PICHER

THE EAGLE-PICHE
COMPANY

for the fiscal yea
ended November 3

TO OUR SHAREHOLDERS:

The year 1955 was a notable one in many respects for The Eagle-Picher Company. Net sales exceeded $100,000,000 for the first time. Net profit was more than double that for 1954. Net worth at November 30, 1955 increased over 10% from a year earlier to $34,834,412 which combined with long-term debt made the Company's invested capital approximately $50,000,000.

It is gratifying to see substantial tangible gains resulting from the acquisitions and expansion of facilities effected during recent years and it is the Company's objective to continue along these lines as opportunities arise.

Sales

Net sales of $114,480,080 for the 1955 fiscal year were the largest in the Company's history and showed an increase of $31,246,200, or 38%, over net sales of $83,233,880 for the previous year. Each of the five divisions reported increased sales during 1955. A substantial portion of the over-all gain resulted from the inclusion of the Fabricon Products Division for the full year 1955 as against only five months in 1954. Excluding the Fabricon Products Division, net sales showed an increase of 22%.

Earnings

Net profit for the fiscal year ended November 30, 1955 amounted to $5,004,062, or $5.06 per share, compared with $2,446,829, or $2.47 per share, for 1954.

Net profit before taxes for 1955 amounted to $10,204,062 as compared with $4,946,829 for 1954.

Balance Sheet

The most important changes in the balance sheet at November 30, 1955 compared with that of a year earlier are found in the working capital position of the Company.

Net current assets at the end of 1955 amounted to $23,247,257, an increase of $4,800,209 over the close of the previous year. Cash and United States Government securities aggregated $12,710,610, a gain of $4,656,915.

Net plant account at November 30, 1955 was

SUMMARY OF 1955 AND 1954

Year Ended November 30	1955	1954	Per Cent Increase
Net Sales	$114,480,080	$83,233,880	38
Net Profit Before Income Taxes	10,204,062	4,946,829	106
Net Profit	5,004,062	2,446,829	105
Net Profit Per Share	$5.06	$2.47	105
Dividends Declared Per Share	1.80	1.50	20

[illegible], a decrease of $1,353,795 from the end of the previous year. In this connection, it may be noted that depreciation and depletion charges in 1955 were $2,969,269, an increase of $978,691 over the corresponding figure of $1,990,578 for 1954.

Investment in Mexico amounted to $129,846 at November 30, 1955; this compared with $126,682 at November 30, 1954.

Net worth at November 30, 1955 was $34,834,412, or $35.22 per share, which was $3,223,495 above the comparable figure at November 30, 1954.

Dividends

Dividends declared during 1955 amounted to $1.80 per share as compared with $1.50 per share in 1954, including a year-end extra in both years. A regular quarterly dividend of 45c per share was declared in November, thereby placing the stock on a $1.80 annual basis.

The regular quarterly dividend of 45c per share payable in March will mark the 64th consecutive quarterly disbursement.

Many shareholders prefer an even distribution of income by quarters rather than a regular dividend plus an extra. When and if earnings and the financial position of the Company justify a further increase in dividend disbursements, Management's present thinking is that an increase in the regular rate probably would be preferable to declaration of an extra dividend.

New Activities

In May, The Eagle-Picher Company purchased for cash the assets, including patents and goodwill, of Wilson & Hoppe Plastics, Whittier, California, a small manufacturer of laminated plastic products sold under the trade name "Lamin-art". Its machinery and equipment will be moved to the Los Angeles plant of the Fabricon Products Division where its operations will be consolidated with Fabricon's plastic activities. This phase of the Company's business is growing in importance.

The Company's zinc roasting and sulphuric acid plant at Galena, Kansas, completed in August 1954, incurred a sizable loss during 1955 because of start-up operating problems, strikes in phosphate mines supplying our principal customer, and other factors. However, the plant is now operating profitably and we believe that it should continue to do so.

Mexican Investment

The Eagle-Picher Company has sold a portion of its Mexican properties from which it will realize a net profit after taxes estimated at approximately $1,350,000. Since the sale was consummated on January 30, 1956, the profit realized will be included

BALANCE SHEET COMPARISON

As at November 30	1955	1954	Increase–*Decrease*
Cash and U. S. Govts.	$12,710,610	$8,053,695	$4,656,915
Net Working Capital	23,247,257	18,447,048	4,800,209
Net Fixed Assets	24,470,614	25,824,409	*1,353,795*
Total Assets	61,364,253	59,130,887	2,233,366
Net Worth	34,834,412	31,610,917	3,223,495

in the Company's statement for the first quarter of 1956.

The principal properties sold are located in the Naica Mining District, state of Chihuahua, and had only been partially operated by The Eagle-Picher Company. Our present Mexican production and operations, therefore, will be affected to only a very minor degree.

