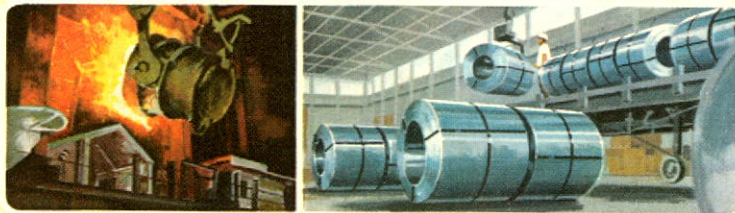
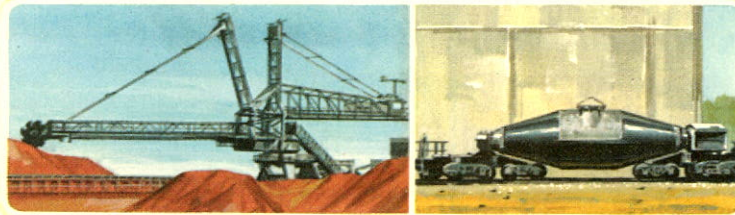


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 **interlake**  
STEEL CORPORATION

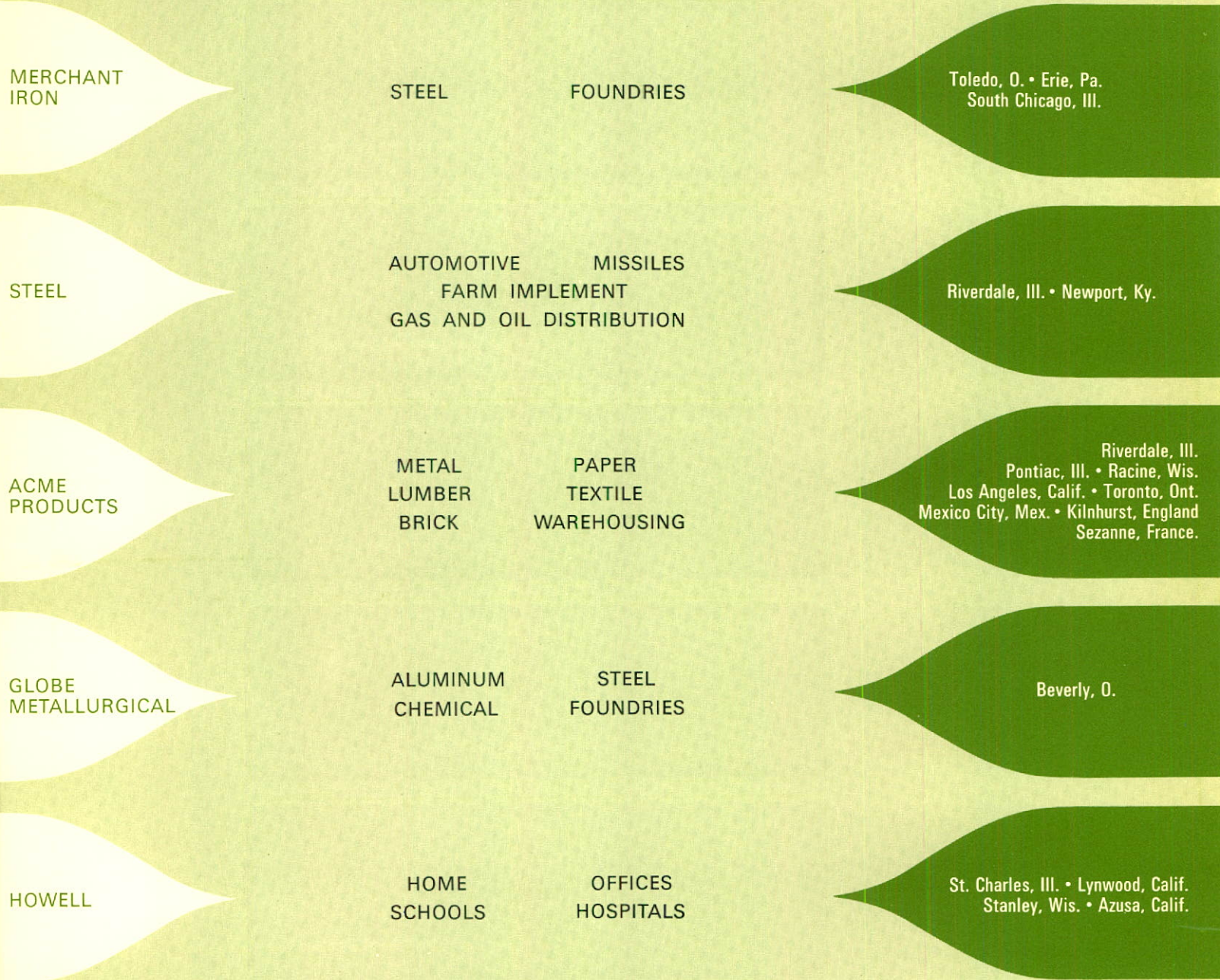
**ANNUAL REPORT 1966**

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**THE MARKETS WE SERVE**

**THE PLANTS WE OPERATE**



A few of the major markets served by our divisions are shown. They range over the entire spectrum of commercial activity and most importantly their scope provides us with selling and profit making opportunities which soften both the seasonal and cyclical downturn.

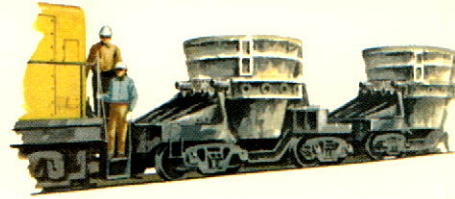
Producing facilities are strategically located throughout this continent and overseas in order to better serve our growing number of customers. The bulk of Interlake's production, however, is centered in the fast growing Midwest market.

# THE SCOPE OF

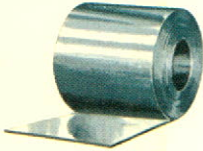
## THE PRODUCTS WE PRODUCE BY DIVISIONS



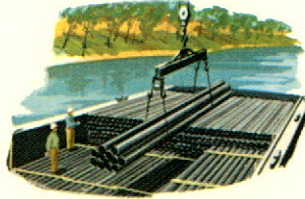
MERCHANT PIG IRON



MOLTEN FOUNDRY IRON  
(in open top ladle cars)



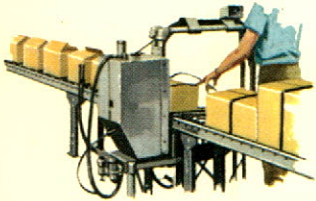
STEEL IN COILS



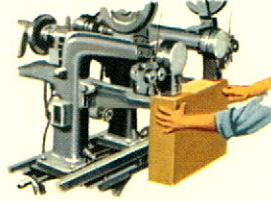
LINE PIPE



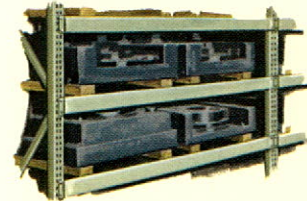
STEEL IN SHEETS



STRAPPING



STITCHING



STORAGE RACKS



FERROCHROMIUM



FERROSILICON



DINETTE  
SETS



RECEPTION  
FURNITURE



CLASSROOM  
FURNITURE

The products highlighted above illustrate three important points about Interlake. First, our products cover five major areas and each of these demands unique production skills; next, there is a close inter-relationship between the divisions—the finished product of one di-

vision is often a key raw material for another; third, the scope of our products ranges from basic industrial raw materials, through sophisticated packaging and material handling systems to highly style-influenced consumer goods.

## ANNUAL REPORT 1966



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### 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 1967 Annual Meeting at 10:00 a.m. (N.Y. City time), April 27, 1967, at Bankers Trust Company, 485 Lexington Avenue, New York City. Proxy statements for the meeting will be mailed in the latter part of March.

• *The outside front cover illustrates the breadth of manufacturing activities in our five divisions; from top to bottom (1) Merchant Iron—ore storage and a hot metal ladle car; (2) Steel—charging of a basic oxygen furnace with molten iron and finished coils of steel; (3) Acme Products—finished steel strapping ready for shipment; (4) Globe Metallurgical—tapping a smelting furnace and a mold of finished product cooling; (5) Howell—a reception room furnished with Howell commercial seating.*

• *The back cover shows representations of Interlake's thirteen United States and four foreign plants.*

## HIGHLIGHTS IN 1966

### MAJOR OBJECTIVES WERE MET

- Earnings increased to \$3.68 per Common share; 22% above 1965—a significant increase on a rise of only 2½% in sales.
- Full merger benefits were reflected in the earnings by the end of the second quarter.
- Production records fell under the spur of strong sales and post merger capacity increases.
- Ingot production of 1,186,000 tons set a new record—a 15% increase over previous high.

### OPPORTUNITIES WERE EXPLOITED

- Availability of iron ore pellets to increase, following facility expansions at Erie and Wabush.
- Howell Division business approximately doubled by west coast acquisition.
- 18 months after the start of operations a 90% expansion was begun at our Pontiac, Illinois fabricating plant.
- One new ferroalloy smelting furnace went into operation and a second is under construction at Beverly, Ohio plant.

### BASIC STRENGTHS WERE CONSOLIDATED

- Interlake's capital structure was further strengthened providing a sound base for future growth.
- A well functioning management team has emerged from the merger.
- Organization realignments have strengthened our ability to take on new opportunities.

