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LUBRIZOL CORP
Form 10-K
March 28, 2002

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2001

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES 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
Common Share purchase rights	New York Stock Exchange

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

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 of 1934 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 X No

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.

Aggregate market value (on basis of closing sale price) of voting stock held by nonaffiliates as of March 1, 2002 \$1,641,227,630

Number of the registrant's Common Shares, without par value, outstanding as of March 1, 2002 51,232,974

Documents Incorporated by Reference

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Portions of the registrant's 2001 Annual Report to its shareholders
(Incorporated into Part I and II of this Form 10-K)

Portions of the registrant's Proxy Statement dated March 13, 2002
(Incorporated into Part III of this Form 10-K)

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PART I

ITEM 1. BUSINESS

The Lubrizol Corporation was organized under the laws of Ohio in 1928. The company began business as a compounder of special-purpose lubricants, and in the early 1930's was among the first to commence research in the field of lubricant additives. Today, the company is a global fluid technology company that develops, produces and sells high-performance chemicals, systems and services for industry and transportation. The company creates these products, including specialty additive packages and related equipment, for use in transportation and industrial lubricants and other markets. The company does this by applying advanced chemical and mechanical technologies in order to enhance the performance, quality and value and reduce the environmental impact of the customer products in which our products are used. The company groups its product lines into two operating segments: fluid technologies for transportation and fluid technologies for industry.

PRINCIPAL PRODUCTS. Fluid technologies for transportation is comprised of additives for lubricating engine oils, such as for gasoline, diesel, marine and stationary gas engines and additive components; additives for driveline oils, such as automatic transmission fluids, gear oils and tractor lubricants; and additives for fuel products and refinery and oil field chemicals. In addition, the company sells additive components and viscosity improvers within its lubricant and fuel additives product lines. Fluid technologies for industry includes industrial additives, such as additives for hydraulic fluids, metalworking fluids and compressor lubricants; performance chemicals, such as additives for coatings and inks, defoamers and process chemicals; and performance systems, comprised principally of fluid metering devices and particulate emission trap devices.

Revenues within the fluid technologies for transportation segment comprised 83%, 82% and 83% of consolidated revenues in 2001, 2000 and 1999, respectively. Additives for lubricating engine oils comprised 55%, 53% and 53% of consolidated revenues in 2001, 2000 and 1999, respectively. Additives for driveline oils comprised 22%, 23% and 23% of consolidated revenues for these same respective periods. Further financial information for the company's operating segments is contained in Note 12 to the Financial Statements, which is included in the company's 2001 Annual Report to its shareholders and is incorporated herein by reference.

Additives improve the lubricants and fuels used in cars, trucks, buses, off-highway equipment, marine engines and industrial applications. In lubricants, additives enable oil to withstand a broader range of temperatures, limit the buildup of sludge and varnish deposits, reduce wear, inhibit the formation of foam, rust and corrosion, and retard oxidation. In fuels, additives help maintain efficient operation of the fuel delivery system, help control deposits and corrosion, improve combustion and assist in preventing

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decomposition during storage. The company sells a proprietary dispersant/surfactant additive package that enables the emulsion of water in diesel fuel, resulting in a low-emission fuel (PuriNOx™) for diesel engines. The company also manufactures and sells or leases the specialized blending units to blend the additive, water and diesel fuel into the stable emulsion.

Due to the variety of oil properties and applications, a number of different chemicals are used to formulate the company's products. Each additive combination is designed to fit the characteristics of the customer's base oil and the level of performance specified. Engine oils for passenger cars contain a combination of chemical additives which usually includes one or more detergents, dispersants, oxidation inhibitors and wear inhibitors, pour point depressants and viscosity improvers. Other chemical combinations are used in specialty additive systems for heavy duty engine oils used by trucks and off-highway equipment and in formulations for gear oils, automatic transmission

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fluids, industrial oils, metalworking fluids, and gasoline, diesel and residual fuels.

The company's performance systems products principally involve products used in emission controls, such as catalyst, exhaust and filter systems and precision metering devices used in blending and additive injection operations.

