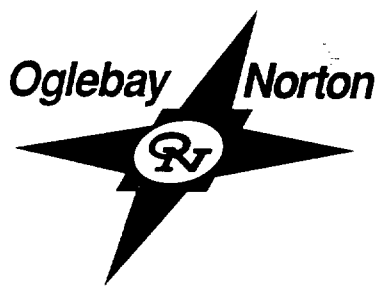


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1994  
ANNUAL  
REPORT

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## ABOUT THE COMPANY

Oglebay Norton Company is a Cleveland-based firm serving the steel, ceramic, chemical, glass, electric utility, construction, and oil- and gas-well service industries. We provide Great Lakes marine transportation, industrial minerals, refractory and metallurgical treatment products used in steelmaking and related industries. The Company's operations were consolidated in 1994 from numerous entities into four distinct business groups:

### OGLEBAY NORTON MARINE TRANSPORTATION

Formerly known as the Columbia Transportation Division and the Pringle Transit Company, and now under one name, Marine Transportation operates a fleet of vessels shipping bulk commodities, primarily iron ore, coal and limestone, on the Great Lakes.

### OGLEBAY NORTON IRON ORE

The Company is an equity partner in and manager of the iron ore mining and pelletizing operations of Eveleth Mines, located near Eveleth, Minnesota, on the Mesabi Range.

### OGLEBAY NORTON REFRACTORIES & MINERALS, INC.

The Refractories & Minerals unit is comprised of the former Ferro Engineering Division, Indiana Manufacturing Company, Tuscarawas Manufacturing Company and ONCO Minerals which, together with Canadian Ferro Hot Metal Specialties Limited, produce precast refractory shapes, tundish coatings, ingot hot tops and metallurgical treatment products for the casting and refining of molten steel. The Company's mineral processing plant in Brownsville, Texas also services the steel industry.

### OGLEBAY NORTON INDUSTRIAL SANDS, INC.

This group consists of five operating units, all providing silica and related sand products to a wide range of markets. The former Central Silica Company, with two facilities in Ohio, supplies the glass, paint, ceramic, recreation and foundry industries. The former Texas Mining Company, with facilities in Brady, Texas, and Riverside, California, primarily serves the oil- and gas-well, filtration and construction sectors. The former California Silica Products Company, located near San Juan Capistrano, California, serves principally the construction and recreation industries.

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*About the Cover: The four elements of Oglebay Norton's lines of business are represented, clockwise from top left: sand, for Industrial Sands; water, for Marine Transportation; molten steel, for Refractories & Minerals; and crystalline hematite, for Iron Ore.*

# FINANCIAL HIGHLIGHTS

## OGLEBAY NORTON COMPANY AND SUBSIDIARIES

*(Dollars and Shares in Thousands, Except Per Share Amounts)*

Year Ended December 31	1994	1993	1992	1991	1990
<b>OPERATIONS</b>					
Net sales and operating revenues	\$ 202,755	\$ 159,736	\$ 148,690	\$ 144,249	\$ 159,951
Sales commissions, royalties and management fees	4,597	3,710	5,321	4,594	6,210
Total revenues	<u>\$ 207,352</u>	<u>\$ 163,446</u>	<u>\$ 154,011</u>	<u>\$ 148,843</u>	<u>\$ 166,161</u>
Income (loss) from continuing operations before taxes	\$ 20,122	\$ 9,554	\$ (49,761)	\$ 3,839	\$ 7,006
Income taxes	5,231	2,292	(17,612)	528	1,829
Income (loss) from continuing operations	<u>14,891</u>	<u>7,262</u>	<u>(32,149)</u>	<u>3,311</u>	<u>5,177</u>
Discontinued operation			2,440	1,816	1,773
Income (loss) before extraordinary provision and cumulative effects of changes in accounting	<u>14,891</u>	<u>7,262</u>	<u>(29,709)</u>	<u>5,127</u>	<u>6,950</u>
Extraordinary provision <sup>1</sup>			(9,978)		
Cumulative effects of changes in accounting <sup>2</sup>			(17,006)		
Net income (loss) <sup>3</sup>	<u>\$ 14,891</u>	<u>\$ 7,262</u>	<u>\$ (56,693)</u>	<u>\$ 5,127</u>	<u>\$ 6,950</u>
Depreciation and amortization	\$ 13,603	\$ 13,432	\$ 16,165	\$ 15,878	\$ 13,691
Expenditures for properties and equipment	8,813	2,921	8,727	3,506	63,894
<b>PER SHARE DATA</b>					
Continuing operations	\$ 5.98	\$ 2.89	\$ (12.79)	\$ 1.32	\$ 2.03
Discontinued operation			.97	.72	.69
Income (loss) before extraordinary provision and cumulative effects of changes in accounting	<u>5.98</u>	<u>2.89</u>	<u>(11.82)</u>	<u>2.04</u>	<u>2.72</u>
Extraordinary provision <sup>1</sup>			(3.97)		
Cumulative effects of changes in accounting <sup>2</sup>			(6.77)		
Net income (loss) <sup>3</sup>	<u>\$ 5.98</u>	<u>\$ 2.89</u>	<u>\$ (22.56)</u>	<u>\$ 2.04</u>	<u>\$ 2.72</u>
Dividends	\$ 1.00	\$ .80	\$ 1.40	\$ 1.60	\$ 1.60
<b>OTHER STATISTICS</b>					
Total assets	\$ 260,813	\$ 259,717	\$ 263,974	\$ 291,133	\$ 303,862
Long-term debt	57,118	69,344	80,534	87,937	99,839
Other long-term liabilities	74,243	80,642	85,838	52,209	53,253
Dividends declared	2,491	2,009	3,518	4,022	4,084
Average shares of Common Stock outstanding	2,491	2,512	2,513	2,514	2,556
Shares of Common Stock outstanding at year-end	2,483	2,504	2,513	2,513	2,517

<sup>1</sup> Extraordinary provision relates to the Coal Industry Retiree Health Benefit Act of 1992, as further described in Note J to the consolidated financial statements.

<sup>2</sup> Cumulative effects of changes in accounting are for postretirement benefits other than pensions and vessel inspection costs in 1992, as further described in Note A to the consolidated financial statements.

<sup>3</sup> The net loss for 1992 includes the effects of capacity rationalization, asset impairments, and a loss on the disposal of a business as further described in Notes H and I to the consolidated financial statements.

# LETTER TO SHAREHOLDERS



In this 140th year of our Company's continuous operation, I am pleased to report both significant enhancement of the businesses representing Oglebay Norton Company's historical foundation and successful streamlining to position us for future market leadership.

The Company is beginning to reap rewards from strategic decisions and actions taken in 1994 and previously. These results are due to the commitment and hard work contributed by our employees. I emphasize their importance at the outset, because, as our Vision Statement makes clear, this Company recognizes people, their ideas and efforts as our greatest assets.

In a vigorous economic climate, with strong demand for many of our products and services, the people of Oglebay Norton increased sales and productivity. The improvements resulted in net profit more than doubling from the prior year, generating greater value for our shareholders. Today, we continue to improve and deliver high value products and services to our customers.

The Company's annual plan sets broad financial and structural goals. In general, we surpassed the goals we set for 1994, however, there were a few disappointments. Some operations are striving to meet their goals in very competitive and rapidly changing markets. Strong



*R. Thomas Green, Jr.  
Chairman, President and  
Chief Executive Officer*

demand in many of the Company's markets has heightened, not reduced, the competitive situation, creating new challenges for us.

I believe we are now better able to address those challenges as we pursue continuous improvement throughout the management of our businesses. We have inaugurated a program to more directly reward our employees for their

performance. We have strengthened our management team and taken steps to unify and coordinate our sales and marketing efforts with better trained people and improved technology. We have instituted administrative changes that we expect will reduce costs and improve controls. It's too soon to quantify the benefits of all of these changes. Today, however, I am confident that Oglebay Norton is a more customer-driven, agile and competitive company.

As we embrace new ways of doing our work, we are proud of the record and the reputation we have built. We look forward to the future with confidence.

## FINANCIAL SUMMARY

The benefits of focusing on our core businesses were realized in 1994. The steel and construction industries enjoyed a broad expansion that lifted demand for our products and services. Revenues for the Company rose to \$207,352,000 in 1994, compared with \$163,446,000 in 1993. Thanks to greater productivity and efficiencies, income from operations rose 48% over 1993's \$12,364,000 to \$18,301,000 in 1994.

# VISION STATEMENT

Net income was \$14,891,000, or \$5.98 per share, compared with \$7,262,000 or \$2.89 per share in 1993. By that measure, this is Oglebay Norton's best performance since 1981. It was especially appropriate to reward our shareholders with a quarterly dividend increase, from \$.20 to \$.30, in August of 1994.

Several important actions were taken during the year that improved our financial performance. We believe these moves will help to reshape the Company into a more competitive organization.

— As announced late in 1993, we sold the Ceredo coal dock business in West Virginia during the second quarter for a pretax gain of \$6,518,000. This sale effectively fulfills our strategic objective of concentrating our coal-related activities solely in the Great Lakes transportation business.

— In the fourth quarter, the Company acquired additional sand assets located near our industrial sands facility in Brady, Texas. This investment increases the Company's resources, extends our markets and enhances productivity.

— We paid off our revolving credit balance in the second quarter and, at the end of the year, negotiated a new revolver and term loan at more favorable interest rates and terms that will yield significant savings over the next several years. We believe these actions contribute to shareholder value and provide the Company with greater financial strength and flexibility.

— A noteworthy event occurred on October 1, when, as part of our program to streamline our management, the Company's various businesses were structured into four distinct business groups, all with a unified identity under the banner of the parent Company's name. Now, in all of the markets we serve, we are Oglebay Norton.

## BUSINESS UNIT SUMMARY

In most units, performance was much improved, meeting and exceeding the goals of our annual plan. In the spirit of moving responsibility to its appropriate level in the organization, I will be brief here. A more detailed discussion by each unit's team appears in the Review of Operations section.

Oglebay Norton is a company whose future growth will flow principally from marine transportation services and a more diversified approach to basic metals and mineral-related industries.

Our approach to business will be customer-driven as we respond aggressively to the constantly changing needs of our customers. We are committed to sharpening the focus of Oglebay Norton's business operations, while at the same time intensifying the diversification of our customer base.

Recognizing the employees of Oglebay Norton to be our greatest strength, we are committed to an aggressive policy of investing in the ability of our employees to plan and implement our future growth strategies. We are equally committed to a style of management which empowers our employees to participate in the management of the Company, holds them accountable for their actions and rewards them for their continued contributions to the Company's growth and profitability.

We will continue to take a more aggressive approach to corporate financial growth, thus increasing the market value of our common stock to the benefit of our investors and employees.

**FE003618**

## MARINE TRANSPORTATION

Our fleet of Great Lakes vessels delivered a solid performance in 1994. Strong demand from our customers led us to put a twelfth vessel into service at mid-year.

Operating profit rose 16% over 1993. Tonnage shipped was up significantly, reaching record levels, as we utilized the vessels' capacity more fully and the crews worked more productively.

We believe that 1995 will get off to a good start. As always, a changing economic climate (as well as unpredictable weather) can affect performance. We are undertaking efforts in marketing and operations to meet competitive challenges and to capitalize on new opportunities.

## IRON ORE

Eveleth Mines exceeded by far the goals of our plan. Production surged 60% above 1993's volume, to 5 million tons of iron ore pellets. Helped by strong demand for steel, Oglebay Norton's pellet shipments increased nearly three-fold, from 700,000 to over 1.9 million gross tons. Accordingly, sales more than doubled and operating profit nearly doubled compared with 1993. In fact, 1994 was one of the best years in terms of profitability that this unit has recorded in our 30 years of involvement in Eveleth.