The Company began prospecting and operating near Taxco, state of Guerrero, about fifteen years ago. Profits from Taxco together with additional capital were invested in other mines while exploration was conducted in the Naica Mining District and elsewhere. Eagle-Picher's total investment in Mexico rose to a peak of over $3,200,000 early in 1950 consisting largely of advances to subsidiary companies.

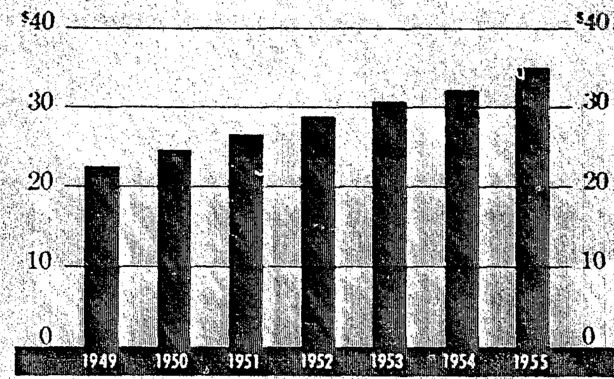
Operating results since 1950 have enabled the Mexican subsidiaries to make substantial and consistent reductions in the advances from the parent company. Reflecting these repayments, Eagle-Picher's investment in Mexico had been reduced to $129,846 at November 30, 1955 and following the above sale will be only nominal. The Mining and Smelting Division is to be congratulated on its record in Mexico.

General

The American economy during 1955 enjoyed a year of record prosperity which has benefitted most corporations and individuals. The widespread confidence which has existed can be attributed largely to sound Governmental fiscal and tax policies and to constructive leadership of industrial corporations looking beyond self-interest to the welfare of the country as a whole. All of us owe a debt of gratitude to those responsible for more plentiful job opportunities and the higher standard of living now prevailing.

The automobile industry is a good example of the many industries which have made outstanding contributions to the general welfare. It has demonstrated genius in production and unexcelled merchandising talents over a long period of time and, consequently, has prospered greatly. Benefits of its growth have not been confined to automobile company workers and stockholders alone but rather have been shared by many thousands of suppliers and dealers, who in turn employ millions of people. At the same time, all business has been stimulated by the automobile industry's huge capital expenditures which reflect its confidence in our country's future.

NET WORTH PER SHARE
At November 30
(Based on present capitalization)



Those who question the role of "Big Business" should realize that it cannot be isolated or treated as if it existed in a vacuum. Big business and small business are each dependent upon the other and their fortunes and prosperity are intertwined. Whatever affects one affects the other and the entire economy.

As a supplier to the automobile, steel, storage battery, paint, building, ceramics, fertilizer, and other basic industries, we are constantly dealing with numerous companies of all sizes, from the largest to the smallest. We have the highest regard and respect for the abilities, ethics and motivations of companies in the industries we serve and we take pride and satisfaction in our relationship with them.

Spencer Shore
President

Cincinnati, Ohio
February 1, 1956

THE EAGLE-PICHER COMPANY

CONSOLIDATED BALANCE SHEET

ASSETS	1955	1954
CURRENT ASSETS:		
Cash	$ 7,755,906	$ 7,668,660
U. S. Government obligations—at cost		385,035
Accounts and notes receivable, less allowance for doubtful receivables, $269,559 and $252,920	12,311,537	9,851,385
Inventories of raw materials, work in process, finished products and supplies (note 1)	13,734,980	12,146,103
Total Current Assets	33,802,423	30,051,183
OTHER ASSETS:		
Repair parts and maintenance supplies	709,142	864,810
Investment in and advances to associated company and sundry securities—at or below cost	480,284	314,678
Investment in and advances to Mexican subsidiaries (note 2)	129,846	426,682
Miscellaneous accounts and advances	356,150	370,151
	1,675,422	1,976,321
PROPERTY, PLANT AND EQUIPMENT:		
Mining lands and leases; mills, smelters and manufacturing plants; railroad and other properties—at cost	59,805,141	58,758,426
Less: Allowance for depletion, depreciation, etc.	35,334,527	32,934,017
	24,470,614	25,824,409
PREPAID AND DEFERRED CHARGES:		
Prepaid freight, insurance, etc.	506,553	415,819
Miscellaneous deferred charges	909,241	863,155
	1,415,794	1,278,974
	$61,364,253	$59,130,887

The accompanying notes are

AND DOMESTIC SUBSIDIARIES

AT NOVEMBER 30, 1955 AND 1954

LIABILITIES	1955	1954
CURRENT LIABILITIES:		
Accounts payable	$ 6,257,875	$ 4,759,061
Dividend payable	667,707	593,506
Accrued liabilities	2,741,008	2,357,827
Federal taxes on income, less U. S. Government obligations $4,954,704 at November 30, 1955	888,576	3,893,741
TOTAL CURRENT LIABILITIES	10,555,166	11,604,135
LONG-TERM DEBT (note 3):		
3¾% notes, maturing serially to July 15, 1974	15,000,000	15,000,000
RESERVES FOR SELF-INSURANCE	974,675	915,835
STOCKHOLDERS' EQUITY:		
Capital stock—par value $10 per share; authorized 1,500,000 shares; issued and outstanding 989,177 shares (note 4)	9,891,770	9,891,770
Surplus:		
Capital surplus	2,771,681	2,771,681
Earned surplus (note 3)	22,170,961	18,947,466
	34,834,412	31,610,917
	$61,364,253	$59,130,887

tegral part of this balance sheet.