COMPETITION. The company's fluid technologies for transportation segment and fluid technologies for industry segment are highly competitive in terms of price, technology development, product performance and customer service. The company's principal competitors within its fluid technologies for transportation segment, both in the United States and overseas, are Infineum, a joint venture involving two major petroleum companies (Shell Oil Company and Exxon Mobil Corporation); Chevron Oronite Company, a subsidiary of Chevron Corporation, a major petroleum company; and one chemical company (Ethyl Corporation). The petroleum companies either directly or indirectly produce lubricant and fuel additives for their own use and also sell additives to others. These petroleum companies are also customers of the company and may also sell base oil to the company. The company believes, based on volume sold, that it is the largest supplier to the petroleum industry of performance additive packages for lubricants. In fluid technologies for industry, we compete primarily in the metalworking fluids, hydraulic fluids and additives for paints, coatings and inks markets with numerous competitors within each market.

CUSTOMERS. In the United States, the company markets its fluid technologies for transportation and fluid technologies for industry products through its own sales organization. The company's additive customers consist primarily of oil refiners and independent oil blenders and are located in more than 100 countries. In 2001, approximately 45% of the company's consolidated sales were made to customers in North America, 30% to customers in Europe and the Middle East and 25% to customers in Asia-Pacific and Latin America. The company's ten largest customers, most of which are international oil companies and a number of which are groups of affiliated entities, accounted for approximately 53% of consolidated sales in 2001. The loss of one or more of these customers could have a material adverse effect on the company's business, specifically in the fluid technologies for transportation segment. There was no single customer, including any group of affiliated entities, that accounted for more than 10% of 2001 consolidated revenues. The company's fluid technologies for industry segment is not materially dependent on a single customer or on a few customers.

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RAW MATERIALS. The company utilizes a broad variety of chemical raw materials in the manufacture of its additives and uses oil in processing and blending additives. These materials are obtainable from several sources, and for the most part are derived from petroleum. Political and economic conditions in the Middle East have, in the past, caused and may continue to cause the cost of raw materials to fluctuate significantly; however, the availability of raw materials to the company has not been significantly affected when these conditions occurred. The company expects raw materials to be available in adequate quantities during 2002.

RESEARCH, TESTING AND DEVELOPMENT. The company has historically emphasized research and has developed a large percentage of the additives it manufactures and sells. Technological developments in the design of engines and other automotive equipment, combined with rising demands for environmental protection and fuel economy, require increasingly sophisticated chemical additives to meet industry performance standards. The frequency of changes in industry performance affects the company's technical spending patterns.

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Consolidated research and development expenditures were \$87.6 million in 2001, \$86.4 million in 2000 and \$78.3 million in 1999. These amounts were equivalent to 4.7%, 4.9% and 4.4% of the respective revenues for such 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, \$70.9 million, \$64.4 million and \$67.7 million was spent in 2001, 2000 and 1999, 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.

Research, testing and development expenditures by operating segment were as follows (in thousands of dollars):

	2001 -----	2000 -----	1999 -----
Research and development expenditures:			
Fluid technologies for transportation	\$74,415	\$74,632	\$66,268
Fluid technologies for industry	13,167	11,763	11,984
	-----	-----	-----
Total	\$87,582	\$86,395	\$78,252
	=====	=====	=====
Testing expenditures:			
Fluid technologies for transportation	\$57,616	\$55,035	\$58,978
Fluid technologies for industry	13,275	9,375	8,697
	-----	-----	-----
Total	\$70,891	\$64,410	\$67,675
	=====	=====	=====

The company has two research facilities at Wickliffe, Ohio, one of which is principally for lubricant additive research and the other for research

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in the field of other specialty chemicals. The company also maintains a mechanical testing laboratory at Wickliffe, equipped with a variety of gasoline and diesel engines and other mechanical equipment to evaluate the performance of additives for lubricants and fuels. The company has similar mechanical testing laboratories in England and Japan and, in addition, makes extensive use of independent contract research firms. Extensive field testing is also conducted through various arrangements with fleet operators and others.

Liaison offices in Detroit, Michigan; Hazelwood, England; Hamburg, Germany; Tokyo, Japan; and Paris, France, maintain close contact with the principal automotive and equipment manufacturers of the world and keep the company abreast of the performance requirements for its products in the face of changing technologies. These liaison activities also serve as contacts for cooperative development and evaluation of products for future applications. Contacts with the automotive and equipment industry are important so that the company may have the necessary direction and lead time to develop products for use in engines, transmissions, gear sets, and other areas of equipment that require lubricants of advanced design.

