shall be made, as the case may be, from the Participant s Deferral Accounts, at such time, within 60 days after not less than six (6) months nor more than twelve (12) months after the Participant s separation from service, as the Participant shall have selected pursuant to Section 3(b); provided, however, that if Participant has not selected a payment option with respect to payment upon a separation from service, such amounts shall be paid in a lump sum within 60 days after the six-month anniversary after Participant s separation from service. Installment payments made after the first installment or lump sum payment, as the case may be, will be made on the annual, semi-annual or quarterly anniversary of the first installment or lump sum payment, as the case may be, as elected pursuant to Section 3(b). Notwithstanding the foregoing, a Participant may elect not less than twelve (12) months prior to the Participant s separation from service, to change the time or form of distribution of the Participant s Deferral Accounts upon a separation from service; provided, however that any such change shall be invalid if the effect of such change is to accelerate distribution; provided, further that upon any such change, the distribution shall be paid at least five (5) years after the date originally selected pursuant to Section 3(b).

(b) The amount of each installment payable to a Participant from the Participant s Cash Deferral Accounts shall be determined by dividing the aggregate balance of such Participant s Cash Deferral Accounts by the number of periodic installments (including the current installment) remaining to be paid. Until a Participant s Cash Deferral Accounts has been completely distributed, the balance thereof remaining, from time to time, shall be credited with gains and losses on a monthly basis as provided in Section 4(b).

(c) The amount of any installment payable to a Participant from the Participant s Stock Deferral Accounts shall be determined by dividing the balance of the aggregate number of Units in the Participant s Stock Deferral Accounts by the number of periodic installments (including the current installment) remaining to be paid and the quotient shall be the number of Shares that are payable. If the determination of the installment payable from the Participant s Stock Deferral Accounts results in a fractional Share being payable, the installment payment shall exclude any such fractional Share payment except that, in the final installment payment, any such fractional Share shall be paid in cash in an amount as determined by the Committee. Until the Participant s Stock Deferral Accounts have been completely distributed, the balance in the Stock Deferral Accounts shall continue to be credited with the dividend equivalents on such balances as provided in Section 5(b).

(d) In the event a Participant dies prior to receiving payment of the entire amount of the Participant s Deferral Accounts, the unpaid balance shall be paid to such beneficiary as the Participant may have designated in writing to the Vice President, Human Resources, of the Company as the beneficiary to receive any such post-death distribution under the Plan or, in the absence of such written designation, to the Participant s legal representative or to the beneficiary designated in the Participant s last will as the one to receive such distributions. Distributions subsequent to the death of a Participant shall commence within 60 days after the death of the Participant in: (i) a single lump sum; (ii) annual, semi-annual or quarterly substantially equal installments over a period, not exceeding twenty (20) years; or (iii) a specified percentage in a lump sum followed by annual, semi-annual or quarterly substantially equal installments over a period, not exceeding twenty (20) years as elected by the Participant pursuant to Section 3(b) and the amount of each installment shall be computed as provided in Section 6(b), and (d) as the case may be; provided, however, that if Participant has not selected a payment option with respect to payment upon death, such amounts shall be paid to Participant s beneficiary in a lump sum within 60 days after the death of the Participant. Installment payments made after the first installment or lump sum payment, as the case may be, will be made on the annual, semi-annual or quarterly anniversary of the first installment or lump sum payment, as the case may be, as elected pursuant to Section 3(b). Notwithstanding the foregoing, a Participant may elect not less than twelve (12) months prior to the Participant s death, to change the time or form of distribution of the Participant s Deferral Accounts; provided, however that any such change shall be invalid if the effect of such change is to accelerate distribution; provided, further that upon any such change, the distribution shall be paid at least five (5) years after the date originally selected pursuant to Section 3(b).

(e) Payments from the Cash Deferral Accounts shall be made in cash and payments from the Stock Deferral Accounts shall be made in Shares. The amount of any distribution pursuant to Sections 6 through 8 shall reduce the balance held in the Participant s corresponding Deferral Accounts as of the date of such distribution. Installment payments shall be made pro-rata from a Participant s Deferral Accounts.

7. Scheduled Withdrawal Accounts. Pursuant to Section 3, a Participant may elect to receive part or all of the Participant s deferrals in accordance with Participant s elections pursuant to Section 3(a)(i) and (ii) (and for all deferrals on or after January 1, 2008) for up to three scheduled withdrawal accounts and with respect to Participant s deferrals prior to January 1, 2007 pursuant to Section 3(a)(iii) a Participant may elect to receive

part or all of Participant s deferrals in accordance with Participant s elections for up to three scheduled withdrawal accounts,, each of which shall commence within 60 days after the date elected by the Participant pursuant to Section 3(b) in: (i) a single lump sum; (ii) annual, semi-annual or quarterly substantially equal installments over a period, not exceeding twenty (20) years; or (iii) a specified percentage in a lump sum followed by annual, semi-annual or quarterly substantially equal installments over a period, not exceeding twenty (20) years and the amount of each installment shall be computed as provided in Section 6(b), and (c) as the case may be. Notwithstanding the foregoing, a Participant may elect not less than twelve (12) months prior to the Participant s date of the scheduled withdrawal, to change the time or form of distribution of the Participant s Deferral Accounts, provided, however that any such change shall be invalid if the effect of such change is to accelerate distribution; provided, further that upon any such change, the distribution shall be paid at least five (5) years after the date originally selected pursuant to Section 3(b).

8. Unforeseen Emergency. The Committee may accelerate the distribution of part or all of one or more of a Participant s Deferral Accounts for reasons of an unforeseeable emergency that cannot be met using other resources, as determined by the Committee pursuant to the terms of this Section 8. For purposes of the Plan, an unforeseeable emergency is a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant s spouse, the Participant s beneficiary or the Participant s dependent (as defined in Section 152 of the Code, without regard to Section 152(b)(1), (b)(2) and (d)(1)(B)); the loss of Participant s property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance, for example, not as a result of a natural disaster); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. A distribution based on severe financial hardship shall not exceed the amount reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any Federal, state, local or foreign income taxes or penalties reasonably anticipated from the distribution).

9. Non-assignability. None of the rights or interests in any of the Participant s Deferral Accounts shall, at any time prior to actual payment or distribution pursuant to the Plan, be assignable or transferable in whole or in part, either voluntarily or by operation of law or otherwise, and such rights and interest shall not be subject to payment of debts by execution, levy, garnishment, attachment, pledge, bankruptcy or in any other manner.

10. Interest of Participant. The Company shall be under no obligation to segregate or reserve any funds or other assets for purposes relating to the Plan and, except as set forth in this Plan, no Participant shall have any rights whatsoever in or with respect to any funds or other assets held by the Company for purposes of the Plan or otherwise. Each Participant s accounts maintained for purposes of the Plan merely constitute bookkeeping entries on records of the Company, constitute the unsecured promise and obligation of the Company to make payments as provided herein, and shall not constitute any allocation whatsoever of any cash, shares or other assets of the Company or be deemed to create any trust or special deposit with respect to any of the Company s assets. Notwithstanding the foregoing provisions, nothing in this Plan shall preclude the Company from setting aside Shares or funds in trust pursuant to one or more trust agreements between a trustee and the Company. However, no Participant shall have any secured interest or claim in any assets or property of the Company or any such trust and all Shares or funds contained in such trust shall remain subject to the claims of the Company s general creditors.

11. Amendment. The Board of Directors of the Company, or the Organization and Compensation Committee may, from time to time, amend or terminate the Plan, provided that no such amendment or termination of the Plan shall adversely affect a Participant s accounts as they existed immediately before such amendment or termination or the manner of distribution thereof, unless such Participant shall have consented thereto in writing. Notice of any amendment or termination of the Plan shall be given promptly to all Participants.

12. Plan Implementation. This Plan is adopted and effective for deferrals of compensation earned for calendar years beginning on or after January 1, 2005, and amended and restated January 1, 2008.

13. Section 409A Transition Elections. A Participant who prior to January 1, 2008 has made an initial deferral election under this Plan may change the form and/or time of payment with respect to any or all of such elections; provided however that (a) no such election may be made for amounts otherwise payable under this Plan during 2007, and (b) no payment pursuant to such election may be payable prior to May 1, 2008.

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Exhibit 10.8

THE LUBRIZOL CORPORATION

Senior Management Deferred Compensation Plan

(As Amended and Restated January 1, 2008)

1. Purpose. The purpose of this Senior Management Deferred Compensation Plan (the Plan) is to permit an a person who is an officer (as identified by the Company for Section 16 purposes under the Securities Exchange Act of 1934) of The Lubrizol Corporation (the Company) or, for amounts earned in 2005, who was an officer of the Company during 2004, or effective January 1, 2006, who is selected to participate in the Plan by the Organization and Compensation Committee of the Board of Directors of the Company (Committee), (hereinafter referred to as the Participant), who wishes, to defer a portion of such Participant s compensation earned in calendar years beginning on or after January 1, 2005, as provided in the Plan. Notwithstanding any provision to the contrary, prior to January 1, 2006, for purposes of this Plan, an officer or Participant does not include any employee of Noveon, Inc. or its affiliates.

2. Administration. The Plan shall be administered by the Committee. The Committee s interpretation and construction of all provisions of the Plan shall be binding and conclusive upon all Participants and their heirs and/or successors.

3. Right to Defer Compensation.

(a) A Participant of the Company may, at any time prior to January 1 of a given calendar year, elect, for the calendar year, to defer under the Plan a pre-selected amount of such Participant s compensation specified in paragraph (c) below, which such Participant may thereafter be entitled to receive for services performed during such elected calendar year. Notwithstanding the foregoing, if allowed by the Company, at any time up to six months prior to the payment of performance-based long-term incentive compensation, a Participant may elect to defer under the Plan a pre-selected amount of such compensation specified in (c)(iii) below, provided however, that any such election shall only be made in accordance with Section 409A of the Internal Revenue Code of 1986, as amended and the regulations thereunder.

(b) The election under Section 3(a) shall take effect on the first day of the calendar year following the date on which the election is made and such election shall be irrevocable for any elected calendar year after such elected calendar year shall have commenced.

(c) A Participant may elect to defer up to 90 percent of one or more of the following:

(i) Base salary;

(ii) Annual incentive pay, if any.

(iii) Stock compensation from the long term incentive plan, if any.

(iv) Stock compensation pursuant to an employment agreement dated as of January 1, 2003

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provided, however, that the actual amount deferred will be the elected amount less any applicable withholding taxes.

(d) Notwithstanding paragraphs (a), (b) and (c), the first year a Participant becomes eligible to participate in the Plan, he may make an initial deferral election within 30 days after he becomes eligible to participate but only with respect to compensation paid for services performed after the election.

(e) At the time elections are made pursuant to paragraphs (a) or (d), and in addition to the provisions of paragraphs (a) through (d), a Participant may elect to defer that portion or all of the Participant s cash and/or stock compensation (i) described in paragraph (c) and/or (ii) any other plan or program that provides for cash or stock compensation, to the extent that such amounts would otherwise be nondeductible by the Company pursuant to Section 162(m) of the Internal Revenue Code of 1986, as amended. For purposes of the preceding sentence, the amount to be deferred with respect to any compensation plans payable in Company shares shall be determined by taking into consideration any fixed cash compensation to be received subsequent to the date on which shares are distributable under such program. Notwithstanding any other provision of this Plan, deferrals under this paragraph (e) shall be distributable only six (6) months after the Participant separates from service in accordance with Section 6.

(f) All elections under this Plan shall be made by written notice delivered to the Vice President, Human Resources, of the Company specifying (i) the portion, if any, determined under paragraph (c), of each category of the Participant s compensation to be deferred for a year, as described above, (ii), if applicable, the time of distribution, and (iii) the payment option as provided in Section 6 for distributions.

(g) Notwithstanding paragraph (f), any compensation earned after the end of the first month in which a Participant under this Plan no longer is a Participant, as defined in Section 1, but continues to be employed by the Company, shall not be deferred, provided however, the balance in the Participant s Deferral Accounts shall continue to be held and administered pursuant to the Plan; provided further that the provisions of this paragraph (g) shall not apply for amounts earned in 2005.

4. Deferral of Cash Compensation.

(a) On the date the cash compensation (and effective January 1, 2008, stock compensation) deferred under the Plan would have become payable to the Participant in the absence of an election under the Plan to defer payment thereof, the amount of such deferred compensation shall be credited to a Stock Deferral Account and/or any of the Cash Deferral Account investment portfolios designated as available by the Committee from time to time. All Deferral Accounts shall be established and maintained for each Participant in the Company s accounting books and records and the Company shall be under no obligation to purchase any investments designated by the Participant. To the extent that, at the time amounts are credited to a Participant s Deferral Accounts, any federal, state or local payroll withholding tax applies (e.g., Medicare withholding tax), the Participant shall be responsible for the payment of such amount to the Company and the Company shall promptly remit such amount to the proper taxing authority.

(b) Participant s Cash Deferral Accounts shall be credited with any gains or losses equal to those generated as if the Participant s Cash Deferral Account balances had been invested in the applicable investment portfolio(s) selected by the Participant

(c) A Participant s deferred cash compensation (and effective for deferrals after January 1, 2008, stock compensation) credited to a Participant s Stock Deferral Account shall be used to determine the number of full and fractional units (Units) representing Company Common Shares (Shares) which the deferred amount would purchase at the closing price for the Shares on the New York Stock Exchange (NYSE) composite transactions reporting system on the date that the deferred amount is credited pursuant to paragraph (a) and if Shares were not traded on that date on the NYSE, then such computation shall be made as of the first preceding day on which Shares were so traded. The Company shall credit the Participant s Stock Deferral Account with the number of full and fractional Units so determined. A Participant s Stock Deferral Account shall be administered in accordance with Section 5(b) through (e).

(d) A Participant may elect pursuant to rules established by the Committee to transfer a portion or all of the balance of any Deferral Account established under this Section 4 to any other such Deferral Account.

(e) Notwithstanding the foregoing, a Participant may elect to have any portion or all of the Participant s cash deferrals credited to any of the Deferral Accounts listed in paragraph (a) and may transfer balances in accordance with paragraph (d) provided that the Participant is considered, in the judgment of the Chief Executive Officer of the Company, to be on plan to meet the Participant s Company Share ownership guideline. Otherwise, a Participant must elect that at least 50% of any cash compensation (and effective January 1, 2008, stock compensation) deferral hereunder be credited to a Stock Deferral Account and may not transfer any portion of the balance of the Stock Deferral Account to another Deferral Account.

5. Deferral of Stock Compensation.

(a) Prior to January 1, 2008, at the time that Shares are distributable to a Participant, who has elected to defer the receipt thereof under Section 3(c) or (e), in lieu of Shares being issued, there shall be credited to a separate Stock Deferral Account for the Participant, full stock equivalent units (Units) which shall be established and maintained on the Company s records. One Unit shall be allocated to the Stock Deferral Account for each such Share. The balance of a Stock Deferral Account established under this Section 5(a) pursuant to deferrals under Section 3(c)(iii) or (iv) may not be transferred to any other Deferral Account.

(b) As of each dividend payment date established by the Company for the payment of cash dividends with respect to its Shares, the Company shall credit each separate Stock Deferral Account of a Participant with an additional number of whole and/or fractional Units equal to:

(i) the product of (x) the dividend per Share which is payable with respect to such dividend payment date, multiplied by (y) the number of whole and fractional Units credited to the separate Stock Deferral Account of a Participant as of such payment date;

divided by

(ii) The closing price of a Share on the dividend payment date (or if Shares were not traded on that date, on the next preceding day on which Shares were so traded), as reported on the NYSE-composite tape.

(c) At no time prior to actual delivery of Shares pursuant to the Plan, shall the Company be obligated to purchase or reserve Shares for delivery of a Participant and the Participant shall not be a shareholder nor have any of the rights of a shareholder with respect to the Units credited to the Participant s Stock Deferral Accounts.

(d) To the extent that, at the time Units are credited to a Stock Deferral Account of a Participant, any federal, state or local payroll withholding tax applies (e.g., Medicare withholding tax), the Participant shall be responsible for the payment of such amount to the Company and the Company shall promptly remit such amount to the proper taxing authority.

(e) In the event of any change in the number of outstanding Shares by reason of any stock dividend, stock split up, recapitalization, merger, consolidation, exchange of shares or other similar corporate change, the number of Units in each separate Stock Deferral Account of a Participant shall be appropriately adjusted to take into account any such event.

6. Payment of Deferred Compensation.

(a) In the event a Participant separates from service prior to commencing to receive scheduled withdrawal payments of the Participant s Deferral Accounts, such scheduled withdrawal payments, if any, that have not commenced pursuant to Section 7, and the amount selected by the Participant to be paid upon a separation from service, shall be paid to the Participant in: (i) a single lump sum; (ii) annual, semi-annual or quarterly substantially equal installments over a period, not exceeding twenty (20) years; or (iii) a specific percentage in a lump sum followed by annual, semi-annual or quarterly substantially equal periodic installments over a period, not exceeding twenty (20) years, as the Participant shall have selected pursuant to Section 3(f). Such periodic payments shall begin or the lump sum payment shall be made, as the case may be, from the Participant s Deferral Accounts, at such time, within 60 days after not less than six (6) nor more than twelve (12) months after the Participant s separation from service, as the Participant shall have selected pursuant to Section 3(f); provided, however, that if Participant has not selected a payment option with respect to payment upon a separation from service, such amounts shall be paid in a lump sum within 60 days after the six-month anniversary after Participant s separation from service. Installment payments made after the first installment or lump sum payment, as the case may be, will be made on the annual, semi-annual or quarterly anniversary of the first installment or lump sum payment, as the case may be, as elected pursuant to Section 3(f). Notwithstanding the foregoing, a Participant may elect not less than twelve (12) months prior to the Participant s separation from service, to change the time or form of distribution of the Participant s Deferral Accounts upon a separation from service; provided, however that any such change shall be invalid if the effect of such change is to accelerate distribution; provided, further that upon any such change, the distribution shall be paid at least five (5) years after the date originally selected pursuant to Section 3(f).

(b) The amount of each installment payable to a Participant from the Participant s Cash Deferral Accounts shall be determined by dividing the aggregate balance of such Participant s Cash Deferral Accounts by the number of periodic installments (including the current installment) remaining to be paid. Until a Participant s Cash Deferral Accounts has been completely distributed, the balance thereof remaining, from time to time, shall be credited with gains and losses on a monthly basis as provided in Section 4(b).

(c) The amount of any installment payable to a Participant from the Participant s Stock Deferral Accounts shall be determined by dividing the balance of the aggregate number of Units in the Participant s Stock Deferral Accounts by the number of periodic installments (including the current installment) remaining to be paid and the quotient shall be the number of Shares that are payable. If the determination of the installment payable from the Participant s Stock Deferral Accounts results in a fractional Share being payable, the installment payment shall exclude any such fractional Share payment except that, in the final installment payment, any such fractional Share shall be paid in cash in an amount as determined by the Committee. Until the Participant s Stock Deferral Accounts have been completely distributed, the balance in the Stock Deferral Accounts shall continue to be credited with the dividend equivalents on such balances as provided in Section 5(b).

(d) In the event a Participant dies prior to receiving payment of the entire amount of the Participant s Deferral Accounts, the unpaid balance shall be paid to such beneficiary as the Participant may have designated in writing to the Vice President, Human Resources, of the Company as the beneficiary to receive any such post-death distribution under the Plan or, in the absence of such written designation, to the Participant s legal representative or to the beneficiary designated in the Participant s last will as the one to receive such distributions. Distributions upon the death of a Participant shall commence within 60 days after the death of the Participant in: (i) a single lump sum; (ii) annual, semi-annual or quarterly substantially equal installments over a period, not exceeding twenty (20) years; or (iii) a specific percentage in a lump sum followed by annual, semi-annual or quarterly substantially equal installments over a period, not exceeding twenty (20) years as elected by the Participant pursuant to Section 3(f) and the amount of each installment shall be computed as provided in Section 6(b), and (d) as the case may be; provided, however, that if Participant has not selected a payment option with respect to payment upon death, such amounts shall be paid to Participant s beneficiary in a lump sum within 60 days after the death of the Participant. Installment payments made after the first installment or lump sum payment, as the case may be, will be made on the annual, semi-annual or quarterly anniversary of the first installment or lump sum payment, as the case may be, as elected pursuant to Section 3(f). Notwithstanding the foregoing, a Participant may elect not less than twelve (12) months prior to the Participant s death, to change the time or form of distribution of the Participant s Deferral Accounts; provided, however that any such change shall be invalid if the effect of such change is to accelerate distribution; provided, further that upon any such change, the distribution shall be paid at least five (5) years after the date originally selected pursuant to Section 3(f).

(e) In the event a Participant becomes disabled prior to the Participant s separation from service or scheduled withdrawal date, the unpaid balance shall be paid to the Participant commencing within 60 days after the date of Participant s disability in: (i) a single lump; (ii) annual, semi-annual or quarterly substantially equal installments over a period, not exceeding twenty (20) years; or (iii) a specified percentage in a lump sum followed by annual, semi-annual or quarterly substantially installments over a period, not exceeding twenty (20) years as elected by the Participant pursuant to Section 3(f) and the amount of each installment shall be computed as provided in Section 6(b), and (d) as the case may be; provided, however, that if Participant has not selected a payment option with respect to payment upon disability, such amounts shall be paid to Participant in a single lump sum within 60 days after Participant s disability. Installment

payments made after the first installment or lump sum payment, as the case may be, will be made on the annual, semi-annual or quarterly anniversary of the first installment or lump sum payment, as the case may be, as elected pursuant to Section 3(f). Notwithstanding the foregoing, a Participant may elect not less than twelve (12) months prior to the Participant s disability, to change the time or form of distribution of the Participant s Deferral Accounts, provided, however that any such change shall be invalid if the effect of such change is to accelerate distribution; provided, further that upon any such change, the distribution shall be paid at least five (5) years after the date originally selected pursuant to Section 3(f). For purposes of this paragraph (e), the term disabled means (A) the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or (B) the Participant is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company.

(f) Tax withholding for distributions under Sections 6 and 7 of Participant s Stock Deferral Accounts shall be made from those Shares otherwise issuable and shall be such number of Shares that will provide for the federal, state and/or local income tax at the rates then applicable for supplemental wages, unless otherwise requested by the Participant, but in no event less than the statutory minimums for tax withholding.

(g) For purposes under paragraph (f) of determining the number of Shares that are to be withheld to provide for the tax withholding, Shares shall be valued at the closing price on the New York Stock Exchange of a Share on the date the Shares are distributable (or if the Shares were not traded on that date, on the next preceding day on which the Shares were so traded). If the determination of the tax withholding would require the withholding of a fractional Share, the Company shall withhold the nearest whole number of Shares needed to pay the tax withholding, rounded up, and remit to the Participant in cash the amount of the excess after the withholding taxes have been satisfied.

(h) Payments from the Cash Deferral Accounts shall be made in cash and payments from the Stock Deferral Accounts shall be made in Shares. The amount of any distribution pursuant to Sections 6 through 8 shall reduce the balance held in the Participant s corresponding Deferral Accounts as of the date of such distribution. Installment payments shall be made pro-rata from a Participant s Deferral Accounts.

7. Scheduled Withdrawal Accounts. Pursuant to Section 3 a Participant may elect to receive part or all of the Participant s deferrals under Section 3(c)(i) and (ii) (and for all deferrals on or after January 1, 2008) in accordance with Participant s elections for up to three scheduled withdrawal accounts, and with respect to Participant s deferrals prior to January 1, 2008 pursuant to Section 3(c)(iii) and 3(e) a Participant may elect to receive part or all of Participant s deferrals in accordance with Participant s elections for up to three scheduled withdrawal accounts, each of which shall commence within 60 days after the date elected by the Participant pursuant to Section 3(f) in: (i) a single lump sum; (ii) annual, semi-annual or quarterly substantially equal installments over a period, not exceeding twenty (20) years; or (iii) a specified percentage in a lump sum followed by annual, semi-annual or quarterly substantially equal installments over a period, not exceeding twenty (20) years and the amount of each installment shall be computed as provided in Section 6(b), and (c) as the case may be. Installment payments made after

the first installment or lump sum payment, as the case may be, will be made on the annual, semi-annual or quarterly anniversary of the first installment or lump sum payment, as the case may be, as elected pursuant to Section 3(f). Notwithstanding the foregoing, a Participant may elect not less than twelve (12) months prior to the Participant s date of the scheduled withdrawal, to change the time or form of distribution of the Participant s Deferral Accounts, provided, however that any such change shall be invalid if the effect of such change is to accelerate distribution; provided, further that upon any such change, the distribution shall be paid at least five (5) years after the date originally selected pursuant to Section 3(f).

8. Unforeseeable Emergency. The Committee may accelerate the distribution of part or all of one or more of a Participant s Deferral Accounts for reasons of an unforeseeable emergency that cannot be met using other resources, as determined by the Committee pursuant to the terms of this Section 8. For purposes of the Plan, an unforeseeable emergency is a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant s spouse, the Participant s beneficiary or the Participant s dependent (as defined in Section 152 of the Code, without regard to Section 152(b)(1), (b)(2) and (d)(1)(B)); the loss of Participant s property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance, for example, not as a result of a natural disaster); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. A distribution based on severe financial hardship shall not exceed the amount reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any Federal, state, local or foreign income taxes or penalties reasonably anticipated from the distribution).

9. Non-assignability. None of the rights or interests in any of the Participant s Deferral Accounts shall, at any time prior to actual payment or distribution pursuant to the Plan, be assignable or transferable in whole or in part, either voluntarily or by operation of law or otherwise, and such rights and interest shall not be subject to payment of debts by execution, levy, garnishment, attachment, pledge, bankruptcy or in any other manner.

10. Interest of Participant. The Company shall be under no obligation to segregate or reserve any funds or other assets for purposes relating to the Plan and, except as set forth in this Plan, no Participant shall have any rights whatsoever in or with respect to any funds or other assets held by the Company for purposes of the Plan or otherwise. Each Participant s accounts maintained for purposes of the Plan merely constitute bookkeeping entries on records of the Company, constitute the unsecured promise and obligation of the Company to make payments as provided herein, and shall not constitute any allocation whatsoever of any cash, shares or other assets of the Company or be deemed to create any trust or special deposit with respect to any of the Company s assets. Notwithstanding the foregoing provisions, nothing in this Plan shall preclude the Company from setting aside Shares or funds in trust pursuant to one or more trust agreements between a trustee and the Company. However, no Participant shall have any secured interest or claim in any assets or property of the Company or any such trust and all Shares or funds contained in such trust shall remain subject to the claims of the Company s general creditors.

11. Amendment. The Board of Directors of the Company, or the Organization and Compensation Committee may, from time to time, amend or terminate the Plan, provided that no such amendment or termination of the Plan shall adversely affect a Participant s accounts as they existed immediately before such amendment or termination or the manner of distribution thereof, unless such Participant shall have consented thereto in writing. Notice of any amendment or termination of the Plan shall be given promptly to all Participants.

12. Plan Implementation. This Plan is adopted and effective for deferrals of compensation earned for calendar years beginning on or after January 1, 2005 and amended and restated January 1, 2008.

13. Section 409A Transition Elections. A Participant who prior to January 1, 2008 has made an initial deferral election under this Plan may change the form and/or time of payment with respect to any or all of such elections; provided however that (a) no such election may be made for amounts otherwise payable under this Plan during 2007, and (b) no payment pursuant to such election may be payable prior to May 1, 2008.

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Exhibit 10.9

THE LUBRIZOL CORPORATION
2005 EXECUTIVE COUNCIL
DEFERRED COMPENSATION PLAN
(As Amended and Restated January 1, 2008)

1. Purpose. The purpose of this 2005 Executive Council Deferred Compensation Plan (the Plan) is to permit a person who is a member of the Executive Council (sometimes hereinafter referred to as the Member or as the Participant), and who is employed by The Lubrizol Corporation (the Company), to defer a portion of such Member s compensation earned in calendar years beginning on or after January 1, 2005, as provided in this Plan.

2. Administration. The Plan shall be administered by the Organization and Compensation Committee of the Board of Directors of the Company (the Committee). The Committee s interpretation and construction of all provisions of the Plan shall be binding and conclusive upon all Participants and their heirs and/or successors.

3. Right to Defer Compensation.

(a) A Member may, at any time prior to January 1 of a given calendar year, elect, for one the calendar year commencing with the calendar year immediately following the election (Participation Year), to defer under the Plan a pre-selected fixed dollar amount or percentage up to 90 percent of such Member s annual variable compensation, if any (the deferred compensation), under the Company s annual incentive plan (Incentive Plan), which such Participant may thereafter be entitled to receive for services performed during the Participation Year; provided, however that the actual amount deferred will be the elected amount less any applicable withholding taxes. Notwithstanding the foregoing, a Member may prior to March 15, 2005 make an election relating to deferred compensation with respect to services performed on or after January 1, 2005 and on or before December 31, 2005.

(b) The election under this Section 3 shall take effect on the first day of the elected Participation Year and such election shall be irrevocable for any elected Participation Year once such Participation Year shall have commenced.

(c) Notwithstanding paragraphs (a) and (b), the first year a Participant becomes eligible to participate in the Plan, he may make an initial deferral election within 30 days after he becomes eligible to participate but only with respect to compensation paid for services performed after the election.

(d) All elections under this Plan shall be made by written notice (on a form provided by the Company) specifying the deferred compensation, if any, determined under paragraph (a).

(e) A Participant must make an election for each Participation Year. Notwithstanding paragraph (b) and the first sentence of this paragraph (e), any variable compensation earned after the end of the first month in which a Participant under this Plan ceases to be a Member, as defined in Section 1, but continues to be employed by the Company, shall not be deferred, provided however, the balance in the Participant s Stock Deferral Accounts shall continue to be held and administered pursuant to the Plan.

(f) All notices by a Participant under the Plan shall be in writing and shall be given to the Company s Vice President, Human Resources.
4. Stock Deferral Accounts and Stock Matching Accounts.
(a) At the close of business of the day on which the Incentive Plan deferred compensation would have been payable to the Participant in the absence of the election under the Plan to defer payment thereof, there shall be credited to a separate Stock Deferral Account and Stock Matching Account for each Participant full and fractional stock equivalent units (Units) which shall be established as hereinafter provided and shall be maintained for each Participant on the Company s records.
(b) The number of full and fractional Units that shall be credited to a separate Stock Deferral Account for a Participant shall be equal to an amount determined by dividing the Participant s deferred compensation for the applicable Participation Year by the average of the closing price for Lubrizol Common Shares (Shares) on the New York Stock Exchange (NYSE) composite transactions reporting system (composite tape) for each of the ten (10) consecutive trading days commencing on the fourth business day following the release of earnings for such Participation Year.
(c) The number of full and fractional Units that shall be credited to a separate Stock Matching Account for a Participant shall be equal to an amount determined by multiplying the number of Units determined in paragraph (b) by .25.
(d) To the extent that, at the time Units are credited to a Stock Deferral Account Stock Matching Account of a Participant, any federal, state or local payroll withholding tax applies (e.g., Medicare withholding tax), the Participant shall be responsible for the payment of such amount to the Company and the Company shall promptly remit such amount to the proper taxing authority.
(e) The amount of deferred compensation used in the formulae set forth in paragraphs (b) and (c) shall not constitute sums due and owing to Participant. Such amounts shall be used solely as part of the formulae to determine the number of full and fractional Units.
(f) As of each dividend payment date established by the Company for the payment of cash dividends with respect to its Shares, the Company shall credit each separate Stock Deferral Account and Stock Matching Account of a Participant with an additional number of whole and/or fractional Units equal to:

(i) the product of (x) the dividend per Share which is payable with respect to such dividend payment date, multiplied by (y) the number of whole and fractional Units credited to the separate Stock Deferral Account and Stock Matching Account, respectively, of the Participant as of such payment date;

divided by

(ii) the closing price of a Share on the dividend payment date (or if Shares were not traded on that date, on the next preceding day

on which Shares were so traded), as reported on the NYSE-composite tape.
(g) At no time prior to actual delivery of Shares pursuant to the Plan shall the Company be obligated to purchase or reserve Shares for delivery to any Participant and a Participant shall not be a shareholder or have any of the rights of a shareholder with respect to the Units credited to each separate Stock Deferral Account or Stock Matching Account of a Participant.
5. Payment of Deferred Compensation.
(a) All Units credited to a separate Stock Deferral Account and Stock Matching Account of Participant, including dividend equivalents thereon, shall be payable to the Participant in a lump sum within 60 days after the third anniversary from the first date Units were credited to such separate Stock Deferral Account and Stock Matching Account of the Participant under Section 4(a) for a particular Participation Year unless the Participant elects at the time of deferral under Section 3 to have the Units paid six (6) months after the Participant s separation from service or upon another specified date; provided, however, that after the Participant makes the deferral election under Section 5, the Participant may elect once for any Participation Year of deferral, to change the date of distribution to another in-service year or six (6) months after the Participant has separated from service; provided further, that any such modification must be made in writing at least twelve (12) months prior to the original date of distribution; provided further, that the deferred distribution date must be at least five (5) years after the date originally selected. Amounts so further deferred will be paid within 60 days after the date selected.
(b) All distributions or payments of Units to a Participant in the Participant s Stock Deferral Account shall be made in Shares equal to the number of whole Units credited to the separate Stock Deferral Account(s) of the Participant which become payable in accordance with Section 5(a). Any fractional number of Units shall be paid in cash in lieu of Shares based on the closing price for a Share on the NYSE composite tape on the date the Stock Deferral Account(s) become payable.
(c) All distributions or payments of Units to a Participant in the Participant s Stock Matching Account shall be made in cash equal to the number of whole Units credited to the separate Stock Matching Account(s) of the Participant, which become payable in accordance with Section 5(a) multiplied by the closing price for a Share on the NYSE composite tape on the date the Stock Matching Account(s) become payable.
(d) To the extent that, at the time Shares are distributed to a Participant, any federal, state or local payroll withholding tax applies, tax withholding for distributions shall be made from those Shares that would provide for the federal, state and/or local income tax at the rates then applicable for supplemental wages, unless otherwise requested by the Participant, but in no event less than the statutory minimums for tax withholding. For purposes of determining the number of Shares that are to be withheld to provide for the tax withholding, Shares shall be valued at the closing price on the New York Stock Exchange of a Share on the date the Shares are distributable (or if the Shares were not traded on that date, on the next preceding day on which the Shares were so traded). If the determination of the tax withholding would require the withholding of a fractional Share, the Company shall withhold the nearest whole number of Shares

needed to pay the tax withholding, rounded up, and remit to the Participant in cash the amount of the excess after the withholding taxes have been satisfied.
(e) In the event a Participant dies prior to receiving payment of the entire amount in each separate Stock Deferral Account and Stock Matching Account of the Participant, the unpaid balance shall be paid within 60 days after the date of death to such beneficiary as the Participant may have designated in writing to the Vice President, Human Resources, of the Company as the beneficiary to receive any such post-death distribution under the Plan or, in the absence of such written designation, to the Participant s legal representative or to the beneficiary designated in the Participant s last will as the one to receive such distributions.
(f) To the extent the Committee deems necessary, the Shares distributed to a Participant pursuant to Section 5(a) or 6 or to a beneficiary pursuant to Section 5(e) may contain such restrictions on the right of immediate transfer as the Committee may reasonably determine.
6. Unforeseeable Emergency. The Committee may accelerate the distribution of part or all of one or more of a Participant s separate Stock Deferral Accounts and Stock Matching Account for reasons of an unforeseeable emergency that cannot be met using other resources, as determined by the Committee pursuant to the terms of this Section 8. For purposes of the Plan, an unforeseeable emergency is a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant s spouse, the Participant s beneficiary or the Participant s dependent (as defined in Section 152 of the Code, without regard to Section 152(b)(1), (b)(2) and (d)(1)(B)); the loss of Participant s property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance, for example, not as a result of a natural disaster); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. A distribution based on severe financial hardship shall not exceed the amount reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any Federal, state, local or foreign income taxes or penalties reasonably anticipated from the distribution).
7. Non-assignability. None of the rights or interests in any of the Participant s separate Stock Deferral Accounts and Stock Matching Accounts shall, at any time prior to actual payment or distribution pursuant to the Plan, be assignable or transferable in whole or in part, either voluntarily or by operation of law or otherwise, and such rights and interest shall not be subject to payment of debts by execution, levy, garnishment, attachment, pledge, bankruptcy or in any other manner.
8. Interest of Participant. The Company shall be under no obligation to segregate or reserve any funds or other assets for purposes relating to the Plan and, except as set forth in this Plan, no Participant shall have any rights whatsoever in or with respect to any funds or other assets held by the Company for purposes of the Plan or otherwise. Each Participant s separate Stock Deferral Accounts and Stock Matching Accounts maintained for purposes of the Plan merely constitutes a bookkeeping entry on records of the Company, constitutes the unsecured promise and obligation of the Company to make payments as provided herein, and shall not constitute any allocation whatsoever of any cash or other assets of the Company or be deemed to create any trust or special deposit with respect to any of the Company s assets. Notwithstanding the foregoing provisions, nothing in this Plan shall preclude the Company from setting aside Shares or

funds in trust pursuant to one or more trust agreements between a trustee and the Company. However, no Participant shall have any secured interest or claim in any assets or property of the Company or any such trust and all Shares or funds contained in such trust shall remain subject to the claims of the Company s general creditors.

9. Miscellaneous. In the event of any change in the number of outstanding Shares by reason of any stock dividend, stock split up, recapitalization, merger, consolidation, exchange of shares or other similar corporate change, the number of Units credited to each separate Stock Deferral Account and Stock Matching Account of a Participant shall be appropriately adjusted to take into account any such event.

10. Amendment. The Board of Directors of the Company, or the Organization and Compensation Committee, may, from time to time, amend or terminate the Plan, provided that no such amendment or termination of the Plan shall adversely affect any Stock Deferral Account or Stock Matching Account of a Participant as it existed immediately before such amendment or termination or the manner of distribution thereof, unless such Participant shall have consented thereto in writing. Notice of any amendment or termination of the Plan shall be given promptly to all Participants.

11. Plan Implementation. This Plan is adopted and effective for deferrals of variable compensation earned for calendar years beginning on and after January 1, 2005, and amended and restated January 1, 2008.

12. Section 409A Transition Elections. A Participant who prior to January 1, 2008 has made an initial deferral election under this Plan may change the form and/or time of payment with respect to any or all of such elections provided however, that any election to change the time and/or form of payment shall be made prior to December 1, 2007; provided however that (a) no such election may be made for amounts otherwise payable under this Plan during 2007, and (b) no payment pursuant to such election may be payable prior May 1, 2008.

Exhibit 10.13

THE LUBRIZOL CORPORATION
2005 EXCESS DEFINED BENEFIT PLAN
(As Amended and Restated January 1, 2008)

The Lubrizol Corporation hereby establishes, effective January 1, 2005, and amended and restated as of January 1, 2008, The Lubrizol Corporation 2005 Excess Defined Benefit Plan (the Plan) for the purposes of providing supplemental benefits to certain employees, as permitted by Section 3(36) of the Employee Retirement Income Security Act of l974 and providing deferred compensation benefits to a select group of management and highly compensated employees.

ARTICLE I

DEFINITIONS AND CONSTRUCTION

1.1 Definitions. For the purposes hereof, the following words and phrases shall have the meanings indicated, unless a different meaning is plainly required by the context:

(a) Code. the term Code shall mean the Internal Revenue Code as amended from time to time. Reference to a section of the Code shall include such section and any comparable section or sections of any future legislation that amends, supplements, or supersedes such section.

(b) Company. The term Company shall mean The Lubrizol Corporation, an Ohio corporation, its corporate successors and the surviving corporation resulting from any merger of The Lubrizol Corporation with any other corporation or corporations, and any subsidiaries of The Lubrizol Corporation which adopt the Plan.

(c) Lubrizol Pension Plan. The term Lubrizol Pension Plan shall mean The Lubrizol Corporation Pension Plan as the same shall be in effect on the date of a Participant s retirement, death, or other termination of employment.

(d) Participant. The term Participant shall mean any person employed by the Company who is designated by the Board of Directors as an officer for the purposes of Section 16 of the Securities Exchange Act of 1934, or whose benefits under the Lubrizol Pension Plan are limited by the application of Section 401(a)(17) of the Internal Revenue Code of 1986, as amended, or, effective January 1, 2005, who participates in The Lubrizol Corporation Senior Management Deferred Compensation Plan.

(e) Plan. The term Plan shall mean the excess defined benefit pension plan as set forth herein, together with all amendments hereto, which Plan shall be called The Lubrizol Corporation 2005 Excess Defined Benefit Plan.

(f) Trust. The term Trust shall mean The Lubrizol Corporation Excess Defined Benefit Plan Trust established pursuant to the Trust Agreement.

(g) Trust Agreement. The term Trust Agreement shall mean The Lubrizol Corporation Excess Defined Benefit Plan Trust Agreement.

1.2. Additional Definitions. All other words and phrases used herein shall have the meanings given them in the Lubrizol Pension Plan, unless a different meaning is clearly required by the context.

ARTICLE II

SUPPLEMENTAL PENSION BENEFIT

2.1 Eligibility. A Participant who separates from service with the Company and its subsidiaries and

(a) whose benefits under the Lubrizol Pension Plan are limited by the provisions of Section 401(a)(17) or 415 of the Code,

(b) who participated in The Lubrizol Corporation 2005 Deferred Compensation Plan for Officers,

(c) who participated in The Lubrizol Corporation 2005 Executive Council Deferred Compensation Plan, or

(d) effective January 1, 2006, who participated in The Lubrizol Corporation Senior Management Deferred Compensation Plan shall be eligible for a supplemental pension benefit determined in accordance with the provisions of Section 2.2.

2.2 Amount. Subject to the provisions of Article III, the monthly supplemental pension benefit payable to an eligible Participant shall be an amount which when added to the monthly pension payable to such Participant under the Lubrizol Pension Plan (prior to any reduction applicable to an optional method of payment) equals the monthly pension benefit which would have been payable under the Lubrizol Pension Plan (prior to any reduction applicable to an optional method of payment and adjusted for any amount payable under The Lubrizol Corporation 2005 Excess Defined Contribution Plan which is attributable to The Lubrizol Corporation Employees Profit Sharing Plan and Savings Plan and which would have affected the benefit that the Participant would have received under the Lubrizol Pension Plan had it been payable from The Lubrizol Corporation Employees Profit Sharing and Savings Plan) if the limitations of Section 401(a)(17) and 415 of the Code were not in effect and, (if he is a Participant described in Section 2.1(b), (c), or, effective January 1, 2006, (d)), if he did not participate in The Lubrizol Corporation 2005 Deferred Compensation Plan for Officers, The Lubrizol Corporation 2005 Executive Council Deferred Compensation Plan, or, effective January 1, 2006, in The Lubrizol Corporation Senior Management Deferred Compensation Plan.