FOR THE YEAR (In thousands)	1966	1965
Net sales.....	\$268,804	\$262,363
Net income.....	16,481	13,861
Cash flow.....	29,448	28,778
Capital expenditures.....	17,905	12,988
Common stock dividends.....	7,842	7,160

### AT YEAR END (In thousands)

Working capital.....	\$ 63,621	\$ 64,756
Current ratio.....	2.7 to 1	2.9 to 1
Property, plant and equipment—net.....	\$137,590	\$131,603
Long-term debt, less current maturities.....	23,431	25,925
Common shareholders' equity.	185,358	176,552

### PER SHARE STATISTICS (Common Stock)

Net income.....	\$ 3.68	\$ 3.02
Cash dividends paid.....	1.75	1.60
Shareholders' equity— at year end.....	41.35	39.43

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## TO OUR SHAREHOLDERS

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Nineteen sixty-six marked the second full year of operations for Interlake Steel Corporation and the first year in which the Company had an opportunity to capitalize on the numerous benefits that were anticipated from the December 1964 merger of Acme Steel Company and Interlake Iron Corporation. The extent to which this was accomplished is revealed by the figures that follow.

Net sales of \$268,804,000 established a new record for the third consecutive year. They were \$6,441,000 or 2<sup>1</sup>/<sub>2</sub>% over the previous high of \$262,363,000 established in 1965.

Net income rose to \$16,481,000. This is an increase of 19% or \$2,620,000 over the figure of \$13,861,000 in the prior year.

Earnings per Common share rose 22% to \$3.68 based on the 4,479,440 average shares outstanding during the year. This compares with earnings of \$3.02 a share on 4,471,382 shares outstanding in 1965.

Sales were influenced by a strong consumer demand that was evenly spread throughout the twelve-month period, contrasted with the prior year when sales fluctuated widely due to customers' purchasing policies which were dominated by the possibility of an industry-wide strike.

In our last annual report we referred to 1965 as a year of preparation, a period devoted to the development of a number of projects which had to be completed before the Company could reflect the merger benefits in its operating and financial results. The successful completion of these programs on schedule enabled the Company to establish a number of new records in 1966, many of which have exceeded our original expectations.

The extent to which the Company has capitalized on its opportunities is confirmed by the following aspects of our operations which were the ones most vitally influenced by the merger. Compared with 1964:

- (a) Blast furnace production increased 57%. This was due primarily to the shipment of over 670,000 tons of hot metal to Riverdale during 1966.
- (b) With adequate supplies of hot metal available for around-the-clock operation of the basic oxygen furnaces, ingot production at Riverdale increased 67%. At the same time ingot costs declined due not only to increased productivity but also to the lower cost

of blast furnace hot metal versus the more costly cupola cold charge consisting of purchased pig iron, iron and steel scrap and coke.

The important cost reductions achieved in these two areas, as well as many other improved operations, have been directly reflected in the Company's 1966 performance.

Among many other records established during the year, one was particularly noteworthy as it represents a significant milestone in the Company's progress. Nineteen sixty-six marked the first year in which the Riverdale plant produced all of its own steel requirements, thereby completing the integration of its facilities—a program that was initiated in 1919 when the Riverdale plant's first rolling mill was installed.

On May 13th Interlake consummated the acquisition of the Metalcraft Products Company, a successful Los Angeles-based producer of dinette furniture and other home furnishing products with plants in Lynwood and Azusa, California. During the ensuing months this business was successfully integrated with that of the Howell Division from whose expanded facilities we anticipate increased sales and earnings.

The Company's sound financial position, combined with its improved earnings, led the Directors to increase the quarterly dividend rate from 40¢ to 45¢ with the second quarter payment made on June 30th. This represented the first change in the dividend rate since the 40¢ payment was established by Interlake Iron Corporation in 1960.

Our base prices for hot and cold rolled steel were raised \$3.00 a ton in August. This increase, which averaged about 2%, represents the first change that has taken place in the price of these products since 1963. In addition, the first upward price revisions since 1958 were made during September on some of the Company's manufactured products, including those that comprise our Acme Strapping System. These amounted to about 2<sup>1</sup>/<sub>2</sub>%.

These modest price adjustments will not offset employment and other cost increases that have been absorbed in recent years. They will, however, assist the Company's efforts to counteract the cost-price squeeze which has been so evident throughout the economy and particularly the steel industry for some time.

Capital expenditures increased 38% to \$17,905,000 in 1966 compared with \$12,988,000 in the previous year. In addition an unexpended balance of \$12,934,000 of authorized capital expenditures was carried over into 1967.

A portion of this report is devoted to illustrating the broad scope of Interlake's present products, markets and facilities. Over the years these have grown extensively and are continually being expanded. The breadth of Interlake's operations is one of its basic strengths. The industrial and consumer markets we serve provide extensive diversification for our business and increased stability for our earnings. The present scope of Interlake is important because it represents the base from which continued expansion will come.

We confidently expect Interlake's progress to continue during 1967 and the years beyond. Your Company has a firm foundation in the breadth of its production facilities, product lines, and markets. Above all, it has a sound, well-trained organization whose accomplishments in past years are a demonstrated indication of efficiency and capability. There has been some slight pause in the general economic activity in the United States as of this writing and there is some uncertainty as to the balance of the year, both within the major industries served by Interlake Steel and throughout the general economy. But, barring any major changes in the general level of our economy, 1967 should reflect a continuation of Interlake's progress and we expect further increases in our sales and earnings. These increases will come primarily because of plant and facility improvements now under way and a continued growth of the markets for our products.

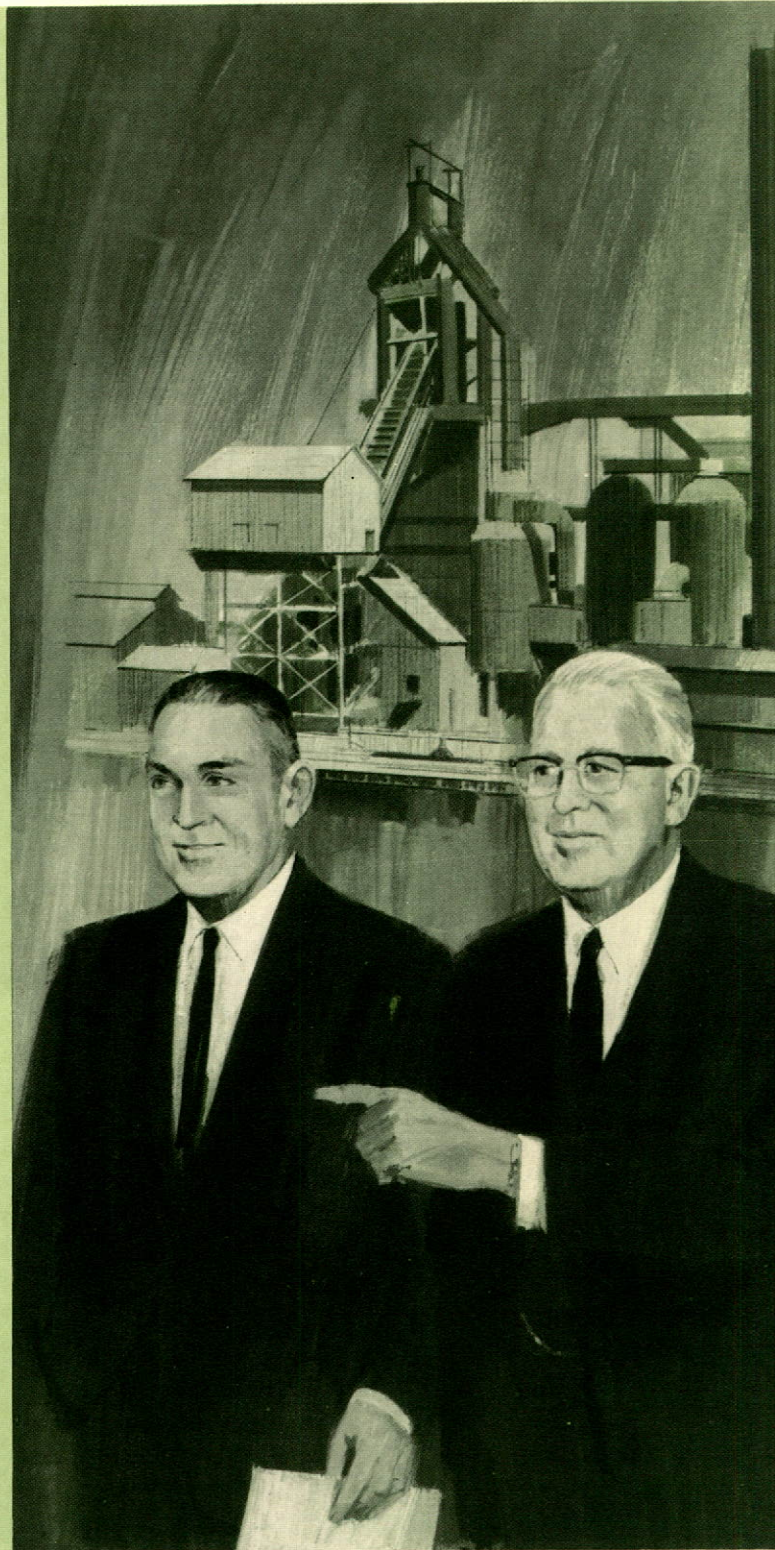
*G. F. Griffiths*

*Chairman and Chief Executive Officer*

*R. McElDonnell*

*President and Chief Operating Officer*

March 10, 1967



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## **CORPORATE ACTIVITIES**

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Two years ago, Interlake Steel became the newest integrated steel producer in the country. The merger which brought this about not only launched a new steel business with full control of its operations, from raw materials through finished steel, but also provided a financial and managerial base for accelerated growth of the many diversified activities that make up the profile of Interlake.

