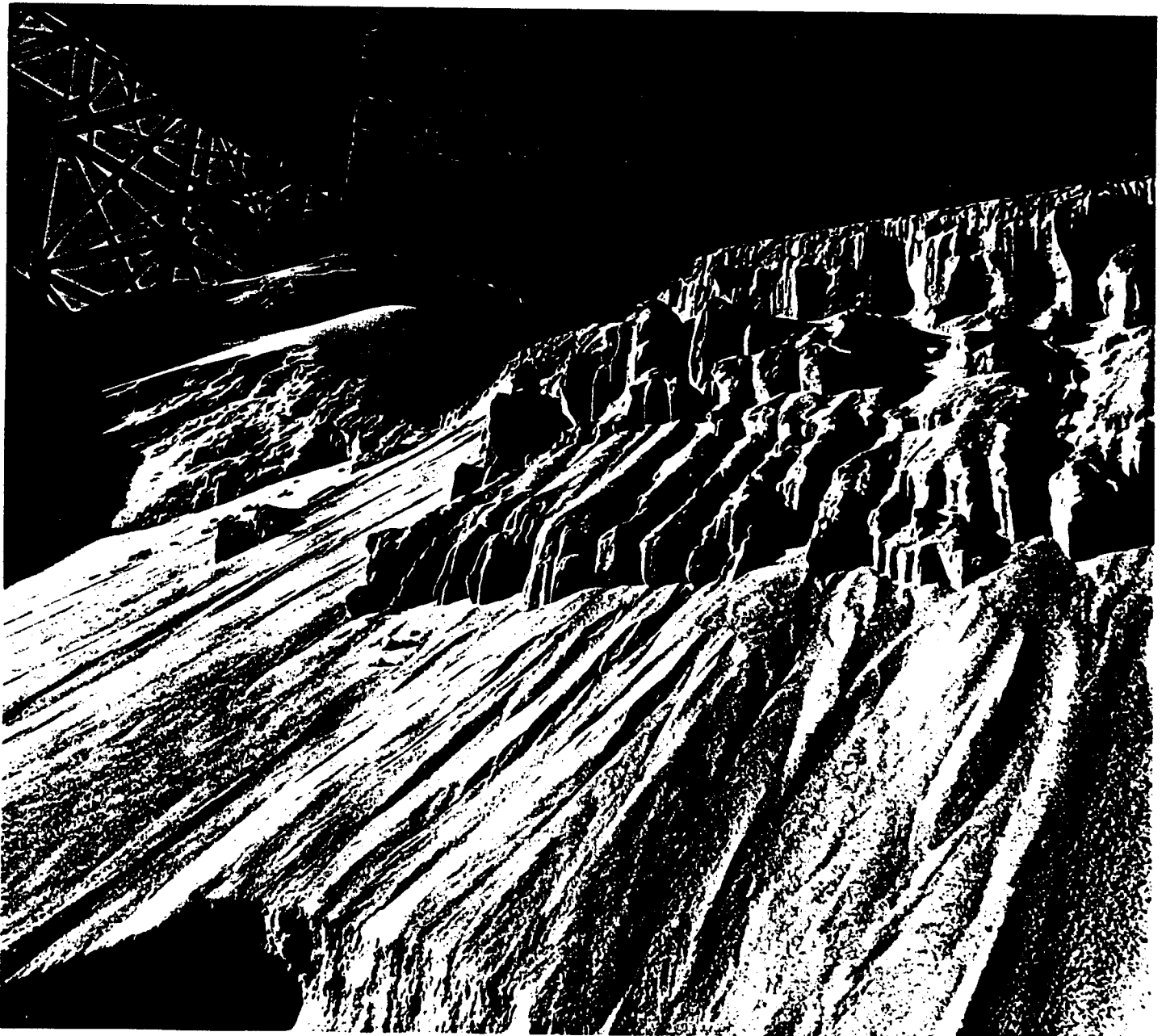


# Oglebay Norton 1972 Annual Report



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### COVER PICTURE

One of several large silica sand storage yards  
of Central Silica Company.

**FE004216**

# FINANCIAL HIGHLIGHTS

	1972	1971
Gross operating income .....	\$66,314,840	\$63,131,407
Income before extraordinary item .....	4,728,689	4,150,338
Extraordinary item .....	(1,800,000)	—
Net income .....	2,928,689	4,150,338
Cash dividends paid .....	2,365,324	2,387,074
Per common share (*)		
Income before extraordinary item .....	4.54	3.88
Extraordinary item .....	(1.94)	—
Net income .....	2.60	3.88
Cash dividends paid .....	2.00	2.00
Equity per common share .....	62.09	61.28
Working capital .....	23,431,073	22,951,937
Total assets .....	89,404,397	87,566,313
Stockholders' equity .....	66,974,392	66,679,902
Depreciation and amortization charged to costs and expenses .....	4,004,466	3,901,352
Expenditures for properties and equipment, including investment in the Eveleth Taconite project .....	2,513,804	4,436,201

(\*) Per share figures, except equity per common share, are based on the average number of common shares outstanding during each year and have been computed after provision for annual preferred dividends. Equity per common share is based on the actual number of common shares outstanding at year end.

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## TO OUR STOCKHOLDERS:

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We are pleased to report on our performance in 1972. After a rather sluggish start which saw both first and second quarter operating income at the lowest levels for comparable periods in several years, the year as a whole was very good for our Company. We did not attain our objective for the year in all segments of our business, but we did have one of the best second half earnings reports in our history, increasing by more than 50% over the last half of 1971.

Sales and operating revenues were \$66,314,840, representing an increase of \$3,183,433, or about 5% over 1971 sales and revenues of \$63,131,407. Operating net income improved by 14% to \$4,728,689, or \$4.54 per common share, from \$4,150,338, or \$3.88 per common share last year.

As you have already been advised, we sustained a substantial extraordinary charge during the third quarter as a result of closing our Norton coal mine in Belmont County, Ohio. The extraordinary charge amounted to \$1,800,000, or \$1.94 per common share net of applicable Federal income taxes, and it reduced net income for the year to \$2.60 per common share. The circumstances surrounding the closing are covered later in this report.

Our year began very slowly. The strong pickup in the level of general business activity and in the steel operating rate, which we expected to be in full swing in the first quarter, did not materialize quite so soon. In addition, the effects of the long coal strike in the Fall of 1971 carried over into our first quarter. The starting dates of our vessels were delayed because of ice conditions as severe as they have been in more than forty years. In June, shortly after we started to operate under normal sailing conditions, a shipwreck occurred at the head of the St. Clair River at Port Huron, Michigan. This casualty made it necessary to impose restricted one-way traffic in the river for 112 days, until the wreckage was cleared away.

By the third quarter, the effects of the pronounced upswing in the national economy were reflected in the operating levels of our customers and in our own results. Orders stepped up noticeably and we put an additional bulk cargo vessel into service. The last quarter was an exceptionally strong one.

Most of our operating divisions showed improvement over last year's performance and bettered profit plan performance

at volumes attained. The comparative results in our Columbia, Ferro and coal divisions were the most impressive.

The Columbia Transportation Division enjoyed the best year in its history. Rate increases were effected early in the year for self-unloader and crane vessel operations, but none were possible in the bulk vessel fleet. Margins in the bulk vessel operations were lower because of contract wage increases and higher fuel and insurance costs.

