

Oglebay Norton Company Annual Report 1983

**PLAINTIFF'S
EXHIBIT**

ON-92



Ready

- Mineral extraction is light years beyond pick and shovel.
- Mining and transport of raw materials in America is state-of-the-art.
- Ready for the future.

Ready

FE004558

Oglebay Norton Company

1983 Annual Report

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Oglebay Norton is a Cleveland-based raw materials and Great Lakes marine transportation company serving the steel, ceramic, chemical, electric utility and oil and gas well service industries with iron ore, coal and other minerals and supplying manufactured products used in hot metal processing.

Industrial Minerals

Company subsidiaries engaged in natural resource operations include Central Silica Company headquartered in Zanesville, Ohio, which produces quartzite sand for the glass, paint, ceramic and foundry industries; Texas Mining Company which produces sand products at Brady, Texas and Riverside, California for the oil well service and construction industries; and ON Coast Petroleum Company which owns leasehold interests in oil and gas production in Texas and Louisiana. The Company also operates a plant at Brownsville, Texas producing fluorspar for the fiberglass, glass, ceramics and steel industries.

Iron Ore

The Company owns interests in and manages the taconite mining and pelletizing operations of Eveleth Mines owned by Eveleth Taconite Company and Eveleth Expansion Company located near Eveleth, Minnesota on the Mesabi Range.

Coal

The Company owns and operates the Saginaw Mining Company at St. Clairsville, Ohio, which produces bituminous steam coal for a major utility and receives royalties from other leased coal properties. The Company also acts as sales agent for other coal producers.

Transportation and Transfer Facilities

Through its Columbia Transportation Division and Pringle Transit Company subsidiary, the Company operates a fleet of vessels engaged in the transportation of iron ore, coal, limestone and other dry bulk cargoes on the Great Lakes. The Company also operates rail-to-barge coal-loading terminals on the Ohio River at Ceredo, West Virginia and on the Licking River at Wilder, Kentucky.

Manufacturing

The Ferro Engineering Division of the Company, with plants in Ohio and Illinois, and the Company's Canadian and Texas subsidiaries, Canadian Ferro Hot Metal Specialties Limited and Travis Manufacturing Company, manufacture a wide variety of hot-top, refractory, insulating, exothermic and other products used in iron and steelmaking and casting. T & B Foundry Company, a subsidiary, operates a gray and ductile iron foundry in Cleveland, Ohio. The Cleveland Metal Stamping Company is engaged in the production of ferrous and nonferrous stampings sold to a broad industrial market.

Security Markets and Dividends

The Common Stock, par value \$1 per share, is traded in the national over-the-counter market. The following is a summary of the market range of bid and ask quotations and dividends declared for each quarterly period in 1983 and 1982 for the Common Stock.

	Quarterly Period	High Bid/Ask	Low Bid/Ask	Dividend Declared
1983	4th	\$27 ¼ -28	\$26 ¼ -27 ½	\$.54
	3rd	26 ½ -27 ½	24 ½ -25 ½	.54
	2nd	29 -30	25 ½ -26 ½	.54
	1st	29 -30 ½	24 -24 ½	.54
1982	4th	\$24 -25 ½	\$21 -22	\$.54
	3rd	23 -24 ½	18 -19	.54
	2nd	26 -27	23 -24 ½	.54
	1st	28 ½ -30	26 -27	.54

As of December 31, 1983, there were 1,266 stockholders of record.

Additional Information

COPIES OF THE SEC FORM 10-K FOR 1983 WILL BE PROVIDED WITHOUT CHARGE TO STOCKHOLDERS UPON WRITTEN REQUEST TO:

David A. Kuhn
Secretary
Oglebay Norton Company
1100 Superior Avenue
Cleveland, OH 44114

Annual Meeting

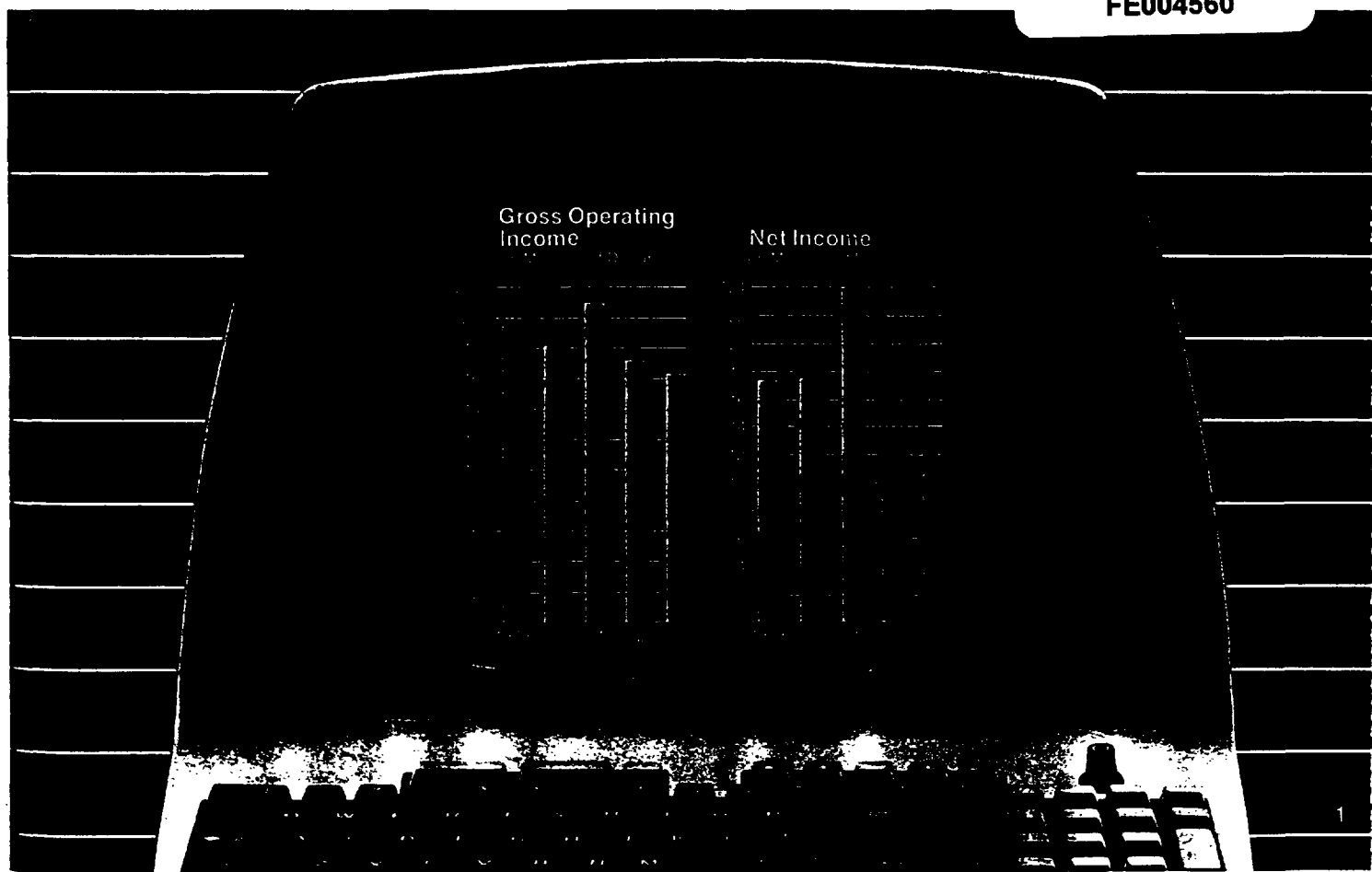
Stockholders are cordially invited to attend the Annual Meeting of the Company which will be held at 2:00 P.M., Wednesday, April 18, 1984 in the General Offices of the Company located at 1100 Superior Avenue, Cleveland, Ohio.



Financial Highlights

	1983	1982	1981
Gross operating income	\$163,395,398	\$171,589,980	\$210,979,669
Net income	10,668,448	9,773,329	23,919,370
Dividends	7,485,291	7,577,874	6,722,793
Per share of Common Stock			
Net income	3.07	2.78	6.77
Dividends	2.16	2.16	1.92
Equity	42.23	40.85	40.24
Common stockholders' equity	143,287,762	143,347,474	141,118,958
Depreciation and amortization charged to costs and expenses	12,290,708	12,120,768	12,498,862
Expenditures for properties and equipment	8,930,716	20,278,534	40,999,132

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Renold D. Thompson, President and Chief Executive Officer

To the Stockholders of Oglebay Norton Company

Each of the four quarters of 1983 witnessed steadily improved financial performance as Oglebay Norton Company advanced from a loss in March to more normal earnings in December. Net income for 1983 was \$10.7 million or \$3.07 per share, compared with \$9.8 million or \$2.78 per share in 1982. Income before taxes increased about \$6 million over 1982, but the persistent low level of operations of the steel and energy-related industries we serve kept our results well below the earnings of 1981.

Much of the improvement in 1983 can be credited to the consistent good performance of our nonsteel-related businesses, operation of our most efficient facilities, and the constructive and determined efforts of our employees to reduce costs and improve the quality of the products and services we supply. The increase in earnings over 1982 also results from our diversification efforts of the past.

- Cash flow from operations increased to \$26.0 million from \$19.1 million in 1982.
- Continuity of our stockholders' regular dividends has been maintained, despite our customers' sluggish recovery.
- In September 1983, the Company issued the remaining Title XI bonds amounting to \$17.1

million, which completed the permanent financing of the M/V Columbia Star.

- During the year, the Company purchased 121,025 shares of its stock for \$3.3 million. This represented 3.34 percent of the common shares issued and has been added to treasury stock. The purchase at fair market value was considerably below the net book value.

Oglebay Norton remains in a favorable cash position. We do not anticipate borrowing funds for normal working capital needs in 1984.

Segment Performance and Outlook

Texas Mining Company experienced intense competition in the sale of oil and gas well fracture sands in a year when demand remained low. Sales volumes declined only 12 percent, but industry price reductions severely affected profit. There are indications, however, that overcapacity is being squeezed out of the marketplace and that oil producers anticipate modest growth in the average number of rigs operating and wells to be drilled in 1984. Silica product sales at the Riverside, California plant gradually increased during the latter half of 1983. Performance at the California plant in 1984 will parallel the growth of the construction and geothermal well cementing industries.

Central Silica Company produced increases in both sales and income in 1983. The company was able to accommodate changes in market mix demand. A new rotary dryer added at the Millwood plant early in 1983 has improved productivity and reduced energy costs. Silica product demand should rise in 1984, insuring traditional sales volumes to glass container, fiberglass, ceramic and foundry customers.

Fluorspar shipments at Oglebay Norton's Brownsville, Texas plant increased as the result of a two-year effort to enter new markets. Originally serving only the steel industry, Brownsville today supplies the largest share of its production to fiberglass, glass and ceramic customers, offering custom drying and delivery in bulk or bags. The plant will continue to face pressure from South African and Chinese suppliers, but continued price flexibility on the part of Brownsville's Mexican sources should keep our products competitive in 1984.

Eveleth Mines operated at about 55 percent of capacity. Low demand for iron ore pellets required a shutdown of the facility for eight weeks in 1983. Despite the layoffs and some permanent reductions in force, Eveleth Mines employees made good progress in reducing costs and quickly adapted to a new computer base maintenance program. Utilization of the new system has resulted in decreased maintenance manhours and new records in equipment availability. Product quality continues to be of prime importance, and the recently introduced



statistical process control program is expected to materially assist our quality improvement efforts. Operating levels planned for 1984 offer the potential for efficient operation.

Saginaw Mining Company coal sales to an electric utility customer and Oglebay Norton's agency coal sales declined slightly, but good progress was made in reducing mining costs. There is continued optimism about the future of coal in the 1980s, but concern about acid rain clouds that future. Action by the Congress to provide a political solution for a natural phenomenon not scientifically understood could place the Saginaw Mine and all of Ohio's coal in jeopardy.

Total tonnage carried by the **Columbia Transportation Division** and **Pringle Transit Company** vessels in 1983 increased over the previous sailing season, but remained substantially below total capacity. Progress by fleet personnel in efficient and safe operation of vessels was especially notable and helped to offset some continuing cost increases. Negotiation of new labor agreements during the year brought an end to the severe escalation of labor costs we have experienced over the past seven years. The conversion of the S/S Reserve to a self-unloader completes the current fleet-improvement program. The continuing well-maintained condition of our vessels and significant increases in productivity will assist fleet performance in 1984. However, capacity operations continue to appear unlikely this year.

