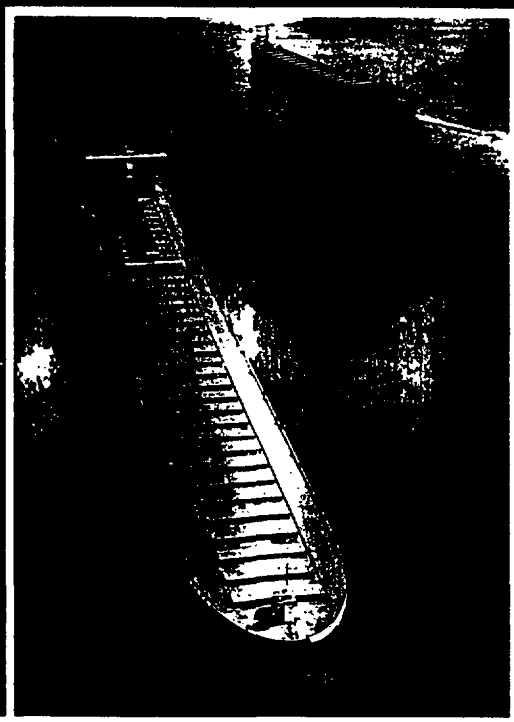
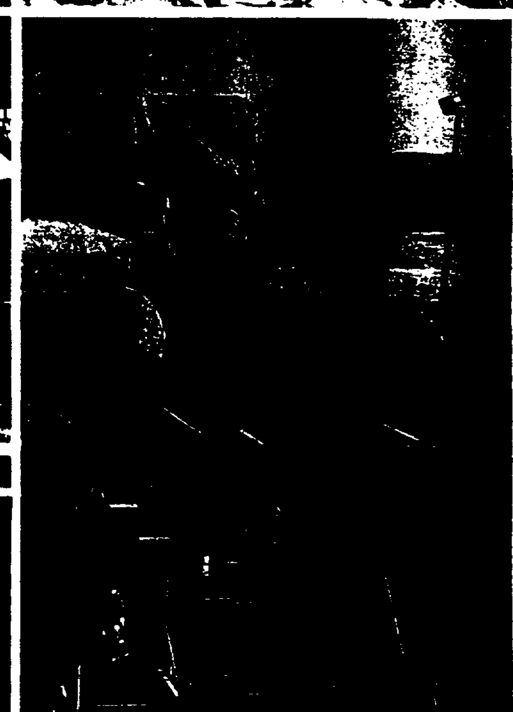
Oglebay Norton Company / 1982 Annual Report





Oglebay Norton Company/1982 Annual Report

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 briquettes for the steel industry.

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

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.

Contents

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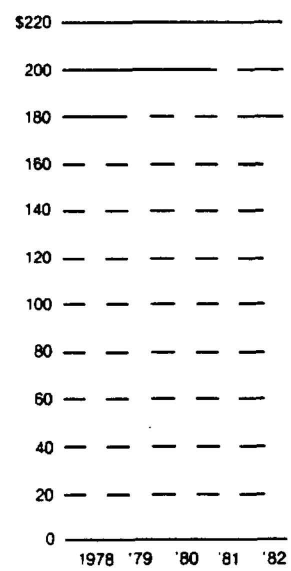
Oglebay Norton

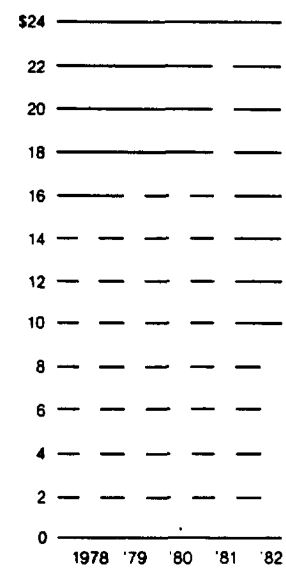
Financial Highlights

	1982	1981	1980
Gross operating income	**$171,589,980**	$210,979,669	$180,212,442
Net income	**9,773,329**	23,919,370	17,283,218
Dividends	**7,577,874**	6,722,793	5,682,660
Per share of Common Stock			
Net income	**2.78**	6.77	4.92
Dividends	**2.16**	1.92	1.63
Equity	**40.85**	40.24	35.41
Common stockholders' equity	**143,347,474**	141,118,958	123,554,484
Depreciation, amortization and depletion charged to costs and expenses	**12,120,768**	12,498,862	11,074,024
Expenditures for properties and equipment	**20,278,534**	40,999,132	37,617,288

Gross Operating Income
(In Millions of Dollars)



Net Income
(In Millions of Dollars)



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 1982 and 1981 for the Common Stock.

	Quarterly Period	High Bid/Ask	Low Bid/Ask	Dividend Declared
1982				
	4th	$24 -25½	$21 -22	$.54
	3rd	23 -24½	18 -19	54
	2nd	26 -27	23 -24½	54
	1st	28½-30	26 -27	.54
1981				
	4th	$29 -30½	$26 -27	$.54
	3rd	28½-30	25½-26½	.46
	2nd	28½-31	27½-28¼	46
	1st	28 -30	23 -25	46

As of December 31, 1982, there were 1,369 Common Stock stockholders of record.

Additional Information

COPIES OF THE SEC FORM 10-K FOR 1982 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 20, 1983, in the General Offices of the Company located at 1100 Superior Avenue, Cleveland, Ohio.

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Renold D. Thompson was elected President and Chief Executive Officer on May 19, 1982. He succeeds John J. Dwyer, President since 1970, who was elected Vice Chairman. Mr. Thompson, formerly Executive Vice President, joined the Company in 1952. He advanced through various executive positions, including Vice President of Vessel and Mining Operations, Senior Vice President and Executive Vice President-Operations. He also is a Director.

To the Stockholders of Oglebay Norton Company

Early in 1982, as the prospects of a serious recession became apparent, your Company took prompt action to reduce its operations and control its costs. Iron ore, lake transportation and manufacturing segments first were affected by the downturn in the steel industry which hopefully reached bottom during the latter part of 1982. By that time, the impact of the now worldwide economic decline was felt by all of our businesses.

Prompt reaction coupled with good performance by our nonsteel related businesses, the completion of important capital improvement programs and the dedicated efforts of our employees resulted in reasonable profit performance and continuity of regular dividends for our stockholders.

Net income for 1982 was $9,773,000 or $2.78 per share compared with $23,919,000 or $6.77 in 1981. Return on equity decreased to 6.9 percent compared with 18.1 percent in 1981. Cash flow from operations decreased to $19,144,000 from $43,279,000 in 1981 Financing of the M/V Columbia Star increased interest expense $2,260,000 in 1982, reducing net income approximately 77 cents per share. Interest expense related to the vessel prior to her delivery was capitalized and charged to the asset. The provision for income taxes reflects, for financial reporting purposes, utilization of current investment tax credits and favorable adjustments based upon beneficial tax decisions.

Operating Performance in 1982

Texas Mining Company sales in 1982 closely approached the previous year's record results in a period which witnessed depressed demand in the oil fields. A $7,300,000 facility improvement program was completed at midyear. The Company has effectively controlled its costs and strengthened its ability to compete in the future.

Central Silica Company sales nearly equalled the 1981 record, despite slack demand from metalworking customers. Glass container and home insulation markets remained firm throughout the year. The Company has expanded its Millwood, Ohio plant for entrance into the fracture sand market during 1983.

Fluorspar briquette sales to the steel industry declined markedly in 1982, but the Brownsville, Texas operation has expanded its product line to enter nonsteel related markets in 1983.

Production of iron ore pellets at **Eveleth Mines** fell

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Oglebay Norton

to about 75 percent of capacity. The decline in demand caused a significant tightening of operations that resulted in improved productivity, quality control and cost reduction. Except for short downtimes for maintenance and repairs, Eveleth Mines was fortunate to be able to continue operation although at a reduced level.

Saginaw Mining Company sales and shipments of coal for an electric utility customer equalled the 1981 performance. Blending of low-sulphur coal with the Saginaw product again was required in 1982 in order to meet our customer's mandated combustion emission standards. Our agency sales of coal mined by others decreased.

Operating at about half of its fleet capacity, the Company's **Great Lakes fleet** saw its total operating income fall by about half after a very strong performance in 1981. It was a difficult year for personnel afloat and ashore, but 1982 produced new highs in efficiency, cost reduction and safety. The Steamers Armco and Middletown operated their first season as self-unloading vessels, and conversion of the S/S Reserve began during the second half of 1982.

Rail-to-barge coal transport declined sharply at **Ceredo Dock** in 1982, but contract tonnage at the **Licking River Terminal** helped the newer facility achieve record coal transshipment.

Ferro Engineering and **T & B Foundry** both felt the full impact of the steel decline, but they are poised to return to profitable operation when steel production reaches more normal levels.

Outlook for 1983

Heading into the recession, our properties were well maintained and our current capital improvement programs virtually complete. No consequential capital outlays will be required in the near term. Over the past four years, the Company has committed nearly $128,000,000 in capital expenditures. Our physical facilities are in good shape.

Our goals remain unchanged. The philosophies of our leadership endure. John J. Dwyer was elected Vice Chairman of the Board in May, 1982. He left the active direction of Company affairs after a term as President that began in 1970. His leadership has assured Oglebay Norton the strength to prevail in difficult times and to grow in the 1980's. We were pleased to announce in May the election of two new Directors: William G. Bares, President, The Lubrizol Corporation, and C. Wesley Rowles, retired Senior Vice President — Finance, Armco Inc., but mark with sadness the passing of George F. Karch, a valued Director of the Company from 1957 to April, 1982.

Prospects for our silica operations in 1983 appear equal to the near-record 1982 performance. Oil and gas well fracture sand sales should remain at high levels, but there will be new pressure resulting from overcapacity as new producers enter the market. Little expansion is forecast for iron ore sales since our customers' iron ore inventories remain high and the anticipated steel industry recovery probably will trail the general economic upswing. Our manufacturing operations will move with the steel market, but coal sales should equal the 1982 performance.

