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interlake

ANNUAL REPORT 1967

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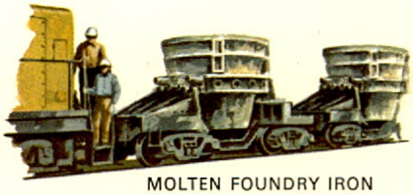
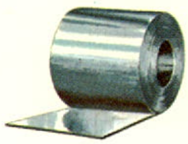
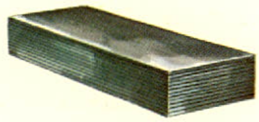
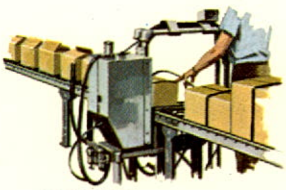
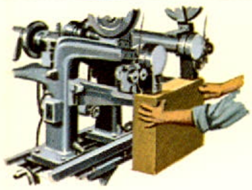
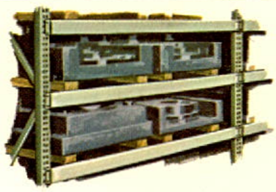
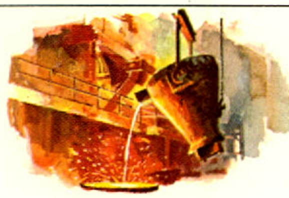
HIGHLIGHTS

- Sales of $256.4 million—down 4.6%
- Net income of $14.1 million 14.2% under 1966 net, but second highest since 1956
- Capital expenditures of $15.7 million help improve quality, efficiency, capacity
- New strapping plant, new technical center announced

FOR THE YEAR (In thousands)	**1967**	**1966**
Net sales	**$256,411**	$268,804
Net income	**14,133**	16,481
Cash flow	**25,355**	29,448
Capital expenditures	**15,739**	17,905
Common stock dividends	**8,072**	7,842
AT YEAR END (In thousands)		
Working capital	**$ 62,170**	$ 63,621
Current ratio	**2.4 to 1**	2.6 to 1
Property, plant, and equipment—net	**$142,039**	$137,590
Long-term debt, less current maturities	**21,268**	23,431
Common shareholders' equity	**191,546**	185,358
PER SHARE STATISTICS (Common Stock)		
Net income	**$ 3.15**	$ 3.68
Cash dividends paid	**1.80**	1.75
Shareholders' equity at year end	**42.69**	41.35

INTERLAKE'S BUSINESS

% OF TOTAL '67 SALES*	MARKETS	PRODUCTS		
19% IRON DIVISION	Foundries Steel	 MERCHANT PIG IRON	 MOLTEN FOUNDRY IRON (in open top ladle cars)	
34% STEEL DIVISION	Missiles Automotive Farm Implement Gas and Oil Distribution	 STEEL IN COILS	 LINE PIPE	 STEEL IN SHEETS
30% ACME PRODUCTS DIVISION	Paper Textile Warehousing Metal Lumber Brick	 STRAPPING	 STITCHING	 STORAGE RACKS
7% GLOBE METALLURGICAL DIVISION	Steel Foundries Aluminum Chemical	 FERROCHROMIUM	 FERROSILICON	
9% HOWELL DIVISION	Offices Hospitals Homes Schools	 DINETTE SETS	 RECEPTION FURNITURE	 CLASSROOM FURNITURE

*1% of Company volume is from other sources not represented by particular division sales.

TRANSFER AGENTS
The First National Bank of Chicago, Chicago, Illinois
Bankers Trust Company, New York, New York

REGISTRARS
The Continental Illinois National Bank and Trust Company of Chicago, Chicago, Illinois
Irving Trust Company, New York, New York

GENERAL COUNSEL
Baker, Hostetler & Patterson, Cleveland, Ohio

ACCOUNTANTS
Price Waterhouse & Co., Chicago, Illinois

ANNUAL MEETING

Stockholders are invited to attend the Company's 1968 Annual Meeting at 10:00 a.m. (N.Y. City time), April 25, 1968, at Bankers Trust Company, 485 Lexington Avenue, New York City. Proxy statements for the meeting will be mailed in the latter part of March.

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TO OUR SHAREHOLDERS

The nation's economy paused in 1967 after several consecutive years of sustained growth. The accompanying readjustment was particularly noticeable during the first nine months of the year, when we experienced reduced demand for some of our major products. Sales, operating levels, and earnings improved significantly in the fourth quarter, but their strong performance was not sufficient to offset declines experienced in the first nine months.

Net sales in 1967 were $256,411,000, a decline of $12,393,000, or 4.6%, from the 1966 record volume of $268,804,000.

Net income was $14,133,000, or $3.15 per share, on the average number of 4,483,846 shares outstanding during the year. This was $2,348,000, or 14.2%, below 1966 earnings of $16,481,000, or $3.68 a share.

The largest decline in volume was experienced by our Iron and Steel Divisions. Reduced demand for merchant iron and flat rolled steel was due not only to economic conditions but was accentuated by the liquidation of customer inventories and record-breaking imports of foreign steel. A smaller decline was experienced in the sales of ferroalloys and silicon metal. On the other hand, revenues of both the Acme Products and Howell Divisions increased, compared with 1966. The increase reported by Howell was due to the inclusion of a full year's results of Metalcraft, which was acquired in 1966.

As has been demonstrated in previous periods of reduced demand, the company's diversification of products and markets provided increased stability to our sales, operating levels, and earnings during 1967. In this connection, we call your attention to the analysis of Interlake's business, which appears on Page 1 and to the chart on Page 16, which illustrates the changes that have been taking place in our company's product mix. The company's diversified product lines provide many opportunities for future growth.

Increased attention was devoted during the year to short and long-range development programs. We believe there are three important areas which can provide major thrust for the company's future growth: capital expenditures, research and development activities, plus mergers and acquisitions.

During 1967, the company spent $15,739,000 for capital expenditures to maintain the efficiency of existing facilities, to expand capacity, and to improve quality. The details of these expenditures are covered more fully in the Division Activity sections that follow. Approximately $20,000,000 has been budgeted for capital expenditure programs during 1968. Almost half of this is for appropriations that were authorized but unexpended in 1967.

The second area of emphasis during the year was devoted to research and development programs. In the past, these activities have been conducted in several different locations. To improve the efficiency of this situation and to provide the facilities necessary for the progress we are seeking, plans have been announced to build a technical center during 1968 in Riverdale where these inter-related activities will be coordinated.

Interlake has demonstrated its ability to anticipate marketplace needs by developing new and expanding existing product lines and the facilities to produce them efficiently and economically. Our research activities have included the development of entirely new concepts that enable the company to penetrate new fields where opportunities for growth exist.

Three of Interlake's recent important developments are discussed more fully in succeeding pages of this report. They illustrate the scope of the company's research activities as well as its product and process development programs. Interlake's research scientists and development engineers are continuously seeking new ideas that will maintain the superiority of the company's products, the efficiency of its processes, and the creation of developments that will accelerate the company's growth. The new technical center will contribute substantially to the continuing success of these and other research and development programs.

Carefully planned and selected mergers and acquisitions, which would benefit the shareholders, offer additional opportunities for accelerating the company's growth. These activities have played an important part in the historical development of the company, as demonstrated by the 1964 Acme-Interlake merger and the more recent acquisition of Los Angeles-based Metalcraft Products Company, which broadened Howell Division's market.

Our interest in pursuing similar opportunities continued during 1967, as was indicated by exploratory discussions held with Pittsburgh Steel Company and Wheeling Steel Corporation. These discussions were terminated by a joint announcement in early December. We are actively considering other opportunities which will benefit our shareholders, round out existing product lines, or carry us into new fields.

To supplement the company's internally-generated funds, a credit agreement with six major banks was negotiated late last summer. This enables the company to borrow up to $28,000,000 on 90-day notes until September 30, 1969, when the loan can be converted to a five-year term loan, payable in equal annual installments, 1970-1974.

As far as the outlook for 1968 is concerned, the new year is getting off to a good start. The rate of incoming orders is strong. We anticipate increased steel bookings in the first half, reflecting customer inventory accumulation prompted by the expiration of the current labor contract on July 31. We anticipate a higher level of sales and earnings during the first seven months of the year, contrasted with the comparable period a year ago. It must be pointed out, however, that if a new contract is negotiated prior to the expiration date and a strike is avoided, demand for iron and steel products may decline during the latter part of the year if customers decide to liquidate their excess inventories.

Recent years have produced many challenges to our industry and our company. Interlake's success in meeting and overcoming the problems that have confronted us is due to the ingenuity and dedication of the men and women who comprise our organization and their desire to maintain the company's forward progress.

G. Findley Griffiths, left.
Reynold C. MacDonald, right.

G. F. Griffiths
Chairman

R. MacDonald
President

March 15, 1968

CORPORATE ACTIVITIES

Employee Relations

Interlake was a significantly safer place to work in 1967 than in past years. Disabling injuries were reduced by 53% as a result of intensified safety programs and greater emphasis on this activity. Plans for further refinement in safety activities are in effect this year, and we expect continued improvement.

Labor relations continued in a satisfactory state. No production or maintenance man-hours were lost due to strikes or work stoppages. Steel labor contracts will be renegotiated during 1968, but it is too early at this time to forecast anything about possible outcomes.

Selection, training, and development activities were accelerated during the year. These programs were aimed at helping meet the increasing needs of our growing company and the nationally projected shortage of skills. College recruitment, new training and development programs were expanded at several levels. About 9% of our salaried work force participated in the benefits of our educational assistance programs during 1967.

Pollution Control

Interlake continued its air and water pollution control leadership efforts during the year. Several significant developments were completed or announced, which further demonstrated the company's willingness to voluntarily assume its responsibility in this vital area.

The new cooling system at Riverdale enabled us to accelerate the plant's pollution control program. Of more than 28 million gallons of water used daily in this cooling operation, the new system recirculates 23 million gallons. The remaining 5 million gallons are cleaned before being returned to the river.

A new concept for neutralizing hydrochloric acid waste pickle liquor was successfully demonstrated. This technique was developed in cooperation with DuPont, and we plan to use it in treatment facilities to be installed this year on the recently completed pickling lines at Riverdale.

Each of these developments received extensive national television, radio, newspaper, and magazine coverage, indicating the nation's interest in developments of this kind. We also carried the important pollution control message to millions via the company's advertising program. The ad shown on this page, for instance, appeared in several national magazines.

In Toledo, we are working to solve a neighborhood pollution problem through a careful, straight-forward program of interpretation and results to prove to neighbors Interlake's willingness to do what is necessary to keep the neighborhood as free from pollutants as possible. The State of Ohio also approved the Toledo plant's water pollution control program submitted early in the year.

In Chicago, company plans for total water pollution control from our Chicago operations were submitted to local and state agencies. We are now taking the necessary steps which will enable us to satisfy the recently adopted water pollution control standards within the new timetables.

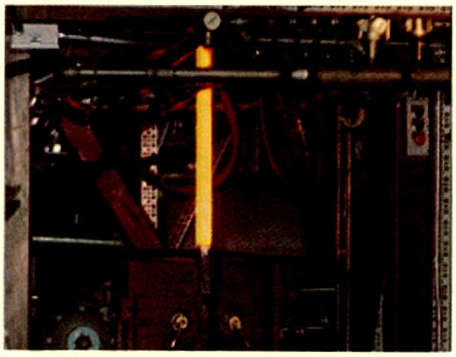
Pollution control is a major problem for everyone. Last year, Interlake continued its leadership activities, including the use of four color ads in national magazines to tell the story.