Rail-to-barge coal loadings at our **Ceredo Dock** increased substantially over 1982 and the **Licking River Terminal** remained at a good level throughout the year. The addition of a computerized railroad car scale at the Terminal confirms Oglebay Norton's leadership in coal transfer terminals on the river system. Tonnage volumes for both facilities appear favorable through the first three quarters of 1984 as customers build coal inventories in advance of United Mine Workers of America negotiations for a new labor agreement.

Ferro Engineering Division virtually reached the break-even point at the end of 1983. More progress is indicated in 1984 as steel output increases and steel customers opt for refractory and insulating products of greater value.

T & B Foundry Company may experience a slower return to profitability as demand for castings by the steel and machine tool industries remains depressed. Increases in capital goods expenditures are forecast for 1984, however, and that growth portends marked improvement for T & B Foundry over the next several years.

Oglebay Norton's major goals for 1983 were to reduce our costs and improve the quality of our products and services companywide. To those ends, we applied tighter management and new tools, such as added

computerization at Eveleth Mines and corporate headquarters at Cleveland and statistical process control at Eveleth Mines and Ferro Engineering Division. We reduced our employment base and decreased administrative and labor costs.

Our 1982 letter to stockholders noted that the negotiation of noninflationary new labor agreements was essential to our progress. We are pleased to report that these agreements were achieved and that they provided employment cost relief in 1983 and will substantially reduce escalation of labor costs in the succeeding years of each contract.

Three valued officers retired at year-end: D. Kelly Campbell, Vice President-Iron Ore Operations, after 20 years' service; Walter C. Mayo, Assistant Vice President-Traffic, after 26 years; and Captain Edgar M. Jacobsen, Assistant Vice President-Columbia Transportation Division, after 21 years. R. Thomas Green, Jr., formerly President, Central Silica Company, was elected Vice President-Iron Ore Operations.

General Outlook

Labor costs will remain a vital concern in 1984. New agreements must be reached for certain Oglebay Norton vessel, coal mining and river dock personnel. Equally, our customers have a stake in major industry negotiations that will occur this year. The question to be resolved ultimately is whether the United States can become competitive with offshore producers, many of which are heavily supported or owned by their governments.

As already noted, all of our businesses anticipate gradual improvement in 1984 resulting from their past progress in remaining competitive, their determination to persist in that effort and gradual improvement in the industries they serve. Oglebay Norton's major four-year capital improvement program has been completed.

During 1984, Oglebay Norton will continue its drive to increase its competitiveness and continue to seek further opportunities to expand the diversification that has served it well, so that in the first quarter of 1985 we again may report that we remain optimistic about the future of your Company.

Chairman of the Board

March 28, 1984

President and
Chief Executive Officer

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Operations 1983



Smokestack industry?

Hardly.

Oglebay Norton's applications of mechanization, automation and computer control systems typify the eagerness of the mining industry to adopt relevant technology. Mining is modern and necessary. The ruby laser comes from the earth. Plastic circuit boards begin as petroleum. Computer wiring is born from minerals which must be mined. The ubiquitous cathode ray tube contains silica products from our Central Silica Company.

High tech industries need raw materials from the earth, and the companies that mine and get them to market need high-tech products.

Glib phrases should be tagged with a federal warning. Labels such as smokestack industry and acid rain not only communicate, they manipulate.



Industrial Minerals

Oil and Gas Well Fracture Sand

Total product sales at Texas Mining Company declined about 12 percent in 1983, but profit declined considerably below 1982 levels as oil and gas well production remained flat and fracture sand producers sharply cut prices. Texas Mining quarries and processes special quality fracture sands used by oil and gas well service companies to stimulate well production.

Previous strong demand for domestic petroleum, which peaked in 1981, attracted new competition into the fracture sand industry. Steep reduction in demand for crude oil worldwide, however, caused the United States oil well drilling-rig count to decline sharply. Collapsing demand is driving some of that competition out of the market, but Texas Mining continues to maintain its market commitment and strong industry position due to its long history of quality, customer service, competitive access to well over half of the total market, recently expanded production facilities and loyal customers.

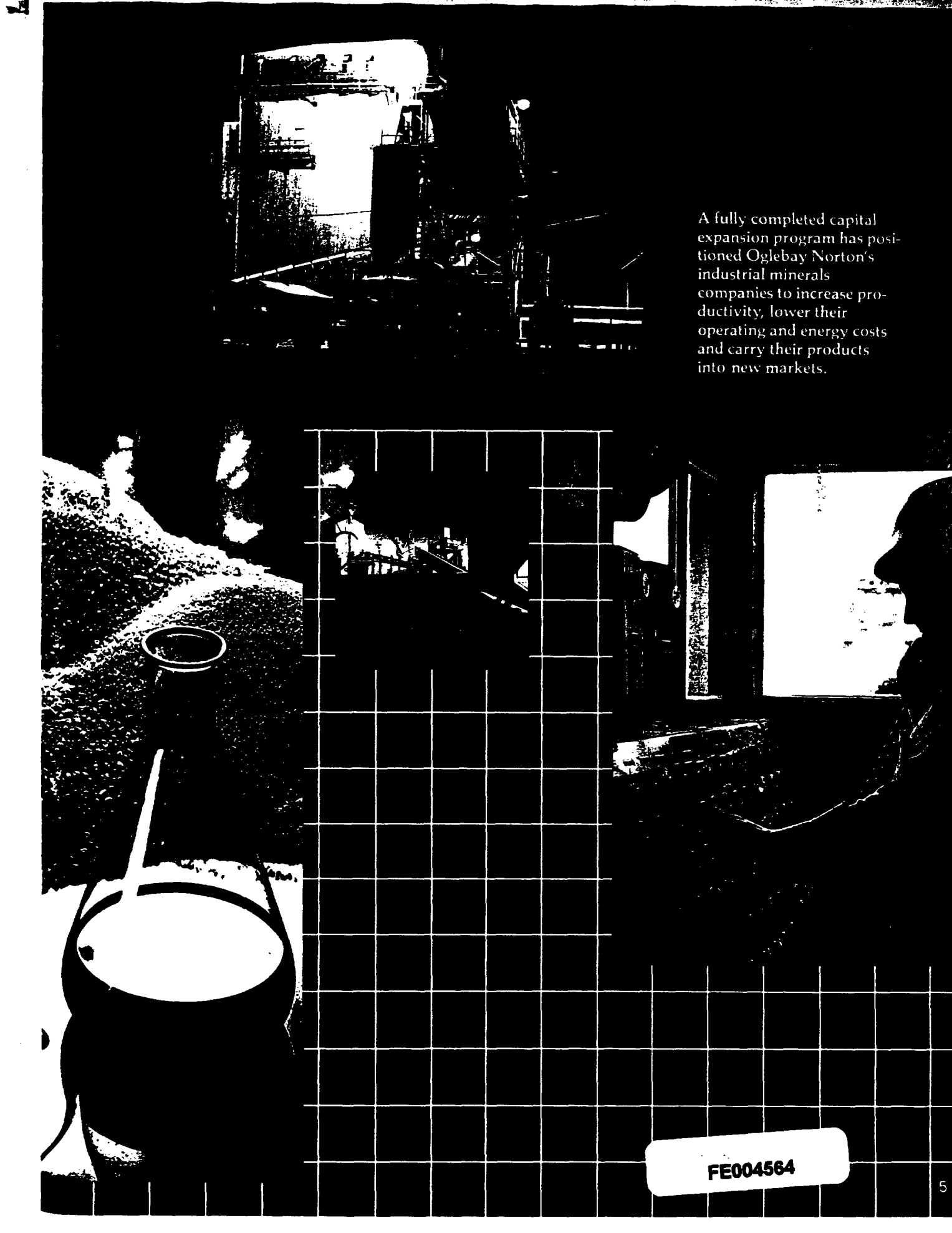
Pulverized sand sales at the Riverside California plant increased each month through the last three quarters of 1983 as construction increased in the Southwest.

Quartzite Sand

Central Silica Company, producing silica products in central Ohio for the metals, ceramic and glass industries, achieved gains in sales and income in 1983 despite uneven demand in its traditional markets.

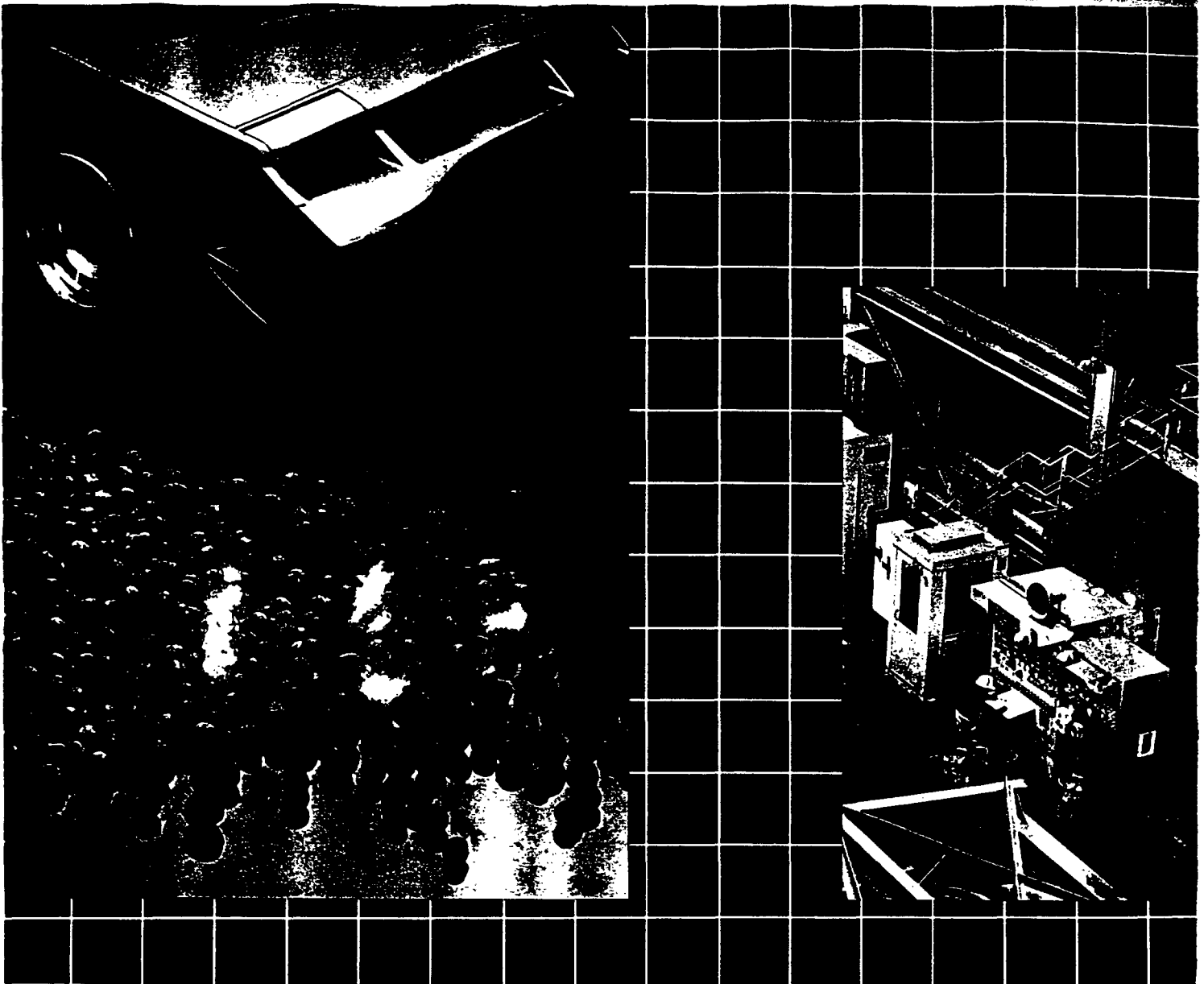
Sales to the glass container industry were slightly below the previous year, but sales to fiberglass producers improved. Foundry sand sales remained depressed throughout 1983, while silica flour shipments to steel-related customers rose in the last half of the year. The addition of new customers during the year compensated for slower activity in the ceramics and pottery industries.

A capital improvement program over the last several years has resulted in lower operating costs and has provided a product mix for entry into new markets in 1983. A new rotary dryer installed at the Millwood, Ohio plant early in the year materially has improved efficiency and decreased natural gas consumption. The exploration program at the Glass Rock facility resulted in land acquisitions in 1983 which increased sandstone reserves there for an additional 20 years at the present rate of production.



A fully completed capital expansion program has positioned Oglebay Norton's industrial minerals companies to increase productivity, lower their operating and energy costs and carry their products into new markets.

