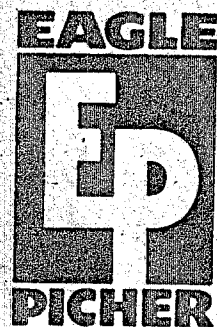


Annual Report



THE EAGLE-PICHER CORP.

for the fiscal year ended

NOVEMBER 30, 1968

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

GOLDMAN, SACHS & CO.

N11810

The Eagle-Picher Company

TO OUR SHAREHOLDERS:

Sales of The Eagle-Picher Company for 1951 established a new high, and net income was substantially larger than in 1950, despite a material increase in taxes. At the end of the fiscal year, working capital and net worth were at new peaks.

Net sales for the fiscal year ended November 30, 1951 amounted to \$82,086,318 compared with \$69,123,903 for the preceding year, an increase of 18.7%.

Net profit after taxes for the 1951 fiscal year was \$3,703,807 compared with \$2,929,296 for 1950.

As at November 30, 1951 and November 30, 1950, net working capital was \$18,625,755 and \$15,486,220, respectively; and net worth was \$26,398,195 and \$24,441,894, respectively.

Sales

Net sales of \$82,086,318 for the fiscal year ended November 30, 1951 were the largest in the Company's history. Moreover, sales in the second half of the year undoubtedly would have been higher except for the short supply of lead. Throughout this six months period foreign prices were above domestic ceiling prices and during the fourth quarter domestic lead was under Government allocation. As a result, our lead intake in the second half not only fell far short of meeting the requirements of our manufacturing divisions but also was considerably less than our intake for the same period of 1950.

Prices of lead (New York) and zinc (East St. Louis), the Company's two principal commodities, remained at 17¢ and 17½¢ per pound, respectively, from the beginning of the fiscal year

until October 2, 1951. From October 2 to the present time these prices have been 19¢ and 19½¢, respectively. The new prices thus affected sales only in the last two months of the fiscal year.

Earnings

Net profit after taxes for the fiscal year ended November 30, 1951 was \$3,703,807, equivalent to \$4.11 per share on the 900,000 shares outstanding at the year end and to \$3.74 per share on the 989,177 shares now outstanding. This compared with net profit of \$2,929,296, equal to \$3.25 per share reported for the previous year and to \$2.96 per share based on the present capitalization.

Gross operating profit before depletion and depreciation in 1951 was \$17,020,420 compared to \$13,557,652 in 1950, an increase of \$3,462,768, and net profit before taxes for these two years was \$9,503,807 and \$6,399,296, respectively, an increase of \$3,104,511. It is significant that most of the increase in gross profit was carried through to net profit before taxes.

Provision for Federal and State taxes on income last year was \$5,800,000, of which \$900,000 was for excess profits tax. This was an increase of \$2,330,000 over the 1950 tax provision. On approximately \$3,000,000 of 1951 taxable earnings, Federal taxes on income amounted to 82.3%.

It is extremely difficult for an organization to keep driving for additional sales, increased production, lower costs and greater efficiency, when its members realize that less than 18% of the results of their combined efforts may be translated into net profit after taxes. We believe the Eagle-

Picher organization deserves credit for the job it did in these respects during the past year.

Balance Sheet

Current assets at November 30, 1951 amounted to \$24,328,172, including \$9,173,684 of cash and governments, and current liabilities were \$5,702,417, a ratio of 4.26 to 1.

Working capital of \$18,625,755 was the largest in the Company's history and represented an increase of \$3,139,535 over that of a year ago.

Total inventories at November 30, 1951 were \$7,729,498 compared with \$6,889,044 a year earlier, an increase of \$840,454. The metal content of inventories at November 30, 1951 was slightly lower than at November 30, 1950.

Investments in and advances to foreign subsidiaries were reduced by \$1,057,718 during the year. This was due largely to the repayment of advances by the Mexican subsidiaries. The Mexican investment at the year end stood at \$1,598,776 or about 1.5 times the payment made in 1951. The present prospect indicates a further sizable reduction of the advances in 1952.

Net fixed assets at November 30, 1951 totaled \$11,102,406 compared with \$11,325,613 at November 30, 1950, a decrease of \$223,207.

A charge of \$1,786,818 to earned surplus eliminated from the balance sheet \$1,409,833 cost of stocks of consolidated subsidiaries in excess of their book values at time of acquisition; the balance of \$376,985 was a similar item representing the final settlement of a contingent liability, determined by an earnings formula, arising from the purchase of The Orange Screen Company in 1946. Intangible assets are now carried at \$1 although the above mentioned write-offs represented actual cash expenditures.

Net Worth

The net worth of your Company at November 30, 1951 was at an all-time high of \$26,398,195, equivalent to \$29.33 per share on the year end

capitalization and to \$26.68 per share on the present shares outstanding. Net worth at November 30, 1950 was \$24,441,894, after deduction of intangible assets of \$1,409,833.