Much of the credit for this achievement goes to the men and women of Eveleth Mines, who worked to increase productivity. Under a new, six-year labor contract, the way is clear for improved performance. While there is more to be done, Eveleth is now much more cost-competitive within the industry.



S/S BUCKEYE

The first indications for 1995 are that demand will continue to be strong. Eveleth began the year operating close to capacity. Under our contractual agreement with our equity partners, Oglebay Norton has an allotment of 775,000 tons of pellets for sale under contracts and on the spot market.

## REFRACTORIES & MINERALS

This unit did not achieve the same level of success in 1994 as our other operating units. On revenues that were up 10%, operating profit dropped by 62% from the near record level in 1993. The sales mix shifted away from some of our higher-margin products. Nevertheless,

this unit possesses some favorable prospects for the years ahead.

Demand was strong for metallurgical treatment products, and our Warren, Ohio facility ran at capacity throughout the year. However, higher material, production and maintenance costs hampered overall performance. This

unit remains management's principal cost control focus as we enter the new year.

Meanwhile, in the race for technological leadership, Refractories & Minerals has developed a patented metallurgical treatment process which incorporates the use of recycled steelmaking slags to improve steel quality.

In ingot hot topping products, 1994 was another strong year. We are on track with our plan to become the leader among the few remaining suppliers to this market.

With the steel industry's conversion to lower-cost, higher-quality continuous casting, we continue to develop our specialty refractory business, pursuing new market opportunities. Our aim is to become a preferred supplier to this growing segment of the refractory market.

## INDUSTRIAL SANDS

Silica mining and processing operations showed dramatic improvement. Although sales revenue rose 8% due to the general economic recovery, most of the

improved performance can be attributed to better cost controls and higher productivity.

Under a more unified management structure, our operations in Southern California have returned to profitability by improving quality and reaching into higher-value construction materials markets. Similarly, the operations in Ohio have continued to win business in the glass container market. In Texas, we expect the acquisition of additional sand assets late in the year to significantly expand our customer base and improve productivity.

The future is promising for this unit, as it makes progress in supplying an expanding line of products to more diversified, growing markets.

## MANAGEMENT CHANGES

Changes in senior management in 1994 introduced new leadership in several areas. Mark P. Juszli joined the Company as General Manager, Industrial Sands. Michael F. Biehl was elected Treasurer and Director of Finance. David G. Slezak was named Secretary and Director of Legal Affairs. These management changes are part of a larger realignment of corporate structure and introduction of internal programs that affect how everyone at Oglebay Norton will work. Those subjects are addressed in more detail elsewhere in this report.

I would like to recognize the contributions of two individuals who have provided long and valuable service to the Company. David A. Kuhn, our Secretary and General Counsel for many years, retired in May. In October, James P. Snider retired as Vice President and General Manager of Central Silica Company, having been associated with the Company since 1968. We thank them and wish them well.

*Revenues rose 27% and income from operations increased by 48% from the year before, generating greater value for our shareholders.*

We also note with sadness the passing last year of a former Director of the Company. Arthur F. Harrison, a major shareholder of Central Silica Company, joined the board in 1968, when the company became part of Oglebay Norton, and served until his retirement in 1990. Our sympathies go out to the family of this esteemed colleague.

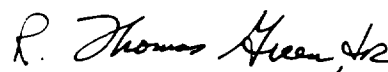
## LOOKING AHEAD

The vigorous industrial expansion that we are enjoying today is an important factor, but by no means the sole reason for the Company's improved performance. We have customer commitments in hand

to support our expectation that 1995 will also be a year of strong results. Yet, as noted, today's business conditions tend to encourage more competition, not less. Based on the cyclical nature of the industries we serve, it would be unreasonable to expect the current expansion to continue indefinitely.

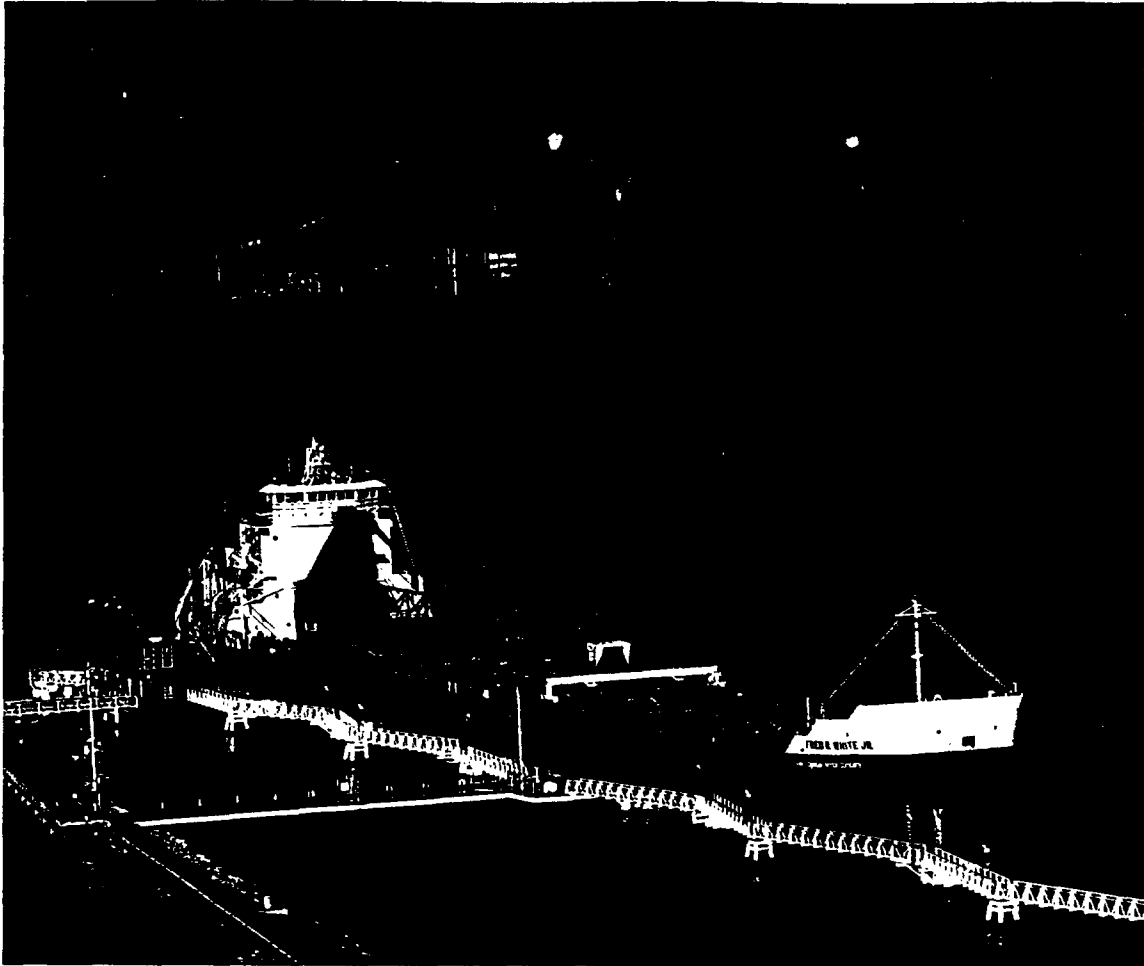
Our strategy for growth and success focuses on developing the strength and flexibility within the Company to anticipate change and respond effectively. We will continue to invest in our core businesses and seek new avenues of growth.

Most importantly, we are investing in our people to improve their skills, empower them with greater responsibility and instill in them a stronger sense of personal accountability. We will emphasize quality in all we do and reward superior performance. This strategy, I believe, is the winning formula for building the value of Oglebay Norton Company, our products and services, thereby benefitting everyone associated with us.



R. Thomas Green, Jr.  
Chairman, President and  
Chief Executive Officer  
March 31, 1995

# REVIEW OF OPERATIONS



*"We operate a diversified fleet of self-unloading vessels including the highly efficient M/V FRED R. WHITE, JR., allowing us to serve a wide variety of customers on the Great Lakes. Our investment in winter maintenance yields a competitive advantage in providing reliable customer service and avoiding costly downtime repairs during the navigation season."*

*— Stuart H. Theis, Vice President, Marine Transportation*

# OGLEBAY NORTON COMPANY MARINE TRANSPORTATION

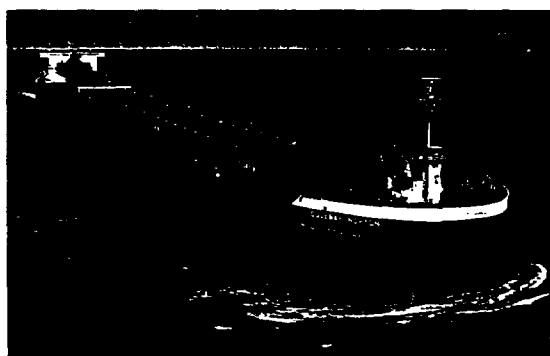
**A**fter a late start to the navigation season on the Great Lakes due to an extraordinarily harsh winter, 1994 proved to be a banner year for our fleet's operations. Eleven vessels were joined by a twelfth by mid-year, as we expanded capacity to meet our customers' strong demand for iron ore, coal and limestone. The vessels sailed through year's end under relatively good weather conditions, and delivered a record 21.6 million tons. On revenues of \$82.2 million,

operating profit was \$12.5 million, up 16% from 1993.

Great Lakes shipping continues to be a fiercely competitive industry, with sufficient capacity to restrain freight rates and new construction even during periods of higher demand. To improve our margins and our competitive position, we have continued to aggressively pursue our strategic plan objectives: to lower operating costs, increase backhaul patterns and investigate better ways to conduct our business relationships with customers and suppliers.

In seeking productivity gains with our labor force, we are emphasizing

the mutual benefits of total quality and comprehensive risk management. We are trying new approaches to improve safety, with the active involvement of all personnel. Recently, a new labor agreement was reached with our unlicensed seamen



*The 1,000-foot self-unloader MV OGLEBAY NORTON.*

which will help bring about a smooth beginning of the navigation season.

Relatively stable fuel prices helped operating cost levels. Our continuing program of extensive off-season maintenance yielded benefits in minimizing potentially far more expensive running repairs or lost time during the shipping season. This maintenance program is the foundation of our strategy to be distinguished among our competitors as superior in customer service. Our objective is to provide the most reliable shipping capacity on the Lakes.

Customer demand pressed us toward the limits of our tonnage capacity, a situation we welcomed and

accommodated by higher utilization. Our industry-leading backhaul trips contributed to earnings, thanks to a determined and enterprising vessel dispatch team, in coordination with a customer-oriented sales and marketing effort.

We continue to invest in new technologies to improve operating efficiency and profitability. All of our vessels now have satellite-based navigation systems that permit safer sailing in difficult conditions. We have improved loading and discharge safety

and efficiency with the aid of new computer software.

New information technology is also supporting our sales and marketing program to improve our customer base. That program includes increased coordination with Eveleth Mines. We are also investigating new strategic alliances with customers, suppliers and others to establish arrangements which create cost savings and efficiencies for all parties.

Orders in hand point to another strong year in 1995, as we work to fulfill our strategic plan to grow and improve our future competitive position.



"Since our first year in 1994, our employees have  
produced high quality and lowered costs. Our  
force was successful in developing  
were increased by investments in  
efficient lighting and  
Orlando, Florida, at the  
John Sells, Vice President

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# OGLEBAY NORTON COMPANY IRON ORE



Strong demand from the integrated steel industry and a unique opportunity at Eveleth Mines combined to allow the Iron Ore business unit to increase pellet sales from 700,000 to 1.9 million gross tons in 1994. In this very favorable market environment, we increased our margins by improving productivity, which for the year was above the industry average, and further reducing operating costs. Sales more than doubled to \$54.7 million, compared with 1993's \$23.6 million, and correspondingly, operating profit rose to \$6.9 million.