The negotiation of labor contracts that do not impede our ability to sell our products and services will be essential to our progress in 1983. Labor agreements covering hourly employees of Oglebay Norton Taconite Company and the officers and certain vessel personnel expire August 1, 1983, and October 15, 1983 for Ferro Engineering Division's Cleveland, Ohio and Chicago, Illinois employees. It is of vital importance that these new agreements halt the rapid escalation of employment costs that have occurred in the past decade.

New labor accords, the pace of economic recovery and possible hasty action by the Congress on acid rain remain matters of concern. There are encouraging signs, however, that noninflationary labor contracts will be achieved, that the nation's economy is rising from the fourth quarter low of 1982, and that emotional public debate on acid rain will give way to the kind of cooperative scientific research necessary to guide new environmental legislation.

The much desired return to a growing national economy appears difficult but certainly possible. While strictly a matter of judgment, our best indicators provide evidence that the recession did, in fact, bottom out by the end of 1982 and that gradual improvement will continue through 1983. Recognizing the performance and favorable morale of our employees and the loyalty of our customers, we remain optimistic about the future of your Company.

Courtney Burton

Chairman of the Board

President and Chief Executive Officer

March 25, 1983

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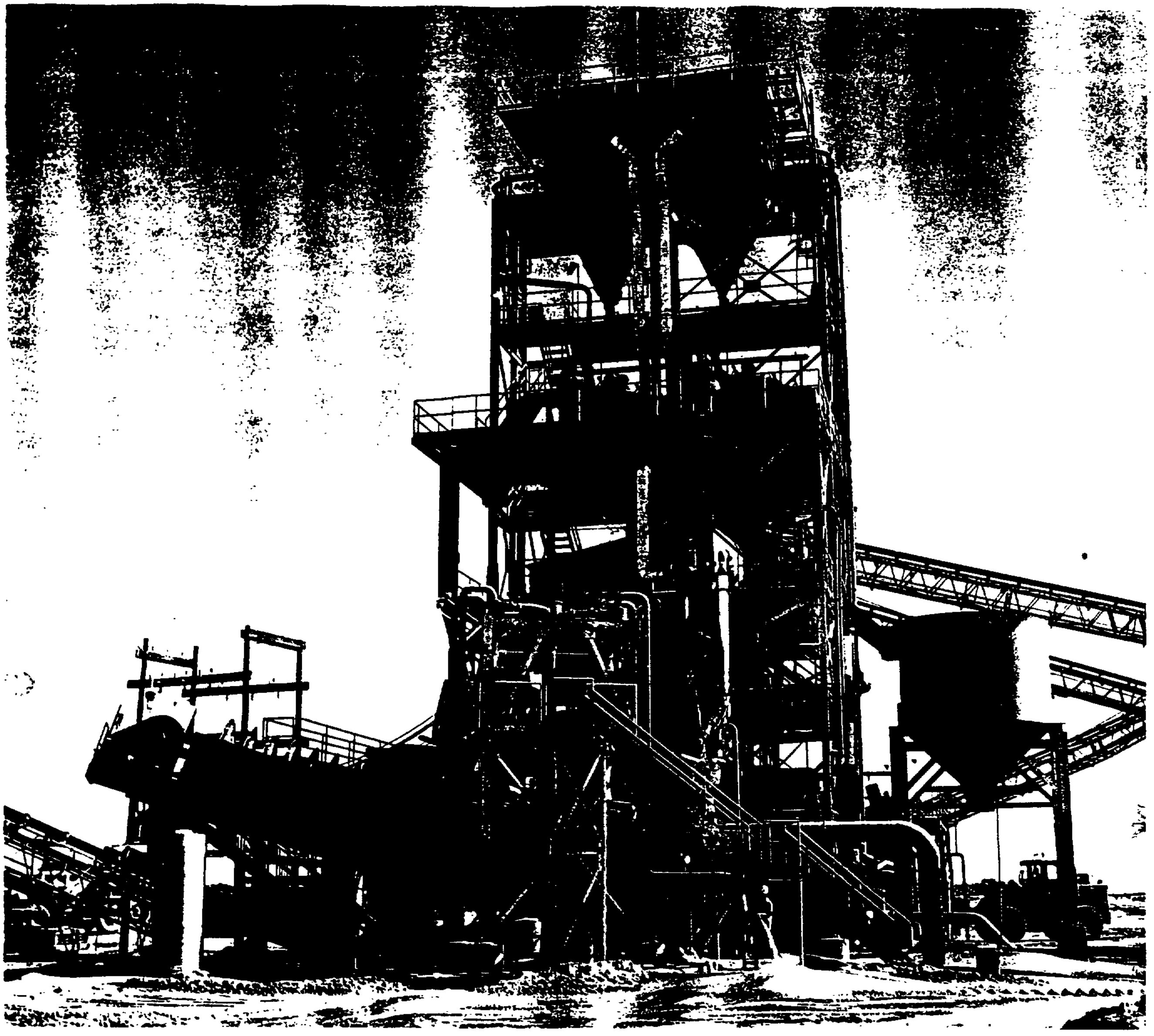


INDUSTRIAL MINERALS

Oil and Gas Well Fracture Sand

Texas Mining Company total tonnage sales declined a small percentage from the 1981 record despite a severe reduction in general demand for proppant sands, the Company's principal product. Proppant sands (or fracture sands) are used by oil well service companies to increase oil and gas production.

The world oversupply of crude oil caused the United States oil drilling rig count to fall 40 percent during 1982, but Texas Mining fracture sand tonnage sales held near the previous year's record level. The Company's location permits competitive access to 65 percent of the total market, and its favorable rail rates and quick reaction to market price competition resulted in sustained high levels of fracture sand sales. Tonnage sales of sandblast sand and pulverized sand produced in Texas and California for construction and geothermal use declined substantially.

The Company's $7.3 million expansion program was completed when a new washing plant at Voca, Texas came on-stream during the year. Labor and energy costs have been reduced, and annual overall operating cost increases held to about one-third of the 1981 level.

Quartzite Sand

Central Silica Company experienced the second best year in its history despite declining demand in several of its markets. The company mines and processes silica products for the metals, ceramic and glass industries.

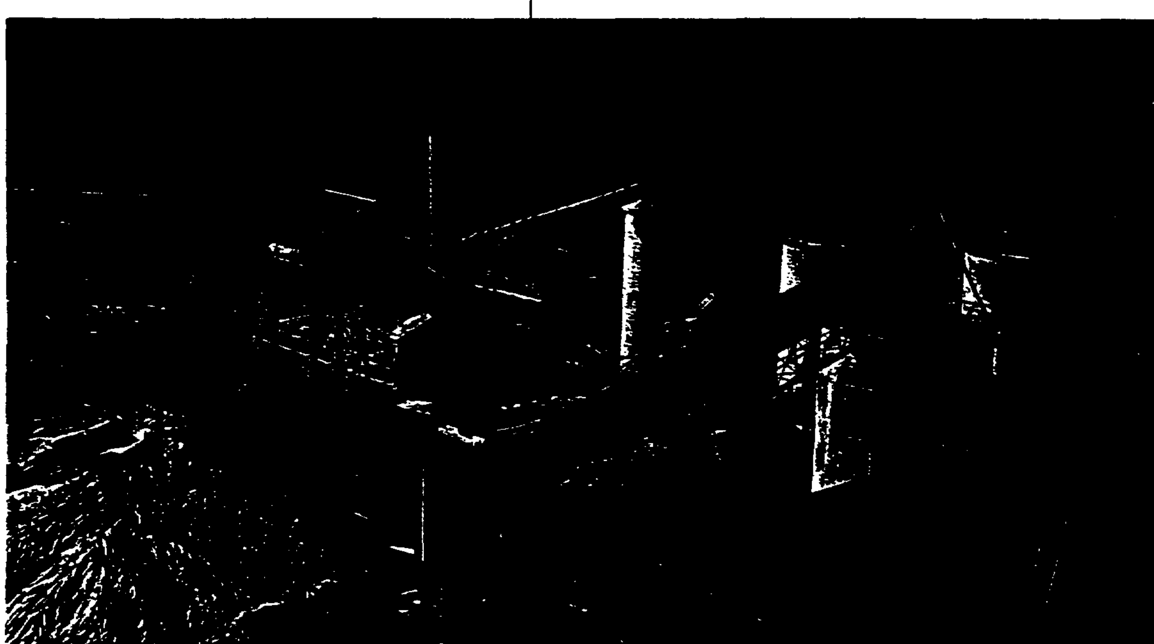
Foundry sand and silica flour shipments to the steel and automotive industries were depressed throughout 1982. Tableware and other ceramic customers also operated at significantly reduced levels, but persistent strong demand from high-volume glass container and fiber glass customers largely offset declining sales to others.

A new sand screening circuit placed in operation at the Millwood, Ohio facility to increase capacity and improve quality also has positioned Central Silica to enter a new market for the company. Fracture sand produced there will serve oil and gas well drilling customers in Southeastern Ohio. New sand scrubbing facilities should be completed in the second quarter of 1983. A three-year labor contract was negotiated in August 1982.

Fluorspar

Very low operating rates at steel customers' mills resulted in a corresponding low demand for briquetted fluorspar produced at Brownsville, Texas. The addition of a dryer in 1981 and bagging facilities in 1982 has enabled penetration into new nonsteel markets. Much of the year was devoted to sales efforts and sample and production tests for these new customers, and the fourth quarter of the year witnessed improving sales.

Left: Texas Mining Company commenced operation of a new sand washing plant at Voca, Texas early in 1983. The new facility increases plant capacity, and additional washing stages provide improved quality control. The new washing plant is part of a $7.3 million improvement program completed in 1982.



