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THE EAGLE-PICHER COMPANY

for the fiscal year ended
NOVEMBER 30, 1950

The Eagle-Picher Company

To the Shareholders of
THE EAGLE-PICHER COMPANY:

The Annual Report of your Company for the fiscal year ended November 30, 1950, including financial statements, is presented in advance of the Annual Meeting of Shareholders to be held on March 27, 1951.

Previous reports have included comparisons of operating results with those of the preceding year. Such a comparison has been omitted at this time, as your management felt that it would be more confusing than informative because of the change in presentation required by the adoption of the base-stock method of inventory valuation at November 30, 1949.

General

The 1950 fiscal year was a successful one for The Eagle-Picher Company. Sales and earnings increased over the preceding year and working capital and net worth at the year end were substantially higher than at November 30, 1949.

Prices of zinc and lead, the two principal metals produced and processed by your Company, rose materially during the year. This in turn was reflected in higher prices for products manufactured from these metals.

The major part of the rise in the price of zinc occurred before the fighting began in Korea. Zinc was in good demand throughout the year by regular industrial consumers, in addition to which government stock-piling was a factor of varying importance from time to time. The recovery in the price of lead, on the other hand, dates from the Korean crisis. In the early part of the year, the price of lead was depressed by imports from countries where the need for dollars was more urgent than that for metal. At present, both lead and zinc appear to be in a strong statistical position.

Despite the many problems and uncertainties resulting from the present state of national emergency, the outlook for your Company for 1951 seems generally promising. Barring a settlement of the international situation and a substantial cutback in defense spending, neither of which, regrettably, seems probable, the demand for zinc and lead and most products manufactured by the Company should continue at a high level. Under these circumstances, sales and net income before taxes for 1951 should compare favorably with those for 1950. The tax burden will be heavier, with higher normal and surtax rates and with an excess profits tax in effect for the full year. On the other hand, your Company has a relatively good excess profits tax base under the provisions of the present law.

Sales

Net sales for the fiscal year ended November 30, 1950 amounted to \$69,123,902 as compared with \$63,349,822 for the preceding fiscal year, an increase of \$5,774,080 or approximately 8.3%.

The following table shows the trend of sales during the year as compared with that in 1949:

	1950	1949	Increase or Decrease
1st Half	\$26,890,812	\$32,591,185	−17½%
3rd Quarter	19,440,537	15,895,733	+22%
4th Quarter	22,792,553	14,862,904	+53%

Sales in the third quarter of 1950 were the highest for such period in the Company's history, while those for the fourth quarter were exceeded only by the fourth quarter of 1948.

Earnings

Net profit after taxes for the fiscal year ended November 30, 1950 was $2,929,296.39, equivalent to $3.25 per share, compared with a net credit to surplus for the fiscal year ended November 30, 1949 of $2,747,146.69, or $3.09 per share.

During the first half of the 1950 fiscal year the price of lead (New York) fluctuated between 10.5¢ and 12¢ per pound and zinc (E. St. Louis) between 9.75¢ and 12¢ per pound, resulting in a low dollar sales volume and low gross margins. Consequently, the Company's net profit for this period was only $759,722.20. In the last half of the year, prices of lead and zinc and many of the Company's manufactured products improved and gross profits were increased. Despite higher tax rates, net profit during this period amounted to $2,169,524.19.

Balance Sheet

Current assets at November 30, 1950 amounted to $21,634,705.03, including $6,530,269.11 of cash and governments, and current liabilities were $6,148,484.47, showing a current ratio of 3.5 to 1.

Working capital of $15,486,220.56 compared with $12,753,933.51 at the close of the preceding fiscal year, an increase of $2,732,287.05.

Total inventories at November 30, 1950 amounted to $6,889,043.56 compared with $7,926,308.57 on November 30, 1949, a decrease of $1,037,265.01. Metal content of inventories in tons at the respective dates was as follows:

	Nov. 30, 1950	Nov. 30, 1949	Decrease
Lead	16,275	18,895	2,620
Zinc	14,616	16,976	2,360

Investments in and advances to foreign subsidiaries not consolidated were reduced during the year by $328,649.06, most of which reduction occurred in the Company's investment in Mexico. The Mexican subsidiaries operated at a profit and, therefore, were able to repay a portion of the advances previously made by the U. S. company. Should present prices of lead and zinc continue, these advances should be reduced substantially further in 1951.