Sales and marketing efforts continue to emphasize expanding our reach to more steelmakers and new industrial markets. Further, we are coordinating efforts with the Company's Marine Transportation business unit, as part of a strategy to provide the steel

industry with a wide range of products and services.

At Eveleth Mines, iron ore pellet production increased to 5 million tons, as we started up our second production line in the late spring. Much of the credit



*Eveleth Mines' cost reduction efforts include the testing of alternate liners for ball mills, the final stage of grinding.*

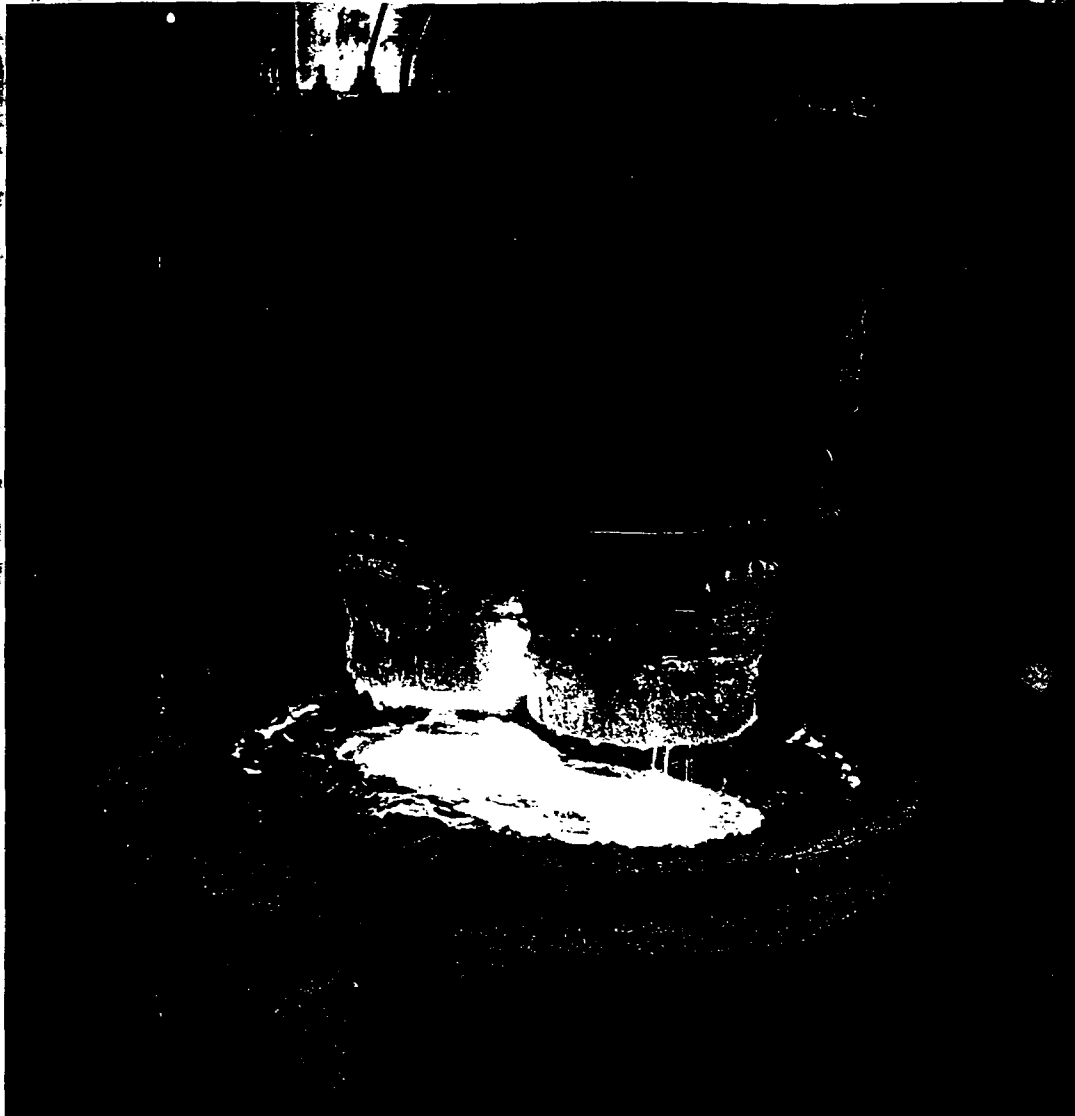
for productivity and cost improvements belongs with the working men and women at Eveleth, who signed (in January) a new six-year labor contract. For the first time, this agreement provides explicit incentives for reaching

cost containment as well as productivity goals. Having made significant progress, we have the tools and the commitment to do more.

Our partners and the State of Minnesota joined us in making significant investments in new operating equipment at the mine. This is an example of the constructive cooperation among our owners, employees and government that is key to realizing the full potential of Eveleth Mines.

Strong demand has continued, and we anticipate operating both pellet lines for an overall increase of production from the 1994 level. However, our share of this production is presently limited to our contractual allotment of 775,000 gross tons. We are optimistic that favorable market conditions will hold, at least in the short term, and our focus remains on continuing to improve costs and productivity.

FE003624



*"By retrofitting existing facilities to produce precast refractory shapes and tundish coatings, and by continuing our technical development efforts, Refractories & Minerals will strengthen its market position and take better advantage of the refractory and met treatment opportunities that we are actively pursuing."*

*— Thomas J. Croyle, Vice President, Refractories & Minerals*

FE003625

# OGLEBAY NORTON REFRACTORIES & MINERALS, INC.



he businesses that are now consolidated as Oglebay Norton

Refractories & Minerals reported varied levels of profitability on combined revenue growth of 10%. These results reflect the rapid pace of innovation in the steel industry and our aggressive efforts to anticipate and respond effectively to change.

Through our precast refractory shape and tundish coating operations, we are moving with our customer base as it embraces modern continuous casting technologies. The successful installation and start-up of our TUNDIGUN® robotic tundish coating system at LTV Steel's new Direct Hot Charge Complex serves as a working model in our efforts to market to other steelmakers. Armco, Inc. has ordered a similar system for its Mansfield Steel Operation, which is to be operational in the second quarter of 1995.

Although ingot derived revenue was somewhat less than in the prior year, the Indiana, Tuscarawas and Canadian operations continued to perform very capably. While we have planned for the decline of ingot production, the hot topping

market remains a profit opportunity for our Company. We will continue to aggressively pursue the remaining market as the leading supplier among a smaller group of competitors.

Refractories & Minerals is recognized as one of the leading suppliers of metallurgical treatment products in North



*Precast refractory shapes*

America. Demand for this product line, which is closely tied to continuous casting, has grown rapidly in the past two years and the Warren facility operated near capacity in 1994. Thus far, however, this leadership position has not translated into correspondingly higher earnings, a concern which management is addressing daily.

Metallurgical treatments, such as steel desulphurizers, synthetic slags and slag conditioners, are integral to improving steel quality. These products are evolving rapidly through process innovation and

rising quality demands from steel end-users. Our technical development efforts have earned a U.S. Patent titled, "Process And Additive For The Ladle Refining Of Steel," which describes the economic use of recycled steel mill by-products. This technology places Oglebay Norton at the forefront of metallurgical treatment innovation.

The Company's Strategic Plan emphasizes that we must become more cost competitive while achieving growth in the tundish coating, refractory shape and metallurgical treatment product lines. A simplified management structure is intended to help both manufacturing and research and development bring to market, faster and more efficiently, the new products our customers demand. A new management information system, which will yield productivity and quality improvements throughout the unit, has been designed and will be installed during 1995.

The Company's consolidated sales and marketing effort is designed to communicate more effectively the value which Oglebay Norton Refractories & Minerals offers as the preferred single supplier for our customers' many needs.



*"Earnings in 1994 improved primarily from effective cost control. We will extend our current markets and significantly improve operating efficiencies with our recent acquisition in Texas. We see exciting growth opportunities as we diversify into new markets such as (toll) grinding of silica and feldspar at our Riverside, California plant."*

*— Mark P. Juszli, General Manager, Industrial Sands*

**FE003627**

# OGLEBAY NORTON INDUSTRIAL SANDS, INC.



While sales increased 8% due to the general economic recovery, the newly consolidated Industrial Sands operations achieved an increase in operating profit of 55% in 1994, largely due to the success of our operating personnel in controlling costs. Overhead was also reduced significantly by the restructuring of the various subsidiaries into one business unit. We have eliminated duplication of many administrative functions and adopted automation to improve systems. While management controls and sales direction reside at the Company's headquarters, greater operational responsibility is concentrated at each location.

Prior capital investments to improve product quality are now yielding benefits: the magnetic separator equipment installed at the Glass Rock, Ohio plant improved the quality of our product, resulting in our becoming the sole supplier to a major glass container manufacturer. Similar technology at the Orange County, California facility has

opened new market opportunities in higher-value segments, such as tile and grout products.

The acquisition late in the year of additional sand assets located near our facility in Brady, Texas brings to our



*Significant growth opportunity exists for sand and organic blends in recreational uses, such as golf courses or athletic fields.*

Company greater participation in the oil- and gas-well drilling segment, more resources to serve a larger customer base, and significant economies of scale, increasing the efficiency of our Brady operations. In an economic sector that continues to be flat, this strategic move can help us achieve our goals for growth

At the Riverside, California facility,

volume has rebounded as our sales team has won new accounts in a wider array of markets. Capitalizing on our unique position as the only permitted operation of its kind in Southern California, we are pursuing opportunities to maximize utilization and improve margins by serving specialty construction and ceramic applications.

Our drive to build a presence in the recreational markets is achieving encouraging results. While we are now an established and competitive supplier of high grade sand for golf courses, playgrounds and similar facilities, we are developing larger opportunities in peat-sand mixtures used for turf in athletic fields. The continuing growth of the leisure and recreational segment worldwide encourages us to anticipate sales growth in this category.

With a leaner management structure, better coordination of sales and marketing initiatives, and more efficient resource utilization, we are better positioned to achieve our ambitious performance goals.

**FE003628**



*"Significant strides have been made toward our goal of developing synergy among our business units, drawing on the widely respected Oglebay Norton name and the capabilities of all our people. The effective use of our collective knowledge, enabled through new information systems, has greatly enhanced the understanding of our markets and how best to deliver value to our customers."*

*— Edward G. Jaicks, Vice President, Marketing*



*"Our principal concern is the enhancement of shareholder value. With the help of a strong cash flow in 1994, we can commit more resources to modernizing the Company's operations while considering new business opportunities. Meanwhile, we continue to pursue our strategic objectives, including the sale of non-core units and the reduction of debt."*

*— Richard S. Kessler, Vice President, Finance and Development*



*"In our effort to align the goals and objectives of employees more closely with the Company's performance, we have developed a pay-for-performance system. This program rewards employees based on overall corporate profit, specific unit operating results and individual performance, including the establishment of personal goals."*

*— William H. Suter, Vice President, Administrative and Legal Affairs*

# A NEW WAY OF WORKING



After a considerable investment of time, effort and thought over the last three years, Oglebay Norton Company has put in place a series of changes with a single, comprehensive goal: to achieve superior performance by becoming a more competitive organization.

The external evidence of this process is as plain to see as one of our 1,000-foot vessels, now wearing the corporate name on its bow. Just as significant are the internal changes that have already begun to focus the efforts of everyone within the Company on improving performance. Under clearer lines of management authority, our employees are taking more responsibility, accepting greater accountability and earning the rewards of success.

First, we have unified and more clearly defined who we are. From a collection of differently named, relatively independent operations, Oglebay Norton now has a single corporate identity comprising four businesses in three operating entities. This consolidation

affords the Company several benefits. Duplication of administrative functions has been eliminated. Utilization of capacity at various facilities can be optimized more readily. Sales and marketing efforts among related operations are better focused and coordinated. Our well-known name is now better identified with all of the products and services we offer.