Central Silica Company Glass Rock Division (right) and Millwood, Ohio operations nearly equalled the record results of 1981 as demand by glass container and insulation customers remained firm throughout 1982. New sand scrubbing facilities at Millwood will come on line during 1983.

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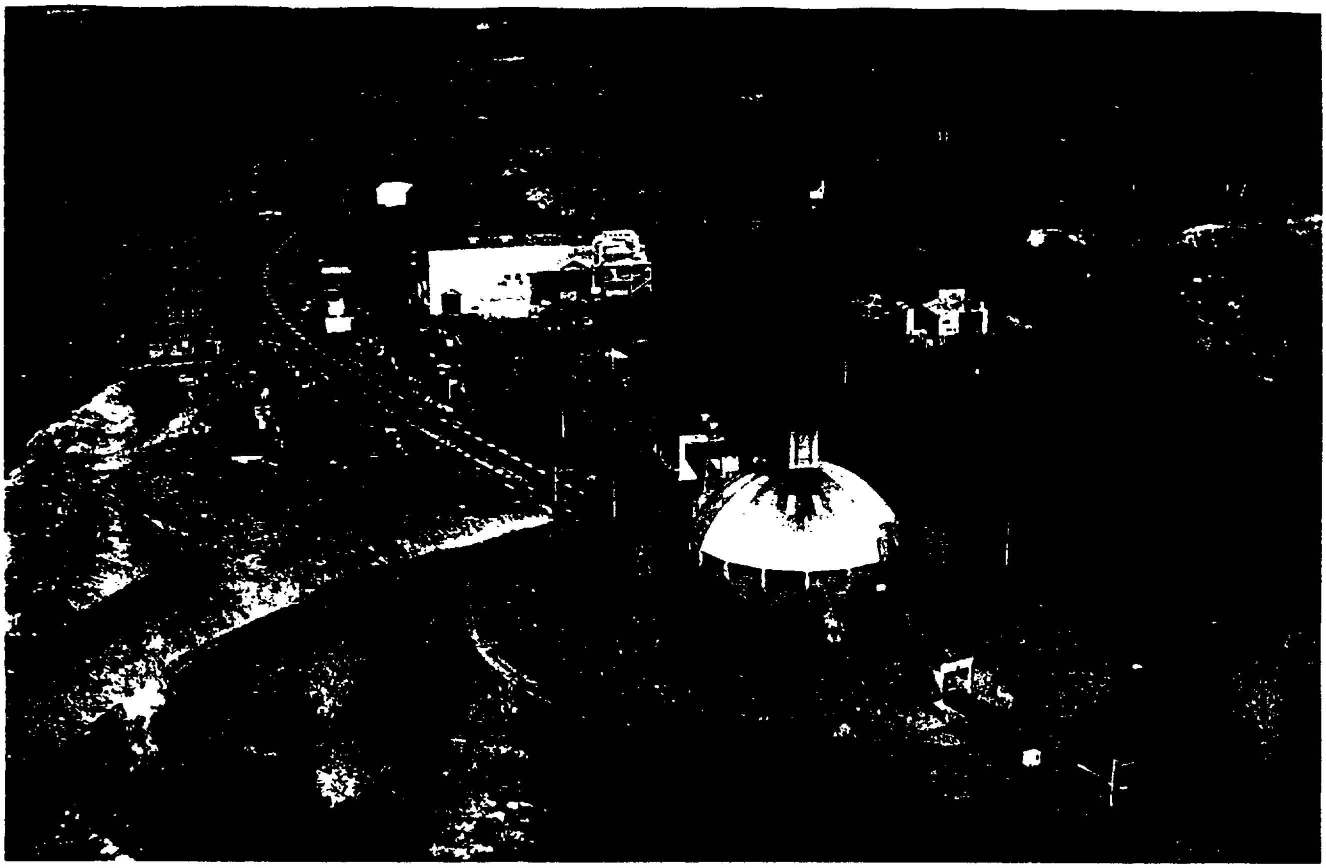
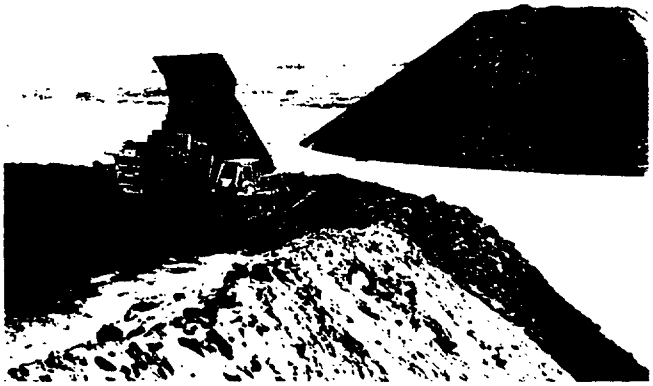
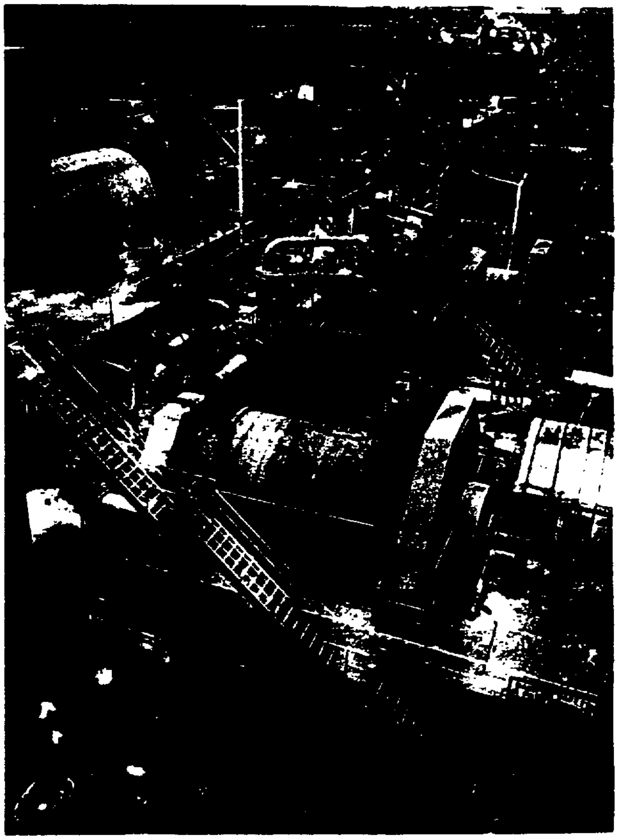






A new truck maintenance building (upper right of photo) completed in 1982 at the Thunderbird South Mine near Eveleth, Minnesota speeds care and repair of vehicles at the mine site. Coarse iron ore moves from crushing building (upper left) to loadout surge beneath domed protective cover.

Grinding line at Fairlane Plant includes rod mills, ball mills and cyclones. Grinding stages result in finely ground particles which are thickened to become wet concentrate. Iron-bearing particles are magnetically separated, rolled into pellets and heat hardened to withstand shipment.