2.3 Vesting. Each Participant shall be vested in his supplemental pension benefit under this Plan as determined in accordance with the vesting provisions of the Lubrizol Pension Plan.

ARTICLE III

PAYMENT OF BENEFITS

3.1 Payment to Participant.

(a) Each Participant who separates from service with the Company and its related corporations shall receive payment of his supplemental pension benefit in the standard form of payment of a single lump-sum payment payable the later of the six- month anniversary following the separation from service or within 30 days following the calendar year in which Participant separated from service.

(b) At least 12 months prior to the distribution date specified in paragraph (a) Participants may instead elect to receive the actuarial equivalent of the benefit determined under Section 2.2 on the date of separation from service, and payable commencing at least five years after the distribution date specified in paragraph (a) above in accordance with any one of the following options:

(i) Substantially equal monthly payments will be made to the Participant for his lifetime with the continuance to his Beneficiary of such amount after his death for the remainder, if any, of the 120-month term that commenced with the date as of which the first payment of such monthly benefit is made, and with any such monthly benefits remaining unpaid upon the death of the survivor of the Participant and his Beneficiary to be made to the estate of such survivor.

(ii) A reduced monthly retirement benefit of substantially equal payments payable to such Participant for his lifetime with the continuance of a monthly benefit equal to fifty percent (50%) of such reduced amount after his death to the Participant s Beneficiary during the lifetime of the Beneficiary, provided that such Beneficiary is living at the time of such Participant s separation from service and survives such Participant.

(iii) A reduced monthly retirement benefit of substantially equal payments payable to such Participant during his lifetime with the continuance of a monthly benefit equal to one hundred percent (100%) of such reduced amount after his death to the Participant s Beneficiary during the lifetime of the Beneficiary, provided such Beneficiary is living at the time of such Participant s separation from service and survives such Participant.

(v) Effective January 1, 2005, a single lump-sum payment.

Monthly payments made after the first payment will be made on the monthly anniversary of the first payment.

(c) Notwithstanding the foregoing, if the Participant is entitled to a benefit under The Lubrizol Corporation 2005 Officers Supplemental Retirement Plan, the benefit under this Plan shall be paid at the same time and in the same form of payment as the benefit under The Lubrizol Corporation 2005 Officers Supplemental Retirement Plan.

The forms of payment described shall be calculated using the same actuarial factors and interest rates used under The Lubrizol Corporation Pension Plan (or its successor) as in effect on the date of separation from service.

3.2 Payment in the Event of Death Prior to Commencement of Distribution. If a Participant dies prior to commencement of benefits under the Plan, his surviving spouse, if any, shall be eligible for a survivor benefit which is equal to one-half of the reduced monthly benefit the Participant would have received under the Plan if the Participant had retired on the day before his death and had elected to receive his benefit under the Lubrizol Pension Plan in a 50 percent joint and survivor annuity form. In making the determinations and reductions required in this Section 3.2, the Company shall apply the assumptions then in use under the Lubrizol

Pension Plan. For purposes hereof, a surviving spouse shall only be eligible for a benefit under this Section 3.2, if such spouse had been married to the deceased Participant for at least one year as of the date of the Participant s death. Benefits hereunder shall commence within 60 days after the death of the Participant and shall be paid monthly in substantially equal payments for the life of the surviving spouse.

ARTICLE IV

ADMINISTRATION

4.1 Authority of the Company. The Company shall be responsible for the general administration of the Plan, for carrying out the provisions hereof, and for making, or causing the Trust to make, any required supplemental benefit payments. The Company shall have all such powers as may be necessary to carry out the provisions of the Plan, including the power to determine all questions relating to eligibility for and the amount of any supplemental pension benefit and all questions pertaining to claims for benefits and procedures for claim review; to resolve all other questions arising under the Plan, including any questions of construction; and to take such further action as the Company shall deem advisable in the administration of the Plan. The Company may delegate any of its powers, authorities, or responsibilities for the operation and administration of the Plan to any person or committee so designated in writing by it and may employ such attorneys, agents, and accountants as it may deem necessary or advisable to assist it in carrying out its duties hereunder. The actions taken and the decisions made by the Company hereunder shall be final and binding upon all interested parties.

4.2 Claims Review Procedure. The Company shall notify the person who files a claim for benefits (hereinafter referred to as the Claimant) of the Plan s adverse benefit determination within a reasonable period of time, but not later than 90 days after the receipt of the claim by the Plan, unless the Company determines that special circumstances require an extension of time for processing the claim. If the Company determines that special circumstances require an extension of time for processing is required, written notice of the extension shall be furnished to the Claimant prior to the termination of the initial 90-day period. In no event shall such extension exceed a period of 90 days from the end of such initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan expects to render the benefit determination. Whenever the Company decides for whatever reason to deny, whether in whole or in part, a claim for benefits filed by any Claimant, the Company shall transmit to the Claimant a written notice of the Company s decision, which shall be written in a manner calculated to be understood by the Claimant and contain a statement of the specific reasons for the denial of the claim, reference to the specific Plan provisions on which the determination was based, a description of any additional material or information necessary for the Claimant to perfect the claim and an explanation of why such material or information is necessary, a description of the Plan s review procedures and the time limits applicable to such procedures, include a statement of the Claimant s right to bring civil action under Section 502(a) ERISA following an adverse benefit determination on review. Within 60 days of the date on which the Claimant receives such notice, he or his authorized representative may request that the claim denial be reviewed by filing with the Company a written request therefor, which request shall contain the following information:

(a) the date on which the Claimant s request was filed with the Company; provided, however, that the date on which the Claimant s request for review was in fact filed with the Company shall control in the event that the date of the actual filing is later than the date stated by the Claimant pursuant to this paragraph (a);

(b) the specific portions of the denial of his claim which the Claimant requests the Company to review;
(c) a statement by the Claimant setting forth the basis upon which he believes the Company should reverse the Company s previous denial of his claim for benefits and accept his claim as made; and
(d) any written comments, documents, records and other information which the Claimant desires the Company to examine in its consideration of his position as stated pursuant to paragraph (c).
Claimant shall be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Claimant s claim for benefits. The review of the claim will take into account all comments, documents, records and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. Within no later than 60 days of the date determined pursuant to paragraph (a) of this Section 4.2, the Company shall notify Claimant of the Plan s benefit determination, unless the Company determines that special circumstances require an extension of time for processing the claim. If the Company determines that an extension of time for processing is required, written notice of the extension will be furnished to the Claimant prior to the termination of the initial 60-day period. In no event shall such extension exceed a period of 60 days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan expects to render the determination on review. The Company shall provide the Claimant with a written notification of the Plan s benefit determination on review, written in a manner calculated to be understood by the Claimant, including the reasons and Plan provisions upon which its decision was based, a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the Claimant s claim for benefits, and a statement of the Claimant s right to bring an action under Section 502(a) of ERISA.

ARTICLE V

AMENDMENT AND TERMINATION

The Company reserves the right to amend or terminate the Plan in whole or in part at any time and to suspend operation of the Plan, in whole or in part, at any time, by resolution or written action of its Board of Directors or by action of a committee to which such authority has been delegated by the Board of Directors; provided, however, that no amendment shall result in the forfeiture or reduction of the interest of any Participant or person claiming under or through any one or more of them pursuant to the Plan; provided, further that, effective January 1, 2006, notwithstanding Section 2.3, upon a termination of the Plan each Participant shall be fully vested in his supplemental pension benefit under this Plan. Any amendment of the Plan shall be in writing and signed by authorized individuals.

ARTICLE VI

MISCELLANEOUS

6.1 Non-Alienation of Retirement Rights or Benefits. No Participant shall encumber or dispose of his right to receive any payments hereunder, which payments or the right thereto are expressly declared to be non-assignable and non-transferable. If a Participant attempts to assign, transfer, alienate or encumber his right to receive any payment hereunder or permits the same to be subject to alienation, garnishment, attachment.

execution, or levy of any kind, then thereafter during the life of such Participant, and also during any period in which any Participant is incapable in the judgment of the Company of attending to his financial affairs, any payments which the Company is required to make hereunder may be made, in the discretion of the Company, directly to such Participant or to any other person for his use or benefit or that of his dependents, if any, including any person furnishing goods or services to or for his use or benefit or the use or benefit of his dependents, if any. Each such payment may be made without the intervention of a guardian, the receipt of the payee shall constitute a complete acquittance to the Company with respect thereto, and the Company shall have no responsibility for the proper allocation thereof.

6.2 Plan Non-Contractual. Nothing herein contained shall be construed as a commitment or agreement on the part of any person employed by the Company to continue his employment with the Company, and nothing herein contained shall be construed as a commitment on the part of the Company to continue the employment or the annual rate of compensation of any such person for any period, and all Participants shall remain subject to discharge to the same extent as if the Plan had never been established.

6.3 Trust. In order to provide a source of payment for its obligations under the Plan, the Company has established the Trust, the terms of which are governed by the Trust Agreement.

6.4 Interest of a Participant. Subject to the provisions of the Trust Agreement, the obligation of the Company under the Plan to provide a Participant with a supplemental pension benefit constitutes the unsecured promise of the Company to make payments as provided herein, and no person shall have any interest in, or a lien or prior claim upon, any property of the Company.

6.5 Controlling Status. No Participant shall be eligible for a benefit under the Plan unless such Participant is a Participant on the date of his retirement, death, or other termination of employment.

6.6 Claims of Other Persons. The provisions of the Plan shall in no event be construed as giving any person, firm or corporation any legal or equitable right as against the Company, its officers, employees, or directors, except any such rights as are specifically provided for in the plan or are hereafter created in accordance with the terms and provisions of the Plan.

6.7 Severability. The invalidity or unenforceability of any particular provision of the Plan shall not affect any other provision hereof, and the Plan shall be construed in all respects as if such invalid or unenforceable provision were omitted herefrom.

6.8 Governing Law. The provisions of the Plan shall be governed and construed in accordance with the laws of the State of Ohio.

Executed at Wickliffe, Ohio , this ___day of ____________, 2007.

THE LUBRIZOL CORPORATION

By:

Title:

By:

Title:

6

Exhibit 10.14

THE LUBRIZOL CORPORATION
2005 EXCESS DEFINED CONTRIBUTION PLAN
(As Amended and Restated January 1, 2008)

The Lubrizol Corporation hereby establishes, effective as of January 1, 2005 and amended and restated as of January 1, 2008, The Lubrizol Corporation 2005 Excess Defined Contribution Plan (the Plan) for the purpose of supplementing the benefits of certain employees, as permitted by Section 3(36) of the Employee Retirement Income Security Act of 1974 and providing deferred compensation benefits to a select group of management and highly compensated employees.

ARTICLE I

DEFINITIONS

1.1 Definitions. For the purposes hereof, the following words and phrases shall have the meanings indicated, unless a different meaning is plainly required by the context:

(a) Beneficiary. The term Beneficiary shall mean the person or persons who shall be designated by a Participant to receive distribution of such Participant s interest under the Plan in the event such Participant dies before full distribution of his interest.

(b) Code. The term Code shall mean the Internal Revenue Code as amended from time to time. Reference to a section of the Code shall include such section and any comparable section or sections of any future legislation that amends, supplements, or supersedes such section.

(c) Company. The term Company shall mean The Lubrizol Corporation, an Ohio corporation, its corporate successors and the surviving corporation resulting from any merger of The Lubrizol Corporation with any other corporation or corporations, and any subsidiaries of The Lubrizol Corporation which adopt the Plan.

(d) Executive Council Deferred Compensation Plan. The term Executive Council Deferred Compensation Plan shall mean The Lubrizol Corporation 2005 Executive Council Deferred Compensation Plan, as shall be in effect on the date of the Participant s retirement, death, or other termination of employment.

(e) Fund. The term Fund shall mean each separate investment fund established and maintained under the Trust Agreement.

(f) Lubrizol Deferred Compensation Plan. The term Lubrizol Deferred Compensation Plan shall mean The Lubrizol Corporation 2005 Deferred Compensation Plan for Officers or, effective January 1, 2006, The Lubrizol Corporation Senior Management Deferred Compensation Plan, as shall be in effect on the date of the Participant s retirement, death, or other termination of employment.

(g) Participant. The term Participant shall mean any person employed by the Company who is designated by the Board of Directors as an officer for the purposes of Section 16 of the Securities Exchange Act of 1934, or whose benefits under the Profit-Sharing Plan are limited by the application of Section 401(a)(17) of the Internal Revenue Code of 1986, as amended, or, effective January 1, 2006, who participates in the Lubrizol Deferred Compensation Plan.

(h) Plan. The term Plan shall mean the excess defined contribution retirement plan as set forth herein, together with all amendments hereto, which Plan shall be called The Lubrizol Corporation Excess Defined Contribution Plan.

(i) Plan Year. The term Plan Year shall mean the calendar year.

(j) Profit-Sharing Plan. The term Profit-Sharing Plan shall mean The Lubrizol Corporation Employees Profit-Sharing Plan and Savings Plan as the same shall be in effect on the date of a Participant s retirement, death, or other termination of employment.

(k) Supplemental Company Contributions. The term Supplemental Company Contributions shall mean the contributions made by the Company under the Plan in accordance with the provisions of Section 2.2.

(l) Trust Agreement. The term Trust Agreement shall mean The Lubrizol Corporation Excess Defined Contribution Plan Trust Agreement.

(m) Trust Assets. The term Trust Assets shall mean all property held by the Trustee pursuant to the Trust Agreement.

(n) Trustee. The term Trustee shall mean the trustee of The Lubrizol Corporation Excess Defined Contribution Trust.

(o) Valuation Date. The term Valuation Date shall mean the last day of each Plan Year and any other date as may be agreed upon by the Company and the Trustee.

(p) Separate Accounts. The term Separate Accounts shall mean each account established on behalf of a Participant under the Plan and credited with Supplemental Company Contributions in accordance with the provisions of Section 2.3.

(q) Supplemental Matching Contributions. The term Supplemental Matching Contributions shall mean the contributions made by the Company under the Plan in accordance with the provisions of Section 2.3.

1.2 Additional Definitions. All other words and phrases used herein shall have the meanings given them in the Profit-Sharing Plan, unless a different meaning is clearly required by the context.

ARTICLE II

SUPPLEMENTAL CONTRIBUTIONS

2.1 Eligibility. A Participant whose benefits under the Profit-Sharing Plan are limited with respect to any Plan Year by Section 401(a)(17) or 415 of the Code, or who participated in the Lubrizol Deferred Compensation Plan or the Executive Council Deferred Compensation Plan, shall be eligible to have contributions made with respect to him under the Plan in accordance with the provisions of this Article II.

2.2 Supplemental Company Contributions. In the event that Company Profit Sharing Contributions under the Profit-Sharing Plan with respect to a Participant are limited for any Plan Year due to the provisions of Section 401(a)(17) or 415 of the Code, or due to the Participant s

participation in the Lubrizol Deferred Compensation Plan or the Executive Council Deferred Compensation Plan, the amounts by which such contributions are limited shall be credited under the Plan by the Company and shall be designated as Supplemental Company Contributions.

2.3 Supplemental Matching Contributions. In the event that Company Matching Contributions under the Profit-Sharing Plan are limited for any Plan Year due to the Participant s participation in the Lubrizol Corporation Deferred Compensation Plan or the Executive Counsel Deferred Compensation Plan, the amounts by which such contributions are limited shall be credited under the Plan by the Company and shall be designated as Supplemental Matching Contributions; provided, however that the total amount of Supplemental Matching Contributions hereunder for a Plan Year plus Company Matching Contributions under the Profit-Sharing Plan for the Plan Year shall not exceed 50 percent of six percent of the combination of the Participant s Compensation under the Profit-Sharing Plan plus the amount of the Participant s deferrals under the Lubrizol Deferred Compensation Plan and the Executive Council Deferred Compensation Plan; provided further, that for purposes of determining the amount of Supplemental Matching Contributions that may be made hereunder for a Plan Year, the total amount of the Participant s Compensation under the Profit-Sharing Plan for a Plan Year plus the Participant s deferrals under the Lubrizol Deferred Compensation Plan and the Executive Council Deferred Compensation Plan for the Plan Year is limited to the maximum amount of Compensation that may be taken into account under the Profit-Sharing Plan for the Plan Year; provided further that Supplemental Matching Contributions will be made hereunder only if the total of the Participant s CODA Contributions plus Supplemental Contributions under the Profit-Sharing Plan has met or exceeded the maximum allowed as CODA Contributions under the Profit-Sharing Plan for the Plan Year.

2.4 Allocation of Contributions. Supplemental Company Contributions shall be allocated among the Separate Accounts of the Participants on whose behalf such contributions are made.

2.5 Administration of Separate Accounts. Each Separate Account to which contributions under Sections 2.2 and 2.3 are credited and allocated shall be credited monthly with the net monthly increase (decrease) experienced by the Participant selected investment funds of the Lubrizol Profit-Sharing Plan.

ARTICLE III

DISTRIBUTION

3.1 Vesting. Each Participant, shall be vested in the value of his Separate Accounts under this Plan as determined in accordance with the vesting provisions of the Profit-Sharing Plan.

3.2 Distribution.

(a) Each Participant who separates from service with the Company and its related corporations shall receive payment of the balance in his Separate Account in the standard form of payment of a single lump-sum payment payable the later of the six- month anniversary of the separation from service or within 30 days following the beginning of the calendar year following the calendar year in which Participant separated from service.

(b) At least 12 months prior to the distribution date specified in paragraph (a) Participants may instead elect to receive the balance of his Separate Account in (i) a single lump-sum payment payable at least five years following the original distribution date specified in paragraph (a), or (ii) substantially equal annual installments of up to ten payments, the first of which shall be paid at least five years following the original distribution date specified in paragraph (a), and subsequent installments of which shall be paid on the anniversary date of the payment of the first installment. Such installments shall be determined by dividing the value of the Participant s Separate Account by the number of installments to be paid.

(c) Notwithstanding the foregoing, if the Participant is entitled to a benefit under The Lubrizol Corporation 2005 Officers Supplemental Retirement Plan, the benefit under this Plan shall be paid at the same time and in the same form of payment as the benefit under The Lubrizol Corporation 2005 Officer s Supplemental Retirement Plan.

3.3 Distribution in the Event of Death. In the event of the death of a Participant after commencement of benefits but prior to distribution in full of his interest under the Plan, his Beneficiary shall continue to receive distribution of such interest following Participant s death in the same form and timing as Participant had been receiving at the time of his death. In the event of death of a Participant prior to making an election for benefits, such Beneficiary shall receive distribution of such interest in a lump sum payable within 60 days following Participant s death. The Beneficiary under this Section 3.3 shall be the person designated as the Participant s beneficiary under the Profit-Sharing Plan. If no Beneficiary survives such Participant or if no Beneficiary has been designated by such Participant, the estate of such Participant shall be the Beneficiary and receive distribution thereof. If any Beneficiary dies after becoming entitled to receive distribution hereunder and before such distribution is made in full, and if no other person or persons have been designated to receive the balance of such distribution upon the happening of such contingency, the estate of such deceased Beneficiary shall become the Beneficiary as to such balance. Notwithstanding the forgoing, if the Participant is entitled to a benefit under The Lubrizol Corporation 2005 Officers Supplemental Retirement Plan, the benefit paid under this Section 3.3 shall be paid at the same time and in the same form of payment as the benefit under The Lubrizol Corporation 2005 Officer s Supplemental Retirement Plan.

3.4 Withholding for Taxes. Any payment made hereunder will be made less any applicable withholding taxes.

ARTICLE IV

ADMINISTRATION

4.1 Authority of the Company. The Company shall be responsible for the general administration of the Plan, for carrying out the provisions hereof, and for making, or causing the Trust to make, any required supplemental benefit payments. The Company shall have all such powers as may be necessary to carry out the provisions of the Plan, including the power to determine all questions relating to eligibility for and the amount of any supplemental pension benefit and all questions pertaining to claims for benefits and procedures for claim review; to resolve all other questions arising under the Plan, including any questions of construction; and to take such further action as the Company shall deem advisable in the administration of the Plan. The Company may delegate any of its powers, authorities, or responsibilities for the operation and administration of the Plan to any person or committee so designated in writing by it and may employ such attorneys, agents, and accountants as it may deem necessary or

advisable to assist it in carrying out its duties hereunder. The actions taken and the decisions made by the Company hereunder shall be final and binding upon all interested parties.

4.2 Claims Review Procedure. The Company shall notify the person who files a claim for benefits (hereinafter referred to as the Claimant) of the Plan s adverse benefit determination within a reasonable period of time, but not later than 90 days after the receipt of the claim by the Plan, unless the Company determines that special circumstances require an extension of time for processing the claim. If the Company determines that special circumstances require an extension of time for processing is required, written notice of the extension shall be furnished to the Claimant prior to the termination of the initial 90-day period. In no event shall such extension exceed a period of 90 days from the end of such initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan expects to render the benefit determination. Whenever the Company decides for whatever reason to deny, whether in whole or in part, a claim for benefits filed by any Claimant, the Company shall transmit to the Claimant a written notice of the Company s decision, which shall be written in a manner calculated to be understood by the Claimant and contain a statement of the specific reasons for the denial of the claim, reference to the specific Plan provisions on which the determination was based, a description of any additional material or information necessary for the Claimant to perfect the claim and an explanation of why such material or information is necessary, a description of the Plan s review procedures and the time limits applicable to such procedures, include a statement of the Claimant s right to bring civil action under Section 502(a) ERISA following an adverse benefit determination on review. Within 60 days of the date on which the Claimant receives such notice, he or his authorized representative may request that the claim denial be reviewed by filing with the Company a written request therefor, which request shall contain the following information:

(a) the date on which the Claimant s request was filed with the Company; provided, however, that the date on which the Claimant s request for review was in fact filed with the Company shall control in the event that the date of the actual filing is later than the date stated by the Claimant pursuant to this paragraph (a);

(b) the specific portions of the denial of his claim which the Claimant requests the Company to review;

(c) a statement by the Claimant setting forth the basis upon which he believes the Company should reverse the Company s previous denial of his claim for benefits and accept his claim as made; and

(d) any written comments, documents, records and other information which the Claimant desires the Company to examine in its consideration of his position as stated pursuant to paragraph (c).

Claimant shall be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Claimant s claim for benefits. The review of the claim will take into account all comments, documents, records and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. Within no later than 60 days of the date determined pursuant to paragraph (a) of this Section 4.2, the Company shall notify Claimant of the Plan s benefit determination, unless the Company determines that special circumstances require an extension of time for processing the claim. If the Company determines that an extension of time for processing is required, written notice of the extension

will be furnished to the Claimant prior to the termination of the initial 60-day period. In no event shall such extension exceed a period of 60 days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan expects to render the determination on review. The Company shall provide the Claimant with a written notification of the Plan s benefit determination on review, written in a manner calculated to be understood by the Claimant, including the reasons and Plan provisions upon which its decision was based, a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the Claimant s claim for benefits, and a statement of the Claimant s right to bring an action under Section 502(a) of ERISA.

ARTICLE V

AMENDMENT AND TERMINATION

The Company reserves the right to amend or terminate the Plan in whole or in part at any time and to suspend operation of the Plan, in whole or in part, at any time, by resolution or written action of its Board of Directors or by action of a committee to which such authority has been delegated by the Board of Directors; provided, however, that no amendment shall result in the forfeiture or reduction of the interest of any Participant or person claiming under or through any one or more of them pursuant to the Plan; provided, further that, effective January 1, 2006, notwithstanding Section 3.1, upon a termination of the Plan each Participant shall be fully vested in his supplemental pension benefit under this Plan. Any amendment of the Plan shall be in writing and signed by authorized individuals.

ARTICLE VI

MISCELLANEOUS

6.1 Non-Alienation of Retirement Rights or Benefits. No Participant shall encumber or dispose of his right to receive any payments hereunder, which payments or the right thereto are expressly declared to be non-assignable and non-transferable. If a Participant or Beneficiary attempts to assign, transfer, alienate or encumber his right to receive any payment under the Plan or permits the same to be subject to alienation, garnishment, attachment, execution, or levy of any kind, then thereafter during the life of such Participant or Beneficiary and also during any period in which any Participant or Beneficiary is incapable in the judgment of the Company of attending to his financial affairs, any payments which the Company is required to make hereunder may be made, in the discretion of the Company, directly to such Participant or Beneficiary or to any other person for his use or benefit or that of his dependents, if any, including any person furnishing goods or services to or for his use or benefit or the use or benefit of his dependents, if any. Each such payment may be made without the intervention of a guardian, the receipt of the payee shall constitute a complete acquittance to the Company with respect thereto, and the Company shall have no responsibility for the proper allocation thereof.

6.2 Plan Non-Contractual. Nothing herein contained shall be construed as a commitment or agreement on the part of any person employed by the Company to continue his employment with the Company, and nothing herein contained shall be construed as a commitment on the part of the Company to continue the employment or the annual rate of compensation of any such person for any period, and all Participants shall remain subject to discharge to the same extent as if the Plan had never been established.

6.3 Trust. In order to provide a source of payment for its obligations under the Plan, the Company has established The Lubrizol Corporation Excess Defined Contribution Plan Trust.

6.4 Interest of a Participant. Subject to the provisions of the Trust Agreement, the obligation of the Company under the Plan to provide a Participant or Beneficiary with supplemental retirement benefits merely constitutes the unsecured promise of the Company to make payments as provided herein, and no person shall have any interest in, or a lien or prior claim upon, any property of the Company.

6.5 Controlling Status. No Participant shall be eligible for a benefit under the Plan unless such Participant is a Participant on the date of his retirement, death, or other termination of employment.

6.6 Claims of Other Persons. The provisions of the Plan shall in no event be construed as giving any person, firm or corporation any legal or equitable right as against the Company, its officers, employees, or directors, except any such rights as are specifically provided for in the Plan or are hereafter created in accordance with the terms and provisions of the Plan.

6.7 Severability. The invalidity or unenforceability of any particular provision of the Plan shall not affect any other provision hereof, and the Plan shall be construed in all respects as if such invalid or unenforceable provision were omitted herefrom.

6.8 Governing Law. The provisions of the Plan shall be governed and construed in accordance with the laws of the State of Ohio.

Executed at Wickliffe, Ohio , this ___day of _________, 2007.

THE LUBRIZOL CORPORATION

By:

Title:

By:

Title:

7

Exhibit 10.15

THE LUBRIZOL CORPORATION
2005 OFFICERS SUPPLEMENTAL
RETIREMENT PLAN
(As Amended and Restated as of January 1, 2008)

The Lubrizol Corporation hereby establishes, effective as of January 1, 2005 and amended and restated as of January 1, 2008, The Lubrizol Corporation 2005 Officers Supplemental Retirement Plan (the Plan) for the purpose of providing deferred compensation benefits to a select group of management or highly compensated employees.

Section 1. Definitions. For the purposes hereof, the following words and phrases shall have the meanings indicated, unless a different meaning is plainly required by the context:

(a) Beneficiary. The term Beneficiary shall mean a person who is designated by a Participant to receive benefits payable upon his death pursuant to the provisions of Section 6.

(b) Code. The term Code shall mean the Internal Revenue Code as amended from time to time. Reference to a section of the Code shall include such section and any comparable section or sections of any future legislation that amends, supplements, or supersedes such section.

(c) Company. The term Company shall mean The Lubrizol Corporation, an Ohio corporation, its corporate successors and the surviving corporation resulting from any merger of The Lubrizol Corporation with any other corporation or corporations.

(d) Credited Service. The term Credited Service shall mean a Participant s years of service with the Company equal to the number of full and fractional years of service (to the nearest twelfth of a year) beginning on the date the Participant first performed an hour of service for the Company and ending on the date he is no longer employed by the Company.

(e) Final Average Pay. The term Final Average Pay shall mean the aggregated amount of Basic Compensation (as that term is defined in the Lubrizol Pension Plan modified to add cash (but not shares), if any, which the Participant has elected to defer under The Lubrizol Corporation 2005 Deferred Compensation Plan for Officers or under The Lubrizol Corporation 2005 Executive Council Deferred Compensation Plan or, effective January 1, 2006, under The Lubrizol Corporation Senior Management Deferred Compensation Plan, received by the Participant during the three consecutive calendar years during which such Participant received the greatest aggregate amount of Basic Compensation, as defined above, within the most recent ten years of employment, divided by 36.

(f) Lubrizol Pension Plan. The term Lubrizol Pension Plan shall mean The Lubrizol Corporation Pension Plan as the same shall be in effect on the date of a Participant s retirement, death, or other termination of employment.

(g) Normal Retirement Date. The term Normal Retirement Date shall mean the first day of the month following the date on which a Participant attains age sixty-five (65).

(h) Participant. The term Participant shall mean the Chief Executive Officer, the Chief Operating Officer and any other officer of the Company who is designated by the Board of Directors of the Company and the Chief Executive Officer to participate in the Plan, and who has not waived participation in the Plan.

(i) Plan. The term Plan shall mean a deferred compensation plan set forth herein, together with all amendments hereto, which Plan shall be called The Lubrizol Corporation 2005 Officers Supplemental Retirement Plan.

(j) Change in Control. The term Change in Control shall mean the occurrence of any of the following events:

(i) The date that any one person, or more than one person acting as a group, acquires ownership of stock of the Company that, together with the stock held by such person or group, constitutes more than 50 percent of the total fair market value or total voting power of the stock of the Company.

(ii) The date any person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company possessing 30% or more of the total voting power of the stock of the Company.

(iii) The date a majority of members of the Company s board of directors is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Company s board of directors before the date of the appointment or election.

(iv) The date that any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of the Company immediately before the acquisition or acquisitions.

Section 2. Vesting. A Participant who is the Chief Executive Officer, Chief Operating Officer or President of the Company shall be 100 percent vested in his accrued supplemental retirement benefit hereunder. All other Participants shall become 100 percent vested in his accrued supplemental retirement benefit upon the earliest of the following events: his reaching age 60; his death; his becoming disabled and receiving benefits pursuant to the Company s long-term disability plan; or a Change in Control.

Section 3. Normal Retirement Benefit. Each Participant who separates from service with the Company on or after his Normal Retirement Date shall receive, subject to the provisions of Sections 6 and 7, a monthly supplemental retirement benefit which shall be equal to two percent (2%) of his Final Average Pay multiplied by his Credited Service (up to 30 years) offset by the following amounts:

(a) Benefits payable to the Participant under the Lubrizol Pension Plan;

(b) Benefits payable to the Participant under The Lubrizol Corporation Employees Profit Sharing and Savings Plan, excluding benefits attributable to Matching Contributions, CODA Contributions, Supplemental Contributions, Rollover Contributions, Transferred Contributions or Other Company Contributions, as defined thereunder;

(c) Benefits payable to the Participant under The Lubrizol Corporation 2005 Excess Defined Contribution Plan;

(e) Benefits payable to the Participant under The Lubrizol Corporation 2005 Excess Defined Benefit Plan;

(f) The Participant s Social Security benefits;

(g) Any other employer-provided benefits not specifically excluded herein which are payable to the Participant pursuant to any qualified or nonqualified retirement plan maintained by the Company.

Such offsets shall be determined using the actuarial factors provided in the Lubrizol Pension Plan.

Section 4. Early Retirement Eligibility and Determination of Benefit. Each Participant who separates from service with the Company at or after age 55, but prior to his Normal Retirement Date, shall receive a percentage of his vested supplemental retirement benefit determined under Section 3, in accordance with the early retirement schedule provided in the Lubrizol Pension Plan at the time and in the form specified under Section 6.

Section 5. Separation from Service. If a Participant separates from service prior to age 55, he shall receive the actuarial equivalent of his vested supplemental retirement benefit determined under Section 3 in a single lump-sum payment payable within 60 days after the six- month anniversary of the separation from service; such actuarial equivalent of which shall be calculated using the same actuarial factors and interest rates used in the Lubrizol Pension Plan as in effect on the date the Participant separates from service accordance with this Section 5.

Section 6. Payment to Participant.

(a) Each Participant who separates from service on or after age 55 with the Company and its related corporations shall receive payment of his supplemental pension benefit in the standard form of payment of a single lump-sum payment payable within 60 days following the later of six months following the separation from service or beginning of the calendar year following the calendar year in which Participant separated from service.

(b) At least 12 months prior to the distribution date specified in paragraph (a) Participants may instead elect to receive the actuarial equivalent of the benefit determined under Section 3 on the date of separation from service, and payable no earlier than the fifth anniversary of the distribution date specified in paragraph (a) above in accordance with any one of the following options:

(i) Substantially equal monthly payments will be made to the Participant for his lifetime with the continuance to his Beneficiary of such amount after his death for the remainder, if any, of the 120-month term that commenced with the date as of which the first payment of such monthly benefit is made, and with any such monthly benefits remaining unpaid upon the death of the survivor of the Participant and his Beneficiary to be made to the estate of such survivor.

(ii) A reduced monthly retirement benefit of substantially equal payments payable to such Participant for his lifetime with the continuance of a monthly benefit equal to fifty percent (50%) of such reduced amount after his death to the Participant s Beneficiary during the lifetime of the Beneficiary, provided that such Beneficiary is living at the time of such Participant s separation from service and survives such Participant.

(iii) A reduced monthly retirement benefit of substantially equal monthly payments payable to such Participant during his lifetime with the continuance of a monthly benefit equal to one hundred percent (100%) of such reduced amount after his death to the Participant s Beneficiary during the lifetime of the Beneficiary, provided such Beneficiary is living at the time of such Participant s separation from service and survives such Participant.

(iv) Substantially equal annual installments of up to ten payments.

(v) A single lump-sum payment.

Monthly payments made after the first payment will be made on the monthly anniversary of the first payment. Annual payments made after the first payment will be on the annual anniversary of the first payment.

Payments hereunder shall be less any applicable withholding taxes. The forms of payment described shall be calculated using the same actuarial factors and interest rates used under The Lubrizol Corporation Pension Plan (or its successor) as in effect on the date of separation from service.

Section 7. Payment in the Event of Death Prior to Commencement of Distribution. If a Participant dies prior to commencement of benefits under the Plan, his surviving spouse, if any, shall be eligible for a survivor benefit which is equal to one-half of the reduced monthly benefit the Participant would have received under the Plan if the Participant was 100 percent vested in his accrued supplemental retirement benefit, had terminated employment on the day before his death and had elected to receive his benefit hereunder in the form of a 50 percent joint and survivor annuity. In making the determinations and reductions required in this Section 7, the Company shall apply the assumptions then in use under the Lubrizol Pension Plan. For purposes hereof, a surviving spouse shall only be eligible for a benefit under this Section 7, if such spouse had been married to the deceased Participant for at least one year as of the date of the Participant s death. Benefits hereunder shall commence within 60 days after the death of the Participant and shall be paid monthly in substantially equal payments for the life of the surviving spouse.

Section 8. Actuarial Factors. All actuarial assumptions and factors used in this Plan shall be the same as those used in the Lubrizol Pension Plan.

Section 9. Funding. The obligation of the Company to pay benefits provided hereunder shall be unfunded and unsecured and such benefits shall be paid by the Company out of its general funds. In order to provide a source of payment for its obligations under the Plan, the Company may cause a trust fund to be maintained and/or arrange for insurance contracts. Subject to the provisions of the trust agreement governing any such trust fund or the insurance contract, the obligation of the Company under the Plan to provide a Participant with a benefit shall nonetheless constitute the unsecured promise of the Company to make payments as provided herein, and no person shall have any interest in, or a lien or prior claim upon, any property of the Company.

Section 10. Plan Administrator. The Company shall be the plan administrator of the Plan. The plan administrator shall perform all ministerial functions with respect to the Plan. Further, the plan administrator shall have full power and authority to interpret and construe the Plan and shall

determine all questions arising in the administration, interpretation, and application of the Plan. Any such determination shall be conclusive and binding on all persons. The plan administrator shall employ such advisors or agents as it may deem necessary or advisable to assist it in carrying out its duties hereunder.

Section 11. Not a Contract of Continuing Employment. Nothing herein contained shall be construed as a commitment or agreement on the part of the Participant to continue his employment with the Company, and nothing herein contained shall be construed as a commitment or agreement on the part of the Company to continue the employment or the annual rate of compensation of the Participant for any period, and the Participant shall remain subject to discharge to the same extent as if this Plan had never been put into effect.

Section 12. Right of Amendment and Termination. The Company reserves the right to amend or terminate the Plan in whole or in part at any time and to suspend operation of the Plan, in whole or in part, at any time, by resolution or written action of its Board of Directors or by action of a committee to which such authority has been delegated by the Board of Directors; provided, however, that no amendment shall result in the forfeiture or reduction of the interest of any Participant or person claiming under or through any one or more of them pursuant to the Plan. Any amendment of the Plan shall be in writing and signed by authorized individuals.

Section 13. Termination and Distribution of Accrued Benefits. The Plan may be terminated at any time by the Company, and in that event the amount of the accrued benefits as of the date of such termination shall remain an obligation of the Company and shall be payable as if the Plan had not been terminated.

Section 14. Construction. Where necessary or appropriate to the meaning hereof, the singular shall be deemed to include the plural, the plural to include the singular, the masculine to include the feminine, and the feminine to include the masculine.

Section 15. Severability. In the event any provision of the Plan is deemed invalid, such provision shall be deemed to be severed from the Plan, and the remainder of the Plan shall continue to be in full force and effect.

Section 16. Governing Law. Except as otherwise provided, the provisions of the Plan shall be construed and enforced in accordance with the laws of the State of Ohio.

Executed at Wickliffe, Ohio , this ___day of _________, 2007.

THE LUBRIZOL CORPORATION

By:

Title:

By:

Title:

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Exhibit 10.16

Supplemental Retirement Plan
for Donald W. Bogus
(As Amended and Restated January 1, 2008)

In addition to the benefits accrued under The Lubrizol Corporation Pension Plan and Employees Profit Sharing and Savings Plan, and any accrued benefits under the associated excess plans, Lubrizol will also establish a supplemental retirement plan on behalf of Donald W. Bogus with the following terms and conditions:

1) On Mr. Bogus first day of employment, and on each anniversary of that date thereafter, 500 phantom shares of Lubrizol stock will be credited to a supplemental retirement account on Mr. Bogus behalf.
2) If Mr. Bogus works until age 65, over the 12 year period a total of 6,000 phantom shares would be credited to the account.
3) Dividends on accumulated phantom shares will be posted throughout the year and will be used as the basis for purchasing additional phantom shares under the plan.
4) In the event of a change in control, as defined in the Executive Employment Agreement, or at the time of Mr. Bogus death, Lubrizol would fully credit the account with the remaining balance of the 6,000 phantom shares.
5) In the event of Mr. Bogus death, the account balances will be paid as follows:

(a) If Mr. Bogus is entitled to a benefit under The Lubrizol Corporation 2005 Officers Supplemental Retirement Plan (SORP), the account balances under this Plan will be paid at the same time and in the same form of payment as the benefit under SORP.

(b) If Mr. Bogus is not entitled to a benefit under SORP, the account balances under this Plan will be paid in a lump sum to his estate within 60 days after his death.

6) In the event of Mr. Bogus separation from service, the account balances will be paid as follows:

(a) If Mr. Bogus is entitled to a benefit under SORP, the account balances under this Plan will be paid at the same time and in the same form of payment as the benefit under SORP.

(b) If Mr. Bogus is not entitled to a benefit under SORP, the account balances under this Plan will be paid in a lump sum within 60 days after the six month anniversary of Mr. Bogus separation from service.

7) Phantom shares accumulated under the plan will be included when considering share ownership objectives under the Executive Council Ownership Guidelines.
8) Amounts may be withheld at the time of distribution for tax purposes. Mr. Bogus, or his estate, may elect distribution in the form of shares or cash at the time of distribution for phantom shares that are attributable to deferrals prior April 1, 2004. For phantom shares that are attributable to deferrals on or after April 1,

2004, the distribution will be a cash amount equal to the number of phantom shares multiplied by the closing price per common share of The Lubrizol Corporation on the New York Stock Exchange Composite Transactions Reporting System on the date of death or separation from service.

9) As the shares are unregistered, certain restrictions on selling/trading may apply at the time of distribution.

10) The Medicare tax on the increase in the value of the account year over year will be entered into Mr. Bogus pay on an annual basis.

Exhibit 10.17

THE LUBRIZOL CORPORATION
EXECUTIVE DEATH BENEFIT PLAN
(As Amended and Restated January 1, 2008)

The Lubrizol Executive Death Benefit Plan (hereinafter referred to as the Plan) shall provide death benefits to the designated beneficiaries of certain executives of The Lubrizol Corporation (hereinafter referred to as the Corporation) in accordance with the provisions hereinafter set forth.

Section 1. Eligibility. Participation in the Plan shall be limited to those executives of the Corporation who are designated by the Organization and Compensation Committee of the Board of Directors of the Corporation (hereinafter referred to as the Committee) to participate in the Plan; who complete a physical examination to the satisfaction of the Corporation as soon as reasonably possible after being so designated; and who waive participation and benefits in the basic term-life insurance coverage sponsored by the Corporation or any of its affiliates, in a form satisfactory to the Corporation. Any executive so designated shall be listed in Appendix A attached hereto and shall hereinafter be referred to as a Participant .

Section 2. Benefits. Effective July 25, 1994, upon the death of a Participant, a death benefit shall be made to the Participant s Beneficiary (as defined in Section 5) equal to a percentage of the Participant s bi-weekly salary multiplied by 26, plus quarterly pay, including any such bi-weekly salary or quarterly pay which is deferred under The Lubrizol Corporation Deferred Compensation Plan for Officers (hereinafter referred to as Covered Pay) rounded to the nearest $1,000.00. Covered Pay for the Participants designated by the Board to participate in the Plan shall have the meaning as described in Appendix A, attached hereto. The Committee will periodically review the Plan and may, at its discretion, change the level of Covered Pay for any Participant. A death benefit shall be calculated in accordance with Paragraph (a) or (b) below, whichever is applicable.