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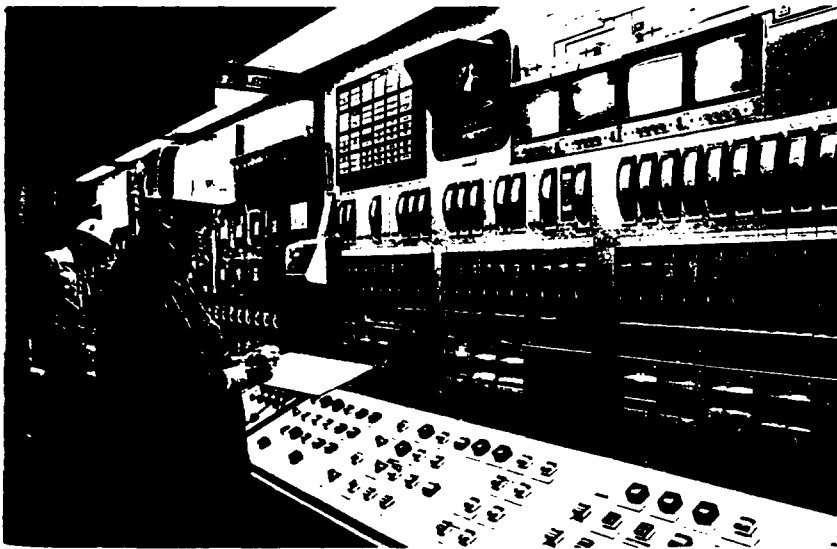
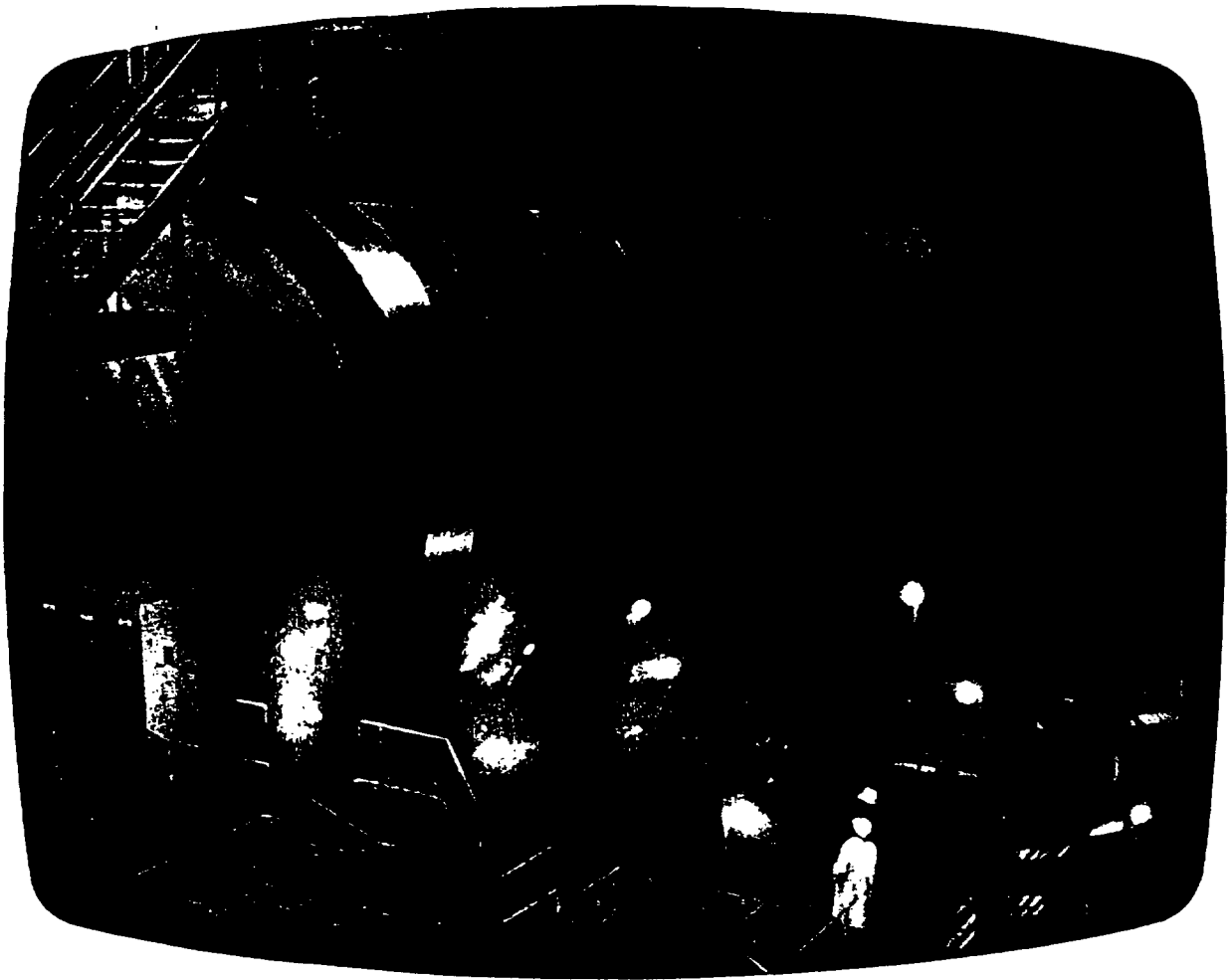


Fluorspar

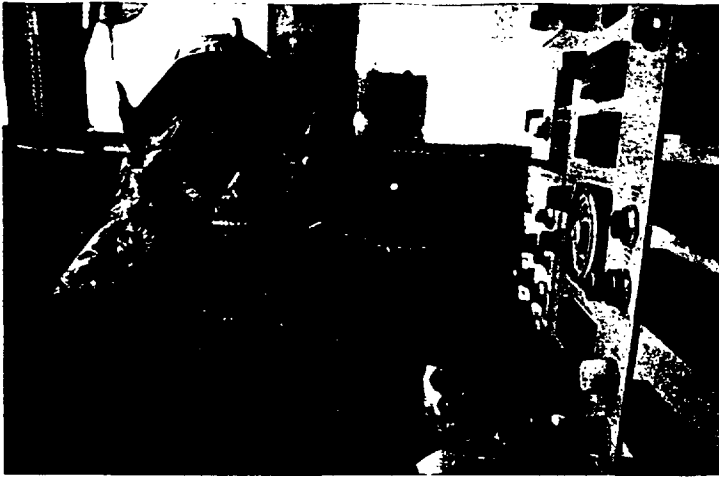
Modifications to the Brownsville, Texas plant, under way for the past two years, have resulted in expanded output required as a result of sales efforts focused on nonferrous industries. Although steel operating rates remained low for most of 1983, Brownsville plant shipments increased significantly as new nonsteel-related customers were added. Liquidation of old inventories has been accomplished and substantial raw material price reductions which occurred during the year have enabled the plant to remain competitive despite pricing pressures from South Africa and China. Mexico remains our prime source of supply.

Iron Ore

Production of iron ore pellets at Eveleth Mines in 1983 declined to a level of about 55 percent of the plant's six million-ton-capacity. Most of the steel-making partners and customers continued to experience low demand for our product throughout the year, necessitating an eight-week shutdown of our mining and processing facilities beginning in August. Following the resumption of operations, manpower levels were aligned to the lower production rate. The efforts to achieve cost reduction through improved utilization of personnel, equipment and ore reserves continued throughout 1983.



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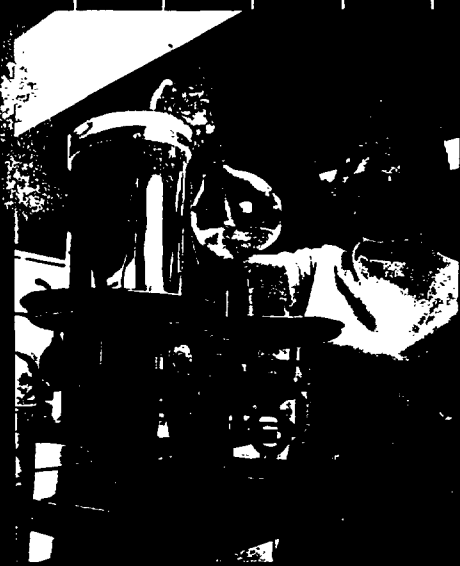
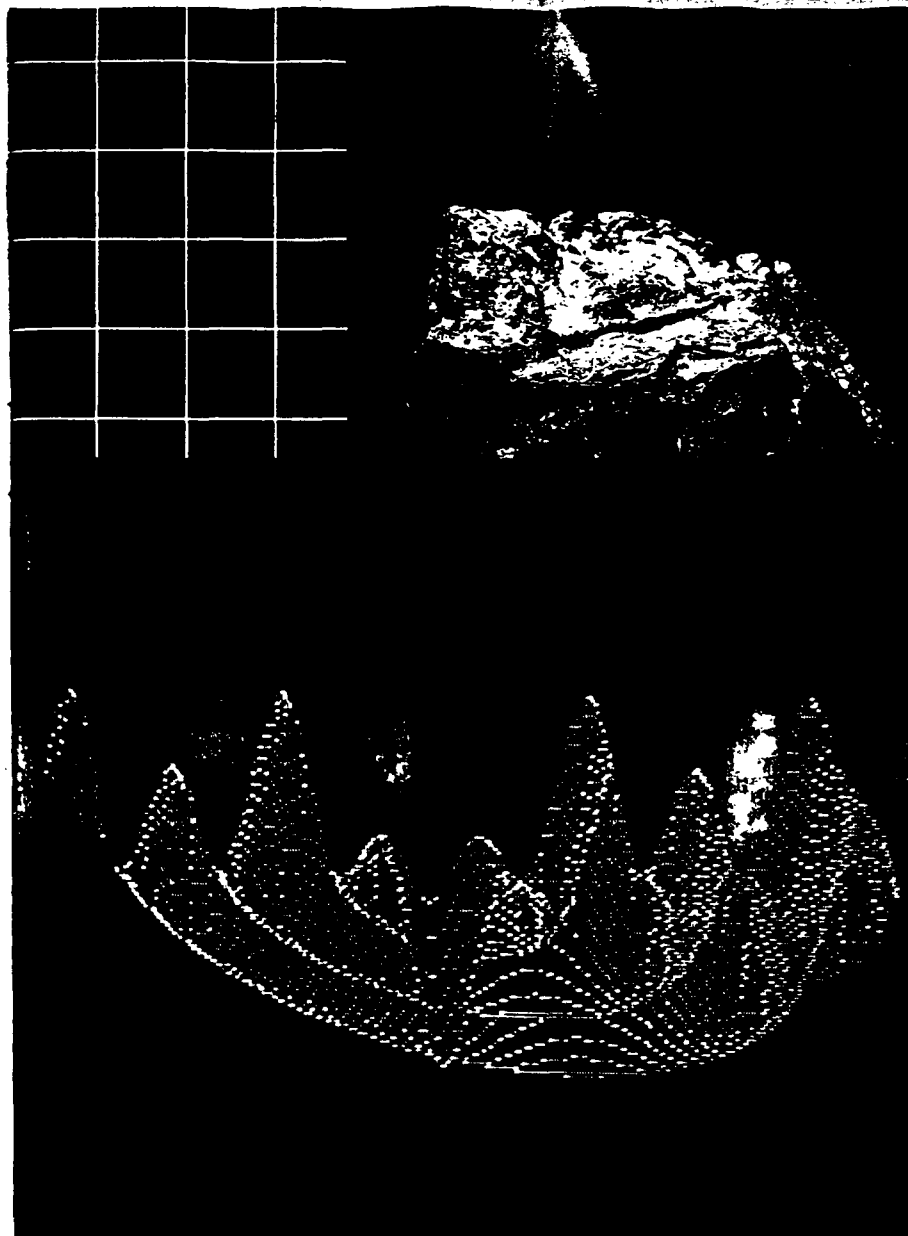


The recently introduced computer base maintenance program has continued to generate increased benefits, with a record equipment availability of over 91 percent in the pelletizing area coupled with a 10 percent reduction in maintenance manhours. Product quality also has continued to improve, with a significant reduction in pellet silica and substantially decreased silica variation. The Company has initiated statistical process control methods to monitor quality of product.

At the end of the year, a change of ownership positions in Eveleth Mines was made, with Armco Inc. increasing its position with the assumption of Dofasco Inc.'s 16 percent interest in Eveleth Expansion Company.



At Thunderbird Mines, skilled workers seated at control panels drill deep blast holes and move mountains of rock. A new, computer-base maintenance system keeps rugged equipment ready when it's needed.



Coal

Saginaw Mining Company

Coal production at Saginaw Mining Company's Saginaw Mine near St. Clairsville, Ohio has stabilized at about half its potential production rate for the past three years. The mine work force was reduced during the year as a result of reduced coal demand.