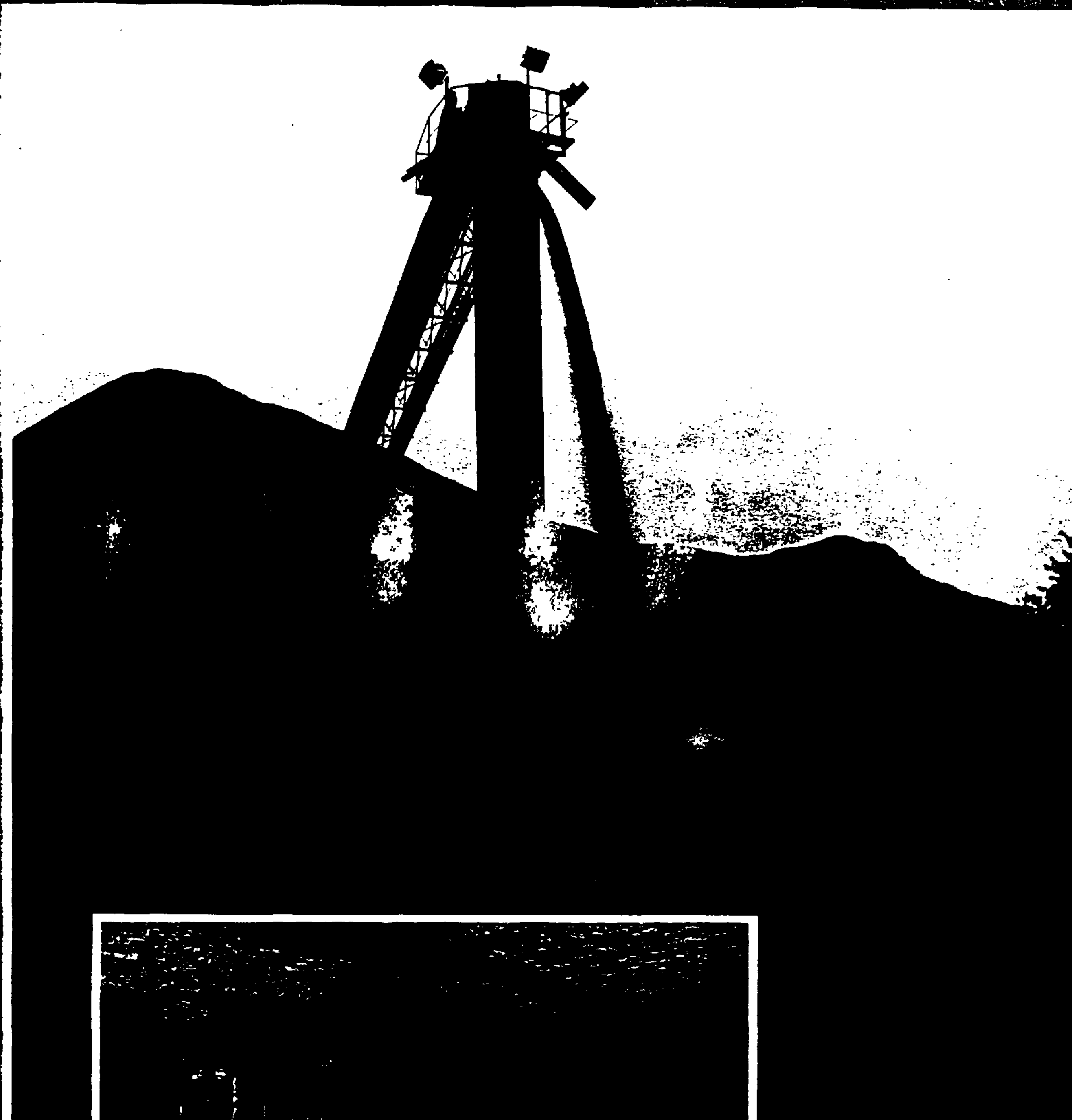
IRON ORE

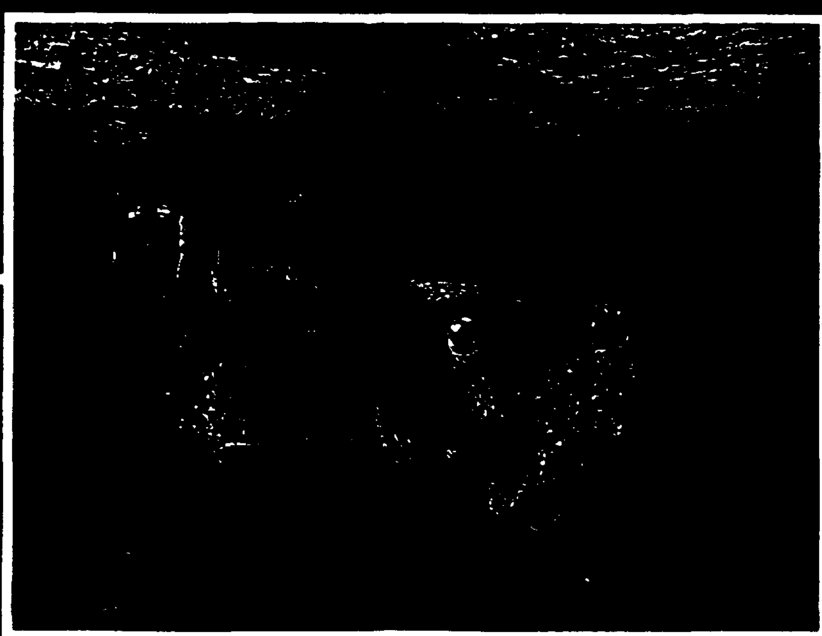
The impact of the recession on Eveleth Mines' steelmaking partners and customers ended a 19-year effort to continuously increase production of iron ore pellets. In 1982, the central objectives became sustained high quality achieved at lower production rates with greater efficiency in order to contain rising costs and to reduce cash outlays.

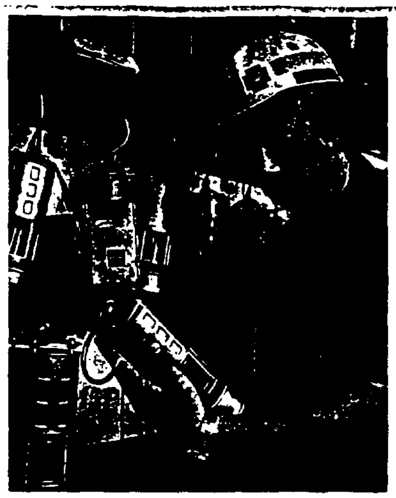
Operations were maintained at near capacity levels until early June when mining and processing were reduced by approximately one-third. Hourly employees were scheduled on a 32-hour workweek and 16 percent were placed on layoff status. Operations were optimized by utilizing the most efficient equipment. Total production for 1982 declined to about 75 percent of rated capacity.

Major repairs and improvements in the pelletizing plant early in the year resulted in improved pellet physical characteristics, increased plant availability and heat energy reduction of 17 percent in the large pelletizing unit. A new preventive maintenance system was implemented throughout the operations employing a new state-of-the-art computer. All expenses were reviewed critically and steps taken to achieve greater productivity and reduce costs.

Capital items of $2,300,000, a 60 percent reduction from 1981, included additional land for stockpiling, new mine maintenance facilities and process control equipment.







COAL

Saginaw Mining Company

Coal sales remained stable at the Saginaw Mining Company, a subsidiary of Oglebay Norton Company located near St. Clairsville, Ohio. The Company mines coal sold under long-term contract to a major Ohio electric utility.

Shipments in 1982 compared with 1981 levels despite extensive downtime of our customer's electric power generating units throughout the year. Sporadic reduced demand for coal caused the mine to remain idle several times during the year, necessitating a reduction in the work force in the fourth quarter.

In order to reduce production costs, efforts were redoubled to improve safety performance, increase mine productivity, reduce employee absenteeism and downtime on mining equipment.

Saginaw Mining customer's sulphur dioxide emission standards appear to have stabilized for the present, but the blending of a low-sulphur coal with the Saginaw product is still required to meet present sulphur dioxide limitations. The possibility of hasty action by the Congress on so-called acid rain, however, poses a new threat to the future of Ohio coal. The Midwest has been charged as the origin of acid rain, thought by some to be responsible for acidification of lakes and forests in the northeastern states and Canada. While there is no fact or documentation for the source and long range transport of sulphur dioxide and oxides of nitrogen, legislation now before Congress would penalize midwestern generating plants, greatly increase electricity costs and threaten the future of coal as an energy source.

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 decreased substantially over the very strong performance of 1981.

Coal sales in 1982 compared with the previous year levels. Oglebay Norton operates the Saginaw Mine, an underground bituminous coal mine in Belmont County in Ohio. The mine is served by unit trains which deliver coal to an electric power generation customer in Northeast Ohio.

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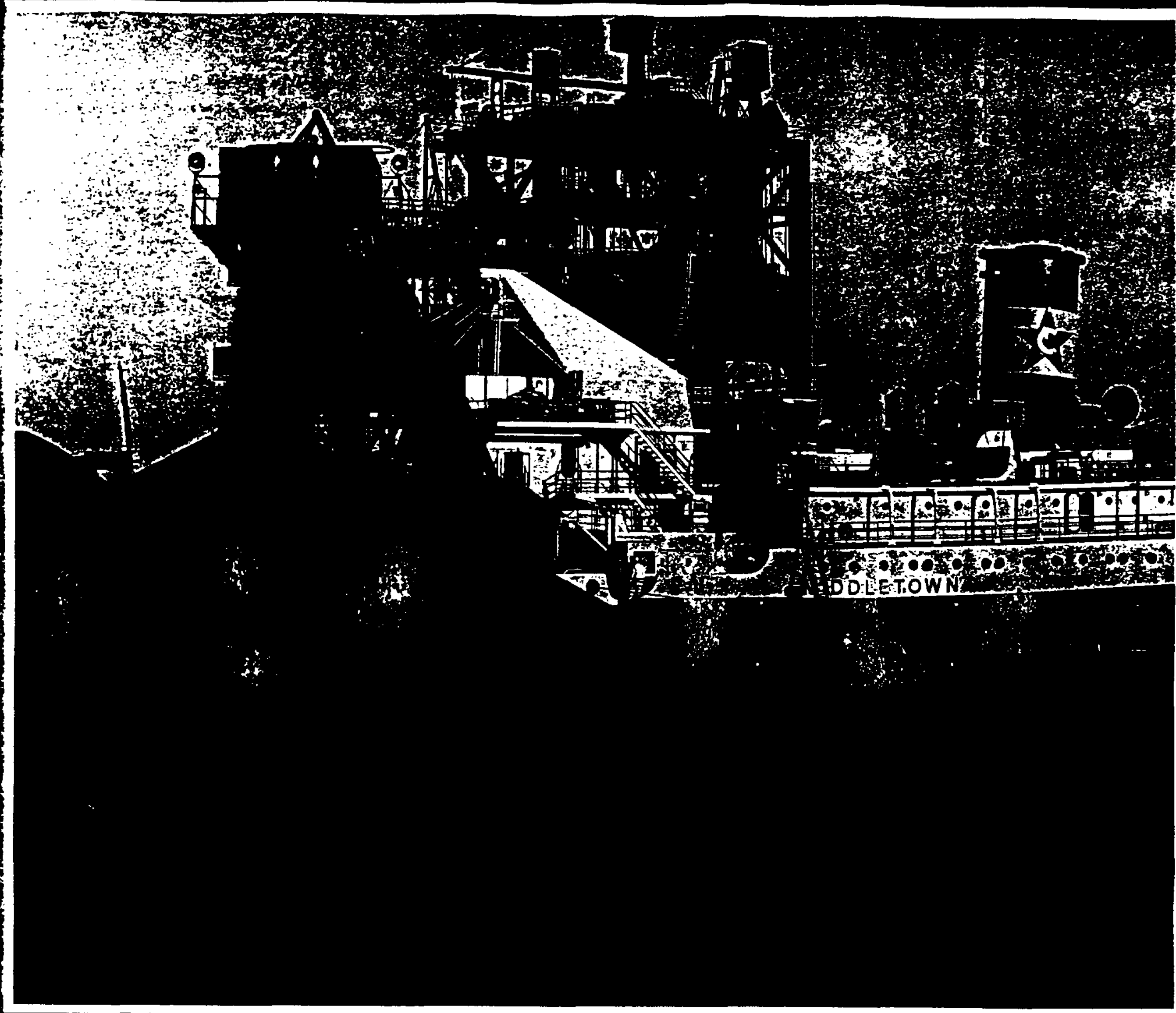

