THE EAGLE-PICHER COMPANY

ANNUAL REPORT

TO OUR SHAREHOLDERS:

The Company's program of expansion and diversification, initiated several years ago, proved advantageous to shareholders during 1957.

Net sales for the fiscal year ended November 30, 1957 were at an all-time high.

Net profit, while adversely affected by depressed conditions in the non-ferrous metal industry, was almost double dividend requirements.

Dividends paid were the largest in the Company's history.

At the end of the 1957 fiscal year, our financial position was exceptionally strong. Working capital and net worth were at new peaks.

In 1957, the Company acquired the assets of The Gora-Lee Corporation; commercial production of silicon was started; and construction of a new diatomaceous earth plant was begun.

Sales

Net sales for the fiscal year ended November 30, 1957 amounted to $117,752,694 compared with $116,407,000 for the previous year. Sales of the Mining and Smelting Division declined more than 30%, reflecting lower prices for zinc and lead during seven months of the fiscal year, and lesser tonnages of metals sold, due in part to a four months' strike at the Henryetta smelter.

Earnings

Net profit for the fiscal year ended November 30, 1957 amounted to $4,266,706, or $4.25 per share, compared with net profit from operations of $5,496,794, or $5.47 per share, for the 1956 fiscal year, based on the number of shares outstanding at the end of each period. Including non-recurring net profit from special items of $409,636, or 41 cents per share, net profit for the 1956 fiscal year was $5,906,430, or $5.88 per share.

The Company has six operating divisions, earnings of which fluctuate considerably from year to year. The industries served by these divisions are numerous and represent a broad cross-section of the American economy. As a result, the Company in recent years has experienced within its own operations many of the "rolling readjustments" which have characterized the economy as a whole.

Operations of the Chicago Vitreous Corporation, acquired by Eagle-Picher on November 30, 1956, are included in the Company's statement for the first time in 1957. Two divisions — the Mining and Smelting Division and the Insulation Division — showed lower profits in 1957 than in 1956. The former was adversely affected by sharp declines in zinc and lead prices starting in May, and for the balance of the year its operations

TEN-YEAR SUMMARY OF OPERATIONS

Years Ended November 30	1957	3 Year Average 1954–1956	3 Year Average 1951–1953	3 Year Average 1948–1950
Net Sales	$117,752,694	$104,706,987	$83,004,263	$70,650,817
Net Profit before Income Taxes	7,531,706	8,877,562	6,593,472	4,215,506
Net Profit	4,266,706	4,452,440	3,660,805	2,179,915
Net Profit per Share (on Present Capitalization)	4.25	4.44	3.65	2.17
Depreciation, Depletion and Amortization	3,216,858	2,685,361	1,559,232	1,399,412
Cash Generated (Net Profit Plus Depreciation, Depletion and Amortization)	7,483,564	7,137,801	5,220,037	3,579,327

were a drain on the Company. Substantial inventory write-downs were largely offset by credits derived from base-stock reserves. Lower profits in the Insulation Division resulted from unsatisfactory conditions in the aluminum storm enclosure industry, a decline in new housing starts being a contributing factor.

Balance Sheet

Shareholders' net worth at November 30, 1957 was $40,858,362, or $40.74 per share, an increase of $1,959,118 over net worth at the end of the previous year.

Patents, at cost less amortization, valued at $1,909,533 at the end of 1957, arose from purchase of The Gora-Lee Corporation, discussed below.

Working capital at November 30, 1957 amounted to $27,786,595, a new all-time high. Cash and United States Government securities aggregated $11,472,791, a decrease of $2,474,295. Inventories of $17,024,084 at November 30, 1957 were $779,441 higher than the corresponding figure a year ago.

Net fixed assets of $23,549,875 at November 30, 1957 were $839,474 below the comparable figure of $24,389,349 a year earlier. While depreciation, depletion and amortization charges for 1957, totaling $3,216,858, were not fully reinvested, it should be pointed out that these charges included a substantial amount of accelerated depreciation, and the increase in patents, from the Company's standpoint, was equivalent to an increase in fixed assets.