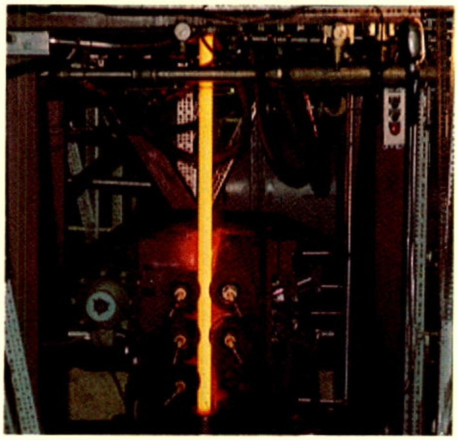
Research and Development

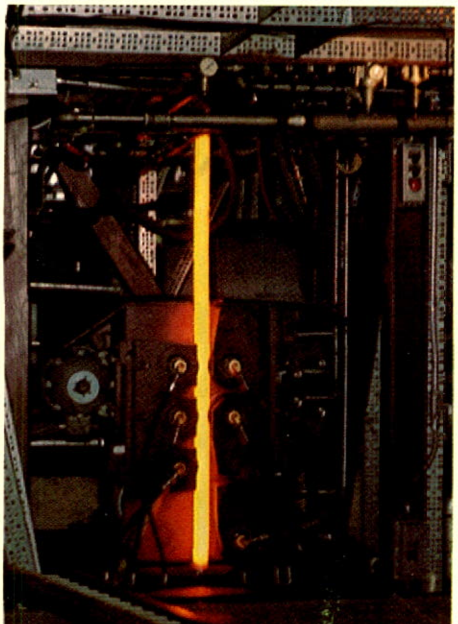
One of the major factors in our company's growth has been its ability to anticipate marketplace needs and develop new products and facilities. Hence, research and development activities have had an important bearing on the company's progress.

Each year, more time and money is being applied to these vital activities. Since 1964, our research, engineering, and new product development activities have been

Interlake's new concept for continuously casting all types of metals is shown below. Molten metal is poured into test machine (Top) and oscillating molds move and cool metal into bars (Lower photographs).







conducted in several scattered locations. To correct this inefficient situation, plans have been finalized for a fully-equipped technical center to house the company's research, engineering, and new product development activities. An artist's rendering of the new center is shown below.

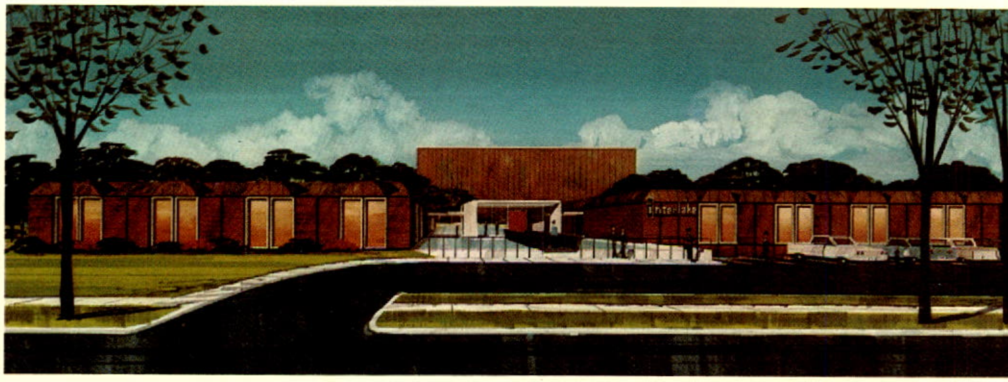
This center will be located near our Riverdale plant. Construction will begin this April with completion scheduled for late this year. Our activities there will include ferroalloy technology; blast furnace, steel production, and processing research; raw materials development, as well as investigations into new coatings, metal forming, rolling, and metallurgical research.

Part of the center will be devoted to a new product development laboratory which will be used to accelerate the development and testing of packaging and shipping and storage equipment and materials handling systems. The new center will also enable us to provide modern facilities for the engineering staff which has outgrown present offices at Riverdale.

Also on this page is a four-sequence photo report on a new concept for continuous casting all types of metals. The process was developed through our research activities. We have, after extensive experimental work, constructed and recently installed the first production unit for continuously casting two-inch square, non-ferrous, alloy billets. Initial results have been very satisfactory. This development has stimulated a great deal of interest and could open up new sources of income for the company.

Another development that is moving along and worth mentioning at this time is the progress we have made on developing manually operated, as well as fully automated, retrievers for use in materials handling and storage activities. The fully automated version works from a punched card and automatically delivers a load to a storage area in Interlake adjustable racks. It can also, on command of a punched card, automatically travel to a particular location in the warehouse or storage area, retrieve a load from storage, and deliver it to a centralized packaging station, where the load will be strapped for shipment by one of our fully automated packaging machines. The opportunity this development affords for combining the company's packaging and shipping systems with our storage and materials handling systems provides exciting possibilities for future growth.

Several other research and development programs are under way involving blast furnace operations, ferroalloys, and other products. We anticipate accelerated progress in this important function when the new technical center is completed, and these activities are consolidated.



Interlake's new technical center will be built in Riverdale this year. Research, engineering and new product development activities will be consolidated in the three buildings.

IRON DIVISION

Iron Division sales represented 19% of total company volume during the year. Sales were $48,055,000 in 1967, $7,660,000 below those of 1966.

The general trend of business reduced outside customer demand as well as Interlake's internal hot metal needs. In addition, imports of lower-priced pig iron, changing technologies by traditional iron customers, coupled with lower prices for iron and steel scrap, all contributed to lower sales during the year.

Division earnings reflected the lower volume and dropped at a higher percentage than sales, basically because of lower production rates. Hot metal tonnage to Riverdale decreased almost 11% during the year, and 37 furnace days were lost because of a major Chicago-area snowstorm, outages for furnace repairs, inventory liquidations, and maintenance work. Intensified competition also continued to contribute to a lower earnings performance.

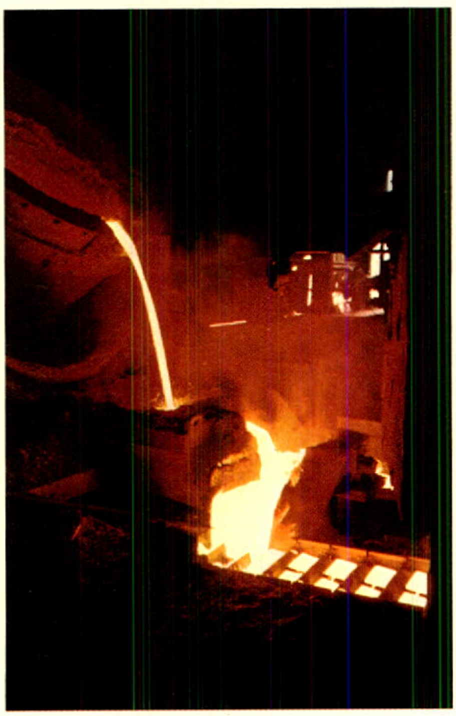
We moved quickly early in the year to reduce inventories and hold costs down. In May we shut down the "A" furnace in Toledo. Our Erie, Pennsylvania, blast furnace operation had not produced hot metal since 1965, but our foundry coke oven operations had been on line. We shut this down in June, and by August, the ovens were cool enough to permit us to mothball the entire plant.

Several capital improvements made in 1967 at our Chicago and Toledo blast furnace plants enabled us to establish production records and improve our long term production and earnings potential. Particularly encouraging are the cost improvements being generated by recent expansion and modernization programs.

At the Chicago blast furnace operation, extensive ore dock repairs were 90% completed by year-end. We began using coke oven gas fuel injection on our "A" furnace at Chicago, which we expect will generate important fuel bill savings during the year and boost hot metal production rates. Slag handling and disposal expenses were reduced after a new slag pit was installed, and a new hot blast stove was built which permits increased blast temperatures with a resulting decrease in coke usage.

At Toledo, we completed and brought into production a new stove on our "B" furnace last April and this will also permit higher blast temperatures and coke savings. New spectograph equipment was installed recently, which enables us to analyze products quickly and accurately and sharply improve quality control on the iron products made in Toledo.

The Company is converting its pig molds from single, 40-pound molds to the two, 20-pound molds shown here being filled with molten iron.



The Iron Division business presents long-range problems: declining merchant iron markets, narrowing profit margins, and changing technologies, but these problems are being aggressively attacked. Despite these apparent problems this division affords Interlake opportunity for growth and stability.

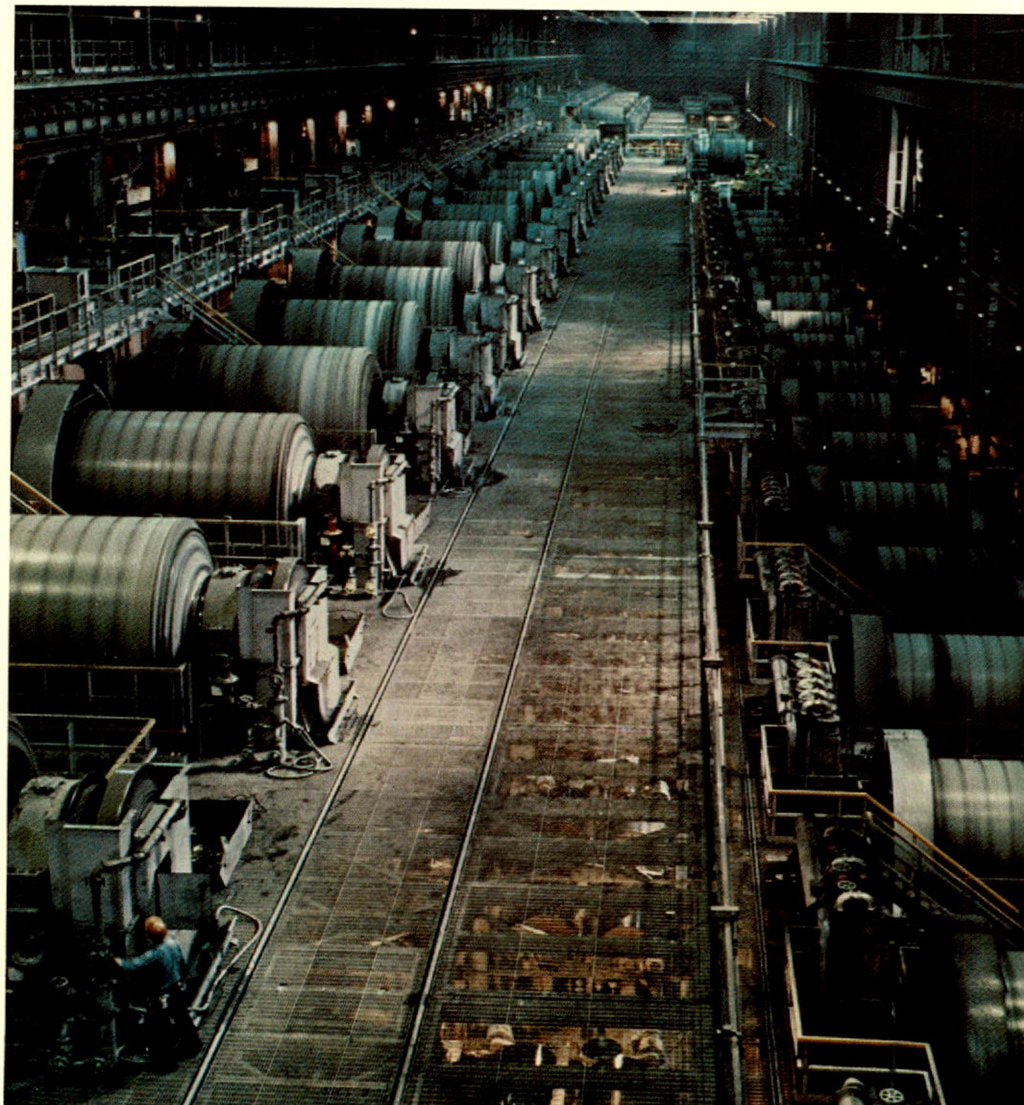
This business is indispensable to the company's steel operations and is supported by extensive raw material resources. We are presently engaged in several research and development activities which can have beneficial effects on this business in the future.

