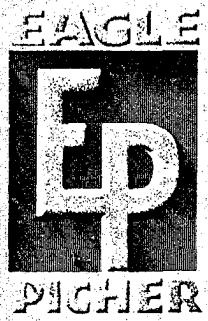
ANNUAL REPORT

FOR THE

FISCAL YEAR ENDED NOVEMBER 30, 1959



THE EAGLE-PICHER COMPANY

CINCINNATI, OHIO

N11818

TO OUR SHAREHOLDERS:

Sales and earnings of The Eagle-Picher Company for 1959 increased substantially over those for 1958. Net sales were the largest in the Company's history and net profit was more than double that for the preceding year.

The Company's financial position at November 30, 1959 was strong, with working capital and net worth at new peak levels.

Directors of the Company on November 4, 1959 recommended a two-for-one split of the Company's common stock which was approved by shareholders at a special meeting held on December 22, 1959.

Sales

Net sales for the fiscal year ended November 30, 1959 amounted to $120,925,049 as compared with $98,132,667 for the previous year, an increase of $22,792,382, or 23.2%. All divisions of the Company recorded higher sales.

Earnings

Net profit for the fiscal year ended November 30, 1959 amounted to $4,671,646, or $4.57 per share, as compared with $2,090,094, or $2.08 per share, for 1958. This improvement in earnings was widespread among the Company's operations.

Net profit before taxes for 1959 was $9,671,646 as compared with $3,990,094.

The Company's earnings for 1959 would have been higher, probably 50 cents per share more, except for the steel strike which adversely affected the operations of many of our customers in various basic industries. Fortunately, most of this business is not permanently lost.

Balance Sheet

Shareholders' net worth at November 30, 1959 was $43,212,387, or $42.27 per share, as compared with $40,716,257, or $40.46 per share, at November 30, 1958.

SUMMARY OF 1958 AND 1959

Year Ended November 30	1959	1958	Increase
Net Sales	$120,925,049	$98,132,667	$22,792,382
Net Profit Before Income Taxes	9,671,646	3,990,094	5,681,552
Net Profit	4,671,646	2,090,094	2,581,552
Net Profit Per Share	4.57	2.08	2.49
Dividends Declared Per Share	2.20	2.20	—

Working capital at November 30, 1959 amounted to $30,133,749, an increase of $2,213,482 over the corresponding figure of $27,920,267 a year earlier.

Cash and United States Government obligations aggregated $14,126,040 at the 1959 year-end, as compared with $7,319,071 at November 30, 1958, an increase of $6,806,969.

Current liabilities included $1,000,000 of long-term notes due July 15, 1960, representing the first maturity of the Company's 3¾% term loan, due serially to 1974.

Net fixed assets of $24,006,005 at November 30, 1959 showed little change from the comparable figure of $24,008,928 at the close of 1958.

Dividends

Dividends paid during 1959 amounted to $2.20 per share. A similar amount was paid in 1958 and 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 24 years, and the dividend payable in March 1960 will mark the 80th consecutive quarterly payment.

The Board of Directors intends to place the Company's new $5.00 par value stock on a $1.20 annual dividend basis at the next meeting in February. This would be equivalent to $2.40 per share on the shares of $10.00 par value outstanding during the 1959 fiscal year.

Capital Expenditures

The Company has spent approximately $40,000,000 on capital additions in the ten-year period 1950–1959, an amount not materially less than its present net worth and considerably more than both the average net worth during this period and the present stated value of its fixed assets. In the same period, it has spent about $31,000,000 cash in acquiring companies and properties, of which approximately $13,000,000 comprised fixed assets which are included in capital additions. It may be said, therefore, that the Company has spent about the same amount on "internal" capital additions as on "external" acquisitions, or vice-versa.

As a result of this expansion program, approximately two-thirds of the Company's 1959 sales was derived from products not manufactured ten years ago, and if products in the laboratory or development stage in 1950 are included, the percentage of new items would be about 70%. In any event, the Company's product line has been materially expanded and diversified, and has a greater growth potential than at any time in its history.

While it is impossible to peer too far into the future, we believe that "internal" expansion will exceed "external" acquisition in the next ten-year period.