Employees throughout the Company are seeing these changes affect how they work, how they are paid, and how they can improve. The keys are planning, quality and performance, which are rewarded by our pay-for-performance program. Under the Company's employee stock ownership plan, we are all shareholders with a greater stake in the Company's success.

Benefits programs have been revamped to be more rewarding and responsive to employee needs. Our employee incentive savings plan now gives employees the opportunity to shape their investment portfolios as they choose. The medical plan now provides

employees with a range of options for choosing and paying for care.

We believe these initiatives will help the Company attract and retain the most skilled and motivated employees. Further, these initiatives reduce the corporate administrative burden. For example, several business insurance management tasks have been assumed by an outside firm.

Our streamlined management structure moves more operational authority and responsibility down to the appropriate level. We are investing in information technology that will tie the entire structure together more tightly, notably in coordinating sales and marketing resources. With better information, communicated more quickly, we can act more effectively.

The sum of all these changes is a more focused, flexible and responsive company. While adhering to the business-ess we know, we can lower costs and adapt to meet changing customer needs. In that balance will reside Oglebay Norton's competitive strength.

# FINANCIAL INFORMATION

## INDUSTRY SEGMENT DATA<sup>1</sup>

OGLEBAY NORTON COMPANY AND SUBSIDIARIES

(In Thousands)

	Marine Transportation	Iron Ore
<b>1994</b>		
Identifiable assets	\$ 140,661	\$ 19,354
Depreciation and amortization expense	8,359	886
Expenditures for properties and equipment	1,397	1,192
Total revenues	82,153	54,656
Operating profit (loss)	\$ 12,467	\$ 6,866
Gain on sale of assets	86	18
Company's proportionate share in interest expense of Eveleth Mines		(360)
Interest expense	(4,283)	
Income (loss) from continuing operations before taxes	<u>\$ 8,270</u>	<u>\$ 6,524</u>
<b>1993</b>		
Identifiable assets	\$ 146,918	\$ 16,022
Depreciation and amortization expense	8,157	1,086
Expenditures for properties and equipment	364	
Total revenues	73,143	23,634
Operating profit (loss)	\$ 10,791	\$ 4,031
Gain on sale of assets	10	4
Company's proportionate share in interest expense of Eveleth Mines		(630)
Interest expense	(5,309)	
Income (loss) from continuing operations before taxes	<u>\$ 5,492</u>	<u>\$ 3,405</u>
<b>1992</b>		
Identifiable assets	\$ 149,830	\$ 12,649
Depreciation and amortization expense	8,677	2,627
Expenditures for properties and equipment	3,359	
Total revenues	70,654	18,821
Operating profit (loss)	\$ 9,538	\$ (2,832)
Provision for capacity rationalization		(34,694)
Impairment charges	(1,492)	(330)
Gain on sale of assets		550
Loss on disposal of business		
Company's proportionate share in interest expense of Eveleth Mines		(900)
Interest expense	(5,818)	
Income (loss) from continuing operations before taxes	<u>\$ 2,228</u>	<u>\$ (38,206)</u>

<sup>1</sup> Should be read as an integral part of the consolidated financial statements and related notes.

<sup>2</sup> Consists primarily of cash and cash equivalents, investments and prepaid pension costs

<sup>3</sup> Includes other operations, certain corporate expenses, net of dividends, interest and other income, and in 1993 a \$1,700,000 reserve against doubtful coal customer accounts receivable and \$652,000 of debt refinancing costs.



Oglebay Norton Company

Refractories & Minerals	Industrial Sands	Total Segments	Corporate and Other	Consolidated
\$ 20,256	\$ 34,048	\$ 214,319	\$ 46,494 <sup>2</sup>	\$ 260,813
1,913	2,149	13,307	296	13,603
1,225	4,622	8,436	377	8,813
39,502	28,818	205,129	2,223	207,352
\$ 1,074	\$ 2,834	\$ 23,241	\$ (4,861) <sup>3</sup>	\$ 18,380
73	59	236	7,858	8,094
		(360)		(360)
(195)		(4,478)	(1,514)	(5,992)
\$ 952	\$ 2,893	\$ 18,639	\$ 1,483	\$ 20,122
\$ 21,807	\$ 25,682	\$ 210,429	\$ 49,288 <sup>2</sup>	\$ 259,717
1,657	2,055	12,955	477	13,432
1,202	943	2,509	412	2,921
35,756	26,606	159,139	4,307	163,446
\$ 2,809	\$ 1,827	\$ 19,458	\$ (5,836) <sup>3</sup>	\$ 13,622
	19	33	4,084	4,117
		(630)		(630)
(201)		(5,510)	(2,045)	(7,555)
\$ 2,608	\$ 1,846	\$ 13,351	\$ (3,797)	\$ 9,554
\$ 20,304	\$ 27,532	\$ 210,315	\$ 53,659 <sup>2</sup>	\$ 263,974
1,906	2,504	15,714	451	16,165
3,622	1,545	8,526	201	8,727
34,422	24,447	148,344	5,667	154,011
\$ 257	\$ 944	\$ 7,907	\$ (2,806) <sup>3</sup>	\$ 5,101
		(34,694)		(34,694)
(755)	(4,640)	(7,217)	(2,701)	(9,918)
5	997	1,552	8	1,560
(3,300)		(3,300)		(3,300)
		(900)		(900)
(284)		(6,102)	(1,508)	(7,610)
\$ (4,077)	\$ (2,699)	\$ (42,754)	\$ (7,007)	\$ (49,761)

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

## FINANCIAL CONDITION

The Company's operating activities provided a strong cash flow of \$19,589,000 in 1994, which more than tripled when compared with \$5,357,000 in 1993. Cash flow from operations of \$27,958,000 in 1992 was inflated by proceeds of \$12,500,000 from the sale of a long-term coal dock contract collected at the beginning of 1992. Accounts receivable in 1994 increased by \$3,744,000, compared with 1993, as a result of an extended Marine Transportation sailing season, strong Iron Ore sales to the North American steel industry and improved fourth quarter sales for Industrial Sands.

Expenditures for property and equipment amounted to \$8,813,000 in 1994 compared with \$2,921,000 and \$8,727,000 in 1993 and 1992, respectively. Capital expenditures include vessel inspection costs of \$1,326,000 in 1994, \$364,000 in 1993 and \$2,782,000 in 1992. Also included in 1994 and 1992 are \$3,204,000 and \$2,400,000 of property and equipment purchased as a part of an \$8,000,000 Industrial Sands asset acquisition and a \$6,000,000 Refractories & Minerals asset acquisition, respectively.

Capital expenditures for 1995 are currently expected to approximate 1994 expenditures.

In December 1994 the Company amended and restated its loan agreement with various banks to extend its term loan through 2001 and reduce semiannual payments. Under the new loan agreement, term loan balances were consolidated and increased to \$50,000,000 and the Company's revolving credit facility was increased to \$40,000,000, of which \$15,000,000 is available only for acquisitions. The new agreement results in cumulative savings of approximately \$6,000,000 over the term of the loan. The Company did not have to utilize its revolving credit facility throughout 1994 and repaid \$10,000,000 borrowed in 1993, reducing the balance to zero in the second quarter. In 1993 the Company had \$10,000,000 outstanding on its revolving credit throughout the year, except for a one-month period during the fourth quarter. In December 1993 the Company refinanced its Title XI Bonds, reducing the fixed interest rate from 9.65% to 5.3%. In 1992 the Company repaid \$20,000,000 of borrowings under its revolving credit and reborrowed \$15,000,000 within the same

year. Long-term debt is further described in Note G to the consolidated financial statements.

The Company declared and paid dividends on a quarterly basis totaling \$1.00 per share in 1994, \$.80 per share in 1993 and \$1.60 per share in 1992. Dividends paid were \$2,491,000 in 1994 compared with \$2,009,000 and \$3,518,000 in 1993 and 1992, respectively. In the third quarter of 1994 the Company's Board of Directors approved a \$.10 per share increase of the quarterly dividend to \$.30 per share of Common Stock. In the fourth quarter of 1992 the Company's quarterly dividend had been reduced from \$.40 to \$.20 per share of Common Stock. The Company purchased 20,800 shares of its Common Stock on the open market for \$536,000 in 1994 and 9,000 shares for \$189,000 in 1993 and placed these shares in treasury.

In 1994 the Company sold its Ceredo coal dock business and current investments, resulting in pretax gains of \$6,518,000 and \$1,315,000, respectively. In 1993 the Company sold certain assets of its Licking River Terminal coal dock, generating a \$1,326,000 pretax gain, and its unsecured bankruptcy claim against



LTV Steel Company, Inc., resulting in a \$2,653,000 pretax gain after the retirement of \$4,412,000 of long-term receivables. In 1992 the Company's wholly-owned subsidiary, Saginaw Mining Company, ceased operation of its Ohio coal mine. Permanent closure of the mine was completed in 1993 and funded by a public utility customer, as required by a long-term contract. The utility customer paid the Company \$1,952,000, which was recognized as a gain on shutdown of this discontinued operation. Final settlement of closure costs, primarily related to retiree health care benefits, has been extended into 1995 at the request of the customer. The Company's wholly-owned subsidiary, T & B Foundry, was disposed of in 1992, resulting in a \$3,300,000 pretax loss.

The Company is subject to various environmental laws and regulations imposed by federal, state and local governments. Also, in the normal course of business, the Company is involved in various pending or threatened legal actions. The Company cannot reasonably estimate future costs, if any, related to these matters. However, costs incurred to comply with environmental regulations and to settle litigation have not been

significant in 1994 and prior years.

Although it is possible that the Company's future operating results could be affected by future costs of environmental compliance or litigation, it is management's belief that such costs will not have a material adverse effect on the Company's consolidated financial position.

Anticipated cash flows from operations and current financial resources are expected to meet the Company's needs during 1995. As was demonstrated by the Company's 1994 restructuring of its term loans and revolving credit facility, all financing alternatives are under constant review to determine their ability to provide sufficient funding at the least possible cost.

## RESULTS OF OPERATIONS

Net sales, operating revenues, sales commissions, royalties and management fees amounted to \$207,352,000 in 1994 as compared with \$163,446,000 and \$154,011,000 in 1993 and 1992, respectively. Income from operations of \$18,301,000 in 1994 increased 48% as compared with \$12,364,000 in 1993. A loss from operations of \$44,932,000 was incurred in 1992. Income from continuing operations before taxes was \$20,122,000

in 1994 as compared with \$9,554,000 in 1993 and a loss of \$49,761,000 in 1992. Net income for 1994 was \$14,891,000 or \$5.98 per share on 2,491,000 average shares as compared with \$7,262,000 or \$2.89 per share in 1993 on 2,512,000 average shares and a net loss of \$56,693,000 or \$22.56 per share in 1992 on 2,513,000 average shares.

As previously mentioned, pretax results in 1994 include gains of \$7,833,000 on the sale of the Company's Ceredo coal dock business and current investments. Pretax results in 1993 included gains of \$3,979,000 on the sale of certain assets, a \$1,700,000 reserve against doubtful coal customer accounts receivable and a \$652,000 charge related to refinancing the Company's Title XI Bonds. The pretax loss for 1992 increased \$47,912,000 for a provision for capacity rationalization, impairment charges and a loss on the disposal of a business. Notes H and I to the consolidated financial statements further describe these charges. Pretax results in 1992 also included a \$1,544,000 gain on the disposal of certain undeveloped Iron Ore and Industrial Sands properties.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

In 1993 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The Company adopted the provisions of the new standard, effective January 1, 1994, and increased stockholders' equity by \$2,972,000 to reflect unrealized gains on available-for-sale investments. Available-for-sale investments are carried at fair value and are reported as a current asset, as further described in Notes A and B to the consolidated financial statements.