Saginaw Mining Company is a subsidiary of Oglebay Norton Company, selling its coal production under long-term contract to a major electric utility. That customer's coal demand has remained level because of a generally low coal burn and extensive downtime on its generating units.

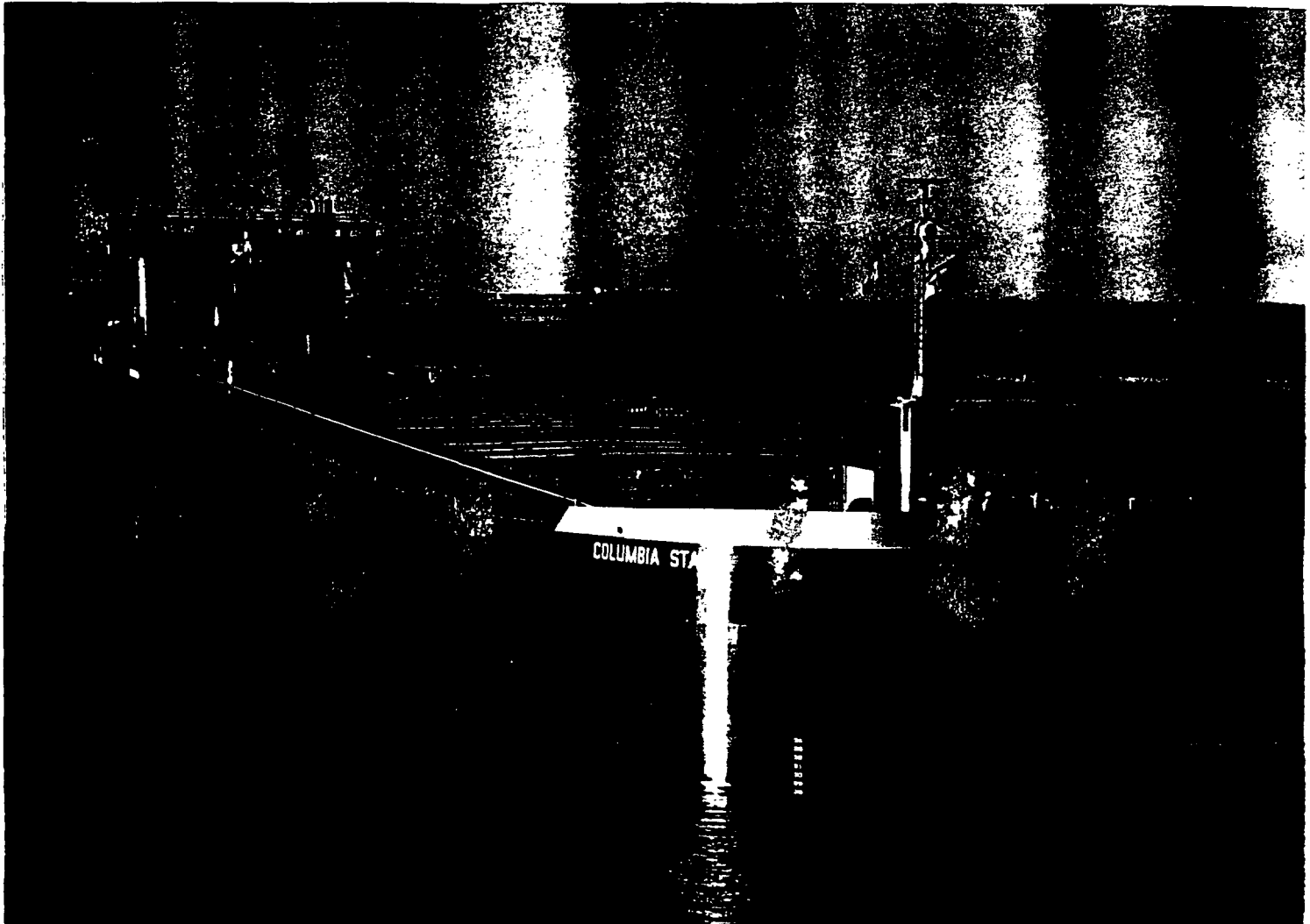
The acid rain debate continues to generate more heat than light, but Congressional action does not appear likely

in this election year. The President is calling for federally funded support of a full study of the source and long-range transport of sulphur dioxide, believed to be damaging lakes in the Northeast and Canada. Precipitate action by the Congress could produce major coal market shifts if Ohio's high-sulphur coal is barred outright or made uncompetitive by the mandating of scrubbers on electric generating units.

Oglebay Norton also acts as sales agent for coal mined by other producers in West Virginia and Kentucky for sale to industrial and steel customers and to purchasers for export. Agency coal sales advanced in 1983 as new electric utility customers were acquired and stockpiling of coal increased in advance of forthcoming labor negotiations.

At the Saginaw Mine, quality of product is as important as the number of tons mined per day.

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Transportation and Transfer Facilities

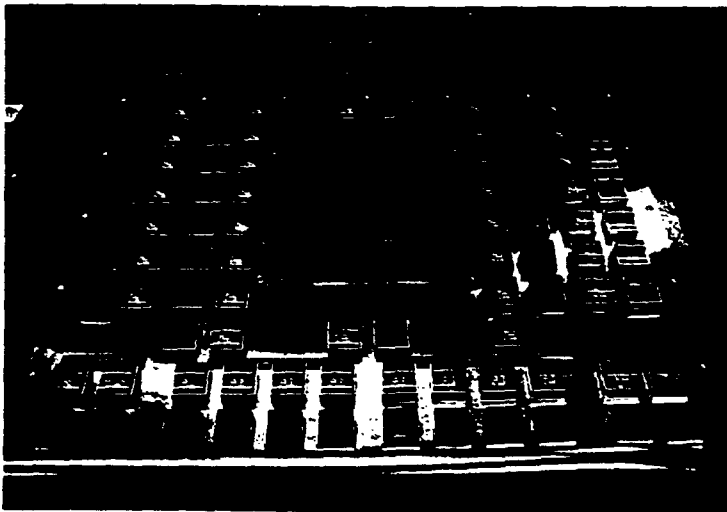
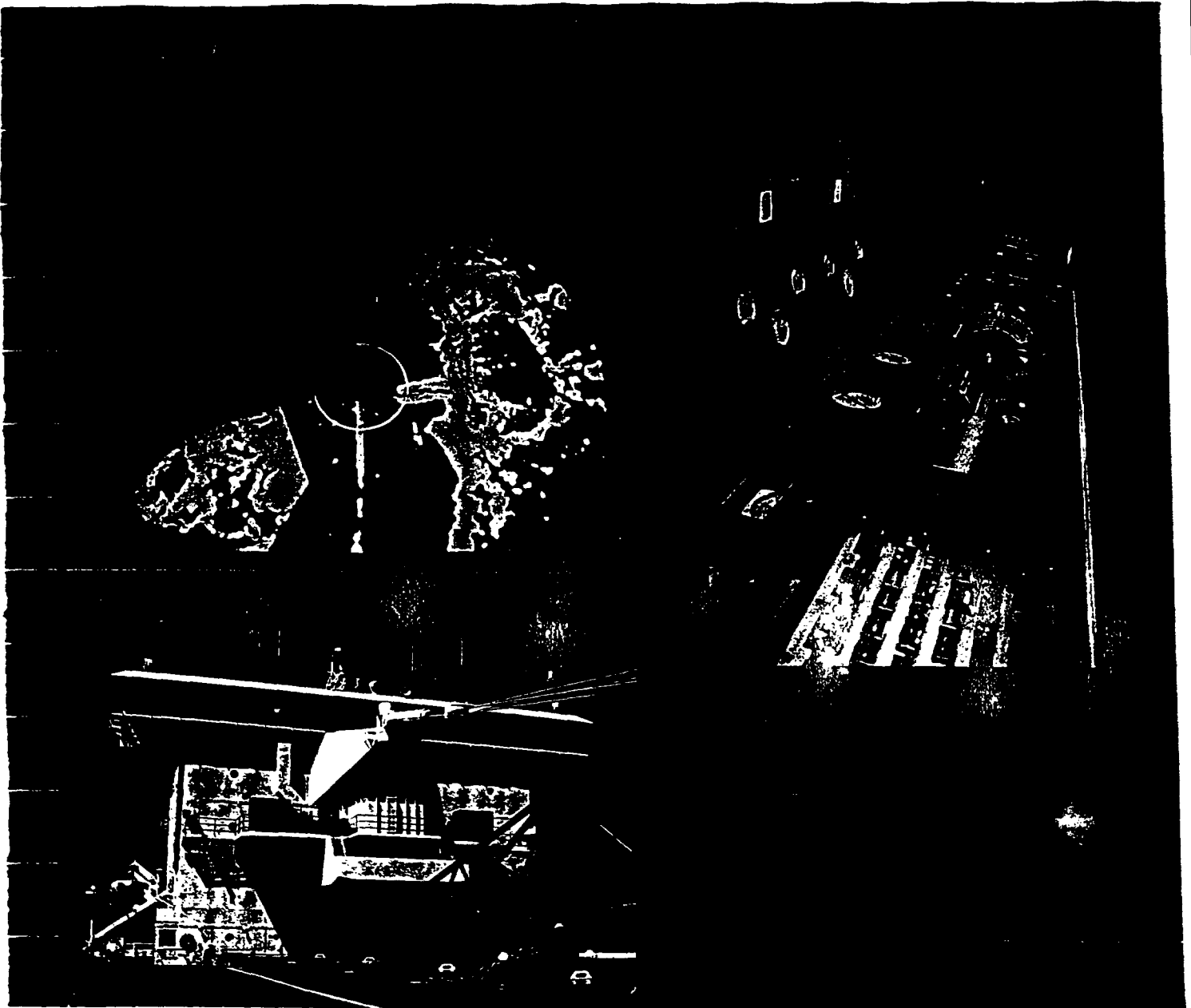
Great Lakes

The Columbia Transportation Division and Pringle Transit Company fleets began the 1983 sailing season at a low level, operating a total of six of thirteen self-unloading vessels. Steadily increasing demand for raw materials, however, required fitout and operation of a seventh vessel, the S/S Reserve, in the fourth quarter. While the increased business activity was most welcome, total tonnage carried was, with the exception of 1982, the smallest annual tonnage in twenty years.

Fleet personnel operated vessels very efficiently. Their efforts to control costs, increase productivity and work safely once again showed significant progress. Despite their progress, however, some increased operating costs could not be recovered by general rate increases.