Operations

Effective January 1, 1960, operations of the Chemical Division and the Mining and Smelting

BALANCE SHEET COMPARISON

As At November 30	1959	1958	Increase
Cash and U. S. Gov'ts.	$14,126,040	$ 7,319,071	$6,806,969
Net Working Capital	30,133,749	27,920,267	2,213,482
Net Fixed Assets	24,006,005	24,008,928	*2,923*
Total Assets	68,851,286	67,088,186	1,763,100
Net Worth	43,212,387	40,716,257	2,496,130

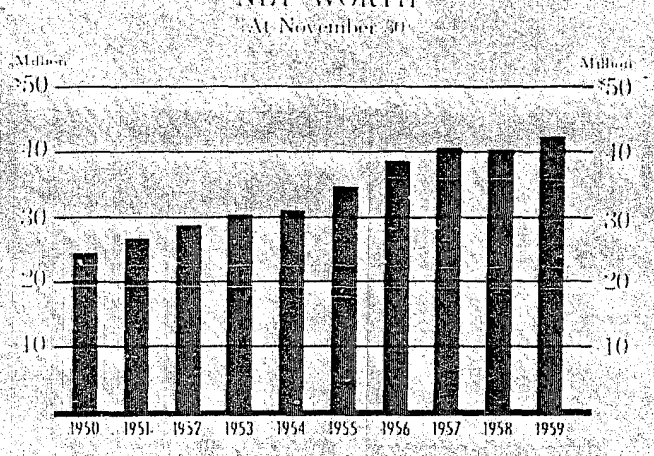
Division were consolidated in a new Chemicals and Metals Division. In addition to roasting concentrates for the Mining and Smelting Division, the Chemical Division processed zinc and lead concentrates produced by the Mining and Smelting Division. The Chemical Division also sold slab zinc, germanium and other rare metals produced by the Mining and Smelting Division. In most respects, the business of the two divisions was complementary and interrelated and constituted an integrated operation. The consolidation should thus result in greater efficiency and economy.

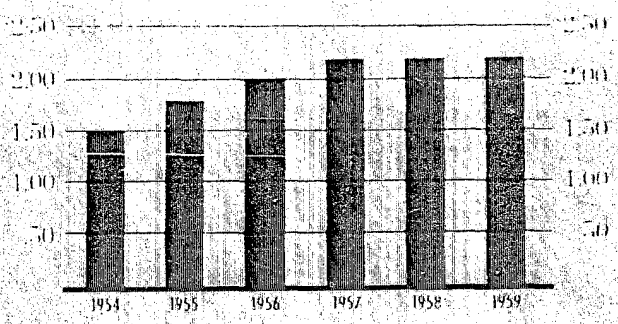
On November 15, 1959, the Insulation Division announced to dealers and distributors that it would cease the manufacture of aluminum storm windows, screens and doors as soon as practicable. After eliminating these products, Eagle-Picher is completely a "manufacturer's manufacturer". The Insulation Division last year expanded its operations in diatomaceous earth, an industry believed to have an outstanding growth potential.

The Chicago Vitreous Division is constructing a new plant in Paris, Illinois to fabricate steel frames, uprights and trusses. It is presently purchasing such products and applying porcelain enamel to panels, used to construct gasoline service stations for many major oil companies. This area also has favorable expansion possibilities with wider commercial and industrial applications than those presently conducted by Chicago Vitreous.

Organization

One of our Company's axioms, which we apply diligently, is that "manpower is everything." So long as a company has top-grade people





throughout its organization, we believe that the shareholders can be confident of its future as such people will see that capital is profitably invested and will attempt to anticipate or solve problems in their early stage.

The Eagle-Picher Company for some time has had a broad program of attracting and enlisting the services of outstanding young people, mostly college graduates with liberal arts or technical backgrounds, in all phases of its operations. The companies acquired in the past ten years have likewise had outstanding managements which have stayed with The Eagle-Picher Company, except in a few cases where normal retirement age ensued.

As a result of this program and policy, The Eagle-Picher Company is well staffed, has good age distribution, and has one or more able replacements for all top jobs. I wish to pay tribute to this organization and express my satisfaction in being a part of it.

General

We share the widely held opinion that this country's economy will reach an all-time peak in 1960. Serving a broad cross-section of basic industries, we anticipate that sales and earnings of The Eagle-Picher Company will reflect such a development. The long-range outlook for our Company has never been brighter.

Spencer Shore

President

Cincinnati, Ohio
January 25, 1960

CONSOLIDATED BALANCE SHEETS

ASSETS	1959	1958
CURRENT ASSETS		
Cash	$ 9,420,961	$ 7,183,905
U. S. Government obligations — at cost		135,166
Accounts and notes receivable, less allowance for doubtful receivables, $383,225 and $348,018	11,799,498	11,847,413
Inventories of raw materials, work in process, finished products, and supplies (note 1)	19,376,560	18,991,933
TOTAL CURRENT ASSETS	40,597,019	38,158,417
OTHER ASSETS		
Repair parts and maintenance supplies	821,480	842,994
Investments, at or below cost, and miscellaneous accounts and advances	748,574	1,254,532
	1,570,054	2,097,526
PROPERTY, PLANT AND EQUIPMENT, AT COST	67,342,196	64,908,016
Less: Allowance for depreciation, depletion, etc.	43,336,191	40,899,088
	24,006,005	24,008,928
PATENTS, AT COST — less amortization	1,551,564	1,736,055
PREPAID AND DEFERRED CHARGES		
Prepaid freight, insurance etc.	478,827	477,166
Miscellaneous deferred charges	647,817	610,094
	1,126,644	1,087,260
	$68,851,286	$67,088,186

