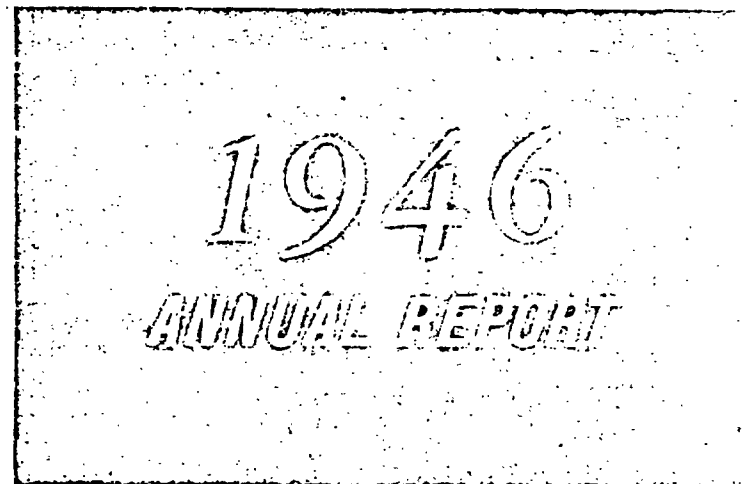


EXHIBIT
OF
JUL 5 1960
STANFORD
UNIVERSITY

UNION ASBESTOS & RUBBER COMPANY



To The
SHAREHOLDERS

UNION ASBESTOS & RUBBER COMPANY

Chicago, Illinois

March 20, 1947

There is submitted herewith the Annual Report of Union Asbestos & Rubber Company for the year ended December 31, 1946. Appended thereto is the Balance Sheet as of December 31, 1946, together with Condensed Statement of Income for the year, and Statement of Earned Surplus.

Earnings and Dividends

The net earnings for 1946, after provision for depreciation and Federal Income Taxes, amounted to \$532,351.72, which compares with an adjusted net income for the year ended December 31, 1945, of \$537,428.89. In computing the Federal Income Tax for 1946, a credit of \$107,787.68 has been taken covering the claim for refund with respect to the unused excess profits credit for the year ended December 31, 1946. There is also included in income \$139,088.00 representing the excess of the proceeds received over the cash value of policies carried by the Company on the life of Mr. L. L. Cohen, the late Chairman of our Board of Directors.

Earnings for 1946 amounted to \$1.12 per share on the Common stock outstanding, as compared with \$1.13 per share for 1945.

Dividends of seventy cents per share, aggregating \$332,768.80, were declared during the year 1946. After the declaration of such dividends there remained \$199,582.92 of net earnings, which were added to Earned Surplus.

Sales and Production

Sales in 1946 amounted to \$5,139,137.89, compared with \$8,022,781.11 in 1945. The reduction in sales volume was due largely to the elimination of war orders, the shortage of raw materials, particularly steel, and strikes in our own and suppliers' plants.

Earnings were adversely affected by price control. As price controls were eliminated, prices were adjusted to compensate for increased labor and material costs.

Orders on hand, particularly for railroad equipment specialties to be delivered in 1947, are very substantial. Our ability to complete these orders during 1947 will depend upon the availability of man power and raw materials.

Labor Relations

Substantially all of the employees, other than those serving in administrative capacities, are represented by labor organizations.

During 1946 strikes occurred in all of the Company's plants. During the general steel strike, the Blue Island plant was not in production from January 21, 1946 to February 27, 1946.