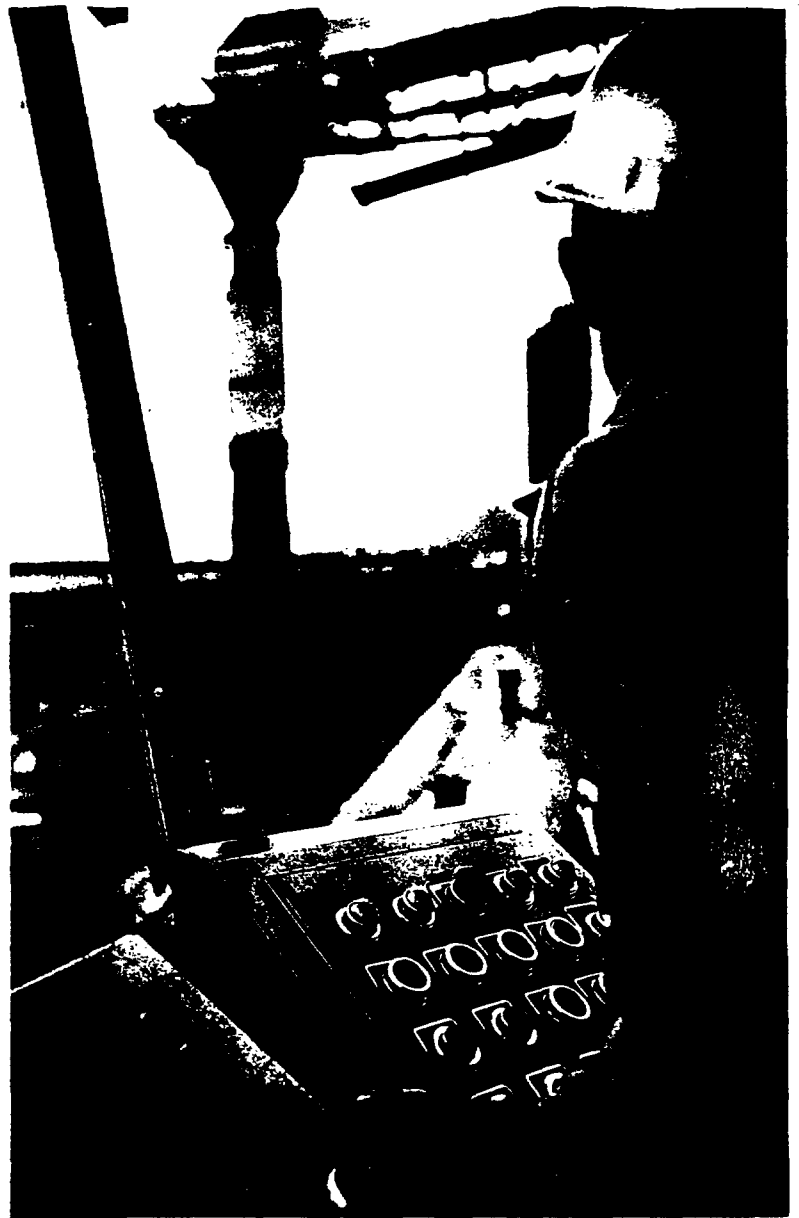
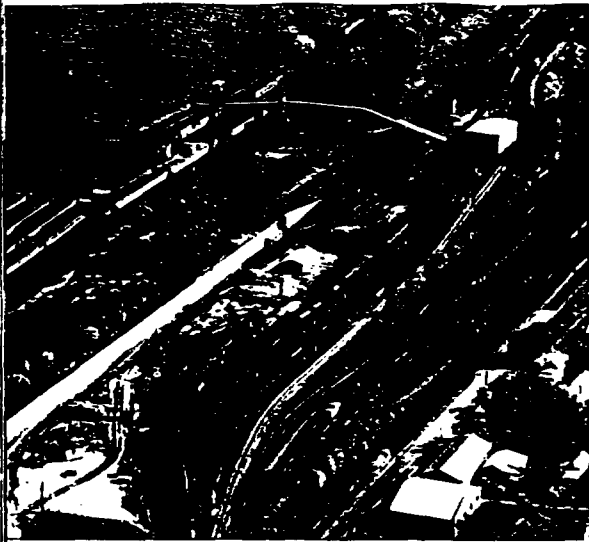
The conversion to self-unloader of the S/S Reserve, the last step in our current fleet-improvement program, was completed and the vessel's operation during the last quarter of 1983 fully met our expectation. The S/S Sylvania, idled since 1980, was sold and is being scrapped at Ashtabula, Ohio.

New labor agreements were concluded with the unions representing all fleet officers and Columbia's unlicensed fleet



State-of-the-art technology guides vessels through the Soo Locks while the main engine room console watches over the machinery complex. In port, this vessel unloads itself - 10,000 tons per hour - and the ballast board, below, helps keep the 1,000-foot M/V Columbia Star in perfect trim.

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personnel. These agreements halted the rapid wage escalation which began in 1977 and provided a positive response to our industry needs.

Coal Loading Transfer Facilities

Rail-to-barge coal loadings at Oglebay Norton Company's Ceredo Dock at Ceredo, West Virginia on the Ohio River experienced significant increases in 1983. The largest tonnage increases came from metallurgical coal customers. The dock also experienced a modest rise in volume resulting from increased stockpiling by steam coal customers.

Contract coal and spot coal volumes at Licking River Terminal Company located at Wilder, Kentucky, near Cincinnati, declined moderately, although the coal industry generally suffered through one of its worst recessions.

As one of the largest and most automated coal transfer terminals, Licking River Terminal continues to be an industry leader in automation and customer services with the recent installation of a new, fully computerized static gross weight and in-motion tare weight railroad car scale. The new system offers computerized billing, fully certified weight results accurate to .2 of one percent and, most importantly, significant economies in transportation costs for our customers to the river.



Ferro Engineering researchers serve the future of the steel industry with insulating products like Low-Smoke and Smoke-Free Covering Compounds that increase yield and meet stiff environmental regulations.

Manufacturing

Ferro Engineering

Ferro sales improved in close proportion to the increase in steel production after allowance for sales lost to an eight-week strike at Canadian Ferro Hot Metal Specialties Limited. Agreement on a new contract was reached, resulting in smaller employment cost increases than in previous negotiations.

In Cleveland, a new labor agreement was reached which will, because of its duration to the second quarter of 1987, provide the best opportunity in many years to stabilize production facilities.

The rapidly changing requirements of the steel industry call for corresponding changes and

varieties in Ferro's product composition, geometry and performance. Quality of product is playing an increasingly greater role in the industry. There are many challenges presented by the industry in improved product quality through statistical process control. Ferro is working to meet these challenges, with the further expectation of cost reduction through reduced rejects and other improvements in efficiency resulting from process-quality awareness by production employees.

T & B Foundry

T & B Foundry Company continued to attempt to increase its share of the ductile iron and large iron castings market. While some

success was achieved, the capital goods market remained at a very low level.

Although internal costs were pared and every effort made to stay competitive, demand in the steel and machine tool industries remained in a very depressed state. The foundry continued to operate at a 40-50 percent level with a large number of workers remaining on layoff. Since it was impossible to operate at a profitable rate, capital expenditures were held to bare essentials. The foundry is well equipped and operates with normal maintenance. Although imported castings are taking a larger share of domestic needs each year, we are hopeful that 1984 will show marked improvement for T & B.

Financial Information

Industry Data¹

Oglebay Norton Company and Subsidiaries

		INDUSTRY	
		Industrial Minerals	Iron Ore
1983			
	Identifiable assets	\$24,154,988	\$31,308,073
	Depreciation and amortization expense	1,918,970	2,127,075
	Expenditures for properties and equipment	1,188,114	234,979
	Net sales, operating revenues, sales commissions, royalties and management fees	21,583,207	34,051,122
	Operating profit:		
	Segment profit contribution	3,453,611	5,072,682
	Company's proportionate share in interest expense of Eveleth Mines and interest expense on vessel financing . . .		(3,318,808)
		\$ 3,453,611	\$ 1,753,874
1982			
	Identifiable assets	\$25,634,035	\$25,451,757
	Depreciation and amortization expense	1,773,318	3,024,828
	Expenditures for properties and equipment	3,494,284	504,325
	Net sales, operating revenues, sales commissions, royalties and management fees	23,753,886	47,518,462
	Operating profit:		
	Segment profit contribution	4,271,591	6,880,730
	Company's proportionate share in interest expense of Eveleth Mines and interest expense on vessel financing . . .		(3,577,323)
		\$ 4,271,591	\$ 3,303,407
1981			
	Identifiable assets	\$24,975,897	\$25,786,610
	Depreciation and amortization expense	2,016,147	3,844,743
	Expenditures for properties and equipment	7,187,397	741,666
	Net sales, operating revenues, sales commissions, royalties and management fees	26,812,021	50,995,482
	Operating Profit:		
	Segment profit contribution	6,663,486	8,662,768
	Company's proportionate share in interest expense of Eveleth Mines and interest expense on vessel financing . . .		(3,841,299)
		\$ 6,663,486	\$ 4,821,469

¹Should be read as an integral part of the consolidated financial statements and notes thereto.

²Corporate expenses net of dividends, interest and miscellaneous income.



SEGMENTS

Coal	Transportation and Transfer Facilities	Manufacturing	Total Segments	Corporate	Consolidated
\$ 7,862,982	\$166,514,236	\$13,065,456	\$242,905,735	\$38,590,162	\$281,495,897
626,189	6,936,974	681,500	12,290,708		12,290,708
157,742	5,529,900	2,043,133	9,153,868		9,153,868
31,842,264	60,943,160	14,975,645	163,395,398		163,395,398
5,711,736	17,657,323	(876,941)	31,018,411	(8,026,932) ²	22,991,479
	(5,298,223)		(8,617,031)		(8,617,031)
\$ 5,711,736	\$ 12,359,100	\$ (876,941)	\$ 22,401,380	\$ (8,026,932)	\$ 14,374,448
\$ 9,805,336	\$164,069,223	\$11,751,977	\$236,712,328	\$43,958,308	\$280,670,636
705,940	5,955,542	661,140	12,120,768		12,120,768
552,002	15,682,901	549,347	20,782,859		20,782,859
35,107,832	50,958,402	14,251,398	171,589,980		171,589,980
7,298,737	8,261,590	(2,197,316)	24,515,332	(6,659,755) ²	17,855,577
	(6,104,925)		(9,682,248)		(9,682,248)
\$ 7,298,737	\$ 2,156,665	\$ (2,197,316)	\$ 14,833,084	\$ (6,659,755)	\$ 8,173,329
\$10,647,697	\$156,775,186	\$14,032,607	\$232,217,997	\$51,582,637	\$283,800,634
666,633	5,322,418	648,921	12,498,862		12,498,862
144,657	33,265,381	401,697	41,740,798		41,740,798
33,654,044	75,016,505	24,501,617	210,979,669		210,979,669
6,824,482	20,207,421	1,861,557	44,219,714	(7,177,972) ²	37,041,742
	(3,670,073)		(7,511,372)		(7,511,372)
\$ 6,824,482	\$ 16,537,348	\$ 1,861,557	\$ 36,708,342	\$ (7,177,972)	\$ 29,530,370

Financial Information

Consolidated Summary of Operations and Other Financial Data

Oglebay Norton Company and Subsidiaries

OPERATIONS	Year Ended December 31				
	1983	1982	1981	1980	1979
Net sales and operating revenues . . .	\$155,652,627	\$164,124,530	\$202,293,099	\$172,526,381	\$186,847,935
Sales commissions, royalties and management fees	7,742,771	7,465,450	8,686,570	7,686,061	6,841,599
Gross operating income	163,395,398	171,589,980	210,979,669	180,212,442	193,689,534
Cost of goods sold and operating expenses	130,043,731	144,846,087	164,403,118	146,801,891	157,089,497
Income before taxes	14,374,448	8,173,329	29,530,370	21,567,218	25,279,826
Income taxes					
Current	651,000	1,150,000	(1,250,000)	661,000	1,598,000
Deferred	3,055,000	(2,750,000)	6,861,000	3,623,000	6,570,000
	3,706,000	(1,600,000)	5,611,000	4,284,000	8,168,000
Net income	10,668,448	9,773,329	23,919,370	17,283,218	17,111,826
Depreciation and amortization	12,290,708	12,120,768	12,498,862	11,074,024	10,592,886
Expenditures for properties and equipment	8,930,716	20,278,534	40,999,132	37,617,288	29,019,376
PER SHARE DATA					
Net income	\$ 3.07	\$ 2.78	\$ 6.77	\$ 4.92	\$ 4.83
Dividends	2.16	2.16	1.92	1.63	1.50
Equity	42.23	40.85	40.24	35.41	32.17
OTHER STATISTICS					
Total assets	\$281,495,897	\$280,670,636	\$283,800,634	\$230,048,877	\$200,435,040
Long-term debt	40,100,000	45,600,000	47,600,000	29,600,000	11,300,000
Common stockholders' equity	143,287,762	143,347,474	141,118,958	123,554,484	111,502,393
Total dividends declared	7,485,291	7,577,874	6,722,793	5,682,660	5,194,032
Average shares of Common Stock outstanding	3,473,505	3,517,918	3,532,757	3,515,742	3,544,908
Shares of Common Stock outstanding at year-end	3,393,075	3,509,025	3,507,025	3,489,650	3,465,612



Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Condition

The Company's current financial position remains strong with net current assets amounting to \$30,100,000 in 1983 as compared to \$33,400,000 in 1982 and \$43,700,000 in 1981. The Company was able to maintain its strong financial position in spite of the very slow recovery in the markets which we serve and particularly the North American steel industry. Also, net current assets were affected by expenditures for properties and equipment of \$70,200,000 for the three-year period ended December 31, 1983 primarily related to the construction of the M/V Columbia Star and the planned upgrading of the vessel fleet. The Company has now completed its planned upgrading of operating assets and stands ready to serve its customers in all segments with efficient facilities.

The Company has in place with several banks credit arrangements of \$60,000,000, none of which was used during 1983 except to support the commercial paper issued during the year for the bridge financing of the M/V Columbia Star. In September, the Company issued \$17,100,000 of Title XI serial bonds guaranteed by the U.S. Government under the Federal Ship Financing Program, the proceeds of which were used to retire the commercial paper.

Current financial resources and funds from operations are expected to be adequate to meet the Company's needs during 1984.

Results of Operations

Net sales, operating revenues, sales commissions, royalties and management fees declined 5% from 1982 levels. The principal reason for the decline was reduced taconite pellet sales of approximately \$13,500,000. The demand for taconite pellets continued at low levels in 1983 and the Company's taconite operations suspended production for approximately two months during the year. The decline in taconite pellet sales was partially offset by an increase in operating revenues of \$8,400,000 generated by the Company's vessel fleet. The vessel fleet

continued to operate well below capacity in 1983 but did experience an increase in customer demand as total tons carried increased approximately 29% over the 1982 level but remained 16% below the 1981 level.