In 1994 the Company reevaluated assumptions used in determining postretirement pension and health care benefits. The weighted-average discount rates were adjusted from 7.25% to 8.0% to better reflect market rates. The assumed health care cost trend rate will decline in 1995 by .50% for retirees under age 65, while the ultimate trend rate will increase by .50% for all retirees. The change in assumptions did not affect 1994 net income and will not have a significant effect on net income in 1995. Postretirement benefits are further described in Note E to the consolidated financial statements.

In 1992 the Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions." As a part of adopting the new standard, the Company recorded a one-time, non-cash charge of \$17,541,000 or \$6.98 per share in 1992. The Company also changed its method of accounting for vessel inspection costs from expensing such costs over one shipping season to deferring these costs and amortizing them over five shipping seasons between required inspections. This change resulted in a cumulative adjustment of \$534,000 or \$.21 per share. Note A to the consolidated financial statements further describes these changes in accounting. The net loss for 1992 increased \$9,978,000 or \$3.97 per share for an extraordinary provision for the Coal Industry Retiree Health Benefit Act of 1992. This legislation required former coal mining companies to assume certain health care benefit obligations for retired coal miners and their dependents, as further described in Note J to the consolidated financial statements.

Record tonnages carried by the Company's Great Lakes fleet, strong Iron

Ore sales and improved sales from the Industrial Sands segment combined to strengthen the Company's 1994 results. The Company benefitted from strong North American steel industry demand and significant cost reductions achieved from a realignment into four business units - Marine Transportation, Iron Ore, Refractories & Minerals and Industrial Sands.

The operating results of the Company's business segments for the three years ended December 31, 1994 are discussed below. It is the policy of the Company to allocate certain corporate general and administrative expenses to its business segments. The Company continues to stress quality products, cost reductions and improved marketing practices for its products and services in order to remain competitive and grow within the industries served.

**Marine Transportation** — Operating revenues amounted to \$82,153,000 in 1994, which were 12% greater than revenues of \$73,143,000 in 1993 and 16% greater than revenues of \$70,654,000 in 1992. Operating profit was \$12,467,000 in 1994, which was a 16% and 31% increase over 1993 and 1992 levels of



## Oglebay Norton Company

\$10,791,000 and \$9,538,000, respectively. Income from continuing operations before taxes was \$8,270,000 in 1994 compared with \$5,492,000 and \$2,228,000 in 1993 and 1992, respectively.

Revenues improved in 1994 for the Company's Great Lakes vessel fleet as operating days increased 20% from 1993 with an extended sailing season after a delayed start due to severe ice conditions on the Great Lakes. The average rate per ton in 1994 was comparable with rates in the prior two years. The fleet experienced a 14% increase in tonnage carried in 1994, representing a record level, compared with 1993. Tonnage carried in 1994 exceeded 1992 tonnage by 17%. Transportation of iron ore in 1994 was comparable with 1993, while coal and stone shipments increased by 25%. Iron ore shipments in 1994 were 14% greater than in 1992 and shipments of coal and stone improved 19%. The Company operated twelve vessels during the 1994 sailing season. In 1993 ten vessels sailed for the full sailing season, while one vessel operated for part of the season. Eleven vessels operated for the full season in 1992.

The 1994 operating profit improve-

ment, compared with prior years, resulted from better business conditions for the Company's customers, favorable weather conditions once the sailing season commenced and lower operating costs. Capital expenditures and depreciation expense increased in 1994 as more vessels required their 5-year inspections prior to sailing. Depreciation expense was lower in 1993, as compared with 1992, as a result of the prior year asset impairment charges. Interest expense declined in 1994, compared with prior years, as a result of reductions in outstanding debt and a lower fixed interest rate on the Company's Title XI Bonds.

A new collective bargaining agreement was reached in early 1995 with Marine Transportation's unlicensed seamen. This agreement will help to bring about a smooth beginning to the 1995 navigation season.

**Iron Ore** — Net sales, royalties and management fees amounted to \$54,656,000 in 1994, as compared with \$23,634,000 and \$18,821,000 in 1993 and 1992, respectively. Operating profit was \$6,866,000 compared with \$4,031,000 in 1993 and an operating loss of \$2,832,000 in 1992. Income from continuing

operations before taxes was \$6,524,000 in 1994 compared with \$3,405,000 in 1993 and a loss of \$38,206,000 in 1992.

Both iron ore pellet production lines at Eveleth Mines were in operation in 1994 with total production approximating 5,000,000 tons, as compared with 3,100,000 tons in 1993 and 3,600,000 in 1992. Additional pellet tonnage was available to the Company to sell in 1994, as other owners elected not to claim their full share of Eveleth production. The Company, in addition to its sales to long-term contract customers, sells the balance of its share of Eveleth Mines' iron ore pellet production each year on the spot market. Revenues and operating results increased in 1994 with strong sales to the North American steel industry, as compared with prior years. The improvement in 1994 was partially offset by a 10% and 22% decline in the average selling price per ton as compared with 1993 and 1992 average prices, respectively. Spot market selling prices increased in 1994, while prices declined for long-term contract customers. Sales to contract customers and new customers in the spot market accounted for the increase in revenues in 1993, as compared with 1992. In addition, Eveleth

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Mines was shut down for a part of 1992.

In 1992 the Company recorded a provision for capacity rationalization of \$34,694,000 and asset impairment charges of \$330,000, as further described in Note I to the consolidated financial statements. The charges resulted from Eveleth's high costs and depressed economic conditions in the steel industry. A \$550,000 gain on the sale of certain undeveloped iron ore properties reduced the loss in 1992. The capacity rationalization steps taken improved operating profit in 1994 and 1993 by \$4,393,000 and \$5,220,000, respectively. Increased production, resulting in higher royalties, and reduced costs also contributed to the improvements. Interest expense declined in 1994, compared with prior years, due to reductions in outstanding debt which is scheduled to be paid off in 1995.

Discussions, started in 1993, have continued regarding one partner's possible exit from Eveleth Mines. However, no agreement has been reached regarding the terms of such an exit or of a potential restructuring of Eveleth Mines. Until an agreement has been reached, it is not possible to predict how these events may affect the Company. All owners have

presently claimed their share of Eveleth production for 1995. Therefore, the Company's 1995 sales and operating results for its Iron Ore segment will likely be more comparable with 1993 levels. With a new six-year labor contract at Eveleth Mines, the Company continues its efforts to reduce costs and more aggressively market its share of Eveleth's production.

**Refractories & Minerals** — Net sales of \$39,502,000 in 1994 were 10% and 15% greater than 1993 and 1992 levels of \$35,756,000 and \$34,422,000, respectively. Operating profit was \$1,074,000 in 1994 compared with \$2,809,000 and \$257,000 in 1993 and 1992, respectively. Income from continuing operations before taxes was \$952,000 in 1994 compared with \$2,608,000 in 1993 and a loss of \$4,077,000 in 1992.

Strong demand for a more diverse product line and the dramatic escalation in the price of aluminum, a key component in several products, resulted in a 24% increase in 1994 metallurgical treatment product sales. Sales of tundish refractory and ingot hot topping products increased 3% and 2%, respectively, in 1994. The Company's plan to remain the leader

among the few remaining ingot product suppliers is on track. However, intense competition prevented the Company from making anticipated market penetration into the tundish coating and refractory shape sector of the steel industry in 1994. Fluorspar net sales declined in 1994, compared with prior years, as the Company exited the fluorspar business. Other options are being investigated for the Texas facility's briquetting capabilities. The increase in net sales in 1993, as compared with 1992, was attributable to new business for almost all products. An 11% increase in net sales related to this new business was partially offset by the loss of revenues from T & B Foundry, which was disposed of at the end of 1992. T & B Foundry accounted for 16% of the segment's net sales in 1992.

Operating profit declined in 1994, compared with 1993, as the sales mix shifted away from higher margin ingot and tundish products, and as a result of exiting the fluorspar business. The Company's Warren, Ohio facility, which manufactures metallurgical treatment products, incurred higher production, maintenance and inventory costs as it operated near full capacity throughout 1994. Administrative,



selling and research and development costs increased by almost 10% for the same period with the Company's effort to increase market share, customer base and product diversification. Operating profit improved in 1993, compared with 1992, as a result of market penetration and cost reductions in the production of tundish coatings and hot top products. Interest expense declined in 1994, compared with prior years, as outstanding debt was reduced.

The loss from continuing operations before taxes in 1992 included a \$3,300,000 loss on the disposal of T & B Foundry and \$755,000, related to certain liabilities incurred at the Company's Canadian facilities.

**Industrial Sands**— Net sales of \$28,818,000 in 1994 increased 8% and 18% compared with \$26,606,000 and \$24,447,000 in 1993 and 1992, respectively. Operating profit of \$2,834,000 in 1994 compared with \$1,827,000 in 1993 and \$944,000 in 1992. Income from continuing operations before taxes was \$2,893,000 compared with \$1,846,000 in 1993 and a loss of \$2,699,000 in 1992.

Tonnage shipped in 1994 increased by 3% and 15% compared with

1993 and 1992 levels, respectively. The average sales price per ton in 1994 improved by 5% and 3% compared with 1993 and 1992 average prices, respectively. The largest tonnage gains were in frac sand sold in the oil and gas extraction markets and specialty bulk and strip sand sold in the construction materials and recreational markets. Sales of frac sand, used extensively in the drilling industry, were especially strong in the fourth quarter of 1994 with the Company's \$8,000,000 purchase of additional sand assets. Glass and pulverized sand sales in 1994 were comparable with prior years, while foundry sand sales improved during the second half of 1994. Customers in the glass sand market operated at reduced production capacities throughout most of 1994. The 1993 sales improvement, as compared with 1992, was primarily the result of sales to the glass and recreational sand markets. A magnetic separation process enabled the Company to obtain new business, although this improvement was partially offset by reductions in glass sand customers' production capacity.

The 1994 operating profit improvement is attributable to reduced operating costs and a higher utilization of sand

production capacity in the fourth quarter. In addition, steps to streamline the segment's management processes were implemented during the fourth quarter, which reduced overhead costs and are expected to accelerate long-term productivity gains. Certain overlapping support functions were consolidated in Cleveland, Ohio, while responsibility for operating decisions was moved to the production sites. Operating profit increased in 1993, compared with 1992, on higher sales and a better mix of products sold. Depreciation expense was lower in both 1994 and 1993 due to asset impairment charges recognized in 1992.

Income from continuing operations before taxes in 1992 includes a \$993,000 gain on the sale of certain undeveloped sand properties and impairment charges of \$4,640,000. The charges resulted from impaired asset carrying values at the Company's Texas and California facilities

# FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEET

OGLEBAY NORTON COMPANY AND SUBSIDIARIES

	December 31	
	1994	1993
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 17,720,419	\$ 21,243,064
Investments	5,772,650	-0-
Accounts receivable, less reserves for doubtful accounts of \$440,000 in 1994 and \$2,082,000 in 1993	32,035,408	28,291,306
Inventories		
Raw materials and finished products	3,846,094	4,354,120
Operating supplies	2,261,747	2,305,719
	6,107,841	6,659,839
Deferred income taxes	2,213,246	3,801,985
Prepaid insurance and other expenses	2,237,793	2,191,166
TOTAL CURRENT ASSETS	66,087,357	62,187,360
INVESTMENTS	10,563,835	14,871,623
<b>PROPERTIES AND EQUIPMENT</b>		
Marine Transportation	234,867,117	239,999,642
Iron Ore	1,305,258	113,508
Industrial Sands	52,467,527	49,911,250
Refractories & Minerals	17,330,863	16,252,996
Other	8,872,597	13,115,215
	314,843,362	319,392,611
Less allowances for depreciation and amortization	156,886,610	156,962,679
	157,956,752	162,429,932
PREPAID PENSION COSTS AND OTHER ASSETS	26,205,459	20,228,456
	\$ 260,813,403	\$ 259,717,371



Oglebay Norton Company

	December 31	
	1994	1993
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	\$ 8,476,450	\$ 11,189,664
Accounts payable	4,569,067	4,035,129
Payrolls and other accrued compensation	7,057,615	4,814,871
Accrued expenses	16,013,208	12,772,673
Income taxes	2,270,951	733,414
Reserve for capacity rationalization	6,312,600	6,312,600
<b>TOTAL CURRENT LIABILITIES</b>	<b>44,699,891</b>	<b>39,858,351</b>
LONG-TERM DEBT, less current portion	57,117,575	69,344,025
POSTRETIREMENT BENEFITS OBLIGATION	31,071,022	30,285,278
OTHER LONG-TERM LIABILITIES	24,019,063	30,958,324
DEFERRED INCOME TAXES	19,152,931	19,398,153
<b>STOCKHOLDERS' EQUITY</b>		
Preferred Stock, without par value - authorized 5,000,000 shares; none issued	-0-	-0-
Common Stock, par value \$1.00 per share - authorized 10,000,000 shares; issued 3,626,666 shares	3,626,666	3,626,666
Additional capital	9,035,841	8,988,043
Unrealized gains	2,278,273	-0-
Retained earnings	101,173,484	88,773,915
	<b>116,114,264</b>	<b>101,388,624</b>
Treasury Stock, at cost - 1,143,540 and 1,122,740 shares at respective dates	(29,217,318)	(28,681,694)
Unallocated Employee Stock Ownership Plan shares	(2,144,025)	(2,833,690)
	<b>84,752,921</b>	<b>69,873,240</b>
	<b>\$ 260,813,403</b>	<b>\$ 259,717,371</b>

See notes to consolidated financial statements.