Dividends

Dividends declared during 1957 amounted to $2.20 per share, a new high, compared with $2.00 per share declared in 1956, $1.80 per share in 1955, and $1.50 per share in 1954.

The Company has now paid dividends in each of the last 21 years, and the dividend payable in March 1958 will mark the 72nd consecutive quarterly payment.

New Activities

For a number of years, the Insulation Division has been mining and processing diatomaceous earth from its deposit near Clark, Nevada, which it sells to the ammonium nitrate fertilizer industry as a conditioning agent in high-analysis fertilizers; to manufacturers of calcium silicate insulation products; as a filler in the manufacture of paper; and as an oil absorbent in factories. After extensive exploration, the Company has discovered and leased for a long-term a large deposit of filter-aid material which is used by the pharmaceutical, brewing, sugar refining, and other food industries. An independent geological survey showed the new deposit to be sizable and of high quality. A works plant was built in late 1956 and the product was successfully tested in the field during 1957. The Company is now building a processing plant near Lovelock, Nevada, scheduled for completion in August 1958. Investment in new plant and equipment will be about $2,500,000, which constitutes a major addition to the facilities of the Insulation Division.

SUMMARY OF NET WORTH

	November 30, 1957		November 30, 1956	
	Amount	Per Share	Amount	Per Share
Shareholders' Net Worth	$40,858,362	$40.74	$38,899,244	$38.71
This Ownership Was Represented by:				
Working capital (current assets less current liabilities)	$27,786,595	$27.71	$27,298,811	$27.16
Net fixed assets	23,549,875	23.48	24,389,349	24.27
Other assets	5,587,649	5.57	3,176,865	3.16
Total	$56,924,119	$56.76	$54,865,025	$54.59
From Which Must Be Deducted:				
Long-term debt	$15,000,000	$14.96	$15,000,000	$14.92
Reserves	1,065,757	1.06	965,781	0.96
Total	$16,065,757	$16.02	$15,965,781	$15.88
Shareholders' Net Worth	$40,858,362	$40.74	$38,899,244	$38.71

The Ohio Rubber Company Division entered into an agreement with The Gora-Lee Corporation in 1953 for exclusive license in the United States of its automatic molding machines, designed to produce a wide variety of high-precision molded rubber parts at a rapid rate. After developing a number of items for various industrial uses, The Ohio Rubber Company in February 1957 purchased all of the assets of Gora-Lee, including patents and its Stratford, Connecticut plant. This acquisition has already broadened The Ohio Rubber Company's product line and offers further attractive growth possibilities. Purchase price of the patents, which run for eleven years, amounted to approximately $2,000,000 and is being amortized over their life.

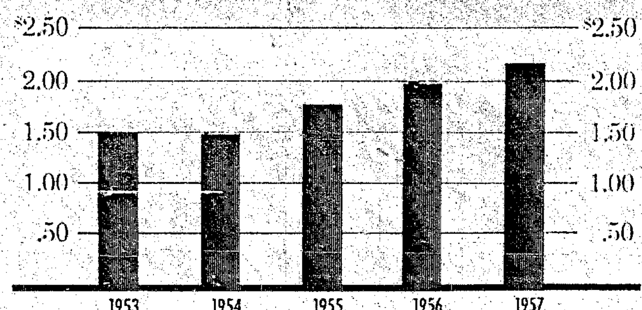
The Mining and Smelting Division during 1957 expanded its Rare Metals Plant at Miami, Oklahoma, to produce silicon, which is now being made and sold commercially in small quantities. Usage of this metal has been increasing rapidly in the semi-conductor field, particularly in applications where high temperatures are found. Generally speaking, it is complementary to, rather than competitive with, germanium, of which Eagle-Picher is the largest domestic producer. This further broadens the activities of the Mining and Smelting Division which, in addition to zinc-lead and rare metals, produces and sells chat and cadmium, and owns The Northeast Oklahoma Railroad Company and the Consolidated Supply Company.