In 1983, cost reduction efforts, utilization of our most efficient equipment and our companywide effort to increase productivity combined to improve income before taxes by 76%, or \$6,200,000 over the 1982 levels. However, income before taxes remains 51% below the 1981 results.

Income taxes as a percentage of income before taxes were 26% in 1983 as compared to a credit of 20% in 1982 and a rate of 19% in 1981. The years 1982 and 1981 recognized more investment tax credits due to greater expenditures for capital additions.

Impact of Inflation

Refer to pages 28 through 32 for financial information on the effects of inflation using measurements developed by the Financial Accounting Standards Board. Explanatory comments are included in these disclosures on the effects of changing prices on the Company's operations.

Financial Statements

Consolidated Balance Sheet Oglebay Norton Company and Subsidiaries

	December 31	
	1983	1982
ASSETS		
CURRENT ASSETS		
Cash	\$ 728,536	\$ 1,414,693
Short-term money market investments	26,298,580	29,530,228
Accounts receivable	32,626,119	26,013,018
Inventories:		
Finished products and materials	3,703,875	5,918,432
Operating supplies and materials	2,638,847	2,798,502
	6,342,722	8,716,934
Prepaid insurance and other expenses	1,589,967	1,915,717
TOTAL CURRENT ASSETS	67,585,924	67,590,590
INVESTMENTS	25,313,379	23,215,879
PROPERTIES AND EQUIPMENT		
Transportation	209,725,514	205,439,181
Mining	44,298,345	42,964,953
Manufacturing	17,717,728	15,726,840
	271,741,587	264,130,974
Less allowances for depreciation and amortization	87,093,777	78,087,718
	184,647,810	186,043,256
DEFERRED CHARGES	3,948,784	3,820,911
	\$281,495,897	\$280,670,636



December 31
1983 1982

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Current portion of long-term debt	\$ 3,000,000	\$ —0—
Accounts payable	8,892,918	6,880,873
Payrolls and other accrued compensation	7,079,038	8,233,531
Accrued pension contribution	4,637,446	6,238,171
Accrued taxes and other expenses	9,512,856	8,016,950
Accrued workers' compensation insurance	2,257,348	2,516,690
Income taxes	2,142,052	2,305,470
TOTAL CURRENT LIABILITIES	37,521,658	34,191,685

LONG-TERM DEBT, less current portion	40,100,000	45,600,000
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DEFERRED INCOME TAXES	60,586,477	57,531,477
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STOCKHOLDERS' EQUITY

Preferred Stock, without par value — authorized 400,000 shares; none issued	—0—	—0—
Common Stock, par value \$1.00 per share — authorized 6,000,000 shares; issued 3,626,666 shares	3,626,666	3,626,666
Additional capital	7,129,933	7,103,099
Retained earnings	137,207,447	134,024,290
	147,964,046	144,754,055

Less shares of Common Stock in treasury, at cost, 1983 — 233,591; 1982 — 117,641	4,676,284	1,406,581
	143,287,762	143,347,474

	\$281,495,897	\$280,670,636
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See notes to consolidated financial statements.

Financial Statements

Consolidated Statement of Income Oglebay Norton Company and Subsidiaries

	Year Ended December 31			
	1983	1982	1981	
INCOME				
Net sales and operating revenues	\$155,652,627	\$164,124,530	\$202,293,099	
Sales commissions, royalties, and management fees ...	7,742,771	7,465,450	8,686,570	
Interest and other income	1,734,462	3,187,250	2,605,979	
	165,129,860	174,777,230	213,585,648	
COSTS AND EXPENSES				
Cost of goods sold and operating expenses	130,043,731	144,846,087	164,403,118	
General, administrative and selling expenses	15,233,481	15,476,253	15,629,943	
Interest expense	5,478,200	6,281,561	4,022,217	
	150,755,412	166,603,901	184,055,278	
	INCOME BEFORE TAXES	14,374,448	8,173,329	29,530,370
INCOME TAXES				
Current	651,000	1,150,000	(1,250,000)	
Deferred	3,055,000	(2,750,000)	6,861,000	
	3,706,000	(1,600,000)	5,611,000	
	NET INCOME	\$ 10,668,448	\$ 9,773,329	\$ 23,919,370
<hr/>				
NET INCOME PER SHARE	\$3.07	\$2.78	\$6.77	

See notes to consolidated financial statements.



**Consolidated Statement of Changes
In Financial Position**

Oglebay Norton Company and Subsidiaries

	Year Ended December 31		
	1983	1982	1981
SOURCE OF FUNDS			
From operations			
Net income	\$10,668,448	\$ 9,773,329	\$23,919,370
Items not affecting working capital:			
Depreciation and amortization	12,290,708	12,120,768	12,498,862
Deferred income taxes	3,055,000	(2,750,000)	6,861,000
TOTAL FROM OPERATIONS	26,014,156	19,144,097	43,279,232
Increase in long-term debt	—0—	—0—	18,000,000
Proceeds from sale of tax benefits, net of investment tax credits of \$4,900,000	—0—	—0—	10,094,000
Decrease in Capital Construction Fund	—0—	2,974,905	1,717,258
Other	116,552	—0—	963,912
	26,130,708	22,119,002	74,054,402
USE OF FUNDS			
Expenditures for properties and equipment	8,930,716	20,278,534	40,999,132
Dividends declared	7,485,291	7,577,874	6,722,793
Increase in investments	4,210,640	2,367,110	3,924,871
Purchase of Common Stock for treasury	3,338,700	—0—	—0—
Current installments and payment of long-term debt	4,500,000	—0—	—0—
Payments on bridge financing of M/V Columbia Star	1,000,000	2,000,000	—0—
Other	—0—	201,770	—0—
	29,465,347	32,425,288	51,646,796
INCREASE (DECREASE) IN WORKING CAPITAL	\$ (3,334,639)	\$(10,306,286)	\$22,407,606
CHANGES IN COMPONENTS OF WORKING CAPITAL			
Increases (decreases) in current assets			
Cash and short-term investments	\$ (3,917,805)	\$ (7,326,087)	\$20,601,274
Accounts receivable	6,613,101	(1,402,234)	3,847,762
Inventories	(2,374,212)	(1,314,559)	2,266,458
Prepaid insurance and other expenses	(325,750)	(293,695)	550,910
	(4,666)	(10,336,575)	27,266,404
Increases (decreases) in current liabilities			
Current portion of long-term debt	3,000,000	—0—	—0—
Accounts payable	2,012,045	1,575,792	(869,902)
Payrolls and other accrued compensation	(1,154,493)	(1,546,726)	827,551
Accrued pension contribution	(1,600,725)	550,037	672,632
Accrued taxes and other expenses	1,495,906	644,505	1,690,422
Accrued workers' compensation insurance	(259,342)	(482,544)	322,359
Income taxes	(163,418)	(771,353)	2,215,736
	3,329,973	(30,289)	4,858,798
INCREASE (DECREASE) IN WORKING CAPITAL	\$ (3,334,639)	\$(10,306,286)	\$22,407,606

See notes to consolidated financial statements.

Financial Statements

Consolidated Statement of Stockholders' Equity

Oglebay Norton Company and Subsidiaries

	Common Stock	Additional Capital	Retained Earnings	Common Stock In Treasury	Total Stockholders' Equity
Balance December 31, 1980	\$3,626,666	\$6,851,026	\$114,632,258	\$(1,555,466)	\$123,554,484
Net income			23,919,370		23,919,370
Cash dividends declared \$1.92 per share			(6,722,793)		(6,722,793)
Stock options exercised		242,925		124,972	367,897
Balance December 31, 1981	3,626,666	7,093,951	131,828,835	(1,430,494)	141,118,958
Net income			9,773,329		9,773,329
Cash dividends declared \$2.16 per share			(7,577,874)		(7,577,874)
Stock options exercised		9,148		23,913	33,061
Balance December 31, 1982	3,626,666	7,103,099	134,024,290	(1,406,581)	143,347,474
Net income			10,668,448		10,668,448
Cash dividends declared \$2.16 per share			(7,485,291)		(7,485,291)
Stock options exercised		26,834		68,997	95,831
Treasury stock purchased				(3,338,700)	(3,338,700)
Balance December 31, 1983	\$3,626,666	\$7,129,933	\$137,207,447	\$(4,676,284)	\$143,287,762

See notes to consolidated financial statements.



Notes to Consolidated Financial Statements

Oglebay Norton Company and Subsidiaries
December 31, 1983, 1982 and 1981

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.

Inventories: Inventories are stated at the lower of average cost or market.

Properties and Equipment: Properties and equipment are carried on the basis of cost. Interest capitalized during 1981 amounted to approximately \$2,014,000. No interest was capitalized during 1983 or 1982.

Depreciation and Amortization: The Company provides depreciation on the straight-line method over the estimated useful lives of the assets. The amortization of capital advances to Eveleth Mines equivalent to the Company's share of depreciation of the underlying plant is computed on the units-of-production method.

Exploration and Development Costs: Exploration and quarry development costs are charged to expense as incurred.

Income Taxes: Deferred income taxes arise from depreciation, deposits to the Capital Construction Fund and certain other costs.

Investment tax credits are used to reduce income taxes in the year in which they arise.

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

NOTE B — EQUITY IN NET ASSETS OF EVELETH MINES

Investments, receivables and current liabilities include \$17,487,387 and \$16,170,123 at December 31, 1983 and 1982, respectively, representing a 15 percent interest in Eveleth Taconite Company (ETC) and a 20.5 percent interest in Eveleth Expansion Company (EEC). The following is a summary of the components of the Company's equity in the net assets of these companies at December 31:

	1983	1982
Current assets	\$ 5,527,661	\$ 6,067,755
Properties — net	51,817,619	53,607,113
Other assets	1,401,756	1,513,705
TOTAL ASSETS	<u>58,747,036</u>	<u>61,188,573</u>
Current liabilities	6,603,508	7,877,750
Current portion of long-term debt	2,812,600	2,812,600
Long-term debt		
Series A First Mortgage Bonds		
9½ %	24,805,000	27,060,000
10 %	6,133,600	6,691,200
	<u>30,938,600</u>	<u>33,751,200</u>
Other liabilities	904,941	576,900
TOTAL LIABILITIES	<u>41,259,649</u>	<u>45,018,450</u>
EQUITY IN NET ASSETS	<u>\$17,487,387</u>	<u>\$16,170,123</u>

The Bonds mature serially to 1995 with payments of \$1,406,300 required each February 1 and August 1. Purchases by the Company under a take-or-pay contract associated with the long-term obligations amounted to \$22,568,000, \$28,211,000 and \$35,333,000 for the years ended December 31, 1983, 1982 and 1981, respectively.

The Company and its partners in Eveleth Mines are required to reimburse ETC and EEC for all costs incurred in production, including EEC's debt service in proportion to their ownership. The Company's share of production of ETC and EEC is sold at prevailing market rates under long-term contracts which exceed the term of the debt.

NOTE C — CAPITAL CONSTRUCTION FUND

The Fund was created under provisions of the Merchant Marine Act, 1936, as amended. Deposits to the Fund are derived from income from vessel operations, Fund earnings and from other sources. Fund assets are invested in short-term money market investments.

Notes (Continued)

Amounts in the Fund may be withdrawn for investment in qualified vessels without incurring income tax liability; however, the depreciable tax basis of the vessels is reduced by the amount of such investment. Activity with respect to the Fund follows:

	1983	1982	1981
Balance January 1	\$ —0—	\$ 2,974,905	\$ 4,692,163
Deposits	1,509,212	6,542,095	12,160,587
Withdrawals	(1,509,212)	(9,517,000)	(13,877,845)
Balance December 31	<u>\$ —0—</u>	<u>\$ —0—</u>	<u>\$ 2,974,905</u>

NOTE D — STOCKHOLDERS' EQUITY

The 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.

NOTE E — STOCK OPTIONS

Under an employees' stock option plan, terminated in 1982, options were granted at a price not less than the fair market value on the date of grant. Options become exercisable in installments of one-fourth of the shares subject to option during the second through fifth years after date of grant. Common Stock in treasury or authorized but unissued shares may be used in the plan. Activity with respect to stock options follows:

	1983	1982	1981
Outstanding January 1	45,150	99,650	121,162
Granted	—0—	—0—	8,200
Exercised	(5,075)	(2,000)	(21,424)
Expired	(450)	—0—	(8,288)
Canceled or surrendered	(19,375)	(52,500)	—0—
Outstanding December 31	<u>20,250</u>	<u>45,150</u>	<u>99,650</u>

Option prices range from \$10.16 to \$28.75 per share. At December 31, 1983, options for 16,150 shares were exercisable. Termination of the plan did not affect options granted prior thereto.