Eveleth Taconite Company had another good year despite significant cost increases without any change in the price of iron ore pellets in 1972. Tonnage was up over 1971 and excellent cost performance avoided a material erosion of profit margins. At this writing, an increase in the price of taconite pellets of 1.1¢ per iron unit or about 3.9% has been announced for the 1973 season. This will be helpful in offsetting the cost of another round of contractual wage increases scheduled for August 1973 and supply cost increases already passed on to us.

Central Silica performed very well again in 1972. This good performance was evidenced by the absorption of appreciable wage and supply cost increases with only a moderate reduction in profit margins.

The sharp turnaround in the results of our coal activities was most gratifying. We must point out, however, that most of the improvement was attributable to river coal dock operations and sales activities. Profitability at our Ohio coal mines was slightly better, but it is still far below a satisfactory level. It appears that the sharp drop in productivity which began in 1970 has bottomed out.

Our decision to close the Norton Mine was a difficult one, made only after the most thorough consideration and evaluation of the available alternatives. For many years, this mine produced annually several hundred thousand tons of Ohio No. 8 coal sold under long-term contracts and shipped via unit trains to utility customers. Our long-term contracts provided for a renegotiation of the price clause at a time when consideration had to be given to an expenditure of several million dollars to develop a new section of the mine. We were unable to negotiate new contract selling prices that would insure, in our opinion, reasonable profit margins. Negotia-

tions were further complicated because of the potential impact of more stringent air pollution requirements on the use of Ohio No. 8 coal. We finally decided that, rather than risk large capital investment to further develop a coal property while we were faced with both cost and quality vulnerability, we should close the mine, sell the property, plant and equipment and accept the extraordinary loss. Later, we subleased the reserves and we expect to realize future royalty income from the property.

Despite the current problems of environmental restrictions and production costs, we believe the future for the coal industry is very promising. Coal is an important factor in our total picture and we intend to continue our involvement in it. Although our mining operations are not as large as they were, we are engaged in other related activities, including selling, river dock handling and vessel transportation of coal.

Our Ferro Engineering Division recorded marked improvement over results of the last two years, despite the delayed pickup in first-half steel production, which not only reduced sales volume but also affected our ability to recover built-in wage and supply cost increases effective in the last six months of the year. We are encouraged by the development of new types of products and the improvement of our manufacturing processes that have taken place in Ferro during the year.

Results at T & B Foundry were below expectations because of the economy and the change in the traditional hot top casting market. Our plan and program to develop new markets are producing results. We expect 1973 to be considerably better than 1972.

Cash flow from operations in 1972 was \$8,733,155. An additional cash flow of \$2,615,365 was realized from the tax benefits of payments into the Capital Construction Fund and from the investment credit. The construction fund has been very helpful in maintaining and improving the competitive position of the Great Lakes vessel fleet.

Capital expenditures for the year amounted to \$2,359,117. The most significant of these were vessel improvements, including oil-fired burners with automated engine-room controls for the Fitzgerald, Ashland and Purnell.

In January 1973, we announced the purchase of the Steamer Hillman and its conversion to a self-unloader, which will be delivered to us in the latter part of 1973. The Hillman will fit very well into our operating pattern and improve the competitive posture of our self-unloader fleet.

Merger discussions with Diamond Crystal Salt Company of St. Clair, Michigan, which were announced this past summer terminated on October 31 by mutual agreement of the parties. We are very definitely interested in expanding our Company by acquisition or merger transactions which will benefit our stockholders. While we have not been successful in consummating any combination in the last three years, we continue to diligently pursue all reasonable possibilities. We are desirous of external growth and a broader, more diversified base of activities, with a lesser dependence upon one major industry.

We have under consideration, or in the preliminary planning stages, several projects which may develop within the coming year with a favorable impact on the future profitability of the Company. Each of these involves expansion or extension of lines of business in which we are presently engaged.

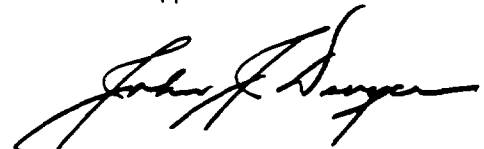
The past year was, after all, a year virtually free of a major industry-wide strike affecting the businesses in which we are engaged and which we serve — a most unusual coincidence anymore — and, hopefully, we can enjoy another year like it in 1973. In addition, after three difficult years in the steel industry, it is encouraging to see the improvement not only in the rate of production but also in that industry's competitive position and the public awareness of its importance to our basic economy.

These developments are good reasons for considerable optimism about the year ahead. Our Company is in an excellent position to take maximum advantage of an increasingly stronger demand for our products and services. We have set our plans to equal or exceed 1972 performance in all segments of our business. If our commitments as of the end of 1972 and our 1973 results to date are accurate indicators, we should be able to record much improvement over 1972.

We enjoyed the finest cooperation this year from our employees, customers and suppliers.



Chairman



President

March 29, 1973

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## COLUMBIA TRANSPORTATION DIVISION

Despite high inventories of raw materials at steel producers' plants and unusual operating problems encountered in the first half of the season, Columbia Transportation Division experienced a very satisfactory year. Opening of navigation was delayed by adverse weather and severe ice conditions throughout the Great Lakes. A shipwreck in the St. Clair River restricted inter-lake traffic and caused vessel delays from early June through September. About mid-year, however, customer requirements increased as raw material inventories declined and the pace of the economy quickened. This increased demand, coupled

with early season delivery delays, kept most of the fleet operating into the last week of December and resulted in the strongest finish in Columbia's history.

Short-haul coal shipments were below expectations, being adversely affected by competition from unit train deliveries, high customer inventories and the impact of sulphur emission regulations. These problems were offset by rate increases in the crane and self-unloader fleets to partially counterbalance rising costs, increased vessel operating efficiencies and emergence of strong long-haul patterns for the self-unloader fleet.

Continuing its long-established policy of dedicating substantial earnings to modernization and expanding its fleet to serve

customer requirements, automated engine room controls will be installed on the Middletown and an additional vessel will be added. The "Maritime Class" vessel J. H. Hillman, Jr. has been acquired for conversion to a self-unloader. With an overall length of 620 feet, a 60-foot beam and carrying capacity of 15,500 tons, this new addition to the Columbia fleet should be available for service late in the 1973 navigation season.

Current forecasts project an early and strong start-up with demand sustained at a high rate throughout the 1973 navigation season. With a continued strong economy, we anticipate that earnings will remain at a near record level in 1973.

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Taconite pellets being unloaded by Hulett's in Toledo from our Steamer Middletown.

FE004220

## QUARTZITE AND INDUSTRIAL QUARTZ SANDS

The Central Silica Company's three divisions operated at near peak levels throughout 1972.

All three divisions — Central, Millwood and Ayers — again benefited from the high level of activities in the building industries which called for steady production of glass and steel throughout the year.

Substantial progress was made at the Glass Rock facility in preparation for the scheduled move to an adjoining quarry site during the next eighteen months. Quartzite has been mined at the original facility since 1940. Haul roads to the new quarry were built and installation of a temporary crush-

er was three-quarters completed. Addition of a three-yard power shovel during the second quarter of 1973 will increase production and improve maintenance efficiencies during this major quarry move.