(a) The amount of the death benefit payable with respect to a Participant, who at the time of his death, (i) is employed by the Corporation, or (ii) has retired under the normal retirement provisions of a qualified defined benefit plan maintained by the Corporation, shall be as follows:

Age of Participant at Death	Death Benefit
Less than age 70	250% of Covered Pay
At least age 70, but less than age 75	150% of Covered Pay
Age 75 and over	100% of Covered Pay

(b) The amount of the death benefit payable with respect to a Participant who (i) has retired under the early retirement provisions of a qualified defined benefit plan maintained by the Corporation, or (ii) has voluntarily

terminated his employment with the Corporation but has not obtained competitive employment with another employer, shall be as follows:

Years after Early Retirement or Voluntary Termination	Death Benefit
0 through 5	250% of Covered Pay
6 through 10	150% of Covered Pay
11 or more	100% of Covered Pay

Section 3. Funding. The obligation of the Corporation to pay benefits provided hereunder shall be satisfied by the Corporation out of its general funds. In order to provide a source of payment for its obligations under the Plan, the Corporation will cause a trust fund to be maintained and/or arrange for insurance contracts. Subject to the provisions of the trust agreement governing any such trust fund or the insurance contract, the obligation of the Corporation under the Plan to provide a benefit shall nonetheless constitute the unsecured promise of the Corporation to make payments as provided herein, and no person shall have any interest in, or a lien or prior claim upon, any property of the Corporation.

Section 4. Payment of Benefits. Payment of any death benefit under the Plan shall be made to the decreased Participant s beneficiary in a single lump sum within 60 days after the Participant s death.

Section 5. Beneficiaries. A Participant may designate any person or person as a beneficiary (hereinafter referred to as a Beneficiary) to receive payment of the death benefit provided under the Plan. Such designation shall be made in writing in the form prescribed by the plan administrator and shall become effective only when filed by the Participant with the Corporation. A Participant may change or revoke his Beneficiary designation at any time by completing and filing with the Corporation a new Beneficiary designation. If at the time of the Participant s death there is no Beneficiary designation on file with the Corporation, or the Beneficiary does not survive to the date of distribution, the death benefit provided hereunder shall be paid to the Participant s estate.

Section 6. Plan Administrator. The Corporation shall be the administrator of the Plan. The plan administrator shall perform all ministerial functions with respect to the Plan. The plan administrator shall employ such advisors or agents as it may deem necessary or advisable to assist it in carrying out its duties hereunder. The plan administrator shall have full power and authority to interpret and construe the Plan and shall determine all questions arising in the administration, interpretation, and application of the Plan. Any such determination shall be conclusive and binding on all persons.

Section 7. Reduction or Termination of Benefits. The Committee reserves the right to reduce or eliminate the benefit of any Participant who is dismissed for cause, or who voluntarily terminates employment to obtain competitive employment.

For Plan purposes, Cause means (i) willful violation of a Corporation policy, or (ii) willful misconduct or gross negligence in the performance of duties, as determined by the Corporation in good faith consistently, if applicable, with its existing personnel practices.

For Plan purposes, Competitive employment shall include employment with any employer (firm, business, or individual) engaged in selling or furnishing any product similar to that available from the Corporation at the time of termination of employment with the Corporation.

Section 8. Employment. This Plan shall not constitute a contract of employment.

Section 9. Severability. In the event any provision of the Plan is deemed invalid, such provision shall be deemed to be severed from the Plan, and the remainder of the Plan shall continue in full force and effect.

Section 10. Governing Law. The provisions of the Plan shall be construed and enforced in accordance with the laws of the State of Ohio.

Section 11. Effective Date. The Plan is effective as of June 1, 1990.

THE LUBRIZOL CORPORATION
EXECUTIVE DEATH BENEFIT PLAN
APPENDIX A
January 1, 2008

	PARTICIPANT	COVERED PAY
1.	W. G. Bares	February 26, 2001 Covered Pay
2.	J. L. Hambrick	October 5, 2007 Covered Pay
3.	G. R. Hill	February 26, 2001 Covered Pay
4.	J. E. Hodge	February 26, 2001 Covered Pay
5.	R. A. Andreas	January 1, 1996 Covered Pay
6.	R. Y. K. Hsu	January 1, 1993 Covered Pay
7.	W. D. Manning	January 1, 1993 Covered Pay
8.	R. J. Senz	January 1, 1993 Covered Pay
9.	P. L. Krug	June 1, 1990 Covered Pay
10.	J. A. Studebaker	June 1, 1990 Covered Pay
11.	D. W. Bogus	January 1, 2008 Covered Pay

Exhibit 10.18

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this Agreement), amended and restated effective January 1, 2008 by and between The Lubrizol Corporation, an Ohio corporation (the Company), and _________ (the Executive);

WITNESSETH:

WHEREAS, the Executive is a senior executive of the Company and has made and is expected to continue to make major contributions to the profitability, growth and financial strength of the Company;

WHEREAS, the Company recognizes that, as is the case for most publicly held companies, the possibility of a Change in Control (as that term is hereafter defined) exists;

WHEREAS, the Company desires to assure itself of both present and future continuity of management in the event of a Change in Control and desires to establish certain minimum compensation rights of its key senior executive officers, including the Executive, applicable in the event of a Change in Control;

WHEREAS, the Company wishes to ensure that it s senior executives are not practically disabled from discharging their duties upon a Change in Control;

WHEREAS, this Agreement is not intended to alter materially the compensation and benefits which the Executive could reasonably expect to receive from the Company absent a Change in Control and, accordingly, although effective and binding as of the date hereof, this Agreement shall become operative only upon the occurrence of a Change in Control; and

WHEREAS, the Executive is willing to render services to the Company on the terms and subject to the conditions set forth in this Agreement;

NOW, THEREFORE, the Company and the Executive agree as follows:

1. Operation of Agreement

(a) This Agreement shall be effective and binding immediately upon its execution, but, anything in this Agreement to the contrary notwithstanding, this Agreement shall not be operative unless and until there shall have occurred a Change in Control. For purposes of this Agreement, a Change in Control shall have occurred if at any time during the Term (as that term is hereafter defined) any of the following events shall occur:

(i) The date that any one person, or more than one person acting as a group, acquires ownership of stock of the Company that, together with the stock held by such person or group, constitutes more than 50 percent of the total fair market value or total voting power of the stock of the Company.

(ii) The date any person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or person) ownership of stock of the Company possessing 30% or more of the total voting power of the stock of the Company.

(iii) The date a majority of members of the Company s board of directors is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Company s board of directors before the date of the appointment or election.

(iv) The date that any person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of the Company immediately before the acquisition or acquisitions.

(b) Upon the occurrence of a Change in Control at any time during the Term, this Agreement shall become immediately operative.

(c) The period during which this Agreement shall be in effect (the Term) shall commence as of the date hereof and shall expire as of the later of (i) the close of business on December 31, 2013 or (ii) if there has been a Change in Control, the expiration of the Period of Employment (as that term is hereinafter defined); provided, however, that (A) commencing on January 1, 2009 and each January 1 thereafter, the term of this Agreement shall automatically be extended for an additional year unless, not later than September 30 of the immediately preceding year, the Company or the Executive shall have given notice that it or he, as the case may be, does not wish to have the Term extended and (B) subject to Section 10 hereof, if, prior to a Change in Control, the Executive ceases for any reason to be an employee of the Company and any Subsidiary, thereupon the Term shall be deemed to have expired and this Agreement shall immediately terminate and be of no further effect.

2. Employment; Period of Employment

(a) Subject to the terms and conditions of this Agreement, upon the occurrence of a Change in Control, the Company shall continue the Executive in its employ and the Executive shall remain in the employ of the Company and/or a Subsidiary, as the case may be, for the period set forth in Section 2(b) hereof (the Period of Employment), in the position and with substantially the same duties and responsibilities that he had immediately prior to the Change in Control, or to which the Company and the Executive may hereafter mutually agree in writing. Throughout the Period of Employment, the Executive shall devote substantially all of his time during normal business hours (subject to vacations, sick leave and other absences in accordance with the policies of the Company as in effect for senior executives immediately prior to the Change in Control) to the business and affairs of the Company, but nothing in this Agreement shall preclude the Executive from devoting reasonable periods of time during normal business hours to (i) serving as a director, trustee or member of or participant in any organization or business so long as such activity would not constitute Competitive Activity (as that term is hereafter defined) if conducted by the Executive after the Executive s Termination Date (as that term is hereafter defined), (ii) engaging in charitable and community activities, or (iii) managing his personal investments.

(b) The Period of Employment shall commence on the date of an occurrence of a Change in Control and, subject only to the provisions of Section 4 hereof, shall continue until the earliest of (i) the expiration of the third anniversary of the occurrence of the Change in Control, (ii) the Executive s death, (iii) the cessation of active employment by reason of the Executive s disability and the actual receipt of disability benefits in accordance with Section 4(a)(ii), or (iv) the Executive s attainment of age 65; provided, however, that commencing on each anniversary

of the Change of Control, the Period of Employment shall automatically be extended for an additional year unless, not later than 90 calendar days prior to such anniversary date, either the Company or the Executive shall have given written notice to the other that the Period of Employment shall not be so extended.

3. Compensation During Period of Employment

(a) Upon the occurrence of a Change in Control, the Executive shall receive during the Period of Employment (i) annual base salary at a rate not less than the Executive s annual fixed or base compensation (payable monthly or otherwise as in effect for senior executives of the Company immediately prior to the occurrence of a Change in Control) or such higher rate as may be determined from time to time by the Board or the Compensation Committee thereof (which base salary at such rate is herein referred to as Base Pay, and one year s worth of such Base Pay is herein referred to as the Annual Base Pay Amount) and (ii) an annual amount (the Annual Incentive Pay Amount) equal to not less than the highest aggregate annual bonus, incentive or other payments of cash compensation in addition to the amounts referred to in clause (i) above made or to be made in regard to services rendered in any calendar year during the three calendar years immediately preceding the year in which the Change in Control occurred pursuant to any annual bonus, incentive, profit-sharing, performance, discretionary pay or similar agreement, policy, plan, program or arrangement (whether or not funded) of the Company or any successor thereto providing benefits at least as great as the benefits payable thereunder prior to a Change in Control (Incentive Pay) payable in accordance with the terms of any such program; provided, however, that (A) with the prior written consent of the Executive, nothing herein shall preclude a change in the mix between Base Pay and Incentive Pay so long as that the aggregate cash compensation received by the Executive in any one calendar year is not reduced in connection therewith or as a result thereof, (B) in no event shall any increase in the Executive s aggregate cash compensation or any portion thereof in any way diminish any other obligation of the Company under this Agreement, and (C) no duplicate payment hereunder will be made in respect of any amount actually paid to the Executive pursuant to any such agreement, policy, plan, program or arrangement.

(b) For his service pursuant to Section 2(a) hereof during the Period of Employment the Executive shall be a full participant in, and shall be entitled to the perquisites, benefits and service credit for benefits as provided under, any and all employee retirement income and welfare benefit policies, plans, programs or arrangements in which senior executives of the Company participate, including without limitation any stock option, stock purchase, stock appreciation, savings, pension, supplemental executive retirement or other retirement income or welfare benefit, deferred compensation, incentive compensation, group and/or executive life, health, medical/ hospital or other insurance (whether funded by actual insurance or self-insured by the Company), disability, salary continuation, expense reimbursement and other employee benefit policies, plans, programs or arrangements that may now exist or any equivalent successor policies, plans, programs or arrangements that may be adopted hereafter by the Company providing perquisites, benefits and service credit for benefits at least as great as are payable thereunder prior to a Change in Control (collectively, Employee Benefits); provided, however, that except as expressly provided in, and subject to the terms of, Section 3(a) hereof, the Executive s rights thereunder shall be governed by the terms thereof and shall not be enlarged hereunder or otherwise affected hereby. If and to the extent such perquisites, benefits or service credit for benefits are not payable or provided under any such policy, plan, program or arrangement as a result of the amendment or termination thereof, then the Company shall itself pay or provide therefor. Nothing in this Agreement shall preclude improvement or enhancement of any such Employee Benefits, provided that no such improvement shall in any way diminish any other obligation of the Company under this Agreement.

4. Separation From Service Following a Change in Control

(a) In the event of the occurrence of a Change in Control, the Executive may be separated from service by the Company during the Period of Employment and the Executive shall not be entitled to the benefits provided by Sections 5 and 6 hereof only upon the occurrence of one or more of the following events:

(i) The Executive s death;

(ii) If the Executive shall become permanently disabled within the meaning of, and begins actually to receive disability benefits pursuant to, the long-term disability plan in effect for senior executives of the Company immediately prior to the Change in Control; or

(iii) The Executive s attainment of age 65;

(iv) Cause , which for purposes of this Agreement shall mean that, prior to any separation from service pursuant to Section 4(b) hereof, the Executive shall have committed:

(A) an intentional act of fraud, embezzlement or theft in connection with his duties or in the course of his employment with the Company and/or any Subsidiary;

(B) intentional wrongful damage to property of the Company and/or any Subsidiary;

(C) intentional wrongful disclosure of secret processes or confidential information of the Company and/or any Subsidiary; or

(D) intentional wrongful engagement in any Competitive Activity;

and any such act shall have been materially harmful to the Company. For purposes of this Agreement, no act, or failure to act, on the part of the Executive shall be deemed intentional if it was due primarily to an error in judgment or negligence, but shall be deemed intentional only if done, or omitted to be done, by the Executive not in good faith and without reasonable belief that his action or omission was in the best interest of the Company. Notwithstanding the foregoing, the Executive shall not be deemed to have been separated from service for Cause hereunder unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the Board then in office at a meeting of the Board called and held for such purpose (after reasonable notice to the Executive and an opportunity for the Executive, together with his counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive had committed an act set forth above in Section 4(a)(iv) and specifying the particulars thereof in detail. Nothing herein shall limit the right of the Executive or his beneficiaries to contest the validity or propriety of any such determination.

(b) In the event of the occurrence of a Change in Control, this Agreement may be terminated by the Executive during the Period of Employment with the right to severance compensation as provided in Sections 5 and 6 hereof upon the occurrence of one or more of the following events (regardless of whether any other reason, other than Cause as hereinabove

provided, for such termination exists or has occurred, including without limitation other employment):
(i) Any separation from service of the Executive by the Company prior to the date upon which the Executive shall have attained age 65, which separation from service shall be for any reason other than for Cause or as a result of the death of the Executive or by reason of the Executive s disability and the actual receipt of disability benefits in accordance with Section 4(a)(ii) hereof; or
(ii) Separation from service by the Executive of his employment with the Company and any Subsidiary within three years after the Change in Control upon the occurrence of any of the following events:
(A) Failure to elect or reelect or otherwise to maintain the Executive in the office or the position, or a substantially equivalent office or position, of or with the Company and/or a Subsidiary, as the case may be, which the Executive held immediately prior to a Change in Control, or the removal of the Executive as a Director of the Company (or any successor thereto) if the Executive shall have been a Director of the Company immediately prior to the Change in Control;
(B) A significant adverse change in the nature or scope of the authorities, powers, functions, responsibilities or duties attached to the position with the Company and any Subsidiary which the Executive held immediately prior to the Change in Control, a reduction in the aggregate of the Executive s Base Pay and Incentive Pay received from the Company and any Subsidiary, or the termination or denial of the Executive s rights to Employee Benefits as herein provided, any of which is not remedied within 10 calendar days after receipt by the Company of written notice from the Executive of such change, reduction or termination, as the case may be;
(C) A determination by the Executive made in good faith that as a result of a Change in Control and a change in circumstances thereafter significantly affecting his position, including without limitation a change in the scope of the business or other activities for which he was responsible immediately prior to a Change in Control, he has been rendered substantially unable to carry out, has been substantially hindered in the performance of, or has suffered a substantial reduction in, any of the authorities, powers, functions, responsibilities or duties attached to the position held by the Executive immediately prior to the Change in Control, which situation is not remedied within 10 calendar days after written notice to the Company from the Executive of such determination;
(D) The liquidation, dissolution, merger, consolidation or reorganization of the Company or transfer of all or a significant portion of its business and/or assets, unless the successor or successors (by liquidation, merger, consolidation, reorganization or otherwise) to which all or a significant portion of its business and/or assets have been transferred (directly or by operation of law) shall have assumed all duties and obligations of the Company under this Agreement pursuant to Section 12 hereof;
(E) The Company shall relocate its principal executive offices, or require the Executive to have his principal location of work changed, to any location which is in excess of 25 miles from the location thereof immediately prior to the Change of Control or to travel away from his office in the course of discharging his

responsibilities or duties hereunder significantly more (in terms of either consecutive days or aggregate days in any calendar year) than was required of him prior to the Change of Control without, in either case, his prior written consent; or

(F) Without limiting the generality or effect of the foregoing, any material breach of this Agreement by the Company or any successor thereto.

(iii) Separation from service by the Executive with the Company and any Subsidiary, for any reason or for no reason, at any time during the 90 day period commencing on the first anniversary of the Change in Control, provided that the Executive remains employed by the Company up to the date of that separation from service by the Executive.

(c) A separation from service by the Company pursuant to Section 4(a) hereof or by the Executive pursuant to Section 4(b) hereof shall not affect any rights which the Executive may have pursuant to any agreement, policy, plan, program or arrangement of the Company providing Employee Benefits (except as provided in Section 5(a)(v) hereof), which rights shall be governed by the terms thereof. If this Agreement or the employment of the Executive is terminated under circumstances in which the Executive is not entitled to any payments under Sections 3, 5 or 6 hereof, the Executive shall have no further obligation or liability to the Company hereunder with respect to his prior or any future employment by the Company.

5. <u>Severance Compensation</u>

(a) If, following the occurrence of a Change in Control, the Executive is separated from service by the Company during the Period of Employment other than pursuant to Section 4(a) hereof, or if the Executive shall separate from service pursuant to Section 4(b) hereof (Termination Date), the Company shall continue to provide the following benefits:

(i) Base Pay through the Termination Date, to the extent not previously paid to the Executive, payable in the next normal bi-weekly pay.

(ii) Incentive Pay for any calendar year ended before the Termination Date in the same amount that would have been payable to the Executive with respect to that calendar year if the Executive had remained in the employ of the Company through the end of the Period of Employment, to the extent not previously paid to the Executive, payable in a lump sum in accordance with the terms of the program, or if later, within 60 days after the six-month anniversary of the Termination Date.

(iii) An amount constituting a pro rata Incentive Pay award for the partial year ending on the Termination Date and equal to (A) the greater of (I) the Annual Incentive Pay Amount or (II) the aggregate Incentive Pay to which the Executive would have been entitled pursuant to this Agreement or any agreement, policy, plan, program or arrangement referred to therein had he remained in the employ of the Company through the end of the calendar year in which his employment is terminated, multiplied by (B) a fraction, the numerator of which is the number of days from January 1 of the calendar year in which the Termination Date occurs to the Termination Date, inclusive, and the denominator of which is 365. This amount will be paid in a lump sum within 60 days after the six-month anniversary of the Termination Date.

(iv) In lieu of any further payments to the Executive for periods subsequent to the Termination Date, but without affecting the rights of the Executive referred to in Section 5(b) hereof, a lump sum payment (the Severance Payment) in an amount equal to 3

times the sum of (A) the Annual Base Pay Amount (at the highest rate in effect for any period prior to the Termination Date), plus (B) the Annual Incentive Pay Amount. This amount will be paid within 60 days after the six-month anniversary of the Termination Date.
(v) For the period commencing on the Termination Date and ending on the third anniversary of the Termination Date (the Benefit Continuation Period), the Company shall arrange to provide the Executive with Employee Benefits that are welfare benefits, but not stock option, stock purchase, stock appreciation, or similar compensatory benefits, substantially similar to those which the Executive was receiving or entitled to receive immediately prior to the Termination Date (and if and to the extent that such benefits shall not or cannot be paid or provided under any policy, plan, program or arrangement of the Company or any Subsidiary, as the case may be, then the Company shall itself pay or provide for the payment to the Executive, his dependents and beneficiaries, such Employee Benefits). Without otherwise limiting the purposes or effect of Section 7 hereof, Employee Benefits otherwise receivable by the Executive pursuant to the first sentence of this Section 5(a)(v) shall be reduced to the extent comparable welfare benefits are actually received by the Executive from another employer during the Benefit Continuation Period, and any such benefits actually received by the Executive shall be reported by the Executive to the Company.
(vi) An amount equal to the sum of (A) excess of (I) the actuarial equivalent of the benefit under the Company s qualified defined benefit retirement plan (the Retirement Plan) (utilizing actuarial assumptions no less favorable to the Executive than those in effect under the Retirement Plan immediately prior to the Change in Control) and any excess or supplemental defined benefit retirement plan in which the Executive participates (collectively, the SERP) that the Executive would receive if the Executive s employment continued for three years after the Termination Date, assuming for this purpose that (a) all accrued benefits are fully vested, (b) the Executive s age is increased by the number of years that the Executive is deemed to be so employed, and (c) the Executive s compensation in each of the three years is that required by Section 5(a)(v), over (II) the actuarial equivalent of the Executive s actual benefit (paid or payable), if any, under the Retirement Plan and the SERP as of the Termination Date and (B) an amount equal to the sum of the Company matching and profit sharing contributions under the Company s qualified defined contribution plans and any excess or supplemental defined contributions plans in which the Executive participates that the Executive would receive if the Executive s employment continued for three years after the Termination Date, assuming for this purpose that (w) the Company s matching and profit sharing contributions under the Company s qualified defined contribution plan are equal to the most recent such contributions made by the Company prior to the Change in Control, (x) the Executive s benefits under such plans are fully vested and (y) a 7 percent annual interest rate is applied to the first and second year s worth of such contributions. This amount will be paid in a lump sum within 60 days after the six-month anniversary of the Termination Date.
The amount of in-kind benefits provided during the Executive s taxable year does not affect the in-kind benefits provided in any other taxable year. The right to in-kind benefits is not subject to liquidation or exchange for another benefit.
(b) There shall be no right of set-off or counterclaim in respect of any claim, debt or obligation against any payment to or benefit for the Executive provided for in this Agreement, except as expressly provided in Section 5(a)(v) hereof.

(c) Without limiting the rights of the Executive at law or in equity, if the Company fails to make any payment required to be made hereunder on a timely basis, the Company shall include with such late payment interest on the amount thereof at an annualized rate of interest equal to the then-applicable discount rate required to be utilized for purposes of Section 280G of the Code or any successor provision thereto, or if no such rate is so required to be used, a rate equal to the then applicable interest rate prescribed by the Pension Benefit Guarantee Corporation for benefit valuations in connection with non-multiemployer pension plan terminations assuming the immediate commencement of benefit payments.
(e) Notwithstanding any other provision hereof, the parties respective rights and obligations under this Section 5 will survive any termination or expiration of this Agreement or the termination of the Executive s employment for any reason whatsoever.

6. <u>Certain Additional Payments by the Company</u>

(a) Anything in this Agreement to the contrary notwithstanding, in the event that this Agreement shall become operative and it shall be determined (as hereafter provided) that any payment or distribution by the Company or any of its affiliates to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any stock option, stock appreciation right or similar right, or the lapse or termination of any restriction on or the vesting or exercisability of any of the foregoing (individually and collectively a Payment), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision thereto) by reason of being considered contingent on a change in ownership or control of the Company, within the meaning of Section 280G of the Code (or any successor provision thereto), or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, being hereafter collectively referred to as the Excise Tax), then the Executive shall be entitled to receive an additional payment or payments (individually and collectively, a Gross-Up Payment). The Gross-Up Payment shall be in an amount such that, after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payment.
(b) Subject to the provisions of Section 6(e) hereof, all determinations required to be made under this Section 6, including whether an Excise Tax is payable by the Executive and the amount of such Excise Tax and whether a Gross-Up Payment is required to be paid by the Company to the Executive and the amount of such Gross-Up Payment, if any, shall be made by a nationally recognized accounting firm (the Accounting Firm) selected by the Executive in his sole discretion. The Executive shall direct the Accounting Firm to submit its determination and detailed supporting calculations to both the Company and the Executive within 30 calendar days after the Termination Date, if applicable, and any such other time or times as may be requested by the Company or the Executive. If the Accounting Firm determines that any Excise Tax is payable by the Executive, the Company shall pay the required Gross-Up Payment to the Executive in a lump sum by the later of six months after the Termination Date or the end of Executive s taxable year next following the Executive s taxable year in which Executive remits the related taxes. The federal tax returns filed by the Executive shall be prepared and filed on a consistent basis with the determination of the Accounting Firm with respect to the Excise Tax payable by the Executive. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall, at the same time as it makes such determination, furnish the Company and the Executive an opinion that the Executive has substantial authority not to report any Excise Tax on his federal income tax return. As a result of the uncertainty in the application of

Section 4999 of the Code (or any successor provision thereto) at the time of any determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made (an Underpayment), consistent with the calculations required to be made hereunder. In the event that the Company exhausts or fails to pursue its remedies pursuant to Section 6(e) hereof and the Executive thereafter is required to make a payment of any Excise Tax, the Executive shall direct the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both the Company and the Executive as promptly as possible. Any such Underpayment shall be promptly paid by the Company in a lump sum to, or for the benefit of, the Executive by the end of Executive s taxable year following the Executive s taxable year in which the Executive remits the taxes.

(c) The Company and the Executive shall each provide the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or the Executive, as the case may be, reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determinations and calculations contemplated by Section 6(b) hereof.

(d) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations contemplated by Section 6(b) hereof shall be borne by the Company. If such fees and expenses are initially paid by the Executive, the Company shall reimburse the Executive the full amount of such fees and expenses within 5 business days after receipt from the Executive of a statement therefor and reasonable evidence of his payment thereof. The amount of expenses eligible for reimbursement or in-kind benefits provided during the Executive s taxable year will not affect the expenses eligible for reimbursement or in-kind benefits to be provided, in any other taxable year. The right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

(e) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification shall be given as promptly as practicable but no later than 10 business days after the Executive actually receives notice of such claim and the Executive shall further apprise the Company of the nature of such claim and the date on which such claim is requested to be paid (in each case, to the extent known by the Executive). The Executive shall not pay such claim prior to the earlier of (i) the expiration of the 30-calendar-day period following the date on which he gives such notice to the Company and (ii) the date that any payment of amount with respect to such claim is due. If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) provide the Company with any written records or documents in his possession relating to such claim reasonably requested by the Company;

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including without limitation accepting legal representation with respect to such claim by an attorney competent in respect of the subject matter and reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and shall indemnify

and hold harmless the Executive on an after-tax basis, for and against any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing provisions of this Section 6(e), the Company shall control all proceedings taken in connection with the contest of any claim contemplated by this Section 6(e) and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim (provided, however, that the Executive may participate therein at his own cost and expense) and may, at its option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay the tax claimed and sue for a refund, the Company shall advance the amount of such payment to the Executive on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax, including interest or penalties with respect thereto, imposed with respect to such advance; and provided further, however, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company s control of any such contested claim shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority. Payment hereunder will be made by the end of the Executive s taxable year following the Executive s taxable year in which taxes that are subject to audit or litigation are remitted to the taxing authority, or where as a result of such audit or litigation no taxes are remitted, the end of the Executive s taxable year following the Executive s taxable year in which the audit is completed or there is a final and nonappealable settlement or other resolution of the litigation.

(f) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 6(e) hereof, the Executive receives any refund with respect to such claim, the Executive shall (subject to the Company s complying with the requirements of Section 6(e) hereof) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 6(e) hereof, a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial or refund prior to the expiration of 30 calendar days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of any such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid by the Company to the Executive pursuant to this Section 6.

7. <u>No Mitigation Obligation</u>

The Company hereby acknowledges that it will be difficult, and may be impossible, for the Executive to find reasonably comparable employment following the Termination Date and that the noncompetition covenant contained in Section 8 hereof will further limit the employment opportunities for the Executive. In addition, the Company acknowledges that its severance pay plans applicable in general to its salaried employees do not provide for mitigation, offset or reduction of any severance payment received thereunder. Accordingly, the parties hereto expressly agree that the payment of the severance compensation by the company to the Executive in accordance with the terms of this Agreement will be liquidated damages, and that the Executive shall not be required to mitigate the amount of any payment provided for in this

Agreement by seeking other employment or otherwise, nor shall any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of the Executive hereunder or otherwise, except as expressly provided in Section 5(a)(v) hereof.

8. Competitive Activity

During a period ending one year following the Termination Date, if the Executive shall have received or shall be receiving benefits under Section 5 hereof and, if applicable, Section 6 hereof, the Executive shall not, without the prior written consent of the Company, which consent shall not be unreasonably withheld, engage in any Competitive Activity. For purposes of this Agreement, the term Competitive Activity shall mean the Executive s participation, without the written consent of an officer of the Company, in the management of any business enterprise if such enterprise engages in substantial and direct competition with the Company and such enterprise s sales of any product or service competitive with any product or service of the Company amounted to 25% of such enterprise s net sales for its most recently completed fiscal year and if the Company s net sales of said product or service amounted to 25% of the Company s net sales for its most recently completed fiscal year. Competitive Activity shall not include (i) the mere ownership of securities in any such enterprise and exercise of rights appurtenant thereto or (ii) participation in management of any such enterprise other than in connection with the competitive operations of such enterprise.

9. Legal Fees and Expenses

(a) It is the intent of the Company that the Executive not be required to incur legal fees and the related expenses associated with the enforcement or defense of his rights under this Agreement by litigation or other legal action because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Executive hereunder. Accordingly, if it should appear to the Executive that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from, the Executive the benefits provided or intended to be provided to the Executive hereunder, the Company irrevocably authorizes the Executive from time to time to retain counsel of his choice, at the expense of the Company as hereafter provided, to represent the Executive in connection with the initiation or defense of any litigation or other legal action, whether by or against the Company or any Director, officer, stockholder or other person affiliated with the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to the Executive s entering into an attorney-client relationship with such counsel, and in that connection the Company and the Executive agree that a confidential relationship shall exist between the Executive and such counsel. Without respect to whether the Executive prevails, in whole or in part, in connection with any of the foregoing, the Company shall pay or cause to be paid and shall be solely responsible for any and all attorneys and related fees and expenses incurred by the Executive in connection with any of the foregoing. The amount of expenses eligible for reimbursement or in-kind benefits provided during the Executive s taxable year will not affect the expenses eligible for reimbursement or in-kind benefits to be provided, in any other taxable year. The right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

(b) Without limiting the generality or effect of Section 9(a) hereof, in order to ensure the benefits intended to be provided to the Executive under Section 9(a) hereof, the Company will

promptly use its best efforts to secure an irrevocable standby letter of credit (the Letter of Credit), issued by National City Bank or another bank having combined capital and surplus in excess of $500 million (the Bank) for the benefit of the Executive and certain other of the officers of the Company and providing that the fees and expenses of counsel selected from time to time by the Executive pursuant to this Section 9 shall be paid, or reimbursed to the Executive if paid by the Executive, on a regular, periodic basis upon presentation by the Executive to the Bank of a statement or statements prepared by such counsel in accordance with its customary practices. The Company shall pay all amounts and take all action necessary to maintain the Letter of Credit during the Period of Employment and for 2 years thereafter and if, notwithstanding the Company s complete discharge of such obligations, such Letter of Credit shall be terminated or not renewed, the Company shall obtain a replacement irrevocable clean letter of credit drawn upon a commercial bank selected by the Company and reasonably acceptable to the Executive, upon substantially the same terms and conditions as contained in the Letter of Credit, or any similar arrangement which, in any case, assures the Executive the benefits of this Agreement without incurring any cost or expense in connection therewith.

(c) Notwithstanding any other provision hereof, the parties respective rights and obligations under this Section 9 will survive any termination or expiration of this Agreement or the termination of the Executive s employment for any reason whatsoever.

10. Employment Rights

Nothing expressed or implied in this Agreement shall create any right or duty on the part of the Company or the Executive to have the Executive remain in the employment of the Company prior to any Change in Control; provided, however, that any termination of employment of the Executive or the removal of the Executive from his office or position in the Company or any Subsidiary following the commencement of any discussion with a third person that ultimately results in a Change in Control shall be deemed to be a termination or removal of the Executive after a Change in Control for purposes of this Agreement.

11. Withholding of Taxes

The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as shall be required pursuant to any law or government regulation or ruling.

12. Successors and Binding Agreement

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement shall be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business and/or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor shall thereafter be deemed the Company for the purposes of this Agreement), but shall not otherwise be assignable, transferable or delegable by the Company.

(b) This Agreement shall inure to the benefit of and be enforceable by the Executive s personal or legal representatives, executors, administrators, successors, heirs, distributees and/or legatees.

(c) This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 12(a) and 12(b) hereof. Without limiting the generality of the foregoing, the Executive s right to receive payments hereunder shall not be assignable, transferable or delegable, whether by pledge, creation of a security interest or otherwise, other than by a transfer by his will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 12(c), the Company shall have no liability to pay any amount so attempted to be assigned, transferred or delegated.
(d) The Company and the Executive recognize that each party will have no adequate remedy at law for breach by the other of any of the agreements contained herein and, in the event of any such breach, the Company and the Executive hereby agree and consent that the other shall be entitled to a decree of specific performance, mandamus or other appropriate remedy to enforce performance of this Agreement.

13. Notice

For all purposes of this Agreement, all communications including without limitation notices, consents, requests or approvals, provided for herein shall be in writing and shall be deemed to have been duly given when delivered or 5 business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed to the Company (to the attention of the Secretary of the Company) at its principal executive office and to the Executive at his principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of change of address shall be effective only upon receipt.

14. Governing Law

The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Ohio, without giving effect to the principles of conflict of laws of such State.

15. Validity

If any provision of this Agreement or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstances shall not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal shall be reformed to the extent (and only to the extent) necessary to make it enforceable, valid and legal.

16. Miscellaneous

No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement.

17. Counterparts
This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.
18. Prior Agreement
This Agreement amends and restates the Agreement, dated as of _________ (the Prior Agreement), between the Company and the Executive, which Prior Agreement, shall, without further action, be superseded as of the date hereof.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the date first above written.

EXECUTIVE	THE LUBRIZOL CORPORATION
	By:
	Chairman, President and Chief Executive Officer

Exhibit 10.19

EMPLOYMENT AGREEMENT

(Amended and Restated January 1, 2008)

This EMPLOYMENT AGREEMENT (this Agreement), entered into as of January 1, 2003, by and between The Lubrizol Corporation, an Ohio corporation (the Company), and Charles P. Cooley (the Executive) and amended and restated as of January 1, 2008;

WITNESSETH:

WHEREAS, the Executive is a senior executive of the Company and has made and is expected to continue to make major contributions to the profitability, growth and financial strength of the Company;

WHEREAS, the Company desires to encourage Executive to remain with the Company for a number of years.

WHEREAS, this Agreement is not intended to alter materially the compensation and benefits which the Executive could reasonably expect to receive from the Company that are not addressed within this Agreement; and

WHEREAS, the Executive is willing to render services to the Company on the terms and subject to the conditions set forth in this Agreement;

NOW, THEREFORE, the Company and the Executive agree as follows:

1. If the Executive remains in the employ of the Company until January 1, 2008, he will receive 15,000 Lubrizol Common Shares issued in the lump sum between January 2, 2008 and March 15, 2008. The Company shall withhold from any payment hereunder the amount required to pay applicable withholding taxes.

2. Executive will not have voting or dividend rights in number of shares listed in 1.A above, unless and until the Shares are issued.

3. Successors and Assigns to the Company

A. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement will be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business and/or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor will thereafter be deemed the Company for the purposes of this Agreement), but will not otherwise be assignable, transferable or delegable by the Company.

B. This Agreement inures to the benefit of and is enforceable by the Executive s personal or legal representatives, executors, administrators, successors, heirs, distributees and/or legatees.

C. This Agreement is personal in nature and neither of the parties hereto will, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 3(A) and (B) above. Without limiting the generality of the foregoing, the Executive s right to receive the benefits hereunder is not assignable, transferable or delegable, whether by pledge, creation of a security interest or otherwise, other than by a transfer by his will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 3(C), the Company has no liability to pay any amount so attempted to be assigned, transferred or delegated.

D. The Company and the Executive recognize that each party will have no adequate remedy at law for breach by the other of any of the agreements contained herein and, in the event of any such breach, the Company and the Executive hereby agree and consent that the other shall be entitled to a decree of specific performance, mandamus or other appropriate remedy to enforce performance of this Agreement.

4. For all purposes of this Agreement, all communications including without limitation notices, consents, requests or approvals, provided for herein must be in writing and will be deemed to have been duly given when delivered or five business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed to the Company (to the attention of the Secretary of the Company) at its principal executive office and to the Executive at his principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of change of address shall be effective only upon receipt.

5. The validity, interpretation, construction and performance of this Agreement is governed by the laws of the State of Ohio, without giving effect to the principles of conflict of laws of such State.

6. If any provision of this Agreement or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstances shall not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal shall be reformed to the extent (and only to the extent) necessary to make it enforceable, valid and legal.

7. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement, other than the Employment Agreement between Executive and the Company dated July 24, 2000, as may be amended from time to time, which remains in full force and effect.

8. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the date first above written.

EXECUTIVE

THE LUBRIZOL CORPORATION

By:

Chief Executive Officer

Exhibit 10.20

EMPLOYMENT AGREEMENT

(Amended and Restated January 1, 2008)

This EMPLOYMENT AGREEMENT (this Agreement), entered into as of January 1, 2003, by and between The Lubrizol Corporation, an Ohio corporation (the Company), and Stephen F. Kirk (the Executive) and amended and restated as of January 1, 2008;

WITNESSETH:

WHEREAS, the Executive is a senior executive of the Company and has made and is expected to continue to make major contributions to the profitability, growth and financial strength of the Company;

WHEREAS, the Company desires to encourage Executive to remain with the Company for a number of years.

WHEREAS, this Agreement is not intended to alter materially the compensation and benefits which the Executive could reasonably expect to receive from the Company that are not addressed within this Agreement; and

WHEREAS, the Executive is willing to render services to the Company on the terms and subject to the conditions set forth in this Agreement;

NOW, THEREFORE, the Company and the Executive agree as follows:

1. If the Executive remains in the employ of the Company until January 1, 2008, he will receive the following:

A. 15,000 Lubrizol Common Shares issued in the lump sum between January 2, 2008 and March 15, 2008.

B. Coverage under The Lubrizol Corporation Executive Death Benefit Plan at the later of January 1, 2008 or age 60, provided he is still employed with the Company at such time.

C. Coverage under The Lubrizol Corporation Officers Supplemental Retirement Plan (SORP) at the later of January 1, 2008 or age 60, provided he is still employed with the Company at such time.

The Company shall withhold from any payment hereunder the amount required to pay applicable withholding taxes.

2. Executive will not have voting or dividend rights in number of shares listed in 1.A above, unless and until the Shares are issued.

3. Successors and Assigns to the Company

A. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement will be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any persons acquiring directly or indirectly all

or substantially all of the business and/or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor will thereafter be deemed the Company for the purposes of this Agreement), but will not otherwise be assignable, transferable or delegable by the Company.

B. This Agreement inures to the benefit of and is enforceable by the Executive s personal or legal representatives, executors, administrators, successors, heirs, distributees and/or legatees.

C. This Agreement is personal in nature and neither of the parties hereto will, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 3(A) and (B) above. Without limiting the generality of the foregoing, the Executive s right to receive the benefits hereunder is not assignable, transferable or delegable, whether by pledge, creation of a security interest or otherwise, other than by a transfer by his will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 3(C), the Company has no liability to pay any amount so attempted to be assigned, transferred or delegated.

D. The Company and the Executive recognize that each party will have no adequate remedy at law for breach by the other of any of the agreements contained herein and, in the event of any such breach, the Company and the Executive hereby agree and consent that the other shall be entitled to a decree of specific performance, mandamus or other appropriate remedy to enforce performance of this Agreement.

4. For all purposes of this Agreement, all communications including without limitation notices, consents, requests or approvals, provided for herein must be in writing and will be deemed to have been duly given when delivered or five business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed to the Company (to the attention of the Secretary of the Company) at its principal executive office and to the Executive at his principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of change of address shall be effective only upon receipt.

5. The validity, interpretation, construction and performance of this Agreement is governed by the laws of the State of Ohio, without giving effect to the principles of conflict of laws of such State.

6. If any provision of this Agreement or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstances shall not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal shall be reformed to the extent (and only to the extent) necessary to make it enforceable, valid and legal.

7. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements

or representations, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement, other than the Employment Agreement between Executive and the Company dated July 24, 2000, as may be amended from time to time, which remains in full force and effect.

8. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the date first above written.

EXECUTIVE	THE LUBRIZOL CORPORATION
	By:
	Chief Executive Officer

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Exhibit 10.21

EMPLOYMENT AGREEMENT

(Amended and Restated January 1, 2008)

This EMPLOYMENT AGREEMENT (this Agreement), entered into as of January 1, 2003, by and between The Lubrizol Corporation, an Ohio corporation (the Company), and Donald W. Bogus (the Executive) and amended and restated as of January 1, 2008;

WITNESSETH:

WHEREAS, the Executive is a senior executive of the Company and has made and is expected to continue to make major contributions to the profitability, growth and financial strength of the Company;

WHEREAS, the Company desires to encourage Executive to remain with the Company for a number of years.

WHEREAS, this Agreement is not intended to alter materially the compensation and benefits which the Executive could reasonably expect to receive from the Company that are not addressed within this Agreement; and

WHEREAS, the Executive is willing to render services to the Company on the terms and subject to the conditions set forth in this Agreement;

NOW, THEREFORE, the Company and the Executive agree as follows:

1. If the Executive remains in the employ of the Company until January 1, 2008, he will receive the following:

    A. 15,000 Lubrizol Common Shares issued in the lump sum between January 2, 2008 and March 15, 2008.

    B. Coverage under The Lubrizol Corporation Executive Death Benefit Plan at the later of January 1, 2008 or age 60, provided he is still employed with the Company at such time.

    C. Coverage under The Lubrizol Corporation Officers Supplemental Retirement Plan (SORP) at the later of January 1, 2008 or age 60, provided he is still employed with the Company at such time. At age 61, the amount provided will be at least $50,000; at age 62, at least $100,000; at age 63, at least $150,000; at age 64, at least $200,000; and at age 65, at least $250,000, with such amounts comprised of the amount calculated under the SORP, and if lesser than the amounts previously cited, through additional payments made by the Company to the Executive. Any additional payments made by the Company shall be made in the same form and time as payments made under the SORP

The Company shall withhold from any payment hereunder the amount required to pay applicable withholding taxes.

2. Executive will not have voting or dividend rights in number of shares listed in 1.A above, unless and until the Shares are issued.

3. Successors and Assigns to the Company

    A. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or

substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement will be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business and/or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor will thereafter be deemed the Company for the purposes of this Agreement), but will not otherwise be assignable, transferable or delegable by the Company.

B. This Agreement inures to the benefit of and is enforceable by the Executive s personal or legal representatives, executors, administrators, successors, heirs, distributees and/or legatees.

C. This Agreement is personal in nature and neither of the parties hereto will, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 3(A) and (B) above. Without limiting the generality of the foregoing, the Executive s right to receive the benefits hereunder is not assignable, transferable or delegable, whether by pledge, creation of a security interest or otherwise, other than by a transfer by his will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 3(C), the Company has no liability to pay any amount so attempted to be assigned, transferred or delegated.