Exploiting the immediate benefits of the merger was of first concern. Briefly, this involved providing the means to convert molten iron to steel and at the same time markedly expanding our steelmaking capacity because of the availability of adequate amounts of blast furnace hot metal. The final phases of this program were completed in 1966. Highlights of our success in achieving these goals are mentioned throughout this report, the most impressive being the 22% improvement in per share earnings.

Accomplishments beyond the scope of the merger were also of key importance in our earnings performance. Our fabricating businesses made substantial improvement over 1965. In addition, the strengthened base of Interlake was used to exploit new markets and to promote Interlake's growth through the expansion of present markets.

Each of our diverse operations requires concentrated management attention and this need is exemplified by our divisional organization structure. Several important activities cut across divisional lines and are discussed below.

### **RESEARCH AND NEW PRODUCTS**

The Company's broad spectrum of activities gives rise to rather unique needs in the important areas of research, process development and product innovation. The breadth of these activities in 1966 can best be illustrated by a few examples. First, the effective use of a new blend of metallurgical coal at our Chicago coke plant is an example of research that paid off in lower operating costs. Next, progress on the development of a new method of producing certain ferroalloys offers the possibility of significantly increasing the value of our products without costly capital improvements. Third, continuing development and introduction of new strapping tools and machines provide our customers with increased productivity and give Interlake long lasting and profitable customer relations. In the last year we have developed several models of new strapping tools and have installed a number of highly automated

packaging systems that were on the drawing boards a year ago. Finally, the creation of new furniture lines for style and quality conscious consumer, industrial and institutional markets has helped us maintain a position of leadership in the metal furniture industry.

### **MARKET EXPANSION**

Three sources of market expansion have been tapped in 1966. First is expansion of existing markets through quality improvements, sales efforts and programs designed to expand our customer base. The ability to sell our expanded steelmaking capacity is one example; another is the introduction of strapping products which creates markets not previously available. A second source of expansion comes from extending our geographical market boundaries. The acquisition of Metalcraft Products Company, a west coast manufacturer of metal furniture, fits this category. Finally, participation in the long-term growth of our markets is dependent on having sufficient capacity and flexibility to supply an expanded customer demand. Many important steps were taken to expand our facilities to take advantage of this avenue of market expansion.

### **RAW MATERIALS**

Interlake's iron and steelmaking facilities are supported by its ownership interest in mining companies with substantial reserves of iron ore and metallurgical coal.

The Erie Mining Company, in which Interlake owns a 10% interest, produces high grade pellets from its taconite mines and beneficiating facilities located on the Mesabi Range in Minnesota. Erie is in the final stages of completing a major expansion program. When completed in 1967 Interlake's proportionate interest in this expansion will provide an additional 250,000 tons of pellets a year.

Interlake also has an important interest in the mining and pelletizing operations at Wabush Lake in Labrador and Pointe Noire in Quebec. 1966 marked the first full year of production for these operations, which were affected by the normal breaking-in problems associated with an undertaking of this magnitude. About 10% of the pellets produced were shipped to Interlake, reflecting our ownership share. Here, too, a program has been undertaken to increase production by rounding out the mining and pelletizing facilities. This is scheduled for completion in 1968.

The Olga Coal Company, in which Interlake has a 37% interest, improved the quality of its metallurgical coal by installing new washing facilities. The Company's program to utilize Southern Illinois coal in its South Chicago coke



ovens continues to work out very satisfactorily.

### ENVIRONMENTAL CONTROL

Interlake has long recognized the growing importance of air and water pollution control and over a period of many years has received numerous awards and citations for the contributions it has made in this field.

Our work in this area was accelerated in 1966 during which continuing progress was achieved and a number of industrial waste control facilities were improved or new ones installed. Our research, engineering and operating people are coordinating the Company's efforts with those of the control agencies of the cities, states and Federal Government. Plans and schedules to meet the new requirements have been and are being submitted in accordance with the timetable established by the Government.

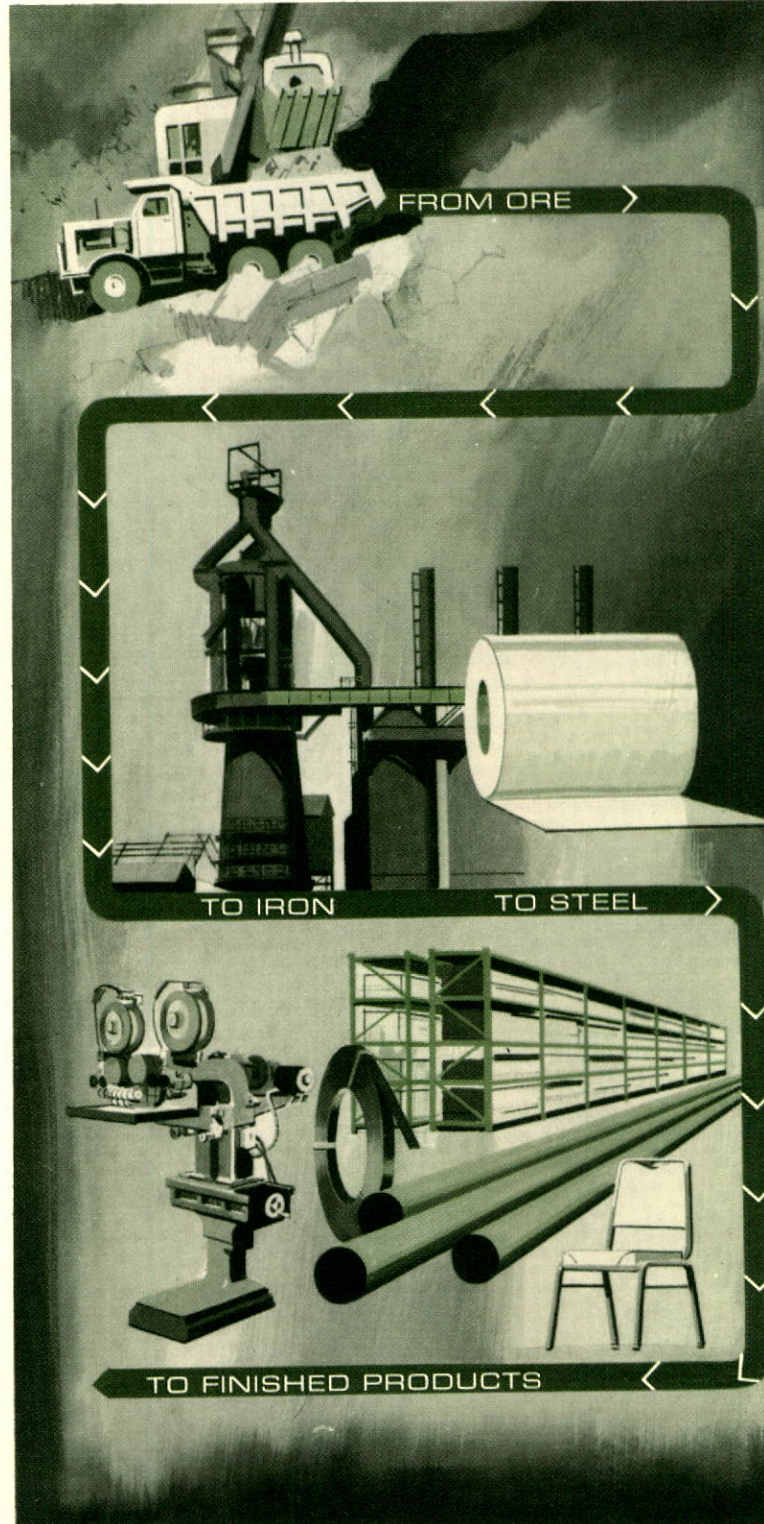
Two major developments were completed last year that are indicative of the leadership the Company has consistently provided in this field. In the first place the Company has gained international recognition for its development of the use of polyelectrolite for liquid solid separation in clarifiers handling water borne dust from basic oxygen furnace processes in steel plants. In conjunction with a major chemical company another important program resulted in the development of a new system for disposal of waste pickle liquor used in the processing of steel.