Dividends

The regular quarterly dividend of 30 cents per share was maintained during 1951 and an extra of 30 cents was paid in December, making total cash disbursements of \$1.50 for the 1951 calendar year. The same amount was paid in 1950.

In addition, a 10% stock dividend was declared in November and paid in December, after the end of the fiscal year. A total of 89,177 shares was issued and fractions aggregating 823 shares were paid in cash. For each dividend share a total of \$18 was transferred from earned surplus, of which \$10 was credited to capital stock and \$8 to capital surplus. Earned surplus was also decreased by the cash payments made in lieu of fractional shares. The total charge to surplus aggregated \$1,625,843; the cash payment amounting to \$20,657 was included in dividends payable on the year-end balance sheet and the remainder of \$1,605,186 will be reflected in subsequent balance sheets. Earnings of the Company for the 1951 fiscal year were in excess of the above charges as well as all cash dividends declared during the year.

The Board of Directors remains of the opinion that the best interests of shareholders are served by adhering to a conservative regular dividend rate which can be supplemented by payment of extra dividends, in cash or stock, when consistent with earnings and the financial position of the Company.

Shareholders

At November 14, 1951, there were 6,242 shareholders of record owning the 900,000 shares of common stock then outstanding. In comparison, the Company has approximately 5,400 employees. Inasmuch as stock held in a broker's or nominee's name may represent the holdings of many in-

dividual shareholders, the number of owners greatly exceeds the number of employees.

Shareholders of the Company reside in every state of the Union and in several foreign countries. Over 62 per cent of them own less than 100 shares of stock and the average holding is about 145 shares. They are to be found in every walk of life and fall in the following general classifications:

	No. of Holders	No. of Shares
Men	2,864	355,940
Women	2,362	236,188
Joint Tenants	612	33,644
Brokers & Nominees	197	201,821
Fiduciaries, Institutions, etc.	207	72,407
	<u>6,242</u>	<u>900,000</u>

Directors and Officers

It is with deep regret that we report the death on March 21, 1951 of Mr. Robert E. Mullane who had served as a director of The Eagle-Picher Company since 1932. His sound business judgment contributed much to the Company's welfare.

We were saddened by the passing on November 15, 1951 of Mr. Vincent H. Beckman who had been a member of the Board of Directors since 1929. He rendered loyal and constructive service to the Company and his loss is deeply felt.

It is with sincere sorrow that we report the death of Mr. Arthur E. Bendelari on February 10, 1952. An eminent mining engineer, Mr. Bendelari joined our Company in 1915 as General Manager of the Mining Division. He was President of the Company from 1927 to 1937 and continued as a director until his retirement in March, 1951. He was greatly beloved by all members of our organization.

On November 23, 1951, Mr. Elmer Isern and Mr. Miles M. Zoller were elected Vice Presidents of the Company and Mr. K. E. Kimmel was elected Assistant Secretary. Mr. Isern is Manager of the Mining & Smelting Division and has been a director of the Company since 1946. Mr. Zoller

is Manager of the Pigment Division and was elected a director in 1943.

Outlook

It is always difficult to foresee what may happen in any year, and 1952 certainly is no exception. Business activity in general should be maintained on a high level during the present year as a result of full employment and high individual incomes, increased expenditures by the Government for national defense, and large capital expenditures by corporations. The business pattern will not be uniform, however, and dislocations will continue to occur in some industries because of Government restrictions, allocation of scarce materials, and possibly labor surpluses or shortages. Many of the industries we serve should fare well but others may curtail operations.

We believe that earnings of your Company for the 1952 fiscal year will be satisfactory. The diversity of the Company's products and their uses should sustain physical volumes in a period of high over-all activity. The recent decline in foreign lead and zinc prices was anticipated and has merely reduced their premiums over domestic prices.

The Company has a relatively favorable tax base and its excess profits tax credit for 1952 is estimated at about \$6,500,000. The financial position is strong and will serve not only as a buttress against possible recessionary tendencies but also will permit expansion of our business as favorable opportunities arise.

The Eagle-Picher Company continues to enjoy good management-employee relations and we shall strive to maintain this relationship in the future.

By order of the Board of Directors.