At Toledo, for example, a program to upgrade our pigging facilities was started late in December. We are converting the pig molds from single, 40-pound pigs to two, 20-pound pigs. The newer, smaller, lighter pigs have many advantages over the heavier ones. This development should add important pig iron sales volume.

In 1968, we plan to spend $4,600,000 for capital expenditures in the division. Spending of an estimated $2.4 million is scheduled for the Chicago plant for pollution control projects and repair and replacement projects. About $2.2 million has been planned for Toledo for similar work.

This photo was taken at our Toledo, Ohio blast furnace at night during a tapping operation.

Top photo: Shows water pollution control clarifiers at the Erie Mining plant in Minnesota. Bottom photo shows inside of Erie ball mill where taconite ore is ground into powder before being pelletized.



STEEL DIVISION

Steel Division sales in 1967 were $87,955,000 representing 34% of Interlake's total sales dollar. Volume was $12,220,000 below 1966 results, reflecting the generally weaker national economy and lower steel demand in 1967, compared with 1966, when record steel sales were posted.

Line pipe sales were strong and showed gains, but spiral pipe volume fell off. Sales of hot and cold rolled carbon sheet and strip were hardest hit.

Steel Division earnings in 1967 were lower than in 1966, reflecting the reduced volume, lower production rates, higher prices for purchased goods and services plus inflationary wage increases. Despite these adverse factors, increased emphasis on cost control and increased shipment volumes during the fourth quarter combined to give the division one of its better years.

Numerous steps were taken during the year because of reduced volume to control inventory and hold down costs. Cost reduction and control activities at both Riverdale and Newport works contributed more than $1 million due to improved yields, productivity and reduced overtime and refractory expenses.

The basic oxygen furnaces at Riverdale were operated on a six-day week for about half the year, compared to a seven-day operation throughout 1966 when the BOFs were running at full capacity. Also two one-week BOF outages were scheduled during 1967, compared to only one week-long outage the year before.

About $5,000,000 was spent during the year 1967 to modernize and expand commercial processing capacities, improve hot metal handling and control, and for other projects which will improve productive efficiency and costs.

At Riverdale, two new, two-strand hydrochloric acid pickling lines were installed, and an existing pickler was converted to improve the quality of pickled coils and provide additional capacity. A warehousing and shipping annex was constructed to add capacity and improve material flow and customer delivery. Also completed at Riverdale was a new machine shop which enabled operations of this nature to be centralized.

Another major improvement at this location consisted of the new cooling system installed late last summer on the No. 4 hot mill. Four objectives were accomplished with this development: we improved product quality; the Sales Department was able to enter new markets with a higher-strength, low-carbon steel; operating economies were generated; and at the same time, another important step in this plant's water pollution control program was accomplished. We also modernized our cut-to-length facilities at the plant and installed two slitting lines.

At Newport, the $250,000 Phase Two portion of this plant's water pollution control program was completed in 1967. A new system for ultrasonically testing our line pipe was ordered. This will enable us to assure product quality and meet the new standards for pipe manufacture now being established at the Federal level.

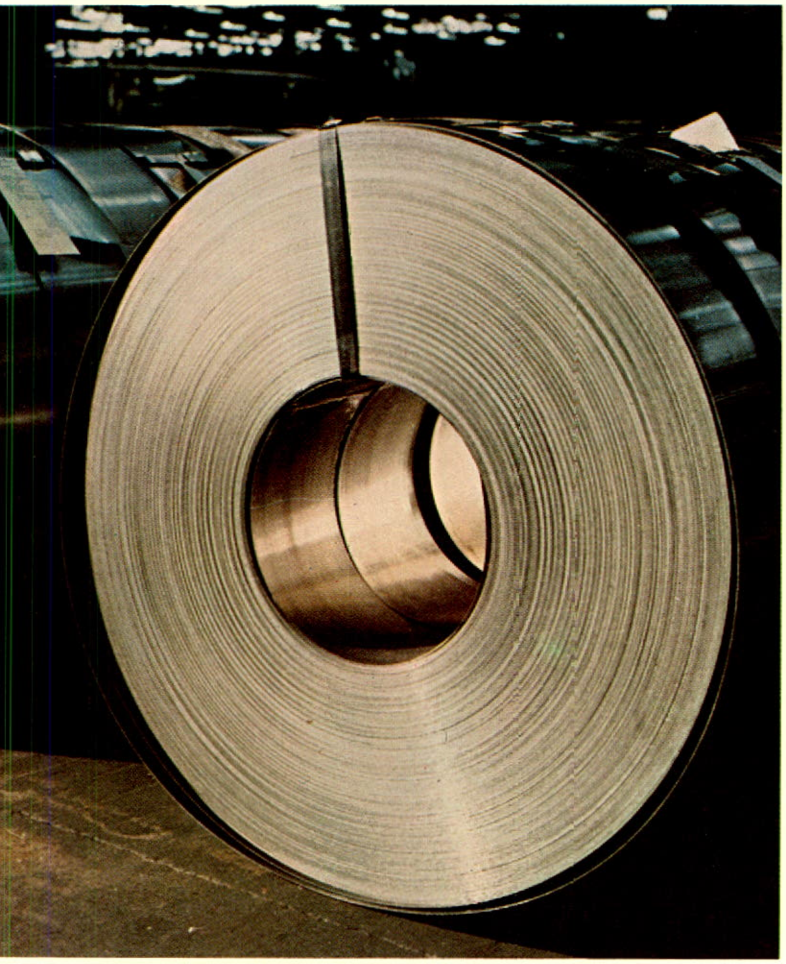
The Steel Division is the largest and most profitable segment of our business. It has shown good past growth, and has attractive potential for continued growth in the future. We are currently studying several possibilities for furthering the fine potential of these basic operations.

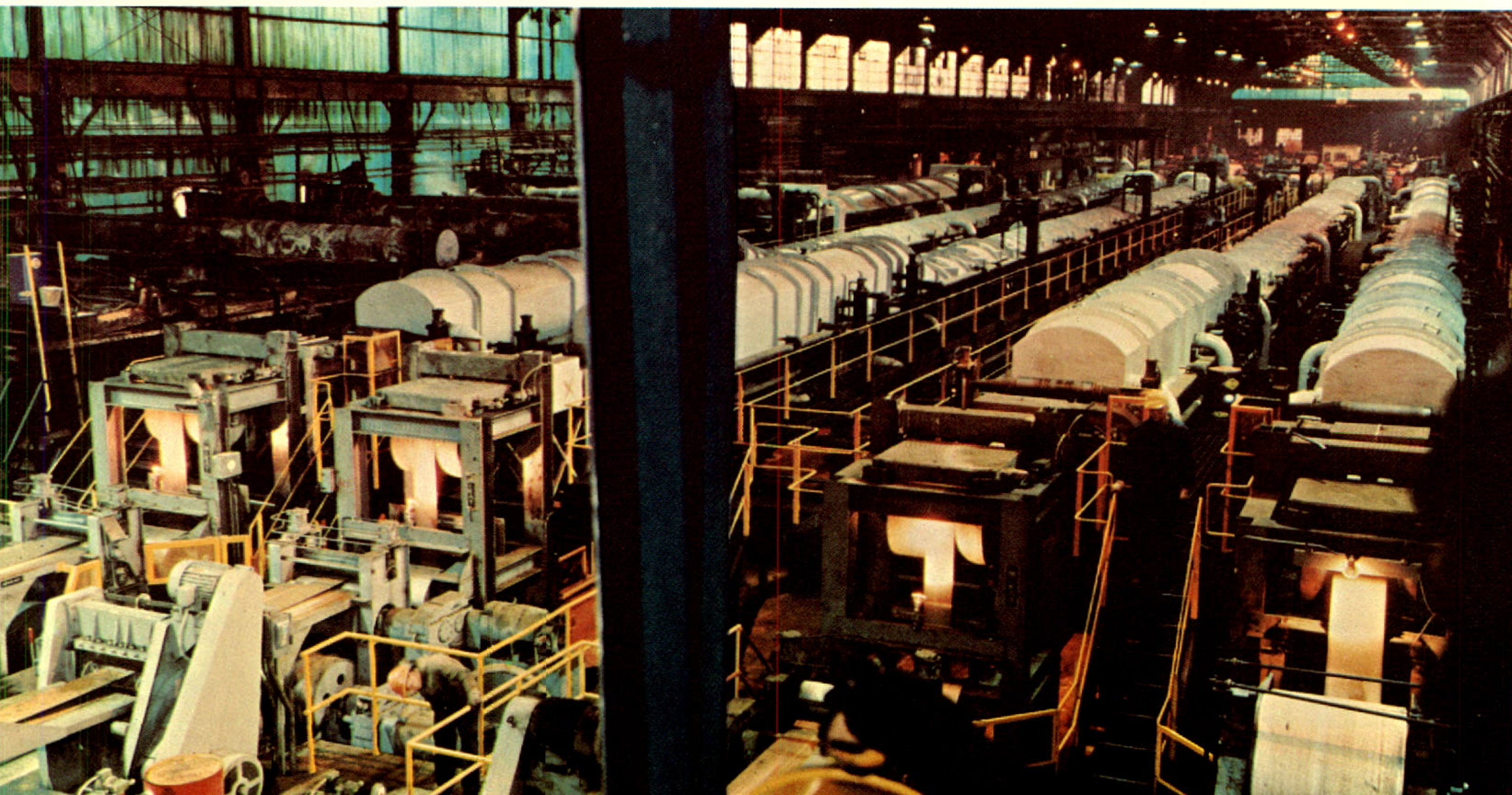
In 1968 we plan to spend about $5,000,000 for capital expenditures at both steel plants. Work at Riverdale will include installation of a higher pressure, more efficient descaling system for the No. 4 hot mill. This will further improve product quality and our ability to remain competitive. Plans have also been finalized for widening the No. 3 hot strip mill and for installing a semi-automatic coil packaging line. These and other marketing oriented improvements slated for completion in 1968 should enable us to do a better job at meeting changing customer needs.

This new cooling system was installed at the Riverdale No. 4 hot mill during 1967. It helped create better quality, greater efficiency, entry into new markets, and important progress in the plant's water pollution control program.

Expanded commercial facilities are paying off with better quality steel (Top). New hydrochloric acid pickling lines were installed at Riverdale (Below).

This is the "A" electric furnace at Newport, Kentucky, converted from side to top charge for increased capacity and better operating efficiency.





ACME PRODUCTS DIVISION—Domestic

Acme Products Division sales last year were $77,982,000, which represents 30% of total Interlake volume. This includes results from consolidated international operations in Canada, Mexico, and France plus the Export Department.

In the United States, many of the key industries served by this division's broad product line encountered spotty demand patterns and inventory liquidations during the year. In spite of this, overall revenues improved slightly above those reported for 1966, when record-breaking demand was reported for the strapping, stitching, storage and materials handling systems produced by this division.