To comply with increasingly stringent Federal and State laws regulating water pollution, reclamation and safety, surface mining companies continue to add fixed costs which are largely unrecoverable due to Federal pricing restrictions.

Anticipating an impending natural gas shortage, stand-by fuel systems were installed at Central and Millwood. These stand-by systems will insure uninterrupted operations.

The competitive position of the glass container industry remains strong. Despite

the uncertain factors of labor negotiations and the economy's ability to absorb the building starts necessary to keep the country growing, Centra Silica's projections for 1973 remain optimistic.

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Quartzite and industrial quartz sands are mined and processed for the foundry, ceramic and glass industries.

FE004221

## FERRO ENGINEERING DIVISION

During 1972, we carried out programs of streamlining our organization and making it more effective, particularly in the marketing function. Despite a difficult market and increased labor, service and material costs, these programs yielded important gains in profit for the Division.

Throughout the year, the basic steel industry continued to make marked changes in its processing technology, particularly in the ingot casting segment of its production which we serve with our hot top products. Having developed and successfully marketed several new product lines meeting changed industry requirements during the

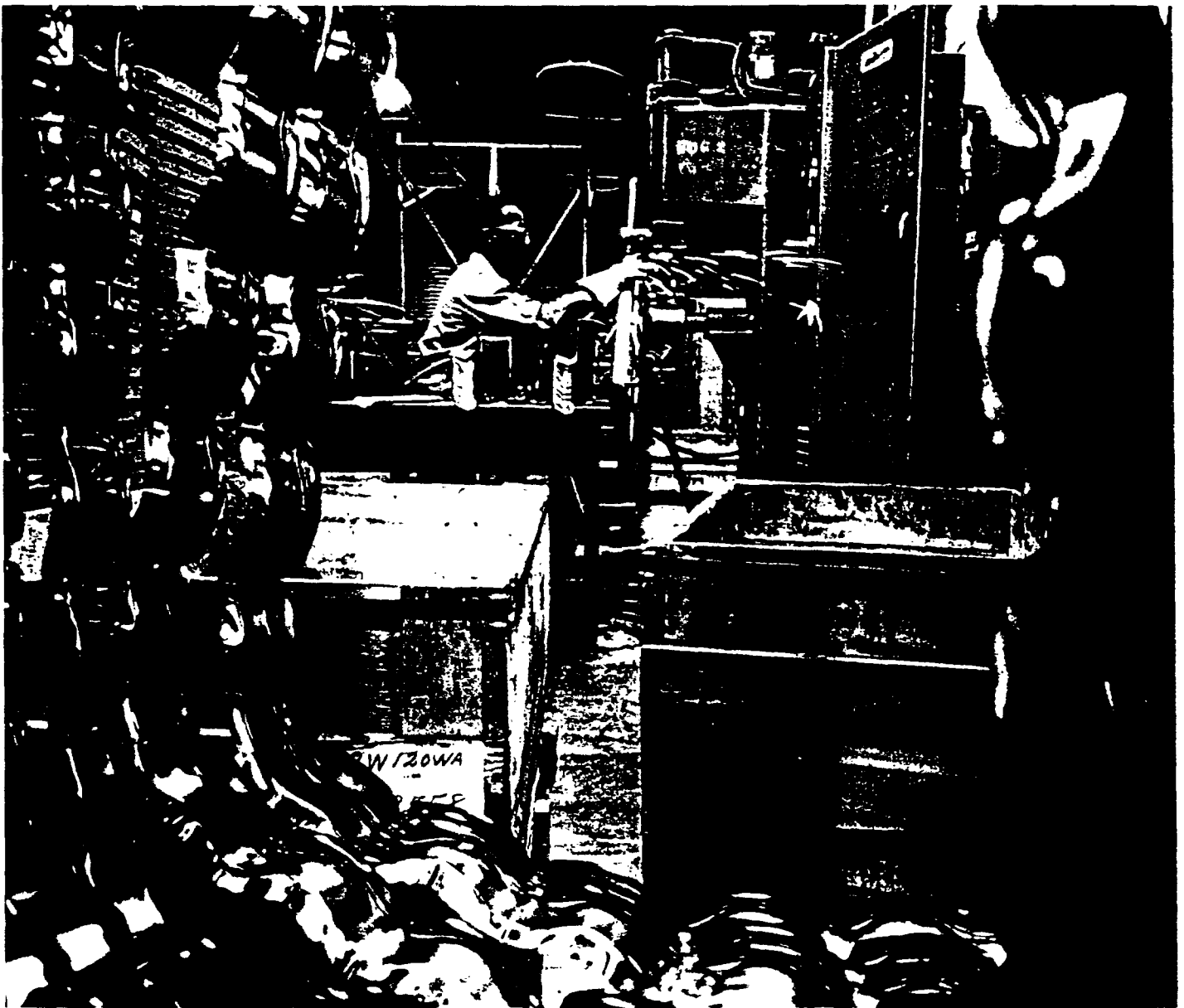
year, we are now supplying increasing numbers of customers.

The Hamilton, Ontario, plant was expanded, providing additional capacity for the manufacture and sale of our products in Canada. Improvements in production techniques continued to be made in all plants.

We also negotiated satisfactory new labor contracts at our manufacturing locations.

We look for a continuation of these gains. The programs adopted in 1972 will go forward. These, together with the forecasted high level of steel production, should combine to produce another improved year for Ferro Engineering in 1973.

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Wiper Strips being assembled at Ferro's Plant 1 in Cleveland for use with its C & D Hot Top.

FE004222

## IRON ORE AND OTHER MINERALS

Eveleth Taconite Company, managed and partly owned by Oglebay Norton Company, operated at a record level for the seventh consecutive year as production of iron ore pellets reached 2,140,000 tons.

Oglebay Norton delivered its share of pellets at a price which has held stable for two years, rising only slightly to match increased pellet quality. The Company has sold its share of the 1973 production at a modest increase which will partly offset rising costs.

Eveleth, through continuing metallurgical research and development, has designed a plant modification to correct the imbalance