Shareholders

At November 22, 1957, the Company had 7,039 registered shareholders as compared with 6,915 shareholders a year earlier. These figures do not include the many hundreds of beneficial shareholders whose shares are registered in the names of brokers or nominees of banks. Neither do they include some 500 salaried employee shareholders who are paying for their savings plan shares through payroll deductions and whose shares are held by a nominee.

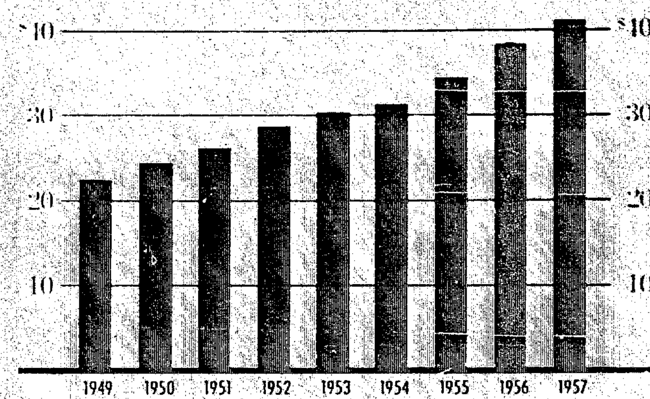
DIVIDENDS PAID PER SHARE

(Calendar Year)



NET WORTH PER SHARE

At November 30



Directors and Officers

It is with sincere sorrow that we report the passing on August 24, 1957 of Mr. Joel M. Bowlby. Mr. Bowlby served as President from 1941 to 1949 and as Chairman of the Board from 1949 to 1955; he was a Director of the Company from 1941 until his decease. He consistently rendered loyal and intelligent and constructive service to The Eagle-Picher Company, and his loss is deeply felt.

Mr. Robert S. Johnson, formerly Vice President of the Warner-Lambert Pharmaceutical Company, was elected a Vice President of The Eagle-Picher Company as of July 1, 1957

General

All officers, all members of the Board of Directors and a large percentage of salaried employees are shareholders of The Eagle-Picher Company, in some cases to an important extent in relation to their net worth. It is more than a platitude, therefore, to say that this organization is definitely profit-minded and desirous of increasing the return on shareholders' investment. Our primary objective in expanding and diversifying the Company's business is to increase per-share earnings.

In pursuit of these objectives, the Company during the past five years has expanded both from within and from without, the latter including the purchase of three of its present six operating divisions. As indicated by developments during 1957, opportunities to expand from within the Company are constantly growing, and we have every confidence that such opportunities will continue in the future.

J. Spencer Shore

President

Cincinnati, Ohio

January 27, 1958

ASSETS	1957	1956
CURRENT ASSETS		
Cash	$ 7,399,394	$ 8,599,143
U. S. Government obligations — at cost (approximate market)	815,855	
Accounts and notes receivable, less allowance for doubtful receivables, $359,269 and $294,221	11,315,753	12,862,879
Inventories of raw materials, work in process, finished products, and supplies (note 1)	17,024,084	16,244,643
TOTAL CURRENT ASSETS	36,555,086	37,706,665
OTHER ASSETS		
Repair parts and maintenance supplies	867,276	818,250
Investments, at or below cost and miscellaneous accounts and advances	1,443,373	1,097,458
	2,310,649	1,915,708
PROPERTY, PLANT AND EQUIPMENT, AT COST	62,105,923	61,529,057
Less: Allowance for depreciation, depletion, etc.	38,556,048	37,139,708
	23,549,875	24,389,349
PATENTS, AT COST — less amortization, $131,933	1,909,533	—
PREPAID AND DEFERRED CHARGES		
Prepaid freight, insurance, etc.	581,246	498,578
Miscellaneous deferred charges	786,221	762,579
	1,367,467	1,261,157
	$65,692,610	$65,272,879