PATENTS. The company owns a variety of United States and foreign patents relating to lubricant and fuel additives, lubricants, chemical compositions and processes, and protective coating materials and processes. While such domestic and foreign patents expire from time to time, the company continues to apply for and obtain patent protection on an ongoing basis. Although the company believes that, in the aggregate, its patents constitute an important asset, it does not regard its business as being materially dependent upon any single patent or any group of related patents. We utilize patents in both the fluid technologies for transportation segment and the fluid technologies for industry segment.

ENVIRONMENTAL MATTERS. The company is subject to federal, state and local laws and regulations designed to protect the environment and limit manufacturing wastes and emissions. The company believes that as a general matter its policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and the consequent financial liability to the company. Compliance with the environmental laws and

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regulations requires continuing management effort and expenditures by the company. Capital expenditures for environmental projects were \$2.5 million in 2001, which represented 3.8% of 2001 capital expenditures. The company believes that the cost of complying with environmental laws and regulations will not have a material affect on the earnings, liquidity or competitive position of the company.

The company is engaged in the handling, manufacture, use, transportation and disposal of substances that are classified as hazardous or toxic by one or more regulatory agencies. The company believes that its handling, manufacture, use, transportation and disposal of such substances generally have been in accord with environmental laws and regulations.

Among other environmental laws, the company is subject to the federal "Superfund" law, under which the company has been designated as a "potentially responsible party" that may be liable for cleanup costs associated with various waste sites, some of which are on the U.S. Environmental Protection Agency Superfund priority list. The company's experience, consistent with what it believes to be the experience of others in similar cases, is that Superfund site

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liability tends to be apportioned among parties based upon contribution of materials to the Superfund site. Accordingly, the company measures its liability and carries out its financial reporting responsibilities with respect to Superfund sites based upon this standard, even though Superfund site liability is technically joint and several in nature. The company views the expense of such remedial cleanups as a part of its product cost, and accrues for estimated environmental liabilities with charges to cost of sales. The company considers its environmental accrual to be adequate to provide for its portion of costs for all such known environmental liabilities. Based upon consideration of currently available information, the company believes liabilities for environmental matters will not have a material adverse affect on the company's financial position, operating results or liquidity.

EMPLOYEES. At December 31, 2001, the company and its subsidiaries had 4,530 employees of which approximately 54% were in the U.S.

GEOGRAPHIC AREA INFORMATION. Financial information with respect to domestic and foreign operations is contained in Note 12 to the Financial Statements which is included in the company's 2001 Annual Report to its shareholders, and is incorporated herein by reference.

The company supplies its additive customers abroad through export from the United States and from overseas manufacturing plants. Sales and technical service offices are maintained in more than 30 countries outside the United States. As a result, the company is subject to business risks inherent in non-U.S. activities, including political and economic uncertainty, import and export limitations and market risk related to changes in interest rates and foreign currency exchange rates. The company believes the political and economic risks related to its foreign operations are mitigated due to the stability of the countries in which its largest foreign operations are located.

While changes in the U.S. dollar value of foreign currencies will affect earnings from time to time, the longer-term economic effect of these changes should not be significant given the company's net asset exposure, currency mix and use of U.S. dollar-based pricing in certain countries. The company's consolidated net income will generally benefit as foreign currencies increase in value compared to the U.S. dollar and will generally decline as foreign currencies decrease in value.

ITEM 2. PROPERTIES

The general offices of the company are located in Wickliffe, Ohio. The company has various leases for general office space primarily located in Anaheim, California; Houston, Texas; Naperville, Illinois; Wilmington, Delaware; Southfield, Michigan; Oakville, Ontario; and London, England. The

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company leases office and laboratory space in Spartanburg, South Carolina. The company owns three additive manufacturing plants in the United States; one located in the Cleveland, Ohio area, at Painesville, and two near Houston, Texas, at Deer Park and Bayport. Outside the United States, the company owns additive manufacturing/blending plants in Australia, Brazil, Canada, England, France (three locations), Japan, South Africa and Singapore. All of these plants, other than Singapore, are owned in fee. In Singapore, the company owns the plant but leases the land on which the plant is located. The company owns in fee research, development and testing facilities in Wickliffe, Ohio; Hazelwood, England; and Kinuura, Japan. The company also owns in fee a facility in Midland, Michigan, at which air and refrigeration compressor lubricants are developed and

