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ANNUAL REPORT

FOR THE FISCAL YEAR
ENDED NOVEMBER 30, 1953

THE EAGLE-PICHER COMPANY

TO OUR SHAREHOLDERS:

This 110th annual report of The Eagle-Picher Company records a year of further progress in your management's program of expanding and diversifying the Company's business and assuring and increasing its earning power.

Net sales for the year ended November 30, 1953 were the largest in the Company's history and net profit before taxes increased materially in comparison with 1952. However, a substantially larger provision for income taxes resulted in a lower net profit for 1953 than for 1952. Dividends aggregating $1.50 per share were paid in both years.

As at November 30, 1953, net working capital as well as cash and U. S. Government obligations were greater than at any previous year-end. Net worth continued its steady uptrend and was at a peak level at the close of the 1953 fiscal year.

General

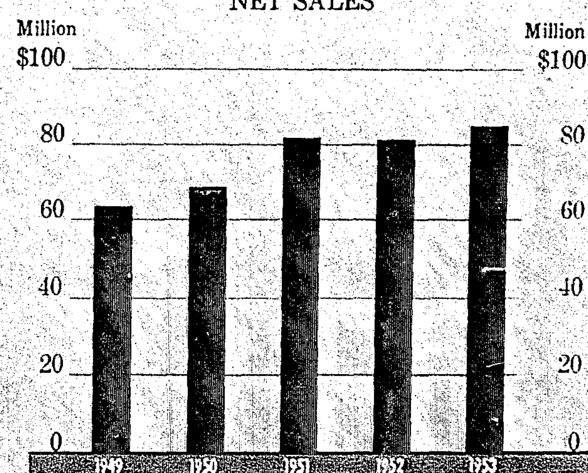
The past year established a new high for post-war business activity while gross national product represented a record-breaking total approximately five per cent above 1952. Despite this favorable climate, many industries and individual companies encountered difficult problems and operating conditions which reduced their earnings. This pattern of readjustment within specific industries during periods of general prosperity has been a characteristic of recent years.

The Eagle-Picher Company's business in 1953 conformed closely with the over-all industrial pattern. Operating under varying conditions, each of our three manufacturing divisions showed better profits than in the preceding year. On the other hand, earnings of the Mining and Smelting Division, like those of other important producers of zinc and lead, fell drastically from the 1952 level.

Sales

Net sales of $85,033,403 for the year ended November 30, 1953 were the largest in the Company's history and compared with $81,893,067 for the preceding year, an increase of 3.8%. This

NET SALES

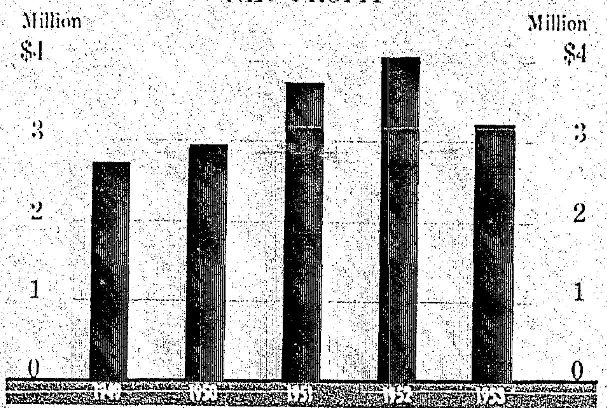


increase was achieved during a period of low metal prices which reduced dollar sales of the Mining and Smelting and Pigment Divisions. Average prices of zinc and lead in the 1953 fiscal year declined 34.1% and 19.8%, respectively, from those for the previous year.

Earnings

Net profit for the year ended November 30, 1953 was $3,242,966, equivalent to $3.28 per share, compared with $4,035,643, or $4.08 per share, for the 1952 fiscal year.

NET PROFIT



Net profit before taxes for the year ended November 30, 1953 amounted to $5,952,966 as compared with $4,323,643 for the year ended November 30, 1952, a gain of $1,629,323. However, this increase was more than offset by the higher provision for Federal and State taxes on income amounting to $2,710,000 in 1953 as compared with $288,000 in 1952.