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# FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF OPERATIONS

OGLEBAY NORTON COMPANY AND SUBSIDIARIES

	Year Ended December 31		
	1994	1993	1992
<b>REVENUES</b>			
Net sales and operating revenues	\$ 202,754,512	\$ 159,736,471	\$ 148,690,067
Sales commissions, royalties and management fees	4,597,517	3,709,687	5,321,222
	<u>207,352,029</u>	<u>163,446,158</u>	<u>154,011,289</u>
<b>COSTS AND EXPENSES</b>			
Cost of goods sold and operating expenses	172,453,991	133,335,772	133,827,997
General, administrative and selling expenses	16,295,454	15,854,049	16,564,471
Reserve for doubtful accounts	301,652	1,892,419	638,110
Provision for capacity rationalization			34,693,983
Impairment charges			9,918,497
Loss on disposal of business			3,300,000
	<u>189,051,097</u>	<u>151,082,240</u>	<u>198,943,058</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>18,300,932</b>	<b>12,363,918</b>	<b>(44,931,769)</b>
Gain on sale of assets	8,093,805	4,116,906	1,560,218
Interest, dividends and other income	1,387,443	1,184,208	1,465,075
Interest expense	(5,992,018)	(7,554,878)	(7,610,195)
Other expense	(1,668,327)	(556,119)	(244,048)
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES</b>	<b>20,121,835</b>	<b>9,554,035</b>	<b>(49,760,719)</b>
<b>INCOME TAXES</b>			
Current	4,825,000	233,000	2,330,000
Deferred	406,000	2,059,000	(19,942,000)
	<u>5,231,000</u>	<u>2,292,000</u>	<u>(17,612,000)</u>
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	<b>14,890,835</b>	<b>7,262,035</b>	<b>(32,148,719)</b>
Discontinued operation:			
Income from discontinued operation			1,152,566
Gain on shutdown of discontinued operation			1,287,791
Income and gain from discontinued operation			<u>2,440,357</u>
<b>INCOME (LOSS) BEFORE EXTRAORDINARY PROVISION AND CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING</b>	<b>14,890,835</b>	<b>7,262,035</b>	<b>(29,708,362)</b>
Extraordinary provision for Coal Industry Retiree Health Benefit Act of 1992			(9,977,900)
Cumulative effects of changes in accounting for postretirement benefits other than pensions and vessel inspection costs			<u>(17,006,415)</u>
<b>NET INCOME (LOSS)</b>	<b>\$ 14,890,835</b>	<b>\$ 7,262,035</b>	<b>\$ (56,692,677)</b>
Income (loss) per share of common stock:			
Continuing operations	\$ 5.98	\$ 2.89	\$ (12.79)
Discontinued operation			.97
Before extraordinary provision and cumulative effects of changes in accounting	5.98	2.89	(11.82)
Extraordinary provision			(3.97)
Cumulative effects of changes in accounting			<u>(6.77)</u>
<b>NET INCOME (LOSS) PER SHARE</b>	<b>\$ 5.98</b>	<b>\$ 2.89</b>	<b>\$ (22.56)</b>

See notes to consolidated financial statements.



## CONSOLIDATED STATEMENT OF CASH FLOWS

OGLEBAY NORTON COMPANY AND SUBSIDIARIES

	Year Ended December 31		
	1994	1993	1992
OPERATING ACTIVITIES			
Net income (loss)	\$ 14,890,835	\$ 7,262,035	\$ (56,692,677)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	13,603,183	13,431,957	16,165,164
Deferred income taxes	170,517	447,200	(19,968,342)
Gain on sale of assets	(8,094,005)	(4,116,906)	(2,848,009)
Impairment charges			9,918,497
Capacity rationalization			34,693,983
Loss on disposal of business			3,300,000
Extraordinary provision for Coal Act of 1992			9,977,900
Cumulative effects of changes in accounting			17,006,415
Prepaid pension costs and other assets	(1,919,098)	(2,147,271)	(1,921,313)
Decrease (increase) in accounts receivable	(3,744,102)	(8,981,222)	11,315,860
Decrease (increase) in inventories	396,592	(902,301)	(422,785)
Increase (decrease) in accounts payable	533,938	(492,806)	374,061
Other operating activities	3,751,390	856,188	7,058,844
NET CASH PROVIDED BY OPERATING ACTIVITIES	19,589,250	5,356,874	27,957,598
INVESTING ACTIVITIES			
Purchase of properties and equipment	(5,609,103)	(2,921,175)	(6,326,590)
Proceeds from sale of assets	11,849,592	8,656,012	4,221,097
Iron Ore and other investments	(2,885,830)	(2,829,389)	(2,751,257)
Acquisition of assets	(8,000,000)		(6,000,000)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(4,645,341)	2,905,448	(10,856,750)
FINANCING ACTIVITIES			
Payments on long-term debt	(24,189,664)	(18,152,879)	(28,652,850)
Additional long-term debt	8,750,000	10,000,000	21,000,000
Dividends paid	(2,491,266)	(2,009,481)	(3,518,096)
Purchase of Treasury Stock	(535,624)	(189,240)	
NET CASH USED FOR FINANCING ACTIVITIES	(18,466,554)	(10,351,600)	(11,170,946)
Increase (decrease) in cash and cash equivalents	(3,522,645)	(2,089,278)	5,929,902
Cash and cash equivalents, January 1	21,243,064	23,332,342	17,402,440
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 17,720,419	\$ 21,243,064	\$ 23,332,342

See notes to consolidated financial statements.

# FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

*OGLEBAY NORTON COMPANY AND SUBSIDIARIES*

	Common Stock	Additional Capital	Unrealized Gains	Retained Earnings	Common Stock in Treasury	Unallocated Employee Stock Ownership Plan Shares	Total Stockholders' Equity
Balance, January 1, 1992	\$ 3,626,666	\$ 8,866,493		\$143,732,134	\$ (28,492,454)	\$ (4,639,446)	\$ 123,093,393
Net Loss				(56,692,677)			(56,692,677)
Dividends \$1.40 per share				(3,518,096)			(3,518,096)
Tax benefit of unallocated shares in ESOP		80,048					80,048
Allocated ESOP shares						902,878	902,878
Balance, December 31, 1992	3,626,666	8,946,541		83,521,361	(28,492,454)	(3,736,568)	63,865,546
Net Income				7,262,035			7,262,035
Dividends \$.80 per share				(2,009,481)			(2,009,481)
Tax benefit of unallocated shares in ESOP		41,502					41,502
Purchase of Treasury Stock					(189,240)		(189,240)
Allocated ESOP shares						902,878	902,878
Balance, December 31, 1993	3,626,666	8,988,043		88,773,915	(28,681,694)	(2,833,690)	69,873,240
Adjustment for change in accounting			\$ 2,971,792				2,971,792
Net Income				14,890,835			14,890,835
Dividends \$1.00 per share				(2,491,266)			(2,491,266)
Change in unrealized gains			(693,519)				(693,519)
Tax benefit of unallocated shares in ESOP		47,798					47,798
Purchase of Treasury Stock					(535,624)		(535,624)
Allocated ESOP shares						689,665	689,665
Balance, December 31, 1994	\$ 3,626,666	\$ 9,035,841	\$ 2,278,273	\$101,173,484	\$ (29,217,318)	\$ (2,144,025)	\$ 84,752,921

*See notes to consolidated financial statements.*



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### OGLEBAY NORTON COMPANY AND SUBSIDIARIES

December 31, 1994, 1993 and 1992

#### NOTE A - ACCOUNTING POLICIES

**Principles of Consolidation:** The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. Intercompany transactions and accounts have been eliminated upon consolidation.

**Cash Equivalents:** The Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Cash equivalents are stated at cost which approximates market value.

**Inventories:** Inventories are stated at the lower of average cost (first-in, first-out method) or market.

**Investments:** Available-for-sale investments are carried at fair value, based on quoted market prices, and are reported as a current asset in the consolidated balance sheet. Realized gains and losses on the sale of such investments are based on average cost. In prior years, the Company reported these investments at the lower of cost or market and as long-term.

The Company holds a long-term investment in Eveleth Mines through a 15 percent interest in Eveleth Taconite Company (ETC) and a 20.5 percent interest in Eveleth Expansion Company (EEC).

**Properties and Equipment:** Properties and equipment are carried at cost.

**Depreciation and Amortization:** The Company provides depreciation on the straight-line method over the estimated useful lives of the assets. The amortization of advances to Eveleth Mines equivalent to the Company's share of depreciation of the underlying plant is computed on the units-of-production method adjusted for levels of operation. Such adjustment provides for a minimum of 75% of depreciation calculated on a straight-line basis.

**Net Income (Loss) Per Share:** Net income (loss) per share of Common Stock is based on the average number of shares outstanding.

**Accounting Changes and Reclassification:** In 1993 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The Company adopted the provisions of the new standard, effective January 1, 1994, and increased stockholders' equity by \$2,971,792 (net of income taxes of \$1,531,000) to reflect unrealized gains on available-for-sale investments. Prior years' consolidated financial statements have not been restated for the accounting change.

In 1992 the Company adopted the accounting provisions of Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions." This standard requires that the expected cost of retiree health benefits be charged to expense during the years that employees render service rather than recognizing these costs on a cash basis. As a part of adopting the standard, the Company recorded a one-time, non-cash charge of \$17,540,830 (net of income taxes of \$9,037,000), or \$6.98 per share.

In 1992 the Company changed its method of accounting for vessel inspection costs from expensing such costs over one shipping season to deferring these costs and amortizing them over the five shipping seasons between required inspections. This change results in a better matching of these expenses with revenues generated during the periods benefited and improves financial reporting. This change in accounting resulted in a cumulative adjustment of \$534,415 (net of income taxes of \$275,000), or \$21 per share.

Certain amounts in prior years have been reclassified to conform with the 1994 consolidated financial statement presentation.

#### NOTE B - INVESTMENTS

The fair value of available-for-sale investments is \$5,772,650 at December 31, 1994 and includes unrealized gains of \$3,451,273 based on a cost of \$2,321,377. The Company realized gains of \$1,315,000 from proceeds of \$2,166,000 on the sale of such investments for the year ended December 31, 1994.

#### NOTE C - STOCKHOLDERS' EQUITY

The Company's Preferred Stock is issuable in series and the Board of Directors is authorized to fix the number of shares and designate the terms of each issue.