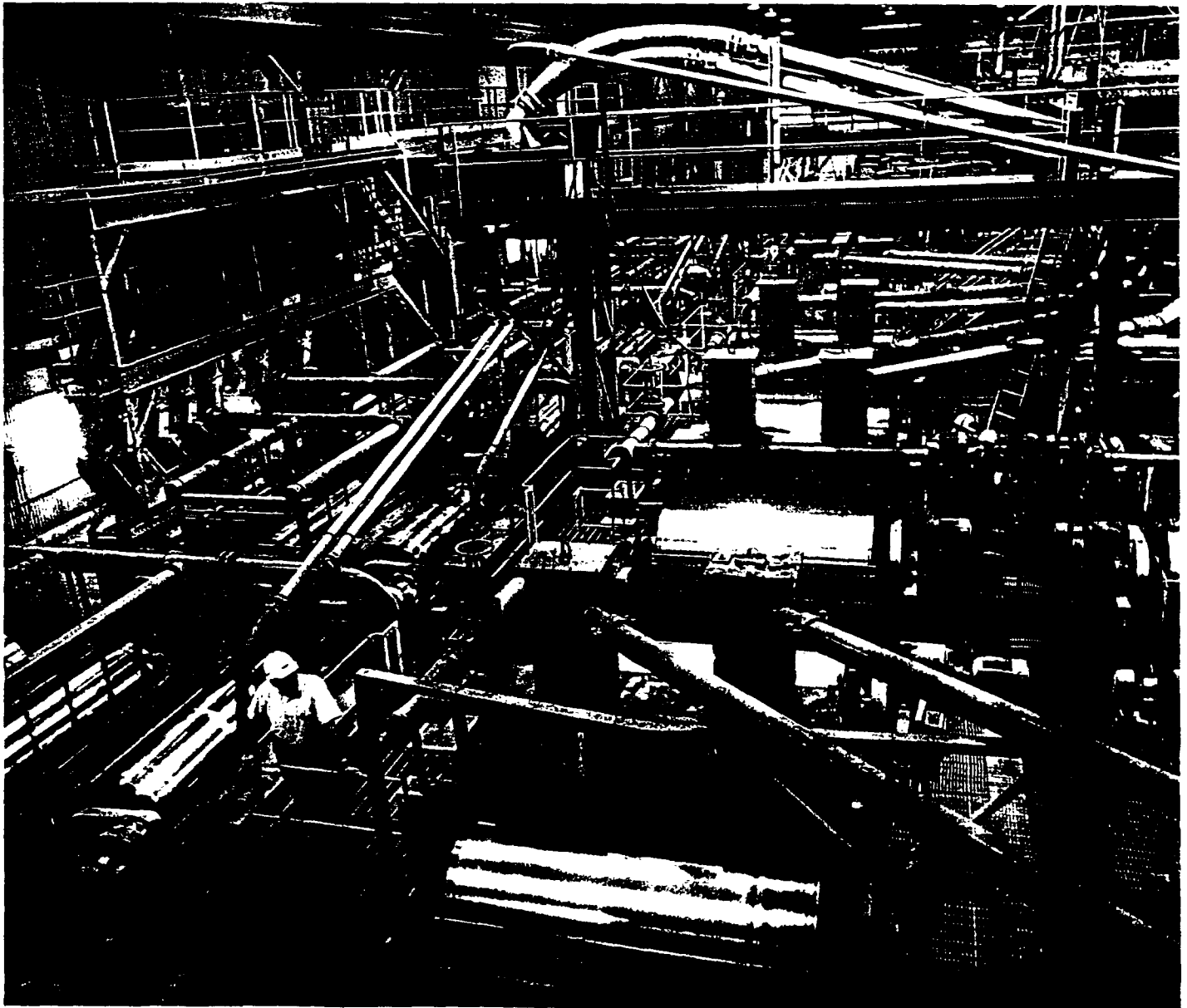
in productive capacity between the concentrator and the pelletizing plant, which will increase production capacity by approximately 10%. Areas of concern which will require increasing efforts of our personnel are the energy squeeze, governmental regulation relating to surface mining and governmental safety regulations.

Oglebay Norton continues mineral exploration in the United States, Canada and Mexico. Many prospects have been examined and evaluated. The Company is now in the process of forming a Mexicanized corporation which will permit expansion of exploration activity in that country.

Metallurgical fluorspar briquette sales were very encouraging in 1972. Fluorspar briquettes produced by the Brownsville,

Texas, plant were favorably received by customers, and we anticipate higher volume in 1973.

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Magnetic concentrating section at the Fairlane Plant emphasizes the complex facilities necessary to produce taconite pellets.

## COAL

Coal demand moved upward in the second half of 1972, producing a better market balance by year's end. The improvement followed overproduction through the first half of the year as customers' stockpiles rose to near-record levels.

Our two Ohio mines showed modest gains in productivity during 1972, despite continued high absenteeism. The gains partly offset labor and fringe increases granted to the United Mine Workers of America.

In August, it became necessary to close our Norton Mine because the immediate area was mined out and long-term contracts could not be negotiated that would

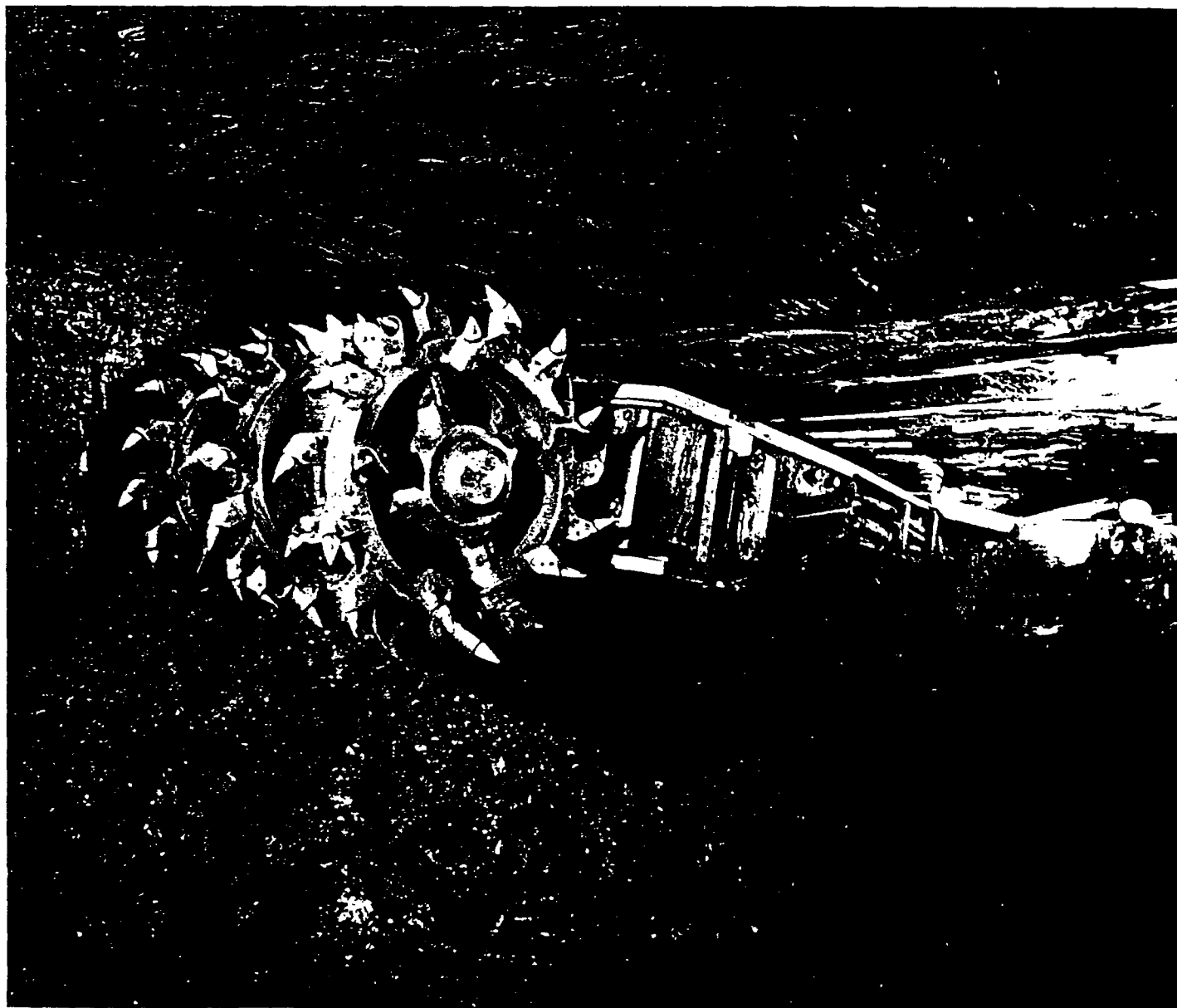
justify the new capital investment needed for development of adjacent reserves. At the same time, some utility customers announced plans to convert their plants to low sulphur fuel oil. Disposition of the mine's assets was begun and continues into 1973.