Net fixed assets at November 30, 1950 totaled $11,325,612.51 compared with $12,333,102.64 at November 30, 1949, a reduction of $1,007,490.13.

For a number of years, the Company had owned 10,924 shares of Treasury Stock costing $61,797.56, which were purchased for resale to employees. During the past year, under an Employee Stock Purchase Plan, the Company sold 10,505 of these shares to key employees, exclusive of the Chairman of the Board and the President, at the market price prevailing at the time of sale. The balance of 419 shares was sold on the New York Stock Exchange. These sales netted the Company $210,894.12 and produced a profit of $149,096.56, which was credited to capital surplus.

Listed below is a summary of the source and application of funds for the year:

FUNDS PROVIDED	
Net profit for year	$2,929,296.39
Depreciation and depletion	1,692,645.96
Sale of treasury stock	210,894.12
	$4,832,836.47
FUNDS APPLIED	
Capital additions, less retirements	$ 699,927.70
Miscellaneous accounts, net	60,704.72
Dividends paid	1,339,917.00
Increase in working capital for year	2,732,287.05
	$4,832,836.47

Dividends

The regular quarterly dividend of 30 cents per share was maintained during the year and an extra of 30 cents was paid in December, making total disbursements of $1.50 per share for the calendar year. Payments during the past five calendar years have been as follows: 1946, $1.00; 1947, $1.50; 1948 and 1949, $1.80; and 1950, $1.50.

The Board of Directors and the management are cognizant of the pressing need for income felt by many stockholders. On the other hand, they believe that your Company should maintain a strong financial position as a protection against possible future contingencies as well as to enable it to continue expansion and improvement of its manufacturing and mining activities. The Directors are of the opinion that the best interests of stockholders are served by adhering to a regular dividend rate, which it is expected can be maintained except during periods of extreme conditions, and to supplement it by payment of extra dividends when consistent with earnings and the financial position of the Company.

Net Worth

The net worth (capital and surplus) of your Company at November 30, 1950 was $25,851,726.90, equivalent to $28.72 per share, compared with $24,413,250.95, or $27.12 per share, at November 30, 1949.

The tabulation below lists for the past five years the book value of the common stock, after eliminating the cost of stocks of consolidated subsidiaries in excess of their net asset values when acquired. While this excess represents an actual cash expenditure, it may be construed as goodwill from an accounting standpoint and probably will be eliminated in a reasonable period of time by charges to earned surplus.

Nov. 30	Book Value	Per Share
1950	$24,441,894	$27.15
1949	22,641,619	25.47
1948	21,529,137	24.23
1947	19,061,732	21.44
1946	16,674,533	18.75

Taxes

Provision for Federal and State taxes on income for the fiscal year ended November 30, 1950 amounted to $3,470,000, or $3.85 per share, of which $215,000 was for excess profits tax.

Your management estimates that on an average earnings basis the Company's excess profits tax base for the 1950 fiscal year was $5,550,000. While it is impossible to calculate accurately at this time, it is our belief that, if the basis provided under the present law is not changed, the Company's excess profits tax credit for the fiscal year ending November 30, 1951 will be increased to approximately $6,000,000.

Auditors

Since 1927, Barrow, Wade, Guthrie & Co., independent accountants, have reported upon the financial statements of the Company. This firm was elected as auditors for the current year at the last Annual Meeting of Shareholders. During the year, Barrow, Wade, Guthrie & Co. was merged with Peat, Marwick, Mitchell & Co. and the certificate covering the 1950 statements, therefore, is signed by the successor firm.

Outlook

The year 1951 will confront all companies with many operating problems. There will be numerous materials in short supply. Constantly changing regulations, restrictions, and requirements will be placed upon industry by government. Prices and wages, and even profits, may be regulated to some extent. Many men and women will be joining the armed forces or departments of the government. Manpower can become a serious problem. The tax burden will be the heaviest this country has ever experienced.