D. The Company and the Executive recognize that each party will have no adequate remedy at law for breach by the other of any of the agreements contained herein and, in the event of any such breach, the Company and the Executive hereby agree and consent that the other shall be entitled to a decree of specific performance, mandamus or other appropriate remedy to enforce performance of this Agreement.

4. For all purposes of this Agreement, all communications including without limitation notices, consents, requests or approvals, provided for herein must be in writing and will be deemed to have been duly given when delivered or five business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed to the Company (to the attention of the Secretary of the Company) at its principal executive office and to the Executive at his principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of change of address shall be effective only upon receipt.

5. The validity, interpretation, construction and performance of this Agreement is governed by the laws of the State of Ohio, without giving effect to the principles of conflict of laws of such State.

6. If any provision of this Agreement or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstances shall not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal shall be reformed to the extent (and only to the extent) necessary to make it enforceable, valid and legal.

7. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement, other than the Employment Agreement between Executive and the Company dated July 24, 2000, as may be amended from time to time, which remains in full force and effect.

8. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the date first above written.

EXECUTIVE	THE LUBRIZOL CORPORATION
	By:
	Chief Executive Officer

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Exhibit 10.22

THE LUBRIZOL CORPORATION
ANNUAL INCENTIVE PAY PLAN
(Amended and Restated Effective January 1, 2008)

INTRODUCTION

The Lubrizol Corporation (hereinafter referred to as the Corporation) hereby establishes, effective as of January 1, 2008, The Lubrizol Corporation Annual Incentive Pay Plan (hereinafter referred to as the Plan) in order to provide an award for employees which reflects the pursuit of superior performance, increased customer satisfaction and enhancement of shareholder value. Awards for participating employees under the Plan shall depend upon corporate performance measures as determined by the Committee for the Plan Year.

Except as otherwise provided, the Plan shall be administered by the Organization and Compensation Committee (hereinafter referred to as the Committee) of the Board of Directors of the Corporation. The Committee shall have conclusive authority to construe and interpret the Plan and any agreements entered into under the Plan and to establish, amend, and rescind rules and regulations for its administration. The Committee shall also have any additional authority as the Board may from time to time determine to be necessary or desirable.

ARTICLE I
DEFINITIONS

1.01 Definitions. The following terms shall have the indicated meanings for purposes of the Plan:

(a) Board shall mean the Board of Directors of the Corporation.

(b) Chief Executive Officer shall mean the chief executive officer of the Corporation.

(c) Committee shall mean the Organization and Compensation Committee of the Board, or other designated committee of the Board, consisting of persons who are not Employees or International Employees.

(d) Corporation shall mean The Lubrizol Corporation, a corporation organized under the laws of the State of Ohio.

(e) Director shall mean a member of the Board.

(f) Employee shall mean any person other than an Officer, who is employed for a wage or salary by the Corporation or a domestic Subsidiary.

(g) International Employee shall mean any person who is employed for a wage or salary by an international Subsidiary of the Corporation.

(h) International Participant shall mean any International Employee who has been selected by the Committee pursuant to Article VI of the Plan, and who has not for any reason becomes ineligible to participate in the Plan.

(i) Individual Award shall mean the amount paid (or to be paid) to a Participant or International Participant, as the case may be, by the Corporation pursuant to the Plan.

(j) Individual Target Award shall have the definition, and shall be determined, as set forth in Section 3.02 herein.

(k) Officer shall mean an employee of the Corporation or a Subsidiary who is a member of the Executive Council of the Corporation.

(l) Participant shall mean all Officers, and any Employee who has been selected by the Committee pursuant to Article II herein to participate in the Plan, and have not for any reason become ineligible to participate in the Plan.

(m) Pay shall be determined at the time of calculating the Individual Performance Shares and shall be the Participant s base pay.

(n) Plan shall mean The Lubrizol Corporation Annual Incentive Pay Plan, effective January 1, 2008.

(o) Plan Year shall mean each twelve-month period commencing January 1 and ending December 31.

(p) Subsidiary shall mean any corporation, international or domestic, that is wholly or partially (but not less than 50%) owned directly or indirectly by the Corporation.

1.02 Construction. Where necessary or appropriate to the meaning of a word, the singular shall be deemed to include the plural, the plural to include the singular, the masculine to include the feminine, and the feminine to include the masculine.

ARTICLE II
ELIGIBILITY AND PARTICIPATION

2.01 Eligibility. All Employees and Officers shall be eligible to participate in the Plan.

2.02 Participation. All Officers shall participate in the Plan. In addition, the Committee shall determine which Employees shall participate in the Plan for each Plan Year. The Committee may also determine which Employees hired during the Plan Year shall participate in the Plan for such Plan Year. The Committee s selection of Participants shall be after considering recommendations presented to it by the Chief Executive Officer.

ARTICLE III
INDIVIDUAL AWARDS

3.01 In General. At the time the Committee selects Participants for any Plan Year, the Committee shall, after consideration of the recommendations of the Chief Executive Officer, establish, for each Plan Year, an Individual Target Award for each Participant. After the end of the Plan Year Individual Awards are paid.

3.02 Calculation of Individual Award. The Individual Award shall be calculated in the following manner:

(a) The Participant s Individual Target Award is determined by multiplying the Participant s Pay by a designated target percentage, which shall take into account the Participant s position in the Corporation. Such designated target, percentage, as well as maximum and threshold percentages, shall be determined by the Committee.

(b) At the beginning of each Plan Year, the Committee approves annual performance scorecards at the corporate and segment level and specifies the scorecard(s) that apply to a Participant. The Chief Executive Office approves annual performance scorecards below the segment level.

(c) After the end of the Plan Year, the Board approves the Individual Awards based on actual performance for the Plan Year under the annual performance scorecard(s) that apply to the Participant.

Individual Target Awards may be either increased or decreased, at any time, or from time to time, during a Plan Year, for any Participant at the sole discretion of the Committee in order to reflect any change in the individual contribution under the formula set forth in this Section 3.02.

3.03 Time and Method of Payment of Individual Awards. In the event the Committee determines that a Participant is entitled to an Individual Award, the Corporation shall pay such Individual Award to that Participant between January 1 and March 15 following the close of the Plan Year. A Participant who separates from service or dies after the Plan Year but prior to the payment of an Individual Award shall be eligible to receive any payment under this Plan.

3.04 Conditions. Anything contained herein to the contrary notwithstanding, the payment of Individual Awards to Participants with respect to any Plan Year is conditioned upon the availability of adequate corporate profits for the Corporation s fiscal year coinciding with any Plan Year. The determination of whether adequate corporate profits exist shall be made by the Board in its sole and unrestricted judgment and discretion and such determination shall be conclusive and binding.

ARTICLE IV

AWARDS FOR INTERNATIONAL EMPLOYEES

4.01 Participation. The Committee shall determine which International Employees shall participate in the Plan for each Plan Year. The Committee s selection of International Participants shall be made after considering recommendations presented to it by the Chief Executive Officer.

4.02 Individual Awards. At the time the Individual Awards are determined for Participants, the Committee shall, in its discretion, after consideration of the recommendations of the Chief Executive Officer, establish for each Plan Year Individual Awards for each International Participant.

4.03 Payment of Awards. Individual Awards to each International Participant shall be paid by the international Subsidiary that is the employer of such International Participant at the same time and under the same conditions as payment is made to Participants under Sections 3.03 and 3.04. All payments shall be converted from the U.S. dollar measurement under the Plan to the currency of the country of such Subsidiary at the currency exchange rate in effect at the time the Individual Award is determined. All applicable withholding taxes shall be withheld from the distribution and remitted by the international subsidiary to the appropriate taxing authority.

ARTICLE V
CHANGE OF CONTROL

5.01 Effect of Change in Control. In the event a Change in Control of the Corporation (as defined in Section 5.02) occurs prior to final determination by the Committee of the amounts of Individual Awards to be paid under the Plan with respect to any Plan Year, the Committee shall calculate such Individual Awards as soon as practicable after such Change in Control. Individual Awards shall be based upon accruals by the Corporation up to the time of such Change in Control and Individual Awards shall be calculated in accordance with Sections 3.02 and 4.02 herein. Payment of such Individual Awards shall be made within sixty (60) days after the Change in Control.

5.02 For all purposes of the Plan, a Change in Control of the Corporation shall have occurred if any of the following events shall occur:

(a) The date that any one person, or more than one person acting as a group, acquires ownership of stock of the corporation that, together with the stock held by such person or group, constitutes more than 50 percent of the total fair market value or total voting power of the stock of the Corporation.

(b) The date any person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Corporation possessing 30% or more of the total voting power of the stock of the Corporation.

(c) The date a majority of members of the Corporation s Board of Directors is replaced during any 12-month period by Directors whose appointment or election is not endorsed by a majority of the members of the Corporation s Board of Directors before the date of the appointment or election.

(d) The date that any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Corporation that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of the Corporation immediately before the acquisition or acquisitions.

Notwithstanding the foregoing, a Change of Control shall have only occurred in accordance with the regulations promulgated under Section 409A of the Internal Revenue Code of 1986, as amended.

ARTICLE VI
ADMINISTRATION

6.01 Plan Administrator. The Committee shall be the Plan administrator.

6.02 Duties of Plan Administrator.

(a) The Committee shall administer the Plan in accordance with its terms and shall have all powers necessary to carry out the provisions of the Plan including, but not limited to, the following:

(1) Determination of Employees and International Employees who are eligible for Plan participation; and

(2) Determination of the Individual Awards to be paid to Participants for each Plan Year.

(b) The Committee shall interpret the Plan and shall resolve all questions arising in the administration, interpretation, and application of the Plan. Any such determination of the Committee shall be conclusive and binding on all persons.

(c) The Committee shall establish such procedures and keep such records or other data as the Committee in its discretion determines necessary or proper for the administration of the Plan.

(d) The Committee may delegate administrative responsibilities to such person or persons as the Committee deems necessary or desirable in connection with the administration of the Plan.

ARTICLE VII

MISCELLANEOUS

7.01 Unfunded Plan. The Corporation shall be under no obligation to segregate or reserve any funds or other assets for purposes relating to this Plan and no Participant or International Participant shall have any rights whatsoever in or with respect to any funds or assets of the Corporation.

7.02 Non-Alienation. No anticipated payment of any Individual Award shall be subject in any manner to alienation, sale, transfer, assignment, pledge, attachment, garnishment or encumbrance of any kind.

7.03 No Employment Rights. Nothing herein contained shall be construed as a commitment or agreement upon the part of any Participant, International Participant, Employee or International Employee hereunder to continue his employment with the Corporation or a Subsidiary, and nothing herein contained shall be construed as a commitment on the part of the Corporation or any Subsidiary to continue the employment or rate of compensation of any Participant or International Participant hereunder or any Employee or International Employee for any period.

7.04 Amendment of the Plan. The Corporation reserves the right, to be exercised by instruction from the Committee, to modify or amend this Plan at any time.

7.05 Duration and Termination of the Plan. The Corporation also reserves the right, to be exercised by action of the Board, to discontinue or terminate the Plan; provided that, and subject to all the provisions of this plan, any termination shall be effective only for all Plan Years following December 31 of the Plan Year in which the decision to terminate occurs.

Exhibit 10.24

THE LUBRIZOL CORPORATION
FINANCIAL PLANNING PROGRAM
(Amended and Restated January 1, 2008)

Introduction

The Board of Directors (the Board) of The Lubrizol Corporation (the Company) wishes to assist certain key employees by alleviating the burden associated with personal financial, tax, and estate planning matters, as they focus on Lubrizol business. The Company will assist such employees by encouraging them to seek professional assistance for such matters. To further such purpose, The Lubrizol Corporation Financial Planning Program (the Program) has been designed to pay for such financial planning. Accordingly, the Program is hereby adopted by the Company as hereinafter set forth.

Applicability of the Program

Eligibility

The Organization and Compensation Committee of the Board (the Committee) may approve monetary sums as payments by the Company to firms selected to provide Covered Professional Services (Preferred Providers) to Key Employees (Award). Key Employees shall mean those employees of the Company, or its subsidiaries, so designated by the Committee. A Key Employee will be notified by letter from the Company of the approval of an Award.

Frequency and Amount of Awards

The Committee may approve Awards on an annual basis and at such levels as it deems appropriate.

Covered Professional Services

Covered Professional Services may include some or all of the following services:

Professional services for financial planning, including retirement, estate and insurance planning (Services provided for the preparation of any will or trust are not included in any Award).

Professional services for the management of assets, or for record keeping with respect to assets.

Professional services for tax planning, including services for income, gift and estate planning, and audits. (Services provided in connection with the handling of tax controversies are not included in any Award.)

Professional services for tax return preparation for the Key Employee, the Key Employee s spouse, and for those dependent children of the Key Employee.

Termination of Employee

(a) An Award will lapse upon the Key Employee s voluntary or involuntary separation from service prior to retirement.

(b) Upon the separation from service of a retirement-eligible Key Employee the Award will continue through the end of the year in which the separation from service occurred.

(c) Upon the Key Employee s disability, the Key Employee shall receive an Award for the first year following the year in which the disability occurred. For purposes of this paragraph (c), the term disability means (A) the Key Employee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or (B) the Key Employee is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company.

(d) Upon the death of a Key Employee, the Key Employee s spouse or personal representative may use an Award for the first year following the year in which the death occurred.

Miscellaneous

The Company will gross up any Award used under the Program. The Company may withhold from the Key Employee s salary all federal, state, city or other taxes as shall be required pursuant to any law or government regulation or ruling. The tax gross up will be made by the end of the Key Employee s taxable year next following the Key Employee s taxable year in which the taxes are remitted on behalf of the Key Employee.

Any Award under this Program during the Key Employee s taxable year will not affect Awards that may be provided in any other taxable year. The right to an Award is not subject to liquidation or exchange for another benefit.

The Company has the sole power to interpret the terms of this program.

The amount of in-kind benefits provided during the Key Employee s taxable year does not affect the in-kind benefits provided in any other taxable year. The right to in-kind benefits is not subject to liquidation or exchange for another benefit.

Amendment and Termination

The Program may be terminated or amended in any respect by the Company.

Exhibit 10.26

EMPLOYMENT AGREEMENT

(Amended and Restated January 1, 2008)

This EMPLOYMENT AGREEMENT (this Agreement), dated as of the date of the closing of acquisition by The Lubrizol Corporation, an Ohio Corporation of Noveon International, Inc. (Effective Date), by and between Lubrizol Advanced Materials, Inc., a Delaware corporation (the Company), and Julian Steinberg (the Employee), and amended and restated as of January 1, 2008;

WITNESSETH:

WHEREAS, the Employee is a senior executive of the Company and has made and is expected to continue to make major contributions to the profitability, growth and financial strength of the Company;

WHEREAS, the Company desires to encourage Employee to remain with the Company for a number of years.

WHEREAS, this Agreement is not intended to alter materially the compensation and benefits which the Employee could reasonably expect to receive from the Company that are not addressed within this Agreement; and

WHEREAS, the Employee is willing to render services to the Company on the terms and subject to the conditions set forth in this Agreement;

NOW, THEREFORE, the Company and the Employee agree as follows:

1. Subject to Section 7, if the Executive remains in the employ of the Company until the 4th anniversary of the Effective Date, he will receive the value, less applicable taxes, of 10,000 retention units determined as of the 4th anniversary of the Effective Date, payable in a lump sum within 60 days following the 4th Anniversary of the Effective Date.

2. Subject to Section 7, if Employee separates from service with the Company before the 4th anniversary of the Effective Date, Employee will receive the value less applicable taxes, of the corresponding number of retention units, determined on the date of separation from service pursuant to the following schedule:

Termination Date	Number of Retention Units
Less than 1 year after Effective Date	0
1 year after Effective Date but less than 2 years after Effective Date	3,000
2 years after Effective Date but less than 3 years after Effective Date	5,000
3 years after Effective Date but less than 4 years after Effective Date	7,000

3. The value of one retention unit equals the value of one share of Lubrizol common stock based on the closing price of a share of Lubrizol common stock on the applicable date as reported on the NYSE composite tape.

4. Any amount payable to Employee under Section 2 of this Agreement will be made in a lump sum within 60 days following the six-month anniversary of Employee s separation from service.

5. Employee further agrees as follows:
(a) Employee agrees and acknowledges that the term Confidential and Proprietary Information means any and all information not in the public domain, in any form, emanating from or relating to Company or its subsidiaries, branches and affiliates, including, but not limited to, trade secrets, technical information, methods of operation and procedures, know-how, improvements, price lists, financial data, invoices and financial statements, computer programs, discs and printouts, sketches, and plans (engineering or otherwise), customer lists, telephone numbers, names, addresses, or any other compilation of information written or unwritten which is used in the business of Company or any of its subsidiaries, branches or affiliates. For the purpose of this paragraph (a), the term affiliate means a person that directly or indirectly controls, or is controlled by, or is under common control with, Company. Employee agrees and acknowledges that all Confidential and Proprietary Information, in any form, and copies and extracts thereof, is and are and will remain the sole and exclusive property of Company and upon termination of Employee s employment with Company, Employee agrees to return to Company the originals and all copies of any Confidential and Proprietary Information provided to or acquired by Employee during the period of his employment. Employee expressly agrees not to use the Confidential and Proprietary Information himself or for others in any manner which is detrimental to the interests of Company and never to disclose to any person (except to other of Company s directors, employees, and official representatives, and then only on a need-to-know basis) or entity any Confidential and Proprietary Information of Company either during the term of his employment or at any time after termination of such employment, except upon the express written authorization and consent of Company. Nothing contained herein shall be construed as restricting or creating any liability for the disclosure, communication, or use of Confidential and Proprietary Information that is disclosed as required by law or legal process. In the event that Employee is requested or required by law or legal process to disclose any of the Confidential and Proprietary Information, Employee shall provide the Company with prompt oral and confirming written notice, unless notice is prohibited by law (in which case such notice shall be provided as early as may be legally permissible), of any such request or requirement so the Company may seek a protective order or other appropriate remedy. Employee agrees to cooperate with Company, at the Company s expense, in any efforts to obtain such remedies, but this provision shall not be construed to require Employee to undertake litigation or other legal proceedings on Employee s own behalf. In the event that such protective order or other remedy is not promptly obtained, Employee may disclose such Confidential and Proprietary Information.
(b) Employee understands and acknowledges that each customer of Company will disclose information concerning the customer s business, which information will be within Company s control in connection with Company s furnishing of products and/or services to its customer. Employee covenants and agrees to hold such information in the strictest confidence and shall treat such information in the same manner and be obligated by the provisions of this Agreement as if such information were Confidential and Proprietary Information, as defined in Section 5(a) above.

6. Employee further agrees as follows:
(a) Employee hereby assigns to Company the entire right, title and interest of Employee in all inventions, discoveries, improvements, developments and ideas, including, but not limited to, utility, design or plant patents, invention certificates, statutory invention registrations, copyrights, computer programs, trademarks, trade secrets, whether or not patentable (collectively Inventions), hereafter made or conceived by him, solely or jointly with others, during his employment, or which are conceived or reduced to practice within one year following the termination of employment hereunder.
(b) This Section 6 does not apply to any Invention for which no equipment, supplies, facilities, or trade secrets of Company are used and which is developed entirely on Employee s own time, unless
(i) the Invention relates to the business of Company, or relates to Employer s actual or demonstrably anticipated research and development, or
(ii) the Invention results from any work performed by Employee for Company. Employee further understands that he has the burden of establishing any exception described in this paragraph (b).
(c) Employee agrees that in connection with each Invention covered by paragraph (a) above:
(i) he will communicate the fact of the Invention promptly and fully to Company or its designee and, if requested, make a specific assignment of title thereto to Company or its designee;
(ii) he will keep and maintain adequate and current written records thereof at all stages, in the form of notes, sketches, drawings, and reports relating thereto, which records shall be and remain the property of and be available to Company at all times; and
(iii) he will, during and after his employment by Company, without charge to Company for his time but at its request and expense, assist Company and its designees in every proper way to obtain and to cause to be vested in it or them title to each Invention in all countries selected by Company, by executing all necessary or desirable documents, including applications for patents and assignments thereof, and otherwise assist Company at no expense to himself in the prosecution for any Invention or in any litigation or other matter.
(d) Employee represents that there are no Inventions conceived by him prior to his employment by Company which are excluded from the provisions of this Section 6, except the following:
(i) Inventions, if any, already published or disclosed in patents, applications, statutory invention registrations or invention certificates already filed in the United States or a foreign country;
(ii) Others: None

(e) Except with the prior written permission of Company, Employee will not disclose to anyone other than the employees or official representatives, of Company, or use in other than Company s business, any of Company s Inventions during or after his employment by Company, unless and until and only to the extent that any such Inventions become public knowledge and available for public use otherwise than by his act or omission.
(f) Employee will not disclose to Company or induce Company to use, any inventions or confidential information or data belonging to others.
7. Company may terminate this Agreement at any time for cause. If Employee is separated from service for cause, Company will have no further obligation to Employee under this Agreement. For cause separation from service means the following:
(a) Employee s breach of the patent covenants set forth in Section 6 hereof;
(b) Employee s material breach of the confidentiality covenants set forth in Section 5 hereof;
(c) dishonest or obvious and willful misconduct by Employee; or
(d) the conviction of a felony.
For the purposes of this Section 7, cause does not include Employee s refusal to relocate to another city.
8. If Employee is separated from service by the Company for reasons other than those specified in Section 7, Employee will receive the following (less any applicable taxes):
(a) lump sum cash payment equal to one year s base salary, paid within 60 days after the six-month anniversary of the separation from service;
(b) pro-rated bonus paid in a lump sum the later of (i) between January 1 and March 15th following the year of separation from service or (ii) within 60 days following the six-month anniversary of the separation from service, based on actual results for the year of termination; and
(c) COBRA coverage paid by the Company under Company s medical and dental program for the period ending 12 months after the date of termination, or Employee s ineligibility for further coverage under the COBRA rules, whichever is earlier.
In addition, if Employee is separated from service by the Company for reasons other than those specified in Section 7 prior to the 4th anniversary of this Agreement the Employee will receive, in lieu of the retention units specified in accordance with the schedule in Section 2, the value of 10,000 retention units determined as of the date of the Employee s separation from service and paid within 60 days after the sixth-month anniversary of the separation from service.
9. Termination of this Agreement does not terminate Employee s obligations of the confidentiality and patents covenants of Sections 5 and 6.

10. If any section, sub-section, paragraph or portion of this Agreement is, for any reason, adjudged by a court of competent jurisdiction to be invalid or unenforceable, such judgment will not affect, impair, or invalidate the remainder of this Agreement, but will be confined in its operation to the provisions of this Agreement directly involved in the controversy in which such judgment is rendered.

11. This Agreement will in all respects be governed, construed, and enforced in accordance with the laws of the State of Ohio, excluding its principles of conflicts of law, and the parties hereto irrevocably commit to the jurisdiction of the courts of the State of Ohio, to resolve any disputes arising hereunder or related hereto.

12. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the date first above written.

EMPLOYEE	LUBRIZOL ADVANCED MATERIALS, INC.
	By:
	President

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Exhibit 12.1

THE LUBRIZOL CORPORATION AND SUBSIDIARIES
Computation of Ratio of Earnings to Fixed Charges
(all amounts except ratios are shown in millions)

	2007	2006	2005	2004	2003
Pretax income from continuing operations	$ 399.0	$ 262.0	$ 240.2	$ 134.5	$ 123.8
Add (deduct) earnings of less than 50% owned affiliates (net of distributed earnings) included in pretax income	(0.3)	(0.8)	0.1	(0.8)	0.8
Add losses of less than 50% owned affiliates included in pretax income					0.2
Add fixed charges net of capitalized interest	101.4	108.5	114.9	85.8	30.4
Add previously capitalized interest amortized during period	0.7	1.0	1.1	1.2	1.3
Earnings	$ 500.8	$ 370.7	$ 356.3	$ 220.7	$ 156.5
Gross interest expense including capitalized interest	$ 93.5	$ 101.2	$ 105.8	$ 77.6	$ 25.3
Interest portion of rental expense	9.6	8.8	9.8	8.8	5.3
Fixed charges	$ 103.1	$ 110.0	$ 115.6	$ 86.4	$ 30.6
Ratio of earnings to fixed charges	4.86	3.37	3.08	2.55	5.11

Exhibit 13.1

This Management s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the consolidated financial statements, the notes thereto and the historical summary appearing elsewhere in this annual report. Historical results and percentage relationships set forth in the consolidated financial statements, including trends that might appear, should not be taken as indicative of future operations. The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in such forward-looking statements as a result of various factors, including those described under the section Cautionary Statements for Safe Harbor Purposes included elsewhere in this annual report.

OVERVIEW

GENERAL

We are an innovative specialty chemical company that produces and supplies technologies that improve the quality and performance of our customers products in the global transportation, industrial and consumer markets. Our business is founded on technological leadership. Innovation provides opportunities for us in growth markets as well as advantages over our competitors. From a base of more than 1,600 patents, we use our product development and formulation expertise to sustain our leading market positions and fuel our future growth. We create additives, ingredients, resins and compounds that enhance the performance, quality and value of our customers products, while minimizing their environmental impact. Our products are used in a broad range of applications, and are sold into relatively stable markets such as those for engine oils, specialty driveline lubricants and metalworking fluids, as well as higher-growth markets such as personal care and over-the-counter pharmaceutical products and performance coatings and inks. Our engineered polymers products also are used in a variety of industries, including construction, sporting goods, medical products and automotive. We are an industry leader in many of the markets in which our product lines compete.

We are geographically diverse, with an extensive global manufacturing, supply chain, technical and commercial infrastructure. We operate facilities in 27 countries, including production facilities in 19 countries and laboratories in 12 countries, in key regions around the world through the efforts of more than 6,900 employees. We sell our products in more than 100 countries and believe that our customers value our ability to provide customized, high quality, cost-effective performance formulations and solutions worldwide. We also believe that our customers value our global supply chain capabilities.

On November 1, 2007, we completed the acquisition of the refrigeration lubricants business of Croda International Plc (Croda) for approximately $124.6 million in cash. The acquisition primarily included lubricant technology, trade names, customer lists, manufacturing know-how and inventory. No manufacturing facilities were included in the transaction. We began consolidating the results of the refrigeration lubricants business of Croda in our consolidated financial statements in November 2007. Revenues in 2007 for this business, which were included in the company s consolidated results, were approximately $8.3 million. The preliminary purchase price allocation for this acquisition included goodwill of $53.3 million and intangible assets of $64.7 million.

On February 7, 2007, we completed the acquisition of a broad line of additive products used in the metalworking markets worldwide from Lockhart Chemical Company (Lockhart) for approximately $15.7 million in cash. We purchased Lockhart s entire metalworking product line, which included natural, synthetic and gelled sulfonates; emulsifier packages; corrosion inhibitors and lubricity agents; grease additives; oxidates; esters; soap; semi-finished coatings; and rust preventatives. We began consolidating the results of the metalworking business of Lockhart in our consolidated financial statements in February 2007. In 2007, these product lines contributed revenues of $16.8 million to our consolidated results. The purchase price allocation for this acquisition included goodwill of $8.3 million and intangible assets of $7.6 million.

In May 2006, we sold the food ingredients and industrial specialties business (FIIS) and the active pharmaceutical ingredients and intermediate compounds business (A&I), both of which were included in the Lubrizol Advanced Materials segment. A&I and almost all of the FIIS divestiture reported into the

Noveon® consumer specialties product line, while a small portion of the FIIS divestiture reported into the performance coatings product line. In 2006, we recorded a $15.9 million after-tax loss on the sale of these divested businesses. During the first quarter of 2006 and in connection with the held-for-sale classification, we performed an impairment test resulting in a $60.6 million after-tax impairment charge in the first quarter of 2006. We have reflected the results of these divested businesses in the discontinued operations - net of tax line item in the consolidated statements of income for 2006 and 2005.

In February 2006, we sold certain assets and liabilities of our Telene® resins business (Telene), which was included in the Lubrizol Advanced Materials segment. We have reflected the results of Telene in the discontinued operations - net of tax line item in the consolidated statements of income for 2006 and 2005, including an after-tax loss on the sale of $0.7 million recorded in 2006.

In December 2005, we sold certain assets, liabilities and stock of our Engine Control Systems (ECS) business and, in September 2005, we sold certain assets and liabilities of our U.S. and U.K. Lubrizol Performance Systems (LPS) operations, both of which were included in the Lubrizol Additives segment. We have reflected the results of these businesses in the discontinued operations - net of tax line item in the consolidated statement of income for 2005.

LUBRIZOL ADDITIVES SEGMENT

Challenging industry market forces and conditions continue to influence the Lubrizol Additives business. A key factor is the low global growth rate for this market, which we believe is in the range of approximately 0% to 1% per year. Additional characteristics of this market are:

- Consolidation of the additive industry and capacity reductions in recent years, which has tightened the supply of lubricant additive components and packages.

- Frequent product specification changes primarily driven by original equipment manufacturers (OEMs) and the impact of environmental and fuel economy regulations on the OEMs. The specification changes require us to incur product development and testing costs, but also enable us to apply our technology know-how to create products and solve problems. We believe our technology, and our expertise in applying it, are key strengths.

- Improved engine design, which can result in longer lubricant drain intervals. Longer drain intervals reduce demand for finished lubricants.

- New vehicle production levels, which affect our driveline fluids in particular because the initial factory fill is an important market factor in that product line.

- In recent years, a general tightening of supplies leading to significant increases in raw material and energy costs.

We believe we are the market leader in lubricant additives and intend to remain the leader by continuing to invest in this business. Our strategy is to continue to optimize our product line mix with existing production capacity. Our Lubrizol Additives segment represents approximately 66% of consolidated revenues.

LUBRIZOL ADVANCED MATERIALS SEGMENT

Our Lubrizol Advanced Materials segment s growth strategy involves a combination of internal growth and acquisitions. Our internal growth strategy in the Lubrizol Advanced Materials segment is to use our strengths, including our technology, formulating skills and broad geographic infrastructure, to develop and invest in new performance technologies in higher-growth industrial and consumer markets. Key factors to our success continue to be the introduction of new products, development of new applications for existing products, cross-selling of products, the integration of future acquisitions and geographic expansion. Our Lubrizol Advanced Materials segment represents approximately 34% of consolidated revenues.

PRIMARY FACTORS AFFECTING 2007 RESULTS FROM CONTINUING OPERATIONS

The factors that most affected our consolidated 2007 results from continuing operations were:

Our ability to recover past raw material cost increases, increased operating costs in strategic geographic regions and research and development efforts now and into the future as we move new technologies into our global manufacturing plants. Raw material costs increased 7% in 2007 after increasing 14% in 2006. Our results were affected by how quickly and the extent to which we were able to raise selling prices in response to raw material and other cost increases. Both the Lubrizol Additives and Lubrizol Advanced Materials segments implemented price increases in 2007 in response to continuing increases in these costs.

Volume increases of 4% in the Lubrizol Additives segment and 2% in the Lubrizol Advanced Materials segment. In addition, we experienced a favorable currency impact on our 2007 revenues of 3% in the Lubrizol Additives segment and 2% in the Lubrizol Advanced Materials segment.

Increased operating costs due to an unfavorable currency impact, general salary and benefit cost increases, the funding of growth resources, increased environmental-related charges, higher maintenance materials and contract labor costs in the Lubrizol Additives segment primarily in our plants in the U.S. Gulf Coast and Europe, unfavorable manufacturing cost absorption, costs associated with the implementation of a common information systems platform primarily in the Lubrizol Advanced Materials segment and higher incentive compensation expense.

A reduction in restructuring and impairment-related charges of $50.4 million as 2006 charges included a $41.2 million charge associated with the impairment of the Noveon trade name and a $10.7 million charge related to plant and product line closures in both the Lubrizol Additives and Lubrizol Advanced Materials segments.

Reduced interest expense - net of $15.5 million as a result of lower interest expense of $7.9 million associated with reduced debt levels and higher interest income of $7.6 million associated with higher cash and short-term investment balances primarily related to our significant cash flows from operating activities and the cash proceeds from the 2006 divestitures.

Reduced effective tax rate primarily due to the favorable resolution of tax matters from prior years, an improvement in our geographic earnings mix as a result of our strong international growth and an increase in non-taxable foreign currency translation gains associated with international subsidiaries, whose functional currency is the U.S. dollar.

2007 RESULTS OF OPERATIONS COMPARED WITH 2006

Income from continuing operations increased $103.6 million to $283.4 million in 2007 compared with $179.8 million in 2006. The increase in income from continuing operations primarily was due to improvements in the combination of price and product mix mainly in the Lubrizol Additives segment as we were able to recover lost margin attributable to past raw material cost increases and we continued to increase the value of our customer offerings in this segment. Our 2007 results also were impacted favorably by increased volume, lower net interest costs, lower restructuring and impairment-related charges and the favorable resolution of tax matters from prior years, which more than offset higher raw material cost, higher manufacturing expenses and increased selling, technology, administrative and research (STAR) expenses.

Net income for 2006 included a loss from discontinued operations - net of $76.2 million, which primarily related to a $60.6 million after-tax impairment charge recorded in the first quarter of 2006 to reflect the FIIS business at its fair value and a $16.6 million after-tax loss on the sale of divested businesses.

(In Millions of Dollars Except Per Share Data)	Year Ended December 31 2007	2006	$ Change	% Change
Revenues	$ 4,499.0	$ 4,040.8	$ 458.2	11%
Cost of sales	3,378.1	3,045.2	332.9	11%
Gross profit	1,120.9	995.6	125.3	13%
Selling and administrative expenses	422.2	381.7	40.5	11%
Research, testing and development expenses	218.9	205.5	13.4	7%
Amortization of intangible assets	24.3	23.7	0.6	3%
Restructuring and impairment charges	1.5	51.9	(50.4)	*
Other income - net	(8.8)	(8.5)	(0.3)	4%
Interest income	(28.0)	(20.4)	(7.6)	37%
Interest expense	91.8	99.7	(7.9)	(8%)
Income from continuing operations before income taxes	399.0	262.0	137.0	52%
Provision for income taxes	115.6	82.2	33.4	41%
Income from continuing operations	283.4	179.8	103.6	58%
Income (loss) from discontinued operations - net of tax		(76.2)	76.2	*
Net income	$ 283.4	$ 103.6	$ 179.8	174%
Basic earnings (loss) per share:				
Continuing operations	$ 4.10	$ 2.62	$ 1.48	56%
Discontinued operations		(1.11)	1.11	*
Net income per share, basic	$ 4.10	$ 1.51	$ 2.59	172%
Diluted earnings (loss) per share:				
Continuing operations	$ 4.05	$ 2.59	$ 1.46	56%
Discontinued operations		(1.10)	1.10	*
Net income per share, diluted	$ 4.05	$ 1.49	$ 2.56	172%

* *Calculation not meaningful*

Revenues The increase in revenues in 2007 compared with 2006 primarily was due to a 5% improvement in the combination of price and product mix, a 4% increase in volume and a 2% favorable currency impact. We experienced volume gains in all geographic zones except North America.

Analysis of Volume - 2007 vs. 2006 Volume patterns vary in different geographic zones. The following table shows the geographic break-down of our volume in 2007 as well as the percentage changes compared with 2006:

	2007 Volume	% Change
North America	46%	
Europe	26%	5%
Asia-Pacific / Middle East	21%	7%
Latin America	7%	24%
Total	100%	4%

Segment volume variances by geographic zone, as well as the factors explaining the changes in segment revenues for 2007 compared with 2006, are contained within the Segment Analysis section.

Cost of Sales The increase in cost of sales for 2007 compared with 2006 primarily was due to higher raw material costs, higher manufacturing expenses and increased volumes. Average raw material cost increased 7% in 2007 compared with 2006. Total manufacturing expenses increased 12% in 2007 compared with 2006 primarily due to an unfavorable currency impact, increased volumes, increased salaries and benefits, higher maintenance materials and contract labor costs in the Lubrizol Additives segment mostly attributable to our plants in the U.S. Gulf Coast and Europe, increased environmental-related charges and unfavorable manufacturing cost absorption as we lowered first quarter 2007 production to reduce inventory levels from the prior year end. The increase in manufacturing expenses partially was offset by a decrease in utility costs. On a per-unit-sold basis, manufacturing costs increased 7% in 2007 compared with 2006. Excluding the impact of currency, per-unit manufacturing costs increased 4% in 2007 compared with 2006.

Gross Profit Gross profit increased $125.3 million, or 13%, in 2007 compared with 2006. The increase primarily was due to an improvement in the combination of price and product mix and higher volume partially offset by higher average raw material cost and higher manufacturing expenses. Our gross profit percentage increased to 24.9% in 2007 compared with 24.6% in 2006. This increase was attributable to an increase in the Lubrizol Additives segment gross profit percentage largely due to the favorable impact of price and product mix and increased volume, partially offset by a decrease in the Lubrizol Advanced Materials segment gross profit percentage primarily as a result of higher raw material costs.

Selling and Administrative Expenses Selling and administrative expenses increased $40.5 million, or 11%, in 2007 compared with 2006. The increase primarily reflects higher salaries and benefits as a result of annual merit increases and the funding of growth resources, an unfavorable currency impact and an increase associated with the implementation of a common information systems platform primarily in the Lubrizol Advanced Materials segment. In addition, 2006 expenses included a $2.9 million pension settlement charge related to a non-qualified pension plan distribution.

Research, Testing and Development Expenses The timing and amount of research, testing and development expenses (technology expenses) are affected by lubricant additives product standards, which change periodically to meet new emissions, efficiency, durability and other performance factors as OEMs improve engine and transmission designs. Technology expenses increased $13.4 million, or 7%, in 2007 compared with 2006 primarily due to an unfavorable currency impact and an increase in annual salaries and benefits. During 2007 and 2006, approximately 88% of our technology costs were incurred in company-owned facilities and approximately 12% were incurred at third-party facilities.

Restructuring and Impairment Charges In 2007, we recorded aggregate restructuring and impairment charges of $1.5 million primarily related to impairment charges in the Lubrizol Advanced Materials segment, partially offset by a gain recorded on the sale of a Lubrizol Additives manufacturing facility located in Bromborough, United Kingdom. We received net cash proceeds of $5.9 million and recorded a pretax gain of $2.8 million upon closing of the sale in January 2007.

The components of the 2007 restructuring and impairment charges are detailed as follows:

(In Millions of Dollars)	Asset Impairments	Other Plant Exit Costs	Severance	Total
Lubrizol Advanced Materials plant closures, production line impairments and workforce reductions	$ 3.4	$ 0.2	$ 0.5	$ 4.1
Bromborough, U.K. plant closure and sale	(2.8)	0.1		(2.7)
Corporate / other workforce reductions			0.1	0.1
Total restructuring and impairment charges	$ 0.6	$ 0.3	$ 0.6	$ 1.5

Other Income - Net Other income - net of $8.8 million in 2007 primarily consisted of a $5.0 million gain recorded on the sale of land and a favorable currency impact. Other income - net of $8.5 million in 2006

primarily was comprised of favorable legal settlements of insurance and commercial matters of $11.6 million.

Interest Expense - Net The decrease in interest expense - net in 2007 compared with 2006 primarily was due to lower interest expense of $7.9 million associated with our reduced debt balances and an increase in interest income of $7.6 million as a result of our increased cash and short-term investment balances primarily related to our significant cash flows from operating activities and from the divestiture proceeds received in May 2006.

Provision for Income Taxes Our effective tax rate was 29.0% in 2007 compared with 31.4% in 2006. The decrease in the effective tax rate primarily was due to the favorable resolution of tax matters from prior years, an improvement in our geographic earnings mix as a result of our strong international growth and an increase in non-taxable foreign currency translation gains associated with international subsidiaries, whose functional currency is the U.S. dollar.

Income from Continuing Operations Primarily as a result of the above factors, income from continuing operations per diluted share increased 56% to $4.05 in 2007 compared with $2.59 in 2006.

Net Income Net income in 2006 included a loss from discontinued operations per diluted share of $1.10, which consisted of operating income of $0.01 per diluted share, excluding an $0.87 per diluted share non-cash impairment charge and a $0.24 per diluted share loss on the sale of divested businesses.

2006 RESULTS OF OPERATIONS COMPARED WITH 2005

Income from continuing operations increased $20.4 million to $179.8 million for 2006 compared with $159.4 million for 2005. The increase in earnings from continuing operations primarily was attributable to improvements in the combination of price and product mix, higher volume and reduced interest expense - net, which more than offset higher raw material and utility costs, higher restructuring and impairment charges and higher STAR expenses.

We recorded restructuring and impairment charges that reduced income from continuing operations by $0.47 per diluted share in 2006, which primarily related to a pretax impairment charge associated with the Noveon trade name and the phase-out of a manufacturing facility located in Bromborough, United Kingdom. We incurred restructuring and impairment charges of $0.15 per diluted share in 2005, which primarily related to the phase-out of manufacturing facilities located in Bromborough, United Kingdom; Linden, New Jersey; and Mountaintop, Pennsylvania, as well as other workforce reductions.

Net income for 2006 included the factors described above for income from continuing operations and the impact of discontinued operations. Loss from discontinued operations - net was $76.2 million in 2006 compared with income from discontinued operations - net of $27.8 million in 2005. The loss from discontinued operations - net in 2006 primarily related to a $60.6 million after-tax impairment charge recorded in the first quarter of 2006 to reflect the FIIS business at its fair value and a $16.6 million after-tax loss on the sale of divested businesses.

(In Millions of Dollars Except Per Share Data)	Year Ended December 31 2006	2005	$ Change	% Change
Revenues	$ 4,040.8	$ 3,622.2	$ 418.6	12%
Cost of sales	3,045.2	2,700.1	345.1	13%
Gross profit	995.6	922.1	73.5	8%
Selling and administrative expenses	381.7	348.4	33.3	10%
Research, testing and development expenses	205.5	198.9	6.6	3%
Amortization of intangible assets	23.7	23.5	0.2	1%
Restructuring and impairment charges	51.9	15.9	36.0	*
Other income - net	(8.5)	(1.8)	(6.7)	*
Interest income	(20.4)	(8.1)	(12.3)	*
Interest expense	99.7	105.1	(5.4)	(5%)
Income from continuing operations before income taxes	262.0	240.2	21.8	9%
Provision for income taxes	82.2	80.8	1.4	2%
Income from continuing operations	179.8	159.4	20.4	13%
(Loss) income from discontinued operations - net of tax	(76.2)	27.8	(104.0)	*
Net income	$ 103.6	$ 187.2	$ (83.6)	(45%)
Basic earnings (loss) per share:				
Continuing operations	$ 2.62	$ 2.35	$ 0.27	11%
Discontinued operations	(1.11)	0.41	(1.52)	*
Net income per share, basic	$ 1.51	$ 2.76	$ (1.25)	(45%)
Diluted earnings (loss) per share:				
Continuing operations	$ 2.59	$ 2.32	$ 0.27	12%
Discontinued operations	(1.10)	0.40	(1.50)	*
Net income per share, diluted	$ 1.49	$ 2.72	$ (1.23)	(45%)

* *Calculation not meaningful*

Revenues The increase in revenues in 2006 compared with 2005 primarily was due to an 11% improvement in the combination of price and product mix and a 1% increase in volume. We experienced volume gains in Asia-Pacific / Middle East and Latin America.