In 1967, the high volume of fabricated materials, primarily pallet rack, made the major contribution to the sales improvement, aided also by higher sales of strapping tools and automatic strapping equipment. Slotted angle sales recorded the largest drop from 1966 levels.

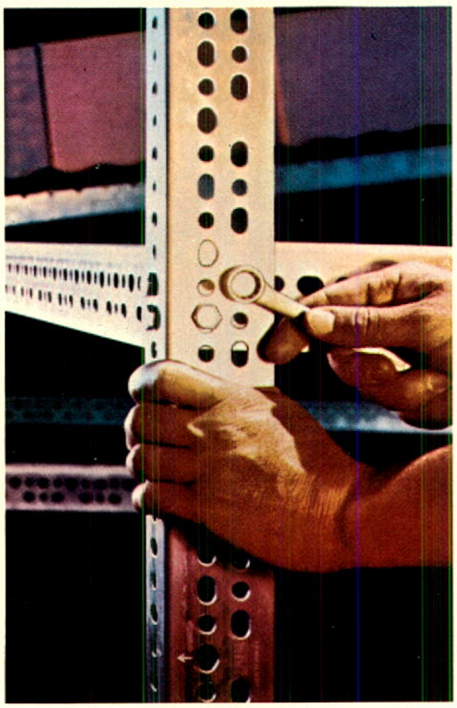
Acme Products earnings, however, increased significantly above 1966 results. The earnings growth was one of the year's most encouraging developments. Vigorous cost reduction efforts, new and improved facilities, and higher sales of more profitable lines contributed to the better performance.

About $3,600,000 was spent for new and improved facilities during the year.

At Riverdale, a new high-capacity strapping line was started and is nearing completion. This is a multi-strand line with numerous technological developments designed to improve production techniques, product quality, and overall strapping capacity. The new line combines slitting, painting, and packaging operations. In addition, several existing facilities for the production of steel strapping are also being upgraded, and many of these will come on-stream this year. These improvements will incorporate the latest manufacturing techniques and should enable us to strengthen our competitive position in the strapping business.

Acme Products began offering two non-metallic strapping products during the year. Through a research and development program with Tennessee-Eastman, we recently developed and installed at the Pontiac, Illinois, plant a processing line for manufacturing polypropylene strapping. The division will also continue to market a line of nylon strapping under a prior agreement with DuPont. These products are quite compatible with our line of steel strapping. Markets for non-metallic strapping are projected to grow substantially, and the important foothold we have established should give us added penetration because we will be able to provide a more complete line plus better service to regular, as well as potential customers.

Slotted angle continues to be a highly versatile material for almost limitless storage, packing, and other applications in most industries.



Our storage rack business continues to reflect growth. A major plant expansion was completed at the Pontiac plant in 1967 to provide additional manufacturing capacity for this fastest growing line of Acme Products. In addition to about doubling the plant's size, space was also provided for laboratory facilities to expedite testing of the broad line of rack structures produced here. Tooling was also provided for several key warehousing rack lines.

In 1968, the division will increase capital spending sharply over last year's rate. A portion of this will be for a new plant at Pittsburg, California, about 65 miles from Oakland in the Bay area, where a complete line of steel strapping will be made. Operation is scheduled within the next eight months. The new facility is part of an accelerated program to better serve the rapid growth of western strapping markets.

Another major portion of the division's capital spending this year will be for additional expansion, repair, and replacement projects both at U.S. as well as overseas operations.

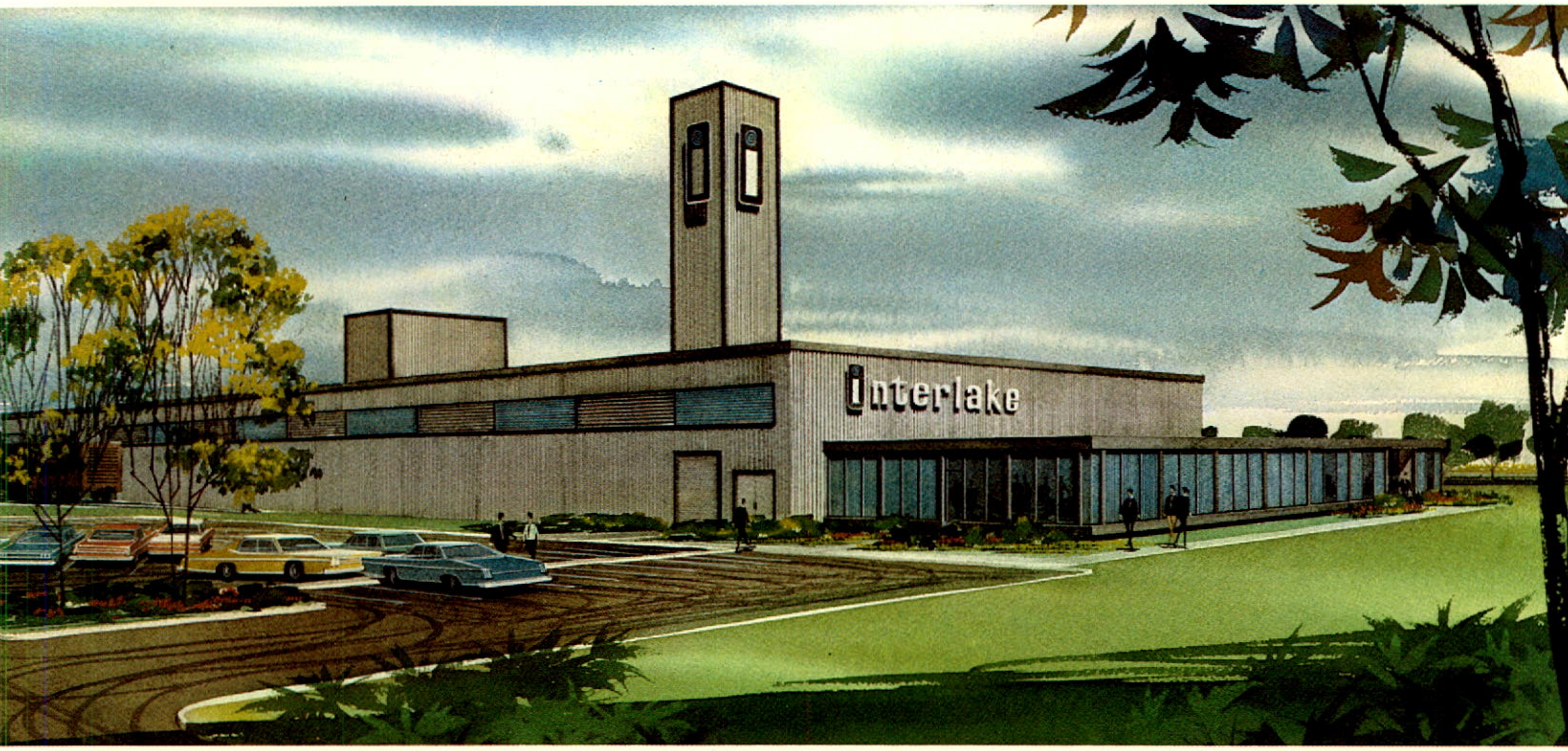
Acme Products Division's diversified lines afford fine possibilities for future growth and profits. Several developments due for completion this year should further improve the contributions this part of the Company is making to overall Interlake progress.

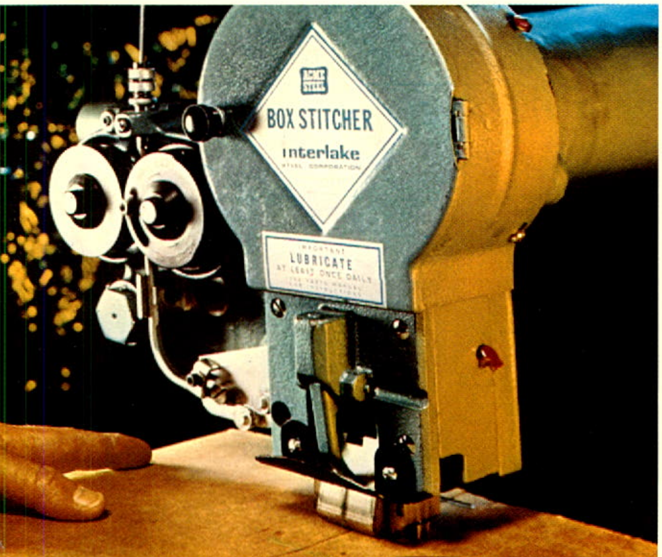
Above is an architect's rendering of the Acme Products Division's new strapping plant now under construction at Pittsburg, California.

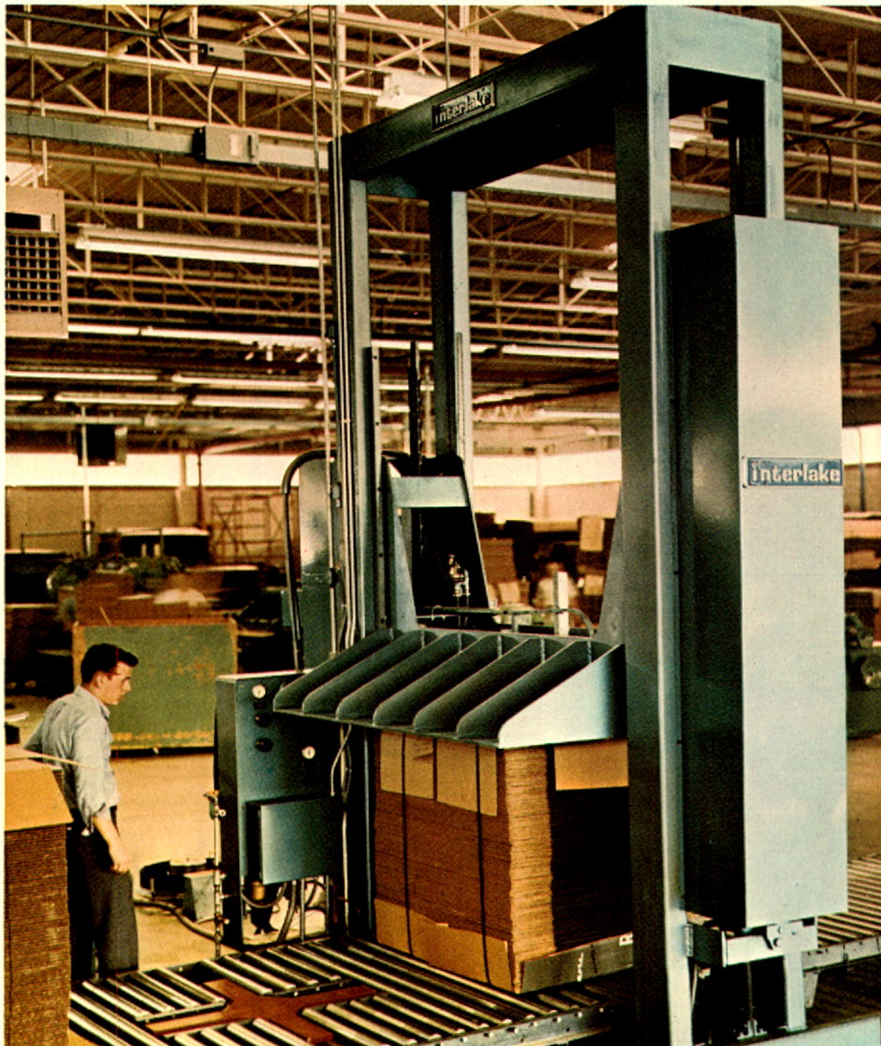
The middle left photo shows how only one of thousands of customers uses the Company's growing line of pallet rack for storage purposes.