Operations of the Mining and Smelting Division were adversely affected by lower metal prices and by a strike in the Tri-State District lasting from June 20 to December 22. In addition, losses were incurred from liquidation of the Metallic Products and Paint and Varnish Divisions. Liquidation of both divisions was completed during 1953.

Balance Sheet

Current assets at November 30, 1953 were $31,815,017, including $17,273,357 of cash and governments, and current liabilities were $6,006,268, a ratio of 5.3 to 1.

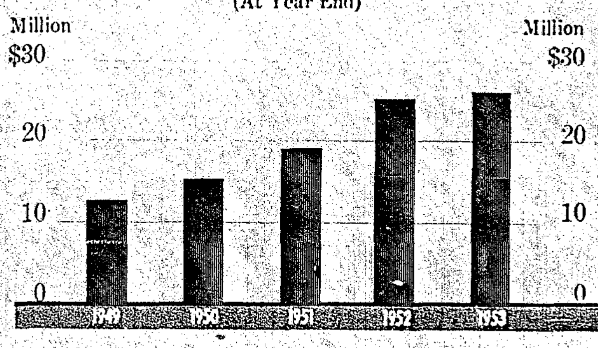
Working capital of $25,808,749 was the largest for any year-end in the Company's history and represented an increase of $631,774 over that of a year ago.

Total inventories at November 30, 1953 were $8,776,454 compared with $13,716,435 a year earlier, a decrease of $4,939,981. The metal content of inventories at November 30, 1953 was lower than at any time in the past thirty years due to the Company's policy of operating with minimum inventories, to the discontinuance of the Metallic Products Division, and to the strike in our Tri-State mines.

Property, plant and equipment at November 30, 1953 was carried at a net figure of $17,583,985. With capital expenditures of almost $5,000,000 during 1953, the net plant account increased only $1,090,967 over a year ago because of charges for depreciation and depletion and sales of fixed assets.

The Eagle-Picher Company has had operations both in Mexico and Canada for a number of years. The Mexican operations are similar to, and constitute an integral part of, those of the Mining and Smelting Division. The Company's Mexican investment reached a peak of approximately

NET WORKING CAPITAL
(At Year End)



$3,200,000 during 1950. At the close of the 1953 fiscal year, this investment had been reduced to $607,152, a figure substantially less than the present value of the properties.

The Company's investment in Canada had been of smaller magnitude and the Canadian operations were not adapted to any of our operating divisions. Because of the favorable economic future of Canada, serious consideration and study was given to expanding activities there to an extent sufficient to warrant a separate operating division of the Company. It was concluded, however, that the capital investment and managerial time and effort could be more profitably employed elsewhere. After a period of negotiation, sale of the Canadian investment was consummated at its book value which we believe closely approximated its real worth.

Capitalization was rearranged and simplified during the first half of 1953 by sale of an additional $3,800,000 of 3¾% notes and retirement of an approximate like amount of indebtedness and preferred stock of a subsidiary. In June 1953, the Company prepaid $650,000 notes due September 1, 1953 and an additional $500,000 maturing a year later.

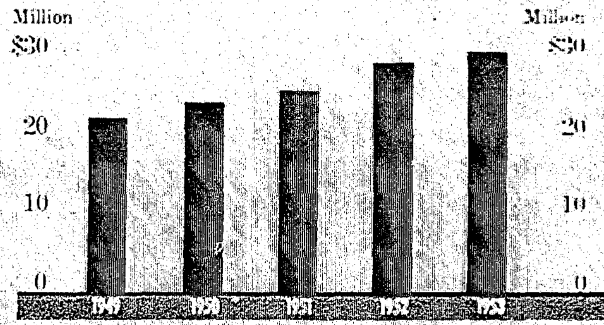
Net Worth

Net worth of your Company at November 30, 1953 was at an all-time high of $30,646,045, equivalent to $30.98 per share. This represented an increase of $1.77 per share for the year and was almost double the comparable figure of $15.60 per share ten years earlier.