Analysis of Volume - 2006 vs. 2005 Volume patterns vary in different geographic zones. The following table shows the geographic break-down of our volume in 2006 as well as the percentage changes compared with 2005:

	2006 Volume	% Change
North America	48%	
Europe	26%	(1%)
Asia-Pacific / Middle East	21%	6%
Latin America	5%	11%
Total	100%	1%

Segment volume variances by geographic zone, as well as the factors explaining the changes in segment revenues for 2006 compared with 2005, are contained within the Segment Analysis section.

Cost of Sales The increase in cost of sales for 2006 compared with 2005 primarily was due to higher average raw material cost and higher manufacturing expenses. Average raw material cost increased 14% in 2006 compared with 2005 primarily due to higher petrochemical raw material cost. Total manufacturing expenses increased 4% in 2006 compared with 2005, primarily due to higher salaries and benefits, higher utility costs and increased volume. On a per-unit-sold basis, manufacturing costs increased 2% in 2006 compared with 2005.

Gross Profit Gross profit increased $72.5 million, or 8%, in 2006 compared with 2005. The increase primarily was due to an improvement in the combination of price and product mix and higher volume partially offset by higher average raw material cost. In addition, gross profit was impacted unfavorably by higher salaries and benefits, an increase in utility costs and an unfavorable currency impact in 2006 when compared with 2005. Although we were successful in raising selling prices to offset higher cost of sales, our 2006 gross profit percentage decreased to 24.6% compared with 25.5% in 2005 due to the increase in net sales from our pricing responses to escalating raw material costs.

Selling and Administrative Expenses Selling and administrative expenses increased $33.3 million, or 10%, in 2006 compared with 2005. The increase primarily reflects an increase in salaries and benefits including the addition of growth resources, an increase of $4.5 million associated with a newly commenced project to implement a common information systems platform primarily in the Lubrizol Advanced Materials segment, the unfavorable impact of variable accounting for some of our liability-based incentive plans, a $2.9 million pension settlement charge for a non-qualified pension plan distribution and incremental stock-based compensation expense of $2.4 million associated with the adoption of Statement of Financial Accounting Standards (SFAS) No. 123R.

Research, Testing and Development Expenses The timing and amount of research, testing and development expenses are affected by lubricant additives product standards, which change periodically to meet new emissions, efficiency, durability and other performance factors as OEMs improve engine and transmission designs. Technology expenses increased $6.6 million, or 3%, in 2006 compared with 2005 primarily due to increases in annual salaries and benefits. During 2006 and 2005, approximately 87% of our technology costs were incurred in company-owned facilities and approximately 13% were incurred at third-party facilities.

Restructuring and Impairment Charges In 2006, we recorded aggregate restructuring and impairment charges of $51.9 million, or $0.47 per diluted share, primarily related to the write-down of a trade name in the Lubrizol Advanced Materials segment and the phase-out of a manufacturing facility in the Lubrizol Additives segment.

The components of the 2006 restructuring and impairment charges are detailed as follows:

(In Millions of Dollars)	Asset Impairments	Other Plant Exit Costs	Severance	Total
Noveon trade name impairment	$ 41.2	$	$	$ 41.2
Bromborough, U.K. plant closure		4.8	1.9	6.7
Lubrizol Advanced Materials plant and line closures and workforce reductions	3.3	0.2	0.6	4.1
Other			(0.1)	(0.1)
Total restructuring and impairment charges	$ 44.5	$ 5.0	$ 2.4	$ 51.9

As part of our corporate goal to enhance our one company identity and to reflect more accurately our positioning in the marketplace, we completed a corporate identity review in the fourth quarter of 2006. We made a final determination in January 2007 that the trade name Noveon no longer would be used to describe the Lubrizol Advanced Materials segment of our company and that its use would be discontinued except in connection with our consumer specialties product line. We acquired the rights to the Noveon trade name in June 2004 when we acquired Noveon International, Inc. (Noveon International). At the time of acquisition, an appraised value was attached to the Noveon trade name. We calculated a pretax charge of $41.2 million ($25.4 million after tax) to reduce the related asset to its estimated fair value. This charge

was reflected in the fourth quarter of 2006 as we believed at that time we would more likely than not discontinue the use of the Noveon trade name, except in the limited context of our consumer specialties product line.

In September 2006, we entered into an agreement to sell the manufacturing facility located in Bromborough, United Kingdom. The sale closed in January 2007. In connection with the sale, we received net cash proceeds of $5.9 million and recorded a pretax gain of $2.8 million during the first quarter of 2007. The gain was classified as a reduction to restructuring charges associated with closure of the facility. Production from the Bromborough facility was transferred to higher-capacity Lubrizol facilities in France and the United States. The sale of the facility avoided approximately $3.0 million to $5.0 million in restructuring costs that would have been associated with demolition of the plant facilities on the site. On January 17, 2005, we announced our plans to phase-out production at the Bromborough facility by the end of 2006. At that time, we estimated that total restructuring costs, including employee severance and other plant closure costs (including planned demolition costs), would be approximately $15.0 million. Cumulative pretax charges of approximately $12.8 million were incurred through 2006, of which $6.7 million were incurred in 2006, to satisfy severance and retention obligations, plant dismantling, site restoration and other site environmental evaluation costs. We invested approximately $15.3 million in capital related to the Bromborough closure through December 31, 2006 for capacity upgrades in France and the United States.

In the first quarter of 2005, we decided to close two Lubrizol Advanced Materials performance coatings production facilities in the United States. One facility, located in Mountaintop, Pennsylvania, was closed in October 2005 and sold in January 2006. We recorded an additional $0.8 million in asset impairments and other exit costs and $0.6 million in severance obligations in 2006 relating to the other facility located in Linden, New Jersey, which was closed in the third quarter of 2006. Additional asset impairment charges of $2.7 million were recorded in 2006, which primarily related to the planned closure of a performance coatings production line in the first quarter of 2007.

Other Income - Net The increase in other income - net for 2006 compared with 2005 primarily was due to the favorable legal settlements of insurance and commercial matters of $11.6 million and an increase in the net gain on the sale of property of $1.3 million, partially offset by an increase in currency transaction losses of $2.4 million and an increase in the elimination of minority interest of $2.4 million due to higher profitability of our joint ventures.

Interest Expense - Net The decrease in interest expense - net for 2006 compared with 2005 primarily was due to an increase in interest income of $12.3 million as a result of our increased cash and short-term investments from the divestiture proceeds and a decrease in interest expense of $5.4 million due to a reduction in our long-term debt balances.

Provision for Income Taxes Our effective tax rate was 31.4% in 2006 compared with 33.6% in 2005. The decrease in the effective tax rate primarily was due to the favorable provision impacts of foreign operations.

Income from Continuing Operations Primarily as a result of the above factors, income from continuing operations per diluted share was $2.59 in 2006 compared with $2.32 in 2005.

Net Income Net income included a loss from discontinued operations per diluted share of $1.10 in 2006 compared with income from discontinued operations per diluted share of $0.40 in 2005. The loss from discontinued operations per diluted share of $1.10 in 2006 consisted of operating income of $0.01 per diluted share, excluding an $0.87 per diluted share impairment charge and a $0.24 per diluted share loss on the sale of divested businesses.

SEGMENT ANALYSIS

We primarily evaluate performance and allocate resources based on segment operating income, defined as revenues less expenses identifiable to the product lines included within each segment, as well as projected future returns. Segment operating income will reconcile to consolidated income from continuing

operations before income taxes by deducting corporate expenses and corporate other income (expense) that are not attributable to the operating segments, restructuring and impairment charges and net interest expense.
The proportion of consolidated revenues and segment operating income attributed to each segment was as follows:

	2007	2006	2005
Revenues:			
Lubrizol Additives	66%	64%	63%
Lubrizol Advanced Materials	34%	36%	37%
Segment Operating Income:			
Lubrizol Additives	73%	64%	64%
Lubrizol Advanced Materials	27%	36%	36%

OPERATING RESULTS BY SEGMENT

				2007 vs. 2006		2006 vs. 2005	
(In Millions of Dollars)	2007	2006	2005	$ Change	% Change	$ Change	% Change
Revenues:							
Lubrizol Additives	$ 2,961.1	$ 2,600.5	$ 2,280.0	$ 360.6	14%	$ 320.5	14%
Lubrizol Advanced Materials	1,537.9	1,440.3	1,342.2	97.6	7%	98.1	7%
Total	$ 4,499.0	$ 4,040.8	$ 3,622.2	$ 458.2	11%	$ 418.6	12%
Gross Profit:							
Lubrizol Additives	$ 704.7	$ 581.2	$ 531.0	$ 123.5	21%	$ 50.2	9%
Lubrizol Advanced Materials	416.2	414.4	391.1	1.8		23.3	6%
Total	$ 1,120.9	$ 995.6	$ 922.1	$ 125.3	13%	$ 73.5	8%
Segment Operating Income:							
Lubrizol Additives	$ 391.0	$ 303.0	$ 263.3	$ 88.0	29%	$ 39.7	15%
Lubrizol Advanced Materials	141.8	167.6	150.9	(25.8)	(15%)	16.7	11%
Total	$ 532.8	$ 470.6	$ 414.2	$ 62.2	13%	$ 56.4	14%

LUBRIZOL ADDITIVES SEGMENT

2007 COMPARED WITH 2006

Revenues Revenues increased 14% in 2007 when compared with 2006. The increase was due to a 7% improvement in the combination of price and product mix, a 4% increase in volume and a 3% favorable currency impact. This increase includes the impact of acquisitions, which contributed 1% to the volume increase in 2007.

Volume patterns vary in different geographic zones. The following table shows the geographic break-down of our volume in 2007 as well as the percentage changes compared with 2006:

	2007 Volume	% Change
North America	36%	-
Europe	31%	6%
Asia-Pacific / Middle East	26%	4%
Latin America	7%	24%
Total	100%	4%

Volume in 2007 established a record primarily due to business gains in Europe, Asia-Pacific / Middle East and Latin America. North America volumes were level when compared with 2006 as our decision to exit low margin fuel additive business was offset by stronger customer demand in other product areas.

Gross Profit Gross profit increased $123.5 million, or 21%, in 2007 compared with 2006 as we continued to recover margin lost in prior periods. The Lubrizol Additives segment implemented a series of price increases in 2005 and 2006 in response to continued raw material and manufacturing cost increases. The effective dates of the selling price increases varied by geographic sales zone. Gross profit improved primarily due to the combination of price and product mix, increased volume and a favorable currency impact, partially offset by a 6% increase in average material cost in 2007 as compared with 2006. Manufacturing costs on a per-unit-sold basis increased 9% in 2007 compared with 2006 primarily due to higher manufacturing costs for maintenance materials and contract labor costs mostly attributable to our plants in the U.S. Gulf Coast and Europe, an unfavorable currency impact and higher environmental-related charges. These cost increases partially were offset by lower utility costs. In addition, we experienced unfavorable manufacturing cost absorption as we lowered first quarter production to reduce inventory levels from the prior year end.

The gross profit percentage increased to 23.8% in 2007 compared with 22.3% in 2006. The increase in gross profit percentage primarily related to the improvements in the combination of price and product mix, increased volume and a favorable currency impact.

Selling, Technical, Administrative and Research Expenses STAR expenses increased 10% in 2007 compared with 2006. Selling and administrative costs increased $22.0 million primarily from an unfavorable currency impact and increased incentive compensation expense. In addition, technical expenses increased $6.6 million primarily due to higher fuel and test part costs and an unfavorable currency impact.

Other Income - Net Other income in 2007 included a $5.0 million gain on the sale of land recorded in the first quarter of 2007, while other income in 2006 was impacted favorably by $10.4 million due to legal settlements of insurance and commercial matters as well as a $1.5 million gain on the sale of certain properties.

Segment Operating Income Segment operating income increased 29% in 2007 compared with 2006 due to the factors discussed above.

2006 COMPARED WITH 2005

Revenues Revenues increased 14% in 2006 when compared with 2005. The increase primarily was due to an improvement in the combination of price and product mix, while a slight increase in volume was offset by a slight unfavorable impact of currency.

Volume patterns vary in different geographic zones. The following table shows the geographic break-down of our volume in 2006 as well as the percentage changes compared with 2005:

	2006 Volume	% Change
North America	38%	1%
Europe	30%	(3%)
Asia-Pacific / Middle East	26%	2%
Latin America	6%	6%
Total	100%	

Volume increased slightly in 2006 compared with 2005; however, excluding the impact of nonrecurring, temporary business gains in 2005, volume increased 2% in 2006 compared with 2005.

The decrease in volume in Europe was due in part to a change in a customer sourcing from Europe to North America. The volume growth in the Asia-Pacific / Middle East region primarily resulted from growth in China, which represented our third largest country in terms of volume sold despite the fact that a majority of the 2005 temporary business gains occurred in this region. The volume growth in Latin America primarily was driven by stronger demand by our major international customers.

Gross Profit Gross profit increased 9% in 2006 compared with 2005 as we continued to recover from margin erosion that occurred in 2005 and prior years. The Lubrizol Additives segment implemented a series of price increases in 2006 and 2005 in response to continued raw material and utility cost increases. The effective dates of the selling price increases varied by geographic zone. The gross profit increase primarily was due to an improvement in the combination of price and product mix partially offset by a 19% increase in average material cost in 2006 as compared with 2005. Manufacturing costs on a per-unit-sold basis increased 3% in 2006 compared with 2005. The increase was due in part to higher utility costs as well as higher operating supplies and outside services partially offset by lower depreciation expense, employee benefits and a reclassification of certain expenses from manufacturing to STAR due to a change in organization structure in our European operations. In addition, manufacturing costs were impacted favorably by approximately $5.2 million in 2006 as we curtailed production activity at our Bromborough, U.K. plant in accordance with our previously announced timetable to close this facility.

The gross profit percentage declined to 22.3% in 2006 compared with 23.3% in 2005. The decline in gross profit percentage primarily was due to continuing raw material cost increases throughout most of 2006 outpacing the timing of price increases.

Selling, Technical, Administrative and Research Expenses STAR expenses increased 7% in 2006 compared with 2005. This increase primarily was due to an increase in selling and administrative expenses of $14.8 million. The higher selling and administrative costs primarily resulted from the impact of reclassifying to STAR certain expenses that previously were classified as manufacturing resulting from a change in organization structure in our European operations, increases in base and variable compensation and a change in the timing of annual salary increases. The balance of the change in STAR expenses was due to an increase in technical expenses of $3.5 million primarily associated with technical programs within our driveline and industrial oils additives packages.

Other Income - Net Other income was impacted favorably by $10.4 million due to legal settlements of insurance and commercial matters as well as a $1.5 million gain on the sale of certain properties.

Segment Operating Income Segment operating income increased 15% in 2006 compared with the prior year due to the factors discussed above.

LUBRIZOL ADVANCED MATERIALS SEGMENT

2007 COMPARED WITH 2006

Revenues Revenues for the Lubrizol Advanced Materials segment increased 7% in 2007 compared with 2006. The increase was due to a 3% improvement in the combination of price and product mix, a 2% increase in volume and a 2% favorable currency impact.

Volume patterns vary in different geographic zones. The following table shows the geographic break-down of our volume in 2007 as well as the percentage changes compared with 2006:

	2007 Volume	% Change
North America	67%	(1%)
Europe	17%	2%
Asia-Pacific / Middle East	12%	19%
Latin America	4%	21%
Total	100%	2%

In the first quarter of 2007, we made a minor change to improve the consistency of our reporting of shipment volumes. Volume in our performance coatings product line, and to a much lesser extent, our Noveon consumer specialties product line, was reported previously on a dry basis, or excluding the carrier fluid that is shipped with the base performance material. We are now reporting all product lines on an as shipped basis, including carrier fluid that is blended with the base material. This change has been reflected for all periods presented.

Volume in North America decreased 1% in 2007 compared with 2006 as increases in our engineered polymers and Noveon consumer specialties product lines were more than offset by a decrease in our performance coatings product line. The increase in our Noveon consumer specialties product line was due to increased customer demand in our surfactants business and personal care applications. Volume in our engineered polymers product line increased due to strong demand in fire sprinkler and industrial applications. Volume in our performance coatings product line decreased due to reduced customer demand in textiles and inks applications.

Volume in Europe increased 2% in 2007 compared with 2006 as increases in our engineered polymers and Noveon consumer specialties product lines more than offset a decrease in our performance coatings product line. The increase in our engineered polymers product line primarily was due to increased customer demand in industrial and plumbing applications. Volume in our Noveon consumer specialties product line increased due to strong demand in personal care and pharmaceutical applications. Volume in our performance coatings product line decreased due to reduced customer demand in inks applications.

Volume in Asia-Pacific / Middle East increased 19% in 2007 compared with 2006 with increases in all of our product lines. This increase was due to strong customer demand in geophysical, fiber, plumbing, industrial, paints and coatings, inks, textiles, personal care and explosives applications.

Volume in Latin America increased 21% in 2007 compared with 2006 with increases in all of our product lines. The volume increase primarily was attributable to increased customer demand in plumbing, explosives, personal care and paints and coatings applications.

Gross Profit Gross profit increased $1.8 million in 2007 compared with 2006. The slight increase in segment gross profit in 2007 primarily was due to an improvement in the combination of price and product mix and increased volume, offset by higher average raw material cost and manufacturing expenses. Average raw material cost increased 7% in 2007 compared with 2006. Manufacturing costs increased

primarily due to increased compensation expense, an unfavorable currency impact and higher volume. Manufacturing costs on a per-unit-sold basis increased 5% in 2007 compared with 2006.
The gross profit percentage for this segment was 27.1% in 2007 compared with 28.8% in 2006. The decrease in gross profit percentage in 2007 was due to higher average raw material cost and manufacturing expenses.
Selling, Technical, Administrative and Research Expenses STAR expenses increased $25.7 million, or 11%, in 2007 compared with 2006. The increase in STAR was due to increased headcount to support our growth strategy, an unfavorable currency impact, higher compensation expense and higher costs associated with the implementation of a common information systems platform.
Segment Operating Income Segment operating income decreased 15% in 2007 compared with 2006. The decrease in segment operating income primarily was due to the factors discussed above.
2006 COMPARED WITH 2005
Revenues Revenues for the Lubrizol Advanced Materials segment increased 7% in 2006 compared with 2005. The increase was due to a 4% improvement in the combination of price and product mix and a 3% increase in volume. The improvement in the combination of price and product mix primarily occurred in our Noveon consumer specialties product line.
Volume patterns vary in different geographic zones. The following table shows the geographic break-down of our volume in 2006 as well as the percentage changes compared with 2005:

	2006 Volume	% Change
North America	69%	(1%)
Europe	17%	5%
Asia-Pacific / Middle East	10%	28%
Latin America	4%	32%
Total	100%	3%

Our performance coatings product line had a slight decrease in volume in North America in 2006 compared with 2005, which we believe primarily was due to the continued migration of the textile industry from North America to China. Our engineered polymers and Noveon consumer specialties product lines both had increases in volume in North America in 2006 compared with 2005. The increase in our engineered polymers product line was due to increased customer demand in both our Estane® thermoplastic polyurethane business (Estane) and our TempRite® engineered polymers business (TempRite). TempRite benefited from continued conversions from metals to plastics. The increase in the Noveon consumer specialties product line primarily was due to increased customer demand in our personal care and home care businesses and tolling sales to the buyer of our FIIS business.
Our engineered polymers and performance coatings product lines had increases in Europe in 2006 compared with 2005. The increase in our performance coatings product line primarily was due to customer demand and market share gains in the textiles market and customer demand in the paints and coatings market. The increase in our engineered polymers product line was due to market-share gains in our Estane business and business gains in our TempRite business resulting from continued conversions from metals to plastics. Our Noveon consumer specialties product line had a decrease in volume in Europe in 2006 compared with 2005 primarily attributable to our AMPS® specialty monomers business. The increase in Asia-Pacific / Middle East volume for 2006 primarily was due to higher customer demand and market-share gains in both our Estane business and performance coatings product line, predominately in the textiles market, and higher customer demand in our Noveon consumer specialties product line. We also experienced higher customer demand in the TempRite business, particularly in the Middle East and India.

Gross Profit Gross profit increased $23.3 million, or 6%, in 2006 compared with 2005. The increase in segment gross profit in 2006 primarily was the result of higher revenues due to the increase in volume and improvement in the combination of price and product mix partially offset by higher average raw material cost and manufacturing costs. Average raw material cost increased 4% in 2006 compared with 2005. Manufacturing costs primarily were higher due to increased utility costs, the impact of reclassifying certain expenses from STAR to manufacturing as a result of a change in organizational structure in our European operations and higher volume.

The gross profit percentage for this segment was 28.8% in 2006 compared with 29.1% in 2005. The decrease in gross profit percentage in 2006 was due to higher average raw material cost partially offset by an improvement in the combination of price and product mix.

Selling, Technical, Administrative and Research Expenses STAR expenses increased $9.0 million, or 4%, in 2006 compared with 2005. The increase in STAR was due to higher salaries and incentive compensation and increased hiring to support growth initiatives partially offset by the impact of reclassifying certain expenses from STAR to manufacturing as a result of a change in organizational structure in our European operations and reductions in bad debt expense.

Segment Operating Income Segment operating income increased 11% in 2006 compared with 2005. The increase in segment operating income primarily was due to the increase in segment gross profit as described above, partially offset by the increase in STAR expenses.

WORKING CAPITAL, LIQUIDITY AND CAPITAL RESOURCES

SELECTED MEASURES OF LIQUIDITY AND CAPITAL RESOURCES The following table summarizes our financial performance indicators of liquidity:

	2007	2006
Cash and short-term investments (in millions of dollars)	$ 502.3	$ 575.7
Working capital (in millions of dollars)	$ 962.6	$ 1,201.9
Current ratio	2.1	2.9
Debt as a % of capitalization	42.2%	47.8%
Net debt as a % of capitalization	32.1%	36.5%

SUMMARY OF CASH FLOWS The following table summarizes the major components of cash flows:

(In Millions of Dollars)	2007	2006	2005
Cash provided by (used for):			
Operating activities	$ 476.4	$ 334.8	$ 362.2
Investing activities	(309.8)	151.4	(106.8)
Financing activities	(260.0)	(183.9)	(312.8)
Effect of exchange-rate changes on cash	20.0	11.0	(16.1)
Net (decrease) increase in cash and short-term investments	$ (73.4)	$ 313.3	$ (73.5)

<u>OPERATING ACTIVITIES</u>

Cash provided by operating activities increased $141.6 million in 2007 compared with 2006. The increase in cash provided by operating activities primarily related to an increase in net income and an improvement in working capital levels. Specifically, we focused our efforts toward reducing inventory levels and our accounts payable improved due to the timing of raw material purchases and cash disbursements. In addition, the accounts payable we retained at the closing of the FIIS divestiture had an unfavorable impact of $27.0 million to operating cash flows in 2006. We also improved the timeliness of our cash collections, which partially offset our increase in accounts receivable associated with higher revenues.

We manage our levels of inventories and accounts receivable on the basis of average days sales in inventory and average days sales in receivables. Our goal is to minimize our investment in inventories while at the same time ensuring reliable supply for our customers. Our average days sales in inventory improved to 76.6 days for the year ended December 31, 2007 from 80.9 days for the year ended December 31, 2006. Our average days sales in receivables improved to 47.2 days for the year ended December 31, 2007 from 48.7 days for the year ended December 31, 2006.

INVESTING ACTIVITIES

On February 7, 2007, we used $15.7 million to acquire assets from Lockhart. On November 1, 2007, we used $124.6 million to acquire assets from Croda.

Our capital expenditures in 2007 were $182.8 million, as compared with $130.9 million and $136.7 million in 2006 and 2005, respectively. Capital expenditures increased in 2007 as we increased our production capacity in our Lubrizol Advanced Materials product lines in China, North America and Europe to meet growing demand and continued our project to bring both segments onto a common information systems platform. Capital expenditures for the Lubrizol Additives segment primarily are made to maintain existing manufacturing capacity and plant infrastructure. Approximately 35% of the capital expenditures in the Lubrizol Advanced Materials segment related to increasing capacity. In 2008, we estimate annual capital expenditures will be approximately $215.0 million to $225.0 million.

The sales of FIIS and A&I were completed on May 1, 2006 and May 23, 2006, respectively. In consideration for these divested businesses, we received net cash proceeds of approximately $254.8 million and $10.4 million, respectively. The FIIS sale resulted in a taxable gain, which was offset by our net operating loss carryforwards. The sale of Telene was completed in February 2006 for net cash proceeds of $6.2 million.

FINANCING ACTIVITIES

Cash used for financing activities increased $76.1 million in 2007 compared with 2006. Cash used for financing activities of $260.0 million in 2007 primarily consisted of the repayment of 85.0 million against our 250.0 million revolving credit agreement, which repaid our euro credit facility in full, the repurchase of common shares and the payment of dividends, partially offset by proceeds from the exercise of stock options. This compares to $183.9 million used for financing activities in 2006, which primarily consisted of net repayments of long-term debt and the payment of dividends, partially offset by proceeds from the exercise of stock options.

CAPITALIZATION AND CREDIT FACILITIES

At December 31, 2007, our total debt outstanding of $1,428.8 million consisted of 72% fixed-rate debt and 28% variable-rate debt, including $400.0 million of fixed-rate debt that effectively has been swapped to a variable rate. Our weighted-average interest rate at December 31, 2007 was approximately 5.6%.

Our net debt to capitalization ratio at December 31, 2007 was 32.1%. Net debt represents total short-term and long-term debt, excluding original issue discounts and unrealized gains and losses on derivative instruments designated as fair-value hedges of fixed-rate debt, reduced by cash and short-term investments. Capitalization is calculated as shareholders equity plus net debt. Total debt as a percent of capitalization was 42.2% at December 31, 2007.

Our ratio of current assets to current liabilities was 2.1 and 2.9 at December 31, 2007 and 2006, respectively. The decrease in our current ratio from December 31, 2006 to December 31, 2007 primarily was related to the reclassification of $204.9 million from long-term to short-term debt.

On September 20, 2006, we amended our five-year unsecured committed U.S. bank credit agreement to reduce the revolving credit facility from $500.0 million to $350.0 million and extend the maturity date to September 2011. In addition, as of September 20, 2006, our direct and indirect domestic subsidiaries were

released as guarantors under the credit agreement and we no longer are subject to any investment or acquisition restrictions. This credit facility allows us to borrow at variable rates based upon the U.S. prime rate or LIBOR plus a specified credit spread. At December 31, 2007, we had no outstanding borrowings under this agreement.

In addition, at December 31, 2007, two of our wholly owned foreign subsidiaries had a 250.0 million revolving credit facility that matures in September 2010. This credit agreement permits these foreign subsidiaries to borrow at variable rates based on EURIBOR plus a specified credit spread. We have guaranteed all obligations of the borrowers under the credit agreement. On September 20, 2006, we amended this credit agreement such that we no longer are subject to any investment or acquisition restrictions. No other terms or conditions of the agreement were modified. At December 31, 2007, we had no borrowings under this agreement.

The cash and short-term investments balance of $502.3 million at December 31, 2007 will be used to fund ongoing operations, pay down debt, pursue acquisition opportunities and buy back shares. Given the call premium on our long-term debt, it is unlikely that we will reduce debt significantly before our next scheduled maturity in late 2008. We have no debt that is prepayable without incurring a penalty. Therefore, it is possible that we will carry excess cash until our next scheduled maturity.

CONTRACTUAL CASH OBLIGATIONS

The following table shows our contractual cash obligations under debt agreements, leases, non-cancelable purchase commitments and other long-term liabilities at December 31, 2007:

	Payments Due by Period				
(In Millions of Dollars)	Total	2008	2009 - 2010	2011 - 2012	2013 and After
Total debt (1)	$ 1,433.3	$ 200.3	$ 382.5	$ 0.5	$ 850.0
Interest (2)	873.7	80.9	120.7	103.0	569.1
Operating leases	66.8	18.9	30.6	13.5	3.8
Non-cancelable purchase commitments (3)	177.1	93.2	74.4	5.9	3.6
Other long-term liabilities (4)(5)	66.4	37.5	8.1	0.4	20.4
Total contractual cash obligations	$ 2,617.3	$ 430.8	$ 616.3	$ 123.3	$ 1,446.9

(1) Total debt includes both the current and long-term portions of debt as reported in Note 7 to the consolidated financial statements, excluding original issue discounts and unrealized gains on derivative instruments designated as fair-value hedges of fixed-rate debt.

(2) Represents estimated contractual interest payments for fixed-rate debt only. We are not able to estimate reasonably the cash payments for interest associated with variable-rate debt due to the significant estimation required relating to both market interest rates as well as projected principal payments.

(3) Non-cancelable purchase commitments primarily include raw materials purchased under take-or-pay contracts, drumming, warehousing and service contracts, utility purchase agreements, terminal agreements and toll processing arrangements.

(4) Other long-term liabilities disclosed in the table represent long-term liabilities reported in our consolidated balance sheet at December 31, 2007 under noncurrent liabilities, excluding pension, postretirement, postemployment, environmental and other non-contractual liabilities. At December 31, 2007, we had gross unrecognized tax benefits of $59.3 million relating to uncertain tax positions. Due to the high degree of uncertainty regarding the timing of future cash outflows associated with these tax positions, we are unable to estimate when cash settlement may occur.

(5) We are required to make minimum contributions to our U.S. qualified defined benefit pension plans pursuant to the minimum funding requirements of

the Internal Revenue Code of 1986, as amended, and the Employee Retirement Income Security Act of 1974, as amended. Funding requirements for plans

outside the United States are subject to applicable local regulations. In 2008, we expect to make employer contributions of approximately $30.5 million to the qualified plans to satisfy these minimum statutory funding requirements. In 2008, we expect to make payments of approximately $1.6 million relating to our unfunded pension plans. The expected payments associated with the unfunded plans represent an actuarial estimate of future assumed payments based upon retirement and payment patterns. Actual amounts paid could differ from this estimate. In addition, non-pension postretirement benefit payments are expected to approximate $5.1 million in 2008. We have included these expected contributions of $37.2 million in the above table. Due to uncertainties regarding significant assumptions involved in estimating future required

contributions to our defined benefit pension and other plans, such as interest rate levels, the amount and timing of asset returns and future restructurings, if any, we are not able to reasonably estimate our contributions beyond 2008.

In addition, at December 31, 2007, we had $35.7 million of contingent obligations under standby letters of credit issued in the ordinary course of business to financial institutions, customers and insurance companies to secure short-term support for a variety of commercial transactions, insurance and benefit programs.

We had $1,428.8 million of debt outstanding at December 31, 2007 compared with $1,541.7 million outstanding at December 31, 2006. Our total debt as a percent of capitalization has decreased from 47.8% at December 31, 2006 to 42.2% at December 31, 2007. We believe our future operating cash flows will be sufficient to cover our debt repayments, other contractual obligations, capital expenditures and dividends. In addition, we have untapped borrowing capacity that can provide us with additional financial resources. We currently have a shelf registration statement filed with the Securities and Exchange Commission (SEC) under which $359.8 million of debt securities, preferred shares or common shares may be issued. In addition, at December 31, 2007, we maintained cash and short-term investment balances of $502.3 million and had $350.0 million available under our U.S. revolving credit facility and 250.0 million available under our euro revolving credit facility.

GUARANTEES

On May 1, 2006, we sold the FIIS business to SPM Group Holdings, LLC, now known as Emerald Performance Materials, LLC (Emerald). As a result of the sale, Emerald became responsible for a supplier contract with SK Corporation (SK). We provided a guarantee to SK, revocable by us upon 60 days prior written notice, for the timely performance of Emerald s payment obligations provided SK is unable to collect payment from Emerald using commercially reasonable efforts. On November 5, 2007, we terminated the guarantee, which originally extended to January 31, 2008.

INDEMNIFICATIONS

We have provided indemnifications to Emerald with respect to the FIIS business sold to them. These indemnifications are associated with the price and quantity of raw material purchases, permit costs, costs incurred due to the inability to obtain permits and environmental matters. For those indemnification agreements where a payment by us is probable and estimable, we recorded a liability at December 31, 2007. We believe that losses incurred in any of these matters would not have a material effect on our business, financial condition or results of operations.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements and related disclosures in accordance with U.S. generally accepted accounting principles (U.S. GAAP) requires us to make judgments, assumptions and estimates at a specific point in time that affect the amounts reported in the accompanying consolidated financial statements and related notes. In preparing these financial statements, we have utilized available information including our past history, industry standards and the current economic environment, among other factors, in forming our estimates and judgments of certain amounts included in the consolidated financial statements, giving due consideration to materiality. It is possible that the ultimate outcome as anticipated by management in formulating our estimates inherent in these financial statements may not materialize. Application of the critical accounting policies described below involves the exercise of judgment and the use of assumptions

as to future uncertainties and, as a result, actual results could differ from these estimates. In addition, other companies may utilize different estimates, which may impact the comparability of our results of operations to similar businesses.

ACCOUNTING FOR RESERVES AND CONTINGENCIES

Our accounting policies for reserves and contingencies cover a wide variety of business activities, including reserves for potentially uncollectible receivables, slow-moving or obsolete inventory and legal and environmental exposures. We accrue these reserves when our assessments indicate that it is probable that we have incurred a liability or will not recover an asset and we can reasonably estimate an amount. For tax exposures, we only recognize the economic benefit associated with a tax position if it is more likely than not that we will ultimately sustain a tax position. After this threshold is met, we report a tax position at the largest amount of benefit that is more likely than not to be ultimately sustained. We review these estimates quarterly based on currently available information. Actual results may differ from our estimates and our estimates may be revised depending upon the outcome or changed expectations based on the facts surrounding each exposure. We discuss annually with the audit committee of our board of directors our reserves and contingencies, as well as our policies and processes for evaluating them.

ACCOUNTING FOR SALES DISCOUNTS AND REBATES

We offer sales discounts and rebates to certain customers to promote customer loyalty and to encourage greater product sales. These rebate programs provide that upon the attainment of pre-established volumes or the attainment of revenue milestones for a specified period, the customer receives credits against purchases. We estimate the provision for rebates based upon the specific terms in each agreement at the time of shipment and an estimate of the customer s achievement of the respective revenue milestones. We accrue customer claims, returns and allowances and discounts based upon our history of claims and sales returns and allowances. The estimated provisions significantly could be affected if future occurrences and claims differ from these assumptions and historical trends.

DETERMINATION OF NET PERIODIC PENSION COST

Each year we review with our actuaries the actuarial assumptions used in the determination of net periodic pension cost, as prescribed by SFAS No. 87, Employers Accounting for Pensions. The determination of net periodic pension cost is based upon a number of actuarial assumptions. The two most critical assumptions are the expected return on plan assets and the discount rate for determining the funded status. Other assumptions include the rate of compensation increase and demographic factors such as retirement age, mortality and turnover. We review the critical assumptions for our U.S. pension plans with the audit committee of our board of directors. Our net periodic pension cost for our U.S. pension plans was $24.0 million in 2007, $31.0 million in 2006 and $25.7 million in 2005. Our net periodic pension cost for all pension plans was $44.8 million in 2007, $52.9 million in 2006 and $43.5 million in 2005. The net periodic pension cost for all plans included a settlement loss of $2.9 million and $0.3 million in 2006 and 2005, respectively. In accordance with U.S. GAAP, actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, affect expense recognized and obligations recorded in future periods.

In developing our assumption for the expected long-term rate of return on plan assets, we considered historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio. At December 31, 2007, our weighted-average assumptions for the U.S. pension plans and non-U.S. pension plans was 8.25% and 6.63% (7.56% on a weighted-average basis for all plans), respectively, based on our investment mix and projected market conditions. We believe our expected long-term rates of return represent a reasonable return that could be achieved over the long term using our current asset allocation. At December 31, 2007, our U.S. pension plans assets had an investment mix that approximated 68% in equity securities and 32% in debt securities, while our non-U.S. pension plans assets had an investment mix that approximated 62% in equity securities and 38% in debt securities.

A change in the rate of return of 100 basis points would have the following effects on 2008 net periodic pension cost:

(In Millions of Dollars)	100 Basis Point Increase	100 Basis Point Decrease
U.S. pension plans	$ (2.9)	$ 2.9
International pension plans	(2.2)	2.2
All pension plans	$ (5.1)	$ 5.1

The selection of a discount rate for pension plans is required to determine the value of future pension obligations and represents our best estimate of our cost in the marketplace to settle all pension obligations through annuity purchases. We determined the discount rate based upon current market indicators, including yields from dedicated bond portfolios that provide for a general matching of bond maturities with the projected benefit cash flows from our plans. The dedicated bond portfolios consist of non-callable corporate bonds that are at least AA- quality. We set the December 31, 2007 discount rate assumption for our U.S. pension plans at 6.67%, which was an increase from 6.25% at December 31, 2006. We set the December 31, 2007 weighted-average discount rate assumption for our non-U.S. pension plans at 5.61%, which was an increase from 4.89% at December 31, 2006. On a worldwide basis, the weighted-average discount rate increased to 6.19% at December 31, 2007 from 5.63% at December 31, 2006.

A change in the discount rate of 100 basis points would have the following effects on 2008 net periodic pension cost:

(In Millions of Dollars)	100 Basis Point Increase	100 Basis Point Decrease
U.S. pension plans	$ (2.5)	$ 5.3
International pension plans	(5.9)	5.1
All pension plans	$ (8.4)	$ 10.4

At December 31, 2007, the accumulated benefit obligation for all pension plans worldwide exceeded the value of plan assets by $34.8 million. This represents a $48.5 million improvement in funded status from the $83.3 million in the total unfunded accumulated benefit obligation reported in 2006. The accumulated benefit obligation exceeded the plan assets for the U.S. pension plans by $12.9 million and the non-U.S. plans by $21.9 million in 2007. The primary driver behind the $48.5 million decrease in the unfunded benefit obligations was a result of an increase in discount rates at December 31, 2007.

We expect changes in pension plan assumptions to decrease pension expense for most pension plans worldwide in 2008. We expect the 2008 pension expense to be approximately $40.5 million, excluding the impact of any settlement charges. The expected decrease in pension expense in 2008, excluding the impact of settlement charges, primarily is due to an increase in expected returns on assets due to the increase in fair value of plan assets at December 31, 2007, a reduction in the amortization of actuarial losses and the increase in the discount rate for all plans, offset by an increase in interest cost associated with an increase in the projected benefit obligation.

DETERMINATION OF POSTRETIREMENT BENEFIT COST

Annually, we review with our actuaries the key economic assumptions used in calculating postretirement benefit cost as prescribed by SFAS No. 106, Employers Accounting for Postretirement Benefits Other than Pensions. Postretirement benefits include health care and life insurance plans. The determination of postretirement benefit cost is based upon a number of actuarial assumptions, including the discount rate for determining the accumulated postretirement benefit obligation, the assumed health care cost trend rates and the ultimate health care trend rate. Except for the U.S. plans, the same discount rate selected for the pension plans generally is used to calculate the postretirement benefit obligation by country. Net non-

pension postretirement benefit cost (credit) was $2.6 million in 2007, ($0.1) million in 2006 and $3.4 million in 2005.
A change in the discount rate of 100 basis points would have the following effects on 2008 postretirement benefit cost:

(In Millions of Dollars)	100 Basis Point Increase	100 Basis Point Decrease
U.S. postretirement plans	$ (0.4)	$ 0.4
International postretirement plans	(0.2)	0.5
All postretirement plans	$ (0.6)	$ 0.9

A change in the assumed health care cost trend rate of 100 basis points would have the following effects on 2008 postretirement benefit cost:

(In Millions of Dollars)	100 Basis Point Increase	100 Basis Point Decrease
U.S. postretirement plans	$ 1.1	$ (1.0)
International postretirement plans	0.7	(0.4)
All postretirement plans	$ 1.8	$ (1.4)

ACCOUNTING FOR BUSINESS COMBINATIONS

We allocate the purchase price of business combinations to assets acquired and liabilities assumed based on their relative fair value at the date of acquisition pursuant to the provisions of SFAS No. 141, Business Combinations. In estimating the fair value of the tangible and intangible assets and liabilities acquired, we consider information obtained during our due diligence process and utilize various valuation methods including market prices, where available, appraisals, comparisons to transactions for similar assets and liabilities and present value of estimated future cash flows. We are required to make subjective estimates in connection with these valuations and allocations.

ACCOUNTING FOR IMPAIRMENT OF LONG-LIVED ASSETS

We review the carrying value of our long-lived assets, including property and equipment, whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. An impairment loss exists when estimated undiscounted future cash flows expected to result from the use of the asset, including disposition, are less than the carrying value of the asset. The measurement of the impairment loss to be recognized is based on the difference between the fair value and the carrying amounts of the assets. Fair value generally is determined based upon a discounted cash flow analysis. In order to determine if an asset has been impaired, assets are grouped and tested at the lowest level for which identifiable, independent, cash flows are available.

The determination of both undiscounted and discounted cash flows requires us to make significant estimates and considers the expected course of action at the balance sheet date. Subsequent changes in estimated undiscounted and discounted cash flows arising from changes in anticipated actions could impact the determination of whether an impairment exists, the amount of the impairment charge recorded and whether the effects could materially impact our consolidated financial statements.

DISCONTINUED OPERATIONS

In accordance with the requirements of SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, we report in discontinued operations the results of a component of our business that either has been disposed of or is classified as held for sale. We classify a component of our business as held for sale if it meets the following criteria as of each balance sheet date:

- We commit to a plan to sell the disposal group.
- The disposal group is available for immediate sale in its present condition, subject only to the terms that are usual and customary for sales of such disposal groups.
- We have initiated an active program to locate a buyer and other actions required to complete the plan to sell.
- We believe the sale of the disposal group is probable and expect the transfer to qualify for recognition as a completed sale within one year.
- We actively market the disposal group for sale at a price that is reasonable in relation to its current fair value.
- Actions necessary to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

The results of operations of all entities that have been disposed of or are classified as held for sale have been classified in the income (loss) from discontinued operations - net of tax line item in the consolidated statements of income for 2006 and 2005. The 2007, 2006 and 2005 cash flow statements are presented on a consolidated basis, including both continuing operations and discontinued operations for 2006 and 2005.