One of our newest box stitching machines used throughout the world for many closing operations (Lower left photo).

Automatic strapping machine used to compress and strap corrugated board (Lower right photo).







ACME PRODUCTS DIVISION—International

Economic conditions were mixed in many international markets where Interlake operates. Canada's economy performed almost like that of the United States. Business expansion continued in Mexico, but business activity in France was not as high as it has been in recent years. Demand was off in the United Kingdom, where, late in the year the Pound was devalued reflecting changing economic conditions in that country.

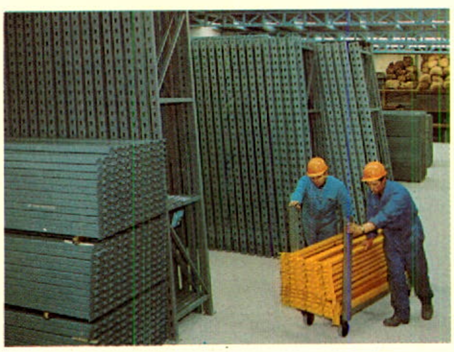
In Canada, our major strapping facilities program begun in 1966 was completed during the year when a new heat treat line was placed in service. High tensile strapping is produced on the new equipment. These facilities have contributed to lower production costs and have improved Acme Steel Company of Canada, Ltd.'s ability to serve growing customer demand. Volume was particularly heavy during the latter part of the year, when sales increased substantially. Continued growth of this important operation is expected during 1968.

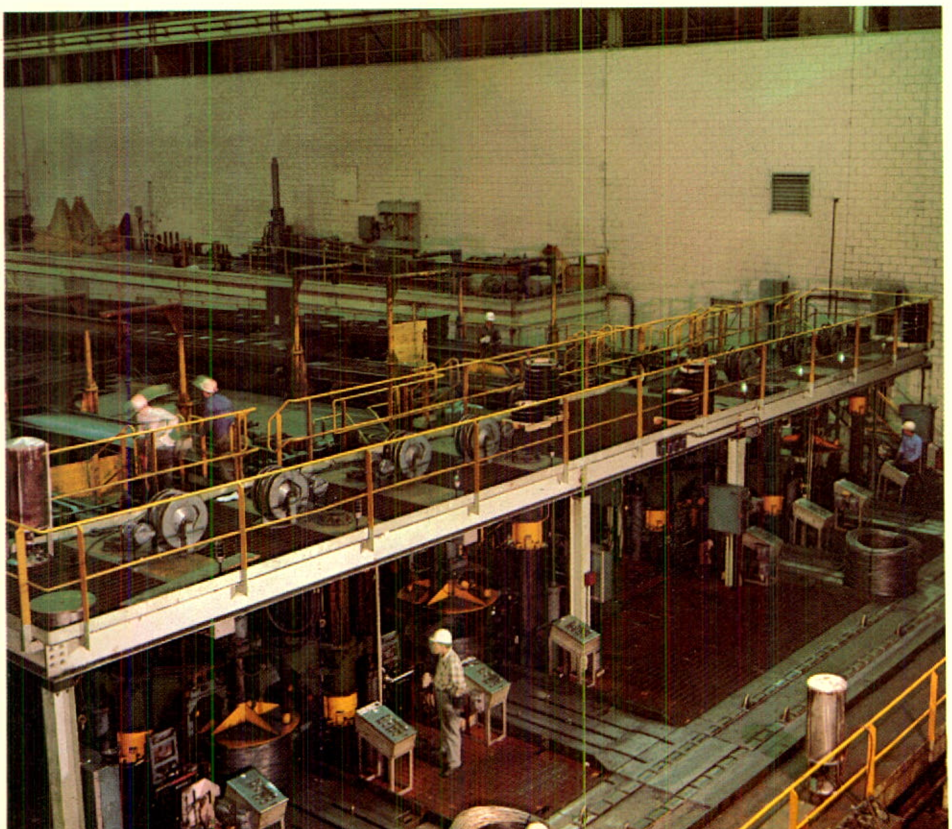
In Mexico, a new strapping line as well as a new electro-galvanized line were completed and put into operation during the year. In addition, the company's sales organization has been reorganized for more effective coverage in anticipation of further growth in this country.

In France, Feralco, S. A. became a wholly-owned consolidated subsidiary during the year. The company is now undertaking a major plant expansion program, and construction has been started on the expansion of pallet rack facilities at the Sezanne plant near Paris. Warehouse and service facilities were completed at the plant in 1967, and Acme strapping systems were introduced to French markets for the first time.

In England, Interlake has a 50% interest in Gerrard Industries Limited. The efficient operation of recently completed new strapping facilities at Kilnhurst enabled us to improve earnings, despite a drop in sales. Tighter control of working capital and aggressive exports to world-wide markets also helped this performance.

Top photo: This producer is packaging with equipment and strapping marketed by our affiliate, Gerrard Industries Limited, of England. Lower left: A view of storage and shipping areas at our wholly-owned French subsidiary, Feralco. Lower right: Steel Company of Canada uses eight strapping heads to package rod on Stelco's modern new mill in Hamilton, Ontario.





GLOBE METALLURGICAL DIVISION

Globe Metallurgical Division sales in 1967 were $17,074,000, representing 7% of total company sales and a 7% decline from last year's record level. Nevertheless, sales were the second highest in history. Steel industry production of alloy products slumped during the summer months, and this affected the demand for this division's output.

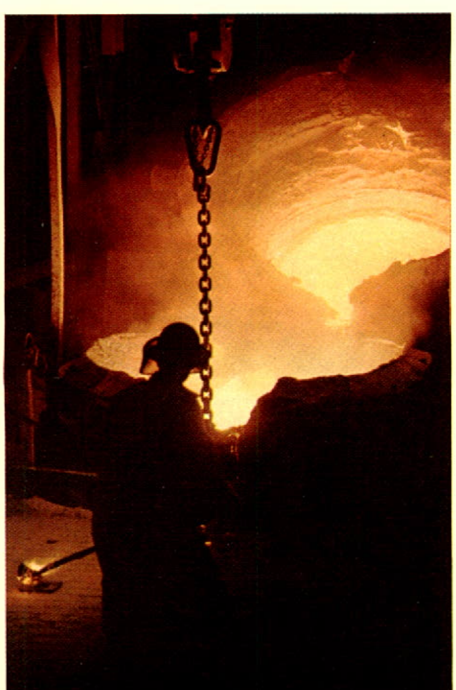
Despite lower sales during the year, net earnings increased due to new facilities and benefits from cost reduction programs. The division did not have the benefit of any price increase during the year to offset higher wages and costs. However, minor price increases became effective January 2, 1968 on chromium-based alloys.

Capital expenditure programs in the division for production expansion and cost reductions have begun to pay off. The new, large No. 7 furnace was put into production on schedule in June with a minimum of preheat and startup costs and problems. This furnace more than doubles capacity to participate in the growing silicon metal market. The No. 6 furnace which was installed late in 1966 produced low-carbon ferrochromium during the year.

Raw material resources are extremely important to this division, and at this time, we have been assured of an ample supply of chrome ore from the U.S. Government stockpile and through purchase agreements with ore producers in Turkey, India and other parts of the world.

This division's business provides another outstanding diversified product line for Interlake, and plans are being moved forward to further strengthen the division's operations. Several new products are now being studied in an effort to increase sales. The potential for this division is accentuated by the accelerated search by metal producers for improved weight-strength ratios, metals with increased corrosion resistance, and the expanding use of silicones in the chemical industry. Many of these research and development efforts involve a greater demand for this division's output.

Below: Metallurgist is taking a hot metal sample for analysis at our Beverly, Ohio, ferro-alloys plant. Right: A view of the new No. 7 furnace installed at the Beverly plant during 1967 with minimum preheat and startup costs.



HOWELL DIVISION

Howell Division sales in 1967 were $21,725,000, representing 9% of total Interlake volume and were $2,935,000 higher than a year ago. Overall sales increased primarily because the division's 1967 results include the first full year of sales from Metalcraft Products Company, which was acquired in mid-1966.

The Howell Division enjoys a national reputation as the prestige and style leader in tubular metal and plastic dinette furniture for the home, as well as seating for offices, hospitals, schools, and other institutional purposes. Chairs and seating are produced in many styles which are upholstered in an extensive and attractive range of durable and washable materials, as well as tables in many sizes and shapes. Other products include bed frames, cots, roll-aways, bunk beds, and laminated wooden furniture parts.

In 1967, Howell-brand dinette, commercial, and plywood product sales declined, reflecting a downward trend in housing starts and general economic conditions. Metalcraft dinette sales improved, reflecting stronger demand in West Coast markets.

Earnings during the year dipped slightly below 1966 levels, but the impact of reduced volume at St. Charles, Illinois, and Stanley, Wisconsin, on earnings was offset by efficiencies and cost savings realized from recently completed new and improved facilities. At the St. Charles plant, for example, a major building and shipping facility addition was completed, which already has made important contributions to lower costs and improved customer service and delivery.

In 1968, the division's marketing department expects significant improvement in furniture shipments. The division's new lines for 1968 were introduced at the annual January furniture shows in Chicago, New York, Los Angeles and San Francisco, and they received the most encouraging reception any Howell products have ever received.

Styling this year includes new high-impact resistant polystyrene plastic furniture. This plastic has the same density and can be finished just like wood, yet it is stronger and less expensive. This new development offers exciting growth potential for us.

Below: Howell's broad line of modern comfortable chairs and tables is widely used in schools, colleges, hospitals, libraries, and reception rooms throughout the U. S. Right: Elegance is the word for this Howell dinette set. Our new line, including polystyrene furniture, was well received at shows in Chicago, New York, Los Angeles, and San Francisco.

interlake

FINANCIAL REVIEW

Summary of Operating Results

Interlake's 1967 operating results reflected the generally lower economic conditions prevailing during the year.

After reaching record levels in 1966, sales during 1967 of $256,411,000 were down $12,393,000, or 4.6% from the previous year's record high of $268,804,000.

Net income for 1967 was $14,133,000, equivalent to $3.15 per share of Common stock. This was higher than 1965 ($13,861,000 or $3.02 per share), but 14.2% lower than the 1966 net income of $16,481,000, or $3.68 per share. The decline in 1967 net income was principally due to the lower sales volume.

1967's operating results emphasized three important factors:

IRON AND STEEL sales continued the trend of representing a lower percentage of total sales.

BOTH SALES AND INCOME were essentially flat for the first three quarters, with a substantial improvement noted in the fourth quarter.

WHILE NET INCOME for 1967 declined, it still exceeded net income for the years 1964 and 1965 when sales were at a higher level.

Net Sales

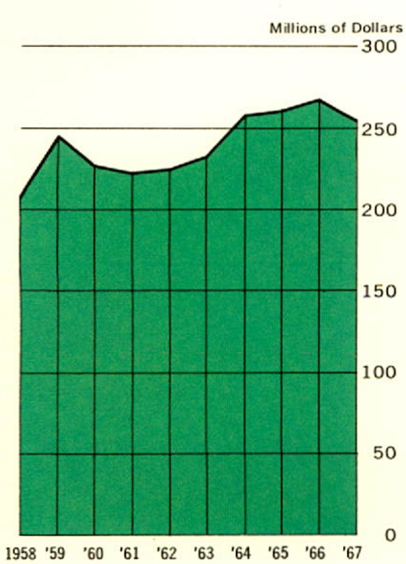
Aggregate sales for 1967 were down 4.6% from the year 1966. The decline was concentrated principally in the Iron and Steel Divisions. The Acme Products Division had higher sales in 1967. The Globe Metallurgical Division declined approximately 7%, and the Howell Division had higher 1967 sales, although this was due to having a full year's benefits of the 1966 Metalcraft acquisition versus only seven months in 1966.