The composition of net worth on a per share basis at the close of the 1953 fiscal year was as follows:

Net Current Assets	$26.09
Less: Long-Term Indebtedness	15.16
Current Assets, Less All Liabilities	$10.93
Fixed Assets, Less Reserves	17.78
Investment and Other Assets	3.15
Capital Stock, Surplus and Reserves	$31.86
Less: Reserves for Self-Insurance	0.88
NET WORTH	$30.98

NET WORTH
(At Year End)



Outlook

It is generally forecast and anticipated that industrial activity and corporate earnings in 1954 will show some decline from the peak year 1953. Most authoritative sources believe that the recession, which has now been evident for several months, will be of minor proportions and will not develop into a full-fledged depression. Declines of five to ten per cent in volume are expected for many industries although others undoubtedly will be outside this range.

We believe that The Eagle-Picher Company's earnings in 1954 will compare favorably with those for 1953. However, a decline in dollar sales in 1954 is indicated at this time. Last year's volume included $10,000,000 of sales derived principally from defense orders now completed and partly from sales of discontinued divisions. Since the margin of profit on the defense work was unusually low, 1954 results should not be materially affected by this reduction in sales.

Our Company appears to have good future growth possibilities and our strong financial position will enable us to expand further as favorable opportunities may arise. However, your management will continue to place emphasis upon improvement of earning power and obtaining the best possible return upon shareholders' investment.

Joel M. Bowlby
Chairman

T. Spencer Shore
President

Cincinnati, Ohio
February 5, 1954

CONSOLIDATED BALANCE SHEETS AS

ASSETS	1953	1952
CURRENT ASSETS:		
Cash	$ 9,154,389	$ 8,425,408
U. S. Government obligations—at cost (market value $8,123,434 at November 30, 1953)	8,118,968	2,312,372
Accounts and notes receivable, less allowance for doubtful receivables, $249,425 and $350,897	5,765,206	8,276,260
Inventories of raw materials, work in process, finished products and supplies (note 1):		
Ores, metals and metal bearing products	3,061,404	6,140,779
Other	5,715,050	7,575,656
	8,776,454	13,716,435
TOTAL CURRENT ASSETS	31,815,017	32,730,475
OTHER ASSETS:		
Repair parts and maintenance supplies	1,026,668	1,118,987
Investment in and advances to associated company and sundry securities—at or below cost	316,927	317,327
Miscellaneous accounts and advances	438,133	273,129
	1,781,728	1,709,443
INVESTMENT IN AND ADVANCES TO FOREIGN SUBSIDIARIES NOT CONSOLIDATED (note 2):		
Mexican subsidiaries	607,152	625,763
Canadian subsidiaries	—	692,392
	607,152	1,318,155
PROPERTY, PLANT AND EQUIPMENT:		
Mining lands and leases; mills, smelters and manufacturing plants; railroad and other properties, at cost	47,648,494	49,615,357
Less: Allowance for depletion, depreciation, etc.	30,064,509	33,122,339
	17,583,985	16,493,018
PREPAID AND DEFERRED CHARGES:		
Prepaid freight, insurance, etc.	296,678	223,744
Miscellaneous deferred charges	436,885	489,813
	733,563	713,557
	$52,521,445	$52,964,648

The accompanying notes are an integ

AS AT NOVEMBER 30, 1953 AND 1952

LIABILITIES	1953	1952
CURRENT LIABILITIES:		
Accounts payable	$ 3,136,202	$ 4,401,931
Dividend payable	593,506	619,321
Accrued liabilities	2,126,560	1,857,248
Federal taxes on income, less U. S. Government obligations, $3,443,325 and $2,028,349	—	—
Long-term debt — current portion	150,000	675,000
TOTAL CURRENT LIABILITIES	6,006,268	7,553,500
LONG-TERM DEBT:		
$3\frac{3}{4}$% notes, maturing serially to September 1, 1972 (note 3)	15,150,000	12,500,000
$4\frac{1}{2}$% mortgage note of subsidiary company	—	1,750,000
	15,150,000	14,250,000
Less: Payments due within one year	150,000	675,000
	15,000,000	13,575,000
RESERVES FOR SELF-INSURANCE:		
Workmen's compensation	719,286	736,291
Fire and tornado	149,846	148,841
	869,132	885,132
CAPITAL STOCKS OF SUBSIDIARY COMPANY	—	2,052,573
STOCKHOLDERS' EQUITY:		
Capital stock — par value $10 per share; authorized 1,500,000 shares; issued and outstanding 989,177 shares	9,891,770	9,891,770
Surplus:		
Capital surplus	2,769,116	2,763,648
Earned surplus (note 3)	17,985,159	16,243,025
	30,646,045	28,898,443
	$52,521,445	$52,964,648