The Ohio River Coal Loading Terminal at Ceredo, West Virginia, operated at near capacity and prospects remain good for next year. With the increase in demand for coal loading facilities on the Ohio River, we are investigating the expansion of this operation.

Government regulations regarding sulphur content of coal burned will continue to affect the company's agency and brokerage tonnages for 1973. However, steady

improvement in United States business activity plus good recovery in foreign steel production promises a rising demand for domestic coal.

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Our Saginaw coal mine is completely automated. Shown here is a continuous miner working a seam.

## FOUNDRY OPERATIONS

A surge in T & B Foundry Company sales in the final quarter provided a strong finish for the year. Orders for machine tool castings, metal forming presses, oil drilling units and clutches and brakes for marine applications led the fourth quarter sales advance.

Market research during 1972 assisted in development of new marketing programs which better identify the nature of our diverse markets and our customers' specific requirements. Sales efforts, now focused with more intensity, are producing improved results.

Programs were started during the year to achieve further refinements in produc-

tion control, performance standards and cost control. Additional mechanical equipment was installed in the molding and ductile iron bays for improved cost efficiency.

A two-year contract with the International Molders & Allied Workers was negotiated in December.

Programs initiated in 1972 to increase volume and profit potential, together with our customers' optimistic forecasts, point to a strengthened position for T & B Foundry in 1973.

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Skilled employees produce gray ductile iron castings in our modern plant in Cleveland.

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## DOCK OPERATIONS

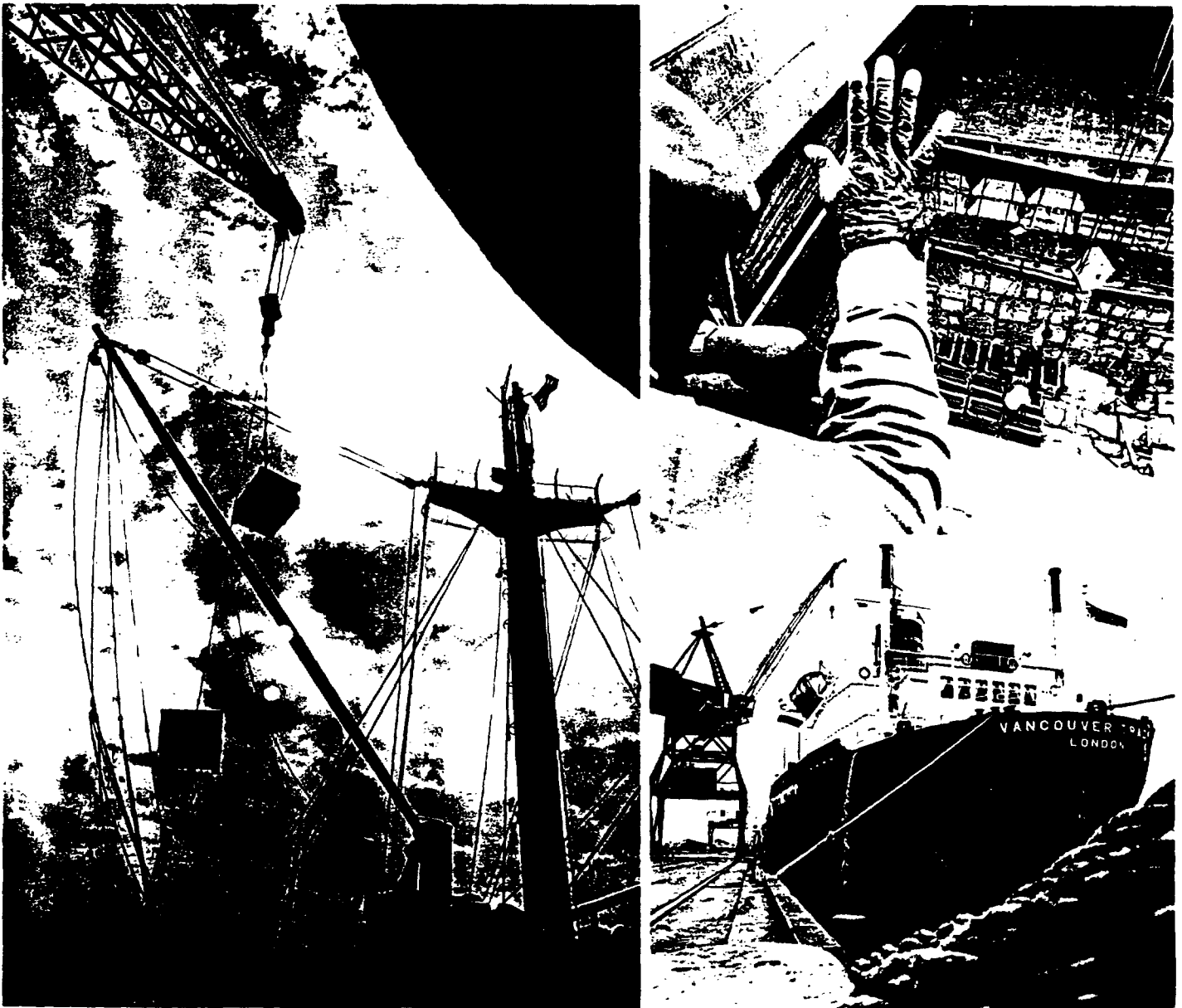
Bay City Seaway Terminal again experienced a record year in tonnage handled, due primarily to the high volume of plastics moving to the Far East. An 11,400-square-foot expansion of warehouse space was completed in October to accommodate the rising volume of business late in the season.

Saginaw dock volume was below anticipated levels due to a decline in inbound scrap and lower export shipments. We anticipate an increase in export shipments next year.

Total tonnage cargo fell short of forecasts at the Toledo terminal. General cargo volume declined and jurisdictional disputes between two local unions adversely af-

ected operations for most of the season. Resolution of this dispute early in the year will allow the terminal to take advantage of anticipated increases in cargoes and return to normal operating efficiency.

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Docks at Toledo, Bay City, Saginaw and South Chicago serve import, export and Great Lakes shippers.

FE004226

# FINANCIAL STATEMENTS

## *Oglebay / Norton 1972 Annual Report*



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Stockholders are cordially invited to attend the Annual Meeting of the Company, which will be held at 2:00 p.m. Wednesday, April 18, 1973, in the General Offices of the Company located in the Hanna Building, Cleveland, Ohio.