ACCOUNTING FOR IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of businesses acquired. In accordance with SFAS No. 142, Goodwill and Other Intangible Assets, goodwill is to be tested annually and between annual tests if events occur or circumstances change that would more likely than not reduce the fair value of an operating segment below its carrying amount. We have elected October 1 as the annual evaluation date to test for potential goodwill impairment. The annual goodwill impairment test requires us to make a number of assumptions and estimates concerning future levels of earnings and cash flow, which are based upon our strategic plans. The combination of a discounted cash flow analysis and terminal value model is used to determine the fair value of each reporting unit. While we use available information to prepare estimates and to perform the impairment evaluation, actual results could differ significantly resulting in future impairment and charges related to recorded goodwill balances. We identified no impairment of goodwill in the annual impairment test completed in 2007. (See Note 6 to the consolidated financial statements.)

Intangible assets resulting from business acquisitions, including customer lists, purchased technology, trademarks, patents, land-use rights and non-compete agreements, are amortized on a straight-line method over periods ranging from 3 to 40 years. Under SFAS No. 142, intangible assets determined to have indefinite lives are not amortized, but are tested for impairment at least annually. We have elected October 1 as the annual evaluation date to test for potential impairment of indefinite lived intangible assets. The combination of a discounted cash flow analysis and terminal value model is used to determine whether the fair value of an intangible asset exceeds its carrying amount. As part of the annual impairment test, the non-amortized intangible assets are reviewed to determine if the indefinite status remains appropriate.

We completed a corporate identity review in the fourth quarter of 2006 and made a final determination in January 2007 to no longer use the trade name Noveon to describe the Lubrizol Advanced Materials segment of our company and that its use would be discontinued except in connection with the consumer specialties product line. As a result, we recognized an impairment charge for the Noveon trade name in accordance with SFAS No. 142. We calculated a pretax charge of $41.2 million ($25.4 million after tax) to reduce the related asset to its estimated fair value. We reflected this charge in the fourth quarter of 2006 as we believed at that time we would more likely than not discontinue the use of the Noveon trade name, except in the limited context of the consumer specialties product line.

ASSET-RETIREMENT OBLIGATIONS

We account for asset retirement obligations in accordance with SFAS No. 143, Accounting for Asset Retirement Obligations and Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 47, Accounting for Conditional Asset-Retirement Obligations - an interpretation of FASB Statement No. 143. FIN No. 47 requires the recognition of a liability for the fair value of a legal obligation to perform asset-retirement obligations (AROs) that are conditional on a future event if the amount can be reasonably estimated. We have identified AROs related to certain of our leased facilities and to asbestos remediation activities that may be required at other company-owned facilities in the future. We record liabilities for AROs at the time that they are identified and when they can be reasonably estimated. Due to the long-term, productive nature of some of our manufacturing operations, absent plans or expectation of plans to initiate asset retirement activities, we are unable to reasonably estimate the fair value of such asbestos remediation liabilities since the potential settlement dates cannot be determined at this time.

NEW ACCOUNTING STANDARDS

SFAS No. 141R

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations. This statement replaces SFAS No. 141, Business Combinations, requires an acquirer to recognize the assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions. SFAS No. 141R requires costs incurred to effect the acquisition to be recognized separately from the acquisition as period costs. SFAS No. 141R also requires the acquirer to recognize restructuring costs that the acquirer expects to incur, but is not obligated to incur, separately from the business combination. In addition, this statement requires an acquirer to recognize assets and liabilities assumed arising from contractual contingencies as of the acquisition date, measured at their acquisition-date fair values. Other key provisions of this statement include the requirement to recognize the acquisition-date fair values of research and development assets separately from goodwill and the requirement to recognize changes in the amount of deferred tax benefits that are recognizable due to the business combination in either income from continuing operations in the period of the combination or directly in contributed capital, depending on the circumstances. At December 31, 2007, we had amounts recorded in our financial statements for unrecognized tax benefits and valuation allowances related to past acquisitions. Any reversal of these amounts prior to the adoption of SFAS No. 141R would affect goodwill. However, subsequent to the adoption of SFAS No. 141R, any reversals would affect the income tax provision in the period of reversal. With the exception of certain tax-related aspects described above, this statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period after December 15, 2008. We currently are evaluating the impact of this recently issued standard on our consolidated financial statements.

SFAS No. 160

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Financial Statements-an amendment of ARB No. 51. This statement amends Accounting Research Bulletin No. 51, Consolidated Financial Statements, to establish accounting and reporting standards for noncontrolling interests in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. This statement requires consolidated net income attributable to both the parent and the noncontrolling interest to be reported and disclosed in the consolidated financial statements. This statement also requires expanded disclosures in the consolidated financial statements that clearly identify and distinguish between the interests of the parent s owners and the interests of the noncontrolling owners of a subsidiary. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2008 and shall be applied prospectively as of the beginning of the fiscal year in which it is initially adopted, except for the presentation and disclosure requirements, which

are applied retrospectively for all periods presented. Early adoption is prohibited. We currently are evaluating the impact of this recently issued standard on our consolidated financial statements.

SFAS No. 159

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. This statement permits entities to make an irrevocable election to measure many financial instruments and certain other items at fair value at specified election dates. The fair value option may be applied instrument by instrument and, if applied, then it must be applied to the entire instrument. Unrealized gains and losses on items for which the entity elects the fair value option are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. Early adoption is permitted as of the beginning of the fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of SFAS No. 157, Fair Value Measurements. Entities are not permitted to apply this statement retrospectively to the fiscal years preceding the effective date unless the entity chooses early adoption. We currently are evaluating the impact of this recently issued standard on our consolidated financial statements.

SFAS No. 158

In September 2006, the FASB issued SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans-an amendment of FASB Statements No. 87, 88, 106, and 132R. This statement requires an employer to recognize a plan s funded status in its statement of financial position, measure a plan s assets and obligations as of the end of the employer s fiscal year and recognize the changes in a plan s funded status in comprehensive income in the year in which the changes occur. SFAS No. 158 s requirement to recognize a plan s funded status and new disclosure requirements are effective for us as of December 31, 2006. The requirement to measure plan assets and benefit obligations as of the date of our fiscal year-end statement of financial position is effective for fiscal years ending after December 15, 2008. Currently, we measure plan assets and benefit obligations as of the date of our fiscal year end. We adopted the required provisions of SFAS No. 158 on December 31, 2006.

SFAS No. 157

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. This statement defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP and expands disclosure about fair value measurements. SFAS No. 157 does not expand the use of fair value measures in financial statements, but simplifies and codifies related guidance within U.S. GAAP. SFAS No. 157 establishes a fair value hierarchy using observable market data as the highest level and an entity s own fair value assumptions as the lowest level. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those years. SFAS No. 157 requires adoption prospectively as of the beginning of the fiscal year in which this statement is initially applied, with the exception of certain financial instruments in which adoption is applied retrospectively as of the beginning of the fiscal year in which this statement initially is applied. We currently are evaluating the impact of this recently issued standard on our consolidated financial statements.

FIN No. 48

In July 2006, the FASB issued FIN No. 48, Accounting for Uncertainty in Income Taxes, that prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Under FIN No. 48, a contingent tax asset only will be recognized if it is more likely than not that a tax position ultimately will be sustained. After this threshold is met, a tax position is reported at the largest amount of benefit that is more likely than not to be realized. FIN No. 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure. FIN No. 48 was effective for fiscal years beginning after December 15, 2006. FIN No. 48 requires the cumulative effect of applying the provisions to be reported separately as an adjustment to the opening balance of retained earnings in the year of adoption. Effective January 1, 2007, we adopted the provisions of FIN No. 48.

As a result of adopting FIN No. 48 on January 1, 2007, we recognized an $8.9 million reduction to retained earnings and a $5.4 million increase to goodwill for pre-acquisition income tax liabilities of Noveon International. At January 1, 2007, after recording this FIN No. 48 adoption impact, we had gross unrecognized tax benefits of $57.8 million, of which $38.8 million, if recognized, would have affected the effective tax rate. At December 31, 2007, we had gross unrecognized tax benefits of $59.3 million, of which $39.3 million, if recognized, would have affected the effective tax rate.

We recognize accrued interest and penalties related to unrecognized tax benefits as a component of the income tax provision. During the year ended December 31, 2007, we recognized gross interest expense of $4.2 million and gross interest income of $3.2 million in our consolidated statements of income. At December 31, 2007 and 2006, we had accrued $7.7 million and $7.1 million, respectively, for the potential payment of interest and penalties.

We operate in numerous taxing jurisdictions and are subject to regular examinations by various U.S. federal, state and foreign jurisdictions. Our income tax positions are based on research and interpretations of the income tax laws and rulings in each of the jurisdictions in which we do business. Due to the subjectivity of interpretations of laws and rulings in each jurisdiction, the differences and interplay in tax laws between those jurisdictions and difficulty in estimating the final resolution of complex tax audit matters, our estimates of income tax liabilities may differ from actual payments or assessments.

We do not anticipate that the total unrecognized tax benefits will change significantly due to the settlement of audits and the expiration of statute of limitations within one year of December 31, 2007.

With few exceptions, we no longer are subject to U.S. federal, state and local tax examinations for years before 2001 and foreign jurisdiction examinations for years before 2000.

Effective with the adoption of FIN No. 48, the majority of our unrecognized tax benefits are classified as noncurrent liabilities because payment of cash is not expected within one year. Prior to the adoption of FIN No. 48, we classified unrecognized tax benefits in accrued expenses and other current liabilities.

SFAS No. 123R

In December 2004, the FASB issued SFAS No. 123R. This standard requires compensation costs related to share-based payment transactions to be recognized in the financial statements. With limited exceptions, the amount of compensation cost is measured based on the grant-date fair value of the equity or liability instruments issued. In addition, liability awards are remeasured each reporting period. Compensation cost is recognized over the period that an employee provides service in exchange for the award. This standard replaces SFAS No. 123, Accounting for Stock-Based Compensation, and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and applies to all awards granted, modified, repurchased or cancelled after July 1, 2005. In April 2005, the SEC amended the compliance date of SFAS No. 123R through an amendment of Regulation S-X. We adopted SFAS No. 123R on January 1, 2006. Our adoption of SFAS No. 123R incrementally increased before-tax compensation expense by approximately $2.4 million during 2006.

CAUTIONARY STATEMENTS FOR SAFE HARBOR PURPOSES

This Management s Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements within the meaning of the federal securities laws. As a general matter, forward-looking statements are those focused upon future plans, objectives or performance as opposed to historical items and include statements of anticipated events or trends and expectations and beliefs relating to matters not historical in nature. Forward-looking statements are subject to uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. These uncertainties and factors could cause our actual results to differ materially from those matters expressed in or implied by any forward-looking statements, although we believe our expectations reflected in those forward-looking statements are based upon reasonable assumptions. For

this purpose, any statements contained herein that are not statements of historical fact should be deemed to be forward-looking statements.

We believe that the following factors, among others, could affect our future performance and cause our actual results to differ materially from those expressed or implied by forward-looking statements made in this annual report:

- The cost, availability and quality of raw materials, especially petroleum-based products.
- Our ability to sustain profitability of our products in a competitive environment.
- The demand for our products as influenced by factors such as the global economic environment, longer-term technology developments and the success of our commercial development programs.
- The risks of conducting business in foreign countries, including the effects of fluctuations in currency exchange rates upon our consolidated results and political, social, economic and regulatory factors.
- The extent to which we are successful in expanding our business in new and existing markets and in identifying, understanding and managing the risks inherent in those markets.
- The effects of required principal and interest payments and the high degree of volatility in the capital markets on our ability to fund capital expenditures and acquisitions and to meet operating needs.
- Our ability to identify, complete and integrate acquisitions for profitable growth and operating efficiencies.
- Our success at continuing to develop proprietary technology to meet or exceed new industry performance standards and individual customer expectations.
- Our ability to implement a new common information systems platform primarily into our Lubrizol Advanced Materials segment successfully, including the management of project costs, its timely completion and realization of its benefits.
- Our ability to continue to reduce complexities and conversion costs and modify our cost structure to maintain and enhance our competitiveness.
- Our success in retaining and growing the business that we have with our largest customers.
- The cost and availability of energy, especially natural gas and electricity.
- The effect of interest rate fluctuations on our net interest expense.
- The risk of weather-related disruptions to our Lubrizol Additives production facilities located near the U.S. Gulf Coast.
- Significant changes in government regulations affecting environmental compliance.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We operate manufacturing and blending facilities, laboratories and offices around the world and utilize fixed-rate and variable-rate debt to finance our global operations. As a result, we are subject to business risks inherent in non-U.S. activities, including political and economic uncertainties, import and export limitations, and market risks related to changes in interest rates and foreign currency exchange rates. We believe the political and economic risks related to our foreign operations are mitigated due to the stability of the countries in which our largest foreign operations are located.

In the normal course of business, we use derivative financial instruments including interest rate and commodity hedges and forward foreign currency exchange contracts to manage our market risks. Our objective in managing our exposure to changes in interest rates is to limit the impact of such changes on our earnings and cash flow. Our objective in managing the exposure to changes in foreign currency exchange rates is to reduce volatility on our earnings and cash flow associated with such changes. Our principal currency exposures are the euro, the pound sterling, the Japanese yen and certain Latin American currencies. Our objective in managing our exposure to changes in commodity prices is to reduce the volatility on earnings of utility expense. We do not hold derivatives for trading purposes.

We measure our market risk related to our holdings of financial instruments based on changes in interest rates, foreign currency rates and commodity prices utilizing a sensitivity analysis. The sensitivity analysis measures the potential loss in fair value, cash flow and earnings based on a hypothetical 10% change (increase and decrease) in interest, currency exchange rates and commodity prices. We use current market rates on our debt and derivative portfolios to perform the sensitivity analysis. Certain items such as lease contracts, insurance contracts and obligations for pension and other postretirement benefits are not included in the analysis.

Our primary interest rate exposures relate to our cash and short-term investments, fixed-rate and variable-rate debt and interest rate swaps. The calculation of potential loss in fair value is based on an immediate change in the net present values of our interest rate-sensitive exposures resulting from a 10% change in interest rates. The potential loss in cash flow and income before tax is based on the change in the net interest income/expense over a one-year period due to an immediate 10% change in rates. A hypothetical 10% increase in interest rates would have had a favorable impact and a hypothetical 10% decrease in interest rates would have had an unfavorable impact on fair values of $49.8 million and $41.1 million at December 31, 2007 and 2006, respectively. In addition, a hypothetical 10% increase in interest rates would have had an unfavorable impact and a hypothetical 10% decrease in interest rates would have had a favorable impact on cash flows and income before tax of $0.8 million and $1.6 million in 2007 and 2006, respectively.

Our primary currency exchange rate exposures are to foreign currency-denominated debt, intercompany debt, cash and short-term investments and forward foreign currency exchange contracts. The calculation of potential loss in fair value is based on an immediate change in the U.S. dollar equivalent balances of our currency exposures due to a 10% shift in exchange rates. The potential loss in cash flow and income before tax is based on the change in cash flow and income before tax over a one-year period resulting from an immediate 10% change in currency exchange rates. A hypothetical 10% increase in currency exchange rates would have had an unfavorable impact and a hypothetical 10% decrease in currency exchange rates would have had a favorable impact on fair values of $17.0 million and $3.5 million at December 31, 2007 and 2006, respectively. In addition, a hypothetical 10% increase in currency exchange rates would have had an unfavorable impact and a hypothetical 10% decrease in currency exchange rates would have had a favorable impact on cash flows of $24.9 million and $21.1 million and on income before tax of $6.5 million and $4.0 million in 2007 and 2006, respectively.

Our primary commodity hedge exposures relate to natural gas and electric utility expenses. The calculation of potential loss in fair value is based on an immediate change in the U.S. dollar equivalent balances of our commodity exposures due to a 10% shift in the underlying commodity prices. The potential loss in cash flow and income before tax is based on the change in cash flow and income before tax over a one-year period resulting from an immediate 10% change in commodity prices. A hypothetical 10% increase in commodity prices would have had a favorable impact and a hypothetical 10% decrease in commodity prices would have had an unfavorable impact on fair values, cash flows and income before tax of $1.4 million and $1.3 million in 2007 and 2006, respectively.

MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of The Lubrizol Corporation and its subsidiaries (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting. The Lubrizol Corporation s internal control system was designed to provide reasonable assurance to the Company s management and board of directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Lubrizol Corporation s management assessed the effectiveness of the Company s internal control over financial reporting as of December 31, 2007. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework.* Based on this assessment, management believes that, as of December 31, 2007, the Company s internal control over financial reporting is effective based on those criteria.

The effectiveness of the Company s internal control over financial reporting as of December 31, 2007 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, who expressed an unqualified opinion as stated in their report, a copy of which is included in this annual report.

/s/ James L. Hambrick
James L. Hambrick
Chairman, President and Chief Executive Officer
/s/ Charles P. Cooley
Charles P. Cooley
Senior Vice President, Treasurer and Chief Financial Officer
/s/ W. Scott Emerick
W. Scott Emerick
Corporate Controller
February 28, 2008

NEW YORK STOCK EXCHANGE CERTIFICATIONS

On April 30, 2007, James L. Hambrick, as chief executive officer, certified, as required by Section 303A.12(a) of the New York Stock Exchange (NYSE) Listed Company Manual, that as of that date he was not aware of any violations by the Company of the NYSE s Corporate Governance listing standards. This certification has been delivered to the NYSE.

The chief executive officer and chief financial officer certifications created by Section 302 of the Sarbanes-Oxley Act of 2002 are included as exhibits to our Form 10-K and are incorporated herein by reference.

REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
The Lubrizol Corporation

We have audited the internal control over financial reporting of The Lubrizol Corporation and subsidiaries (the Company) as of December 31, 2007, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed by, or under the supervision of, the company s principal executive and principal financial officers, or persons performing similar functions, and effected by the company s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material

misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2007 of the Company and our report dated February 28, 2008 expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the Company s adoption of new accounting standards.

/s/ Deloitte & Touche LLP
Cleveland, Ohio
February 28, 2008

REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (continued)

To the Shareholders and Board of Directors of
The Lubrizol Corporation

We have audited the accompanying consolidated balance sheets of The Lubrizol Corporation and subsidiaries (the Company) as of December 31, 2007 and 2006, and the related consolidated statements of income, shareholders equity, and cash flows for each of the three years in the period ended December 31, 2007. 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 the standards of the Public Company Accounting Oversight Board (United States). 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 subsidiaries at December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 2 and 12 to the consolidated financial statements, the Company changed its method of accounting for uncertain income tax positions with the adoption of Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes effective January 1, 2007. As discussed in Notes 2 and 16 to the consolidated financial statements, the Company changed its method of accounting for stock-based compensation with the adoption of Statement of Financial Accounting Standards (SFAS) No. 123R, Share-Based Payment effective January 1, 2006. As discussed in Note 13 to the consolidated financial statements, the Company changed its method of accounting for defined pension and other postretirement plans with the adoption of SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans effective December 31, 2006.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations

of the Treadway Commission and our report dated February 28, 2008 expressed an unqualified opinion on the Company s internal control over financial reporting.

/s/ Deloitte & Touche LLP
Cleveland, Ohio
February 28, 2008

THE LUBRIZOL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31		
(In Millions of Dollars Except Per Share Data)	2007	2006	2005
Revenues	$ 4,499.0	$ 4,040.8	$ 3,622.2
Cost of sales	3,378.1	3,045.2	2,700.1
Gross profit	1,120.9	995.6	922.1
Selling and administrative expenses	422.2	381.7	348.4
Research, testing and development expenses	218.9	205.5	198.9
Amortization of intangible assets	24.3	23.7	23.5
Restructuring and impairment charges	1.5	51.9	15.9
Other income net	(8.8)	(8.5)	(1.8)
Interest income	(28.0)	(20.4)	(8.1)
Interest expense	91.8	99.7	105.1
Income from continuing operations before income taxes	399.0	262.0	240.2
Provision for income taxes	115.6	82.2	80.8
Income from continuing operations	283.4	179.8	159.4
Income (loss) from discontinued operations net of tax		(76.2)	27.8
Net income	$ 283.4	$ 103.6	$ 187.2
Basic earnings (loss) per share:			
Continuing operations	$ 4.10	$ 2.62	$ 2.35
Discontinued operations		(1.11)	0.41
Net income per share, basic	$ 4.10	$ 1.51	$ 2.76
Diluted earnings (loss) per share:			
Continuing operations	$ 4.05	$ 2.59	$ 2.32
Discontinued operations		(1.10)	0.40
Net income per share, diluted	$ 4.05	$ 1.49	$ 2.72
Dividends paid per share	$ 1.16	$ 1.04	$ 1.04

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

THE LUBRIZOL CORPORATION
CONSOLIDATED BALANCE SHEETS

(In Millions of Dollars Except Share Data)	December 31 2007	2006
ASSETS		
Cash and short-term investments	$ 502.3	$ 575.7
Receivables	665.9	573.6
Inventories	600.0	589.0
Other current assets	79.1	98.0
Total current assets	1,847.3	1,836.3
Property and equipment at cost	2,763.2	2,546.0
Less accumulated depreciation	1,601.7	1,464.7
Property and equipment net	1,161.5	1,081.3
Goodwill	1,170.8	1,076.1
Intangible assets net	381.3	322.8
Investments in non-consolidated companies	8.3	7.7
Other assets	74.6	66.7
TOTAL	$ 4,643.8	$ 4,390.9
LIABILITIES AND SHAREHOLDERS EQUITY		
Short-term debt and current portion of long-term debt	$ 204.9	$ 3.7
Accounts payable	404.8	340.5
Accrued expenses and other current liabilities	275.0	290.2
Total current liabilities	884.7	634.4
Long-term debt	1,223.9	1,538.0
Pension obligations	195.2	237.9
Other postretirement benefit obligations	93.1	93.5
Noncurrent liabilities	147.7	72.3
Deferred income taxes	85.5	80.4
Total liabilities	2,630.1	2,656.5
Contingencies and commitments		
Minority interest in consolidated companies	62.4	51.3
Preferred stock without par value unissued		
Common shares without par value - 68,383,833 and 69,020,569 outstanding shares at December 31, 2007 and 2006, respectively	763.6	710.1
Retained earnings	1,128.7	1,033.8
Accumulated other comprehensive income (loss)	59.0	(60.8)
Total shareholders equity	1,951.3	1,683.1
TOTAL	$ 4,643.8	$ 4,390.9

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

THE LUBRIZOL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions of Dollars)	Year Ended December 31 2007	2006	2005
CASH PROVIDED BY (USED FOR):			
OPERATING ACTIVITIES			
Net income	$ 283.4	$ 103.6	$ 187.2
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	161.4	161.8	179.8
Deferred income taxes	20.2	28.6	9.1
Deferred compensation	20.5	19.5	16.3
Restructuring and impairment charges	3.6	105.6	11.1
(Gain) loss from sales of property and equipment and divestitures	(7.5)	9.6	(3.9)
Change in current assets and liabilities, net of acquisitions and divestitures:			
Receivables	(44.8)	(3.4)	(52.9)
Inventories	17.5	(56.2)	(47.5)
Accounts payable, accrued expenses and other current liabilities	20.1	(57.1)	56.1
Other current assets	4.0	3.4	6.9
	(3.2)	(113.3)	(37.4)
Change in noncurrent liabilities	1.8	8.5	8.6
Other items net	(3.8)	10.9	(8.6)
Total operating activities	476.4	334.8	362.2
INVESTING ACTIVITIES			
Capital expenditures	(182.8)	(130.9)	(136.7)
Acquisitions	(140.3)		
Net proceeds from sales of property and equipment and divestitures	14.5	281.9	30.1
Other items net	(1.2)	0.4	(0.2)
Total investing activities	(309.8)	151.4	(106.8)
FINANCING ACTIVITIES			
Changes in short-term debt net	(3.6)	(0.6)	(4.0)
Repayments of long-term debt	(114.0)	(143.4)	(512.2)
Proceeds from the issuance of long-term debt			235.8
Dividends paid	(80.0)	(71.2)	(70.4)
Payment of debt issuance costs			(0.8)
Common shares purchased	(100.3)		
Proceeds from the exercise of stock options	28.2	26.5	38.8
Tax benefit from the exercise of stock options and awards	9.7	4.8	
Total financing activities	(260.0)	(183.9)	(312.8)
Effect of exchange rate changes on cash	20.0	11.0	(16.1)
Net (decrease) increase in cash and short-term investments	(73.4)	313.3	(73.5)
Cash and short-term investments at the beginning of year	575.7	262.4	335.9
Cash and short-term investments at the end of year	$ 502.3	$ 575.7	$ 262.4

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

THE LUBRIZOL CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

			Shareholders Equity		
(In Millions)	Number of Shares Outstanding	Common Shares	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE, JANUARY 1, 2005	66.8	$ 610.6	$ 885.2	$ 12.7	$ 1,508.5
Comprehensive income:					
Net income 2005			187.2		187.2
Other comprehensive loss				(126.2)	(126.2)
Total comprehensive income					61.0
Dividends declared			(70.7)		(70.7)
Deferred stock compensation		8.8			8.8
Common shares treasury:					
Shares issued upon exercise of stock options and awards	1.2	44.3			44.3
BALANCE, DECEMBER 31, 2005	68.0	663.7	1,001.7	(113.5)	1,551.9
Comprehensive income:					
Net income 2006			103.6		103.6
Other comprehensive income				115.5	115.5
Total comprehensive income					219.1
Adjustment to recognize pension and other postretirement benefit plans funded status				(62.8)	(62.8)
Dividends declared			(71.5)		(71.5)
Deferred stock compensation		11.2			11.2
Common shares treasury:					
Shares issued upon exercise of stock options and awards	1.0	35.2			35.2
BALANCE, DECEMBER 31, 2006	69.0	710.1	1,033.8	(60.8)	1,683.1
Cumulative effect of a change in accounting principle due to the adoption of FIN No. 48			(8.9)		(8.9)
BALANCE, JANUARY 1, 2007	69.0	710.1	1,024.9	(60.8)	1,674.2
Comprehensive income:					
Net income 2007			283.4		283.4
Other comprehensive income				119.8	119.8
Total comprehensive income					403.2
Dividends declared			(82.6)		(82.6)
Deferred stock compensation		18.9			18.9
Common shares treasury:					
Common shares purchased	(1.7)	(3.3)	(97.0)		(100.3)
Shares issued upon exercise of stock options and awards	1.1	37.9			37.9
BALANCE, DECEMBER 31, 2007	68.4	$ 763.6	$ 1,128.7	$ 59.0	$ 1,951.3

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

Notes to Financial Statements
(In Millions of Dollars Except Per Share Data)
Note 1 - NATURE OF OPERATIONS
The Lubrizol Corporation (the company) is an innovative specialty chemical company that produces and supplies technologies that improve the quality and performance of its customers products in the global transportation, industrial and consumer markets. These technologies include lubricant additives for engine oils, other transportation-related fluids and industrial lubricants, as well as additives for gasoline and diesel fuel. In addition, the company makes ingredients and additives for personal care products and pharmaceuticals; engineered polymers, including plastics technology; and performance coatings in the form of specialty resins and additives.
The company is organized into two operating and reportable segments: Lubrizol Additives and Lubrizol Advanced Materials. Refer to Note 15 for a further description of the nature of the company s operations, the product lines within each of the operating segments, segment operating income and related financial disclosures for the reportable segments.
Note 2 - SIGNIFICANT ACCOUNTING POLICIES
CONSOLIDATION - The consolidated financial statements include the accounts of the company and its consolidated subsidiaries. The company consolidates certain entities in which it owns less than a 100% equity interest if it is either deemed to be the primary beneficiary in a variable interest entity, as defined in Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 46 (revised December 2003), Consolidation of Variable Interest Entities, or where its ownership interest is at least 50% and the company has effective management control. The equity method of accounting is applied to non-consolidated entities in which the company can exercise significant influence over the entity with respect to its operations and major decisions. The book value of investments carried on the equity method and cost method were immaterial at December 31, 2007 and 2006.
In December 2007, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 160, Noncontrolling Interests in Financial Statements-an amendment of ARB No. 51. This statement amends Accounting Research Bulletin No. 51, Consolidated Financial Statements, to establish accounting and reporting standards for noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. This statement requires consolidated net income attributable to both the parent and the noncontrolling interest to be reported and disclosed in the consolidated financial statements. This statement also requires expanded disclosures in the consolidated financial statements that clearly identify and distinguish between the interests of the parent s owners and the interests of the noncontrolling owners of a subsidiary. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2008 and shall be applied prospectively as of the beginning of the fiscal year in which it is initially adopted, except for the presentation and disclosure requirements, which are applied retrospectively for all periods presented. Early adoption is prohibited. The company currently is evaluating the impact of this recently issued standard on its consolidated financial statements.
DISCONTINUED OPERATIONS - The results of a component of the company that either has been disposed of or is classified as held for sale are reported in discontinued operations in accordance with the requirements of SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. A component of an entity is classified as held for sale when the transaction has been approved by the appropriate level of management and there are no known significant contingencies outstanding that would prevent the sale from closing within one year. The results of operations of all entities that have been disposed of or that are classified as held for sale in 2006 and 2005 have been classified as discontinued operations in all periods presented in the consolidated statements of income. The 2006 and 2005 cash flow statements are presented on a consolidated basis, including both continuing operations and discontinued operations.
USE OF ESTIMATES - The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the

financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH EQUIVALENTS - The company 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 of investments having maturities of three months or less when purchased.

INVENTORIES - Inventories are stated at the lower of cost or market value. Cost of inventories is determined by either the first-in, first-out (FIFO) method or the moving-average method, except in the United States for chemical inventories, which primarily are valued using the last-in, first-out (LIFO) method.

The company accrues volume discounts on purchases from vendors where it is probable that the required volume will be attained and the amount can be reasonably estimated. The company records the discount as a reduction in the cost of the purchase (generally raw materials), based on projected purchases over the purchase agreement period.

PROPERTY AND EQUIPMENT - Property and equipment are carried at cost. Repair and maintenance costs are charged against income while renewals and betterments are capitalized as additions to the related assets. Costs incurred for computer software developed or obtained for internal use are capitalized for application development activities and immediately expensed for preliminary project activities or post-implementation activities. Accelerated depreciation methods are used in computing depreciation on certain machinery and equipment for approximately 5% and 6% of the depreciable assets at December 31, 2007 and 2006, respectively. The remaining assets are depreciated using the straight-line method. The estimated useful lives are 10 to 40 years for buildings and building and land improvements. Estimated useful lives range from 3 to 20 years for machinery and equipment.

IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS - The company reviews the carrying value of its long-lived assets, including property and equipment, whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. An impairment loss exists when estimated undiscounted future cash flows expected to result from the use of the asset, including disposition, are less than the carrying value of the asset. The measurement of the impairment loss to be recognized is based on the difference between the fair value and the carrying amounts of the assets. Fair value generally is determined based on a discounted cash flow analysis. In order to determine if an asset has been impaired, assets are grouped and tested at the lowest level for which identifiable, independent cash flows are available.

GOODWILL AND INTANGIBLE ASSETS - Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of businesses acquired and is not amortized in accordance with SFAS No. 142, Goodwill and Other Intangible Assets. Goodwill is tested for impairment annually and between annual tests if an event occurs or circumstances change that indicate the carrying amount may be impaired. The company has elected to perform its annual tests for potential impairment of goodwill and indefinite-lived intangible assets as of October 1 of each year. Impairment testing is performed at the reporting unit level. An impairment loss generally would be recognized when the carrying amount of the reporting unit s net assets exceeds the estimated fair value of the reporting unit. The estimated fair value of a reporting unit is determined through a combination of discounted cash flow analysis and terminal value calculations.

Intangible assets resulting from business acquisitions, including customer lists, purchased technology, trademarks, patents, land-use rights and non-compete agreements, are amortized on a straight-line method over periods ranging from 3 to 50 years. Under SFAS No. 142, intangible assets determined to have indefinite lives are not amortized, but are tested for impairment at least annually. As part of the annual impairment test, the non-amortized intangible assets are reviewed to determine if the indefinite status remains appropriate.

DEFERRED FINANCING COSTS - Costs incurred with the issuance of debt and credit facilities are capitalized and amortized over the life of the associated debt as a component of interest expense using the effective interest method of amortization. Net deferred financing costs were $12.9 million and $15.7 million at December 31, 2007 and 2006, respectively. Amortization expense incurred in 2007, 2006 and 2005 was $2.8 million, $2.9 million and $3.6 million, respectively.

ENVIRONMENTAL LIABILITIES - The company accrues for expenses associated with environmental remediation obligations when such expenses are probable and reasonably estimable, based upon current law and existing technologies. These accruals are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.
SHARE REPURCHASES - The company uses the par-value method of accounting for its treasury shares. Under this method, the cost to reacquire shares in excess of paid-in capital related to those shares is charged against retained earnings.
FOREIGN CURRENCY TRANSLATION - The assets and liabilities of the company s international subsidiaries are translated into U.S. dollars at exchange rates in effect at the balance sheet date, while revenues and expenses are translated at weighted-average exchange rates in effect during the period. Unrealized translation adjustments are recorded as a component of accumulated other comprehensive income or loss in the consolidated statements of shareholders equity, except for subsidiaries for which the functional currency is other than the local currency, where translation adjustments are recognized in income. Transaction gains or losses that arise from exchange rate changes on transactions denominated in a currency other than the functional currency, except those transactions that function as a hedge of an identifiable foreign currency commitment or as a hedge of a foreign currency investment, are included in income as incurred.
REVENUE RECOGNITION - Revenues are recognized at the time of shipment of products to customers, or at the time of transfer of title, if later, and when collection is reasonably assured. All amounts in a sales transaction billed to a customer related to shipping and handling are reported as revenues.
Provisions for sales discounts and rebates to customers are recorded, based upon the terms of sales contracts, in the same period the related sales are recorded, as a deduction to the sale. Sales discounts and rebates are offered to certain customers to promote customer loyalty and encourage greater product sales. These rebate programs provide that upon the attainment of pre-established volumes or the attainment of revenue milestones for a specified period, the customer receives credits against purchases. The company estimates the provision for rebates based on the specific terms in each agreement at the time of shipment and an estimate of the customer s achievement of the respective revenue milestones.
COMPONENTS OF COST OF SALES - Cost of sales is comprised of raw material costs including freight and duty, inbound handling costs associated with the receipt of raw materials, direct production, maintenance, utility costs, depreciation, plant and engineering overhead, terminals and warehousing costs, and outbound shipping and handling costs.
RESEARCH, TESTING AND DEVELOPMENT - Research, testing and development costs are expensed as incurred. Research and development expenses, excluding testing, were $148.2 million in 2007, $135.3 million in 2006 and $128.1 million in 2005. Costs to acquire in-process research and development (IPR&D) projects that have no alternative future use and that have not yet reached technological feasibility at the date of acquisition are expensed upon acquisition.
INCOME TAXES - The company provides for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes. SFAS No. 109 requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of the assets and liabilities.
In June 2006, the FASB issued FIN No. 48, Accounting for Uncertainty in Income Taxes, that prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Under FIN No. 48, a contingent tax asset only will be recognized if it is more likely than not that a tax position ultimately will be sustained. After this threshold is met, a tax position is reported at the largest amount of benefit that is more likely than not to be realized. FIN No. 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure. FIN No. 48 was effective for fiscal years beginning after December 15, 2006. This interpretation requires the cumulative effect of applying the provisions to be reported separately as an adjustment to the opening

balance of retained earnings in the year of adoption. The company adopted FIN No. 48 on January 1, 2007 (see Note 12).
PER SHARE AMOUNTS - Net income per share is computed by dividing net income by average common shares outstanding during the period, including contingently issuable shares. Net income per diluted share includes the dilutive impact resulting from outstanding stock options and awards. Per share amounts are computed as follows:

	2007	2006	2005
Numerator:			
Income from continuing operations	$ 283.4	$ 179.8	$ 159.4
Income (loss) from discontinued operations - net of tax		(76.2)	27.8
Net income	$ 283.4	$ 103.6	$ 187.2
Denominator:			
Weighted-average common shares outstanding	69.2	68.7	67.9
Dilutive effect of stock options and awards	0.8	0.6	0.9
Denominator for net income per share, diluted	70.0	69.3	68.8
Basic earnings (loss) per share:			
Continuing operations	$ 4.10	$ 2.62	$ 2.35
Discontinued operations		(1.11)	0.41
Net income per share, basic	$ 4.10	$ 1.51	$ 2.76
Diluted earnings (loss) per share:			
Continuing operations	$ 4.05	$ 2.59	$ 2.32
Discontinued operations		(1.10)	0.40
Net income per share, diluted	$ 4.05	$ 1.49	$ 2.72

There were an insignificant number of shares excluded from the diluted earnings per share calculations because they were antidilutive in 2007, 2006 and 2005.
ACCOUNTING FOR DERIVATIVE INSTRUMENTS - Derivative financial instruments are recognized on the balance sheet as either assets or liabilities and are measured at fair value. Derivatives that are not hedges are adjusted to fair value through income. Depending upon the nature of the hedge, changes in fair value of the derivative are either offset against the change in fair value of assets, liabilities or firm commitments through earnings or recognized in other comprehensive income or loss until the hedged item is recognized in earnings. The ineffective portion of a derivative s change in value is recognized immediately in earnings. The company only uses derivative financial instruments to manage well-defined interest rate, foreign currency and commodity price risks. The company does not use derivatives for trading purposes.
COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES - Liabilities for costs associated with exit or disposal activities are recognized and measured initially at fair value when the liability is incurred pursuant to the requirements of SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities.
ASSET-RETIREMENT OBLIGATIONS - The company accounts for asset retirement obligations in accordance with SFAS No. 143, Accounting for Asset Retirement Obligations and FIN No. 47, Accounting for Conditional Asset-Retirement Obligations-an interpretation of FASB Statement No. 143. FIN No. 47 requires the recognition of a liability for the fair value of a legal obligation to perform asset-retirement obligations (AROs) that are conditional on a future event if the amount can be reasonably estimated. The company has identified AROs related to certain of its leased facilities and to asbestos remediation activities that may be required in the future. The company records liabilities for AROs at the time they are identified and when they reasonably can be estimated. However, due to the long-term, productive nature of the company s manufacturing operations, absent plans or

expectation of plans to initiate asset retirement activities, the company is unable to reasonably estimate the fair value of such asbestos remediation liabilities since the potential settlement dates cannot be determined at this time.
GUARANTEES - FIN No. 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, requires the recognition of a liability for any guarantees entered into or modified. At December 31, 2006, the company had guaranteed the timely performance of payment obligations under supplier contracts by a third-party purchaser of the company s food ingredients and industrial specialties (FIIS) business. The company believed that it was highly unlikely that an event would occur requiring the company to pay any monies pursuant to the guarantee. On November 5, 2007, the company terminated the guarantee, which originally extended to January 31, 2008. Accordingly, no liability was reflected in the accompanying consolidated balance sheets at December 31, 2007 and 2006 (see Note 18). The company did not have any other material guarantees within the scope of FIN No. 45 at December 31, 2007 and 2006, respectively.
STOCK-BASED COMPENSATION - Effective January 1, 2006, the company adopted the fair value recognition provisions of SFAS No. 123R, Share-Based Payment, using the modified prospective transition method and therefore has not restated results for prior periods. Under this transition method, stock-based compensation expense for 2006 includes compensation expense for all stock-based compensation awards granted prior to, but not yet vested as of, January 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123, Accounting for Stock-Based Compensation. Stock-based compensation expense for all stock-based compensation awards granted after January 1, 2006 is based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123R. The company recognizes these compensation costs, net of a forfeiture rate, on a straight-line basis over the requisite service period of the award, which generally is the option vesting term of three years with the options becoming exercisable 50% one year after date of grant, 75% after two years and 100% after three years. The company estimates the forfeiture rate based on its historical experience during the preceding 10 years.
The following table shows the pro forma effect on net income and earnings per share if the company had applied the fair-value recognition provisions of SFAS No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation for 2005. There is no pro forma presentation necessary after December 31, 2005 as the company adopted the fair value recognition provisions of SFAS No. 123R on January 1, 2006.

	2005
Reported net income	$ 187.2
Plus: Stock-based employee compensation (net of tax) included in net income	5.5
Less: Stock-based employee compensation (net of tax) using the fair value method	(6.5)
Pro forma net income	$ 186.2
Reported net income per share, basic	$ 2.76
Pro forma net income per share, basic	$ 2.74
Reported net income per share, diluted	$ 2.72
Pro forma net income per share, diluted	$ 2.71

FAIR VALUE MEASUREMENTS - In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. This statement defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP and expands disclosure about fair value measurements. SFAS No. 157 does not expand the use of fair value measures in financial statements, but simplifies and codifies related guidance within U.S. GAAP. SFAS No. 157 establishes a fair value hierarchy using observable market data as the highest level and an entity s own fair value assumptions as the lowest level. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those years. SFAS No. 157 requires adoption prospectively as of the beginning of the fiscal year in which this statement is initially applied, with the exception of certain financial instruments, in which adoption is applied retrospectively as of the beginning of the fiscal year in which this statement initially is applied. The company currently is evaluating the impact of this standard on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. This statement permits entities to make an irrevocable election to measure many financial instruments and certain other items at fair value at specified election dates. The fair value option may be applied instrument by instrument and, if applied, then it must be applied to the entire instrument. Unrealized gains and losses on items for which the entity elects the fair value option are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. Early adoption is permitted as of the beginning of the fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of SFAS No. 157, Fair Value Measurements. Entities are not permitted to apply this statement retrospectively to the fiscal years preceding the effective date unless the entity chooses early adoption. The company currently is evaluating the impact of this recently issued standard on its consolidated financial statements.

BUSINESS COMBINATIONS - In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations. This statement replaces SFAS No. 141, Business Combinations, and requires an acquirer to recognize the assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions. SFAS No. 141R requires costs incurred to effect the acquisition to be recognized separately from the acquisition as period costs. SFAS No. 141R also requires the acquirer to recognize restructuring costs that the acquirer expects to incur, but is not obligated to incur, separately from the business combination. In addition, this statement requires an acquirer to recognize assets and liabilities assumed arising from contractual contingencies as of the acquisition date, measured at their acquisition-date fair values. Other key provisions of this statement include the requirement to recognize the acquisition-date fair values of research and development assets separately from goodwill and the requirement to recognize changes in the amount of deferred tax benefits that are recognizable due to the business combination in either income from continuing operations in the period of the combination or directly in contributed capital, depending on the circumstances. At December 31, 2007, the company had amounts recorded in its financial statements for unrecognized tax benefits and valuation allowances related to past acquisitions. Any reversal of these amounts prior to the adoption of SFAS No. 141R would affect goodwill. However, subsequent to the adoption of SFAS No. 141R, any reversals would affect the income tax provision in the period of reversal. With the exception of certain tax-related aspects described above, this statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period after December 15, 2008. The company currently is evaluating the impact of this recently issued standard on its consolidated financial statements.