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THE EAGLE-PICHER COMPANY AND DOMESTIC SUBSIDIARIES

STATEMENTS OF CONSOLIDATED PROFIT AND LOSS AND EARNED SURPLUS

YEARS ENDED NOVEMBER 30, 1953 AND 1952

	1953	1952
NET SALES	$85,033,403	$81,893,067
PRODUCTION AND MANUFACTURING COSTS	70,245,380	68,670,295
GROSS PROFIT — before depletion and depreciation	14,788,023	13,222,772
SELLING, GENERAL, ADMINISTRATIVE, EXPLORATION EXPENSES, etc.	7,076,984	6,537,682
OPERATING PROFIT — before depletion and depreciation	7,711,039	6,685,090
OTHER DEDUCTIONS, NET:		
Interest	644,899	388,723
Net provision for loss on future disposal of certain plant properties	—	600,000
Other income	(444,198)	(250,399)
	200,701	738,324
	7,510,338	5,946,766
PROVISION FOR DEPLETION AND DEPRECIATION	1,557,372	1,623,123
NET PROFIT — before Federal and State taxes on income	5,952,966	4,323,643
FEDERAL AND STATE TAXES ON INCOME:		
Federal normal tax and surtax and State taxes	2,710,000	1,608,000
Credit resulting from carryback of unused excess profits credit and over-provision of taxes on income, prior years	—	(1,320,000)
	2,710,000	288,000
NET PROFIT FOR YEAR	3,242,966	4,035,643
EARNED SURPLUS AT BEGINNING OF YEAR	16,243,025	15,347,963
	19,485,991	19,383,606
CHARGES TO EARNED SURPLUS:		
Cash dividends paid and accrued	1,500,832	1,535,395
Stock dividend	—	1,605,186
	1,500,832	3,140,581
EARNED SURPLUS AT END OF YEAR (note 3)	$17,985,159	$16,243,025

The accompanying notes are an integral part of this statement. ( ) Denotes deduction.

1. Ores, metals and metal bearing products have been valued at the lower of cost or market which has been reduced to state basic quantities of lead and zinc (12,500 tons of each metal) at fixed prices, based on 6.5 cents per pound for lead (New York) and 5 cents per pound for zinc (East St. Louis), under the base stock method of inventory valuation adopted at November 30, 1949.

   Other inventories have been valued at average and standard costs, or lower, which approximate replacement market.

2. The equity at November 30, 1953 in the Mexican subsidiaries not consolidated is approximately $1,200,000 in excess of the investment in and advances to those companies.

3. Under the provisions of the loan agreements pertaining to the 3¾% notes due September 1, 1972, the company is required to prepay on each of the years 1954 to 1957, inclusive, the amount of $650,000 and varying amounts thereafter to maturity. At November 30, 1953, payments due September 1, 1954 have been anticipated in the amount of $500,000.

   The 3¾% notes contain a covenant which, so long as any of the notes remain outstanding, restricts the amount which may be declared as dividends (other than those payable in capital stock of the company) or applied to the purchase, redemption or retirement of the company's capital stock. At November 30, 1953 the amount not so restricted was $5,399,852.

4. A portion of the company's sales for the year ended November 30, 1953 is subject to renegotiation under the Renegotiation Act of 1951. Management is of the opinion that adjustment, if any, for the year then ended will not be significant.