DDLETOWN


RESERV

TRANSPORTATION

Great Lakes

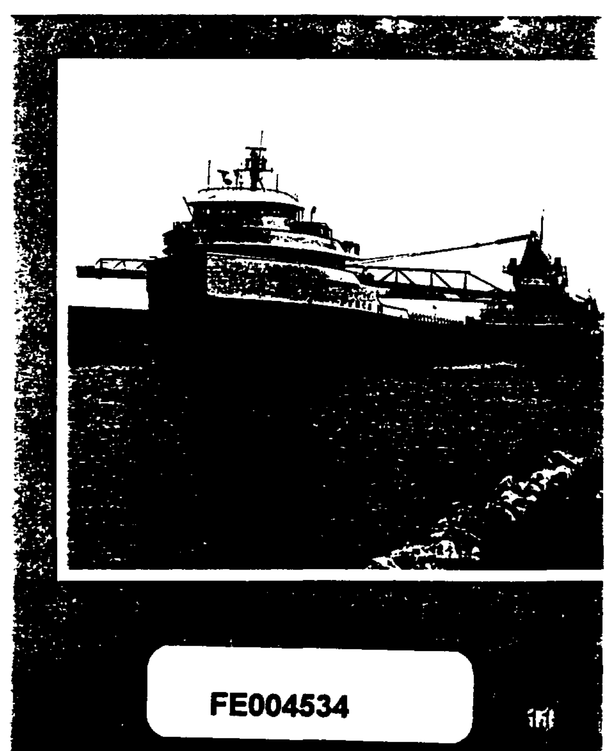
The tonnage volume carried by the Oglebay Norton fleet during the 1982 sailing season was the lowest since 1949. As sales of automobiles, appliances and machinery plummeted, steel customers shuttered older facilities and operated at depression levels. The resulting decline in demand for taconite pellets, limestone, coal and other raw materials caused the Oglebay Norton fleet to operate at 52 percent of season capacity. This very low demand resulted in the operation of the most efficient equipment by the most experienced personnel, but precluded increases in rates to recover operating cost increases.

The combination of optimum equipment and seasoned crews coupled with the effort to operate efficiently and control costs resulted in significant gains in productivity. Safety performance was excellent, and the effort to maintain that momentum will continue in 1983.

The S/S Armco and the S/S Middletown were converted to self-unloading vessels at Sturgeon Bay, Wisconsin during the winter of 1981-82, rejoining the fleet during the past season. Vessel conversions require extensive alterations to the cargo deck, addition of a conveyor system and a 250-foot conveyor boom, but they add great flexibility and unloading speeds of 6000 tons an hour or more.

The S/S Reserve arrived at the Sturgeon Bay shipyard in late summer for a similar conversion. This work will be completed during the second quarter of 1983.

Three fleet vessels have been converted to self-unloaders since the winter of 1981-1982. The S/S Middletown and S/S Armco were converted and ready for service in 1982. The S/S Reserve will be delivered in the second quarter of 1983. Self-unloading vessels increase productivity and flexibility of operations.



Conversion of the S/S Reserve (left) early in 1983 completes the current fleet improvement program. Oglebay Norton Company's active Great Lakes fleet now includes 13 self-unloaders and three straight deck vessels.

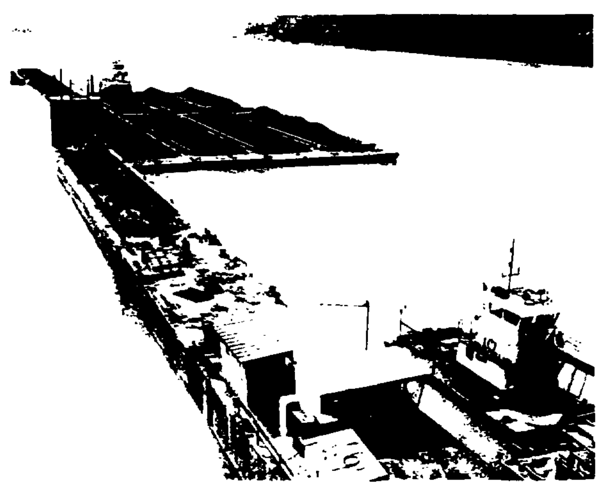
TRANSPORTATION

Continued

Coal Loading

Ceredo Dock experienced severe reductions in rail-to-barge coal tonnage transport in 1982. The dock at Ceredo, West Virginia serves two railroads and Ohio River barge companies, trans-loading metallurgical and steam coal for domestic use and the export market. The Dock recorded its first reduction in work force since 1963. Metallurgical coal shipments declined sharply with the general economy. Steam coal customers, although affected by the recession and mild weather, did not reduce barge loadings drastically and, in fact, hold the best promise for increased volumes through Ceredo Dock in 1983.

Rail-to-barge coal loading at the Licking River Terminal near Cincinnati, Ohio achieved a record tonnage volume in 1982. The highly automated terminal serves both spot and contract customers. Contract tonnage primarily was responsible for the record volume.



Rotary car dump (above) at Licking River Terminal near Cincinnati unloads rail cars at the rate of one every two minutes. Coal is sprayed with a wetting agent to control dust.

Loaded barges are rafted awaiting their tow at Ceredo Dock, Ceredo, West Virginia. Harbor boat in foreground was designed for rapid, precise movement of river barges.

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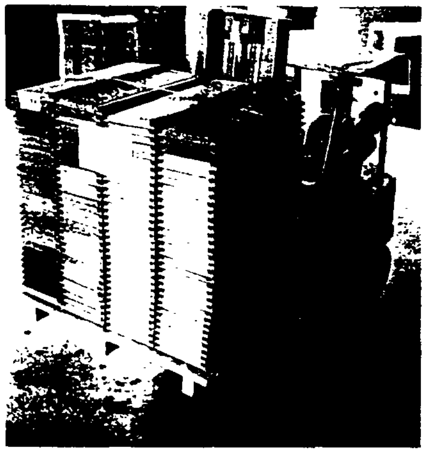

MANUFACTURING

Ferro Engineering

Ferro Engineering Division sales reduced in direct proportion to the continuous decline of steel production which reached record low levels at year-end. Virtually all of Ferro's customers closed their plants for at least part of the year due to the lack of orders.

Several of Ferro's manufacturing facilities were shut down for varying periods for the same reason. Unfortunately, raw material and labor costs continued to increase during the year while selling prices were under extreme pressure, resulting in reduced margins. Supervisory and staff forces were reduced to the lowest practical level.

Progress was made in reducing or eliminating certain products with inadequate profit margins or which had not reached satisfactory levels of production. In some cases these products were replaced by new manufactured products with improved margin and better field performance. The Division is in position to record much improved efficiency given a return to moderate levels of industry activity.

Ferro Engineering Division insulating products (above) are readied for steelmaking customers at the Cleveland, Ohio plant. T & B Foundry (right) operates a gray and ductile iron foundry in Cleveland.

T & B Foundry

The steel industry and machine tool manufacturers, traditionally strong customers for iron castings, suffered serious cutbacks in production and operated at a depressed level for most of the year. These negative pressures on foundry production made it necessary to curtail production to about 50 percent of normal operations. A sizable layoff became imperative for both hourly and salaried employees. Capital expenditures were trimmed to essentials, and raw materials were purchased selectively in order to obtain the lowest prices possible without any loss in quality.

T & B Foundry continued its program to develop new customers during 1982 and capture a larger share of the casting market best suited to its operation. Some success was achieved in this effort but not enough to overcome the worsening conditions in the iron casting market. Programs to lower costs and increase the Company's competitiveness in the national market will go forward in 1983.

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Industry Data[1]

Oglebay Norton Company and Subsidiaries

		INDUSTRY Industrial Minerals	Iron Ore
1982			
	Identifiable assets	$25,634,035	$25,451,757
	Depreciation and amortization expense	1,773,318	3,024,828
	Capital expenditures	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
	Capital expenditures	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
1980			
	Identifiable assets	$18,648,831	$20,854,094
	Depreciation and amortization expense	1,450,555	4,017,531
	Capital expenditures	3,532,147	1,678,471
	Net sales, operating revenues, sales commissions, royalties and management fees	23,517,271	49,546,294
	Operating profit:		
	Segment profit contribution	5,349,893	8,945,305
	Company's proportionate share in interest expense of Eveleth Mines		(4,108,135)
		$ 5,349,893	$ 4,837,170

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

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

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Oglebay Norton

SEGMENTS

Coal	Transportation	Manufacturing	Total Segments	Corporate	Consolidated
$ 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
$10,475,675	$135,883,511	$13,269,394	$199,131,505	$30,917,372	$230,048,877
576,667	4,345,355	683,916	11,074,024		11,074,024
260,588	32,823,537	1,000,895	39,295,638		39,295,638
23,423,762	62,340,744	21,384,371	180,212,442		180,212,442
3,584,696	13,400,142	898,931	32,178,967	(6,503,614)[2]	25,675,353
			(4,108,135)		(4,108,135)
$ 3,584,696	$ 13,400,142	$ 898,931	$ 28,070,832	$(6,503,614)	$ 21,567,218

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Consolidated Summary of Operations and Other Financial Data