JOEL M. BOWLBY
Chairman

T. SPENCER SHORE
President

CINCINNATI, OHIO
FEBRUARY 15, 1952

THE EAGLE-PICHER COMPANY

CONSOLIDATED BALANCE SHEET

ASSETS

	1951	1950
CURRENT ASSETS:		
Cash	\$ 7,931,052	\$ 5,910,269
U. S. Government obligations — at cost (market value \$1,243,233 at November 30, 1951)	1,242,632	620,000
Accounts and notes receivable	\$ 7,765,945	\$ 8,583,286
Less: Allowance for doubtful receivables	340,955	367,894
Inventories of raw materials, work in process, finished products and supplies:		
Ores, metals and metal bearing products — Note 1	3,939,603	3,553,546
Other products, merchandise for resale, and manufacturing materials and supplies — at cost	3,789,895	3,335,498
TOTAL CURRENT ASSETS	24,328,172	21,634,705
OTHER ASSETS:		
Repair parts and maintenance supplies	1,171,479	965,975
Investment in and advances to associated company and sundry securities — at or below cost	335,494	395,594
Miscellaneous accounts and advances	363,623	280,212
	1,870,596	1,641,781
INVESTMENT IN AND ADVANCES TO FOREIGN SUBSIDIARIES NOT CONSOLIDATED — Note 2:		
Mexican subsidiaries	1,598,776	2,611,629
Canadian subsidiaries	698,000	742,865
	2,296,776	3,354,494
PROPERTY, PLANT AND EQUIPMENT:		
Mining lands and leases; mills, smelters and fabricating plants; and railroad and miscellaneous properties	42,265,362	42,148,094
Less: Allowance for depletion, depreciation, etc.	31,162,956	30,822,481
	11,102,406	11,325,613
INTANGIBLE ASSETS:		
Cost of stocks of consolidated subsidiaries in excess of book value, at dates of acquisition, of net assets acquired		1,409,833
Patents, goodwill, etc.	1	1
	1	1,409,834
PREPAID AND DEFERRED CHARGES:		
Prepaid freight, insurance, etc.	165,593	192,700
Miscellaneous deferred charges	530,080	530,573
	695,673	723,273
	<u>\$40,293,624</u>	<u>\$40,089,700</u>

The accompanying notes are an

THE EAGLE-PICHER COMPANY /

CONSOLIDATED BALANCE SHEETS

ASSETS

	1951	1950
CURRENT ASSETS:		
Cash	\$ 7,931,052	\$ 5,910,269
U. S. Government obligations — at cost (market value \$1,243,233 at November 30, 1951)	1,242,632	620,000
Accounts and notes receivable	\$ 7,765,945	\$ 8,583,286
Less: Allowance for doubtful receivables	340,955	367,894
Inventories of raw materials, work in process, finished products and supplies:		
Ores, metals and metal bearing products — Note 1	3,939,603	3,553,546
Other products, merchandise for resale, and manufacturing materials and supplies — at cost	3,789,895	7,729,498
Total Current Assets	24,328,172	21,634,705
OTHER ASSETS:		
Repair parts and maintenance supplies	1,171,479	965,975
Investment in and advances to associated company and sundry securities — at or below cost	335,494	395,594
Miscellaneous accounts and advances	363,623	1,870,596
		280,212
		1,641,781
INVESTMENT IN AND ADVANCES TO FOREIGN SUBSIDIARIES NOT CONSOLIDATED — Note 2:		
Mexican subsidiaries	1,598,776	2,611,629
Canadian subsidiaries	698,000	2,296,776
		742,865
		3,354,494
PROPERTY, PLANT AND EQUIPMENT:		
Mining lands and leases; mills, smelters and fabricating plants; and railroad and miscellaneous properties	42,265,362	42,148,094
Less: Allowance for depletion, depreciation, etc.	31,162,956	11,102,406
		30,822,481
		11,325,613
INTANGIBLE ASSETS:		
Cost of stocks of consolidated subsidiaries in excess of book value, at dates of acquisition, of net assets acquired		1,409,833
Patents, goodwill, etc.	1	1
		1,409,834
PREPAID AND DEFERRED CHARGES:		
Prepaid freight, insurance, etc.	165,593	192,700
Miscellaneous deferred charges	530,080	530,573
	695,673	723,273
	\$40,293,624	\$40,089,700