1967 sales were helped to some degree by modest price increases made in the latter part of 1966 on hot rolled steel sheet and strip, and steel strapping sold by the Acme Products Division. There were no major price changes affecting 1967, although at the end of the year some increases on cold rolled steel sheet and strip, strapping, and certain ferroalloys were posted, most of them to be effective in 1968.

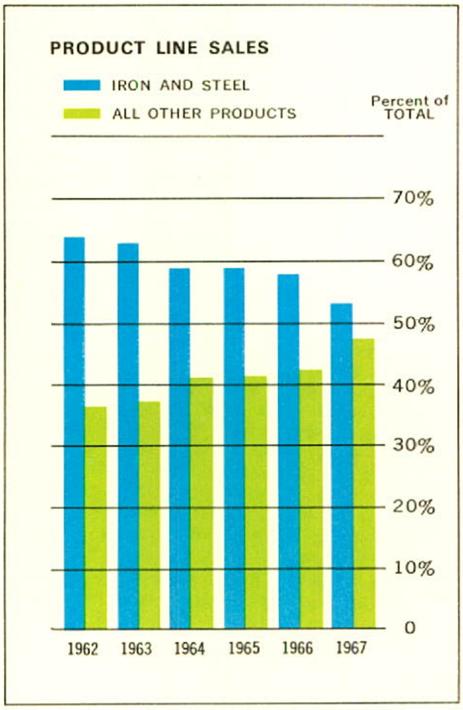
The pattern of sales by divisions has shown a continuing trend towards a lower percentage of total sales for Iron and Steel and a correspondingly higher percentage for other product lines. This is graphically illustrated for the 1962-1967 period, and detailed in the following tabulation of divisional sales as a percentage of Interlake total sales for 1965-6-7:

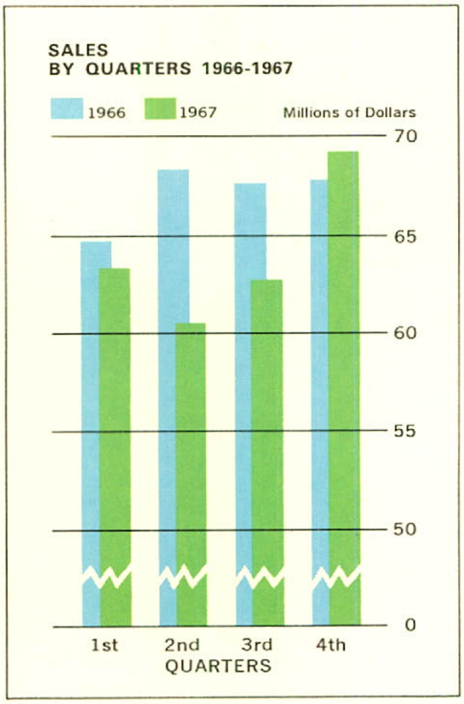
	1965	1966	1967
Iron	23%	21%	19%
Steel	36	37	34
Sub-total	59	58	53
Acme Products	25	28	30
Globe Metallurgical	6	7	7
Howell	5	7	9
Other (including Enos Coal in 1965)	5	-	1
Total	100%	100%	100%

NET SALES



The pattern of sales by quarter was markedly different in 1967 than in 1966. Sales for the first three quarters of the year were fairly level, with an upswing in the third quarter from the low second quarter and fourth quarter sales showed a decided upturn—approximately 11% from the first three quarters. The improved sales in the latter part of the year (and which appear to be continuing into 1968) are attributable to three factors. First, the domestic economy in 1967 was generally in a period of pause and uncertainty during the first three quarters. Second, these economic conditions manifested themselves in customer buying patterns, including significant inventory curtailments. Third, announcement of 1968 effective price increases for steel strapping and certain ferroalloys in late 1967 accelerated customer purchasing of these items.





Net Income

As noted earlier, net income for 1967 was $14,133,000 or $3.15 per share. While down 14.2% from 1966 net income ($16,481,000 or $3.68 per share), 1967 was better than both 1964 and 1965, years of higher sales.

Generally lower economic conditions prevailing during 1967 were the major reason for the year-to-year decline in income. A year-to-year comparison between 1966—a record year for most of our products—and 1967 tends to obscure the more significant long-range trend shown in net income as a per cent of sales. In 1964 it was 3.6%; in 1965 net income as a per cent of sales climbed to 5.3% and in 1967 the return stood at 5.5%. This trend was achieved despite a three-year compounding effect of higher prices paid for goods and services, and higher wages, salary, social security and employee benefit costs. Although there has been some offsetting gains from higher selling prices for our products, these have only partially alleviated the cost increase burden. Furthermore our facilities have been expanding and as a consequence, certain facilities operated at a lower per cent of capacity in 1967 than they did in 1964. Despite the cost increases and the changes in operating rates income as a per cent of sales has shown an upward slope.

Operating costs have not only been held in line, but in many cases have been reduced. This reflects basic improvements in our cost structure stemming from continuing profit improvement programs, benefits derived from newer facilities and capital expenditures designed to improve the efficiency of older facilities. It also reflects timely action taken during 1967 to adjust short-range costs to the business conditions that developed throughout the year.

The pattern of income by quarter that developed during the year also suggests the cost control which has been exercised and illustrates the earnings opportunity available as increments of sales are added. As the chart shows, the quarterly income curve follows the same profile as the quarterly sales curve; the first three quarters were very similar, the fourth quarter was materially higher. In fact, the fourth quarter accounted for $1.21 per share of income, or almost 40% of the year's $3.15. An underlying factor in the Company's favorable cost structure is the flexibility we have developed in manufacturing many products to meet specific customer needs on a short lead time basis. This flexibility which has served well as a marketing tool also permits us to make relatively rapid shifts in production schedules and operating costs.

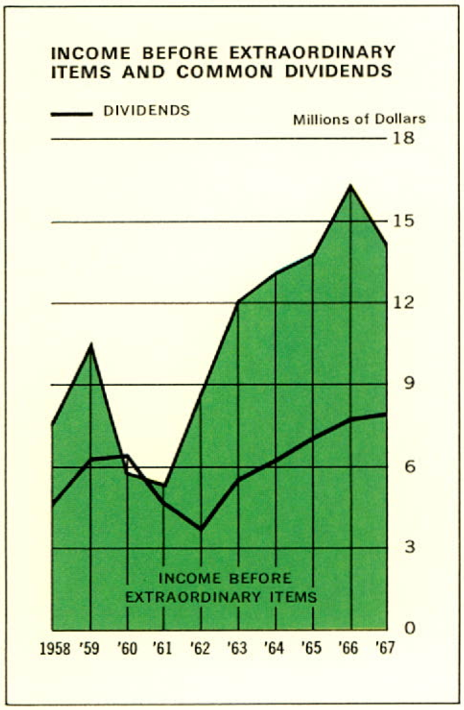
Other Revenues

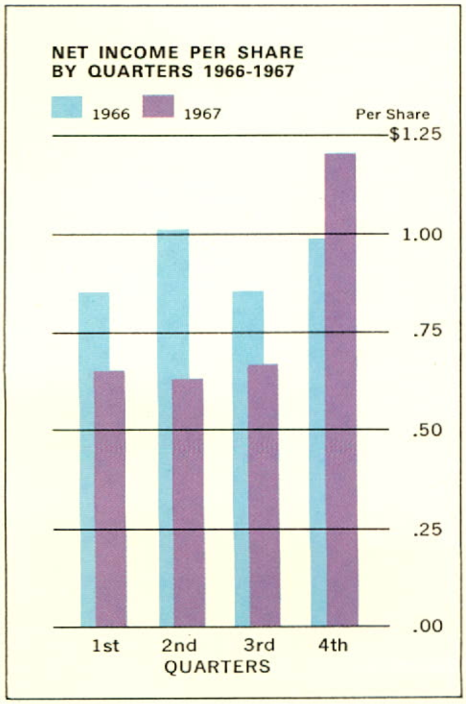
As an integrated steel producer, Interlake has wide interests in natural resources. Some of these interests generate earnings that are reflected directly in reduced cost of sales. In addition, a substantial part of Interlake's net income flows from "other revenues" which amounted to $2,605,000 in 1967 and $3,232,000 in 1966. The bulk of these revenues are in the form of dividends from companies that supply us with a portion of our raw material needs. In total, revenues from this source amounted to almost $1,800,000 in 1967. Three companies provided most of this; Olga Coal Company, Western Mining Company and Old Ben Coal Corporation. In addition, 1967 dividend income includes receipts from the 50% owned Gerrard Industries Limited, an English strapping firm that was organized in 1963. Further sources of other revenues include interest on short-term investments made with cash in excess of current operating needs and from rents and royalties which principally derive from ownership rights in coal and oil producing properties. The total of other revenues accounted for $.48 per Common share in 1967, compared to $.56 per share in 1966.

Common Stock Dividend Payments

Cash dividends of $1.80 per share paid in 1967 continued the quarterly rate of $.45 per share established in May of 1966. Total dividends paid in 1967 were $8,072,000—or 57% of net income. Total dividends paid in 1966 were $7,842,000 ($1.75 per share), and were 48% of net income for that year.

In the first quarter of 1968, a cash dividend of $.45 per share was declared, payable March 30, 1968 to shareholders of record on March 15, 1968.





Income Taxes and Investment Credit

Provisions for U. S. and foreign income taxes amounted to $9,221,000 in 1967. This was equivalent to an effective tax rate of 39.5%, compared to 42.4% in 1966.

The major reason for the lowered effective tax rate in 1967 was an increase in the amount of investment credit allowed under the U. S. Federal tax regulations. This is traced to the fact that several capital projects of fairly large size were completed and the facilities were put into operation during 1967. Because of this, total investment credit in 1967 amounted to $1,450,000; in 1966 it was $593,000. Our pace of construction was about the same in both years. In 1966, however, several of the projects which qualified for investment credit in 1967 were still under construction and were not eligible under the tax regulations.

Interlake follows the "flow through" method of accounting for investment credit, and the amounts eligible in each year are reflected as a reduction of the provision for U. S. Income Taxes in their entirety during the year in which they qualify. For 1967, the investment credit amounted to income of $.32 per Common share, and $.13 for each share of Common stock in 1966.

Funds and Working Capital

The components of $62,170,000 working capital at the end of 1967 yield a current ratio of 2.4 to 1. This ratio provides somewhat more liquidity than industry standards suggest. During the year working capital decreased by $1,451,000. Major factors behind the decrease are shown in the Source and Application of Funds statement which appears on page 22. These factors include capital expenditures, common stock dividends, reduction in long-term debt and continued investments and advances for Interlake's interests in natural resources—principally iron ore. An additional factor of note which appears on the balance sheet is the use of $8,500,000 of short-term credit. Fairly large cash balances precluded the need for this type of financing in 1966.

Offsetting these decreases in working capital were the sources of funds in 1967. These cash flow items (net income, depreciation and the change in future income taxes) totaled $25,355,000. Cash flow was $4,093,000 below 1966 and reflects both lowered net income and a reduction in non-cash charges for depreciation, depletion and amortization.