Oglebay Norton Company and Subsidiaries

	Year Ended December 31				
OPERATIONS	1982	1981	1980	1979	1978
Net sales and operating revenues	**$164,124,530**	$202,293,099	$172,526,381	$186,847,935	$157,890,032
Sales commissions, royalties and management fees	**7,465,450**	8,686,570	7,686,061	6,841,599	6,523,137
Gross operating income	**171,589,980**	210,979,669	180,212,442	193,689,534	164,413,169
Cost of goods sold and operating expenses	**144,846,087**	164,403,118	146,801,891	157,089,497	131,422,403
Income before taxes	**8,173,329**	29,530,370	21,567,218	25,279,826	20,010,059
Income taxes					
Current	**1,150,000**	(1,250,000)	661,000	1,598,000	1,631,000
Deferred	**(2,750,000)**	6,861,000	3,623,000	6,570,000	4,019,000
	(1,600,000)	5,611,000	4,284,000	8,168,000	5,650,000
Net income	**9,773,329**	23,919,370	17,283,218	17,111,826	14,360,059
Depreciation, amortization and depletion	**12,120,768**	12,498,862	11,074,024	10,592,886	9,317,484
Expenditures for properties and equipment	**20,278,534**	40,999,132	37,617,288	29,019,376	15,363,858
PER SHARE DATA					
Net income	**$ 2.78**	$ 6.77	$ 4.92	$ 4.83	$ 4.08
Dividends	**2.16**	1.92	1.63	1.50	1.30
Equity	**40.85**	40.24	35.41	32.17	28.82
OTHER STATISTICS					
Total assets	**$280,670,636**	$283,800,634	$230,048,877	$200,435,040	$168,426,398
Long-term debt	**45,600,000**	47,600,000	29,600,000	11,300,000	—0—
Common stockholders' equity	**143,347,474**	141,118,958	123,554,484	111,502,393	99,078,781
Total dividends declared	**7,577,874**	6,722,793	5,682,660	5,194,032	4,466,498
Average shares of Common Stock outstanding	**3,517,918**	3,532,757	3,515,742	3,544,908	3,515,490
Shares of Common Stock outstanding at year-end	**3,509,025**	3,507,025	3,489,650	3,465,612	3,437,934

FE004539

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

Financial Condition

The Company's current financial position remains strong, despite reduced business due to general economic conditions, with net current assets amounting to $33,400,000 in 1982, as compared to $43,700.000 in 1981, and $21,300,000 in 1980. The Company has in place with several banks credit arrangements of $60,000,000 of which $18,100,000 is used at year end to support commercial paper issued for the bridge financing of the Columbia Star. Current financial resources and funds from operations are expected to be adequate to meet the Company's needs during 1983.

Capital expenditures amounted to $20,300,000, $41,000,000, and $37,600,000 for the years 1982, 1981, and 1980, respectively. By the end of 1982, the Company completed the conversion of three bulk vessels to self-unloaders. The fourth conversion will be completed in 1983 and will complete the planned upgrading of the Company's vessel fleet. The conversions have been financed through the use of the Company's Capital Construction Fund. The remaining payments on the fourth conversion, approximately $5,000,000 as of December 31, 1982, will be paid from the general funds of the Company.

The Columbia Star, which entered service in 1981, is being financed through the use of Title XI Bonds guaranteed by the U.S. Government under the Federal Ship Financing Program. As of December 31, 1982, $27,500,000 of Title XI Bonds were issued and outstanding. The Company will issue the remaining bonds, approximately $18,100,000, when it is deemed appropriate.

Results of Operations

The Company's financial results reflect the decline in demand for its products and services in all areas of our business, principally in the steel-related areas such as iron ore, transportation, and manufacturing.

Net income for 1982 was $9,773,000 or 41% of 1981 net income. Net income for 1981, a record year, amounted to $23,919,000, as compared to 1980 net income of $17,283,000.

Net sales and operating revenues, sales commissions, royalties, and management fees for 1982 were $171,590,000, which was $39,390,000 less than the 1981 comparable amounts. The reduction results from the decreased demand for our products and services in iron ore mining, transportation, and manufacturing due principally to the decline in North American steel production. Net sales and operating revenues for 1981 amounted to $210,980,000, or an increase of $30,768,000 over 1980, which principally occurred in transportation and coal. The demand for transportation of iron ore and other bulk commodities in 1981 recovered from an unusually low level in 1980. Coal revenues increased in 1981 due to greater shipments of coal from Saginaw Mining Company.

Cost of goods sold and operating expenses for 1982 amounting to $144,846,000 decreased by $19,557,000 from 1981 levels due to the Company's curtailment of certain operations on a timely basis to match the demand for our products and services. The major reductions occurred in iron ore mining, which operated at near-capacity levels until June, when mining and processing were reduced by one-third, reducing total production to about 75% of rated capacity for 1982, and Great Lakes shipping which operated at about 52% of capacity for the year. Cost of goods sold for 1981 was $164,403,000 or approximately $17,600,000 greater than in 1980. The 1981 increase resulted from the greater number of sailing days and increased production and shipment of coal to an electric utility customer.

Interest expense for 1982 was $6,282,000, an increase of $2,260,000 over 1981, due to the financing of the Columbia Star, which was placed in service in 1981. The interest prior thereto was capitalized and charged to the asset.

Income taxes in 1982 resulted in a credit, which reflects the use of investment tax credits for financial reporting purposes.

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.

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Consolidated Balance Sheet

Oglebay Norton Company and Subsidiaries

	December 31 1982	1981
ASSETS		
CURRENT ASSETS		
Cash	**$ 1,414,693**	$ 1,688,892
Marketable securities	**29,530,228**	36,582,116
Accounts receivable	**26,013,018**	27,415,252
Inventories		
Finished products and materials	**5,918,432**	7,101,500
Operating supplies and materials	**2,798,502**	2,929,993
	8,716,934	10,031,493
Prepaid insurance and other expenses	**1,915,717**	2,209,412
TOTAL CURRENT ASSETS	**67,590,590**	77,927,165
INVESTMENTS	**23,215,879**	23,862,144
CAPITAL CONSTRUCTION FUND	**—0—**	2,974,905
PROPERTIES AND EQUIPMENT		
Transportation equipment	**205,439,181**	189,841,330
Mining properties and equipment	**42,964,953**	39,087,484
Manufacturing properties and equipment	**15,726,840**	15,381,383
	264,130,974	244,310,197
Less allowances for depreciation, amortization and depletion	**78,087,718**	69,308,784
	186,043,256	175,001,413
DEFERRED CHARGES	**3,820,911**	4,035,007
	$280,670,636	$283,800,634

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Oglebay Norton

	December 31 1982	1981
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	**$ 6,880,873**	$ 5,305,081
Payrolls and other accrued compensation	**8,233,531**	9,780,257
Accrued pension contribution	**6,238,171**	5,688,134
Accrued taxes and other expenses	**8,016,950**	7,372,445
Accrued workers' compensation insurance	**2,516,690**	2,999,234
Income taxes	**2,305,470**	3,076,823
TOTAL CURRENT LIABILITIES	**34,191,685**	34,221,974
CAPITAL LEASE OBLIGATIONS, less current portion	**—0—**	578,225
LONG-TERM DEBT	**45,600,000**	47,600,000
DEFERRED INCOME TAXES	**57,531,477**	60,281,477
STOCKHOLDERS' EQUITY		
Preferred Stock, without par value — authorized 400,000 shares; none issued		
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	**7,103,099**	7,093,951
Retained earnings	**134,024,290**	131,828,835
	144,754,055	142,549,452
Less shares of Common Stock in treasury, at cost 1982 — 117,641; 1981 — 119,641	**1,406,581**	1,430,494
	143,347,474	141,118,958
	$280,670,636	$283,800,634

See notes to consolidated financial statements.

FE004542

Consolidated Statement of Income

Oglebay Norton Company and Subsidiaries

	Year Ended December 31 1982	1981	1980
INCOME			
Net sales and operating revenues	**$164,124,530**	$202,293,099	$172,526,381
Sales commissions, royalties and management fees	**7,465,450**	8,686,570	7,686,061
Interest and other income	**3,187,250**	2,605,979	2,884,847
	174,777,230	213,585,648	183,097,289
COSTS AND EXPENSES			
Cost of goods sold and operating expenses	**144,846,087**	164,403,118	146,801,891
General, administrative and selling expenses	**15,476,253**	15,629,943	14,416,510
Interest expense	**6,281,561**	4,022,217	311,670
	166,603,901	184,055,278	161,530,071
INCOME BEFORE TAXES	**8,173,329**	29,530,370	21,567,218
INCOME TAXES			
Current	**1,150,000**	(1,250,000)	661,000
Deferred	**(2,750,000)**	6,861,000	3,623,000
	(1,600,000)	5,611,000	4,284,000
NET INCOME	**$ 9,773,329**	$ 23,919,370	$ 17,283,218
NET INCOME PER SHARE	**$2.78**	$6.77	$4.92

See notes to consolidated financial statements.

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Oglebay Norton

Consolidated Statement of Changes In Financial Position

Oglebay Norton Company and Subsidiaries

	Year Ended December 31 1982	1981	1980
SOURCE OF FUNDS			
From operations			
Net income	$ 9,773,329	$23,919,370	$17,283,218
Items not affecting working capital:			
Depreciation and amortization	12,120,768	12,498,862	11,074,024
Deferred income taxes	(2,750,000)	6,861,000	3,623,000
TOTAL FROM OPERATIONS	19,144,097	43,279,232	31,980,242
Increase in long-term debt	—0—	18,000,000	27,500,000
Proceeds from sale of tax benefits, net of investment tax credits of $4,900,000	—0—	10,094,000	—0—
Decrease in Capital Construction Fund	2,974,905	1,717,258	3,214,141
Other	—0—	963,912	591,467
	22,119,002	74,054,402	63,285,850
USE OF FUNDS			
Expenditures for properties and equipment	20,278,534	40,999,132	37,617,288
Dividends declared	7,577,874	6,722,793	5,682,660
Increase in investments	2,367,110	3,924,871	4,817,790
Payments on bridge financing of Columbia Star	2,000,000	—0—	9,200,000
Other	201,770	—0—	—0—
	32,425,288	51,646,796	57,317,738
INCREASE (DECREASE) IN WORKING CAPITAL	$(10,306,286)	$22,407,606	$ 5,968,112
CHANGES IN COMPONENTS OF WORKING CAPITAL			
Increases (decreases) in current assets			
Cash and marketable securities	$ (7,326,087)	$20,601,274	$ 6,824,150
Accounts receivable	(1,402,234)	3,847,762	(4,235,859)
Inventories	(1,314,559)	2,266,458	(296,475)
Prepaid insurance and other expenses	(293,695)	550,910	(289,031)
	(10,336,575)	27,266,404	2,002,785
Increases (decreases) in current liabilities			
Accounts payable	1,575,792	(869,902)	(3,491,812)
Payrolls and other accrued compensation	(1,546,726)	827,551	(394,987)
Accrued pension contribution	550,037	672,632	466,018
Accrued taxes and other expenses	644,505	1,690,422	53,874
Accrued workers' compensation insurance	(482,544)	322,359	296,514
Income taxes	(771,353)	2,215,736	(894,934)
	(30,289)	4,858,798	(3,965,327)
INCREASE (DECREASE) IN WORKING CAPITAL	$(10,306,286)	$22,407,606	$ 5,968,112

See notes to consolidated financial statements.