The accompanying notes are an integra

LIABILITIES	1957	1956
CURRENT LIABILITIES		
Accounts payable	$ 5,295,097	$ 6,532,943
Dividend payable	551,635	552,848
Accrued liabilities	2,921,759	2,707,901
Federal taxes on income, less U. S. Government obligations at cost, $3,257,542 and $5,347,943		614,162
TOTAL CURRENT LIABILITIES	8,768,491	10,407,854
LONG-TERM DEBT — $3\frac{3}{4}\%$ notes, maturing serially to July 15, 1974 (note 2)	15,000,000	15,000,000
RESERVES FOR SELF-INSURANCE	1,065,757	965,781
STOCKHOLDERS' EQUITY		
Capital stock — par value $10 per share; authorized 1,500,000 shares; issued and outstanding 1,013,077 shares (note 3)	10,130,770	10,120,770
Surplus:		
Capital surplus	3,009,780	2,998,619
Earned surplus (note 2)	28,127,827	26,070,822
	41,268,377	39,190,211
Less: Treasury stock, 10,105 shares — at cost	410,015	290,967
	40,858,362	38,899,244
	$65,692,610	$65,272,879

integral 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, 1957 AND 1956

	1957	1956
INCOME		
Net sales	$117,752,694	$116,407,000
Other income	367,430	543,713
	118,120,124	116,950,713
COSTS AND EXPENSES		
Production and manufacturing costs	96,878,873	93,145,569
Selling, general and administrative expenses	9,917,189	8,654,651
Provision for depreciation, depletion and patent amortization	3,216,858	3,096,237
Interest	575,498	572,462
	110,588,418	105,468,919
PROFIT FROM OPERATIONS — before Federal and State taxes on income	7,531,706	11,481,794
FEDERAL AND STATE TAXES ON INCOME	3,265,000	5,985,000
NET PROFIT FROM OPERATIONS	4,266,706	5,496,794
NET PROFIT FROM SPECIAL ITEMS		
Non-recurring profit from Mexican subsidiaries, less special charges		409,636
NET PROFIT FOR YEAR	4,266,706	5,906,430
EARNED SURPLUS AT BEGINNING OF YEAR	26,070,822	22,170,961
	30,337,528	28,077,391
CASH DIVIDENDS PAID AND ACCRUED	2,209,701	2,006,569
EARNED SURPLUS AT END OF YEAR (note 2)	$ 28,127,827	$ 26,070,822

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 1957

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, 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. Under the provisions of the loan agreement 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, 1957, the amount not so restricted was approximately $10,250,000.

3. 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. As of November 30, 1957, options have not been granted for 2,000 shares of the capital stock authorized to be issued.

   At November 30, 1957, there were outstanding options entitling the holders thereof to purchase 40,350 shares at $19.375 per share, 5,250 shares at $26.375 per share and 3,500 shares at $39.75 per share.

4. As of November 30, 1956, the company purchased, for a cash consideration of $936,261 in excess of the book value, all of the assets of the Chicago Vitreous Corporation. In the annual report for the year 1956, this excess was charged against profits. At that time, an appraisal of the properties had not been made and management considered it proper and conservative not to capitalize the excess. The company has now received an appraisal, which indicates that this excess could reasonably be allocated to property, plant, and equipment. In preparing reports to the Securities and Exchange Commission, the excess has been capitalized in property, plant, and equipment and is being depreciated on the basis of the estimated lives of such assets acquired, resulting in an increase in income of $936,261 in 1956 and a reduction of approximately $30,000 in 1957.