Capital Expenditures and Investments

Spending for capital programs totaled $15,739,000 in 1967 compared to $17,905,000 in 1966. Our Iron and Steel Divisions accounted for 48% of the total spending. Major projects within these divisions centered around cost reduction programs and facilities which will improve the quality and service available to our customers. New stoves for blast furnaces, a cooling system for our hot mill and extensive finishing and shipping facilities for steel products at Riverdale are a few of the major projects. Slightly more than 20% of the funds were spent by Acme Products for added capacity at our Pontiac fabricating plant and new strapping manufacturing facilities at Riverdale as well as to upgrade existing facilities. Completion of the No. 7 furnace at the Globe Metallurgical Division represented a significant proportion of 1967 spending as did the expansion of shipping facilities in the St. Charles, Illinois, Howell Division's furniture plant.

In addition to capital spending, Interlake made investments in affiliated companies totaling $1,344,000. For the most part these investments were applicable to the Company's interests in ore mining ventures.

Capital Structure

No important changes were made in the capital structure of Interlake during 1967.

Long-term debt was reduced by the required sinking fund provisions, and this amounted to payments of $2,325,000. Payment of sinking fund requirements for the 4⁷/₈% insurance company loan and the 5% debentures was by cash. The sinking fund requirement of the $4\frac{7}{8}$% debentures was met by tender of debentures acquired by Interlake on the open market during 1966. In addition, during 1967 sufficient $4\frac{7}{8}$% debentures were acquired to meet 1968 sinking fund requirement for this issue.

During the year, a Credit Agreement was negotiated with six major banks. Under terms of the Credit Agreement, Interlake:

- May borrow up to $28,000,000 on 90-day notes until September 30, 1969, at the going prime rate.
- May borrow up to $28,000,000 on September 30, 1969 on a 5-year term loan, payable in equal annual installments, 1970 - 1974. Interest on this loan will be at the going prime rate plus $\frac{1}{4}$ of 1%.

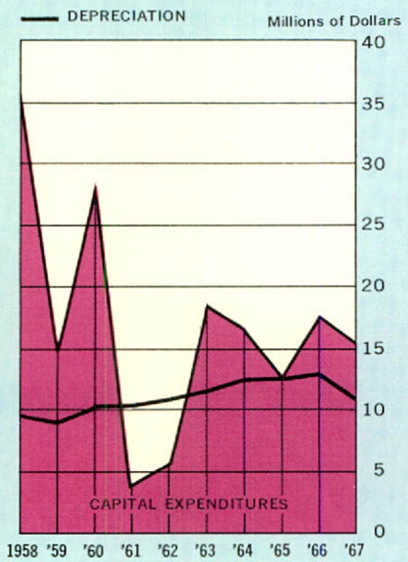
At December 31, 1967, $7,000,000 of notes payable were outstanding under terms of this Credit Agreement. An additional $1,500,000 of notes payable (Commercial Paper) were outstanding at that time. Stepped-up tax payments and the settlement of a prior year's tax case were major factors behind this level of short-term borrowing.

A summary of the capital structure at December 31, 1967, and 1966, is as follows:

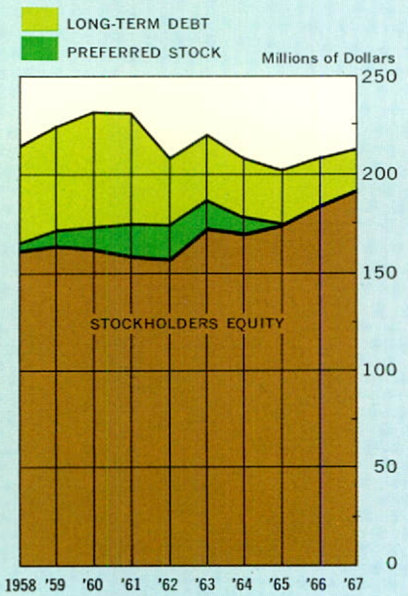
(In thousands)

	1967		1966	
	Dollars	**%**	**Dollars**	**%**
Long-term debt	$ 21,268	10.0%	$ 23,431	11.2%
Common stock	191,546	90.0	185,358	88.8
	$212,814	100.0%	$208,789	100.0%
Common shareholders' equity per share	$42.69		$41.35	

CAPITAL EXPENDITURES AND DEPRECIATION



CAPITALIZATION



STATEMENTS OF INCOME AND RETAINED EARNINGS

For the Years Ended December 31, 1967 and 1966

(See notes to financial statements)

INCOME	1967	1966
SALES AND REVENUES:		
Net sales	$256,410,632	$268,804,252
Other revenues	2,604,802	3,232,408
	259,015,434	272,036,660
COSTS AND EXPENSES:		
Cost of products sold	192,351,129	199,165,832
Depreciation, depletion and amortization (Note 3)	11,268,542	13,232,269
Selling and administrative expenses	24,058,030	23,745,448
State, local and miscellaneous taxes	6,424,868	5,990,514
Interest and other costs on long-term debt	1,558,764	1,295,814
	235,661,333	243,429,877
INCOME BEFORE TAXES ON INCOME	23,354,101	28,606,783
PROVISION FOR U. S. AND FOREIGN INCOME TAXES (Note 9):		
Current	9,387,000	12,410,000
Deferred—net	(166,000)	(284,000)
	9,221,000	12,126,000
NET INCOME for the year	$ 14,133,101	$ 16,480,783
NET INCOME per Common share	$3.15	$3.68

RETAINED EARNINGS	1967	1966
RETAINED EARNINGS at beginning of year	$ 82,629,317	$ 73,990,071
NET INCOME for the year	14,133,101	16,480,783
	96,762,418	90,470,854
DEDUCT—Cash dividends paid; $1.80 per share in 1967 and $1.75 in 1966	8,072,489	7,841,537
RETAINED EARNINGS at end of year	$ 88,689,929	$ 82,629,317

BALANCE SHEET *December 31, 1967 and 1966*

(See notes to financial statements)

ASSETS	1967	1966
CURRENT ASSETS:		
Cash and certificates of deposit	$ 6,220,806	$ 8,085,729
Marketable securities, at cost and accrued interest	—	4,485,481
Receivables, less allowance for doubtful accounts of $451,000 in 1967 and $440,000 in 1966	28,255,580	23,196,864
Inventories at lower of cost (principally LIFO) or market:		
Raw materials	*21,303,122*	*20,053,290*
Semifinished and finished products	*40,753,706*	*38,137,917*
Supplies	*7,029,700*	*7,334,840*
	69,086,528	65,526,047
Other current assets	3,500,776	3,194,954
Total current assets	107,063,690	104,489,075
INVESTMENTS AND OTHER ASSETS:		
Investments in affiliated and associated companies (Note 1)	2,483,014	3,372,335
Iron ore interests (Notes 1 and 2)	18,602,049	17,591,281
Other investments and deferred charges	6,926,266	6,067,412
	28,011,329	27,031,028
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Land and mineral properties less depletion	10,445,225	10,288,089
Plant and equipment	295,703,101	282,062,354
	306,148,326	292,350,443
Less—Depreciation and amortization (Note 3)	164,108,966	154,760,040
	142,039,360	137,590,403
	$277,114,379	$269,110,506

LIABILITIES AND SHAREHOLDERS' EQUITY	1967	1966
CURRENT LIABILITIES:		
Notes payable (Note 4)	$ 8,500,000	$ —
Accounts payable	18,724,023	17,899,599
Salaries and wages	8,254,557	8,047,090
Taxes other than income taxes	3,862,811	3,476,623
U. S. and foreign income taxes	4,477,336	10,369,435
Current maturities of long-term debt (Note 5)	1,075,000	1,075,000
Total current liabilities	44,893,727	40,867,747
LONG-TERM DEBT, less current maturities:		
4⅞% debentures, due annually $1,250,000 1968 to 1972, $1,500,000 1973 to 1976 and $2,500,000 in 1977 (Note 5)	13,493,000	14,581,000
4⅞% insurance company loan, due annually $700,000 1968 to 1973 and $900,000 in 1974	4,400,000	5,100,000
5% debentures, due annually $375,000 1968 to 1977	3,375,000	3,750,000
	21,268,000	23,431,000
FUTURE INCOME TAXES	19,407,000	19,454,000
SHAREHOLDERS' EQUITY:		
Common stock, par value $1 a share; authorized 10,000,000 shares; issued 4,660,005 shares in 1967 and 1966	107,749,253	107,736,887
Retained earnings (Note 6)	88,689,929	82,629,317
	196,439,182	190,366,204
Less—Cost of Common stock held in Treasury (173,440 shares in 1967 and 177,457 in 1966) (Notes 7 and 8)	4,893,530	5,008,445
	191,545,652	185,357,759
	$277,114,379	$269,110,506

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Years Ended December 31, 1967 and 1966

(See notes to financial statements)

	1967	1966
SOURCE OF FUNDS:		
Net income	$14,133,101	$16,480,783
Depreciation, depletion and amortization	11,268,542	13,232,269
Future income taxes	(47,000)	(265,000)
	25,354,643	29,448,052
APPLICATION OF FUNDS:		
Capital expenditures less net book value of retirements and sales of $277,956 in 1967, and $287,725 in 1966	15,460,616	17,617,271
Cash dividends	8,072,489	7,841,537
Reduction of long-term debt (less current maturities)	2,163,000	2,494,000
Acquisition of Feralco, S.A. in 1967 and Metalcraft Products Company in 1966 (both net of working capital acquired)	332,887	1,739,007
Investments in and advances to iron ore interests (net of repayments)	1,010,768	885,968
All other—net	(233,752)	4,812
	26,806,008	30,582,595
WORKING CAPITAL:		
Decrease during year	(1,451,365)	(1,134,543)
Balance at beginning of year	63,621,328	64,755,871
Balance at end of year	$62,169,963	$63,621,328

NOTES TO FINANCIAL STATEMENTS

December 31, 1967

Note 1—Principles of Consolidation:

The consolidated financial statements include the accounts of the Company and wholly-owned subsidiaries after elimination of intercompany accounts and transactions. The accounts of foreign subsidiaries, located principally in Canada, have been translated at appropriate rates of exchange and represent approximately 3% of the consolidated net assets.

The Company's equity in the underlying net assets of affiliated and associated companies and iron ore interests exceeded the book value, recorded at cost or lower, by $2,253,491 at December 31, 1967 and $2,632,053 at December 31, 1966. Dividends received from these investments exceeded ownership equity in net income by $187,122 and $634,586 in 1967 and 1966 respectively.

Note 2—Iron Ore Interests:

The Company has interests in various ore mining and pelletizing projects and is required to take its ownership proportion of the production for which it is committed to pay its proportionate share of the operating costs of these projects either directly or as a part of the product price. The minimum amount which the Company is committed to pay is approximately $2,250,000 annually over about 20 years, regardless of the quantity of product received.

Note 3—Depreciation and Amortization:

It is the policy of the Company to depreciate plant and equipment principally on a straight-line basis over the estimated useful lives of the assets. Provision for depletion of mineral properties is based upon tonnage rates which are expected to amortize the cost of these properties over the estimated amount of mineral deposits to be removed.

Depreciation claimed for income tax purposes is computed by use of accelerated methods. Income taxes applicable to the excess of depreciation claimed for tax purposes have been credited to future income taxes.

Note 4—Notes Payable:

Notes payable include $7,000,000 outstanding under a credit agreement entered into with a group of banks in 1967. Under the terms of this agreement the Company may borrow up to $28,000,000 and at September 30, 1969 may convert the notes into a five year term loan repayable in equal annual installments thereafter. The agreement provides that consolidated working capital, exclusive of amounts borrowed thereunder, not be less than $50,000,000 on December 31 of each year.

Note 5—4⅞% Debentures Held in Treasury:

At December 31, 1967, 4⅞% debentures with a face value of $1,257,000 were held in Treasury by the Company. Of these, $1,250,000 may be used to meet the 1968 sinking fund requirement and have been applied as a reduction of current maturities of long-term debt. The balance may be used to meet future requirements and has been applied as a reduction of long-term debt.