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Consolidated Statement of Stockholders' Equity

Oglebay Norton Company and Subsidiaries

	Common Stock	Additional Capital	Retained Earnings	Common Stock In Treasury	Total Stockholders' Equity
Balance January 1, 1980	$2,417,802	$7,881,166	$103,031,700	$(1,828,275)	$111,502,393
Net income			17,283,218		17,283,218
Cash dividends declared $1.63 per share			(5,682,660)		(5,682,660)
Stock options and appreciation rights exercised		178,724		272,809	451,533
Three-for-two stock split declared February 25, 1981	1,208,864	(1,208,864)			—0—
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

See notes to consolidated financial statements.

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Oglebay Norton

Notes to Consolidated Financial Statements

Oglebay Norton Company and Subsidiaries
December 31, 1982, 1981 and 1980

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.

Marketable Securities: Marketable securities are stated at cost plus accrued interest which approximates market.

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 and 1980 amounted to approximately $2,014,000 and $3,109,000, respectively. No interest was capitalized during 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 $16,170,123 and $18,644,798 at December 31, 1982 and 1981, 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:

	1982	1981
Current assets	$ 6,067,755	$ 9,328,727
Properties — net	53,607,113	55,790,870
Other assets	1,513,705	1,656,638
TOTAL ASSETS	61,188,573	66,776,235
Current liabilities	7,877,750	8,276,067
Current portion of long-term debt	2,812,600	2,812,600
Long-term debt		
Series A First Mortgage Bonds		
9½%	27,060,000	29,315,000
10%	6,691,200	7,248,800
	33,751,200	36,563,800
Other liabilities	576,900	478,970
TOTAL LIABILITIES	45,018,450	48,131,437
EQUITY IN NET ASSETS	$16,170,123	$18,644,798

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 $28,211,000 and $35,333,000 for the years ended December 31, 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, and production is taken by the participants in like proportion. 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 marketable securities.

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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:

	1982	1981	1980
Balance January 1	$ 2,974,905	$ 4,692,163	$ 7,906,304
Deposits	6,542,095	12,160,587	9,589,494
Withdrawals	(9,517,000)	(13,877,845)	(12,803,635)
Balance December 31	$ —0—	$ 2,974,905	$ 4,692,163

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 AND APPRECIATION RIGHTS

Under an employees' stock option plan, which was terminated November 28, 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. Shares of Common Stock in treasury or authorized but unissued shares may be used in the plan. Activity with respect to stock options follows:

	1982	1981	1980
Outstanding January 1	99,650	121,162	174,600
Granted	—0—	8,200	—0—
Exercised	(2,000)	(21,424)	(24,038)
Expired	—0—	(8,288)	—0—
Canceled	(52,500)	—0—	—0—
Surrendered under SAR plan	—0—	—0—	(29,400)
Outstanding December 31	45,150	99,650	121,162

Option prices range from $10.16 to $28.75 per share. At December 31, 1982, options for 39,000 shares were exercisable. Termination of the Plan did not affect options granted prior thereto.

The Company's stock appreciation rights plan (the SAR Plan) authorizes the granting of stock appreciation rights in respect to any stock option granted or to be granted. Such rights permit an optionee, in lieu of exercising all or a portion of an option, to receive in cash or shares of the Company's Common Stock or a combination of cash and shares an amount not to exceed the excess of the market price of the Company's Common Stock on the date the right is exercised over the option price of the related option. Stock appreciation rights may not be exercised until six months after grant and only at a time when the related stock option is exercisable. There were no stock appreciation rights outstanding at December 31, 1982 or 1981.

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) 1982	1981	1980
Income taxes at statutory rate–46%	$ 3,760	$13,584	$9,921
Tax differences due to			
Benefits of percentage depletion	(1,367)	(1,233)	(1,144)
Investment tax credits	(2,390)	(6,998)	(3,496)
Benefits of income taxed at capital gains rates	(1,699)	(851)	(936)
Minimum tax	345	—0—	—0—
Other	(249)	1,109	(61)
Total income taxes	$(1,600)	$ 5,611	$4,284

At December 31, 1982, the Company has investment tax credit carryforwards amounting to $10,440,000 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 1991 through 1997.

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 $3,000,000 of similar credits earned through 1982. The Company believes that the prior favorable decision will continue to control the allowance of these credits.

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Oglebay Norton

Deferred income taxes consist of the following:

	(Thousands)		
	1982	1981	1980
Deposits to the Capital Construction Fund in excess of related charges	$1,700	$4,132	$3,176
Deductions in excess of related depreciation expense	1,816	1,167	1,534
Net investment tax credits	(4,814)	1,696	(1,911)
Other	(1,452)	(134)	824
Total deferred income taxes	$(2,750)	$6,861	$3,623

In November 1981, the Company sold for $14,994,000 certain tax benefits related to the vessel, 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 had been recognizing 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 commencing in 1982.

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 1982, 1981 and 1980 was $3,849,000, $3,682,000 and $3,175,000, 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. 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)		
	1982	1981	1980
Actuarial present value of accumulated plan benefits:			
Vested	$36,862	$33,536	$30,079
Nonvested	5,731	5,424	4,323
	$42,593	$38,960	$34,402
Assumed rate of return	6%	6%	6%
Net assets available for plan benefits	$33,594	$30,356	$26,635

The Company's consulting actuaries have estimated the present value of accumulated plan benefits would be equal to the net assets available for plan benefits at January 1, 1982 if the assumed rate of return were 8.9 percent.

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 $2,888,000, $2,797,000 and $2,472,000 for 1982, 1981 and 1980, 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 CAPITAL ASSET COMMITMENTS

Future minimum payments, by year and in the aggregate, under the capital lease and noncancelable operating leases consisted of the following at December 31, 1982:

	Capital Leases	Operating Leases	
		Vessel Charters	Total Including Vessel Charters
1983	$706,828	$ 2,921,116	$ 3,956,192
1984	—0—	2,921,116	3,875,850
1985	—0—	3,110,694	3,976,013
1986	—0—	3,110,694	3,936,213
1987	—0—	3,110,694	3,884,534
Thereafter	—0—	37,045,353	40,500,266
Total minimum lease payments	706,828	$52,219,667	$60,129,068
Amounts representing interest	39,121		
Present value of net minimum lease payments	$667,707		

Rental expense for all leases was $4,967,502, $5,099,563 and $4,848,066 in 1982, 1981 and 1980, respectively. In general, the leases are renewable or contain purchase options at the end of the lease term.

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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.

Commitments at December 31, 1982 for captial expenditures amounted to approximately $5,708,000.

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 1982.

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 Columbia Star and is as follows at December 31:

	1982	1981
Title XI Ship Financing Bonds at 13%, secured by a first preferred ship mortgage	$27,500,000	$27,500,000
Bridge Financing: Commercial paper	18,100,000	20,100,000
	$45,600,000	$47,600,000

The Company has authorization from the Secretary of Transportation to issue approximately $45,600,000 of Title XI Bonds guaranteed by the U.S. Government under the Federal Ship Financing Program. The proceeds from the obligations will be used to refinance all short-term obligations entered into by the Company for the purpose of bridge financing the Columbia Star, a 1000-foot self-unloading vessel commissioned in 1981. The Bonds mature in 2001 and require semi-annual sinking fund redemptions of $1,250,000 commencing on December 15, 1990. The Company may issue the remaining bonds up to May 29, 1983.

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 1982 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 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 two major steel producers and a major public utility exceeded 10% of consolidated sales and revenues and are summarized as follows:

1982	Customer A	Customer B	Customer C
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	$29,816,368	$23,376,230	$31 629,692

1981	Customer A	Customer B	Customer C
Industrial Minerals	$ 3,784	$ 177,324	
Iron Ore	11,378,497	22,177,293	
Coal			$29 344,257
Transportation	32,428,575	5,225,735	
Manufacturing	1,094,440	1,963,601	
Total	$44,905,296	$29,543,953	$29 344,257

1980	Customer A	Customer B	Customer C
Industrial Minerals	$ 968,236	$ 160,763	
Iron Ore	10,847,501	$23,163,946	
Coal			$20 325,208
Transportation	17,384,236	6,149,639	
Manufacturing	1,001,562	1,467,391	
Total	$30,201,535	$30,941,739	$20 325,208

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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, 1982 and 1981.

Three Months Ended	Net Sales and Operating Revenues	Gross Profit	Net Income	Net Income Per Share
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
1981				
December 31	$51,010,441	$ 7,979,704	$ 5,566,864	$1.57
September 30	75,557,081	17,411,539	11,439,598	3.24
June 30	52,363,811	8,055,086	4,423,031	1.25
March 31	23,361,766	4,443,652	2,489,877	.71

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, 1982 and 1981, 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, 1982. 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, 1982 and 1981, 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, 1982, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst + Whinney

Cleveland, Ohio
February 16, 1983

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 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.