THE EAGLE-PICHER COMPANY AND DOMESTIC SUBSIDIARIES

STATEMENTS OF CONSOLIDATED PROFIT AND LOSS AND EARNED SURPLUS

YEARS ENDED NOVEMBER 30, 1955 AND 1954

	1955	1954
NET SALES	$114,480,080	$83,233,880
PRODUCTION AND MANUFACTURING COSTS	92,628,428	69,241,556
GROSS PROFIT—before depletion and depreciation	21,851,652	13,992,324
SELLING, GENERAL, ADMINISTRATIVE AND EXPLORATION EXPENSES	8,193,152	7,063,445
OPERATING PROFIT—before depletion and depreciation	13,658,500	6,928,879
OTHER INCOME	84,426	577,914
	13,742,926	7,506,793
INTEREST EXPENSE	569,595	569,386
	13,173,331	6,937,407
PROVISION FOR DEPLETION AND DEPRECIATION (note 5)	2,969,269	1,990,578
NET PROFIT—before Federal and State taxes on income	10,204,062	4,946,829
FEDERAL AND STATE TAXES ON INCOME	5,200,000	2,500,000
NET PROFIT FOR YEAR	5,004,062	2,446,829
EARNED SURPLUS AT BEGINNING OF YEAR	18,947,466	17,985,159
	23,951,528	20,431,988
CASH DIVIDENDS PAID AND ACCRUED	1,780,567	1,484,522
EARNED SURPLUS AT END OF YEAR (note 3)	$22,170,961	$18,947,466

The accompanying notes are an integral part of this statement.

THE EAGLE-PICHER COMPANY AND DOMESTIC SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 1955

1. Inventories at November 30, 1955 and 1954 were composed as follows:

	1955	1954
Ores, metals and metal bearing products	$ 4,267,434	$ 4,466,352
Other	9,467,546	7,679,751
	$13,734,980	$12,146,103

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, 9,000 and 16,000 tons respectively, 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. On January 30, 1956, the Company sold certain investments in its Mexican subsidiaries. It is intended, in conjunction with this transaction, that dividends be declared and paid by the remaining Mexican subsidiaries. It is estimated that the Company will realize a net gain, after taxes on income, of approximately $1,350,000 from these transactions.

3. Under the provisions of the loan agreements pertaining to the 3¾% notes due July 15, 1974, the company is required to prepay $1,000,000 on July 15 of each year to maturity commencing in 1960.

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, 1955, the amount not so restricted was $7,350,702.

4. Under a stock option plan approved by the stockholders of the company on March 23, 1954, key employees of the company may be granted options to purchase an aggregate of 75,000 shares of capital stock of the company. Options granted under this plan shall be for terms not to exceed ten years and shall not be exercisable until one year from the date granted or at any time unless the last sales price (market quotation) before the date of exercise is at least 20% above the option price, the option price being the fair market value but not less than the last sales price of such stock on the New York Stock Exchange at the date of granting. The shares subject to each option shall become purchasable to the extent of 25% on the first and each successive anniversary of the date on which the option was granted, the installment rights being cumulative.

Options were granted on March 23, 1954 and November 3, 1954, entitling the holders thereof to purchase 62,500 shares at $19.375 per share and 7,000 shares at $26.375 per share, respectively. No portion of these options has been exercised.

5. The Company holds certificates of necessity on certain facilities, which permit $2,719,000 of the cost to be amortized over a sixty month period for the determination of income subject to Federal taxes. For the year ended November 30, 1955, depreciation was recorded in the accounts on the same basis as computed for Federal income tax purposes (the sales contract covering substantially all of the production of these facilities has a life of sixty months), whereas depreciation in the preceding year was computed on the basis of the estimated useful lives of the assets. Had the prior year's policy been continued, the depreciation deduction for the year ended November 30, 1955 would have been reduced by approximately $362,000.

6. A portion of the company's sales for the year ended November 30, 1955 is subject to renegotiation under the Renegotiation Act of 1951. Management is of the opinion that adjustment, if any, will not be significant.