RECLASSIFICATIONS - Certain prior period amounts have been reclassified to conform to the current year presentation.

Note 3 - ACQUISITIONS

On November 1, 2007, the company completed the acquisition of the refrigeration lubricants business of Croda International Plc (Croda) for approximately $124.6 million in cash. The acquisition primarily included lubricant technology, trade names, customer lists, manufacturing know-how and inventory. No manufacturing facilities were included in the transaction. The company began consolidating the results of the refrigeration lubricants business of Croda in the company s consolidated financial statements in November 2007. Revenues in 2007 for this business, which were included in the company s consolidated results, were approximately $8.3 million. The preliminary purchase price allocation for this acquisition included goodwill of $53.3 million and intangible assets of $64.7 million.

On February 7, 2007, the company completed the acquisition of a broad line of additive products used in the metalworking markets worldwide from Lockhart Chemical Company (Lockhart) for approximately $15.7 million in cash. The company purchased Lockhart s entire metalworking product line, which included natural, synthetic and gelled sulfonates; emulsifier packages; corrosion inhibitors and lubricity agents; grease additives; oxidates; esters; soap; semi-finished coatings; and rust preventatives. The company began consolidating the results of the metalworking business of Lockhart in the company s consolidated financial statements in February 2007. In 2007, these product lines contributed revenues of $16.8 million to the company s consolidated results. The purchase price allocation for this acquisition included goodwill of $8.3 million and intangible assets of $7.6 million.

The pro forma impacts of acquisitions in 2007 were immaterial to the company s consolidated financial statements.

Note 4 - DIVESTITURES

In May 2006, the company sold the FIIS business and the active pharmaceutical ingredients and intermediate compounds business (A&I), both of which were included in the Lubrizol Advanced Materials segment. A&I and almost all of FIIS were included in the Noveon® consumer specialties product line. A small portion of the FIIS divestiture was included in the performance coatings product line. In consideration for the FIIS and A&I businesses, the company received net cash proceeds of approximately $254.8 million and $10.4 million, respectively. The company recorded a $10.4 million pretax ($15.9 million after tax) loss on the sale of these divested businesses. The tax charge of $5.5 million primarily related to the difference in book and tax basis in goodwill. The net charge of $76.2 million recorded in discontinued operations in 2006 also reflected a $60.6 million after-tax goodwill impairment charge in the first quarter of 2006 to reduce the FIIS business to its estimated fair value. The company performed the impairment test on the FIIS business in connection with its classification as held for sale and estimated its fair value based on expected proceeds from the sale, less transaction costs. In addition, a charge of $4.4 million pretax ($2.9 million after tax) was recorded in the fourth quarter of 2006 to write-off an intangible asset associated with the FIIS business.

In February 2006, the company sold certain assets and liabilities of its Telene® resins business (Telene), which was included in the Lubrizol Advanced Materials segment. The company received net cash proceeds of $6.2 million for the sale of Telene.

The results of the FIIS, A&I and the Telene businesses were reflected in the income (loss) from discontinued operations - net of tax line item in the consolidated statements of income for 2006 and 2005.

In December 2005, the company sold certain assets, liabilities and stock of its Engine Control Systems (ECS) business and, in September 2005, the company sold certain assets and liabilities of its U.S. and U.K. Lubrizol Performance Systems (LPS) operations, both of which were included in the Lubrizol Additives segment. The company reflected the results of these businesses in the income (loss) from discontinued operations - net of tax line item in the consolidated statement of income for 2005.

Revenues from discontinued operations were $143.8 million and $476.7 million in 2006 and 2005, respectively. Loss from discontinued operations - net of tax was $76.2 million in 2006 and primarily related to a $60.6 million after-tax goodwill impairment charge on the FIIS business recorded in the first quarter of 2006 and a $16.6 million after-tax loss on the sale of divested businesses. Loss from discontinued operations - net of tax in 2006 included income tax expense of $9.4 million. Income from discontinued operations - net of tax in 2005 was $27.8 million and included income tax expense of $15.5 million.

The company s consolidated balance sheets at December 31, 2007 and 2006 do not reflect any businesses classified as discontinued operations as all activities related to discontinued operations were completed during 2006.

Note 5 - INVENTORIES

	2007	2006
Finished products	$ 332.7	$ 315.0
Products in process	105.0	108.2
Raw materials	132.2	138.2
Supplies and engine test parts	30.1	27.6
Total inventory	$ 600.0	$ 589.0

Inventories valued using the LIFO method were 37% and 40% of consolidated inventories at December 31, 2007 and 2006, respectively. The current replacement cost of these inventories exceeded the LIFO cost at December 31, 2007 and 2006 by $147.4 million and $132.8 million, respectively.

Note 6 - GOODWILL AND INTANGIBLE ASSETS

Goodwill

Goodwill is tested for impairment at the reporting unit level as of October 1 of each year or if events or circumstances occur that would more likely than not reduce the fair value of a reporting unit below its carrying amount. No impairment of goodwill was identified in connection with the 2007, 2006 or 2005 annual impairment test. However, during the first quarter of 2006, the company recognized a $60.6 million impairment charge related to the FIIS business (see Note 4).

The carrying amount of goodwill by reporting segment follows:

	Lubrizol Advanced Materials	Lubrizol Additives	Total
Balance, January 1, 2006	$ 1,043.0	$ 95.8	$ 1,138.8
Goodwill of divestitures	(87.6)		(87.6)
Translation and other adjustments	22.9	2.0	24.9
Balance, December 31, 2006	978.3	97.8	1,076.1
Goodwill acquired		61.6	61.6
Translation and other adjustments	32.6	0.5	33.1
Balance, December 31, 2007	$ 1,010.9	$ 159.9	$ 1,170.8

The goodwill acquired in 2007 related to the acquisitions from Lockhart and Croda.

Intangible Assets

The major components of the company s identifiable intangible assets are customer lists, technology, trademarks, patents, land-use rights and non-compete agreements. Definite-lived intangible assets are amortized over their useful lives, which range between 3 and 50 years. The company s indefinite-lived intangible assets include certain trademarks that are tested for impairment each year as of October 1 or more frequently if impairment indicators arise. Indefinite-lived trademarks are assessed for impairment separately from goodwill. No impairment of indefinite-lived trademarks was identified in connection with the 2007, 2006 or 2005 annual impairment test. However, during the fourth quarter of 2006, the company recognized a $41.2 million write-down of the Noveon trade name in the Lubrizol Advanced Materials segment (see Note 17).

The following table shows the components of identifiable intangible assets at December 31, 2007 and 2006:

	2007		2006	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Customer lists	$ 195.5	$ 34.6	$ 145.0	$ 24.0
Technology	155.1	55.1	139.8	44.9
Trademarks	23.6	7.2	20.7	5.5
Patents	14.4	5.7	14.0	4.2
Land-use rights	10.3	1.5	7.5	1.2
Non-compete agreements	2.6	1.0	8.2	7.2
Other			0.9	0.7
Total amortized intangible assets	401.5	105.1	336.1	87.7
Non-amortized trademarks	84.9		74.4	
Total	$ 486.4	$ 105.1	$ 410.5	$ 87.7

The increase in intangible assets in 2007 primarily related to the acquisitions of Lockhart and Croda. Annual intangible amortization expense for the next five years will approximate $25.8 million in 2008, $24.1 million in 2009, $23.9 million in 2010, $23.8 million in 2011 and $23.4 million in 2012.

Note 7 - DEBT

The company s debt was comprised of the following at December 31, 2007 and 2006:

	2007	2006
Short-term debt:		
Current portion of long-term debt	$ 204.9	$ 1.0
Yen denominated, at weighted-average rate of 0.8%		2.5
Other		0.2
Total short-term debt	$ 204.9	$ 3.7
Long-term debt:		
5.875% notes, due 2008, including a fair value adjustment of $2.1 million and $(1.1) million in 2007 and 2006, respectively, for unrealized gains (losses) on derivative hedge instruments and remaining unamortized gain on termination of swaps of $2.5 million and $5.2 million in 2007 and 2006, respectively	$ 204.6	$ 204.1
4.625% notes, due 2009, net of original issue discount of $0.1 million and $0.2 million in 2007 and 2006, respectively, and fair value adjustments of $(2.0) million and $(4.1) million for unrealized losses on derivative hedge instruments in 2007 and 2006, respectively	379.7	377.5
5.5% notes, due 2014, net of original issue discount of $2.2 million and $2.4 million in 2007 and 2006, respectively	447.8	447.6
7.25% debentures, due 2025	100.0	100.0
6.5% debentures, due 2034, net of original issue discount of $4.8 million in 2007 and 2006	295.2	295.2
Debt supported by long-term banking arrangements:		
Euro revolving credit borrowing, at EURIBOR plus 0.4% (4.1% at December 31, 2006)		112.2
Other	1.5	2.4
	1,428.8	1,539.0
Less: current portion of long-term debt	204.9	1.0
Total long-term debt	$ 1,223.9	$ 1,538.0

The scheduled principal payments for all outstanding debt are $200.3 million in 2008, $382.2 million in 2009, $0.3 million in 2010, $0.3 million in 2011, $0.2 million in 2012 and $850.0 million thereafter.

During the third quarter of 2006, the company repurchased $18.2 million of its 4.625% notes due in 2009. The weighted-average purchase price was 97.298% per note, resulting in a gain on retirement of $0.5 million. The company also accelerated amortization of $0.6 million in debt issuance costs, original issue discounts and losses on Treasury rate lock agreements associated with the repurchased notes. The remaining outstanding balance on the 4.625% notes due in 2009 was $381.8 million at December 31, 2007.

In September 2005, certain wholly owned international subsidiaries of the company entered into a five-year unsecured committed 250.0 million revolving credit agreement. This credit agreement permits these designated international subsidiaries to borrow at variable rates based on EURIBOR plus a specified credit spread. In September 2006, two of the company s wholly owned foreign subsidiaries amended their five-year unsecured

committed 250.0 million credit agreement such that neither the company nor its subsidiaries are subject any longer to any investment or acquisition restrictions. No other terms or conditions of the agreement were modified. At December 31, 2007, the company had no outstanding borrowings under this agreement. At December 31, 2006, borrowings of 85.0 million were outstanding under this agreement.

In November 2004, the company entered into interest rate swap agreements that effectively converted the interest on $200.0 million of outstanding 4.625% notes due 2009 to a variable rate of six-month LIBOR plus 40 basis points. In June 2004, the company entered into interest rate swap agreements that effectively converted the interest on $200.0 million of outstanding 5.875% notes due 2008 to a variable rate of six-month LIBOR plus 111 basis points. In addition, the company had an interest rate swap agreement, which expired in October 2006, that exchanged variable-rate interest obligations on a notional principal amount of Japanese yen 500.0 million for a fixed rate of 2.0%.

In September 2004, the company issued senior unsecured notes and debentures having an aggregate principal amount of $1,150.0 million including: $400.0 million 4.625% notes due October 1, 2009; $450.0 million 5.5% notes due October 1, 2014; and $300.0 million 6.5% debentures due October 1, 2034. The price to the public was 99.911% per 2009 note, 99.339% per 2014 note and 98.341% per 2034 debenture. The resulting original issue discount from the issuance of these notes and debentures of $8.3 million was recorded as a reduction of the underlying debt issuances and is being amortized over the life of the debt using the effective interest method. Interest is payable semi-annually on April 1 and October 1 of each year, beginning April 1, 2005. The notes and debentures have no sinking fund requirement, but are redeemable, in whole or in part, at the option of the company. The proceeds from these notes and debentures were used to repay a portion of the 364-day credit facility that was utilized to bridge finance the Noveon International, Inc. (Noveon International) acquisition. Including debt issuance costs, original issue discounts and losses on Treasury rate lock agreements, the 2009 notes, 2014 notes and 2034 debentures have effective annualized interest rates of approximately 5.3%, 6.3% and 6.7%, respectively, with a weighted-average interest rate for the aggregate issuances of approximately 6.1%.

In August 2004, the company entered into a five-year $1,075.0 million unsecured bank credit agreement consisting of: $575.0 million in term loans and a $500.0 million committed revolving credit facility. This credit agreement permits the company to borrow at variable rates based upon the U.S. prime rate or LIBOR plus a specified spread. The spread is dependent on the company s long-term unsecured senior debt rating from Standard and Poor s and Moody s Investor Services. In September 2004, the company borrowed $575.0 million in term loans, the proceeds of which were used to repay a portion of the 364-day credit facility used to bridge finance the Noveon International acquisition. Principal on the term loans was due quarterly in equal installments of $14.4 million beginning March 31, 2005, with any remaining unpaid balance due in September 2009. In the fourth quarter of 2004, the company prepaid $75.0 million and, in 2005, the company prepaid the remaining $500.0 million to pay off the bank term loan. The loans were prepayable at any time without penalty.

In September 2006, the company amended its five-year unsecured committed U.S. bank credit agreement to reduce the amount of revolving credit available under the agreement from $500.0 million to $350.0 million and extended the maturity date to September 2011. In addition, the company s direct and indirect domestic subsidiaries were released as guarantors under the credit agreement, and the company no longer is subject to any investment or acquisition restrictions. Due to provisions in each of the three indentures underlying the company s outstanding public debt, upon effectiveness of the amendment to the credit agreement described above, the company s direct and indirect domestic subsidiaries were released as guarantors of the outstanding public debt effective in September 2006. At December 31, 2007 and 2006, the company had $350.0 million available under the revolving credit facility.

In July 2002, the company terminated its interest rate swap agreements expiring December 2008, which converted fixed-rate interest on $100.0 million of its 5.875% debentures to a variable rate. In terminating the swaps, the company received cash of $18.1 million, which is being amortized as a reduction of interest expense through December 1, 2008, the due date of the underlying debt. Gains and losses on terminations of interest rate swap agreements designated as fair value hedges are deferred as an adjustment to the carrying amount of the outstanding obligation and amortized as an adjustment to interest expense related to the obligation over the remaining term of the original contract life of the terminated swap agreement. In the event of early extinguishment of the outstanding obligation, any unamortized gain or loss from the swaps would be recognized in the consolidated statement of income at the time of such extinguishment. In 2002, the company recorded a $17.3 million unrealized gain, net of accrued interest, on the termination of the interest rate swaps as an increase in the underlying long-term debt. The remaining unrealized gain was $2.5 million and $5.2 million at December 31, 2007 and 2006, respectively.

In November 1998, the company issued notes having an aggregate principal amount of $200.0 million. The notes are unsecured, senior obligations of the company that mature on December 1, 2008, and bear interest at 5.875% per annum, payable semi-annually on June 1 and December 1 of each year. The notes have no sinking fund requirement but are redeemable, in whole or in part, at the option of the company. The company incurred debt issuance costs aggregating $10.5 million, including a loss of $6.5 million related to closed Treasury rate lock agreements originally entered into as a hedge against changes in interest rates relative to the anticipated issuance of these notes.

The company has debentures outstanding, issued in June 1995, in an aggregate principal amount of $100.0 million. These debentures are unsecured, senior obligations of the company that mature on June 15, 2025, and bear interest at an annualized rate of 7.25%, payable semi-annually on June 15 and December 15 of each year. The debentures are not redeemable prior to maturity and are not subject to any sinking fund requirements.

The company s credit facilities contain restrictive covenants and require compliance with financial ratios, including debt to consolidated earnings before income taxes, depreciation and amortization (EBITDA) (as defined in the credit facilities) and consolidated EBITDA (as defined in the credit facilities) to interest expense. At December 31, 2007, the company was in compliance with all of its debt covenants.

At December 31, 2007 and 2006, the company had $35.7 million and $45.7 million, respectively, of contingent obligations under standby letters of credit issued in the ordinary course of business to financial institutions, customers and insurance companies to secure short-term support for a variety of commercial transactions, insurance and benefit programs.

Interest paid, net of amounts capitalized, was $91.5 million, $98.2 million and $104.3 million during 2007, 2006 and 2005, respectively. The amount of interest capitalized during 2007, 2006 and 2005 was $1.7 million, $1.5 million and $0.7 million, respectively.

Note 8 - FINANCIAL INSTRUMENTS

The company has various financial instruments, including cash and short-term investments, investments in nonconsolidated companies, foreign currency forward contracts, commodity forward contracts, interest rate swaps and short-term and long-term debt. The company has determined the estimated fair value of these financial instruments by using available market information and generally accepted valuation methodologies. The use of different market assumptions or estimation methodologies could have a material effect on the estimated fair value amounts. The estimated fair value of the company s debt instruments at December 31, 2007 and 2006 approximated $1,406.1 million and $1,533.5 million, compared with the carrying value of $1,428.8 million and $1,541.7 million, respectively.

The company is exposed to market risk from changes in interest rates. The company s policy is to manage interest expense using a mix of fixed-rate and variable-rate debt. To manage this mix in a cost-efficient manner, the company may enter into interest rate swaps in which the company agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. Interest payments receivable and payable under the terms of the interest rate swap agreements are accrued over the period to which the payment relates and the net difference is treated as an adjustment of interest expense related to the underlying liability.

In November 2004, the company entered into interest rate swap agreements that effectively convert the interest on $200.0 million of outstanding 4.625% notes due 2009 to a variable rate of six-month LIBOR plus 40 basis points. The fair value of the interest rate swaps included in long-term debt was $(2.0) million and $(4.1) million at December 31, 2007 and 2006, respectively. In June 2004, the company entered into interest rate swap agreements that effectively convert the interest on $200.0 million of outstanding 5.875% notes due 2008 to a variable rate of six-month LIBOR plus 111 basis points. The fair value of the interest rate swaps included in short-term and long-term debt was $2.1 million and $(1.1) million at December 31, 2007 and 2006, respectively. These swaps are designated as fair-value hedges of underlying fixed-rate debt obligations and are recorded as an adjustment to either short-term or long-term debt and current or noncurrent assets or liabilities. These interest rate swaps qualify for the short-cut method for assessing hedge effectiveness per SFAS No. 133, Accounting for Derivative Instruments and Hedging

Activities. Changes in fair value of the swaps are offset by the change in fair value of the underlying debt. As a result, there was no impact to earnings in 2007, 2006 or 2005 due to hedge ineffectiveness.

The company also had an interest rate swap agreement that matured in October 2006 that exchanged variable-rate interest obligations for a fixed rate on a notional principal amount of Japanese yen 500.0 million. This interest rate swap was designated as a cash-flow hedge.

In June 2004, the company entered into several Treasury rate lock agreements with an aggregate notional principal amount of $900.0 million, all maturing September 30, 2004, whereby the company had locked in Treasury rates relating to a portion of the then anticipated public debt securities issuance. These rate locks were designated as cash-flow hedges of the forecasted semi-annual interest payments associated with the expected debt issuance. In September 2004, the company incurred a pretax loss on the termination of these agreements in an aggregate amount of $73.9 million. Gains and losses on terminations of Treasury rate lock agreements designated as cash-flow hedges are deferred and amortized as an adjustment to interest expense over the life of the corresponding debt issuance using the effective interest method. The unamortized balance of the Treasury rate lock recorded in accumulated other comprehensive income, net of tax, was $38.2 million and $41.2 million at December 31, 2007 and 2006, respectively.

The company is exposed to the effect of changes in foreign currency rates on its earnings and cash flow as a result of doing business internationally. In addition to working capital management, pricing and sourcing, the company selectively uses foreign currency forward contracts to lessen the potential effect of currency changes. The maximum amount of foreign currency forward contracts outstanding at any one time was $94.3 million in 2007, $35.5 million in 2006 and $34.4 million in 2005. At December 31, 2007, the company had short-term forward contracts to buy or sell currencies at various dates during 2008 for $12.9 million. At December 31, 2006, the company had short-term forward contracts to buy or sell currencies at various dates during 2007 for $28.8 million. Changes in the fair value of these contracts are recorded in other income. The fair value of these instruments at December 31, 2007 and 2006, and the related adjustments recorded in other income, were an unrealized gain of $0.1 million and $0.2 million, respectively.

The company is exposed to market risk from changes in commodity prices. The company uses financial instruments to manage the cost of natural gas and electricity purchases. These contracts have been designated as cash-flow hedges and, accordingly, any effective unrealized gains or losses on open contracts are recorded in other comprehensive income or loss, net of related tax effects. At December 31, 2007 and 2006, the notional amounts of open contracts totaled $15.1 million and $15.0 million, respectively. A hedge liability of $0.8 million ($0.5 million net of tax) and $1.9 million ($1.2 million net of tax) was recorded at December 31, 2007 and 2006, respectively, which represents the net unrealized losses or gains based upon current futures prices at that date. Ineffectiveness was determined to be immaterial in 2007 and 2006. Contract maturities are less than 24 months. The company expects that approximately $0.8 million of these losses will be reclassified into earnings within the next 12 months.

Note 9 - OTHER BALANCE SHEET INFORMATION

	2007	2006
Receivables:		
Customers	$ 582.4	$ 509.3
Affiliates	7.4	4.0
Other	76.1	60.3
Total	$ 665.9	$ 573.6

Receivables are net of allowance for doubtful accounts of $6.3 million and $7.5 million at December 31, 2007 and 2006, respectively.

	2007	2006
Property and equipment - at cost:		
Land and improvements	$ 171.8	$ 177.0
Buildings and improvements	458.8	457.8
Machinery and equipment	1,994.0	1,820.2
Construction in progress	138.6	91.0
Total	$ 2,763.2	$ 2,546.0

Depreciation expense of property and equipment from continuing operations was $137.1 million, $133.3 million and $139.4 million in 2007, 2006 and 2005, respectively. Depreciation expense of property and equipment from discontinued operations was $4.4 million in 2006 and $15.2 million in 2005.

	2007	2006
Accrued expenses and other current liabilities:		
Employee compensation	$ 113.0	$ 108.1
Income taxes	21.2	48.5
Sales allowances and rebates	38.2	33.8
Taxes other than income	27.3	31.2
Interest	16.4	17.9
Other	58.9	50.7
Total	$ 275.0	$ 290.2

Dividends payable at December 31, 2007 and 2006 were $20.5 million and $17.9 million, respectively, and are included in accounts payable in the consolidated balance sheets.

Note 10 - SHAREHOLDERS EQUITY

The company has 147.0 million authorized shares consisting of 2.0 million shares of serial preferred stock, 25.0 million shares of serial preference shares and 120.0 million common shares, each of which is without par value. Common shares outstanding exclude common shares held in treasury of 17.8 million and 17.2 million at December 31, 2007 and 2006, respectively.

The company previously had a shareholder rights plan, which expired in October 2007. No rights were issued under the plan and they were delisted from the New York Stock Exchange and deregistered with the Securities and Exchange Commission.

Accumulated other comprehensive income (loss) shown in the consolidated statements of shareholders equity at December 31, 2007, 2006 and 2005 is comprised of the following:

	Foreign Currency Translation Adjustment	Treasury Rate Locks	Unrealized (Losses) Gains on Cash Flow Hedges	Unrecognized Pension Plan and Other Postretirement Benefit Costs	Accumulated Other Comprehensive Income (Loss)
Balance, January 1, 2005	$ 89.0	$ (47.4)	$	$ (28.9)	$ 12.7
Other comprehensive (loss) income:					
Pretax	(116.5)	4.4	(0.8)	(19.1)	(132.0)
Tax benefit (provision)	1.6	(1.5)	0.3	5.4	5.8
Total	(114.9)	2.9	(0.5)	(13.7)	(126.2)
Balance, December 31, 2005	(25.9)	(44.5)	(0.5)	(42.6)	(113.5)
Other comprehensive income (loss):					
Pretax	80.2	5.0	(1.0)	46.8	131.0
Tax (provision) benefit	(0.2)	(1.7)	0.3	(13.9)	(15.5)
Total	80.0	3.3	(0.7)	32.9	115.5
Adjustment to recognize pension and other postretirement benefit plans funded status:					
Pretax				(92.8)	(92.8)
Tax benefit				30.0	30.0
Total				(62.8)	(62.8)
Balance, December 31, 2006	54.1	(41.2)	(1.2)	(72.5)	(60.8)
Other comprehensive income:					
Pretax	84.4	4.7	1.1	45.6	135.8
Tax benefit (provision)		(1.7)	(0.4)	(13.9)	(16.0)
Total	84.4	3.0	0.7	31.7	119.8
Balance, December 31, 2007	$ 138.5	$ (38.2)	$ (0.5)	$ (40.8)	$ 59.0

Note 11 - OTHER INCOME - NET

	2007	2006	2005
Gain on sale of Bayport, Texas property	$ 5.0	$	$
Currency exchange / transaction gain (loss)	4.0	(2.9)	(0.6)
Settlement of insurance and legal matters	0.6	11.6	
Equity earnings of nonconsolidated companies	1.2	1.0	0.8
Minority interest in earnings of consolidated companies	(6.4)	(4.1)	(1.7)
Other - net	4.4	2.9	3.3
Total	$ 8.8	$ 8.5	$ 1.8

Dividends received from nonconsolidated companies were $0.9 million in 2007, $0.2 million in 2006 and $0.9 million in 2005.

Note 12 - INCOME TAXES

Income from continuing operations before income taxes consists of the following:

	2007	2006	2005
United States	$ 131.0	$ 75.5	$ 40.2
Foreign	268.0	186.5	200.0
Total	$ 399.0	$ 262.0	$ 240.2

The provision for income taxes from continuing operations consists of the following:

	2007	2006	2005
Current:			
United States:			
Federal	$ 32.1	$ (3.9)	$ 4.0
State	3.6	(0.7)	(0.2)
Foreign	59.7	48.2	67.5
	95.4	43.6	71.3
Deferred:			
United States:			
Federal	12.5	28.6	9.5
State	0.7	8.5	6.1
Foreign	7.0	1.5	(6.1)
	20.2	38.6	9.5
Total	$ 115.6	$ 82.2	$ 80.8

The differences between the provision for income taxes at the U.S. statutory rate and the tax shown in the consolidated statements of income are summarized as follows:

	2007	2006	2005
Tax at statutory rate of 35%	$ 139.7	$ 91.7	$ 84.1
U.S. and foreign tax on foreign dividends	4.2	7.7	8.1
U.S. tax benefit on exports	(0.5)	(4.1)	(5.0)
State and local income taxes	2.8	5.1	3.8
Untaxed translation gains	(5.4)	(0.5)	(0.8)
Provision impacts of foreign operations	(26.8)	(19.3)	(11.4)
Other - net	1.6	1.6	2.0
Provision for income taxes	$ 115.6	$ 82.2	$ 80.8

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities at December 31 are as follows:

	2007	2006
Deferred tax assets:		
Accrued compensation and benefits	$ 138.4	$ 148.4
Inventory	22.4	22.4
Cash flow hedges	20.8	22.9
Net operating losses and tax credits carried forward	13.9	29.9
Other	35.6	23.8
Total gross deferred tax assets	231.1	247.4
Less: valuation allowance	(18.7)	(17.8)
Net deferred tax assets	212.4	229.6
Deferred tax liabilities:		
Depreciation and other basis differences	217.6	203.8
Foreign subsidiary and affiliate undistributed earnings	7.1	7.9
Other	14.2	11.9
Total gross deferred tax liabilities	238.9	223.6
Net deferred tax (liabilities) assets	$ (26.5)	$ 6.0

At December 31, 2007, the company had state and foreign net operating loss carryforwards (NOLs). The company had $8.4 million of state tax benefit from NOLs that expire in 2008 through 2027. Foreign NOLs totaled $19.2 million, of which $15.2 million expire in 2009 through 2022 and $4.0 million have an indefinite life. Additionally, the company has incurred losses in a foreign jurisdiction where realization of the future economic benefit is so remote that the benefit is not reflected as a deferred tax asset.

Gross deferred tax assets at December 31, 2007 and 2006 were reduced by valuation allowances of $18.7 million and $17.8 million, respectively, to reflect the amounts expected to be realized. Of the $18.7 million in valuation allowances at December 31, 2007, $9.6 million relates to certain Noveon International deferred tax assets existing at the time of the 2004 acquisition. Any reversal of this portion of the valuation allowance reduces goodwill. U.S. income taxes and 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 these earnings was approximately $753.0 million at December 31, 2007. Determination of the net amount of unrecognized taxes with respect to these earnings is not practicable.

Income taxes paid during 2007, 2006 and 2005 were $81.4 million, $72.9 million and $75.7 million, respectively.

Effective January 1, 2007, the company adopted the provisions of FIN No. 48, Accounting for Uncertainty in Income Taxes. FIN No. 48 prescribes a recognition threshold and measurement attribute for tax positions taken or expected to be taken in tax returns. Under FIN No. 48, the economic benefit associated with a tax position only will be recognized if it is more likely than not that a tax position ultimately will be sustained. After this threshold is met, a tax position is reported at the largest amount of benefit that is more likely than not to be ultimately sustained. FIN No. 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure. Prior to January 1, 2007, the company regularly assessed positions with regard to tax exposures and recorded liabilities for uncertain income tax positions in accordance with SFAS No. 5, Accounting for Contingencies.

As a result of adopting FIN No. 48 on January 1, 2007, the company recognized an $8.9 million reduction to retained earnings and a $5.4 million increase to goodwill for pre-acquisition income tax liabilities of Noveon International. At January 1, 2007, after recording this FIN No. 48 adoption impact, the company had gross unrecognized tax benefits of $57.8 million, of which $38.8 million, if recognized, would have affected the effective tax rate. At December 31, 2007, the company had gross unrecognized tax benefits of $59.3 million, of which

$39.3 million, if recognized, would have affected the effective tax rate. Following is a reconciliation of unrecognized tax benefits:

Balance at January 1, 2007	$ 57.8
Additions:	
Current year tax positions	9.2
Prior years tax positions	7.7
Reductions for prior years tax positions	(4.5)
Expirations of statutes of limitations	(10.8)
Settlements	(0.1)
Balance at December 31, 2007	$ 59.3

The increase in prior-year tax positions primarily was due to an unfavorable foreign currency translation impact. The company recognizes accrued interest and penalties related to unrecognized tax benefits as a component of the income tax provision. During the year ended December 31, 2007, the company recognized gross interest expense of $4.2 million and gross interest income of $3.2 million in its consolidated statement of income. At December 31, 2007 and 2006, the company had accrued $7.7 million and $7.1 million, respectively, for the potential payment of interest and penalties.

The company operates in numerous taxing jurisdictions and is subject to regular examinations by various U.S. federal, state and foreign jurisdictions. The company s income tax positions are based on research and interpretations of the income tax laws and rulings in each of the jurisdictions in which the company does business. Due to the subjectivity of interpretations of laws and rulings in each jurisdiction, the differences and interplay in tax laws between those jurisdictions and difficulty in estimating the final resolution of complex tax audit matters, the company s estimates of income tax liabilities may differ from actual payments or assessments.

The company does not anticipate that the total unrecognized tax benefits will change significantly due to the settlement of audits and the expiration of statute of limitations within one year of December 31, 2007.

With few exceptions, the company no longer is subject to U.S. federal, state and local tax examinations for years before 2001 and foreign jurisdiction examinations for years before 2000.

Effective with the adoption of FIN No. 48, the majority of the company s unrecognized tax benefits are classified as noncurrent liabilities because payment of cash is not expected within one year. Prior to the adoption of FIN No. 48, the company classified unrecognized tax benefits in accrued expenses and other current liabilities.

Note 13 - PENSION, PROFIT SHARING AND OTHER POSTRETIREMENT BENEFIT PLANS

The company has noncontributory defined benefit pension plans covering most employees. Pension benefits under these plans 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 funding standards of the Internal Revenue Code of 1986, as amended, and the Employee Retirement Income Security Act of 1974, as amended, and elsewhere to fund amounts in accordance with local regulations. Several of the company s smaller defined benefit plans are not funded.

The investment objective of the funded pension plans sponsored by the company and certain subsidiaries is to assure the timely payment of promised benefits at a minimum cost consistent with prudent standards of investment, given the strength of the company and the subsidiaries, their earnings record, the adequacy of each plan s funding and the age of each entity s work force. The plans utilize diversified investment portfolios and seek to earn returns consistent with a reasonable level of risk. The long-term expected return on plan assets used to determine the net periodic pension cost is based upon each entity s investment allocation and anticipated returns for specific investment classes. In 2006, the company lowered the expected long-term rate of return assumption for the U.S. pension plans 25 basis points to 8.25% (7.48% on a weighted-average basis for all plans) based on investment mix and projected market conditions. For 2007, the 8.25% long-term rate of return assumption for the U.S. plans was still applicable.

As long-term asset allocation is recognized as the primary determinant of performance, the sponsoring entities generally utilize the following asset allocation targets to achieve their plan investment objectives: 70% equity securities and 30% debt securities. The non-U.S. plans have a slightly higher allocation to debt securities than the U.S. plans. As appropriate, allocation targets and ranges may be established for various subcategories. Allocations are reviewed periodically and adjusted as necessary.
Approved pension plan investments include, but are not limited to: equities, fixed-income securities, venture capital, cash and cash equivalent instruments and such other instruments (including mutual fund investments), as the company may approve. Investments in tax-exempt securities, commodities and options, other than covered calls, and the use of leverage are prohibited. Plan investment managers may use derivatives to hedge currency risk and to maintain full investment. Any other use of derivative instruments must be approved by the sponsoring entity.
The market values of pension plan assets periodically are compared to the value of plan benefit obligations. The future value of assets, as calculated based on the expected long-term rate of return, also are compared to expected future plan benefit distributions and contributions to determine the sufficiency of expected plan funding levels. Investment asset allocations are revised as appropriate.
Plan assets are invested in marketable equity securities and fixed-income instruments. The allocation of pension plan assets by major asset class is shown below on a weighted-average basis:

	Percentage of Plan Assets at December 31	
	2007	2006
Asset category:		
Equity securities	65%	68%
Debt securities	35%	32%
Total	100%	100%

No equity or debt securities of the company or any of its subsidiaries were included in the pension plans assets in 2007 and 2006, respectively.
The company also provides certain non-pension postretirement benefits, primarily health care and life insurance benefits, for retired employees. Most of the legacy Lubrizol full-time employees in the United States may become eligible for health care benefits upon retirement. Full-time employees who retired between January 1, 1992 and December 31, 2002 also are eligible for life insurance benefits. Participants contribute a portion of the cost of these benefits. The company s non-pension postretirement benefit plans are not funded.
As part of the Noveon International integration efforts to provide consistent benefits, the company communicated to employees in May 2005 changes to the benefits structure of certain of its U.S. pension and postretirement benefit plans. This communication triggered a remeasurement of the related benefit obligations and net periodic benefit cost in 2005 for both the legacy Noveon International U.S. pension plans as well as for the U.S. postretirement benefit plan. The net impact of the benefit and actuarial assumption changes reduced the company s aggregate net periodic pension and postretirement benefit cost by $3.5 million in 2005. The annualized savings resulting from this benefits change was estimated to be approximately $5.3 million.
In September 2006, the FASB issued SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R). SFAS No. 158 requires an employer to recognize a plan s funded status in its statement of financial position, measure a plan s assets and obligations as of the end of the employer s fiscal year and recognize the changes in a plan s funded status in comprehensive income in the year in which the changes occur. SFAS No. 158 s requirement to recognize a plan s funded status and new disclosure requirements were effective for the company as of December 31, 2006. The requirement to measure plan assets and benefit obligations as of the date of the company s fiscal year-end statement of financial position is effective for fiscal years ending after December 15, 2008. Currently, the company measures plan assets and benefit obligations as of the date of its fiscal year-end. The company adopted the required provisions of SFAS No. 158 on December 31, 2006.

The change in the projected benefit obligation and plan assets for 2007 and 2006 and the amounts recognized in the consolidated balance sheets at December 31 of the company s defined benefit pension plans were as follows:

	Pension Plans					
	2007			2006		
	U.S. Plans	Non-U.S. Plans	Total	U.S. Plans	Non-U.S. Plans	Total
Change in Projected Benefit Obligation:						
Projected benefit obligation at beginning of year	$ 390.2	$ 320.8	$ 711.0	$ 369.4	$ 290.4	$ 659.8
Service cost	18.8	12.7	31.5	19.5	12.2	31.7
Interest cost	24.0	16.0	40.0	20.8	14.1	34.9
Plan participants contributions		0.9	0.9		0.9	0.9
Actuarial gain	(16.3)	(27.4)	(43.7)	(3.9)	(17.1)	(21.0)
Currency exchange rate change		14.1	14.1		35.0	35.0
Plan amendments	2.1	1.1	3.2	2.5		2.5
Adjustments		3.0	3.0			
Settlements / curtailments				0.6	(3.4)	(2.8)
Divestitures				(3.6)		(3.6)
Benefits paid	(18.3)	(14.6)	(32.9)	(15.1)	(11.3)	(26.4)
Projected benefit obligation at end of year	400.5	326.6	727.1	390.2	320.8	711.0
Change in Plan Assets:						
Fair value of plan assets at beginning of year	269.5	201.8	471.3	236.6	164.5	401.1
Actual return on plan assets	19.4	11.9	31.3	37.0	13.6	50.6
Employer contributions	29.0	23.2	52.2	10.8	13.2	24.0
Plan participants contributions		0.9	0.9		0.9	0.9
Currency exchange rate change		8.0	8.0		19.9	19.9
Adjustments		1.6	1.6	0.2	1.0	1.2
Benefits paid	(18.3)	(14.6)	(32.9)	(15.1)	(11.3)	(26.4)
Fair value of plan assets at end of year	299.6	232.8	532.4	269.5	201.8	471.3
Funded Status	$ (100.9)	$ (93.8)	$ (194.7)	$ (120.7)	$ (119.0)	$ (239.7)
Net amounts recognized in the consolidated balance sheets:						
Other assets	$	$ 2.0	$ 2.0	$	$ 1.0	$ 1.0
Accrued expenses and other current liabilities	(0.4)	(1.1)	(1.5)	(0.2)	(2.6)	(2.8)
Pension obligations	(100.5)	(94.7)	(195.2)	(120.5)	(117.4)	(237.9)
			< /TD>			
Funded Status	$ (100.9)	$ (93.8)	$ (194.7)	$ (120.7)	$ (119.0)	$ (239.7)

The company s defined benefit non-pension postretirement plan liabilities predominately relate to U.S. plans. The change in the projected benefit obligation and plan assets for 2007 and 2006 and the amounts recognized in the consolidated balance sheets at December 31 of the company s defined benefit non-pension postretirement plans were as follows:

	Non-Pension Postretirement Plans	
	2007	2006
Change in Projected Benefit Obligation:		
Projected benefit obligation at beginning of year	$ 98.3	$ 103.2
Service cost	1.8	1.8
Interest cost	5.8	5.4
Plan participants contributions	4.5	3.6
Actuarial gain	(6.2)	(0.7)
Currency exchange rate change	2.2	1.1
Settlements / curtailments		(1.5)
Divestitures		(6.2)
Benefits paid	(9.2)	(8.4)
Projected benefit obligation at end of year	97.2	98.3
Change in Plan Assets:		
Fair value of plan assets at beginning of year		
Employer contributions	4.7	4.8
Plan participants contributions	4.5	3.6
Benefits paid	(9.2)	(8.4)
Fair value of plan assets at end of year		
Funded Status	$ (97.2)	$ (98.3)
Net amounts recognized in the consolidated balance sheets:		
Accrued expenses and other current liabilities	(4.1)	(4.8)
Other postretirement benefit obligations	(93.1)	(93.5)
Funded Status	$ (97.2)	$ (98.3)

The amount of net loss, prior service cost and transition obligation recognized in accumulated other comprehensive income (loss) related to the company s defined benefit pension and other postretirement benefit plans is comprised of the following:

	Pension Plans			Non-Pension Postretirement Plans			
	Actuarial Net loss	Prior Service Cost	Transition Obligation	Actuarial Net loss	Prior Service Cost	Transition Obligation	Total
Balance at January 1, 2007	$ (62.9)	$ (17.0)	$ (0.3)	$ (18.5)	$ 28.2	$ (2.0)	$ (72.5)
Reclassification adjustments:							
Pretax	5.1	2.8	0.1	1.3	(6.7)	0.4	3.0
Tax (provision) benefit	(1.6)	(0.9)		(0.4)	2.4	(0.1)	(0.6)
Total	3.5	1.9	0.1	0.9	(4.3)	0.3	2.4
Adjustment to recognize changes in actuarial assumptions:							
Pretax	40.2	(3.3)		5.7			42.6
Tax (provision) benefit	(12.6)	1.0		(1.7)			(13.3)
Total	27.6	(2.3)		4.0			29.3
Balance at December 31, 2007	$ (31.8)	$ (17.4)	$ (0.2)	$ (13.6)	$ 23.9	$ (1.7)	$ (40.8)

The accumulated benefit obligation for all defined benefit pension plans was $567.2 million and $554.6 million at December 31, 2007 and 2006, respectively. The projected benefit obligation and fair value of plan assets for pension plans with projected benefit obligations in excess of plan assets were $703.3 million and $506.6 million, respectively, at December 31, 2007, and $697.4 million and $456.6 million, respectively, at December 31, 2006.
The accumulated benefit obligation and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were $366.6 million and $316.5 million, respectively, at December 31, 2007, and $539.0 million and $450.6 million, respectively, at December 31, 2006.
The company amortizes gains and losses, as well as the effects of changes in actuarial assumptions and plan provisions, over the average remaining service period of participating employees expected to receive benefits under the plans.
Net periodic pension cost of the company s defined benefit pension plans consists of:

	2007		
	U.S. Plans	Non-U.S. Plans	Combined
Service cost benefits earned during period	$ 18.8	$ 12.7	$ 31.5
Interest cost on projected benefit obligation	24.0	16.0	40.0
Expected return on plan assets	(21.9)	(12.8)	(34.7)
Amortization of prior service costs	2.1	0.7	2.8
Amortization of initial net obligation		0.1	0.1
Recognized net actuarial loss	1.0	4.1	5.1
Net periodic pension cost	$ 24.0	$ 20.8	$ 44.8

	2006		
	U.S. Plans	Non-U.S. Plans	Combined
Service cost benefits earned during period	$ 19.5	$ 12.2	$ 31.7
Interest cost on projected benefit obligation	20.8	14.1	34.9
Expected return on plan assets	(18.2)	(10.1)	(28.3)
Amortization of prior service costs	1.8	0.7	2.5
Amortization of initial net obligation		0.7	0.7
Recognized net actuarial loss	3.5	5.0	8.5
Settlement / curtailment loss (gain)	3.6	(0.7)	2.9
Net periodic pension cost	$ 31.0	$ 21.9	$ 52.9

	2005		
	U.S. Plans	Non-U.S. Plans	Combined
Service cost benefits earned during period	$ 19.0	$ 10.3	$ 29.3
Interest cost on projected benefit obligation	19.9	12.3	32.2
Expected return on plan assets	(17.1)	(9.8)	(26.9)
Amortization of prior service costs	1.7	0.7	2.4
Amortization of initial net obligation		0.7	0.7
Recognized net actuarial loss	2.2	3.3	5.5
Settlement / curtailment loss		0.3	0.3
Net periodic pension cost	$ 25.7	$ 17.8	$ 43.5

The amount of net loss, prior service cost and transition obligation that is expected to be recognized as a component of net periodic pension cost in 2008 is $2.9 million, $2.9 million and $0.1 million, respectively.