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Supplemental Information on Changing Prices

Oglebay Norton Company and Subsidiaries

Background Information

The relevance of reporting an enterprise's financial position and results of operations based upon historical costs during periods of high inflation has been a topic of discussion among users of financial statements. The Financial Accounting Standards Board (FASB) mandated that certain companies disclose information about inflation's effects on the business of the enterprise. The supplemental information presented herein is supplied in accordance with the requirements of FASB Statement No. 33, "Financial Reporting and Changing Prices," for the purpose of providing certain information about the effects of changing prices. The FASB has ruled that two aspects of inflation will be computed in accordance with certain prescribed techniques and reported on an experimental basis. The information should be viewed as an estimate of the effects of inflation, rather than as a precise measure.

Management of the Company is fully aware of the effects of inflation on the business of the Company. Management believes it is important for financial statement users to develop an understanding of the more significant impacts of inflation. However, the dominant focus should continue to be upon financial statements based upon transaction-oriented historical prices. The supplemental data must be viewed with caution as must any other analytical and experimental data. The information cannot objectively portray all the financial and economic indicators. Therefore, the information is not intended to indicate the need for any management actions different than those already taken.

Methods of Measuring Effects of Changing Prices

The two methods prescribed by the FASB for measuring the effects of changing prices were used in calculating the information which follows.

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 is frequently referred to as the "constant dollar" method, since it restates historical cost financial data in terms of units of constant purchasing power.

The second method adjusts for "changes in specific prices." The objective of this method is to reflect the effects of changes in the specific prices of inventories and properties and equipment. This method is frequently referred to as the "current cost" method.

Review of Information Presented

Statement of Net Income

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 Statement of Net Income Adjusted for Effects of Changing Prices is presented for the year ended December 31, 1982.

Although the adjustments described above affect pretax income for constant dollar and current cost reporting, 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

When prices are increasing, the holding of monetary assets (e.g., cash and receivables) results in a loss of general purchasing power. Similarly, liabilities are associated with a gain of general purchasing power because the amount required to settle the liabilities represents dollars of diminished purchasing power. The net gain in purchasing power is shown separately in the accompanying supplemental data. The amount has been calculated based on 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.

Oglebay Norton

Increases in Current Cost of Inventories and Properties and Equipment

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 Consumer Price Index 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.

Five-Year Comparison

This five-year comparison of certain financial information restates all dollar information in average 1982 dollar values. The adjusted net assets at year-end reflect a partial application of the inflation accounting methods. Nonmonetary items have not been adjusted for general inflation, nor for specific price cnanges.

Current Cost Measurements

Recent invoice prices and insurance appraisals 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.

Current cost calculations involve a substantial number of judgments as well as the use of various estimating techniques which have been employed to limit the cost of accumulating the data. The data reported should not be thought of as precise measurements of the assets and expenses involved but instead represent reasonable approximations of the price changes which have occurred in the business environment in which the Company operates.

Current cost does not purport to represent the amount at which the assets could be sold.

Mineral Reserve Information

In October 1980, the FASB issued Statement No. 39 "Financial Reporting and Changing Prices: Specialized Assets — Mining and Oil and Gas." This statement was a supplement to FASB Statement No. 33 and required the disclosure of certain information pertaining to mineral reserves, in addition to measuring the current cost of mineral resource assets and related depreciation, depletion and amortization expense.

Quantity and price information relating to mineral reserves is disclosed for the years ended December 31, 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 ended December 31, 1982, 1981 and 1980.

The current costs of mineral resource assets have been calculated in the same manner as was done for other items of properties and equipment. Since the majority of the reserves are leased, the Company records an insignificant amount of book depletion. The effect of current cost depletion on net income is immaterial.

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Supplemental Data

Statement of Net Income
Adjusted for Changing Prices
For the Year Ended December 31, 1982 (000's omitted)
Oglebay Norton Company and Subsidiaries

Net income as reported in the income statement		$ 9,773
Adjustments to restate costs for the effect of general inflation (constant dollar)		
Cost of goods sold	$ (387)	
Depreciation expense	(5,682)	(6,069)
Net income adjusted for general inflation		3,704
Adjustments to reflect the difference between general inflation and changes in specific prices (current costs)		
Depreciation expense		(2,278)
Net income adjusted for changes in specific prices		$ 1,426

OTHER INFORMATION

Purchasing power gain from holding net monetary liabilities during the year	$ 2,852
Increase in specific prices (current costs) of inventories and properties and equipment held during the year*	$15,480
Less effect of increase in general price level	17,031
Excess of increase in the general price level over increase in specific prices	$ (1,551)

*At December 31, 1982, the historical cost of inventories was $8,716,934, which approximates current cost. Current cost of properties and equipment, net of accumulated depreciation, was $289,687,000 (Historical amount — $186,043,000) at December 31, 1982.

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Five-Year Comparison of Selected Supplemental Financial Data Adjusted for Effects of Changing Prices In Average 1982 Dollars (except as to reported amounts) (000's omitted, except per share data)

Oglebay Norton Company and Subsidiaries

	Year Ended December 31 1982	1981	1980	1979	1978
Net sales:					
As reported	$164,125	$202,293	$172,526	$186,848	$157,890
Adjusted for general inflation	164,125	214,695	202,096	248,472	233,603
Net Income:					
As reported	$ 9,773	$ 23,919	$ 17,283	$ 17,112	$ 14,360
Adjusted for general inflation	3,705	18,879	14,184	17,391	16,766
Adjusted for specific price changes	1,426	16,437	10,509	13,324	12,413
Net Income per share:					
As reported	$ 2.78	$ 6.77	$ 4.92	$ 4.83	$ 4.08
Adjusted for general inflation	1.05	5.34	4.03	4.91	4.77
Adjusted for specific price changes	.41	4.65	2.99	3.76	3.53
Excess of increase in specific prices of inventories and properties over increase in general price level	$ (1,551)	$ (2,299)	$ (2,728)	$ (821)	$ 1,248
Purchasing power gain from holding net monetary liabilities during the year	$ 2,852	$ 5,813	$ 6,525	$ 5,264	$ 3,393
Net assets at year-end:					
As reported	$143,347	$141,119	$123,554	$111,502	$ 99,079
Adjusted for general inflation	221,220	223,179	212,372	198,149	184,876
Adjusted for specific price increases	247,770	252,603	248,710	241,132	229,946
Cash dividends declared per common share:					
As reported	$ 2.16	$ 1.92	$ 1.63	$ 1.50	$ 1.30
Adjusted for general inflation	2.16	2.02	1.89	1.98	1.91
Market price per common share at year-end:					
Historical amount	$ 24.25	$ 29.25	$ 27.33	$ 31.67	$ 24.67
Adjusted for general inflation	23.98	30.03	30.57	39.89	35.15
Average consumer price index	289.1	272.4	246.8	217.4	195.4

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

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

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Oglebay Norton

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

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

D. Kelly Campbell
Vice President — Iron Ore Operations

Frank A. Castle
Vice President — General Manager of Columbia Transportation Division

Walter R. Herron
Vice President, General Manager of Ferro Engineering Division

Marcus A. Hyre
Vice President — Ore Sales

Richard J. Kessler
Vice President — Finance and Treasurer

John Limbocker, Jr.
Vice President — Corporate Affairs

H. William Ru[illegible]
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

Edgar M. Jacobsen
Assistant Vice President — Columbia Transportation Division

Walter C. Mayo
Assistant Vice President — Traffic

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

Subsidiaries

R. Thomas Green, Jr.
President, Central Silica Company

Emmett F. Benedum
President, T & B Foundry Company

Corporate Data

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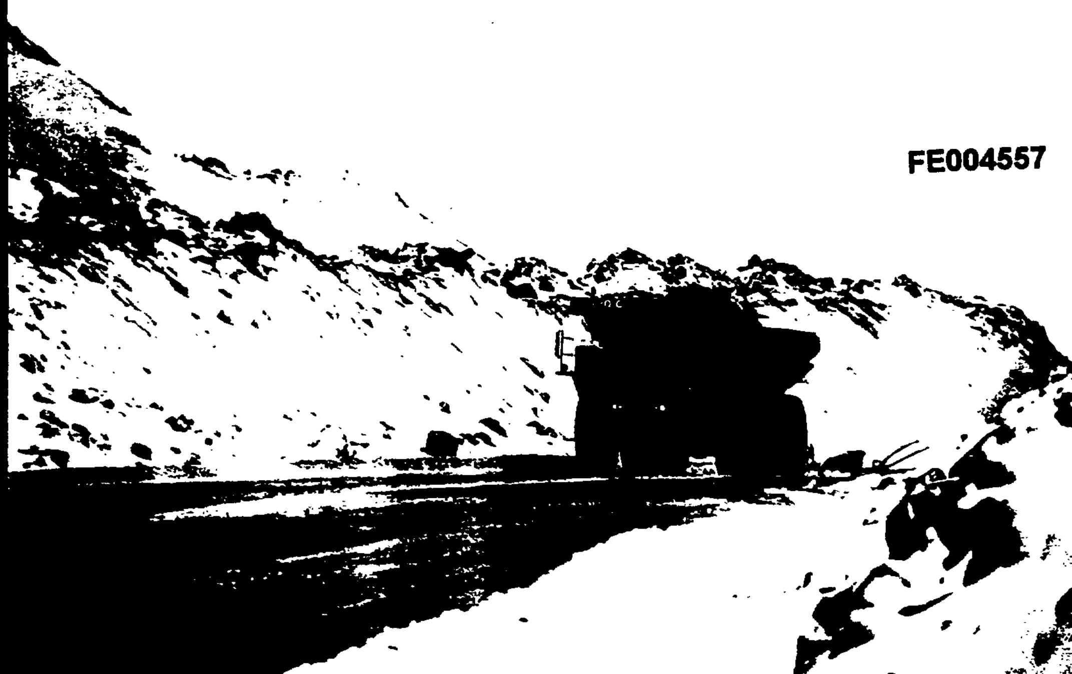

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