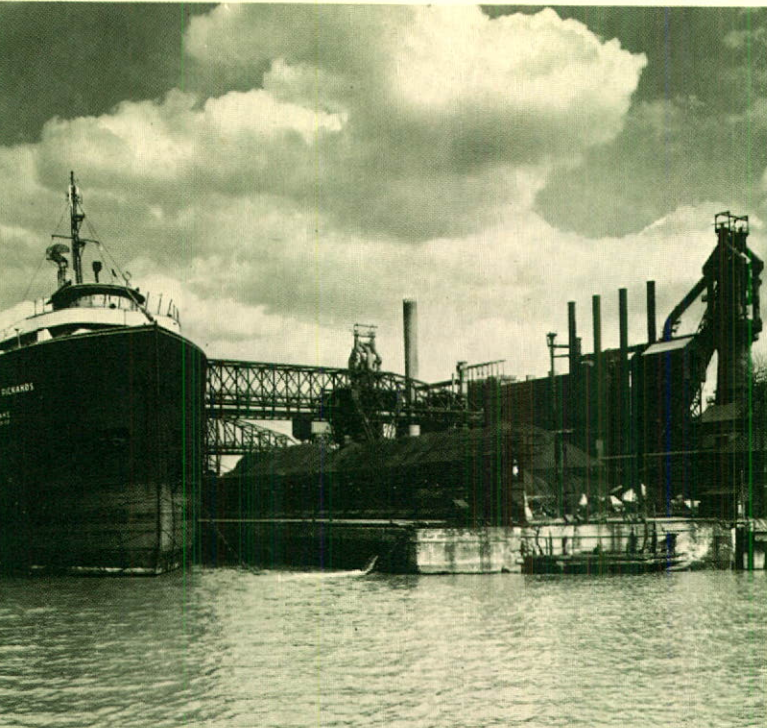
Since the science of pollution control is presently in the early stages of development, large sums must be expended in the years ahead to research and develop methods and techniques to effectively control this problem. Interlake will continue its efforts, with an enlarged staff of technicians, to improve industrial waste control, as rapidly as the Company and others develop the technology.

### ORGANIZATION CHANGES

During the year there were several changes in organization. Mr. Reynold C. MacDonald, who brings to Interlake extensive experience in the steel business, was elected president to fill the vacancy caused in that office by the resignation of Mr. T. F. Bell in mid-year. Mr. MacDonald was also elected to the Board of Directors and will serve as a member of the Executive Committee. He will direct the operations of our divisions and will play an important role in the creation of new opportunities for the Company.

Our International Operations and our domestic Acme Products Division were merged under a single head. Both groups manufacture and sell essentially the same products. The new organization recognizes the maturity of our international activities.





Above—Pelletized iron ore is unloaded at blast furnace dock.  
Below—Pig iron is loaded onto truck for delivery to customer.

## MERCHANT IRON

The merger benefits were dramatically emphasized by the increased production of our blast furnaces and coke ovens, and the improved utilization of the Company's raw material resources. Compared with the pre-merger year of 1964: —Blast furnace output totaled 1,548,144 tons, an increase of 57%—Ore and pellet consumption increased 39%—Coke oven output increased 28%—Metallurgical coal consumption increased 25%.

These improvements were largely due to the shipment of over 670,000 tons of hot metal to Riverdale, a volume that exceeded our original expectations. It is interesting to note that blast furnace production increased 57% on only a 39% increase in the consumption of ore and pellets. Product mix, better burdens and increased efficiency were important factors in achieving improved furnace operations.

With operations at the South Chicago plant confined to the production of hot metal, merchant iron production was concentrated in Toledo and to meet customer requirements for pig iron the enlarged and relined "B" furnace was started up in February, providing a two-furnace operation at this plant for the first time since 1960. Operations at the Erie plant were confined to the production of coke with the blast furnace maintained on an inactive basis.

Due to technological developments, the demand for basic grades of pig iron on the part of the semi-integrated steel companies continued to decline. However demand for foundry iron grades, which comprise our principal products, was well maintained. It is important to note that shipments of pig iron into the United States from foreign countries, which have now more than doubled since 1962, will set a new record in 1966 and amount to approximately 1,200,000 tons with over one-third originating in iron curtain countries. Our industry, and particularly our Company, has undertaken a number of programs aimed at the improvement of existing markets and the development of new ones.

Other important programs undertaken by this Division during the year included the realignment of key management personnel, the acquisition of four torpedo cars to handle increased quantities of hot metal to Riverdale, a stove replacement program to improve the efficiency of our Chicago "B" and Toledo "A" blast furnaces by increasing hot air temperatures, and a number of projects for improvement of air and water control problems.

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## STEEL

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The merger benefits were also highlighted by the increased production achieved in 1966 by the Riverdale plant. Compared with the pre-merger year of 1964:

Use of blast furnace hot metal totaled 673,000 tons, an increase of 58% over the use of cupola hot metal.

Ingot production increased 67%.

Slabs and billets converted from Riverdale produced ingots increased 65%.

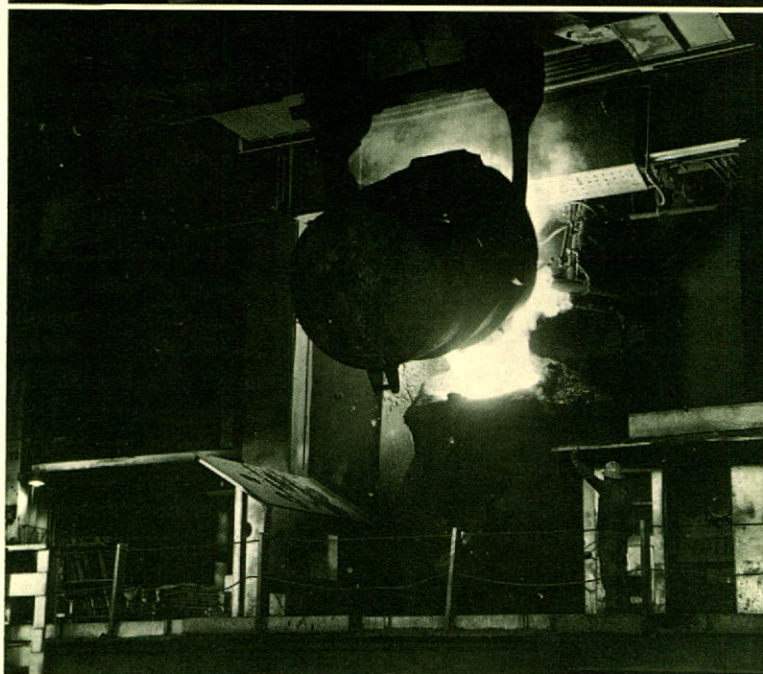
These impressive gains were due to the availability of an adequate supply of hot metal to meet the stepped-up requirements of the basic oxygen furnaces which were able to operate around-the-clock.

Riverdale's ingot and semi-finished production not only exceeded capacity expectations but equally important enabled the plant to balance steel requirements with steel production. The Riverdale plant was self-sufficient for the first time in its history and freed from the necessity of purchasing any of its steel requirements from outside sources.

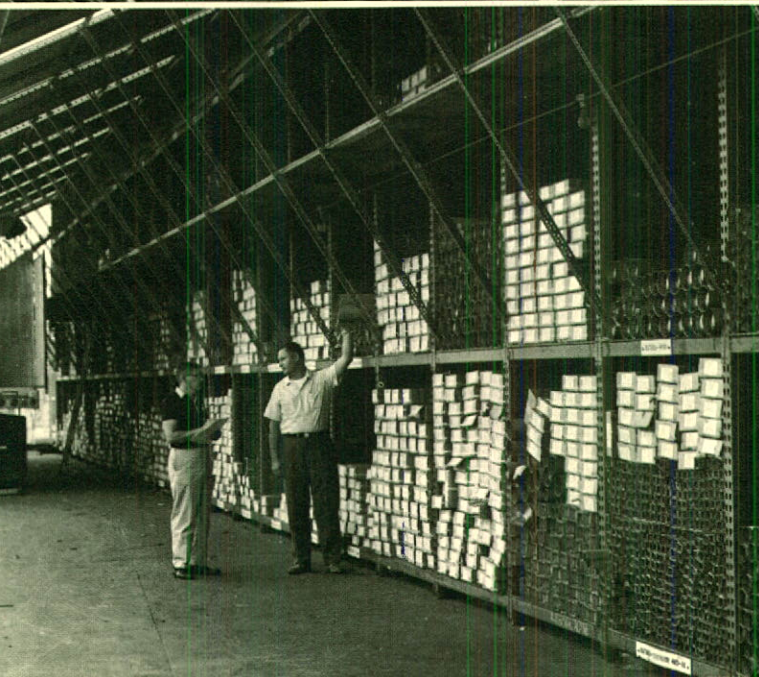
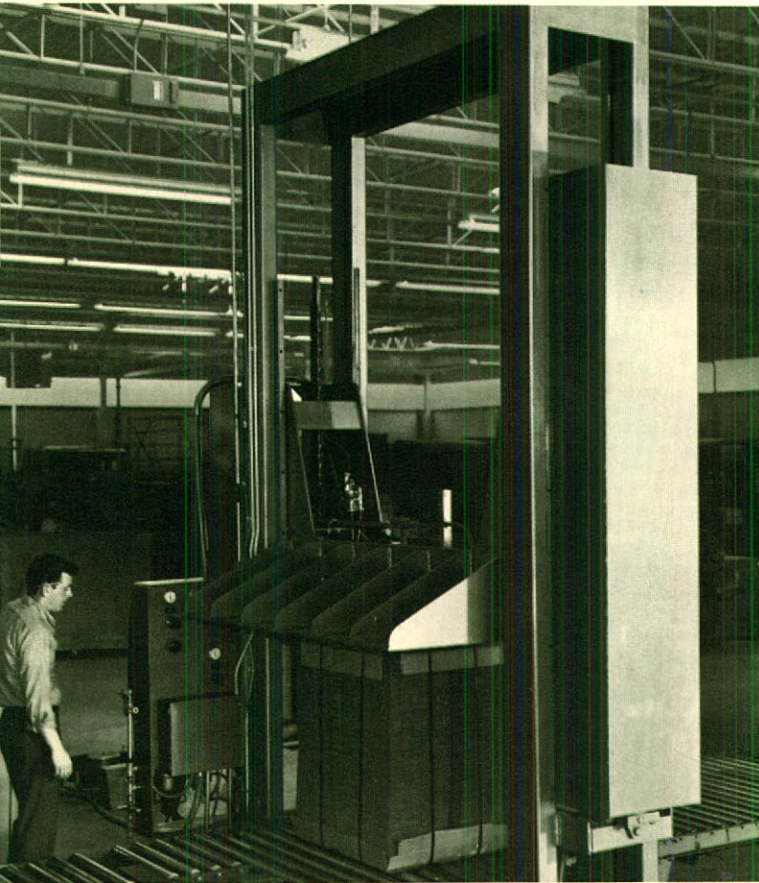
The reduced costs of the Riverdale plant combined with the reduced costs achieved by the blast furnace plants have been reflected in the Company's improved earnings, most of which have been derived from these two sources. In addition, a price increase of \$3.00 a ton or 2% was put into effect during August on hot and cold rolled sheets and strip which helped to offset some of the increased costs the Division has absorbed since 1963.