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marketed; manufacturing plants in Countryside, Illinois; Mountaintop, Pennsylvania; and Germany that manufacture performance specialty chemical additives for the coatings and specialty metalworking fluid and industrial lubricant markets; a manufacturing plant in Atlanta, Georgia, that manufactures fluid metering devices; manufacturing plants in Newmarket and London, Ontario, Canada, and Reno, Nevada, that manufacture particulate emission control devices; a manufacturing plant in Fareham, Hampshire, England, that manufactures additive injection equipment; and manufacturing plants in Fountain Inn, South Carolina, and Cheyenne, Wyoming, that manufacture antifoam and defoaming agents to the coatings, inks, textile, food, fermentation, mining, wastewater and metalworking industries. The company leases space in Countryside, Illinois, at which specialty chemical additives for the coatings and specialty metalworking fluid and industrial lubricant markets are manufactured.

Additive manufacturing/blending plants in India, Saudi Arabia, and China are owned and operated by joint venture companies licensed by Lubrizol. Lubrizol's ownership of each of these companies ranges from 49% to 50.05%.

The company has entered into long-term contracts for its exclusive use of major marine terminal facilities at the Port of Houston, Texas. In addition, Lubrizol has leases for storage facilities in Australia, Chile, Denmark, Ecuador, England, Finland, France, Holland, Singapore, Spain, South Africa, Sweden and Turkey; Los Angeles, California; St. Paul, Minnesota; Bayonne, New Jersey; and Tacoma, Washington. In some cases, the ownership or leasing of such facilities is through certain of its subsidiaries or affiliates.

The company maintains a capital expenditure program to support its operations and believes its facilities are adequate for its present operations and for the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS

The company and its subsidiaries are participants in ordinary routine litigation incidental to the business but are not defendants in any material pending legal proceedings.

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, 2001.

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EXECUTIVE OFFICERS OF THE REGISTRANT

The following sets forth the name, age, recent business experience and certain other information relative to each person who is an executive officer of the company as of March 1, 2002.

Name	Business Experience
----	-----
W. G. Bares	Mr. Bares, age 60, became Chairman of the Board on April 22, 1996, and Chief Executive Officer on January 1, 1996. He has been President since 1982.

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J. R. Ahern	Mr. Ahern, age 55, has been Controller - Accounting and Financial Reporting and Principal Accounting Officer since April 26, 1999. From 1993 to April 1999 he was Controller - Operations.
J. W. Bauer	Mr. Bauer, age 48, has been Vice President and General Counsel since April 1992.
D. W. Bogus	Mr. Bogus, age 54, joined the company and became Vice President in May, 2000. He is responsible for fluid technologies for industry. Prior to joining the company, he was with PPG Industries, Inc., where he was Vice President of Governmental Affairs from May 1999 to February 2000, Vice President-Packaging Coatings from October 1998 to May 1999, and Vice President Industrial Coatings from September 1996 to October 1998.
C. P. Cooley	Mr. Cooley, age 46, has been Vice President and Chief Financial Officer since he joined the company in April 1998. In addition, he was Treasurer from April 1998 to September 2001. In June 1998 he also became responsible for corporate strategic planning. Prior to joining the company, he was Assistant Treasurer - Corporate Finance at Atlantic Richfield Company.
S. A. Di Biase	Dr. Di Biase, age 49, has been Vice President since September 1993. He has been responsible for emulsified products since October 2001. Prior to that, he was responsible for research and development.
J. L. Hambrick	Mr. Hambrick, age 47, was elected Vice President responsible for managing corporate strategies in the Asia-Pacific region in May, 2000. From October 1998 to April 2000 he was global business manager - engine oils. From January 1994 to September 1998 he was FSU and China business development manager.
G. R. Hill	Dr. Hill, age 60, has been Senior Vice President since 1988. He has been responsible for research and development since October 2001 and has been responsible for business development since October 1993. From 1996 to June 1998 he was also responsible for corporate strategic planning.
J. E. Hodge	Mr. Hodge, age 59, has been Vice President since September 1993. He is responsible for operations.

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Name

Business Experience

K. H. Hopping	Mr. Hopping, age 55, has been Vice President since April 1991. He is responsible for global communications and investor relations. From 1991 to April 2001 he was also Corporate Secretary.
S. F. Kirk	Mr. Kirk, age 52, has been Vice President since

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September 1993. Since January 1999, he has been responsible for sales and marketing. From April 1996 to January 1999, he was responsible for sales.