FE004227

# CONSOLIDATED STATEMENTS OF INCOME

OGLEBAY NORTON COMPANY AND SUBSIDIARY COMPANIES  
for the years ended December 31, 1972 and 1971

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	1972	1971
<b>INCOME</b>		
Net sales and operating revenues .....	<b>\$65,065,381</b>	\$61,695,213
Sales commissions, royalties and management fees .....	<b>1,249,459</b>	1,436,194
Dividends, interest and miscellaneous .....	<b>691,530</b>	570,910
	<u><b>67,006,370</b></u>	<u>63,702,317</u>
<b>COSTS</b>		
Cost of goods sold and operating expenses .....	<b>52,416,028</b>	50,388,769
General, administrative and selling expenses .....	<b>6,696,653</b>	6,394,210
Income taxes, including provision for deferred taxes, 1972 - \$1,535,365 and 1971 - \$268,422 .....	<b>3,165,000</b>	2,769,000
	<u><b>62,277,681</b></u>	<u>59,551,979</u>
<b>INCOME BEFORE EXTRAORDINARY ITEM</b> .....	<b>4,728,689</b>	4,150,338
Extraordinary item (Note 7) .....	<u><b>(1,800,000)</b></u>	<u>—</u>
<b>NET INCOME</b> .....	<u><b>\$ 2,928,689</b></u>	<u><b>\$ 4,150,338</b></u>
<b>INCOME PER COMMON SHARE</b>		
On average number of shares outstanding during each year, after provision for preferred dividends		
Income before extraordinary item .....	<b>\$ 4.54</b>	<b>\$ 3.88</b>
Extraordinary item .....	<u><b>(1.94)</b></u>	<u>—</u>
Net income .....	<u><b>\$ 2.60</b></u>	<u><b>\$ 3.88</b></u>
Assuming conversion of preferred shares beginning of year		
Income before extraordinary item .....	<b>\$ 4.23</b>	<b>\$ 3.68</b>
Extraordinary item .....	<u><b>(1.61)</b></u>	<u>—</u>
Net income .....	<u><b>\$ 2.62</b></u>	<u><b>\$ 3.68</b></u>

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

FE004228

# CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

OGLEBAY NORTON COMPANY AND SUBSIDIARY COMPANIES  
for the years ended December 31, 1972 and 1971

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	1972	1971
<b>SOURCE OF FUNDS</b>		
From operations		
Income before extraordinary item .....	\$ 4,728,689	\$ 4,150,338
Expenses not requiring an outlay of cash:		
Depreciation and amortization .....	4,004,466	3,901,352
Deferred income taxes .....	1,535,365	268,422
Total from operations, exclusive of extraordinary item .....	<u>10,268,520</u>	<u>8,320,112</u>
Extraordinary item .....	<u>(1,800,000)</u>	<u>—</u>
	8,468,520	8,320,112
Increase in prior year's deferred taxes .....	1,080,000	1,468,592
Disposition of fixed assets .....	1,231,432	132,414
Decrease in deferred charges .....	<u>204,548</u>	<u>13,385</u>
	<u>10,984,500</u>	<u>9,934,503</u>
<b>DISPOSITION OF FUNDS</b>		
Expenditures for properties and equipment .....	2,359,117	3,937,511
Payment of dividends .....	2,365,324	2,387,074
Purchase of treasury shares .....	268,875	1,147,750
Investments .....	<u>5,512,048</u>	<u>2,904,008</u>
	<u>10,505,364</u>	<u>10,376,343</u>
<b>INCREASE OR (DECREASE) IN WORKING CAPITAL .....</b>	<b><u>\$ 479,136</u></b>	<b><u>\$ (441,840)</u></b>
<b>INCREASE OR (DECREASE) IN COMPONENTS OF WORKING CAPITAL</b>		
<b>Current assets</b>		
Cash and securities .....	\$ 615,672	\$ 512,634
Notes and accounts receivable .....	164,146	615,954
Inventories .....	(375,944)	(6,707)
Prepaid vessel rent, insurance and other expenses .....	<u>(83,636)</u>	<u>158,497</u>
	<u>320,238</u>	<u>1,280,378</u>
<b>Current liabilities</b>		
Accounts payable and accrued items .....	213,702	1,250,371
Income taxes .....	<u>(372,600)</u>	<u>471,847</u>
	<u>(158,898)</u>	<u>1,722,218</u>
<b>INCREASE OR (DECREASE) IN WORKING CAPITAL .....</b>	<b><u>\$ 479,136</u></b>	<b><u>\$ (441,840)</u></b>

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

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# CONSOLIDATED BALANCE SHEETS

OGLEBAY NORTON COMPANY AND SUBSIDIARY COMPANIES

December 31, 1972 and 1971

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	1972	1971
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash .....	\$ 951,499	\$ 2,841,691
Marketable securities (Note 1) .....	15,180,119	12,674,255
Notes and accounts receivable, less allowance of \$122,622 in 1972 and \$146,122 in 1971 for doubtful accounts .....	9,824,685	9,660,539
Inventories (Note 1)		
Finished products and materials .....	2,404,572	2,524,021
Operating supplies and materials .....	1,046,741	1,303,236
	<u>3,451,313</u>	<u>3,827,257</u>
Prepaid vessel rent, insurance and other expenses .....	1,260,985	1,344,621
Total current assets .....	<u>30,668,601</u>	<u>30,348,363</u>
INVESTMENTS, at cost, and other assets (Note 2) .....	14,703,218	9,589,264
PROPERTIES AND EQUIPMENT, at cost (Note 1)		
Vessels, docks and related equipment .....	52,396,469	51,051,311
Mining properties and equipment .....	15,352,924	21,242,740
Manufacturing properties and equipment .....	10,406,591	10,048,781
	<u>78,155,984</u>	<u>82,342,832</u>
Accumulated depreciation, amortization and depletion .....	35,531,706	36,326,994
	<u>42,624,278</u>	<u>46,015,838</u>
DEFERRED CHARGES .....	1,408,300	1,612,848
	<u>\$89,404,397</u>	<u>\$87,566,313</u>

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	1972	1971
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable, trade .....	\$ 2,331,667	\$ 2,521,555
Payrolls and other accrued compensation .....	2,415,379	2,610,499
Accrued taxes and other expenses .....	2,070,695	1,471,985
Income taxes .....	419,787	792,387
<b>Total current liabilities</b> .....	<b>7,237,528</b>	<b>7,396,426</b>
 DEFERRED INCOME TAXES (Note 1) .....	 15,192,477	 13,489,985
<b>STOCKHOLDERS' EQUITY</b>		
PREFERRED STOCK, without par value, redemption value \$50 per share, authorized 400,000 shares; issued 188,950 shares at stated amount (Note 4)		
Series A, 5½% cumulative convertible, 148,950 shares .....	1,353,750	1,353,750
Series B, 5% cumulative convertible, 40,000 shares .....	407,350	407,350
COMMON STOCK, par value \$1 per share, authorized 3,000,000 shares; issued 1,019,951 shares (Note 5) .....	1,019,951	1,019,951
 ADDITIONAL CAPITAL .....	 7,034,569	 7,034,569
 RETAINED EARNINGS (Note 8) .....	 60,341,172	 59,777,807
	<u>70,156,792</u>	<u>69,593,427</u>
 Less common shares in treasury, 93,470 in 1972 and 85,970 in 1971, at cost .....	 3,182,400	 2,913,525
	<u>66,974,392</u>	<u>66,679,902</u>
	<u>\$89,404,397</u>	<u>\$87,566,313</u>