On the favorable side, there would seem to be little likelihood of lower prices for lead and zinc under a defense economy. In fact, higher prices may become essential in order to bring out required production. Demand for most of the products which we manufacture should continue at a high level and we believe your organization is well equipped to cope with the many problems which it must face.

Taxes are taking, and will continue to take, a staggering toll from the national economy. While the government should spend every cent essential to the protection of our national safety, the billions which are being spent at present for non-essential, non-defense projects should be eliminated. It is to be hoped that the Federal Government, in attempting to control inflation, will not overlook the desirability of reducing to a minimum those expenditures not necessary to good government and the preservation of our way of life.

Your management wishes to take this opportunity of giving recognition to the fine and loyal services of the members of The Eagle-Picher organization who have contributed so wholeheartedly to the success of the Company.

By order of the Board of Directors.

Joel M. Bowlby
Chairman

T. Spencer Shore
President

Cincinnati, Ohio
February 16, 1951

ASSETS

	1950		1949	
CURRENT ASSETS:				
Cash in banks and on hand		$ 5,910,269.11		$ 3,157,534.34
U. S. Government obligations — at cost (market value at November 30, 1950 — $619,305.70)		620,000.00		625,000.00
Accounts and notes receivable	$ 8,583,286.23		$ 5,168,837.30	
Less: Reserve for doubtful accounts	367,893.87	8,215,392.36	373,452.38	4,795,384.92
Inventories of raw materials, work in process, finished products and supplies:				
Ores, metals and metal-bearing products — Note 1	3,553,545.72		5,006,050.64	
Other products, merchandise for resale, and manufacturing materials and supplies — at cost	3,335,497.84	6,889,043.56	2,920,257.93	7,926,308.57
TOTAL CURRENT ASSETS		21,634,705.03		16,504,227.83
OTHER ASSETS:				
Repair parts and maintenance supplies	965,975.22		1,032,561.54	
Investment in and advances to associated company and sundry securities — at or below cost	395,593.51		270,872.43	
Miscellaneous accounts and advances	280,211.86	1,641,780.59	108,757.47	1,412,191.44
INVESTMENT IN AND ADVANCES TO FOREIGN SUBSIDIARIES NOT CONSOLIDATED — Note 2:				
Mexican subsidiaries	2,611,628.76		2,934,669.77	
Canadian subsidiaries	742,864.73	3,354,493.49	748,472.78	3,683,142.55
FIXED AND INTANGIBLE ASSETS:				
Mining lands and leases; mills, smelters and fabricating plants; and railroad and miscellaneous properties	42,148,093.78		41,919,810.58	
Less: Reserves for depletion, depreciation, etc.	30,822,481.27		29,586,707.94	
	11,325,612.51		12,333,102.64	
Cost of stocks of consolidated subsidiaries in excess of book value, at dates of acquisition, of net assets acquired	1,409,833.07		1,409,833.07	
Patents, goodwill, etc.	1.00	12,735,446.58	1.00	13,742,936.71
TREASURY STOCK — 10,924 shares at cost				61,797.56
PREPAID AND DEFERRED CHARGES:				
Prepaid freight, insurance, etc.	192,700.05		213,824.50	
Miscellaneous deferred charges	530,573.51	723,273.56	394,768.24	608,592.74
		$40,089,699.25		$36,012,888.83