- Y. Le Couedic Mr. Le Couedic, age 54, has been Vice President since September 1993. He is responsible for management information systems.
- G.R. Lewis Mr. Lewis, age 42, was named Assistant Secretary in April 2001, and has been Assistant to the General Counsel since October 1997. From September 1993 to October 1997 he was Corporate Counsel.
- G. P. Lieb Mr. Lieb, age 49, has been Controller - Commercial Analysis and Support since April 26, 1999. From 1993 to April 1999 he was Controller - Accounting and Financial Reporting. From 1994 to April 1999 he was also Principal Accounting Officer.
- M. W. Meister Mr. Meister, age 47, has been Vice President since April 1993, and was named Chief Ethics Officer in April 1998. He is responsible for human resources.
- R. S. Potter Ms. Potter, age 42, joined the company and was named Treasurer in September 2001. Prior to joining the company, she was Vice President and Treasurer at Dexter Corporation from 1999 to 2000, Leader of Facilities Integration at Hercules, Inc. from 1998 to 1999, and Assistant Vice President and Treasurer at BetzDearborn Corporation from 1996 to 1998.
- L. M. Reynolds Ms. Reynolds, age 41, was named Corporate Secretary in April 2001, and has been Counsel since February 1991. From April 1995 until April 2001, she was Assistant Secretary.
- R. D. Robins Dr. Robins, age 59, became Vice President in April 1996. From January 1999 to October 2001 he was responsible for performance systems functions. From April 1996 to January 1999, he was responsible for segment management.

All executive officers serve at the pleasure of the Board.

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PART II

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

The common shares of the company are listed on the New York Stock Exchange under the symbol LZ. The number of shareholders of record of common shares was 4,268 as of March 1, 2002.

Information relating to the recent price and dividend history of the company's common shares follows:

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	Common Share Price History				Dividends	
	2001		2000		Per Common Share	
	High	Low	High	Low	2001	2000
1st quarter	\$33.65	\$24.13	\$33.50	\$23.75	\$.26	\$.26
2nd quarter	33.69	28.25	28.06	21.00	.26	.26
3rd quarter	37.69	28.00	24.12	18.56	.26	.26
4th quarter	35.75	27.75	26.00	19.06	.26	.26
					-----	-----
					\$1.04	\$1.04
					=====	=====

On November 16, 2001, the company issued 725 common shares in a transaction exempt from registration under the Securities Act of 1933 pursuant to Regulation S. The common shares were issued pursuant to an employee benefit plan to an employee of a wholly-owned UK subsidiary of the company.

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 pages 42 and 43 of the company's 2001 Annual Report to its shareholders is incorporated herein by reference. Other income for 2000 includes a litigation settlement gain of \$19.4 million and credits of \$4.5 million for adjustments to the second program of the company's cost reduction initiative. Other income (charges) for 1999 includes litigation settlement gains of \$17.6 million and special charges of \$19.6 million for the second program of the company's cost reduction initiative and adjustments to the first program of the company's cost reduction initiative. Other income (charges) for 1998 includes litigation settlement gain of \$16.2 million and special charges of \$23.3 million for the first program of the company's cost reduction initiative and of \$13.6 million for the write-off of purchased technology under development resulting from the acquisition of Adibis.

Total debt reported in the Historical Summary includes the following amounts classified by maturity date as long-term at December 31: \$388.1 million in 2001, \$378.8 million in 2000, \$365.4 million in 1999, \$390.4 million in 1998 and \$182.2 million in 1997.

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 Statement For 'Safe Harbor' Purposes Under the Private Securities Litigation Reform Act of 1995", contained on pages 14 through 23, inclusive, of the company's 2001 Annual Report to its shareholders is incorporated herein by reference.

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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 23 of the company's 2001 Annual Report to its shareholders is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The consolidated financial statements of the company and its subsidiaries, together with the independent auditors' report relating thereto, contained on pages 24 through 41, inclusive, of the company's 2001 Annual Report to its shareholders, and the Quarterly Financial Data (Unaudited) contained on page 24 of such 2001 Annual Report, are incorporated herein by reference.

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

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information contained under the heading "Election of Directors" on pages 3 to 7, inclusive, and under "Section 16(a) Beneficial Ownership Reporting Compliance" on page 20 of the company's Proxy Statement dated March 13, 2002, is incorporated herein by reference. Information relative to executive officers of the company is contained under "Executive Officers of the Registrant" in Part I of this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION.

