

ANNUAL REPORT
FOR THE
FISCAL YEAR ENDED NOVEMBER 30, 1958



THE EAGLE-PICHER COMPANY
EXECUTIVE OFFICES: CINCINNATI, OHIO

N11817

In accordance with usual practice, we are
furnishing this report to you solely as a matter of
information with regard to a company with
which we are associated.

GOLDMAN, SACHS & CO.

THE EAGLE-PICHER COMPANY

TO OUR SHAREHOLDERS:

Net sales of The Eagle-Picher Company for the fiscal year ended November 30, 1958 were \$98,132,667 compared with net sales of \$117,752,694 for the preceding year, a decline of 16.7%.

Net profit for 1958 amounted to \$2,090,094, equivalent to \$2.08 per share, compared with net profit of \$4,266,706, or \$4.25 per share, for 1957.

Dividends aggregating \$2.20 per share were paid in both years.

As at November 30, 1958, net worth was \$40,716,257, equivalent to \$40.46 per share.

Expansion

The new diatomaceous earth plant at Colado, Nevada was completed and commenced operations in September. Filter-aid material for the chemical, pharmaceutical, sugar refining, brewing and other industries is now being made at this plant.

The Company has played a major role in the development and manufacture of special purpose batteries for defense, used principally in missiles and rockets. For example, the battery in the Atlas missile carrying President Eisenhower's Christmas message from outer space to all corners of the earth was developed and produced by Eagle-Picher in conjunction with the United States Army Signal Corps. Increased activities in this area may be expected as these scientific programs progress further.

The Gora-Lee plant at Stratford, Connecticut, which manufactures small molded rubber parts, is being enlarged in both floor space and productive capacity.

New equipment has been installed at the zinc smelter in Henryetta, Oklahoma, resulting in a material increase in capacity and reduced costs.

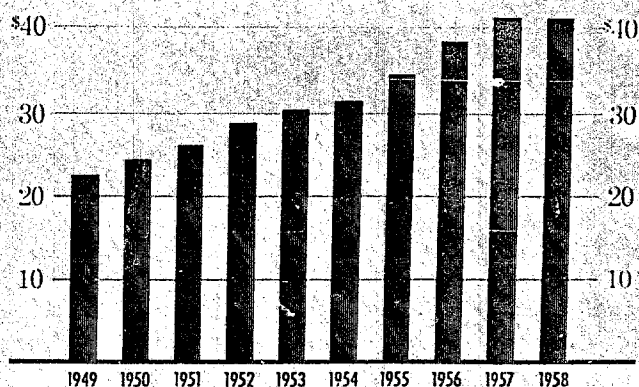
Sales

Net sales for the fiscal year ended November 30, 1958 amounted to \$98,132,667 compared with \$117,752,694 for the previous year, a decline of 16.7%. All divisions of the Company recorded lower sales for the year, reflecting not only reduced production but also a high rate of inventory liquidation by many important customers in the automobile, steel, building, household appliance, electronic and other basic industries. Sales of the Mining and Smelting Division showed a substantially larger percentage decrease than those of the five manufacturing divisions, as lower metal prices accompanied reduced consumption.

The Company's sales by quarters declined steadily throughout 1957 and the first half of 1958. A small rise in the third quarter of 1958, which was

NET WORTH PER SHARE

(At November 30)
(Based on present capitalization)



contra-seasonal, still left sales below the corresponding period of 1957. Sales recovered strongly in the final quarter of 1958 to a level exceeding the same period of 1957 and closer to the rate for the first half of 1957. The gain in the fourth quarter of 1958 would have been even larger except for shutdowns which interrupted automobile production during September and October.

Earnings

Net profit for the fiscal year ended November 30, 1958 amounted to \$2,090,094, equivalent to \$2.08 per share, compared with \$4,266,706, or \$4.25 per share, in 1957. Each of the five manufacturing divisions operated at a profit.

The trend of earnings followed that of sales. After declining throughout most of 1957 and the first nine months of 1958, profits recovered sharply in the final quarter. Expenses were reduced in many sectors of the business and gross profit percentages were surprisingly well maintained. In

line with many other industrial companies, break-even points were lower than had been anticipated.

The Company continued its policy of straight-line depreciation, and as a result, even with lower volume of production, provision for depreciation and depletion exceeded that of the previous year.

Balance Sheet

Shareholders' net worth at November 30, 1958 was \$40,716,257, or \$40.46 per share, as compared with \$40,858,362, or \$40.74 per share, at November 30, 1957.