Note 6—Dividend Restriction:

Under the most restrictive terms of the provision of the indenture relating to the debentures and the terms of the loan agreement with the insurance company, $42,169,963 of retained earnings at December 31, 1967 was unrestricted for the payment of cash dividends.

Note 7—Stock Options:

A Qualified Stock Option Plan was approved by the shareholders in 1965. At December 31, 1967, there were outstanding options for 59,050 shares at $31.38 or $41.94 per share, of which 31,358 were exercisable. No options granted under this Plan were exercised during the year.

A Restricted Stock Option Plan, approved in prior years, was discontinued in 1965. Options previously issued for 1,965 shares were exercised during 1967 at a price of $25.41 per share. At December 31, 1967, there were no restricted stock options outstanding.

Note 8—Common Stock Held in Treasury:

At December 31, 1967, 150,000 treasury shares were reserved for stock options, 10,288 were reserved for distribution under a deferred compensation plan, and 13,152 were unreserved.

Note 9—Investment Credit:

Investment credit, as allowed under U. S. Federal income tax provisions, amounted to $1,450,000 in 1967 and $593,000 in 1966. These amounts have been reflected as a reduction of income tax expense in the respective years.

Note 10—Pension Plans:

The Company and its subsidiaries have several pension plans covering substantially all employees. These plans are generally in conformity with the basic pension pattern of the steel industry. Pension cost was $4,733,702 in 1967 and $4,810,146 in 1966, which includes current costs plus interest on and 40 year amortization of unfunded past service cost. The Company's policy is to fund pension cost accrued.

The actuarially computed value of vested benefits for all plans per the latest actuarial report, after giving recognition to the 1967 contribution, exceeded the total of the pension fund assets, at cost, by approximately $6,837,000.

PRICE WATERHOUSE & CO.

Prudential Plaza
Chicago 60601

February 6, 1968

To the Board of Directors
and Shareholders of
Interlake Steel Corporation

In our opinion, the accompanying consolidated balance sheet and related statements of consolidated income, retained earnings, and source and application of funds present fairly the financial position of Interlake Steel Corporation and its consolidated subsidiaries at December 31, 1967, the results of their operations and the supplementary information on funds for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements 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.

Price Waterhouse & Co.

TEN YEAR FINANCIAL SUMMARY OF OPERATIONS *(in thousands—except per share statistics)*

FOR THE YEAR

	Net Sales	Income Before Extraordinary Items	Extraordinary Items (less applicable income tax)	Net Income: Amount	Net Income: % of Net Sales	Net Income: % of Shareholders' Equity	Income Per Common Share: Before Extraordinary Items	Income Per Common Share: Extraordinary Items	Income Per Common Share: Net Income
1967	$256,411	$14,133	$ —	$ 14,133	5.5%	7.4%	$ 3.15	$ —	$ 3.15
1966	268,804	16,481	—	16,481	6.1	8.9	3.68	—	3.68
1965	262,363	13,861	—	13,861	5.3	7.9	3.02	—	3.02
1964	259,580	13,147	(3,714)	9,433	3.6	5.3	2.78	(.83)	1.95
1963	234,413	12,079	—	12,079	5.2	6.4	2.52	—	2.52
1962	227,875	8,762	(2,978)	5,784	2.5	3.3	1.82	(.70)	1.12
1961	224,594	5,442	(4,129)	1,313	.6	.7	1.08	(.98)	.10
1960	229,276	5,966	(1,328)	4,638	2.0	2.7	1.28	(.31)	.97
1959	247,694	10,668	—	10,668	4.3	6.2	2.44	—	2.44
1958	208,128	7,793	—	7,793	3.7	4.7	1.83	—	1.83

FOR THE YEAR

	Cash Flow	Dividends Paid: Common	Dividends Paid: Preferred	Dividends Paid: % of Income Before Extraordinary Items	Capital Expenditures	Depreciation	Interest & Debt Expense	Taxes on Income Before Extraordinary Items: Amount	Taxes on Income Before Extraordinary Items: % of Pre-Tax Income
1967	$ 25,355	$ 8,072	$ —	57.1%	$ 15,739	$ 11,269	$ 1,559	$ 9,221	39.5%
1966	29,448	7,842	—	47.6	17,905	13,232	1,296	12,126	42.4
1965	28,778	7,160	436	54.8	12,988	12,871	1,547	8,176	37.1
1964	24,846	6,295	730	53.4	16,955	12,730	1,898	5,772	30.5
1963	24,712	5,613	1,031	55.0	18,898	11,886	1,770	9,592	44.3
1962	22,126	3,885	1,065	56.5	5,866	11,050	2,204	9,478	52.0
1961	17,902	4,711	819	101.6	4,073	10,137	2,935	6,089	52.8
1960	18,439	6,373	486	115.0	28,227	10,121	3,239	6,796	53.2
1959	21,991	6,326	351	62.6	15,180	9,383	2,705	10,989	50.7
1958	20,520	4,786	25	61.7	35,416	9,806	2,113	8,150	51.1

AT YEAR END

	Working Capital: Amount	Working Capital: Current Ratio	Property (Net)	Long-Term Debt	Future Income Taxes	Preferred Stock	Common Shareholders' Equity: Amount	Common Shareholders' Equity: Outstanding Shares	Common Shareholders' Equity: Per Share
1967	$ 62,170	2.4 to 1	$142,039	$ 21,268	$ 19,407	$ —	$191,546	4,487	$42.69
1966	63,621	2.6	137,590	23,431	19,454	—	185,358	4,483	41.35
1965	64,756	2.9	131,603	25,925	19,719	—	176,552	4,477	39.43
1964	58,009	2.5	146,880	29,375	17,303	8,650	170,353	4,466	38.15
1963	71,506	2.8	149,557	31,450	20,649	15,430	173,125	4,613	37.53
1962	79,057	3.5	131,916	33,838	18,871	16,888	158,743	4,235	37.47
1961	86,792	3.6	142,456	54,348	15,492	17,250	159,150	4,195	37.59
1960	71,055	2.6	149,194	56,184	12,633	11,500	163,298	4,191	38.60
1959	79,208	2.9	132,180	52,688	9,795	7,250	165,114	4,189	39.06
1958	72,463	3.5	126,581	48,798	7,504	5,300	160,154	4,177	37.99

NOTE TO TEN YEAR SUMMARY

Interlake Steel Corporation is the surviving corporation of the merger of Acme Steel Company into Interlake Iron Corporation on December 22, 1964. This Ten Year Financial Summary of Operations reflects the combined operations of these two companies on a "pooling of interests" basis for the year 1964 and prior years.

Income per Common share is based on the average number of Common shares outstanding during each year, after recognition of the dividend requirements on the Preferred stock. For the years 1958-1964, the Acme shares (adjusted to reflect a 2% stock dividend in 1962) were converted at the rate of .7 of an Interlake share for each Acme share, this being the exchange basis of the merger.

Cash flow is defined as income before extraordinary items, depreciation and future income taxes, less Preferred stock dividends.

Capital expenditures exclude assets acquired through the acquisition of capital stock of consolidated subsidiaries.

DIRECTORS

KEITH S. BENSON
President, Director, Pickands Mather & Co.

*EUGENE P. BERG
Chairman, President, Director, Bucyrus-Erie Company

*MARVIN CHANDLER
Chairman and President, Director and Chief Executive Officer, Northern Illinois Gas Company

*JAMES W. COULTRAP
Chairman, Director, Miehle-Goss-Dexter Incorporated

*GEORGE E. ENOS
Chairman of Executive Committee

*G. FINDLEY GRIFFITHS
Chairman and Chief Executive Officer

CARTER KISSELL
Partner in the law firm of Jones, Day, Cockley & Reavis

*REYNOLD C. MacDONALD
President and Chief Operating Officer

GEORGE S. PATTERSON
President, Director, Buckeye Pipe Line Company

LOUIS PUTZE
President, General Precision Controls, Inc.
Director, General Precision Equipment Corporation

FREDERIC J. ROBBINS
President, Chief Executive Officer, Director, Bliss & Laughlin Industries, Inc.

JOHN W. SCALLAN
Director, Pullman Incorporated

LEE C. SHAW
Partner in the law firm of Seyfarth, Shaw, Fairweather & Geraldson

*JOHN SHERWIN
Chairman, Director, Pickands Mather & Co.

JOHN C. VIRDEN
Chairman of Executive Committee, Director, Eaton Yale & Towne Inc.

EDWARD J. WILLIAMS
Executive Vice President, Jos. Schlitz Brewing Company

MORRIS H. WRIGHT
General Partner, Kuhn, Loeb & Co.

**Member of Executive Committee*

OFFICERS

G. FINDLEY GRIFFITHS
Chairman and Chief Executive Officer

REYNOLD C. MacDONALD
President and Chief Operating Officer

ROBERT JACOBS
Vice President, Finance

FRANK K. ARMOUR
Vice President, Engineering

DAVID G. BOWSER
Vice President, Globe Metallurgical Division

JAMES W. DUNCAN
Vice President, Merchant Iron Division

R. RUSSELL FAYLES
Vice President, Administrative Services and Research

RALPH K. FREW
Vice President, Employee Relations

GEORGE B. HOWELL
Vice President, Acme Products Division

WILLIAM R. STEAD
Corporate Counsel

DONALD H. MacDOWELL
Secretary

LESTER W. STOLTE
Treasurer

KENNETH M. FEHR
Controller

PRODUCTS
(MANUFACTURED & DISTRIBUTED)

IRON DIVISION

Pig Iron; Coke; Coal Chemicals

STEEL DIVISION

Hot Rolled Strip, Sheet, Plate and Bars; Cold Rolled Strip and Sheet; Cold Rolled Spring Steel; Alloy Strip, Sheet and Plate; Electric Weld Line Pipe; Spiral Welded Pipe.

ACME PRODUCTS DIVISION

DOMESTIC

Flat Steel Strapping, Tools, Machines and Accessories; Flat Stitching Wire, Machines and Accessories; Slotted Angle; Light and Heavy Duty Storage Racks; Barrel and Container Steel Hoops; Flexible Conduit; Disposable and Returnable Inflatable Dunnage; Plastic Strapping, Tools, Machines and Accessories.

INTERNATIONAL

Acme Steel Company of Canada, Limited Toronto, Canada

Flat Steel Strapping, Tools, Machines and Accessories; Flat Stitching Wire, Machines, and Accessories.

Gerrard Industries Limited, London, England

Flat and Round Steel Strapping, Tools, Machines and Accessories; Flat Stitching Wire, Machines and Accessories.

Feralco, S.A., Paris France

Flat Steel Strapping, Tools, Machines and Accessories; Flat Stitching Wire, Machines and Accessories; Slotted Angle; Heavy Duty Storage Racks; Plastic Containers; Live Storage Systems.

Acme Flejes de Mexico, S.A. de C.V. Mexico City, Mexico

Flat Steel Strapping, Tools, Machines and Accessories; Flat Stitching Wire, Machines and Accessories; Plain and Galvanized Strip Steel.

GLOBE METALLURGICAL DIVISION

Ferroalloys and Silicon Metal.

HOWELL DIVISION

Tubular Metal Dinette Furniture and Commercial Seating; Bed Frames, Roll-away and Bunk Beds; Wooden and Laminated Furniture Parts.

INTERLAKE STEEL CORPORATION
310 SOUTH MICHIGAN AVENUE · CHICAGO, ILLINOIS 60604