The information relating to executive compensation contained under the headings "Director Compensation" on page 9, "Executive Compensation - Summary Compensation Table" and "- Stock Incentive Plans" on pages 12 through 14, inclusive, and under "Employee and Executive Officer Benefit Plans - Pension Plans" and "- Executive Agreements" on pages 18 through 20, inclusive, of the company's Proxy Statement dated March 13, 2002, is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information relating to security ownership set forth under the heading "Share Ownership of Directors, Executive Officers and Large Beneficial Owners" on pages 10 and 11 of the company's Proxy Statement dated March 13, 2002, is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information contained in footnote (1) under the heading "Share Ownership of Directors, Executive Officers and Large Beneficial Owners - Five Percent Beneficial Owners" on page 11 of the company's Proxy Statement dated March 13, 2002, is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(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 independent auditors' report relating thereto, contained on pages 24 through 41, inclusive, of Lubrizol's 2001 Annual Report to its shareholders, and incorporated herein by reference:

Independent Auditors' Report

Consolidated Statements of Income for the years ended December 31, 2001, 2000 and 1999

Consolidated Balance Sheets at December 31, 2001 and 2000

Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999

Consolidated Statements of Shareholders' Equity for the years ended December 31, 2001, 2000 and 1999

Notes to Financial Statements

Quarterly Financial Data (Unaudited)

2. Schedules

No financial statement schedules are required to be filed as part of this Annual Report.

3. Exhibits

(3) (a) Amended Articles of Incorporation of The Lubrizol Corporation, as adopted September 23, 1991. (Reference is made to Exhibit (3) (a) to The Lubrizol Corporation's Annual Report on Form 10-K for the year ended December 31, 1999, which Exhibit is incorporated herein by reference.)

(3) (b) Regulations of The Lubrizol Corporation, as amended effective April 27, 1992. (Reference is made to Exhibit (3) (b) to The Lubrizol Corporation's Annual Report on Form 10-K for the year ended December 31, 1999, which Exhibit is incorporated herein by reference.)

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- (4) (a) Amendment to Article Fourth of Amended Articles of Incorporation. (Reference is made to Exhibit (4) (a) to The Lubrizol Corporation's Annual Report on Form 10-K for the year ended December 31, 1999, which Exhibit is incorporated herein by reference.)
- (4) (b) Indenture dated as of November 25, 1998, between The Lubrizol Corporation and The First National Bank of Chicago as Trustee. (Reference is made to Exhibit (4) (b) to The Lubrizol Corporation's Annual Report on Form 10-K for the year ended December 31, 1998,

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which Exhibit is incorporated herein by reference.) The company agrees, upon request, to furnish to the Securities and Exchange Commission a copy of any instrument authorizing long-term debt that does not authorize debt in excess of 10% of the total assets of the company and its subsidiaries on a consolidated basis.

- (4) (c) Amended and Restated Rights Agreement between The Lubrizol Corporation and American Stock Transfer & Trust Company dated as of July 26, 1999. (Reference is made to Exhibit 4.1 to The Lubrizol Corporation's Registration Statement on Form 8-A/A dated August 17, 1999, which Exhibit is incorporated herein by reference.)
- (10) (a) * The Lubrizol Corporation 1985 Employee Stock Option Plan, as amended. (Reference is made to Exhibit (10) (a) to The Lubrizol Corporation's Annual Report on Form 10-K for the year ended December 31, 2000, which Exhibit is incorporated herein by reference.)
- (10) (b) * The Lubrizol Corporation Amended Deferred Compensation Plan for Directors. (Reference is made to Exhibit (10) (b) to The Lubrizol Corporation's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2000, which Exhibit is incorporated herein by reference.)
- (10) (c) * Form of Employment Agreement between