The Company has stock equivalent plans for certain key employees who are holders of stock options. The plans allow the employee, upon surrender of the related stock option, to receive an allotment of a number of stock equivalent units equal to the excess of the market price of the Company's Common Stock over the option price. Charges to income for these plans amounted to \$506,000 and \$795,000 for 1983 and 1982, respectively.

NOTE F — INCOME TAXES

Total income taxes are less than the tax computed using the U.S. Federal income tax statutory rate for the following reasons:

	(Thousands)		
	1983	1982	1981
Income taxes at statutory rate—46%	\$6,612	\$ 3,760	\$13,584
Tax differences due to:			
Benefits of percentage depletion	(752)	(1,367)	(1,233)
Investment tax credits	(1,303)	(2,390)	(6,998)
Benefits of income taxed at capital gains rates	(747)	(1,699)	(851)
Minimum tax	242	345	—0—
Other	(346)	(249)	1,109
Total income taxes	<u>\$3,706</u>	<u>\$(1,600)</u>	<u>\$ 5,611</u>

At December 31, 1983, the Company has investment tax credit carryforwards amounting to \$9,984,000 which have been fully utilized for financial accounting purposes. The investment tax credit carryforwards will be available to reduce tax liabilities in future years and are due to expire in varying amounts from 1992 through 1998.

The U.S. Court of Claims entered judgments in 1980 and in 1982 allowing the Company's claims to investment tax credits with respect to 1972 and 1974 capital expenditures on vessels financed with qualified withdrawals from its Capital Construction Fund (See Note C). The Internal Revenue Service has not revoked its published Revenue Ruling regarding such tax credits and further litigation may become necessary concerning approximately \$3,600,000 of similar credits earned through 1983. The Company believes that the prior favorable decisions will continue to control the allowance of these credits.

Deferred income taxes consist of the following:

	(Thousands)		
	1983	1982	1981
Difference between the Capital Construction Fund deposits and related charges	\$(1,467)	\$ 1,700	\$4,132
Deductions in excess of related depreciation expense	2,784	1,816	1,167
Net investment tax credits	449	(4,814)	1,696
Other	1,289	(1,452)	(134)
Total deferred income taxes	<u>\$ 3,055</u>	<u>\$(2,750)</u>	<u>\$6,861</u>



In November 1981, the Company sold for \$14,994,000 certain tax benefits related to the vessel, M/V Columbia Star, under the provisions of the Economic Recovery Tax Act of 1981. The benefits sold included \$4,900,000 of investment tax credits which the Company recognized as a reduction of income taxes for 1981. The remaining proceeds increased deferred income taxes by \$6,897,000 and reduced net properties and equipment by \$3,197,000. The deferred income taxes are being amortized to tax expense in years when the financial statement depreciation expense differs from the related amount allowable for tax purposes. The reduction in net properties and equipment is being amortized to income over five years.

NOTE G — PENSIONS

The Company and its subsidiaries have several Company-administered noncontributory pension plans covering certain employees. The total pension expense for these plans for 1983, 1982 and 1981 was \$2,680,000, \$3,849,000 and \$3,682,000, respectively. This expense includes, as to certain of the plans, amortization of prior service costs over periods not exceeding 40 years. The Company's policy is to fund pension costs accrued. Pension expense declined in 1983 because the Company experienced a decrease in the number of covered employees as well as the average compensation per employee and changed certain actuarial assumptions used in calculating pension expense. These changes were to increase the assumed rate of return on investments and to increase the composite average of salary increases.

A comparison of accumulated plan benefits and plan net assets for the Company-administered defined benefit plans as of January 1 is presented below:

	(Thousands)		
	1983	1982	1981
Actuarial present value of accumulated plan benefits:			
Vested	\$34,040	\$36,862	\$33,536
Nonvested	5,013	5,731	5,424
	<u>\$39,053</u>	<u>\$42,593</u>	<u>\$38,960</u>
Assumed rate of return	7%	6%	6%
Net assets available for plan benefits	<u>\$42,861</u>	<u>\$33,594</u>	<u>\$30,356</u>

The increase in the rate of return on investments to 7% in 1983 decreased the actuarial present value of accumulated plan benefits approximately \$4,292,000.

The Company also pays into certain 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 \$2,473,000, \$2,888,000 and \$2,797,000 for 1983, 1982 and 1981, respectively. Benefit and asset information comparable to that shown above for the Company-administered plans is not determinable. Under the Employee Retirement Income Security Act (ERISA), a contributor to a multi-employer pension plan may be liable in the event of complete or partial withdrawal for the pension benefits guaranteed by ERISA. The Company does not anticipate withdrawing from any of the plans.

NOTE H — RENTALS AND COMMITMENTS

Future minimum payments, by year and in the aggregate, under noncancellable operating leases consisted of the following at December 31, 1983:

	Vessel Charters	Total Including Vessel Charters
1984	\$ 2,921,116	\$ 3,911,910
1985	3,110,694	4,000,417
1986	3,110,694	3,931,696
1987	3,110,694	3,874,155
1988	3,166,095	3,824,341
Thereafter	<u>33,879,258</u>	<u>36,523,050</u>
Total minimum lease payments	<u>\$49,298,551</u>	<u>\$56,065,569</u>

Rental expense was \$4,919,952, \$4,967,502 and \$5,099,563 in 1983, 1982 and 1981, 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.

In connection with vessel charters, the Company has assumed rights and obligations under agreements with substantial companies to transport bulk commodities which provide revenues based on defined rates for periods which coincide with those of the vessel charters and assure payment of charter rentals.

Notes (Continued)

NOTE I — CREDIT ARRANGEMENTS

The Company has credit agreements with several banks amounting to \$60,000,000. Certain of the agreements provide that up to \$30,000,000 may be converted to term notes due in twenty-four equal quarterly installments beginning August 31, 1985, or sooner, at the option of the Company. Interest is chargeable at various rates approximating prime. There were no borrowings under these agreements during 1983.

The Company has obtained the highest commercial paper rating and may issue up to \$30,000,000 of commercial paper. The credit agreements are used to support the commercial paper.

NOTE J — LONG-TERM DEBT

Long-term debt relates to the financing of the M/V Columbia Star and is as follows at December 31:

	1983	1982
Title XI Ship Financing Sinking Fund Bonds at 13%, secured by a first preferred ship mortgage	\$27,500,000	\$27,500,000
Title XI Ship Financing Serial Bonds at 11.250% to 12.125% secured by a first preferred ship mortgage, less current portion	12,600,000	—0—
Bridge Financing: Commercial paper	—0—	9,100,000
	<u>\$40,100,000</u>	<u>\$45,600,000</u>

The Sinking Fund Bonds mature in 2001 and require semi-annual sinking fund redemptions of \$1,250,000 commencing on December 15, 1990. The Serial Bonds were issued on September 29, 1983 and the proceeds were used to refinance the commercial paper. The Serial Bonds mature \$3,000,000 in 1985, \$2,600,000 in 1986, \$2,000,000 in 1987 through 1989 and \$1,000,000 in 1990.

In connection with the Title XI Bonds and a vessel charter agreement, the Company may be required, under certain conditions, to make deposits to a Title XI reserve fund, or 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 1983 and the Company does not anticipate any such consent will be required in the future.

NOTE K — INDUSTRY SEGMENTS AND MAJOR CUSTOMERS

The Company's major industry segments are Industrial Minerals, Iron Ore, Coal, Transportation and Transfer Facilities and Manufacturing. An explanation of the Company's business can be found under "About the Company" on the inside front cover and under "Industry Data" on pages 14 and 15.

Sales to three major steel producers in 1983, two in 1982 and 1981, and a major public utility exceeded 10% of consolidated sales and revenues and are summarized as follows:

	1983	Customer A	Customer B	Customer C	Customer D
Iron Ore	\$ 8,167,490		\$13,176,798		
Coal					\$28,014,557
Transportation	19,947,905	3,785,643		\$17,209,917	
Manufacturing	515,278	1,836,194		324,385	
Total	<u>\$28,630,673</u>	<u>\$18,798,635</u>	<u>\$17,534,302</u>		<u>\$28,014,557</u>
	1982	Customer A	Customer B		Customer D
Iron Ore	\$11,878,138		\$19,396,760		
Coal					\$31,629,692
Transportation	17,486,718	2,761,043			
Manufacturing	451,512	1,218,427			
Total	<u>\$29,816,368</u>	<u>\$23,376,230</u>			<u>\$31,629,692</u>
	1981	Customer A	Customer B		Customer D
Industrial Minerals	\$ 3,784	\$ 177,324			
Iron Ore	11,378,497	22,177,293			
Coal					\$29,844,257
Transportation	32,428,575	5,225,735			
Manufacturing	1,094,440	1,963,601			
Total	<u>\$44,905,296</u>	<u>\$29,543,953</u>			<u>\$29,844,257</u>



NOTE L — QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a tabulation of the unaudited quarterly results of operations for the years ended December 31, 1983 and 1982.

<u>Three Months Ended</u>	<u>Net Sales and Operating Revenues</u>	<u>Gross Profit</u>	<u>Net Income (Loss)</u>	<u>Net Income (Loss) Per Share</u>
1983				
December 31	\$51,824,964	\$10,909,026	\$ 5,721,236	\$1.67
September 30	45,375,950	8,187,149	3,951,141	1.15
June 30	40,539,957	5,066,223	2,036,784	.58
March 31	17,911,756	1,446,498	(1,040,713)	(.30)
1982				
December 31	\$42,433,365	\$ 4,583,850	\$ 1,688,992	\$.48
September 30	57,713,757	8,119,599	6,565,698	1.87
June 30	41,323,207	3,093,363	541,150	.15
March 31	22,654,201	3,481,631	977,489	.28

**Report of Ernst & Whinney
Independent Auditors**

**Board of Directors
Oglebay Norton Company
Cleveland, Ohio**

We have examined the consolidated balance sheet of Oglebay Norton Company and subsidiaries as of December 31, 1983 and 1982, and the related consolidated statements of income, stockholders' equity and changes in financial position for each of the three years in the period ended December 31, 1983. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Oglebay Norton Company and subsidiaries at December 31, 1983 and 1982, and the consolidated results of their operations and changes in their financial position for each of the three years in the period ended December 31, 1983, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & Whinney

Cleveland, Ohio
February 15, 1984

Responsibility for Financial Statements

Management is responsible for the financial and operating information contained in the Annual Report, including the financial statements covered by the independent auditors' report. These statements were prepared in conformity with generally accepted accounting principles and include amounts based on estimates and judgments of management.

The Company seeks to assure the integrity and objectivity of the data in 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.

The system of controls and compliance therewith is reviewed by a program of internal audits. Independent auditors, Ernst & Whinney, are engaged to render an independent opinion on our financial statements. This opinion, which appears herein, is based on an examination of our financial statements in accordance with generally accepted auditing standards which includes a review of internal controls to the extent they deem necessary.

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

Supplemental Data

Supplemental Information on Changing Prices Oglebay Norton Company and Subsidiaries

General

As required by Financial Accounting Standards Board Statement No. 33, "Financial Reporting and Changing Prices," the Company is providing supplemental information concerning the effects of changing prices on its financial statements. To help investors, creditors and other readers of financial statements better understand the effects of inflation on the Company, two aspects of inflation are calculated and presented. The first method provides data adjusted for "general inflation" using the Consumer Price Index for All Urban Consumers as the measure of the general inflation rate. This method restates historical cost financial data in terms of units of constant purchasing power (constant dollar method). The second method adjusts for "changes in specific prices" of individual resources of the Company (current cost method). The information is calculated on an experimental basis. It should be viewed with caution, as must any other analytical and experimental data, and be considered as an estimate of the effects of inflation, rather than as a precise measure.

Management of the Company believes it is important for financial statement users to develop an understanding of the more significant impacts of inflation. Management is fully aware of the effects of inflation on the business of the Company. The supplemental data presented is not intended to indicate the need for any management actions different than those already taken.

Review of Information Presented

Statement of Net Income Adjusted for Changing Prices for the Year Ended December 31, 1983

In calculating net income adjusted for general inflation and changes in specific prices, the amounts reported in the primary financial statements have been adjusted for



cost of sales and depreciation expense on both a constant dollar and current cost basis. In management's opinion, the differences between current cost of inventories and amounts included in the primary financial statements are immaterial. Revenues and all other operating expenses are considered to reflect the average price levels for the year and, accordingly, have not been adjusted.

The provision for income taxes included in adjusted net income is the same as reported in the primary financial statements. The disclosure rules do not allow for adjustments to the historical cost provision for income taxes.