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

# CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

OGLEBAY NORTON COMPANY AND SUBSIDIARY COMPANIES

for the years ended December 31, 1972 and 1971

16

	1972	1971
BALANCE, January 1, as previously reported .....		\$58,215,276
Prior years' income tax adjustment (Note 8) .....		(200,733)
BALANCE, January 1, as adjusted .....	<b>\$59,777,807</b>	58,014,543
 NET INCOME .....	 <u>2,928,689</u>	 <u>4,150,338</u>
	<u>62,706,496</u>	<u>62,164,881</u>
 CASH DIVIDENDS		
Common stock \$2.00 per share .....	1,855,712	1,877,462
Preferred Stock		
Series A, \$2.75 per share .....	409,612	409,612
Series B, \$2.50 per share .....	100,000	100,000
	<u>2,365,324</u>	<u>2,387,074</u>
 BALANCE, December 31 .....	 <u><b>\$60,341,172</b></u>	 <u>\$59,777,807</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**1. Accounting Policies** The following is a summary of certain significant accounting policies followed in the preparation of these financial statements. The policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

**Principles of Consolidation** The consolidated financial statements include the accounts of the Company and all of its wholly-owned subsidiary companies. No income tax has been provided for unremitted earnings of consolidated subsidiaries (\$3,600,000) since alternatives are available to the Company which would make it possible to eliminate tax on amounts which might be paid.

**Marketable Securities** Marketable securities, consisting primarily of government obligations, bonds and commercial notes, are stated at cost plus accrued interest which approximates market.

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

**Mine Exploration and Development Costs** Mine exploration costs are charged to expense as incurred. Mine development costs are deferred and written off over the estimated useful life of the mine.

**Properties and Equipment** Maintenance, repairs and minor renewals are charged to income in the year incurred. Betterments are capitalized. When individual items of mine equipment are retired or otherwise disposed of in the normal course of business, no gain or loss is recognized in income and accumulated depreciation is charged with the cost of the asset and credited with any proceeds of sale. When other types of assets are retired, gain or loss is recognized in income and accumulated depreciation is charged with the depreciation applicable to such retirements.

**Depreciation** The Company provides depreciation using the straight-line method over the estimated useful life.

**Deferred Income Taxes** For income tax purposes, the Company's deductions for depreciation and certain other costs

(including certain expenditures for purchases and reconstruction of vessels) are computed differently than the amounts charged in the accounts for such costs. Amounts equal to the resulting tax reductions are charged to income (as income tax) and credited to deferred income taxes. The deferred taxes are credited to income (as income tax) in periods when depreciation and certain other costs charged in the accounts exceed the amounts deductible for tax purposes.

**Investment Tax Credits** Investment tax credits are used to reduce the income tax provisions in the year in which they arise.

**2. Investments** Investments include \$5,363,446 and \$5,606,853 at December 31, 1972 and 1971, respectively, representing a 15% interest in Eveleth Taconite Company which is 85% owned by another company. The investment is stated at cost which is the equity in underlying net assets. Eveleth has no income as the stockholders reimburse it for all costs incurred in proportion to their stock ownership, and the production of the mine is taken by the stockholders in like proportion.

Further, the Company's investments and advances to affiliated companies include a 33% ownership of Western Navigation Company, a dock operation, and a 60% ownership of Laxare, Inc., a coal mining operation. The 60% owned Company is not consolidated as management does not yet consider this investment to be permanent. The investment in these companies is carried at cost which is substantially equal to the equity in the underlying net assets.

Marketable securities in the amount of \$7,054,899 and \$1,837,000 at December 31, 1972 and 1971, respectively, have been classified as investments since the company is committed to expend or segregate for future expenditure this amount in order to qualify for certain tax deferrals under the provisions of the Merchant Marine Act, 1970.

**3. Pension Plans** The Company and its subsidiaries have several noncontributory pension plans covering substantially all of their employees. The total pension expense for 1972 and 1971 amounted to \$1,003,000 and \$1,033,000, respectively, which includes, as to certain of the plans, amortization of prior service costs over periods not exceeding 25 years. The actuarially computed values of vested benefits at December

31, 1972 exceeded the assets of the fund by approximately \$1,729,000.

The Company also pays into a union plan which provides pension and other benefits for hourly-rated employees at its coal mines. Payments are based upon a specified rate per ton of coal produced, and amounted to \$682,599 in 1972 and \$485,294 in 1971.

**4. Preferred Stock** 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.

Series A and B shares are entitled to one vote per share and the shares at the option of the holder, at any time, may be converted into common stock at the conversion price in effect at the conversion date (currently share for share). These shares are redeemable at the option of the Company subsequent to December 31, 1976 at \$50 per share (aggregating \$9,447,500) plus accrued dividends, and are entitled to a similar amount in the event of liquidation. 17

Dividends are cumulative and payable quarterly at an annual rate of \$2.75 per share for Series A and \$2.50 for Series B.

**5. Stock Options** The Board of Directors adopted, subject to the approval of the stockholders, an employees' stock option plan. Under the plan, options may be granted for a maximum of 100,000 shares of common stock at a price not to be less than 100% of the fair market value on the date of grant. Options will become exercisable in installments of one fourth of the shares subject thereto during the second through fifth years of continuous employment after the date of grant.

**6. Commitments** The Company has chartered a bulk cargo vessel at an annual charter rental of \$570,000 under a charter expiring in 1983.

Outstanding commitments for purchase of properties and equipment amounted to approximately \$7,180,000.

**7. Extraordinary Item** The extraordinary item represents the estimated loss from permanently closing the Norton Mine in August, 1972 after giving effect to applicable federal income tax reductions of \$1,036,000, of which \$913,000 is deferred taxes.

**8. Retained Earnings** Consolidated retained earnings at January 1, 1971 have been restated to reflect a charge to prior periods of \$200,733 for additional federal income taxes applicable to the years 1968 - 1970.

## ACCOUNTANTS' REPORT

To the Board of Directors, Oglebay Norton Company

We have examined the consolidated balance sheet of Oglebay Norton Company and its subsidiary companies as of December 31, 1972 and the related consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the financial statements of the Company for the year 1971.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of Oglebay Norton Company and its subsidiary companies at December 31, 1972 and 1971 and the consolidated results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Cleveland, Ohio  
February 12, 1973