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- The Lubrizol Corporation and certain of its senior executive officers.
(Reference is made to Exhibit (10) (c) to The Lubrizol Corporation's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000, which Exhibit is incorporated herein by reference.)
- (10) (d) * The Lubrizol Corporation Excess Defined Benefit Plan, as amended.
- (10) (e) * The Lubrizol Corporation Excess Defined Contribution Plan, as amended.
(Reference is made to Exhibit (10) (e) to The Lubrizol Corporation's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000, which Exhibit is incorporated herein by reference.)
- (10) (f) * The Lubrizol Corporation Performance Pay Plan, as amended. (Reference is made to Exhibit (10) (f) to The Lubrizol Corporation's Annual Report on Form 10-K for the year ended December 31, 1998, which Exhibit is incorporated herein by reference.)
- (10) (g) * The Lubrizol Corporation Executive Death Benefit Plan, as amended.
(Reference is made to Exhibit (10) (g) to The Lubrizol Corporation's Annual Report on Form 10-K for the year ended December 31, 2000, which Exhibit is incorporated herein by reference.)
- (10) (h) * The Lubrizol Corporation 1991 Stock Incentive Plan, as amended. (Reference is made to Exhibit (10) (h) to The Lubrizol Corporation's Quarterly Report on Form 10-Q for the quarterly period ended March 31,
- 2000, which Exhibit is incorporated herein by reference.)
- (10) (i) * The Lubrizol Corporation Deferred Stock Compensation Plan for Outside Directors, as amended. (Reference is made to Exhibit (10) (i) to The Lubrizol Corporation's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2000, which Exhibit is

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incorporated herein by reference.)

- (10) (j) * The Lubrizol Corporation Officers' Supplemental Retirement Plan, as amended. (Reference is made to Exhibit (10) (j) to The Lubrizol Corporation's Annual Report on Form 10-K for the year ended December 31, 2000, which Exhibit is incorporated herein by reference.)
- (10) (k) * The Lubrizol Corporation Deferred Compensation Plan for Officers, as amended.
- (10) (l) * The Lubrizol Corporation Executive Council Deferred Compensation Plan, as amended. (Reference is made to Exhibit (10) (l) to The Lubrizol Corporation's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2000, which Exhibit is incorporated herein by reference.)
- (10) (m) * Supplemental Retirement Plan for Donald W. Bogus.
- (12) Computation of Ratio of Earnings to Fixed Charges.
- (13) The following portions of The Lubrizol Corporation 2001 Annual Report to its shareholders:
- | | |
|-------------|--|
| Pages 14-23 | Management's Discussion and Analysis of Financial Condition and Results of Operations |
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| Page 24 | Independent Auditors' Report |
| Page 25 | Consolidated Statements of Income for the years ended December 31, 2001, 2000 and 1999 |
| Page 26 | Consolidated Balance Sheets at December 31, 2001 and 2000 |
| Page 27 | Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999 |

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	Page 28	Consolidated Statements of Shareholders' Equity for the years ended December 31, 2001, 2000 and 1999
	Pages 29-41	Notes to Financial Statements
	Pages 42-43	Historical Summary
(21)		List of Subsidiaries of The Lubrizol Corporation

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(23)	Consent of Independent Auditors
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*Indicates management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the three
months ended December 31, 2001.

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SIGNATURES

Pursuant to the requirements of Section 13 of the Securities
Exchange Act of 1934, the Registrant has duly caused this Report to be signed on
March 25, 2002, on its behalf by the undersigned, thereunto duly authorized.

THE LUBRIZOL CORPORATION

BY /s/W. G. Bares

W. G. Bares, Chairman of the Board,
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of
1934, this Report has been signed below on March 25, 2002, by the following
persons on behalf of the Registrant and in the capacities indicated.

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/s/W. G. Bares ----- W. G. Bares	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)
/s/C. P. Cooley ----- C. P. Cooley	Vice President and Chief Financial Officer (Principal Financial Officer)
/s/J. R. Ahern ----- J. R. Ahern	Controller, Accounting and Financial Reporting (Principal Accounting Officer)
/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/Victoria F. Haynes ----- Victoria F. Haynes	Director
/s/David H. Hoag ----- David H. Hoag	Director
/s/William P. Madar ----- William P. Madar	Director
/s/Peggy Gordon Miller ----- Peggy Gordon Miller	Director
/s/Ronald A. Mitsch ----- Ronald A. Mitsch	Director
/s/M. Thomas Moore ----- M. Thomas Moore	Director
/s/Daniel E Somers ----- Daniel E. Somers	Director