The accompanying notes are an i

ANY AND SUBSIDIARIES

AT NOVEMBER 30, 1959 AND 1958

LIABILITIES	1959	1958
CURRENT LIABILITIES		
Accounts payable	$ 5,352,507	$ 5,247,578
Dividend payable	563,600	555,328
Accrued liabilities	3,534,793	2,415,860
Federal taxes on income, less U. S. Government obligations at cost, $4,705,079 at November 30, 1959	12,370	2,019,384
Long-term debt — current portion	1,000,000	
TOTAL CURRENT LIABILITIES	10,463,270	10,238,150
LONG-TERM DEBT — 3¾% notes, maturing serially to July 15, 1974 (note 2), less current portion	14,000,000	15,000,000
RESERVES FOR SELF-INSURANCE	1,175,629	1,133,779
STOCKHOLDERS' EQUITY		
Capital stock — par value $10 per share; authorized 1,500,000 shares; issued and outstanding 1,024,727 shares (note 3)	10,247,270	10,130,770
Surplus:		
Capital surplus	2,666,251	2,839,208
Earned surplus (note 2)	30,436,628	28,005,444
	43,350,149	40,975,422
Less: Treasury stock, 2,500 and 6,690 shares — at cost	137,762	259,165
	43,212,387	40,716,257
	$68,851,286	$67,088,186

ıral part of this balance sheet.

THE EAGLE-PICHER COMPANY AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED PROFIT AND LOSS AND EARNED SURPLUS

YEARS ENDED NOVEMBER 30, 1959 AND 1958

	1959	1958
INCOME:		
Net sales	$120,925,049	$ 98,132,667
Other income	267,020	314,021
	121,192,069	98,446,688
COSTS AND EXPENSES		
Production and manufacturing costs	98,780,167	81,763,715
Selling, general and administrative expenses	9,184,181	8,827,782
Provision for depreciation, depletion and patent amortization	2,987,784	3,296,731
Interest	568,291	568,366
	111,520,423	94,456,594
PROFIT FROM OPERATIONS — before Federal and State taxes on income	9,671,646	3,990,094
FEDERAL AND STATE TAXES ON INCOME	5,000,000	1,900,000
NET PROFIT FOR YEAR	4,671,646	2,090,094
EARNED SURPLUS AT BEGINNING OF YEAR	28,005,444	28,127,827
	32,677,090	30,217,921
CASH DIVIDENDS PAID AND ACCRUED	2,240,462	2,212,477
EARNED SURPLUS AT END OF YEAR (note 2)	$ 30,436,628	$ 28,005,444

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 1959

1. Inventories, other than ores, metals and metal bearing products, have been valued at average and standard costs, or lower, which approximate replacement market. 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, 7,000 and 18,000 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.

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, 1959, the amount not so restricted was approximately $10,400.00.

3. Under a stock option plan approved by the stockholders of the company on March 23, 1954, key employees of the company could 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, 1959, options have not been granted for 2,000 shares of the capital stock authorized to be issued.

   At November 30, 1959, there were outstanding options entitling the holders thereof to purchase 15,400 shares at $19.375 per share and 3,500 shares at $39.75 per share.

   At a special meeting on December 22, 1959, the shareholders approved a stock split in which the stockholders will receive two shares of $5 par value capital stock for each share of $10 par value capital stock outstanding as of January 5, 1960, and increased the authorized capital stock to 3,000,000 shares. The shares subject to option, and the unit price thereof, will be adjusted proportionately.

4. In preparing reports to the Securities and Exchange Commission, the excess of the consideration paid to 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, 1959 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.

TEN-YEAR SUMMARY

SOURCE AND APPLICATION OF FUNDS

FOR THE FISCAL YEARS 1950–1959

SOURCE		APPLICATION	
Net Profit	$38,297,480	Dividends Paid	$17,681,098
Depreciation, Depletion and Amortization	23,927,798	Capital Additions	40,456,002
Increase in Long-Term Debt	6,500,000	Patents & Patent Rights Acquired	2,035,578
Disposition of Fixed Assets	5,338,954	Increase in Working Capital	17,514,177
Decrease in Foreign Investments	3,670,801	Increase in Other Assets	702,516
Other Sources	1,398,787	Other	744,449
	$79,133,820		$79,133,820