Working capital at November 30, 1958 amounted to \$27,920,267, a slight increase over the corresponding figure of \$27,786,595 a year earlier, and a new all-time high. Cash and United States Government obligations aggregated \$7,319,071, as compared with \$11,472,791 at November 30, 1957, a decrease of \$4,153,720.

SUMMARY OF NET WORTH

	NOVEMBER 30, 1958		NOVEMBER 30, 1957	
	AMOUNT	PER SHARE	AMOUNT	PER SHARE
SHAREHOLDERS' NET WORTH.....	\$40,716,257	\$40.46	\$30,646,045	\$30.98
THIS OWNERSHIP WAS REPRESENTED BY:				
Working capital (current assets less current liabilities).....	\$27,920,267	\$27.74	\$25,808,749	\$26.09
Net fixed assets.....	24,008,928	23.86	17,583,985	17.78
Other assets.....	4,920,841	4.89	3,122,443	3.15
Total.....	\$56,850,036	\$56.49	\$46,515,177	\$47.02
FROM WHICH MUST BE DEDUCTED:				
Long-term debt.....	\$15,000,000	\$14.90	\$15,000,000	\$15.16
Reserves.....	1,133,779	1.13	869,132	0.88
Total.....	\$16,133,779	\$16.03	\$15,869,132	\$16.04
SHAREHOLDERS' NET WORTH.....	\$40,716,257	\$40.46	\$30,646,045	\$30.98

Net fixed assets of \$24,008,928 at November 30, 1958 were \$459,053 above the comparable figure of \$23,549,875 a year earlier, reflecting the full reinvestment of funds derived from depreciation, depletion and amortization charges.

Dividends

Dividends paid during 1958 amounted to \$2.20 per share. A similar amount was paid in 1957, compared with \$2.00 per share 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 23 years, and the dividend payable in March 1959 will mark the 76th consecutive quarterly payment.

Directors

We record with profound regret and deep sorrow the passing on September 16, 1958 of Mr. William H. Mitchell, President of the Mitchell Steel Company and a Director of The Eagle-Picher Company since March 1951. His wealth of experience, wise counsel, breadth of vision, and unselfish contribution of his time and effort were of immeasurable benefit.

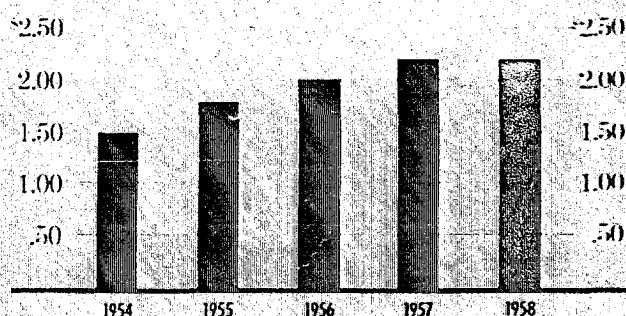
Mr. John J. Rowe, formerly Chairman of the Board and President of The Fifth Third Union Trust Company retired as a Director at the time of the Annual Meeting in March. He had been a constructive, conscientious, and influential member of the Board of Directors of The Eagle-Picher Company for 22 years, during which period the Company enjoyed substantial growth.

On February 5, 1958, Mr. David M. Forker, Jr., President of The Wm. Powell Company, and Mr. Arthur W. Schubert, Executive Vice President of Emery Industries, Inc., were elected members of the Board of Directors.

Mr. George A. Spiva, President of Spiva Investments Company, was re-elected to the Board of Directors on November 5, 1958. Mr. Spiva, who served as a Director from 1951 to 1957, retired temporarily because of reasons of health but it is gratifying that he is again a member of the Board.

DIVIDENDS PAID PER SHARE

Calendar Year



General

While results of the past year were disappointing, we believe that considerable progress was made in expanding and improving the earning power of the Company. Dividends were maintained at the highest rate in the Company's history and capital expenditures exceeded depreciation and depletion provisions, while a strong financial position was maintained. We have developed new products and have gained position in most industries we serve.

Rather than retrenching during the period of declining sales, we have adhered to the program of growth and development adopted in 1952. The Company in the past two years spent over \$9,000,000 on three projects — purchase of the Chicago Vitreous Corporation and The Gora-Lee Corporation, and construction of the Colado plant — which represents a substantial percentage of present net worth.

Sales and profits currently are running at a considerably higher level than at the same time a year ago. It appears that 1959 will not only be a good year for industry generally but also for The Eagle-Picher Company.