COMPARATIVE HIGHLIGHTS

		For the Years Ended November 30			
		1953	1952	1951	1950
SALES EARNINGS TAXES DIVIDENDS	Net Sales	$85,033,403	$81,893,067	$82,086,318	$69,123,903
	Net Profit before Income Taxes	5,952,966	4,323,643	9,503,807	6,399,296
	Fed. and State Income Taxes	2,710,000	288,000§	5,800,000	3,470,000
	Net Profit for Year	3,242,966	4,035,643	3,703,807	2,929,296
	Net Profit Per Share*	3.28	4.08	3.74	2.96
	Dividends Per Share	1.50	1.50	1.50‡	1.50
FROM THE YEAR-END BALANCE SHEET	Current Assets	$31,815,017	$32,730,475	$24,328,172	$21,634,705
	Current Liabilities	6,006,268	7,553,500	5,702,417	6,148,485
	Working Capital	25,808,749	25,176,975	18,625,755	15,486,220
	Fixed Assets, Net	17,583,985	16,493,018	11,102,406	11,325,613
	Other Tangible Assets	3,122,443	3,741,155	4,863,046	5,719,549
	Long-Term Debt	15,000,000	13,575,000	7,500,000	7,531,015
	Net Worth	30,646,045	28,898,443	26,398,195	24,441,894†
OTHER SALIENT FACTS	Ratio of Current Assets to Current Liabilities	5.30	4.33	4.26	3.52
	Net Worth Per Share*	$ 30.98	$ 29.21	$ 26.68	$ 24.71
	Dividends Paid and Accrued	$1,500,832	$1,535,395	$1,370,657	$1,339,917
	Earnings Retained in Business	$1,742,134	$2,500,248	$2,333,150	$1,589,379

*Based on 989,177 shares presently outstanding. †After deduction of $1,409,833 of intangible assets. ‡Plus 10% in stock paid December 10, 1952. §After credit of $1,320,000 resulting from carryback of unused excess profits credit and over-provision of taxes on income, prior years.

PRINCIPAL PROPERTIES AND PRODUCTS

INSULATION DIVISION	MANUFACTURING PLANTS: CLARK, NEVADA; DOVER, NEW JERSEY; JOPLIN, MISSOURI; WABASH, INDIANA PRINCIPAL PRODUCTS - Mineral wool insulations: cements, blocks, blankets, felts; aluminum storm windows and screens; aluminum storm and screen doors; diatomaceous earth products
MINING AND SMELTING DIVISION	MINES: TRI-STATE DISTRICT (Missouri, Kansas, Oklahoma); TUCSON, ARIZONA; GALENA, ILLINOIS; CHIHUAHUA, MEXICO ZINC SMELTER: HENRYETTA, OKLAHOMA CONCENTRATING MILLS: COMMERCE, OKLAHOMA; TUCSON, ARIZONA; GALENA, ILLINOIS; PARRAL, MEXICO GERMANIUM PLANT: MIAMI, OKLAHOMA CONSOLIDATED SUPPLY COMPANY: TREECE, KANSAS NORTHEAST OKLAHOMA RAILROAD COMPANY: MIAMI, OKLAHOMA PRINCIPAL PRODUCTS - Slab zinc; chat; cadmium; germanium; gallium
PIGMENT DIVISION	MANUFACTURING PLANTS: GALENA, KANSAS; HILLSBORO, ILLINOIS; JOPLIN, MISSOURI; NEWARK, NEW JERSEY PRINCIPAL PRODUCTS - Lead free zinc oxides; leaded zinc oxides; white lead carbonate; super sublimed white lead; sublimed blue lead; basic silicate white lead; lead silicates; red lead; lead peroxide; orange mineral; litharge; sublimed litharge; lithopone; germanium metal and dioxide
RUBBER PRODUCTS DIVISION	MANUFACTURING PLANTS: WILLOUGHBY, OHIO; CONNEAUTVILLE, PENNSYLVANIA; LONG BEACH, CALIFORNIA PRINCIPAL PRODUCTS - Molded rubber goods; bonded rubber goods; extruded rubber goods; synthetic rubber products; silicone rubber products; flexible vinyl molding; electrical laminates; decorative laminates
RESEARCH	LABORATORIES: JOPLIN, MISSOURI