Important progress also took place at the Division's Newport plant. As expected, the 1965 announced improvements in the "A" electric furnace substantially improved the unit's output, which combined with that of the other two furnaces, was entirely adequate to meet the plant's ingot requirements. Consequently operation of the open hearth shop as well as the blooming and bar mills was discontinued and the small residual investment remaining in these facilities was written off, thereby marking the end of an era that had its origin in 1906.

During the year a number of capital expenditure programs were completed or undertaken including a new machine shop, expanded warehousing and shipping space, new hydrochloric pickling lines as well as improved and expanded cut-to-length and slitting facilities. Benefits from these capital investments will be secured during 1967 as these new facilities are put into production.



*Above—Molten steel is tapped from a Newport electric furnace.  
Below—A Riverdale basic oxygen furnace is charged with molten iron.*



*Above—Automatic compression strapping machine unitizing knocked down corrugated boxes.  
Below—Rack and slotted angle used to construct outside storage building.*

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## ACME PRODUCTS

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### DOMESTIC OPERATIONS

The year was characterized by a record-breaking demand for the Division's strapping, stitching, and storage rack systems that taxed our manufacturing capacities.

The necessity of practically doubling the size of our Pontiac plant, eighteen months after its completion, is an indication of the success our rack line has achieved and a tribute to the ability of our manufacturing and marketing organizations. Increased space will also provide the opportunity to expand the existing product line with new items that have already been developed but held in abeyance pending the completion of the necessary manufacturing capacity.

Improved as well as new techniques for the manufacture of strapping have been under development for an extended period of time. These are being incorporated in the new facilities which have been authorized and are scheduled for completion in the latter part of 1967.

Continued and increased emphasis was placed on the development of "push button" packaging systems and product design efforts have been keyed to production facilities built around numerically controlled machinery.

To partially offset increased costs, nominal price increases on some products, including those comprising our Acme Strapping System, were made effective during September. The increases averaged about 2½% on the products affected and were the first upward price adjustment on many of these items since 1958.

### INTERNATIONAL OPERATIONS

Capacity expansion programs highlighted our International Operations during the year as our business abroad reached record proportions. The Company's consolidated subsidiaries in Canada and Mexico as well as the unconsolidated operations in England and France undertook important expansions to meet growing customer requirements. These included the introduction of the Acme strapping, stitching and fully adjustable storage rack systems into France, and new manufacturing facilities in England, making Gerrard a fully integrated strapping company now controlling the manufacture and distribution of its products.

As a result of these and many other programs, we anticipate continuing growth in the sales and earnings of our operations abroad during 1967.

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## GLOBE METALLURGICAL

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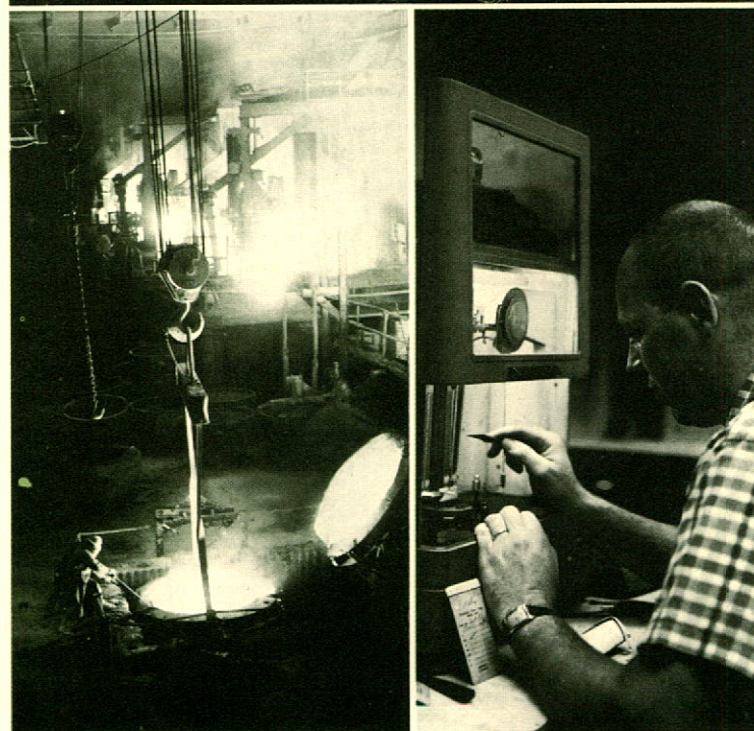
Ferroalloys and silicon metal are used as additives to provide special metallurgical properties, particularly to steel and aluminum. The continuing search by metal producers for improved weight-strength ratios and increased resistance to corrosion, and the expanding use of silicones in the chemical industry have led to greater demand for these products. The use of electric power in the smelting operations is a representative measure of the growth of our Beverly, Ohio plant. In 1966 power consumption increased 20% over the previous year and a similar increase is anticipated in 1967. These considerations are among the forces which have motivated the program to substantially increase our productive capacity.

The installation of a sixth electric smelting furnace was completed early in the third quarter and a number of improvements were made to existing equipment, especially in the first half of the year. Abnormal downtime was incurred as a result of these projects, as well as the breaking in of the sixth furnace and the malfunction of a transformer on our #3 furnace. These developments adversely affected production and were the source of extraordinary costs as well as reduced profits. But in spite of these nonrecurring developments the plant produced at record levels and sales reached new highs.

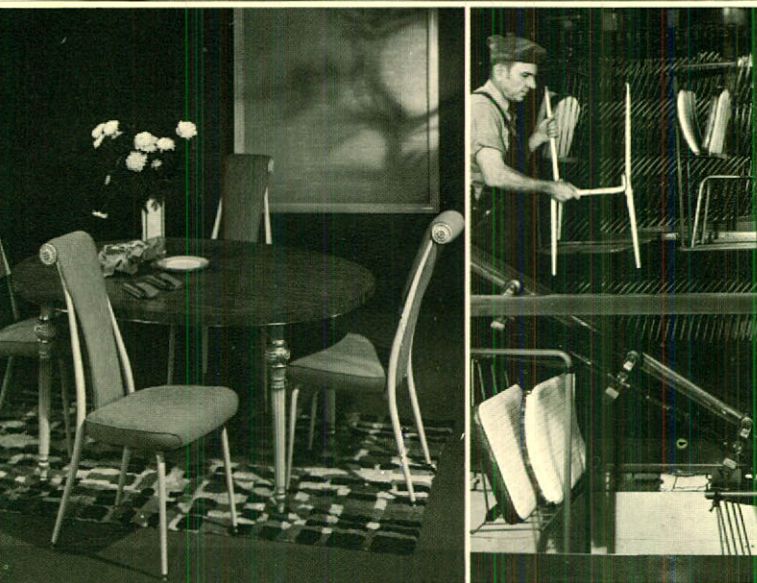
The construction of a seventh furnace, which will be one of the largest electric smelting furnaces in the world and a companion to our #5 furnace, was started early in the year and is scheduled for completion in the third quarter of 1967. Because of the experience gained from the start-up of the #5 furnace, we do not anticipate anything more than the normal breaking-in problems when #7 goes on line.

Practically all of the chromite ores that enter into the production of ferrochromium alloys are imported from abroad—one major source being the extensive mines in Rhodesia. World events during 1966 initially restricted and finally eliminated the availability of these Rhodesian ores. Our inventories are currently at a high level and adequate to meet our requirements for some months. However, as present stocks are reduced we can rely upon our other sources and government stockpiles.

With the level of industrial activity being well maintained, we look forward to increased sales and earnings opportunities for this Division during 1967.



*Above—Ferrochromium is poured into cooling mold at Beverly.  
Left—Silicon metal sample is taken from ladle for analysis.  
Right—Chemist makes final ferroalloy analysis before shipment.*



Above—Dinette chair is given final pre-shipment inspection.  
 Left—New dinette design features graceful high back chairs.  
 Right—Skilled craftsmen assemble chairs at St. Charles plant.