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

THE EAGLE-PICHER COMPANY AND DOMESTIC SUBSIDIARIES

STATEMENTS OF CONSOLIDATED PROFIT AND LOSS AND EARNED SURPLUS

FOR THE YEARS ENDED NOVEMBER 30, 1951 AND 1950

	1951	1950
NET SALES	\$82,086,318	\$69,123,903
PRODUCTION AND MANUFACTURING COSTS	65,065,898	55,566,251
GROSS OPERATING PROFIT — before depletion and depreciation.....	17,020,420	13,557,652
EXPENSES:		
Selling.....	\$ 2,252,154	\$ 2,228,365
Traffic, warehousing and shipping.....	782,144	760,862
General and administrative.....	2,617,951	2,389,656
	5,652,249	5,378,883
NET OPERATING INCOME — before depletion and depreciation.....	11,368,171	8,178,769
OTHER INCOME	248,729	168,208
	11,616,900	8,346,977
INTEREST EXPENSE:		
Long-term debt.....	225,000	225,000
Other.....	5,201	6,063
	230,201	231,063
	11,386,699	8,115,914
DEPLETION, DEPRECIATION, Etc.:		
Provision for depletion and depreciation.....	1,497,202	1,692,646
Exploration and prospecting expenses and loss or gain on disposition of capital assets.....	385,690	23,972
	1,882,892	1,716,618
NET PROFIT — before Federal and State taxes on income.....	9,503,807	6,399,296
FEDERAL AND STATE TAXES ON INCOME:		
Federal normal tax and surtax.....	4,810,000	3,175,300
Federal excess profits tax.....	900,000	215,000
State income tax.....	90,000	79,700
	5,800,000	3,470,000
NET PROFIT FOR YEAR	3,703,807	2,929,296
EARNED SURPLUS — BEGINNING OF YEAR ..	14,801,631	13,212,252
	18,505,438	16,141,548
CHARGES TO EARNED SURPLUS:		
Dividends paid and accrued.....	1,370,657	1,339,917
Charge arising from write-off of cost of stocks of consolidated subsidiaries in excess of book value, at dates of acquisition, of net assets acquired, including \$376,985 accrued November 30, 1951 under terms of purchase agreement.....	1,786,818	3,157,475
	3,157,475	1,339,917
EARNED SURPLUS — END OF YEAR		
Notes 3 and 4.....	\$15,347,963	\$14,801,631

The accompanying notes are an integral part of this statement.

THE EAGLE-PICHER COMPANY AND DOMESTIC SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 1951

NOTE 1—Under the base-stock method of inventory valuation, adopted at November 30, 1949, basic quantities of 15,000 tons of lead and 10,000 tons of zinc are valued at fixed prices based on 6.5 cents per pound for lead (New York) and 5 cents per pound for zinc (East St. Louis); the remainder of the inventory metal content is priced at the lower of average cost or market.

Inventories of metal content of lead at November 30, 1951 (which are priced on the base-stock method of inventory valuation as in the previous year) are below established base quantities. Provision of \$425,000 has been made in the accounts to cover the excess of the cost of replacing the liquidated quantities at the November 30, 1951 market prices over the fixed prices adopted for base-stock inventory valuation.

NOTE 2—The equity of The Eagle-Picher Company and Domestic Subsidiaries in foreign subsidiaries not consolidated has increased \$1,007,931 since dates of acquisition, as a result of profits, losses and dividend distributions. Of this increase \$607,917 accrued during the year ended November 30, 1951.

NOTE 3—On October 26, 1951 a dividend was declared payable December 10, 1951 in capital stock of the company at the rate of one share for each 10 shares held. Such dividend was paid by the issuance of 89,177 shares and the payment of \$20,657 as a cash dividend in lieu of the issuance of fractional shares totaling 823 shares.

On December 10, 1951 a charge of \$1,605,186 was made against earned surplus representing \$18 per share for the 89,177 shares so issued. Common stock was credited at the par value of \$10 per share, or \$891,770, and the balance of \$713,416 was credited to capital surplus.

NOTE 4—The 3% 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 stock of the Company) or applied in the purchase, redemption or retirement of the Company's capital stock. At November 30, 1951 the amount not so restricted was \$9,431,987.

NOTE 5—A portion of the Company's sales for the year ended November 30, 1951 is subject to renegotiation under the Renegotiation Act of 1951. No provision has been made for possible refunds, since it appears that renegotiation will have no material effect on the financial statements as of November 30, 1951.

FINANCIAL SUMMARY

OPERATIONS for the Years Ended November 30	1951	1950
Net Sales	\$82,086,318	\$69,123,903
Net Profit before Income Taxes	9,503,807	6,399,296
Federal and State Taxes on Income	5,800,000	3,470,000
Net Profit for Year	3,703,807	2,929,296
Per Share*	4.11	3.25
Dividends Paid and Accrued	1,370,657	1,339,917
Per Share	1.50	1.50
Retained in the Business	2,333,150	1,589,379

FINANCIAL POSITION as at November 30	1951	1950
Current Assets	\$24,328,172	\$21,634,705
Current Liabilities	5,702,417	6,148,485
Working Capital	18,625,755	15,486,220
Fixed Assets, Net	11,102,406	11,325,613
Investments in and Advances to Foreign Subsidiaries	2,296,776	3,354,494
Long Term Debt	7,500,000	7,500,000
Net Worth	26,398,195	24,441,894†
Per Share*	29.33	27.15

*Based on 900,000 shares of common stock outstanding. On December 10, 1951 a 10% stock dividend was paid. There are presently 989,177 shares outstanding.

†After deduction of \$1,409,833 of intangible assets.