The accompanying notes are

D DOMESTIC SUBSIDIARIES

T NOVEMBER 30, 1950 AND 1949

LIABILITIES

	1950		1949	
CURRENT LIABILITIES:				
Accounts payable		$ 3,913,407.30		$ 1,922,349.53
Dividend payable		539,748.60		400,084.20
Accrued liabilities:				
Wages and salaries	$ 451,502.74		$ 340,872.04	
Taxes — other than taxes on income	192,093.96		202,038.77	
Other	465,133.60	1,108,730.30	244,630.78	787,541.59
Provision for Federal and State taxes on income	4,111,598.27		640,319.00	
Less: U. S. Government obligations	3,525,000.00	586,598.27		640,319.00
TOTAL CURRENT LIABILITIES		6,148,484.47		3,750,294.32
PURCHASE MONEY OBLIGATION:				
Payable serially to March 1, 1952	575,722.31		663,994.56	
Less: Contingent obligation, payable from earnings of acquired subsidiary, if and to the extent earned, not in excess of	441,361.25		441,361.25	
Fixed obligation	134,361.06		222,633.31	
Less: Payments due currently, included in accounts payable	103,346.21	31,014.85	88,272.25	134,361.06
THREE PER CENT NOTES — PAYABLE SERIALLY SEPTEMBER 1, 1953 TO SEPTEMBER 1, 1967		7,500,000.00		7,500,000.00
RESERVES FOR SELF-INSURANCE:				
Workmen's compensation	422,016.65		386,508.80	
Fire and tornado	136,456.38	558,473.03	128,473.70	514,982.50
COMMON STOCK—par value $10:				
Authorized 1,000,000 shares				
Issued and outstanding 900,000 shares		9,000,000.00		9,000,000.00
SURPLUS:				
Capital surplus, including $149,096.56 arising from sale of treasury stock during the year ended November 30, 1950	2,050,095.88		1,900,999.32	
Earned surplus — per accompanying statement — Note 3	14,801,631.02	16,851,726.90	13,212,251.63	15,113,250.95
		$40,089,699.25		$36,012,888.83

al part of this balance sheet.

THE EAGLE-PICHER COMPANY AND DOMESTIC SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS

FOR THE YEAR ENDED NOVEMBER 30, 1950

NET SALES		$69,123,902.48
PRODUCTION AND MANUFACTURING COSTS		55,909,049.76
GROSS OPERATING PROFIT — before depletion and depreciation		13,214,852.72
EXPENSES:		
Selling	$ 2,228,365.40	
Traffic, warehousing and shipping	760,861.91	
General and administrative	2,389,655.71	5,378,883.02
NET OPERATING INCOME — before depletion and depreciation:		
Mining and manufacturing		7,835,969.70
Northeast Oklahoma Railroad Company		342,798.83
		8,178,768.53
OTHER INCOME		168,208.86
		8,346,977.39
INTEREST PAID:		
On long term debt	225,000.00	
Other	6,063.18	231,063.18
		8,115,914.21
DEPLETION, DEPRECIATION, Etc.:		
Provision for depletion and depreciation	1,692,645.96	
Exploration and prospecting expenses, less $54,413.97 gain on disposition of capital assets	23,971.86	1,716,617.82
NET PROFIT — before Federal and State Taxes on Income		6,399,296.39
FEDERAL AND STATE TAXES ON INCOME:		
Federal normal tax and surtax	3,175,300.00	
Federal excess profits tax	215,000.00	
State income tax	79,700.00	3,470,000.00
NET PROFIT FOR YEAR — Note 1		2,929,296.39
EARNED SURPLUS — NOVEMBER 30, 1949		13,212,251.63
		16,141,548.02
DIVIDENDS PAID AND ACCRUED		1,339,917.00
EARNED SURPLUS—NOVEMBER 30, 1950		$14,801,631.02

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 1950

NOTE 1 — At November 30, 1949 the base-stock method of inventory valuation was adopted; base quantities of 15,000 tons of lead and 10,000 tons of zinc were established 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 was priced at the lower of average cost or market. Reductions in the value of base quantities to such fixed prices amounted to $1,895,559 at November 30, 1949, and $3,751,989 at November 30, 1950. The increase of $1,856,430 in 1950 was charged to production costs in the Profit and Loss statement. No comparable adjustment was reflected in the Profit and Loss statement for the 1949 fiscal year.

On the basis of valuing metal content at the lower of average cost or market plus manufacturing costs of materials in process and finished products, the aggregate value of ores, metals and metal-bearing products was $7,305,535 at November 30, 1950 and $6,901,610 at November 30, 1949.