Purchasing Power Gain From Holding Net Monetary Liabilities During The Year 1983

Monetary amounts are claims or obligations to receive or pay fixed or determinable amounts of cash. The net gain in purchasing power on net monetary liabilities held by the Company in 1983 was based on calculations using the Company's average net monetary liabilities for the year multiplied by the change in the CPI for the year. Such an amount does not represent funds available for distribution to shareholders. We will be paying the net monetary liabilities with inflated dollars in the future, which are cheaper in terms of purchasing power.

Increases in Current Cost of Inventories and Properties and Equipment During the Year 1983

Under current cost accounting, increases in specific prices (current cost) of inventories and properties held during the year are not included in net income but are presented separately. The current cost increase is reduced by the effect of general inflation measured by applying the annual rate of change in the CPI to the average current cost balances of inventories and properties. The difference between the two amounts is attributable to properties and equipment, since the current cost of inventories is the same as that disclosed in the primary financial statements.

Current Cost Measurements

Invoice prices and insurance appraisals adjusted by applying Producer Price Indexes to those valuations were used to determine the current cost of certain major items of machinery and equipment. The current costs of most other properties were determined by applying Producer Price Indexes to the historical costs of appropriate classes of assets. The current cost of properties relates to the assets presently owned by the Company, rather than to technologically superior assets which may be available.

Current cost depreciation is based on the average current cost of properties during the year. The depreciation methods, salvage values and useful lives are the same as those used in preparing the primary financial statements.

The current cost information represents reasonable approximations of the price changes which have occurred in the business environment in which the Company operates. It does not purport to represent the amount at which the assets could be sold.

Mineral Reserve Information

As required by FASB Statement No. 39, "Financial Reporting and Changing Prices: Specialized Assets - Mining and Oil and Gas," the Company is providing quantity and price information relating to mineral reserves for the years ended December 31, 1983, 1982, 1981 and 1980.

The amount of proven and probable reserves disclosed includes leased reserves as well as those reserves owned in fee. The iron ore reserves disclosed represent the Company's proportionate interest in the reserves and not the total reserves in place. There were no mineral reserves sold in place during the years reported.

Supplemental Data

**Statement of Net Income
Adjusted for Changing Prices
For the Year Ended December 31, 1983** (000's omitted)
Oglebay Norton Company and Subsidiaries

Net income as reported		\$10,668
Adjustments to restate costs for the effect of general inflation (constant dollar)		
Cost of goods sold	\$ (260)	
Depreciation expense	(5,925)	(6,185)
Net income adjusted for general inflation		4,483
Adjustments to reflect the difference between general inflation and changes in specific prices (current costs)		
Depreciation expense		(2,794)
Net income adjusted for changes in specific prices		\$ 1,689

OTHER INFORMATION

Purchasing power gain from holding net monetary liabilities during the year		\$ 2,935
Increase in specific prices (current costs) of inventories and properties and equipment held during the year*		\$ 7,892
Less effect of increase in general price level		9,579
Excess of increase in the general price level over increase in specific prices		\$ 1,687

* At December 31, 1983, the historical cost of inventories was \$6,342,722, which approximates current cost. Current cost of properties and equipment, net of accumulated depreciation, was \$287,203,000 (Historical amount — \$184,647,810) at December 31, 1983.



**Five-Year Comparison of
Selected Supplemental Financial Data
Adjusted for Effects of Changing Prices**

In Average 1983 Dollars (except as to reported amounts) (000's omitted, except per share data)
Oglebay Norton Company and Subsidiaries

	Year Ended December 31				
	1983	1982	1981	1980	1979
Net sales and operating revenues:					
As reported	\$155,653	\$164,125	\$202,293	\$172,526	\$186,848
Adjusted for general inflation ...	155,653	169,405	221,601	208,597	256,465
Net income:					
As reported	\$ 10,668	\$ 9,773	\$ 23,919	\$ 17,283	\$ 17,112
Adjusted for general inflation ...	4,483	3,824	19,486	14,640	17,951
Adjusted for specific price changes	1,689	1,472	16,966	10,847	13,753
Net income per share:					
As reported	\$ 3.07	\$ 2.78	\$ 6.77	\$ 4.92	\$ 4.83
Adjusted for general inflation ...	1.29	1.09	5.52	4.16	5.06
Adjusted for specific price changes49	.42	4.80	3.09	3.88
Excess of increase in specific prices of inventories and properties over increase in general price level					
	\$ (1,687)	\$ (1,601)	\$ (2,373)	\$ (2,815)	\$ (847)
Purchasing power gain from holding net monetary liabilities during the year					
	\$ 2,935	\$ 2,943	\$ 6,000	\$ 6,735	\$ 5,433
Net assets at year end:					
As reported	\$143,288	\$143,347	\$141,119	\$123,554	\$111,502
Adjusted for general inflation ...	223,819	227,443	229,442	218,304	203,632
Adjusted for specific price increases	247,050	254,846	259,812	255,811	247,998
Cash dividends declared per common share:					
As reported	\$ 2.16	\$ 2.16	\$ 1.92	\$ 1.63	\$ 1.50
Adjusted for general inflation .	2.16	2.22	2.09	1.95	2.04
Market price per common share at year end:					
Historical amount	\$ 27.50	\$ 24.25	\$ 29.25	\$ 27.33	\$ 31.67
Adjusted for general inflation .	27.04	24.75	31.00	31.56	41.18
Average consumer price index	298.4	289.1	272.4	246.8	217.4

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Supplemental Data

Supplemental Mineral Reserve Information
For Years Ended December 31, 1983, 1982, 1981 and 1980
 Oglebay Norton Company and Subsidiaries

	1983	1982	1981	1980
Proven and probable crude reserves at the end of the year (thousands of tons)				
Iron Ore	197,073	198,717	191,477	203,740
Sand	158,317	115,509	92,119	94,430
Coal	54,886	55,419	55,967	56,546
Commercially recoverable reserves at the end of the year (percent)				
Iron Ore	32%	30%	30%	30%
Sand	46	35	37	37
Coal	83	83	83	83
Quantities produced during the year (thousands of tons)				
Iron Ore	595	825	1,085	1,067
Sand	901	943	1,028	993
Coal	442	488	517	479
Average Market Price (dollars per ton)				
Iron Ore	\$47.90	\$47.75	\$44.73	\$41.27
Sand	17.99	17.62	18.73	16.48
Coal	43.24	40.69	37.12	35.72



Directors

- Malvin E. Bank**
Partner, Thompson, Hine and Flory, Cleveland, Ohio, attorneys
- William G. Bares**
President, The Lubrizol Corporation, Cleveland, Ohio, supplier of chemical additives to the petroleum industry
- Keith S. Benson**
Retired, formerly Executive Vice President — Administration and Finance of the Company
- Courtney Burton**
Chairman of the Board
- John J. Dwyer**
Vice Chairman of the Board and Past President of the Company; Partner, Thompson, Hine and Flory, Cleveland, Ohio, attorneys
- Robert I. Gale, III**
President and Chief Executive Officer, Mid-West Forge Corporation, Cleveland, Ohio, manufacturer of rough steel forgings
- Arthur F. Harrison**
Chairman of the Board, Central Silica Company, Zanesville, Ohio
- Alfred M. Rankin**
Partner, Thompson, Hine and Flory, Cleveland, Ohio, attorneys
- Herbert S. Richey**
President, Richey Coal Company; formerly President and Chief Executive Officer, The Valley Camp Coal Company, Cleveland, Ohio
- C. Wesley Rowles**
Retired, formerly Senior Vice President — Finance and a Director of Armco Inc., Middletown, Ohio
- Renold D. Thompson**
President and Chief Executive Officer
- Fred R. White, Jr.**
Vice Chairman of the Board

Officers

- Courtney Burton**
Chairman of the Board
- Fred R. White, Jr.**
Vice Chairman of the Board
- John J. Dwyer**
Vice Chairman of the Board
- Renold D. Thompson**
President and Chief Executive Officer
- Frank A. Castle**
Vice President — General Manager of Columbia Transportation Division
- R. Thomas Green, Jr.**
Vice President — Iron Ore Operations
- Walter R. Herron**
Vice President, General Manager of Ferro Engineering Division
- Marcus A. Hyre**
Vice President — Iron Sales
- Richard J. Kessi**
Vice President — Finance and Treasurer
- John Limbocker, Jr.**
Vice President — Corporate Affairs
- H. William Ruf**
Vice President — Personnel and Industrial Relations
- Alfred F. Savage**
Vice President — Coal and Nonferrous Mining Operations
- John L. Sells**
Vice President — Administration and Corporate Planning
- August F. Bradfish**
Assistant Vice President — Coal and Nonferrous Mining Operations
- Richard C. Harmon**
Assistant Vice President — Iron Ore Operations
- Robert A. Thomas**
Assistant Vice President — Administration and General Counsel
- David A. Kuhn**
Secretary
- John J. Kirn, Jr.**
Assistant Secretary
- Arthur E. Miller**
Assistant Secretary
- James W. Sanders**
Assistant Secretary

Subsidiaries

- James P. Snider**
Vice President — General Manager, Central Silica Company
- James J. Rivers**
Vice President — General Manager, Texas Mining Company
- Emmett F. Benedum**
President, T & B Foundry Company

Corporate Data

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Transfer Agent

Ameritrust Company
National Association
Cleveland, Ohio

Counsel

Thompson, Hine and Flory
Cleveland, Ohio

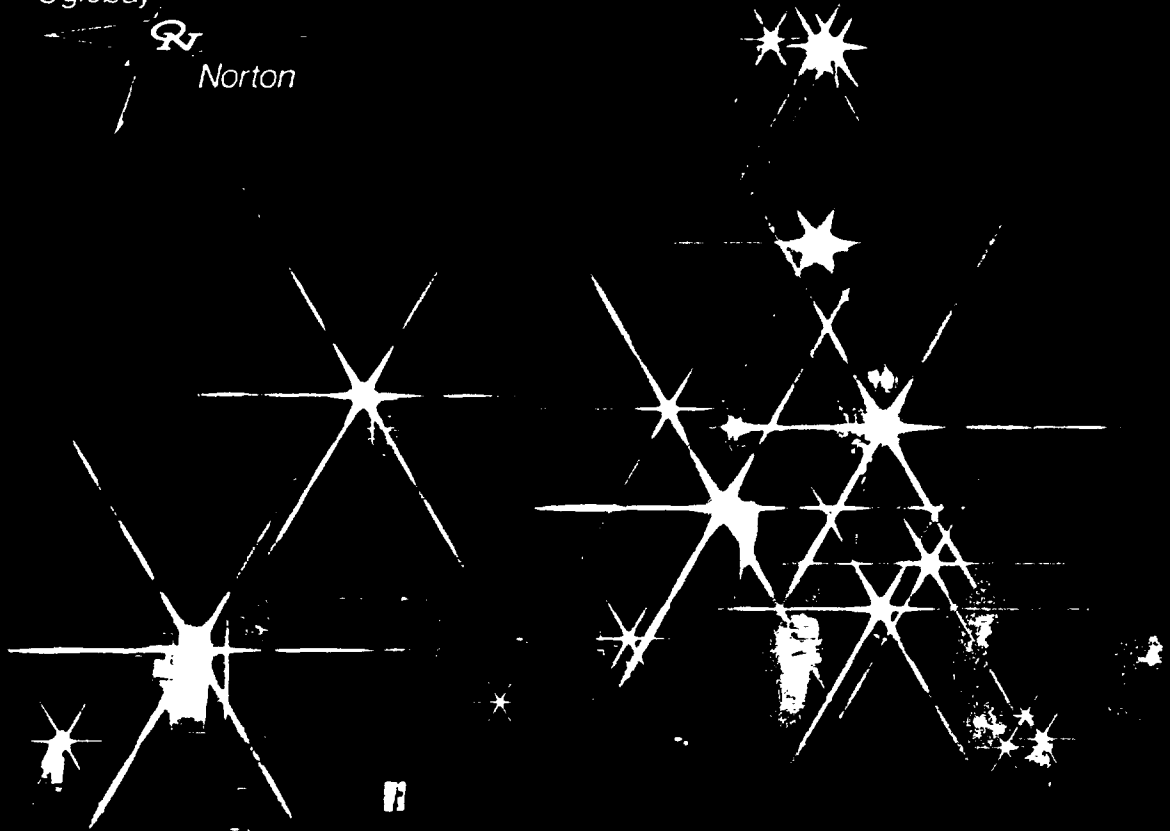
Independent Auditors

Ernst & Whinney
Cleveland, Ohio

Oglebay



Norton



Oglebay Norton Company

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