## HOWELL

Our Howell Division manufactures a quality line of tubular metal dinette furniture and a steadily expanding line of seating for government, schools, hospitals and offices. Over the years the ability to develop new products, combined with an aggressive manufacturing and marketing organization, has provided consistent growth, which has finally reached the capacity limitations of our existing St. Charles, Illinois plant.

A program to provide additional manufacturing, warehousing and shipping space has been approved and is scheduled for completion during the middle of 1967. When completed the new facilities will improve the flow of material and provide adequate space for the assembly of customers' orders. Equally important, it will pave the way for the further expansion of sales.

In addition to space limitations, operations at St. Charles were affected by an acute shortage of help and an exceptionally high turnover. This was reflected in higher costs and had the effect of slowing production and shipments. By the end of the year, however, a noticeable improvement in the employment situation had occurred.

Production at the Stanley, Wisconsin plant reached record proportions with the gains attributed to the recently completed expansion of the plant's kiln capacity.

Early in the year Interlake had the opportunity to acquire the Los Angeles-based Metalcraft Products Company, which was a leading west coast manufacturer of tubular metal dinette furniture with a modern plant in Azusa and a major producer of metal bed frames and kindred items in a plant in Lynwood. The acquisition of this company will have the effect of almost doubling the Division's sales and earnings and offers significant cost-reducing opportunities in the design and manufacture of dinette furniture. At the same time it extends the Division's marketing horizons with national distribution in contrast to regional marketing that existed in the past.

Order backlogs, which were at unprecedented highs throughout the year, tapered off in the closing months of 1966, reflecting a decline in consumer purchasing. Our 1967 line has received a splendid reception at the January furniture shows. We are confident a resumption of consumer buying and institutional expansion will provide the stimulus to carry sales and earnings to new high levels in 1967.

## FINANCIAL REVIEW/1966

### SUMMARY AND HIGHLIGHTS

A combination of strong sales demand for the Company's products and the realization of financial benefits deriving from the Acme/Interlake Iron merger made 1966 one of the best years in the history of Interlake Steel and combined predecessor companies.

1966 was the second year of the merged companies' operations, and produced noteworthy improvements in many important areas.

- **Sales** were \$268,804,000, a record level, and 2.5% improved over 1965.
- **Net income** was \$16,481,000, 18.9% or \$2,620,000 better than 1965.
- **Per share income** was \$3.68, 21.9% better than the \$3.02 reported for 1965.
- **Cash flow** (net income, depreciation charges, and future tax deferrals less, for 1965, Preferred stock dividends) was \$29,448,000 up \$670,000 from 1965.
- **Capital expenditures** totaled \$17,905,000. Major facility expansion programs were carried out in the Steel, Acme Products, and Globe Metallurgical divisions.
- **Long-term debt** was reduced by \$2,794,000—including the purchase of sufficient 4<sup>7</sup>/<sub>8</sub>% debentures to meet 1967 sinking fund requirements.
- **The dividend rate** was increased during the second quarter from \$.40 to \$.45—total 1966 dividend payments to Common shareholders of \$1.75 exceeded 1966 by \$.15 per share.
- **At year end** the Company had a strong financial position, including a current ratio of 2.7 to 1 and debt/equity ratio of 11 to 89.

### NET SALES

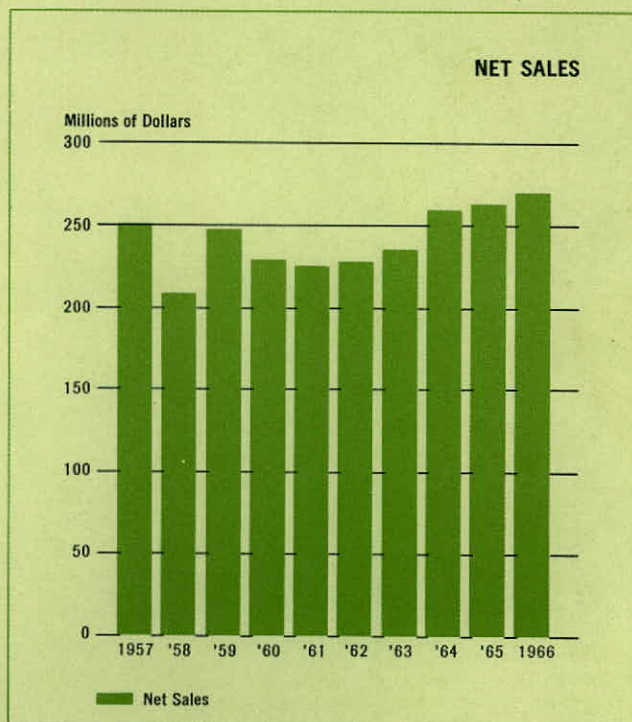
Net sales of \$268,804,000 in 1966 increased \$6,441,000 or 2.5% above 1965, representing the third consecutive record year and the fifth consecutive year that a gain was recorded over the previous year.

This performance was the result of several factors. First, the Company operated within a generally strong national economy and market demands for steel and related prod-

ucts complemented the Company's product mix. Next, operating facilities are concentrated in strategic midwest locations, the nation's highest steel consumption area. Finally, increased emphasis on quality control, product service and customer relations provided a firm base for aggressive salesmanship to take advantage of market conditions.

In addition to increasing the volume of shipments, an increase in the price of hot and cold rolled sheet and strip steel went into effect on August 10. The added sales price of \$3 per ton represented an average increase of about 2% for the products affected. The following month price increases of approximately 2<sup>1</sup>/<sub>2</sub>% were announced for strapping and other selected products.

Practically every segment of the Company contributed to 1966 sales improvement, and a major increase was provided by products of the Steel Division. The Steel Division's productive capacity is concentrated in the production of hot and cold flat rolled products; the commercial sales gain of these products in 1966 reflects increased



product availability and expanded marketing efforts. In addition to improved sales of flat rolled products, pipe sales showed renewed strength in 1966. In 1966, the combined sales of all Steel Division products represented 37% of total sales revenues.

Commercial sales of the Merchant Iron Division constituted 21% of total sales in 1966. These products include cold pig iron, hot malleable iron, coke and coal chemicals. Cold pig iron sales, which comprise the largest percentage of the Division's sales, showed a decrease from 1965 due primarily to technological developments, to increased competition from foreign sources and scrap at lower market prices. Hot malleable iron and other products showed modest increases in 1966.

Acme Products Division sales represented 28% of total sales. The Division as a whole in 1966 posted a significant sales gain over 1965. Strapping and stitching products, the Division's volume leader, achieved another record sales year. The Company's storage rack system experienced particularly significant growth. Capacity opera-

tions and record shipments of storage racks from the Pontiac, Illinois plant established the Company as a major producer of these products.

The Howell Division (including Metalcraft), which produces various categories of metal furniture and associated products, contributed 7% of the total sales revenues in 1966.

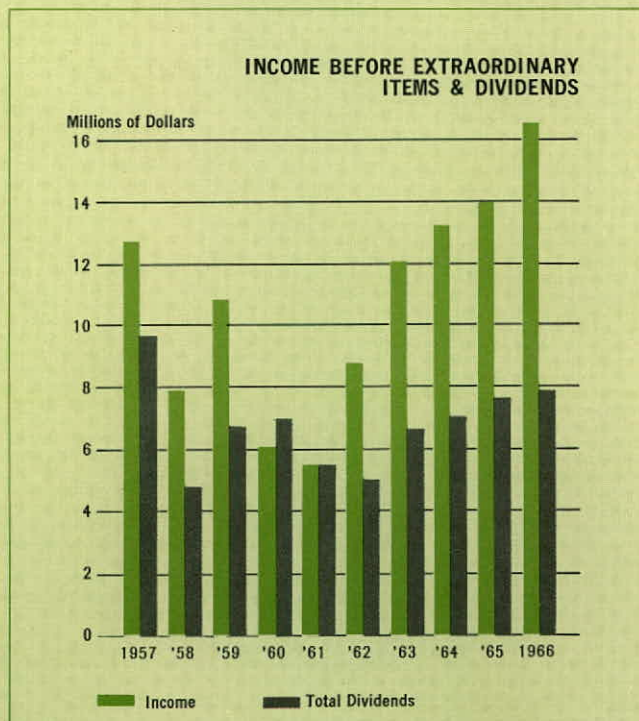
Sales of ferroalloy products from the Globe Metallurgical Division increased substantially over 1965 and represented 7% of the total product mix. Most of the Division's products posted gains in 1966. This was especially true of silicon metal which reflected increased production by the aluminum and silicone producing companies, the major consumers of this product.

**NET INCOME**

Net income in 1966 was a record high of \$16,481,000, an increase of \$2,620,000 or 18.9% from 1965 and \$1,601,000 or 10.8% from 1956, the previous record year. Net income per Common share of \$3.68 increased 21.9% above the \$3.02 per share reported in 1965 and is at the highest level reported in the last decade. Net income as a percentage of shareholders' equity was 8.9%. This performance not only exceeded the prior year's return of 7.9%, but also represents the highest return since 1957.

The most important factors contributing to improved 1966 profits were a combination of high sales volume and reduced product costs of iron and steel achieved through the realization of benefits from the Acme/Interlake merger. During 1966 the Company was in a position to capitalize on the benefits of utilizing blast furnace hot metal to produce steel at the Riverdale, Illinois plant. The planned program to round out existing facilities and to provide additional equipment was completed during the first quarter and expected benefits became a reality by mid-year.