NOTE 2 — The equity of The Eagle-Picher Company and Domestic Subsidiaries in foreign subsidiaries not consolidated has increased $400,014 since dates of acquisition, as a result of profits, losses and dividend distributions. Of this increase, $327,373 accrued during the year ended November 30, 1950.

NOTE 3 — 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, 1950 the amount available for such purposes was $6,675,823.

PEAT, MARWICK, MITCHELL & CO.
Certified Public Accountants
CHICAGO, ILLINOIS

To the Directors
THE EAGLE-PICHER COMPANY
Cincinnati, Ohio.

We have examined the consolidated balance sheet of The Eagle-Picher Company and its domestic subsidiaries as of November 30, 1950 and the related consolidated 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, the accompanying balance sheet and statement of profit and loss and earned surplus present fairly the consolidated financial position of The Eagle-Picher Company and its domestic subsidiaries at November 30, 1950, and the results of their operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent (except for the base-stock inventory valuation adjustment charged to profit and loss in 1950, as explained in Note 1—which we approve) with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.

Chicago, Illinois
February 8, 1951

PRINCIPAL EAGLE-PICHER PRODUCTS

Painting Materials

- FLAT WALL FINISHES
- SEMI-GLOSS FINISHES
- TRIM COLORS
- SASH & TRIM ENAMELS
- BARN PAINTS
- STUCCO & CONCRETE PAINT
- QUICK DRY ENAMELS
- QUICK SET SEAL
- PORCH & FLOOR PAINTS
- VARNISHES
- INTERIOR GLOSS ENAMEL
- HOUSE PAINTS
- CREOSOTE PAINT
- SCREEN ENAMEL
- IMPLEMENT ENAMELS
- SHINGLE STAINS
- WALL PRIMERS & SEALERS
- ENAMEL UNDERCOATS
- BASIC THINNER
- PASTE WOOD FILLER
- PENETRATING OIL STAINS
- VARNISH STAINS
- ALUMINUM PAINTS
- TRAFFIC PAINTS
- COLORS-IN-OIL
- METAL PAINTS
- HEAT RESISTING PAINTS
- WHITE LEAD PAINTS

Pigments and Oxides

- LEAD FREE ZINC OXIDES
- LEADED ZINC OXIDES
- WHITE LEAD CARBONATE
- SUPER SUBLIMED WHITE LEAD
- SUBLIMED BLUE LEAD
- BASIC SILICATE WHITE LEAD
- LEAD SILICATE (MONO)
- ALSILOX
- RED LEAD
- ORANGE MINERAL
- LITHARGE
- SUBLIMED LITHARGE
- LITHOPONE
- GERMANIUM OXIDE

Metallic Products

- ALLOYS, TIN-LEAD
- ANTIMONIAL LEAD
- ANODES, TIN
- BEARING METALS
- CAULKING LEAD
- LEAD PIPE AND TUBING
- LEAD WIRE
- TIN PIPE AND TUBING
- ROOF FLANGES
- PLUMBERS LEAD FITTINGS
- SOLDERS
- LEAD WEIGHTS
- LEAD WOOL AND PLUGS
- SHEET LEAD
- LEAD, TIN-SILVER

Industrial Insulation

- INSULATING CEMENTS
- MINERAL WOOL — FILL
- MINERAL WOOL — LOOSE
- MINERAL WOOL PIPE COVERINGS
- PROTECTIVE COATINGS FOR INSULATION
- MINERAL WOOL — BLANKETS
- MINERAL WOOL — BLOCKS
- MINERAL WOOL — FELTS
- DIATOMACEOUS EARTH BLOCKS
- ANTI-CONDENSATION COMPOUND

Home Conditioning Products

- MINERAL WOOL INSULATION — GRANULATED
- MINERAL WOOL INSULATION — LOOSE
- MINERAL WOOL INSULATION — BATTS
- STORM WINDOWS AND SCREENS
- STORM AND SCREEN DOORS

Other Products

- CELATOM (DIATOMACEOUS EARTH)
- CADMIUM
- INDUSTRIAL FLOOR DRY NO. 85
- GALLIUM
- SLAB ZINC (SPELTER)
- GERMANIUM