Net periodic non-pension postretirement benefit cost consists of:

	2007	2006	2005
Service cost benefits earned during period	$ 1.8	$ 1.8	$ 2.2
Interest cost on projected benefit obligation	5.8	5.4	6.4
Amortization of prior service credits	(6.7)	(8.4)	(7.7)
Amortization of initial net obligation	0.4	0.4	0.4
Recognized net actuarial loss	1.3	1.8	2.1
Settlement / curtailment gain		(1.1)	
Net periodic non-pension postretirement benefit (credit) cost	$ 2.6	$ (0.1)	$ 3.4

The amount of net loss, prior service cost (credit) and transition obligation that is expected to be recognized as a component of net periodic non-pension postretirement benefit cost (credit) in 2008 is $0.9 million, $(6.8) million and $0.4 million, respectively.
The company s weighted-average actuarial assumptions used to determine pension benefit obligations for its U.S. and non-U.S. defined benefit pension plans were as follows:

	December 31, 2007			December 31, 2006		
	U.S. Plans	Non-U.S. Plans	Combined	U.S. Plans	Non-U.S. Plans	Combined
Discount rate	6.67%	5.61%	6.19%	6.25%	4.89%	5.63%
Rate of compensation increase	4.29%	3.97%	4.15%	4.29%	3.63%	3.99%

The company s weighted-average assumptions used to determine net periodic pension cost were as follows:

	2007			2006		
	U.S. Plans	Non-U.S. Plans	Combined	U.S. Plans	Non-U.S. Plans	Combined
Discount rate	6.25%	4.89%	5.63%	5.75%	4.63%	5.25%
Expected long-term return on plan assets	8.25%	6.63%	7.56%	8.25%	6.37%	7.48%
Rate of compensation increase	4.29%	3.63%	3.99%	4.32%	3.41%	3.92%

	2005		
	U.S. Plans	Non-U.S. Plans	Combined
Discount rate	6.20%	5.12%	5.72%
Expected long-term return on plan assets	8.50%	6.62%	7.71%
Rate of compensation increase	4.32%	3.66%	4.03%

The weighted-average discount rates used to determine the company s other postretirement benefit obligations were 6.45% and 5.99% at December 31, 2007 and 2006, respectively. The weighted-average discount rates used to determine net periodic non-pension postretirement benefit cost were 5.99%, 5.50% and 6.15% for the years ended December 31, 2007, 2006 and 2005, respectively.
The following table shows the amounts the company contributed to its postretirement plans in 2006 and 2007 and the expected contributions for 2008:

	Pension Plans	Other Plans	Total
2006	$ 24.0	$ 4.8	$ 28.8
2007	52.2	4.7	56.9
2008 (expected)	32.1	5.1	37.2

Expected employer contributions for pension benefits in 2008 include $1.6 million for unfunded plans. The expected contributions to these plans represent an actuarial estimate of future assumed payments based on historic retirement and payment patterns. Actual amounts paid could differ from this estimate.
Contributions by participants to the non-pension postretirement benefit plans were $4.5 million and $3.6 million for the years ending December 31, 2007 and 2006, respectively.
The following table shows the benefits expected to be paid in each of the next five years and the aggregate benefits expected to be paid for the subsequent five years:

	Pension Benefits	Other Benefits	Total Benefits
2008	$ 31.1	$ 5.1	$ 36.2
2009	36.2	5.5	41.7
2010	38.9	6.0	44.9
2011	40.8	6.5	47.3
2012	46.6	6.9	53.5
2013-2017	262.5	40.5	303.0

The other benefits in the above table are presented net of expected Medicare Part D subsidy payments of $0.7 million in 2008, $0.8 million in 2009, $0.9 million in 2010, $1.0 million in 2011, $1.1 million in 2012 and $6.1 million in 2013-2017. The weighted-average of the assumed health care cost trend rates used in measuring the accumulated postretirement benefit obligation for the company s postretirement benefit plans at December 31, 2007 was 8.28% (9.11% at December 31, 2006), with subsequent annual decrements to an ultimate trend rate of 5.14% by 2012. The assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in the assumed health care cost trend rate would have the following effects as of and for the year ended December 31, 2007:

	One-Percentage-Point	
	Increase	Decrease
Effect on postretirement benefit obligation	$ 11.3	$ (9.4)
Effect on total service and interest cost components	$ 1.1	$ (0.9)

The company also has defined contribution plans, principally involving profit sharing plans and/or 401(k) savings plans, covering most employees in the United States and at certain non-U.S. subsidiaries. Expense for all defined contribution retirement plans was $17.8 million in 2007, $16.3 million in 2006 and $15.3 million in 2005.

Note 14 - LEASES

The company has commitments under operating leases primarily for office space, terminal facilities, land, railcars and various computer and office equipment. Rental expense from continuing operations was $28.7 million in 2007, $26.4 million in 2006 and $28.2 million in 2005. Future minimum rental commitments under operating leases having initial or remaining non-cancelable lease terms exceeding one year are $18.9 million in 2008, $17.0 million in 2009, $13.6 million in 2010, $8.6 million in 2011, $4.9 million in 2012 and $3.8 million thereafter.

Note 15 - SEGMENT AND GEOGRAPHIC INFORMATION

The company is organized into two operating and reportable segments: Lubrizol Additives and Lubrizol Advanced Materials. The Lubrizol Additives segment represented 66% of the company s consolidated revenues for 2007 and is comprised of the company s businesses in engine additives and driveline and industrial oil additives. The Lubrizol Advanced Materials segment represented 34% of the company s consolidated revenues for 2007 and is comprised of the businesses in Noveon consumer specialties, engineered polymers and performance coatings.
Lubrizol Additives consists of two product lines: engine additives and driveline and industrial oil additives. Engine additives is comprised of additives for lubricating engine oils, such as for gasoline, diesel, marine and stationary gas engines and additive components, additives for fuel products and refinery and oil field chemicals, as well as outsourcing strategies for supply chain and knowledge center management. In addition, this product line sells

additive components and viscosity improvers within its lubricant and fuel additives product areas. Driveline and industrial oil additives is comprised of additives for driveline oils, such as automatic transmission fluids, gear oils and tractor lubricants and industrial oil additives, such as additives for hydraulic, grease and metalworking fluids, as well as compressor lubricants. Lubrizol Additives product lines generally are produced in company-owned shared manufacturing facilities and largely sold to a common customer base. During 2005, the company sold the equipment companies, ECS and LPS, and recorded the results of operations of these businesses in the income (loss) from discontinued operations - net of tax line item in the consolidated statement of income in 2005 (see Note 4).

The Lubrizol Advanced Materials segment consists of Noveon consumer specialties, engineered polymers and performance coatings product lines. The Noveon consumer specialties product line is characterized by global production of acrylic thickeners, specialty monomers, film formers, fixatives, emollients, silicones, surfactants and process chemicals. The company markets products in the Noveon consumer specialties product line to the personal care and pharmaceutical primary end-use industries. The Noveon consumer specialties products are sold to customers worldwide and these customers include major manufacturers of cosmetics, personal care products, water soluble polymers and household products. The engineered polymers product line is characterized by products such as TempRite® engineered polymers and Estane® thermoplastic polyurethane. Engineered polymers products are sold to a diverse customer base comprised of major manufacturers in the construction, automotive, telecommunications, electronics and recreation industries. The performance coatings product line includes high-performance polymers and additives for specialty paper, graphic arts, paint and textile coatings applications. During the second quarter of 2006, the company completed the sale of the FIIS and A&I businesses, while the sale of the Telene business was completed during the first quarter of 2006. The company recorded the results of operations of these divested businesses in the income (loss) from discontinued operations-net of tax line item in the consolidated statements of income for 2006 and 2005 (see Note 4).

The company primarily evaluates performance and allocates resources based on segment operating income, defined as revenues less expenses identifiable to the product lines included within each segment, as well as projected future returns. Segment operating income reconciles to consolidated income from continuing operations before income taxes by deducting corporate expenses and corporate other income (expense) that are not attributed to the operating segments, restructuring and impairment charges and net interest expense.

The following table summarizes the results of the company s reportable segments for the years ended December 31, 2007, 2006 and 2005:

	2007	2006	2005
Lubrizol Additives:			
Revenues from external customers	$ 2,961.1	$ 2,600.5	$ 2,280.0
Equity earnings	1.2	1.0	0.8
Amortization of intangibles	4.5	3.1	3.0
Operating income	391.0	303.0	263.3
Total assets	1,663.4	1,397.6	1,324.0
Capital expenditures	84.6	77.1	70.0
Depreciation	70.6	71.7	79.7
Lubrizol Advanced Materials:			
Revenues from external customers	$ 1,537.9	$ 1,440.3	$ 1,342.2
Amortization of intangibles	19.8	20.6	20.5
Operating income	141.8	167.6	150.9
Total assets	2,240.0	2,193.7	2,536.8
Capital expenditures	77.2	40.2	51.3
Depreciation	63.2	61.0	59.0
Corporate:			
Total assets	$ 740.4	$ 799.6	$ 510.4
Capital expenditures	21.0	8.4	0.6
Depreciation	3.3	0.6	0.7
Discontinued operations:			
Capital expenditures	$	$ 5.2	$ 14.8
Depreciation		4.4	15.2
Reconciliation to income from continuing operations before income taxes:			
Segment operating income	$ 532.8	$ 470.6	$ 414.2
Corporate expenses	(73.3)	(73.6)	(61.1)
Corporate other income (expense) net	4.8	(3.8)	
Restructuring and impairment charges	(1.5)	(51.9)	(15.9)
Interest expense net	(63.8)	(79.3)	(97.0)
Income from continuing operations before income taxes	$ 399.0	$ 262.0	$ 240.2

Revenues from external customers by product line are as follows:

	2007	2006	2005
Engine additives	$ 1,930.6	$ 1,665.4	$ 1,404.7
Driveline and industrial oil additives	1,030.5	935.1	875.3
Total Lubrizol Additives	2,961.1	2,600.5	2,280.0
Performance coatings	540.2	543.7	537.6
Engineered polymers	584.1	523.1	462.3
Noveon consumer specialties	413.6	373.5	342.3
Total Lubrizol Advanced Materials	1,537.9	1,440.3	1,342.2
Total revenues from external customers	$ 4,499.0	$ 4,040.8	$ 3,622.2

Revenues are attributable to countries based on the location of the customer. The United States is the only country where sales to external customers comprise in excess of 10% of the company s consolidated revenues. Revenues from external customers by geographic zone are as follows:

	2007	2006	2005
United States	$ 1,687.7	$ 1,637.0	$ 1,492.3
Canada	192.5	187.2	178.3
Europe	1,347.2	1,144.7	1,045.0
Asia-Pacific / Middle East	956.2	823.5	708.8
Latin America	315.4	248.4	197.8
Total revenues from external customers	$ 4,499.0	$ 4,040.8	$ 3,622.2

The company s sales and receivables are concentrated in the oil and chemical industries. Lubrizol Additives customers consist primarily of oil refiners and independent oil blenders located in more than 100 countries. The company s 10 largest customers, most of which are international oil companies, comprised approximately 39% of consolidated revenues in 2007, 2006 and 2005, respectively. In 2007, 2006 and 2005, there was no single customer that accounted for more than 10% of consolidated revenues.

Segment assets include receivables, inventories and long-lived assets including goodwill and intangible assets. Corporate assets include cash and short-term investments and other current and noncurrent assets.

The company s property and equipment are located in the following countries at December 31:

	2007	2006
United States	$ 730.3	$ 708.9
France	123.6	102.4
Belgium	84.2	76.4
China	51.2	35.1
United Kingdom	43.5	42.8
India	30.5	22.7
Other	98.2	93.0
Total property and equipment net	$ 1,161.5	$ 1,081.3

Income from continuing operations of non-U.S. subsidiaries was $201.3 million in 2007, $136.8 million in 2006 and $138.6 million in 2005. Dividends received from these subsidiaries were $16.6 million, $0.4 million and $151.8 million in 2007, 2006 and 2005, respectively.

Note 16 - STOCK COMPENSATION PLANS

All references to the number of shares and share units in this Note are based on actual share and unit numbers and are not shown in millions.

Effective January 1, 2006, the company adopted the fair value recognition provisions of SFAS No. 123R, Share-Based Payment, using the modified prospective transition method and therefore has not restated results for prior periods. Under this transition method, stock-based compensation expense for 2006 includes compensation expense for all stock-based compensation awards granted prior to, but not yet vested, as of January 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123, Accounting for Stock-Based Compensation. Stock-based compensation expense for all stock-based compensation awards granted after January 1, 2006 is based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123R. The company recognizes these compensation costs, net of a forfeiture rate, on a straight-line basis over the requisite service period of the award. The company estimates the forfeiture rate based on its historical experience during the preceding 10 years. The impact of adopting SFAS No. 123R in 2006 resulted in an increase in compensation expense of $2.4 million pretax ($1.6 million after tax).

Prior to January 1, 2006, the company accounted for stock-based compensation using the intrinsic value method under the recognition and measurement principles of APB Opinion 25, Accounting for Stock Issued to Employees, and related interpretations and applied SFAS No. 123, Accounting for Stock-Based Compensation, as amended by SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure, for disclosure purposes only. SFAS No. 123 disclosures included pro forma net income and earnings per share as if the fair value-based method of accounting had been used. Under the provisions of APB No. 25, no stock-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying stock on the date of grant.

The company utilizes the 2005 Stock Incentive Plan (2005 Plan) and other deferred compensation plans to provide equity awards to its key employees. The 2005 Plan, approved by the company s shareholders on April 25, 2005, provides for the granting of stock appreciation rights, restricted and unrestricted shares, share units and options to buy common shares up to an amount equal to 4,000,000 common shares, of which no more than 2,000,000 can be settled as full-value awards. After the 2,000,000 limit has been reached, full-value awards are counted in a 3-to-1 ratio against the 4,000,000 limit. Options become exercisable 50% one year after date of grant, 75% after two years, 100% after three years and expire up to 10 years after grant. In addition, the 2005 Plan provides each nonemployee director of the company an automatic annual grant of restricted stock units worth approximately $0.1 million based on the fair market value of the company s common shares on the date of each Annual Meeting of Shareholders. These restricted stock units vest one year after the grant date. For all grants made prior to November 14, 2006, fair market value was defined as the average of the high and low common share prices of the company on the date of grant. For grants made on or after November 14, 2006, fair market value is defined as the closing price of the company s common shares on the date of grant.

Option activity as of December 31, 2007 and changes during the year ended December 31, 2007 were as follows:

	Shares	Weighted-Average Exercise Price
Outstanding, January 1, 2007	3,339,329	$ 32.72
Granted	213,200	$ 53.07
Exercised	(957,217)	$ 30.89
Forfeited	(1,475)	$ 32.60
Outstanding, December 31, 2007	2,593,837	$ 35.07
Options exercisable, December 31, 2007	2,231,962	$ 32.95

The aggregate intrinsic value of options outstanding at December 31, 2007 based on the company s closing stock price on the last trading day of 2007, which would have been received by the option holders had all options been

exercised on that date, was $49.5 million. The aggregate intrinsic value of options exercisable at December 31, 2007 based on the company s closing stock price on the last trading day of 2007, which would have been received by the option holders had all options exercisable been exercised on that date, was $47.3 million. The total intrinsic value of stock options exercised was $26.8 million, $13.5 million and $13.0 million in 2007, 2006 and 2005, respectively. Intrinsic value is the amount by which the company s closing share price exceeds the exercise price of the options multiplied by the number of in-the-money options. The weighted-average remaining contractual term of options outstanding and exercisable at December 31, 2007 was 5.3 years and 4.7 years, respectively.
The fair value of share-based payment awards are estimated using the Black-Scholes option pricing model. The weighted-average assumptions used to value the stock options granted during 2007, 2006 and 2005 were as follows:

	2007	2006 [1]	2005 [2]
Risk-free interest rate	4.8%	N/A	4.3%
Dividend yield	2.0%	N/A	2.5%
Volatility	17.8%	N/A	21.2%
Expected life (years)	10.0	N/A	8.0
Weighted-average fair value of options granted during the year	$ 14.68	N/A	$ 9.87

(1) Not applicable. There were no stock options granted during 2006.

(2) If the fair-value method to measure compensation cost for the 2005 awards had been used, the compensation cost, which is required to be charged against income, would have been $6.5 million in 2005.

The company issued 957,217 and 938,950 common shares from treasury upon exercise of employee stock options during 2007 and 2006, respectively. Cash received from option exercises during 2007 was $28.2 million. The company realized a reduction in its income tax payable of $9.7 million in 2007 relating to the exercise of nonqualified stock options and awards. For accounting purposes, these tax benefits were realized as increases in paid-in capital included in the common shares caption in the consolidated statement of shareholders equity.
At December 31, 2007, there was $16.2 million of total pretax unrecognized compensation cost related to all stock-based awards that were not vested. That cost is expected to be recognized over a weighted-average period of 1.7 years. The company is using previously purchased treasury shares for all net shares issued for option exercises, long-term incentive plans and restricted share unit awards.
Nonvested restricted share unit awards at December 31, 2007 and changes during 2007 were as follows:

	Share Units	Weighted-Average Grant Date Fair Value
Nonvested at January 1, 2007	57,777	$ 29.46
Granted	10,755	$ 58.57
Vested	(12,777)	$ 42.27
Forfeited	(1,195)	$ 58.57
Nonvested at December 31, 2007	54,560	$ 31.57

In 2006, there were 12,777 restricted share units granted with a weighted-average grant-date fair value of $42.27. In 2006, there were 13,689 restricted share units that vested with a weighted-average fair value of $39.45.
Under the company s long-term incentive program, dollar-based target awards are determined by the organization and compensation committee of the board of directors for three-year performance periods. The company recognized compensation expense of $0.6 million, $4.9 million and $8.0 million in 2007, 2006 and 2005, respectively, related to the cash portion of these awards that are not share-based. In addition, a portion of each of the awards was converted into a number of share units based on the price of the company common stock on the date of the award. There are no voting or dividend rights associated with the share units until the end of the performance period and a distribution

of shares from the 2005 Plan, if any, is made. The target awards correspond to pre-determined three-year earnings before interest, taxes, depreciation and amortization (EBITDA) and/or earnings per share growth rate targets. Prior to the adoption of SFAS No. 123R, compensation expense for these awards was based on variable accounting and was calculated using the closing stock price at period end. Upon adoption of SFAS No. 123R on January 1, 2006, compensation expense for these performance awards, except for the 2004-2006 award, was calculated based on the grant-date fair value. The terms of the 2004-2006 award state that payment would be in cash and as such liability accounting was used for this award and compensation expense was calculated based on the year-end share closing price on December 31, 2006. During 2007, the award for the 2004-2006 performance period was paid resulting in the issuance of 178,541 shares as well as a cash distribution.

The following table identifies the number of shares expected to be issued based on current performance measures and the stock price on the date of grant for the performance shares granted:

Award		Expected Number of Units to be Issued	Average Stock Price on Date of Grant
2005	2007	232,594	$ 39.44
2006	2008	288,652	$ 43.07
2007	2009	255,346	$ 53.07

Performance-based stock awards at December 31, 2007 and changes during 2007 were as follows:

	Share Units	Weighted-Average Grant Date Fair Value
Nonvested at January 1, 2007	370,448	$ 40.95
Granted	129,930	$ 53.07
Performance increase	289,299	$ 47.26
Vested	(232,594)	$ 39.44
Forfeited	(13,085)	$ 44.51
Nonvested at December 31, 2007	543,998	$ 47.76

In 2006, no performance-based stock awards were granted.

Total stock-based compensation expense recognized in the consolidated statements of income for 2007, 2006 and 2005 was $20.4 million, $14.8 million and $9.2 million, respectively. The related tax benefit for 2007, 2006 and 2005 was $7.1 million, $5.2 million and $3.2 million, respectively.

In prior years, certain international employees received stock-based awards that are similar to stock appreciation rights. These awards vested 50% one year after grant, 75% two years after grant and 100% three years after grant and have a 10-year exercise period from the date of grant. The value of these awards is based on Lubrizol common shares and is paid in cash upon employee exercise. At December 31, 2007, the unexercised portion of these fully vested stock-based awards is accounted for as a liability award. Compensation expense recognized in the consolidated statements of income for 2007, 2006 and 2005 was $0.3 million, $1.7 million and $1.1 million, respectively. These amounts are included in the total stock-based compensation expense reported above.

The following table summarizes information about stock options outstanding, excluding the performance share stock awards, restricted share stock awards and long-term incentive plan awards at December 31, 2007:

		Options Outstanding		Options Exercisable	
Range of Exercise Prices	Number Outstanding at 12/31/07	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 12/31/07	Weighted-Average Exercise Price
$ 19 $ 28	40,737	1.3 years	$ 21.88	40,737	$ 21.88
$ 28 $ 37	1,720,600	4.1 years	$ 31.01	1,720,600	$ 31.01
$ 37 $ 46	619,300	7.5 years	$ 41.02	470,425	$ 40.99
$ 46 $ 55	213,200	9.3 years	$ 53.07		
	2,593,837	5.3 years	$ 35.07	2,231,762	$ 32.95

Note 17 - RESTRUCTURING AND IMPAIRMENT CHARGES

In 2007, the company recorded aggregate restructuring and impairment charges of $1.5 million. These charges primarily related to asset impairment charges in the Lubrizol Advanced Materials segment, partially offset by a gain recorded on the sale of a Lubrizol Additives manufacturing facility located in Bromborough, United Kingdom.

The following tables show the reconciliation of the restructuring liability beginning from January 1, 2005 to December 31, 2007 by major restructuring activity:

	Liability January 1, 2007	Restructuring and Impairment Charges	Cash Paid	Non-cash Adjustments	Liability December 31, 2007
Bromborough, U.K. plant closure and sale	$ 1.0	$ (0.7)	$ (0.1)	$ (0.1)	$ 0.1
Lubrizol Advanced Materials plant closures, production line impairments and workforce reductions	0.7	4.1	(1.0)	(3.4)	0.4
Corporate / other workforce reductions	0.2	0.1	(0.3)		
Noveon International restructuring liabilities assumed	0.9		(0.4)		0.5
	$ 2.8	$ 3.5	$ (1.8)	$ (3.5)	$ 1.0

Included in restructuring and impairment charges for the year ended December 31, 2007 was a $2.0 million gain on the sale of the U.K. plant.

	Liability January 1, 2006	Restructuring and Impairment Charges	Cash Paid	Non-cash Adjustments	Liability December 31, 2006
Noveon trade name impairment	$	$ 41.2	$	$ (41.2)	$
Bromborough, U.K. plant closure	2.3	6.7	(8.2)	0.2	1.0
Lubrizol Advanced Materials facility and line closures and workforce reductions	2.5	4.1	(2.5)	(3.4)	0.7
Corporate / other workforce reductions	0.3	(0.1)			0.2
Noveon International restructuring liabilities assumed	1.3		(0.4)		0.9
	$ 6.4	$ 51.9	$ (11.1)	$ (44.4)	$ 2.8

	Liability January 1, 2005	Restructuring and Impairment Charges	Cash Paid	Non-cash Adjustments	Liability December 31, 2005
Bromborough, U.K. plant closure	$	$ 6.1	$ (3.1)	$ (0.7)	$ 2.3
Lubrizol Advanced Materials facility closures and workforce reductions		9.0	(2.3)	(4.2)	2.5
Corporate / other workforce reductions	2.7	0.7	(3.1)		0.3
Noveon International restructuring liabilities assumed	6.1	0.1	(5.0)	0.1	1.3
	$ 8.8	$ 15.9	$ (13.5)	$ (4.8)	$ 6.4

In September 2006, the company entered into an agreement to sell the manufacturing facility located in Bromborough, United Kingdom. The sale closed in January 2007. In connection with the sale, the company received net cash proceeds of $5.9 million and recorded a pretax gain of $2.8 million during the first quarter of 2007. The gain was classified as a reduction to restructuring charges associated with closure of the facility. Production from the Bromborough facility was transferred to higher-capacity company facilities in France and the United States. On January 17, 2005, the company announced its plans to phase-out production at the Bromborough facility by the end of 2006. At that time, the company estimated that total restructuring costs, including employee severance and other plant closure costs (including planned demolition costs), would be approximately $15.0 million. Cumulative pretax charges of approximately $12.8 million were incurred through 2006, of which $6.7 million were incurred in 2006, to satisfy severance and retention obligations, plant dismantling, site restoration and other site environmental evaluation costs. The company has invested approximately $20.6 million in capital related to the Bromborough plant closure for capacity upgrades in France and the United States. At December 31, 2007, the company had completed its capital spending associated with the replacement of productive capability as a result of the Bromborough plant closure.

As part of its corporate goal to enhance its one company identity and to reflect more accurately its positioning in the marketplace, the company completed a corporate identity review in the fourth quarter of 2006. Senior management of the company made a final determination in January 2007 that the trade name Noveon no longer would be used to describe the Lubrizol Advanced Materials segment of the company and that its use would be discontinued except in connection with the Noveon consumer specialties product line. The company acquired the rights to the Noveon trade name in June 2004 when it acquired Noveon International. At the time of acquisition, an appraised value was attached to the Noveon trade name. The company calculated a pretax charge of $41.2 million ($25.4 million after-tax) to reduce the related asset to its estimated fair value. This charge was reflected in the fourth quarter of 2006 as the company believed at that time it would more likely than not discontinue the use of the Noveon trade name, except in the limited context of its Noveon consumer specialties product line.

In 2005, management made the decision and the announcement to close two Lubrizol Advanced Materials performance coatings production facilities located in the United States. The aggregate restructuring charges recorded for these closures were $8.0 million, of which $1.4 million was recorded in 2006. Total charges were comprised of $4.8 million in asset impairments, $1.1 million in exit costs and $2.1 million in severance costs. The impairment charges for both facilities were recorded to reduce the related assets to their estimated fair values, which were determined primarily from third-party appraisals. Production from these sites was transferred to other facilities in the United States. One facility, located in Mountaintop, Pennsylvania, was closed in October 2005 and sold in January 2006. The other facility, located in Linden, New Jersey, was closed in the third quarter of 2006. These closures resulted in a workforce reduction of 62 employees. Additional asset impairment charges of $2.7 million were recorded in 2006, which primarily related to the planned closure of a performance coatings production line in the first quarter of 2007. In May 2005, the company announced the reorganization of the Lubrizol Advanced Materials performance coatings product line. This product line includes businesses acquired from Noveon International as well as businesses included in the company s legacy operations. In connection with the reorganization, management eliminated 26 positions in North America and Europe. These reductions were completed during 2005 and resulted in a severance-related charge of $1.9 million for the year ended December 31, 2005.

In the second quarter of 2005, the company began a process of identifying opportunities to increase efficiency and productivity, reduce costs and support the company s integration strategy of the Noveon International acquisition. As a result, the company reduced headcount in the general and administrative area of its Ohio headquarters. Through these restructuring efforts, the company eliminated seven positions resulting in a severance-related charge of $0.7 million for the year ended December 31, 2005. All of the affected employees had left their positions by June 30, 2005 and the remaining personnel-related costs were paid in 2006.

The charges for these cost reduction initiatives and impairments are reported as a separate line item in the consolidated statements of income entitled Restructuring and impairment charges.

Note 18 - CONTINGENCIES

The company has numerous purchase commitments for materials, supplies and energy in the ordinary course of business. The company also has numerous sales commitments for product supply contracts in the ordinary course of business.

General

There are pending or threatened claims, lawsuits and administrative proceedings against the company or its subsidiaries, all arising from the ordinary course of business with respect to commercial, product liability and environmental matters, which seek remedies or damages. The company believes that any liability that finally may be determined with respect to commercial and product liability claims should not have a material adverse effect on the company s consolidated financial position, results of operations or cash flows. From time to time, the company also is involved in legal proceedings as a plaintiff involving contract, patent protection, environmental and other matters. Environmental matters and liabilities are addressed specifically below. Gain contingencies, if any, are recognized when they are realized.

Environmental

The company s environmental engineers and consultants review and monitor environmental issues at operating facilities and, where appropriate, the company initiates corrective and/or preventive environmental projects to ensure environmental compliance and safe and lawful activities at its current operations. The company also conducts compliance and management systems audits.

The company and its subsidiaries are generators of both hazardous and non-hazardous wastes, the treatment, storage, transportation and disposal of which are regulated by various laws and governmental regulations. These laws and regulations generally impose liability for costs to investigate and remediate contamination without regard to fault and, under certain circumstances, liability may be joint and several resulting in one party being held responsible for the entire obligation. Liability also may include damages to natural resources.

Although the company believes past operations were in substantial compliance with the then-applicable regulations, either the company or the predecessor of Noveon International, the Performance Materials Segment of Goodrich Corporation (Goodrich), has been designated under a country s laws and/or regulations as a potentially responsible party (PRP) in connection with several sites including both third party sites and/or current operating facilities.

The company participates in the remediation process for onsite and third party waste management sites at which the company has been identified as a PRP. This process includes investigation, remedial action selection and implementation, as well as discussions and negotiations with other parties, which primarily include PRPs, past owners and operators and governmental agencies. The estimates of environmental liabilities are based on the results of this process. Inherent uncertainties exist in these estimates primarily due to unknown conditions, changing governmental regulations and legal standards regarding liability, remediation standards and evolving technologies for managing investigations and remediations. The company revises its estimates accordingly as events in this process occur and additional information is obtained.

The company s environmental reserves, measured on an undiscounted basis, totaled $18.7 million at December 31, 2007 and $14.2 million at December 31, 2006. Of these amounts, $5.3 million and $4.5 million were included in accrued expenses and other current liabilities at December 31, 2007 and 2006, respectively. Goodrich provided

Noveon International with an indemnity for various environmental liabilities. The company estimates Goodrich s share of such currently identified liabilities under the indemnity, which extends through February 2011, to be approximately $3.7 million of which $0.5 million of the recovery is included in receivables and $3.2 million is included in other assets. There are specific environmental contingencies for company-owned sites for which third parties such as past owners and/or operators are the named PRPs and also for which the company is indemnified by Goodrich. Goodrich currently is indemnifying Noveon International for several environmental remediation projects. Goodrich s share of all of these liabilities may increase to the extent such third parties fail to honor their obligations through February 2011.

The company believes that its environmental accruals are adequate based on currently available information. The company believes that it is reasonably possible that $9.0 million in additional costs may be incurred at certain locations beyond the amounts accrued as a result of new information, newly discovered conditions, changes in remediation standards or technologies or a change in the law. Additionally, as the indemnification from Goodrich extends through February 2011, changes in assumptions regarding when costs will be incurred may result in additional expenses to the company. Additional costs in excess of $9.0 million cannot currently be estimated.

GUARANTEES

On May 1, 2006, the company sold the FIIS business to SPM Group Holdings, LLC, now known as Emerald Performance Materials, LLC (Emerald). As a result of the sale, Emerald became responsible for a supplier contract with SK Corporation (SK). The company provided a guarantee to SK, revocable by the company upon 60 days prior written notice, for the timely performance of Emerald s payment obligations provided SK is unable to collect payment from Emerald using commercially reasonable efforts. On November 5, 2007, the company terminated the guarantee, which originally extended to January 31, 2008.

INDEMNIFICATIONS

In connection with the sale of the FIIS business, the company has provided indemnifications to Emerald with respect to the business sold. These indemnifications have been associated with the price and quantity of raw material purchases, permit costs, costs incurred due to the inability to obtain permits and environmental matters. In each of these circumstances, payment by the company is dependent on Emerald filing a claim. In addition, the company s obligations under these agreements may be limited in terms of time and/or amount. It is not possible to predict the maximum potential amount of future payments under certain of these agreements due to the conditional nature of the company s obligations and the unique facts and circumstances involved in each particular agreement. For those indemnification agreements where a payment by the company is probable and estimable, a liability has been recorded at December 31, 2007. The company believes that if it were to incur a loss in any of these matters, such loss would not have a material effect on the company s business, financial condition or results of operations.

Note 19 - QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table sets forth the quarterly results of operations for the years ended December 31, 2007 and 2006:

	2007				
	First [1]	Second [1]	Third [1]	Fourth [1]	Full Year
Revenues	$ 1,076.7	$ 1,154.6	$ 1,121.4	$ 1,146.3	$ 4,499.0
Gross profit	$ 278.5	$ 295.8	$ 275.4	$ 271.2	$ 1,120.9
Net income	$ 71.3	$ 81.0	$ 71.4	$ 59.7	$ 283.4
Net income per common share:					
Basic	$ 1.03	$ 1.17	$ 1.03	$ 0.87	$ 4.10
Diluted	$ 1.02	$ 1.15	$ 1.02	$ 0.86	$ 4.05

	2006				
	First [2]	Second [2]	Third [2]	Fourth [2]	Full Year
Revenues	$ 984.1	$ 1,041.1	$ 1,031.0	$ 984.6	$ 4,040.8
Gross profit	$ 244.8	$ 265.8	$ 248.2	$ 236.8	$ 995.6
Income from continuing operations	$ 45.3	$ 63.0	$ 50.1	$ 21.4	$ 179.8
Discontinued operations	(60.7)	(12.4)	(0.5)	(2.6)	(76.2)
Net income	$ (15.4)	$ 50.6	$ 49.6	$ 18.8	$ 103.6
Per common share - basic:					
Continuing operations	$ 0.66	$ 0.92	$ 0.73	$ 0.31	$ 2.62
Discontinued operations	(0.89)	(0.18)	(0.01)	(0.04)	(1.11)
Net income	$ (0.23)	$ 0.74	$ 0.72	$ 0.27	$ 1.51
Per common share - diluted:					
Continuing Operations	$ 0.65	$ 0.91	$ 0.72	$ 0.31	$ 2.59
Discontinued operations	(0.88)	(0.18)		(0.04)	(1.10)
Net income	$ (0.23)	$ 0.73	$ 0.72	$ 0.27	$ 1.49

(1) The company recorded restructuring and impairment (credits) charges of $(2.4) million, $0.9 million, $2.1 million and $0.9 million in the first, second, third and fourth quarters of 2007, respectively.

(2) The company recorded restructuring and impairment charges of $1.8 million, $1.8 million, $2.7 million and $45.6 million in the first, second, third and fourth quarters of 2006, respectively.

Historical Summary

(In Millions Except Shareholders, Employees and Per Share Data)	2007	2006	2005	2004*	2003
OPERATING RESULTS:					
Revenues	$ 4,499.0	$ 4,040.8	$ 3,622.2	$ 2,864.4	$ 1,984.2
Cost of sales	3,378.1	3,045.2	2,700.1	2,104.6	1,460.2
Gross profit	1,120.9	995.6	922.1	759.8	524.0
Selling, administrative, technical and research expenses	641.1	587.2	547.3	469.6	355.1
Amortization of intangible assets	24.3	23.7	23.5	16.9	4.8
Write-off of acquired in-process research and development				34.0	
Restructuring and impairment charges	1.5	51.9	15.9	38.1	22.5
Net interest expense and other income	55.0	70.8	95.2	66.7	17.8
Income from continuing operations before income taxes	399.0	262.0	240.2	134.5	123.8
Provision for income taxes	115.6	82.2	80.8	49.0	36.2
Income from continuing operations	283.4	179.8	159.4	85.5	87.6
Income (loss) from discontinued operations net of tax		(76.2)	27.8	6.3	1.9
Net income	$ 283.4	$ 103.6	$ 187.2	$ 91.8	$ 89.5
Income from continuing operations per diluted share	$ 4.05	$ 2.59	$ 2.32	$ 1.53	$ 1.70
Discontinued operations per diluted share		(1.10)	0.40	0.11	0.04
Diluted earnings per share	$ 4.05	$ 1.49	$ 2.72	$ 1.64	$ 1.74
FINANCIAL RATIOS:					
Gross profit percentage	24.9	24.6	25.5	26.5	26.4
Percent of revenues:					
Selling and administrative expenses	9.4	9.4	9.6	9.9	9.6
Research and testing expenses	4.9	5.1	5.5	6.5	8.3
Return on average shareholders equity (%)	15.6	6.4	12.2	7.5	9.9
Debt to capitalization (%)	42.2	47.8	51.8	56.5	28.6
Current ratio	2.1	2.9	2.4	2.4	3.1
OTHER INFORMATION:					
Dividends declared per share	$ 1.16	$ 1.04	$ 1.04	$ 1.04	$ 1.04
Average common shares outstanding:					
Basic	69.2	68.7	67.9	55.7	51.7
Diluted	70.0	69.3	68.8	56.0	51.9
Capital expenditures continuing operations	$ 182.8	$ 125.7	$ 121.9	$ 122.6	$ 88.2
Depreciation expense continuing operations	$ 137.1	$ 133.3	$ 139.4	$ 123.8	$ 93.7
At Year End:					
Total assets	$ 4,643.8	$ 4,390.9	$ 4,371.2	$ 4,571.1	$ 1,944.9
Long-term debt	$ 1,223.9	$ 1,538.0	$ 1,662.9	$ 1,964.1	$ 386.7
Total debt	$ 1,428.8	$ 1,541.7	$ 1,670.8	$ 1,972.3	$ 389.6
Total shareholders equity	$ 1,951.3	$ 1,683.1	$ 1,551.9	$ 1,508.5	$ 941.0
Shareholders equity per basic share	28.53	24.39	22.81	22.58	18.24
Common share price	$ 54.16	$ 50.13	$ 43.43	$ 36.86	$ 32.52
Number of shareholders	3,029	3,265	3,500	3,698	3,903
Number of employees	6,921	6,746	7,515	7,725	5,032

* The 2004 results include the revenues and expenses of Noveon International, Inc. since June 3, 2004, the date of acquisition.

Exhibit 21.1

LIST OF SIGNIFICANT SUBSIDIARIES OF
THE LUBRIZOL CORPORATION
AS OF DECEMBER 31, 2007

NAME	COUNTRY OR STATE OF INCORPORATION
Lubrizol Advanced Materials FCC, Inc.	USA Delaware
Lubrizol Advanced Materials, Inc.	USA Delaware
Lubrizol Advanced Materials International, Inc.	USA Delaware
Lubrizol Advanced Materials Gibraltar, Inc.	USA Delaware
Lubrizol Overseas Trading Corporation	USA Delaware
CPI Engineering Services, Inc.	USA Michigan
Lubrizol International Management Corporation	USA Nevada
Lubrizol Advanced Materials Europe BVBA	Belgium
Lubrizol Europe Coordination Center BVBA	Belgium
Lubrizol do Brasil Aditivos Ltda.	Brazil
Lubrizol Canada Limited	Canada
Lubrizol International, Inc.	Cayman Islands
Lanzhou Lubrizol Lanlian Additive Co. Ltd.	People s Republic of China
Lubrizol France SAS	France
Lubrizol Holdings France SAS	France
Lubrizol Deutschland GmbH	Germany
Lubrizol (Gibraltar) Limited	Gibraltar
Lubrizol (Gibraltar) Minority Limited	Gibraltar
Lubrizol Advanced Materials Asia Pacific Limited	Hong Kong
Lubrizol Advanced Materials Hong Kong Limited	Hong Kong
Lubrizol India Private Limited	India
Lubrizol Japan Limited	Japan
Lubrizol (Gibraltar) Limited Luxembourg SCS	Luxembourg
Lubrizol Luxembourg S.à r.l.	Luxembourg
Lubrizol Advanced Materials Holland B.V.	The Netherlands
Lubrizol Southeast Asia (Pte.) Ltd.	Singapore
Lubrizol South Africa (Pty) Limited	South Africa
Lubrizol Adibis Holdings (UK) Limited	United Kingdom
Lubrizol Limited	United Kingdom

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 33-61091, 33-42211, 333-42338 and 333-124763 on Form S-8 and 333-115662 on Form S-3 of our reports dated February 28, 2008, relating to the financial statements and financial statement schedule of The Lubrizol Corporation (the   Company) (which report relating to the consolidated financial statements expresses an unqualified opinion and includes an explanatory paragraph regarding the Company s adoption of new accounting standards in 2007 and 2006) and the effectiveness of the Company s internal control over financial reporting, appearing in and incorporated by reference in this Annual Report on Form 10-K of the Company for the year ended December 31, 2007.

/s/ Deloitte & Touche LLP

Cleveland, Ohio

February 28, 2008

Exhibit 31.1

THE LUBRIZOL CORPORATION
Rule 13a-14(a) Certification

I, James L. Hambrick, certify that:

1. I have reviewed this annual report on Form 10-K of The Lubrizol Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based upon such evaluation; and

(d) disclosed in this report any change in registrant s internal control over financial reporting that occurred during registrant s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant s internal control over financial reporting; and

5. The registrant s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant s auditors and the audit committee of the registrant s board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant s ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal control over financial reporting.

/s/ James L. Hambrick
James L. Hambrick
Chief Executive Officer and President
February 28, 2008

Exhibit 31.2

I, Charles P. Cooley, certify that:

1. I have reviewed this annual report on Form 10-K of The Lubrizol Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based upon such evaluation; and

(d) disclosed in this report any change in registrant s internal control over financial reporting that occurred during registrant s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant s internal control over financial reporting; and

5. The registrant s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant s auditors and the audit committee of the registrant s board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant s ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal control over financial reporting.

/s/ Charles P. Cooley

Charles P. Cooley
Chief Financial Officer
February 28, 2008

Exhibit 32.1

THE LUBRIZOL CORPORATION

Certification of Chief Executive Officer and Chief Financial Officer of
The Lubrizol Corporation Pursuant to 18 U.S.C. Section 1350

I certify that, to the best of my knowledge and belief, the Annual Report on Form 10-K of The Lubrizol Corporation for the period ending December 31, 2007:

(1) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of The Lubrizol Corporation.

/s/ James L. Hambrick
James L. Hambrick
Chief Executive Officer and President
February 28, 2008

I certify that, to the best of my knowledge and belief, the Annual Report on Form 10-K of The Lubrizol Corporation for the period ending December 31, 2007:

(1) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of The Lubrizol Corporation.

/s/ Charles P. Cooley
Charles P. Cooley
Chief Financial Officer
February 28, 2008