FIVE-YEAR SUMMARY

FOR THE FISCAL YEARS 1951 - 1955

SOURCE OF FUNDS		APPLICATION OF FUNDS	
Net Profit	$18,433,307	Dividends Paid	$7,671,973
Depreciation and Depletion	9,637,544	Capital Additions	26,752,210
Increase in Long-Term Debt	7,500,000	Increase in Working Capital	7,792,050
Decrease in Foreign Investments	3,224,648	Increase in Other Assets	596,316
Disposition of Fixed Assets	3,765,663	Surplus Adjustment	376,985
Reserves and Other Sources	628,372		
	$43,189,534		$43,189,534

For The Years Ended November 30	1955	1954	1953	1952	1951
INCOME STATEMENT					
Net Sales	$114,480,080	$83,233,880	$85,033,403	$81,893,067	$82,086,318
Depreciation and Depletion	2,969,269	1,990,578	1,557,372	1,623,123	1,497,202
Net Profit Before Income Taxes	10,204,062	4,946,829	5,952,966	4,323,643	9,503,807
Net Profit	5,004,062	2,446,829	3,242,966	4,035,643	3,703,807
Net Profit Per Share	5.06	2.47	3.28	4.08	3.74*
Dividend Per Share—Calendar Year	1.80	1.50	1.50	1.50	1.36*
BALANCE SHEET					
Property, Plant & Equipment, net	$24,470,614	$25,824,409	$17,583,985	$16,493,018	$11,102,406
Working Capital	23,247,257	18,447,048	25,808,749	25,176,975	18,625,755
Investment in Foreign Subsidiaries	129,846	426,682	607,152	1,318,155	2,296,776
Long-Term Debt	15,000,000	15,000,000	15,000,000	13,575,000	7,500,000
Net Worth	34,834,412	31,610,917	30,646,045	28,898,443	26,398,195
Net Worth Per Share	35.22	31.96	30.98	29.21	26.68*

*Based on 989,177 shares presently outstanding.

PRINCIPAL PROPERTIES AND PRODUCTS

CHEMICAL DIVISION

MANUFACTURING PLANTS: GALENA, KANSAS; HILLSBORO, ILLINOIS; JOPLIN, MISSOURI; NEWARK, NEW JERSEY

PRINCIPAL PRODUCTS—Lead free zinc oxides, leaded zinc oxides, super sublimed white lead, sublimed blue lead, white lead carbonate, basic silicate white lead, lead silicates, red lead, lead peroxide, orange mineral, litharge, sublimed litharge, germanium metal and dioxide, sulphuric acid, zinc sulphate

FABRICON PRODUCTS DIVISION

MANUFACTURING PLANTS: RIVER ROUGE, MICHIGAN; PHILADELPHIA, PENNSYLVANIA; PITTSBURGH, PENNSYLVANIA; LOS ANGELES, CALIFORNIA

PRINCIPAL PRODUCTS—Automotive: door trim foundation panels, trunk lining boards, sound deadener parts, floor carpets, sunshade visors, dash insulator mats, glove boxes; plastics: "Lamin-Art" decorative laminated sheets, molded polyester Fiberglass or sisal parts, custom impregnated papers, textiles and glass cloth; packaging materials: plain and printed waxed paper, printed cellophane and polyethylene

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, storm and screen doors; diatomaceous earth products: fillers, aggregates, absorbents, catalyst supports

MINING AND SMELTING DIVISION

MINES: TRI-STATE DISTRICT (MISSOURI, OKLAHOMA, KANSAS); GALENA, ILLINOIS; SHULLSBURG, WISCONSIN; PARRAL, MEXICO

ZINC SMELTER: HENRYETTA, OKLAHOMA

CONCENTRATING MILLS: COMMERCE, OKLAHOMA; GALENA, ILLINOIS; SHULLSBURG, WISCONSIN; PARRAL, MEXICO

GERMANIUM PLANT: MIAMI, OKLAHOMA

CONSOLIDATED SUPPLY COMPANY: TREECE, KANSAS

NORTHEAST OKLAHOMA RAILROAD COMPANY: MIAMI, OKLAHOMA

PRINCIPAL PRODUCTS—Slab zinc, chat, cadmium, germanium, zinc concentrates, lead concentrates

OHIO RUBBER COMPANY DIVISION

MANUFACTURING PLANTS: WILLOUGHBY, OHIO; CONNEAUTVILLE, PENNSYLVANIA; LONG BEACH, CALIFORNIA

PRINCIPAL PRODUCTS—Molded, extruded, rubber-to-metal mechanical rubber products: automobile floor mats, miscellaneous mats, weatherstrip, tubing, vibration mountings, handle grips, semi-pneumatic tires (wheel goods, industrial, agricultural), defroster hose, tracks for track-laying vehicles (military and industrial), flexible vinyl parts and perforated materials; products manufactured from natural, synthetic and silicone rubbers in all sizes, shapes and colors for original equipment and industrial applications