Certain shares of Series C \$10.00 Preferred Stock and Common Stock have been reserved for issuance upon exercise of Rights under a Stockholders' Rights Plan. The Rights should not interfere with any merger or other business combination approved by the Board of Directors, because the Board, at its option, may redeem the Rights at their redemption price.

The Company has a noncontributory Employee Stock Ownership Plan (ESOP) and Trust for the benefit of certain salaried employees. In prior years, the Trust financed the purchase of 250,000 shares of the Company's Common Stock. The Company has guaranteed the financing and is obligated to make annual contributions to enable the Trust to repay the loan, including interest. The Company, as guarantor, has recorded the loan as long-term debt and a like amount as a reduction of stockholders' equity.

#### NOTE D - INCOME TAXES

Total income tax expense (benefit) from continuing operations differs from the tax computed by applying the U.S. federal corporate income tax statutory rate for the following reasons (in thousands):

	1994	1993	1992
Computed income tax expense (benefit) at statutory rate	\$ 6,854	\$ 3,248	\$ (16,919)
Tax differences due to:			
Percentage depletion	(1,270)	(751)	(696)
State & local income taxes	40	(22)	87
Other	(393)	(183)	(84)
Total income tax expense (benefit) from continuing operations	\$ 5,231	\$ 2,292	\$ (17,612)

The Company made income tax payments of \$3,103,000, \$40,000 and \$2,483,000 during 1994, 1993 and 1992, respectively. The Company received income tax refunds of \$1,652,000, \$222,000 and \$106,000 during those same periods.

Significant components of the Company's deferred tax liabilities and assets are as follows (in thousands):

	December 31	
	1994	1993
Deferred tax liabilities:		
Tax in excess of book depreciation	\$ 42,204	\$ 43,106
Pension benefits	4,837	4,323
Other	5,134	2,776
Total deferred tax liabilities	52,175	50,205
Deferred tax assets:		
Capacity rationalization and asset impairment	13,582	13,575
Postretirement benefits other than pensions	9,993	9,459
Coal Act liability	4,664	4,869
Other	6,996	6,706
Total deferred tax assets	35,235	34,609
Net deferred tax liabilities	\$ 16,940	\$ 15,596

# FINANCIAL STATEMENTS

## NOTE E - POSTRETIREMENT BENEFITS

The Company has a number of noncontributory defined benefit pension plans covering certain employees. The plans provide benefits based on the participants' years of service and compensation or stated amounts for each year of service. The Company's funding policy is to contribute amounts to the plans sufficient to meet the minimum funding required by applicable regulations.

A summary of the components of the net periodic pension credit for defined benefit plans follows (in thousands):

	1994	1993	1992
Service cost-benefits earned during the period	\$ 1,417	\$ 1,261	\$ 1,156
Interest cost on projected benefit obligation	4,550	4,644	4,574
Actual return on plan assets	531	(7,558)	(5,975)
Net amortization and deferral	(8,417)	(575)	(2,086)
<b>Net pension credit</b>	<b>\$ (1,919)</b>	<b>\$ (2,228)</b>	<b>\$ (2,331)</b>

Assumptions used in the accounting for defined benefit plans were:

	1994	1993	1992
Weighted-average discount rate	8%	7 1/4%	8 1/2%
Rate of increase in compensation levels	4%	4%	5%
Expected long-term rate of return on assets	9%	9 1/2%	9 1/2%

The following table sets forth the funded status and amounts recognized in the consolidated balance sheet for the Company's defined benefit pension plans (in thousands):

	December 31	
	1994	1993
Actuarial present value of benefit obligations		
Vested benefit obligation	\$ (55,736)	\$ (55,720)
Accumulated benefit obligation	\$ (59,930)	\$ (60,162)
Projected benefit obligation	\$ (63,854)	\$ (64,431)
Plan assets at fair value	80,215	84,854
Plan assets in excess of projected benefit obligation	16,361	20,423
Unrecognized net loss (gain)	1,306	(2,432)
Unrecognized prior service cost	4,156	2,473
Unrecognized initial net assets	(6,005)	(6,772)
<b>Prepaid pension costs recognized</b>	<b>\$ 15,818</b>	<b>\$ 13,692</b>

Plan assets consist primarily of debt and equity securities.

Defined contribution plans are maintained for certain employees and Company contributions are based on specified percentages of employee contributions, except for the ESOP. The expense for these plans was \$1,160,000, \$1,434,000 and \$1,321,000 for 1994, 1993 and 1992, respectively. The Company also pays into certain defined benefit multi-employer plans under various union agreements which provide pension and other benefits for various classes of employees. Payments are based upon negotiated contract rates and the expense amounted to \$1,703,000, \$1,348,000 and \$1,088,000 for 1994, 1993 and 1992, respectively.

In addition to providing pension benefits, the Company provides health care and life insurance benefits for certain retired employees. Substantially all of the Company's employees

are eligible for these benefits when they reach normal retirement age. The Company's policy is to fund these postretirement benefit costs principally on a cash basis as claims are incurred.

Net periodic postretirement benefits cost includes the following components (in thousands):

	1994	1993	1992
Service cost	\$ 599	\$ 826	\$ 691
Interest cost	1,730	2,228	2,180
Net amortization	(552)	(13)	-0-
<b>Net periodic postretirement benefit cost</b>	<b>\$ 1,777</b>	<b>\$ 3,041</b>	<b>\$ 2,871</b>

Components of the unfunded postretirement benefits obligation are as follows (in thousands):

	December 31	
	1994	1993
Retirees	\$ 14,019	\$ 14,478
Fully eligible active plan participants	2,261	2,728
Other active plan participants	7,535	10,255
<b>Accumulated postretirement benefits obligation</b>	<b>23,815</b>	<b>27,461</b>
Unrecognized prior service credit	2,120	1,962
Unrecognized net gain	5,136	862
<b>Postretirement benefits obligation recognized</b>	<b>\$ 31,071</b>	<b>\$ 30,285</b>

The weighted-average discount rate used in determining the accumulated postretirement benefits obligation was 8.0% and 7.25% at December 31, 1994 and 1993, respectively.

The weighted-average annual assumed rate of increase in the health care cost trend rate for 1995 is 8.25% (9% in 1994) for retirees age 65 and over and 10.75% (12% in 1994) for retirees under age 65, and both are assumed to decrease gradually to 5.75% in 2000 and 2005, respectively (5.25% in 1994) and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. For example, increasing the assumed health care cost trend rate by 1% in each year would increase the accumulated postretirement benefits obligation as of December 31, 1994 by approximately \$3,359,000 and the aggregate of the service and interest cost components of net periodic postretirement benefits cost for 1994 by approximately \$377,000.

## NOTE F - COMMITMENTS

Rental expense was \$5,067,000, \$5,162,000 and \$5,181,000 in 1994, 1993 and 1992, respectively. In general, the leases are renewable or contain purchase options at the end of the lease term. The purchase price or renewal lease payment is based on the fair market value of the asset at the date of purchase or renewal.

Future minimum payments at December 31, 1994, under noncancelable operating leases primarily vessel charters, are \$4,421,000 in 1995, \$4,252,000 in 1996, \$4,068,000 in 1997, \$4,036,000 in 1998, \$1,790,000 in 1999 and \$1,938,000 thereafter.

The Company and its partners in Eveleth Mines have guaranteed to reimburse ETC and EEC for all costs incurred in production of iron ore pellets, including EEC's debt service. Each partner of Eveleth Mines pays its share of costs based upon its share of production or ownership interest, whichever is applicable. Purchases by the Company under an Eveleth Mines contract amounted to \$49,757,000, \$24,800,000 and \$21,764,000 for the years ended December 31, 1994, 1993 and 1992, respectively. Maturities on EEC's debt are \$2,813,000 in 1995 and are included in the reserve for capacity rationalization. Accrued expenses include \$5,897,000 and \$4,955,000 payable in 1994 and 1993, respectively, for ETC's and EEC's working capital requirements.



**NOTE G - LONG-TERM DEBT**

Long-term debt is as follows (in thousands):

	December 31	
	1994	1993
Title XI Ship Financing Bonds		
Fixed rate, 5.3%	\$ 16,200	\$ 18,700
Term Loan, Variable rate, 7.5%	47,250	44,750
Revolving Credit, Variable rate	-0-	10,000
Term Loan, Variable rate	-0-	4,250
Guaranteed ESOP Loans		
Variable rate	-0-	213
Variable rate, 5.45%, and	794	971
Fixed rate, 8.88%, due in equal quarterly installments through May 31, 1999	1,350	1,650
	65,594	80,534
Less current portion	8,476	11,190
	<u>\$ 57,118</u>	<u>\$ 69,344</u>

The Title XI Ship Financing Bonds relate to a first preferred ship mortgage on the M/V Columbia Star and are guaranteed by the U.S. Government under the Federal Ship Financing Program. In 1993, the Company refinanced the Title XI Bonds at a pretax cost of \$652,000, reducing the fixed interest rate from 9.65% to 5.3%. The Bonds require sinking fund payments of \$1,250,000 semiannually through December 15, 2000, with a final payment of \$1,200,000 in 2001.

The Title XI Bonds and a vessel charter agreement may require the Company, under certain conditions, to make deposits to a reserve fund, maintain specified levels of stockholders' equity or obtain prior written consent from the Maritime Administrator, U.S. Department of Transportation, for certain designated financial transactions. No approval was required through 1994 and the Company does not anticipate any such consent will be required in the future.

In December 1994 the Company amended and restated its loan agreement with various banks to extend the Term Loan through December 31, 2001 and reduce semiannual payments. Under the new loan agreement, the Term Loan balances were consolidated and increased to \$50,000,000 and the Revolving Credit was increased to \$40,000,000, of which \$15,000,000 is available only for acquisitions. The commitment fee on the unused Revolving Credit was reduced to .25%, while the variable interest rate premium declined on both the Revolving Credit and Term Loan. The variable interest rate premium, under the new loan agreement, will fluctuate based upon the Company's funded debt to total capital and interest coverage ratios.

The Company has mandatory semiannual payments under the Term Loan of \$2,750,000 from December 31, 1994 through June 30, 2001, with a final payment of \$11,500,000 on December 31, 2001. The Revolving Credit terminates on December 31, 1997, subject to annual renewals under certain conditions to December 31, 2001. The Company has \$40,000,000 of borrowing available under the Revolving Credit at December 31, 1994.

Collateral for the Title XI Ship Financing Bonds and the Term Loan is in the form of first preferred ship mortgages on five of the Company's vessels with a net book value of \$107,000,000.

The Company, in separate agreements which expire in 1995, entered into interest rate swaps with major financial institutions to substitute fixed rates for LIBOR-based interest rates on notional amounts totaling \$24,030,000 at December 31, 1994. The interest rate differential is recognized over the lives of the agreements as an adjustment to interest expense. The weighted average interest rate was 9.9% on the amounts covered by the swap agreements during 1994. Market risks associated with the swap agreements are mitigated, since increased interest payments under the agreements resulting from a decrease in LIBOR-based interest rates are effectively offset by decreased variable rate interest payments under the debt obligations.

The Company's debt agreements, as amended, contain various covenants with the most restrictive covenant requiring the Company to maintain specified levels of tangible net

worth during each year. The Company's tangible net worth was \$76,707,000 at December 31, 1994, compared to a minimum specified level of \$64,445,000.

Long-term debt maturities are \$8,476,000 in 1995 through 1998, \$8,238,000 in 1999, \$8,000,000 in 2000 and \$15,450,000 in 2001. The Company made interest payments of \$5,345,000, \$7,973,000 and \$7,279,000 during 1994, 1993 and 1992, respectively.

The fair value of the Company's long-term debt and interest rate swaps is estimated to be \$64,400,000 and \$230,000, respectively, at December 31, 1994. Such fair values were estimated using discounted cash flow analysis based on the Company's current incremental borrowing rates for similar types of arrangements.