EXHIBIT INDEX

Exhibits

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- (3) (a) Amended Articles of Incorporation of The Lubrizol Corporation, as adopted September 23, 1991. (Reference is made to Exhibit (3) (a) to The Lubrizol Corporation's Annual Report on Form 10-K for the year ended December 31, 1999, which Exhibit is incorporated herein by reference.)
- (3) (b) Regulations of The Lubrizol Corporation, as amended effective April 27, 1992. (Reference is made to Exhibit (3) (b) to The Lubrizol Corporation's Annual Report on Form 10-K for the year ended December 31, 1999, which Exhibit is incorporated herein by reference.)
- (4) (a) Amendment to Article Fourth of Amended Articles of Incorporation. (Reference is made to Exhibit (4) (a) to The Lubrizol Corporation's Annual Report on Form 10-K for the year ended December 31, 1999, which Exhibit is incorporated herein by reference.)
- (4) (b) Indenture dated as of November 25, 1998, between The Lubrizol Corporation and The First National Bank of Chicago as Trustee. (Reference is made to Exhibit (4) (b) to The Lubrizol Corporation's Annual Report on Form 10-K for the year ended December 31, 1998, which Exhibit is incorporated herein by reference.)
- The company agrees, upon request, to furnish to the Securities and Exchange Commission a copy of any instrument authorizing long-term debt that does not authorize debt in excess of 10% of the total assets of the company and its subsidiaries on a consolidated basis.
- (4) (c) Amended and Restated Rights Agreement between The Lubrizol Corporation and American Stock Transfer & Trust Company dated as of July 26, 1999. (Reference is made to Exhibit 4.1 to The Lubrizol Corporation's Registration Statement on Form 8-A/A dated August 17, 1999, which Exhibit is incorporated herein by reference.)
- (10) (a) * The Lubrizol Corporation 1985 Employee Stock Option Plan, as amended. (Reference is made to Exhibit (10) (a) to The Lubrizol Corporation's Annual Report on Form 10-K for the year ended December 31, 2000, which Exhibit is incorporated herein by reference.)
- (10) (b) * The Lubrizol Corporation Amended Deferred Compensation Plan for Directors. (Reference is made to Exhibit (10) (b) to The Lubrizol Corporation's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2000, which Exhibit is incorporated herein by reference.)
- (10) (c) * Form of Employment Agreement between The Lubrizol Corporation and certain of its senior executive officers. (Reference is made to Exhibit (10) (c) to The Lubrizol Corporation's Quarterly Report on Form 10-Q for the quarterly period ended September 30,

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- 2000, which Exhibit is incorporated herein by reference.)
- (10) (d) * The Lubrizol Corporation Excess Defined Benefit Plan, as amended.
- (10) (e) * The Lubrizol Corporation Excess Defined Contribution Plan, as amended. (Reference is made to Exhibit (10) (e) to The Lubrizol Corporation's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000, which Exhibit is incorporated herein by reference.)
- (10) (f) * The Lubrizol Corporation Performance Pay Plan, as amended. (Reference is made to Exhibit (10) (f) to The Lubrizol Corporation's Annual Report on Form 10-K for the year ended December 31, 1998, which Exhibit is incorporated herein by reference.)
- (10) (g) * The Lubrizol Corporation Executive Death Benefit Plan, as amended. (Reference is made to Exhibit (10) (g) to The Lubrizol Corporation's Annual Report on Form 10-K for the year ended December 31, 2000, which Exhibit is incorporated herein by reference.)
- (10) (h) * The Lubrizol Corporation 1991 Stock Incentive Plan, as amended. (Reference is made to Exhibit (10) (h) to The Lubrizol Corporation's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2000, which Exhibit is incorporated herein by reference.)
- (10) (i) * The Lubrizol Corporation Deferred Stock Compensation Plan for Outside Directors, as amended. (Reference is made to Exhibit (10) (i) to The Lubrizol Corporation's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2000, which Exhibit is incorporated herein by reference.)
- (10) (j) * The Lubrizol Corporation Officers' Supplemental Retirement Plan, as amended. (Reference is made to Exhibit (10) (j) to The Lubrizol Corporation's Annual Report on Form 10-K for the year ended December 31, 2000, which Exhibit is incorporated herein by reference.)
- (10) (k) * The Lubrizol Corporation Deferred Compensation Plan for Officers, as amended.
- (10) (l) * The Lubrizol Corporation Executive Council Deferred Compensation Plan, as amended. (Reference is made to Exhibit (10) (l) to The Lubrizol Corporation's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2000, which Exhibit is incorporated herein by reference.)
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