Spencer Shore
President

Cincinnati, Ohio
January 23, 1959

THE EAGLE-PICHER COMPANY

CONSOLIDATED BALANCE SHEETS

ASSETS	1958	1957
CURRENT ASSETS		
Cash	\$ 7,183,905	\$ 7,399,394
U. S. Government obligations - at cost (approximate market)	135,166	815,855
Accounts and notes receivable, less allowance for doubtful receivables, \$348,018 and \$359,269	11,847,413	11,315,753
Inventories of raw materials, work in process, finished products, and supplies (note 1)	18,991,933	17,024,084
TOTAL CURRENT ASSETS	<u>38,158,417</u>	<u>36,555,086</u>
OTHER ASSETS		
Repair parts and maintenance supplies	842,994	867,276
Investments, at or below cost, and miscellaneous accounts and advances	1,254,532	1,443,373
	<u>2,097,526</u>	<u>2,310,649</u>
PROPERTY, PLANT AND EQUIPMENT, AT COST	64,908,016	62,105,923
<i>Less:</i> Allowance for depreciation, depletion, etc.	40,899,088	38,556,048
	<u>24,008,928</u>	<u>23,549,875</u>
PATENTS, AT COST - less amortization, \$307,844 and \$131,933	1,736,055	1,909,533
PREPAID AND DEFERRED CHARGES		
Prepaid freight, insurance, etc.	477,166	581,246
Miscellaneous deferred charges	610,094	786,221
	<u>1,087,260</u>	<u>1,367,467</u>
	<u>\$67,088,186</u>	<u>\$65,692,610</u>

The accompanying notes are an integral part of these financial statements.

Y AND DOMESTIC SUBSIDIARIES

ES AS AT NOVEMBER 30, 1958 AND 1957

	LIABILITIES	1958	1957
CURRENT LIABILITIES			
Accounts payable.....		\$ 5,247,578	\$ 5,295,097
Dividend payable.....		555,328	551,635
Accrued liabilities.....		2,415,860	2,921,759
Federal taxes on income, less U. S. Government obligations at cost, \$3,257,542 at November 30, 1957.....		2,019,384	-
TOTAL CURRENT LIABILITIES.....		10,238,150	8,768,491
LONG-TERM DEBT 3 3/4% notes, maturing serially to July 15, 1974 (note 2).....			
		15,000,000	15,000,000
RESERVES FOR SELF-INSURANCE.....			
		1,133,779	1,065,757
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	10,130,770
Surplus:			
Capital surplus.....		2,839,208	3,009,780
Earned surplus (note 2).....		28,005,444	28,127,827
		40,975,422	41,268,377
Less: Treasury stock, 6,690 and 10,105 shares — at cost.....		259,165	410,015
		40,716,257	40,858,362
		\$67,088,186	\$65,692,610

an 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, 1958 AND 1957

	1958	1957
INCOME		
Net sales	\$ 98,132,667	\$117,752,694
Other income	314,021	367,430
	<u>98,446,688</u>	<u>118,120,124</u>
COSTS AND EXPENSES		
Production and manufacturing costs	81,763,715	96,878,873
Selling, general and administrative expenses	8,827,782	9,917,189
Provision for depreciation, depletion and patent amortization	3,296,731	3,216,858
Interest	568,366	575,498
	<u>94,456,594</u>	<u>110,588,418</u>
PROFIT FROM OPERATIONS — before Federal and		
State taxes on income	3,990,094	7,531,706
FEDERAL AND STATE TAXES ON INCOME	<u>1,900,000</u>	<u>3,265,000</u>
NET PROFIT FOR YEAR	<u>2,090,094</u>	<u>4,266,706</u>
EARNED SURPLUS AT BEGINNING OF YEAR	<u>28,127,827</u>	<u>26,070,822</u>
	<u>30,217,921</u>	<u>30,337,528</u>
CASH DIVIDENDS PAID AND ACCRUED	<u>2,212,477</u>	<u>2,209,701</u>
EARNED SURPLUS AT END OF YEAR (note 2)	<u>\$ 28,005,444</u>	<u>\$ 28,127,827</u>

The accompanying notes are an integral part of this statement.

THE EAGLE-PICHER COMPANY AND DOMESTIC SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 1958

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 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. At November 30, 1958 basic quantities were 7,000 tons of lead and 18,000 tons of zinc compared with 9,000 tons of lead and 16,000 tons of zinc at November 30, 1957; this shift in basic quantities had no material effect on operations for the year. 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 3 $\frac{3}{4}$ % 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 3 $\frac{3}{4}$ % 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, 1958, the amount not so restricted was approximately \$9,500,000.