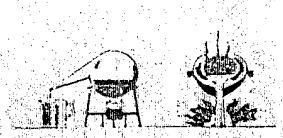
SALES EARNINGS DIVIDENDS

YEARS ENDED NOV. 30	1959	3 YEAR AVERAGE 1956–1958	3 YEAR AVERAGE 1953–1955	3 YEAR AVERAGE 1950–1952
Net Sales	$120,925,049	$110,764,120	$94,249,121	$77,701,096
Net Profit Before Income Taxes	9,671,646	7,667,865	7,034,619	6,742,249
Net Profit	4,671,646	4,087,743	3,564,619	3,556,249
Net Profit Per Share (on present capitalization)	4.57	4.00	3.49	3.48
Dividend Per Share	2.20	2.13	1.60	1.41
Depreciation, Depletion and Amortization	2,987,784	3,203,275	2,172,406	1,604,323
Cash Generated (Net Profit Plus Depreciation, Depletion and Amortization	7,659,430	7,291,018	5,737,025	5,160,572

BALANCE SHEET HIGHLIGHTS

AT NOV. 30	CASH AND U. S. GOV'T. SECURITIES	WORKING CAPITAL	PROPERTY, PLANT AND EQUIPMENT, NET	NET WORTH	NET WORTH PER SHARE*
1959	$14,126,040	$30,133,749	$24,006,005	$43,212,387	$42.27
1958	7,319,071	27,920,267	24,008,928	40,716,257	40.46
1957	11,472,791	27,786,595	23,549,875	40,858,362	40.74
1956	13,947,086	27,298,811	24,389,349	38,899,244	38.71
1955	12,710,610	23,247,257	24,470,614	34,834,412	35.22
1954	8,053,695	18,447,048	25,824,409	31,610,917	31.96
1953	20,716,682	25,808,749	17,583,985	30,646,045	30.98
1952	12,766,129	25,176,975	16,493,018	28,898,443	29.21
1951	16,167,043	18,625,755	11,102,406	26,398,195	26.68
1950	10,055,269	15,486,220	11,325,613	24,441,894	24.71

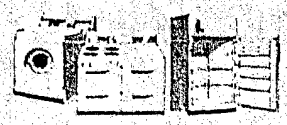
*Based on the number of shares outstanding at each year-end, after reflecting 10% stock dividend paid December 10, 1951.



CHEMICALS AND METALS DIVISION

PRINCIPAL PRODUCTS — Zinc and lead pigments and oxides ★ Special purpose electric power supplies ★ Sulphuric acid ★ Electronic grade germanium, gallium, cadmium sulphide ★ Cadmium ★ Slab zinc ★ Clad

PLANTS AND MINES: *Plants:* JOPLIN, MISSOURI; GALENA AND HILLSBORO, ILLINOIS; GALENA, KANSAS; COMMERCE, HENRYETTA AND MIAMI, OKLAHOMA; LINDEN AND SHULLSBURG, WISCONSIN. *Mines:* TRI-STATE DISTRICT (MISSOURI OKLAHOMA, KANSAS), ILLINOIS, WISCONSIN



CHICAGO VITREOUS CORPORATION

PRINCIPAL PRODUCTS — Porcelain enamel frits for home appliances, plumbing ware, lighting fixtures, architectural paneling, outdoor signs and other products requiring protective finishes ★ "Lusterlite" all-porcelain enameled gasoline service stations

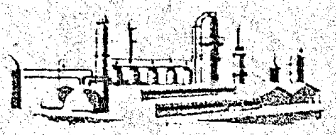
PLANT: CICERO, ILLINOIS



FABRICON PRODUCTS DIVISION

PRINCIPAL PRODUCTS — Automotive parts, such as door trim panels, trunk liners, dash insulator mats and glove boxes ★ Waxed paper, cellophane and polyethylene wrappers ★ "Lamin-Art" decorative plastic sheets ★ Custom impregnated papers, textiles and glass cloth ★ Molded plastic parts

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



INSULATION DIVISION

PRINCIPAL PRODUCTS — Insulating cements, blocks, blankets, felts, pipe covering ★ Diatomaceous earth filter aids, aggregates, absorbents, catalyst supports

PLANTS: CLARK AND COLADO, NEVADA; JOPLIN, MISSOURI



THE OHIO RUBBER COMPANY

PRINCIPAL PRODUCTS — Molded and extruded rubber parts for the automotive, agricultural equipment, electrical appliance, toy and other industries ★ Natural, synthetic and silicone rubber products ★ Semi-pneumatic tires ★ Flexible vinyl parts ★ Rubber-to-metal parts ★ Polyurethane products

PLANTS: WILLOUGHBY, OHIO; CONNEAUTVILLE, PENNSYLVANIA; LONG BEACH, CALIFORNIA; STRATFORD, CONNECTICUT