**NOTE H - DISPOSITIONS**

In 1994 the Company sold its Ceredo coal dock business resulting in a \$6,518,000 pretax gain. The Company sold certain assets of its Licking River Terminal coal dock in 1993 which resulted in a \$1,326,000 pretax gain. Also in 1993, the Company sold for cash its unsecured bankruptcy claim against LTV Steel Company, Inc., resulting in a \$2,653,000 pretax gain after the retirement of \$4,412,000 of long-term receivables.

In 1992 the Company's wholly owned subsidiary, Saginaw Mining Company, ceased operation of its Ohio coal mine. Permanent closure of the mine was completed in 1993 and was funded by a public utility customer, as required by a long-term contract. The utility customer paid the Company \$1,951,791 in 1992, which was recognized as a gain on shutdown of discontinued operation of \$1,287,791 (net of income taxes of \$664,000), or \$5.51 per share. The discontinued operation had total revenues of \$19,365,000 and pretax income of \$1,603,000 in 1992. Final settlement of closure costs, primarily related to retiree health care benefits, has been extended into 1995 at the request of the customer.

The Company's wholly owned subsidiary, T & B Foundry, was disposed of in 1992 resulting in a \$3,300,000 pretax loss. The Foundry was included in the Company's Refractories & Minerals segment in 1992.

**NOTE I - ASSET IMPAIRMENTS AND RESERVES**

In 1992 the Company recorded a \$34,693,983 provision for capacity rationalization. The charge included a \$12,256,183 write-down of the Company's investment in Eveleth Mines and the establishment of a \$22,437,800 reserve for certain fixed obligations, including the Company's share of Eveleth's long-term debt. The charge resulted from Eveleth's high costs and economic conditions in the steel industry. Other long-term liabilities include the remaining capacity rationalization reserves of \$4,700,000 and \$9,800,000 at December 31, 1994 and 1993, respectively. Also in 1992, the Company recorded charges of \$9,918,497 related to changes in market conditions and circumstances that impaired certain asset carrying values and resulted in certain liabilities primarily in its Marine Transportation, Refractories & Minerals and Industrial Sands segments.

**NOTE J - EXTRAORDINARY PROVISION**

In 1992 the Coal Industry Retiree Health Benefit Act was enacted. This legislation requires companies that mine coal or previously mined coal to assume certain health care benefit obligations for retired coal miners and their dependents. Some of these coal miners never worked for the companies or have had no relationship with the companies for decades. While the exact amount of the liability was difficult to determine, the Company recorded a non-cash, extraordinary charge of \$9,977,900 (net of income taxes of \$5,140,000), or \$3.97 per share, to accrue for this obligation in 1992. The Coal Act liability was \$13,718,000 and \$14,320,000 at December 31, 1994 and 1993, respectively. The change in the liability in 1994 is a result of interest accretion, changes in actuarial assumptions and payments of \$881,000. The continuing effects of the Coal Act are expected to reduce future annual net income by approximately \$700,000.

# FINANCIAL STATEMENTS

## NOTE K - INDUSTRY SEGMENTS AND MAJOR CUSTOMERS

The Company's major industry segments are Marine Transportation, Iron Ore, Industrial Sands and Refractories & Minerals. Industry Segment Data on pages 16 and 17 and About The Company on the inside front cover of this Annual Report are an integral part of these financial statements.

Accounts receivable of \$21,091,000 at December 31, 1994 are due from companies in steel-related industries. Credit is extended based on an evaluation of a customer's financial condition, and generally collateral is not required. Credit losses have, historically, been insignificant. Sales to two major steel producers exceeded 10% of consolidated net sales and operating revenues and are summarized as follows (in thousands):

Customer	Marine Transportation	Iron Ore	Refractories & Minerals	Other	Total
<b>1994</b>					
A	\$ 16,868	\$ 6,948	\$ 555	\$ 20	\$ 24,391
B	17,207	-0-	7,122	700	25,029
	<u>\$ 34,075</u>	<u>\$ 6,948</u>	<u>\$ 7,677</u>	<u>\$ 720</u>	<u>\$ 49,420</u>
<b>1993</b>					
A	\$ 14,523	\$ 8,935	\$ 752	\$ 68	\$ 24,278
B	19,384	-0-	6,698	1,513	27,595
	<u>\$ 33,907</u>	<u>\$ 8,935</u>	<u>\$ 7,450</u>	<u>\$ 1,581</u>	<u>\$ 51,873</u>
<b>1992</b>					
A	\$ 14,462	\$ 10,090	\$ 572	\$ 105	\$ 25,229
B	23,700	-0-	6,428	1,464	31,592
	<u>\$ 38,162</u>	<u>\$ 10,090</u>	<u>\$ 7,000</u>	<u>\$ 1,569</u>	<u>\$ 56,821</u>

## NOTE L - QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

Unaudited quarterly results of operations for the years ended December 31, 1994 and 1993 are summarized as follows (in thousands, except per share amounts):

Three Months Ended	Net Sales and Operating Revenues	Gross Profit	Net Income (Loss)	Net Income (Loss) Per Share
<b>1994</b>				
December 31	\$ 61,352	\$ 8,828	\$ 4,119	\$ 1.65
September 30	57,499	9,701	4,077	1.64
June 30	53,487	7,525	6,838	2.75
March 31	30,417	4,247	(143)	(.06)
<b>1993</b>				
December 31	\$ 48,281	\$ 8,703	\$ 4,229	\$ 1.68
September 30	47,946	8,215	2,311	.92
June 30	47,004	7,632	2,810	1.12
March 31	16,505	1,850	(2,088)	(.83)

Per share amounts are based on the average number of shares outstanding during each quarter

Second quarter net income for 1994 increased \$4,302,000 (\$1.73 per share) related to the sale of the Company's Ceredo coal dock business, as disclosed in Note H.

Fourth quarter net income for 1994 decreased \$594,000 (\$.24 per share) related to a reevaluation of the capacity rationalization reserve and \$403,000 (\$.16 per share) on the write-off of unamortized financing costs associated with the Company's former loan agreement, as disclosed in Note G.

Second quarter net income for 1993 increased \$1,751,000 (\$.70 per share) related to the sale of an unsecured bankruptcy claim, as disclosed in Note H, and declined \$792,000 (\$.32 per share) as a result of a reserve against doubtful coal customer accounts receivable.

Fourth quarter net income for 1993 increased \$875,000 (\$.35 per share) related to the sale of certain assets, as disclosed in Note H, and declined \$760,000 (\$.30 per share) related to bond refinancing costs and an additional reserve against remaining doubtful coal customer accounts receivable.

## RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the financial and operating information contained in the Annual Report, including the consolidated financial statements covered by the Report of Independent Auditors. These statements were prepared in conformity with generally accepted accounting principles and include amounts based on estimates and judgements of management.

The Company seeks to assure the integrity and objectivity of the data in the financial statements through a system of internal controls. These controls are designed to provide reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements. Independent auditors, Ernst & Young LLP, are engaged to render an independent opinion on the Company's financial statements. Their opinion, which appears herein, is based on an audit of the Company's consolidated financial statements in accordance with generally accepted auditing standards which includes a review of internal controls to the extent Ernst & Young LLP deems necessary.

The Company's Board of Directors, through its Audit Committee which is composed of four outside directors, reviews the Company's financial reports and accounting and auditing practices. It meets periodically with the independent auditors and management in this connection.

## REPORT OF INDEPENDENT AUDITORS

Board of Directors  
Oglebay Norton Company

We have audited the accompanying consolidated balance sheet of Oglebay Norton Company and subsidiaries as of December 31, 1994 and 1993, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Oglebay Norton Company and subsidiaries at December 31, 1994 and 1993, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles.

As discussed in Note A to the consolidated financial statements, in 1992 the Company changed its method of accounting for postretirement benefits other than pensions and vessel inspection costs.

*Ernst & Young LLP*

Cleveland, Ohio  
February 15, 1995

# CORPORATE INFORMATION

## DIRECTORS

- Brent D. Baird**  
Private investor; Formerly Limited Partner, Trubee, Collins & Co., Buffalo, New York; Member, New York Stock Exchange
- Malvin E. Bank**  
Partner, Thompson, Hine and Flory, Cleveland, Ohio, attorneys
- William G. Bares**  
President and Chief Operating Officer, The Lubrizol Corporation, Cleveland, Ohio, supplier of chemical additives to the petroleum industry
- Albert C. Bersticker**  
President and Chief Executive Officer, Ferro Corporation, Cleveland, Ohio, supplier of coatings and colors, plastics, chemicals and ceramics
- John J. Dwyer**  
Past President of the Company
- R. Thomas Green, Jr.**  
Chairman, President and Chief Executive Officer of the Company
- Ralph D. Ketchum**  
President and Chief Executive Officer, RDK Capital, Inc., Cleveland, Ohio, serving the aircraft industry
- Herbert S. Richey**  
Vice President and Director, Washington Energy Processing, Inc., technology for recovery of waste coal
- Renold D. Thompson**  
Vice Chairman of the Board and Past President and Chief Executive Officer of the Company
- John D. Weil**  
President of Clayton Management Co., St. Louis, Missouri, investments
- Fred R. White, Jr.**  
Vice Chairman Emeritus of the Board of Directors of the Company

## OFFICERS

- R. Thomas Green, Jr.**  
Chairman, President and Chief Executive Officer
- Thomas J. Croyle**  
Vice President, Refractones & Minerals
- Edward G. Jaicks**  
Vice President, Marketing
- Richard J. Kessler**  
Vice President, Finance and Development
- H. William Ruf**  
Vice President, Administrative and Legal Affairs
- John L. Selis**  
Vice President, Iron Ore
- Stuart H. Theis**  
Vice President, Marine Transportation
- Michael F. Biehl**  
Treasurer and Director of Finance
- David G. Slezak**  
Secretary and Director of Legal Affairs
- John J. Kirn**  
Assistant Secretary

## BUSINESS UNITS

- Mark P. Juszli**  
General Manager, Industrial Sands
- John M. Kokotovitch**  
Manager, Eveleth Mines

## DATA

### Executive Office

1100 Superior Avenue  
Cleveland, Ohio 44114-2598  
Telephone: (216) 861-3300  
Fax: (216) 861-2863

### Transfer Agent

KeyCorp Shareholder Services, Inc.  
Cleveland, Ohio

### Counsel

Thompson, Hine and Flory  
Cleveland, Ohio

### Independent Auditors

Ernst & Young LLP  
Cleveland, Ohio

### Additional Information

Copies of the SEC Form 10-K for 1994 will be provided without charge to stockholders upon written request to:

David G. Slezak  
Secretary and Director of Legal Affairs  
Oglebay Norton Company  
1100 Superior Avenue  
Cleveland, Ohio 44114-2598

NASDAQ/NMS Symbol: OGLE

### 1995 Annual Meeting of Stockholders

April 26, 1995, 9:30 a.m.  
Diamond Building Conference Center  
1100 Superior Avenue  
Cleveland, Ohio 44114-2598

## COMMON STOCK AND DIVIDENDS

The Company's Common Stock, par value \$1 per share, as reported by NASDAQ, is traded on the Over-The-Counter Market. The following is a summary of the market ranges and dividends declared for each quarterly period in 1994 and 1993 for the Common Stock.

	Quarterly Period	High	Low	Dividends Declared
1994	4th	\$ 31-3/4	\$ 29-1/4	\$ 30
	3rd	31	24-3/4	30
	2nd	26-1/2	24-1/4	20
	1st	26-1/4	21-3/4	20
1993	4th	\$ 23	\$ 19-1/4	\$ 20
	3rd	22	18	20
	2nd	24-1/2	20	20
	1st	26-1/4	22-1/2	20

As of December 31, 1994, there were 531 stockholders of record.

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Oglebay Norton Company  
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