Lybrand, Ross Bros. & Montgomery

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# TEN YEAR SUMMARY

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OPERATIONS	1972	1971	1970
Gross operating income .....	\$66,314,840	\$63,131,407	\$60,710,933
Income before income taxes and extraordinary items .....	7,893,689	6,919,338	7,116,795
Income before extraordinary items .....	4,728,689	4,150,338	4,350,766
Extraordinary items, less applicable taxes .....	(1,800,000)	—	—
Net income .....	2,928,689	4,150,338	4,350,766
Cash dividends paid .....	2,365,324	2,387,074	2,468,164
Net income invested in the business .....	563,365	1,763,264	1,882,602
Depreciation, amortization and depletion charged to costs and expenses .....	4,004,466	3,901,352	3,885,355
Expenditures for properties and equipment, including investment in the Eveleth Taconite project .....	2,513,804	4,436,201	7,647,569
<b>FINANCIAL POSITION</b>			
Current ratio .....	4.24	4.10	5.12
Working capital .....	23,431,073	22,951,937	23,393,777
Total properties, net .....	42,624,278	46,015,838	45,720,378
Total assets .....	89,404,397	87,566,313	83,491,567
Long-term liabilities .....	—	—	—
Total stockholders' equity .....	66,974,392	66,679,902	66,064,388
Common stockholders' equity .....	57,526,892	57,232,402	56,616,888
<b>DATA PER COMMON SHARE (*)</b>			
Income before extraordinary items .....	4.54	3.88	3.92
Extraordinary items, less applicable taxes .....	(1.94)	—	—
Net income .....	2.60	3.88	3.92
Cash dividends paid .....	2.00	2.00	2.00
Equity per common share .....	62.09	61.28	58.36
<b>OTHER STATISTICS</b>			
Preferred shares outstanding at year end .....	188,950	188,950	188,950
Common shares outstanding at year end .....	926,481	933,981	970,101
Number of stockholders at year end .....	1,201	1,246	1,241

(\*) Per share figures, except equity per common share, are based on the average number of common shares outstanding during each year and have been computed after provision for annual preferred dividends. Equity per common share is based on the actual number of common shares outstanding at year end.

Acquisitions in 1968 and 1969 were treated as poolings of interest. In each case the year prior to the year of acquisition was restated. Figures for prior years are as reported in annual reports for the respective years.

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1969	1968	1967	1966	1965	1964	1963
\$62,894,005	\$61,804,168	\$62,169,252	\$64,513,933	\$54,616,612	\$51,420,176	\$51,407,785
8,705,350	8,403,704	8,287,406	8,739,346	7,451,491	6,805,890	5,555,283
5,261,735	5,009,492	4,826,129	4,814,346	4,051,491	3,605,890	2,890,283
—	—	2,844,798	—	—	—	—(1)
5,261,735	5,009,492	7,670,927	4,814,346	4,051,491	3,605,890	2,890,283
2,445,366	2,309,553	2,317,516	1,529,927	1,325,936	1,223,941	1,019,951
2,816,369	2,699,939	5,353,411	3,284,419	2,725,555	2,381,949	1,870,332
3,471,337	3,462,557	3,580,864	3,670,312	2,440,106	2,702,402	2,693,262
4,150,812	5,032,228	3,450,002	4,547,849	10,324,015	5,329,993	2,324,436
4.72	3.05	3.67	2.15	2.33	2.20	2.42
27,063,250	25,056,573	21,887,784	11,888,284	9,917,392	9,510,807	9,441,162
41,714,846	41,006,228	39,541,675	43,180,893	42,276,316	39,261,082	39,243,272
84,072,272	86,259,108	77,887,617	74,361,552	69,092,991	61,331,238	58,574,777
427,000	445,493	477,518	2,515,536	4,586,856	1,151,928	3,367,059
65,027,511	62,665,392	58,970,817	50,878,263	47,593,844	44,664,298	42,282,349
55,580,011	53,217,892	51,523,317	50,878,263	47,593,844	44,664,298	42,282,349
4.74	4.47	4.37	4.72	3.97	3.54	2.83
—	—	2.82	—	—	—	—(1)
4.74	4.47	7.19	4.72	3.97	3.54	2.83
2.10(2)	2.30(2)	2.30(2)	1.50	1.30	1.20	1.00
55.91	52.89	51.20	49.88	46.66	43.79	41.46
188,950	188,950	148,950	—	—	—	—
994,051	1,006,251	1,006,251	1,019,951	1,019,951	1,019,951	1,019,951
1,302	1,342	1,360	1,333	1,337	1,456	914

Earnings per common share and other financial information for the years 1970, 1969 and 1968 have been adjusted to reflect prior periods adjustment explained in Note 8.

- (1) Excludes extraordinary deduction of \$502,229 or \$.49 per common share charged to retained earnings.  
(2) Includes dividends paid by subsidiaries prior to acquisition by the Company.

## OFFICERS

Courtney Burton, *Chairman of the Board*  
Fred R. White, Jr., *Vice Chairman of the Board and Senior Vice President*  
John J. Dwyer, *President*  
Renold D. Thompson, *Senior Vice President*  
Walter R. Herron, *Vice President and General Manager — Ferro Engineering Division*  
Arthur B. Rathbone, *Vice President — Ore Sales*  
Charles W. Ferris, *Vice President — Administrative*  
Joseph B. Milgram, Jr., *Vice President — Corporate Planning*  
Walter M. Charman, Jr., *Vice President*  
Robert A. Thomas, *Secretary and General Counsel*  
John K. Gill, Jr., *Treasurer*  
Alfred F. Savage, *Assistant Vice President — Mining*  
D. Kelly Campbell, *Assistant Vice President — Iron Ore Operations*  
John Limbocker, Jr., *Assistant to the President*  
David A. Kuhn, *Assistant Secretary*  
Leonard M. Bell, *Controller*  
Lytton S. Beman, Jr., *Assistant Treasurer*  
Walter L. Gonska, *Assistant Treasurer*  
Richard J. Kessler, *Assistant Treasurer*

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### DIRECTORS

Courtney Burton  
*Chairman of the Board of Directors of the Company*

Edgardo A. Correa  
*Retired, South Yarmouth, Massachusetts*

John J. Dwyer  
*President of the Company*

Robert I. Gale, Jr.  
*President, Mid-West Forge Corporation,  
Cleveland, Ohio*

Arthur F. Harrison  
*President and Treasurer, Central Silica Company,  
Zanesville, Ohio*

J. Gordon Hutchinson  
*Vice President, Rossville Yarn  
Processing Company, Rossville, Georgia*

George F. Karch  
*Honorary Chairman, The Cleveland Trust Company,  
Cleveland, Ohio*

Donald W. Mitchell  
*Retired, Ashtabula, Ohio*

James J. Nance  
*Chairman, First Union Real Estate Equity  
and Mortgage Investments, Cleveland, Ohio*

Alfred M. Rankin  
*Partner, Thompson, Hine and Flory,  
Cleveland, Ohio*

Herbert S. Richey  
*President and Chief Executive Officer,  
The Valley Camp Coal Company,  
Cleveland, Ohio*

Ellery Sedgwick, Jr.  
*Chairman of the Board, Medusa Corporation,  
Cleveland, Ohio*

Edward W. Sloan, Jr.  
*Consultant and Retired President  
of the Company, Gates Mills, Ohio*

Fred R. White, Jr.  
*Vice Chairman of the Board of Directors  
and Senior Vice President of the Company*

Honorary Director — Henry P. Rankin  
*Retired, Cleveland, Ohio*



Pouring hot metal at our T & B Foundry.

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## SUBSIDIARY MANAGEMENT

Central Silica Company — Arthur F. Harrison, *President*  
T & B Foundry Company — Frank P. Gill, *President*  
Canadian Ferro Hot Tops Limited (Canada) — Walter R. Herron, *President*

## TRANSFER AGENT AND REGISTRAR

The Cleveland Trust Company Cleveland, Ohio

## COUNSEL

Thompson, Hine and Flory Cleveland, Ohio

## ACCOUNTANTS

Lybrand, Ross Bros & Montgomery Cleveland, Ohio



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Telephone (416) 662-8381

Central Silica Company  
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