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, 1958, options have not been granted for 2,000 shares of the capital stock authorized to be issued.

At November 30, 1958, there were outstanding options entitling the holders thereof to purchase 34,100 shares at \$19.375 per share, 5,250 shares at \$26.375 per share and 3,500 shares at \$39.75 per share.

4. In preparing reports to the Securities and Exchange Commission, the excess of the consideration paid to the Chicago Vitreous Corporation for net assets acquired over their recorded cost, which was charged against profits in 1956, has been capitalized and is being depreciated over the estimated lives of the assets. The effect of this treatment on the financial statements as a whole is not material.

5. A portion of the company's sales for the year ended November 30, 1958 is subject to renegotiation under the Renegotiation Act of 1951. Management is of the opinion that adjustment, if any, will not have a material effect on the financial statements.

PEAT, MARWICK, MITCHELL & CO.

Certified Public Accountants

CINCINNATI 2, OHIO

THE BOARD OF DIRECTORS

THE EAGLE-PICHER COMPANY:

We have examined the consolidated balance sheet of The Eagle-Picher Company and its domestic subsidiaries as of November 30, 1958 and the related statement of profit and loss and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, with the explanation contained in note 4 to consolidated financial statements, the accompanying consolidated balance sheet and statement of consolidated profit and loss and earned surplus present fairly the financial position of The Eagle-Picher Company and its domestic subsidiaries at November 30, 1958 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent, in all material respects, with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.

Cincinnati, Ohio

January 22, 1959

FIVE-YEAR SUMMARY

FOR THE FISCAL YEARS 1954-1958

SOURCE OF FUNDS		APPLICATION OF FUNDS	
Net Profit.....	\$19,714,121	Dividends Paid	\$ 9,692,836
Depreciation, Depletion and Amortization:.....	14,570,212	Capital Additions.....	22,234,879
Increase in Reserves and Decrease in Investments.....	447,897	Patents & Patent Rights Acquired.....	2,042,898
Disposition of Fixed Assets.....	1,547,567	Increase in Working Capital.....	2,111,517
Other Sources.....	1,083,161	Increase in Other Assets.....	853,442
		Other.....	425,386
	<u>\$37,362,958</u>		<u>\$37,362,958</u>

FOR THE YEARS ENDED NOVEMBER 30	1958	1957	1956	1955	1954
INCOME STATEMENT					
Net Sales.....	\$98,132,667	\$117,752,694	\$116,407,000	\$114,480,080	\$83,233,880
Depreciation, Depletion and Amortization.....	3,296,731	3,216,858	3,096,237	2,969,269	1,990,578
Net Profit Before Income Taxes.....	3,990,094	7,531,706	11,481,794	10,204,062	4,946,829
Net Profit.....	2,090,094	4,266,706	5,906,430	5,004,062	2,446,829
Net Profit Per Share.....	2.08	4.25	5.88	5.06	2.47
Dividend Per Share - Calendar Year	2.20	2.20	2.00	1.80	1.50
AS AT NOVEMBER 30	1958	1957	1956	1955	1954
BALANCE SHEET					
Property, Plant & Equipment, net.....	\$24,008,928	\$23,549,875	\$24,389,349	\$24,470,614	\$25,824,409
Working Capital.....	27,920,267	27,786,595	27,298,811	23,247,257	18,447,048
Long-Term Debt.....	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Net Worth.....	40,716,257	40,858,362	38,899,244	34,834,412	31,610,917
Net Worth Per Share.....	40.46	40.74	38.71	35.22	31.96
Shares Outstanding at Year-End.....	1,006,387	1,002,972	1,005,000	989,177	989,177

PRINCIPAL PROPERTIES AND PRODUCTS

CHEMICAL DIVISION

MANUFACTURING PLANTS: GALENA, KANSAS; HILLSBORO, ILLINOIS;
JOPLIN, MISSOURI

PRINCIPAL PRODUCTS—Zinc and lead chemicals, pigments and oxides; electronic grade germanium, silicon, gallium, cadmium; 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 (Lusterlite 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, coated and embossed trim boards, sound deadener parts, 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; COLADO, NEVADA; DOVER, NEW JERSEY; JOPLIN, MISSOURI

PRINCIPAL PRODUCTS—Mineral wool insulations: cements, blocks, blankets, felts; pipe covering; aluminum storm windows and screens, storm and screen doors; diatomaceous earth products: fillers, filter-aids, 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 and precision 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 rubbers