The Company's improved profitability performance was accomplished despite significant adverse factors prevalent in 1966. They included start-up expenses incurred during the break-in period on major new facilities, additional employment costs generated under the 1965 labor agreements, increased raw material costs and a higher effective tax rate. These cost increases were partly offset by productivity gains from capital expenditures, cost reduction





programs and modest price increases on selected products during the latter part of the year.

### DIVIDENDS

The Board of Directors at its meeting in May, 1966 declared a dividend of \$.45 per share of Common stock payable June 30, 1966. This represented an increase in the quarterly rate of \$.05 per share. The decision to increase the dividend rate was based on the Company's improved earnings performance and the existing favorable business conditions.

Payments of \$1.75 per share during 1966 totaled \$7,842,000, whereas in 1965 payments of \$1.60 per share aggregated \$7,160,000. For the years 1966 and 1965, Common stock dividend payments were 47.6% and 51.7% of net income, respectively.

In the first quarter of 1967, a cash dividend of \$.45 per share was declared, payable March 31, 1967, to shareholders of record on March 15, 1967.

### OTHER REVENUES

Other revenues, principally dividends, interest income, and rents and royalties, were \$3,232,000 in 1966, down slightly from \$3,463,000 recorded in 1965. Net income from these sources contributed \$.56 per Common share in 1966 and \$.64 per Common share in 1965.

The primary source of other revenues was dividend income of \$1,908,000, which was approximately the same as receipts in 1965. Of this amount \$1,388,000 was received from the Olga Coal Company, a 37% owned associated company. Other sources of dividend income, primarily from Western Mining Company and Old Ben Coal Corporation, amounted to \$519,000. The Company's dividends from affiliated and associated companies and iron ore interests were \$567,000 more than the ownership equity in 1966 net income.

Careful investment of excess cash at record high yields on short-term marketable securities generated \$803,000 in 1966, an increase of \$267,000 over 1965.

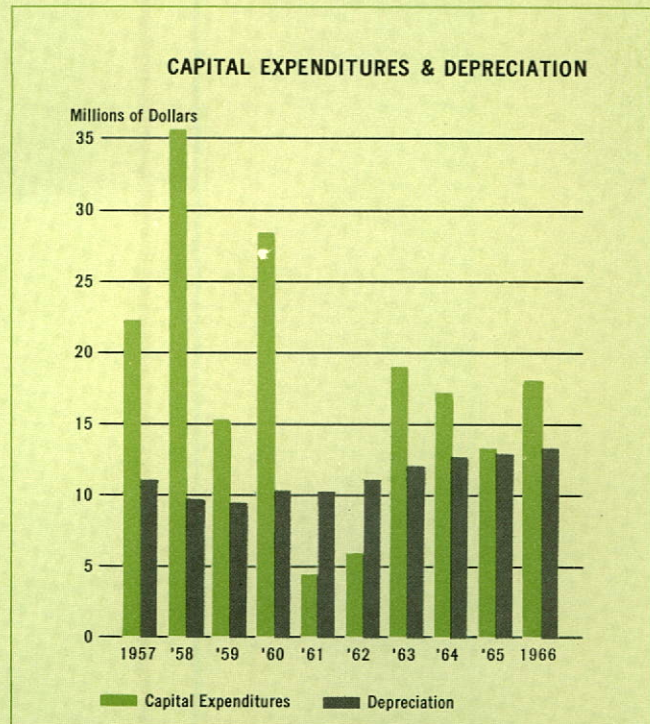
### U.S. AND FOREIGN INCOME TAXES AND INVESTMENT CREDIT

In 1966, the provision for U.S. and foreign income taxes of \$12,126,000 represented an effective tax rate of 42.4% on pretax income, up from 37.1% in 1965. The increase

was primarily the result of improved pretax income (all of which was taxed at 48%), lower percentage depletion allowances and a lower investment tax credit of \$593,000 which was \$268,000 below 1965. Although capital expenditures were up 38% from last year, all projects were not completed in time to qualify for the investment credit in 1966. These expenditures will be eligible for the credit in 1967.

### FUNDS AND WORKING CAPITAL

Working capital decreased \$1,135,000 during the year and at year end amounted to \$63,621,000 compared to \$64,756,000 a year ago. While cash flow of \$29,448,000 for the year was approximately the same as last year, 1966 did not benefit from any substantial nonrecurring source of working capital such as the sale of the Enos Coal Mining Division's assets in 1965. As reflected in the Statement of Source and Application of Funds, page 18, the major calls on working capital during the year were capital expenditures, the investment in Metalcraft Products Company and dividend payments.



**CAPITAL EXPENDITURES AND INVESTMENTS**

Capital expenditures in 1966 amounted to \$17,905,000, up \$4,917,000 from a year ago.

Some of the major additions to property, plant and equipment during the year were:

- Expansion of the fabricated materials plant at Pontiac, Illinois.
- Rebuilding of the #4 stove—"A" furnace and rehabilitation of pig casting facilities at Toledo, Ohio.
- Work on the planned addition of a new pickling line, the construction of new slitting lines, warehousing and shipping facilities, and a new maintenance building and relocation of shear lines and other equipment to provide space for the slitting lines at Riverdale.
- Construction of new electric furnaces at the Globe Metallurgical Division plant in Beverly, Ohio.

On May 13, 1966, the Company purchased Metalcraft Products Company for a cash consideration of \$3,500,000. Metalcraft is a producer of dinette furniture, bed frames, rollaways and bunk beds at plants located in Lynwood

and Azusa, California. Metalcraft is being operated by the Howell Division of St. Charles, Illinois.

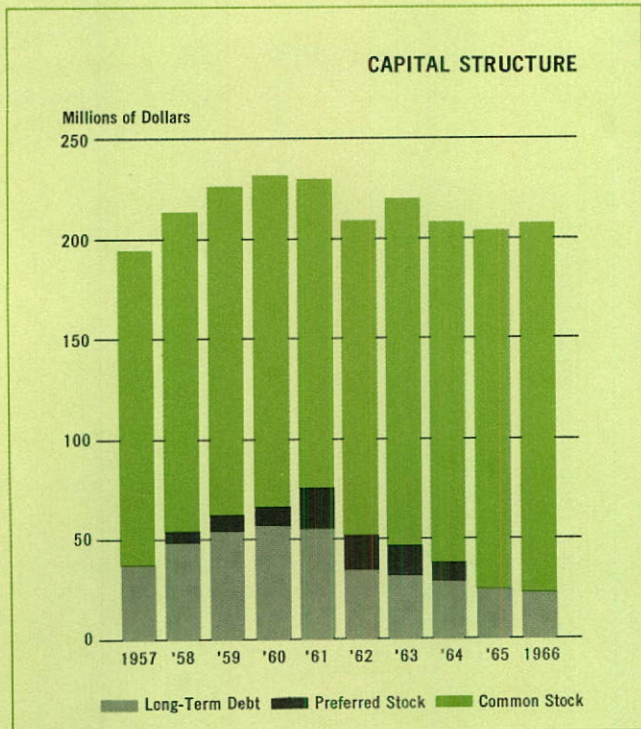
**CAPITAL STRUCTURE**

Total long-term debt, including current maturities, decreased \$2,794,000 during the year ended December 31, 1966. In 1966 the Company made the required \$1,000,000 payment due on the 4<sup>7</sup>/<sub>8</sub>% debentures and also purchased, on the open market, an additional \$1,419,000 of these debentures which may be submitted to the trustees in satisfaction of future sinking fund requirements. The \$375,000 payment due on the 5% debentures was made as scheduled. During 1966 no payment was made on the 4<sup>7</sup>/<sub>8</sub>% insurance company loan because the 1966 payment was made in advance a year earlier. Interest and other costs of long-term debt amounted to \$1,296,000 in 1966 compared to \$1,547,000 the year before, a decrease of \$251,000.

1966 was the first full year since 1957 that Interlake has not had an issue of Preferred stock outstanding—the last \$8,650,000 of Preferred stock being retired during 1965.

Common shareholders' equity at year end amounted to \$185,358,000, the highest in the history of the Company. Compared to 1965, this is an increase of \$8,806,000.