5. A portion of the company's sales for the year ended November 30, 1957 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 1953–1957

SOURCE OF FUNDS		APPLICATION OF FUNDS	
Net Profit	$20,866,993	Dividends Paid	$ 8,982,191
Depreciation, Depletion and Amortization	12,830,999	Capital Additions	23,419,016
Increase in Long-Term Debt	1,425,000	Patents & Patent Rights Acquired	2,041,467
Decrease in Foreign Investments	930,508	Increase in Working Capital	4,662,193
Disposition of Fixed Assets	4,059,268	Increase in Other Assets	1,277,555
Other Sources	679,669	Other	410,015
	$40,792,437		$40,792,437

For The Years Ended November 30	1957	1956	1955	1954	1953
INCOME STATEMENT					
Net Sales	$117,752,694	$116,407,000	$114,480,080	$83,233,880	$85,033,403
Depreciation, Depletion and Amortization	3,216,858	3,096,237	2,969,269	1,990,578	1,557,372
Net Profit Before Income Taxes	7,531,706	11,481,794	10,204,062	4,946,829	5,952,966
Net Profit	4,266,706	5,906,430	5,004,062	2,446,829	3,242,966
Net Profit Per Share	4.25	5.88	5.06	2.47	3.28
Dividend Per Share—Calendar Year	2.20	2.00	1.80	1.50	1.50

As at November 30	1957	1956	1955	1954	1953
BALANCE SHEET					
Property, Plant & Equipment, net	$23,549,875	$24,389,349	$24,470,614	$25,824,409	$17,583,985
Working Capital	27,786,595	27,298,811	23,247,257	18,447,048	25,808,749
Long-Term Debt	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Net Worth	40,858,362	38,899,244	34,834,412	31,610,917	30,646,045
Net Worth Per Share	40.74	38.71	35.22	31.96	30.98
Shares Outstanding at Year-end	1,002,972	1,005,000	989,177	989,177	989,177

PRINCIPAL PROPERTIES AND PRODUCTS

CHEMICAL DIVISION	MANUFACTURING PLANTS: GALENA, KANSAS; HILLSBORO, ILLINOIS; JOPLIN, MISSOURI PRINCIPAL PRODUCTS—Zinc and lead chemicals and pigments; electronic grade germanium, silicon, gallium; sulphuric acid; special purpose electric power supplies
CHICAGO VITREOUS CORPORATION DIVISION	MANUFACTURING PLANT: CICERO, ILLINOIS PRINCIPAL PRODUCTS—Ceramics: porcelain enamel frits for home appliances such as ranges, refrigerators, washers, driers, freezers, space heaters, water heaters, plumbing ware, and for lighting fixtures, architectural paneling, outdoor signs and other products requiring protective finishes; steel buildings (Lasterlite Corporation): manufacture and erection of all-porcelain enamel service stations for the petroleum industry
FABRICON PRODUCTS DIVISION	MANUFACTURING PLANTS: RIVER ROUGE, MICHIGAN; PHILADELPHIA, 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 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; LINDEN, SHULLSBURG, WISCONSIN; PARRAL, MEXICO. ZINC SMELTER: HENRYETTA, OKLAHOMA. CONCENTRATING MILLS: COMMERCE, OKLAHOMA; GALENA, ILLINOIS; LINDEN, SHULLSBURG, WISCONSIN; PARRAL, MEXICO. RARE METALS PLANT AND RESEARCH LABORATORY: MIAMI, OKLAHOMA CONSOLIDATED SUPPLY COMPANY: TREECE, KANSAS NORTHEAST OKLAHOMA RAILROAD COMPANY: MIAMI, OKLAHOMA PRINCIPAL PRODUCTS—Slab zinc, chat, cadmium, germanium, silicon, zinc concentrates, lead concentrates
OHIO RUBBER COMPANY DIVISION	MANUFACTURING PLANTS: WILLOUGHBY, OHIO; CONNEAUTVILLE, PENNSYLVANIA; LONG BEACH, CALIFORNIA; STRATFORD, CONNECTICUT PRINCIPAL PRODUCTS—Custom-made rubber parts for manufacturers in automobile, agricultural implement, electrical appliance, toy and other industries; molded, extruded, rubber-to-metal mechanical rubber parts: 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), and flexible vinyl parts; products are manufactured from natural, synthetic, polyurethane, and silicone rubber