The reduction of long-term debt, elimination of Preferred stock and increased Common shareholders' equity have placed Interlake in a strong financial position for future growth. A summary of the capital structure at December 31, 1966 and 1965 is as follows:



	(In thousands)			
	1966		1965	
	Dollars	%	Dollars	%
Long-term debt	\$ 23,431	11.2%	\$ 25,925	12.8%
Common stock	185,358	88.8	176,552	87.2
	<u>\$208,789</u>	<u>100.0%</u>	<u>\$202,477</u>	<u>100.0%</u>
Common shareholders' equity per share	\$41.35		\$39.43	

**STATEMENT OF INCOME AND RETAINED EARNINGS**

*For the Years Ended December 31, 1966 and 1965*

*(See notes to financial statements)*

<b>INCOME</b>	<b>1966</b>	<b>1965</b>
SALES AND REVENUES:		
Net sales.....	\$268,804,252	\$262,363,243
Other revenues.....	<u>3,232,408</u>	<u>3,463,477</u>
	<u>272,036,660</u>	<u>265,826,720</u>
COSTS AND EXPENSES:		
Cost of products sold.....	199,165,832	200,416,809
Depreciation, depletion and amortization.....	13,232,269	12,871,294
Selling and administrative expenses.....	23,745,448	23,855,417
State, local and miscellaneous taxes.....	5,990,514	5,098,937
Interest and other costs on long-term debt.....	1,295,814	1,546,801
U.S. and foreign income taxes.....	<u>12,126,000</u>	<u>8,176,000</u>
	<u>255,555,877</u>	<u>251,965,258</u>
NET INCOME for the year.....	<u>\$ 16,480,783</u>	<u>\$ 13,861,462</u>
NET INCOME per Common Share.....	\$3.68	\$3.02
 <b>RETAINED EARNINGS</b>		
RETAINED EARNINGS at beginning of year.....	\$ 73,990,071	\$ 68,106,338
NET INCOME for the year.....	<u>16,480,783</u>	<u>13,861,462</u>
	<u>90,470,854</u>	<u>81,967,800</u>
DEDUCT:		
Cash dividends paid—		
Preferred stock, 6.50% series.....	—	435,645
Common stock (\$1.75 per share in 1966 and \$1.60 in 1965).....	<u>7,841,537</u>	<u>7,159,584</u>
	<u>7,841,537</u>	<u>7,595,229</u>
Premium on redemptions of Preferred stock.....	—	382,500
	<u>7,841,537</u>	<u>7,977,729</u>
RETAINED EARNINGS at end of year.....	<u>\$ 82,629,317</u>	<u>\$ 73,990,071</u>

INTERLAKE STEEL CORPORATION AND CONSOLIDATED SUBSIDIARIES

**BALANCE SHEET** *December 31, 1966 and 1965*

(See notes to financial statements)

**ASSETS**

	<b>1966</b>	<b>1965</b>
<b>CURRENT ASSETS:</b>		
Cash and certificates of deposit.....	\$ 8,085,729	\$ 11,337,345
Marketable securities, at cost and accrued interest.....	4,485,481	5,450,721
Receivables, less allowance for doubtful accounts of \$440,000 in 1966 and \$375,000 in 1965.....	23,196,864	20,079,243
Inventories at lower of cost (principally LIFO) or market:		
Raw materials.....	20,053,290	17,746,437
Semi-finished and finished products.....	38,137,917	36,364,311
Supplies.....	7,334,840	7,728,599
	<u>65,526,047</u>	<u>61,839,347</u>
Prepaid expenses.....	883,175	497,831
Total current assets.....	<u>102,177,296</u>	<u>99,204,487</u>
<b>INVESTMENTS AND OTHER ASSETS:</b>		
Investments in affiliated and associated companies (Note 1).....	3,372,335	3,372,335
Iron ore interests (Notes 1 and 2).....	17,591,281	16,705,313
Other investments and deferred charges.....	6,067,412	5,758,777
	<u>27,031,028</u>	<u>25,836,425</u>
<b>PROPERTY, PLANT AND EQUIPMENT, at cost:</b>		
Land and mineral properties, less depletion.....	10,288,089	8,834,612
Plant and equipment.....	282,062,354	274,419,150
	<u>292,350,443</u>	<u>283,253,762</u>
Less—Depreciation and amortization.....	154,760,040	151,650,390
	<u>137,590,403</u>	<u>131,603,372</u>
	<u>\$266,798,727</u>	<u>\$256,644,284</u>

## LIABILITIES AND SHAREHOLDERS' EQUITY

	1966	1965
CURRENT LIABILITIES:		
Accounts payable.....	\$ 17,733,233	\$ 15,293,845
Salaries and wages.....	7,414,198	6,954,824
Taxes other than income taxes.....	3,476,623	3,390,997
U.S. and foreign income taxes.....	8,856,914	7,433,950
Current maturities of long-term debt (Note 3).....	<u>1,075,000</u>	<u>1,375,000</u>
Total current liabilities.....	<u>38,555,968</u>	<u>34,448,616</u>
LONG-TERM DEBT, less current maturities:		
4 <sup>7</sup> / <sub>8</sub> % debentures, due annually, \$1,250,000 1967 to 1972, \$1,500,000 1973 to 1976 and \$2,500,000 in 1977 (Note 3).....	14,581,000	16,000,000
4 <sup>7</sup> / <sub>8</sub> % insurance company loan, due annually \$700,000 1967 to 1973 and \$900,000 in 1974.....	5,100,000	5,800,000
5% debentures, due annually \$375,000 1967 to 1977.....	<u>3,750,000</u>	<u>4,125,000</u>
	<u>23,431,000</u>	<u>25,925,000</u>
FUTURE INCOME TAXES.....	<u>19,454,000</u>	<u>19,719,000</u>
SHAREHOLDERS' EQUITY:		
Common stock, par value \$1 a share; authorized 10,000,000 shares; issued 4,660,005 shares.....	107,736,887	107,718,113
Retained earnings (Note 4).....	<u>82,629,317</u>	<u>73,990,071</u>
	190,366,204	181,708,184
Less—Cost of Common stock held in Treasury (177,457 shares in 1966 and 182,850 in 1965) (Notes 5 and 6).....	<u>5,008,445</u>	<u>5,156,516</u>
	<u>185,357,759</u>	<u>176,551,668</u>
	<u>\$266,798,727</u>	<u>\$256,644,284</u>

**STATEMENT OF SOURCE AND APPLICATION OF FUNDS**

For the Years Ended December 31, 1966 and 1965

(See notes to financial statements)

	1966	1965
<b>SOURCE OF FUNDS:</b>		
Net income.....	\$16,480,783	\$13,861,462
Depreciation, depletion and amortization.....	13,232,269	12,871,294
Future income taxes.....	(265,000)	2,481,719
Working capital acquired from sale of Enos Coal Mining Division assets.....	—	10,952,632
	<u>29,448,052</u>	<u>40,167,107</u>
<b>APPLICATION OF FUNDS:</b>		
Capital expenditures less net book value of retirements and sales of \$287,725 in 1966 and \$345,289 in 1965.....	17,617,271	12,642,905
Redemption of Preferred stock, including premiums.....	—	9,032,500
Cash dividends paid:		
Preferred stock.....	—	435,645
Common stock.....	7,841,537	7,159,584
Reduction of long-term debt (less current maturities).....	2,494,000	3,450,000
Acquisition of Metalcraft Products Company (net of working capital acquired).....	1,739,007	—
Investments in and advances to affiliated and associated companies and iron ore interests (net of repayments).....	885,968	1,318,520
All other (net).....	4,812	(619,312)
	<u>30,582,595</u>	<u>33,419,842</u>
<b>WORKING CAPITAL:</b>		
Increase (decrease) during year.....	(1,134,543)	6,747,265
Balance beginning of year.....	64,755,871	58,008,606
Balance end of year.....	<u>\$63,621,328</u>	<u>\$64,755,871</u>

# NOTES TO FINANCIAL STATEMENTS

## 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 4% 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 \$2,035,670 at December 31, 1966 and \$2,387,990 at December 31, 1965. Dividends received from these investments exceeded ownership equity in net income by \$567,410 and \$709,184 in 1966 and 1965, 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 pellets and concentrates produced 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 ore received.

## Note 3. 4<sup>7</sup>/<sub>8</sub>% Debentures Held in Treasury

At December 31, 1966, 4<sup>7</sup>/<sub>8</sub>% debentures with a face value of \$1,419,000 were held in treasury by the Company. Of these, \$1,250,000 may be used to meet the 1967 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 4. Dividend Restrictions

Under the most restrictive terms of the provision of the indentures relating to the debentures and the terms of the loan agreement with the insurance company, retained earnings of \$43,621,328 at December 31, 1966 were unrestricted for the payment of cash dividends.

## Note 5. Stock Options

A Qualified Stock Option Plan was approved by the shareholders in 1965. At December 31, 1966, there were outstanding options for 56,550 shares at \$41.94 per share, of which 17,513 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 3,035 shares were exercised during 1966 at prices of \$25.06 or \$25.41 per share. At December 31, 1966, options for 1,965 shares were outstanding and exercisable at \$25.41 per share.

## Note 6. Common Stock Held in Treasury

At December 31, 1966, 151,965 treasury shares were reserved for stock options, 12,340 were reserved for distribution under a deferred compensation plan, and 13,152 shares were unreserved.

## Note 7. Pension Plans

The Company and its subsidiaries have several pension plans covering substantially all employees. The Company's policy is to fund pension cost accrued. Pension cost was \$4,810,146 in 1966 and \$3,007,078 in 1965.

The actuarially computed value of vested benefits for all plans per the latest actuarial report exceeded the total of pension fund assets, at cost, by approximately \$10,650,000.

For 1966, pension cost included current cost plus interest on and 40 year amortization of unfunded past service costs. For 1965, pension cost included only current cost and interest on the unfunded past service cost, reduced by application of prior years' payment of \$962,544. Amortization of unfunded past service costs over 40 years increased 1966 pension cost by \$525,537.

In 1965 contributions covering hourly employees of the Enos Coal Mining Division were paid to the United Mine Workers Union Welfare and Retirement Plan at a fixed rate per ton of coal loaded and amounted to \$885,427 for the period January 1, 1965 to the date of the sale of the principal assets of Enos on October 12, 1965.

PRICE WATERHOUSE & CO.

Prudential Plaza  
Chicago 60601  
February 13, 1967

To the Board of Directors 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, 1966, 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.

## † 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  
*President, Chief Executive Officer, 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  
*President of Pullman Standard and Trailmobile (Divisions of Pullman Incorporated) and Director of 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, Director, Eaton Yale & Towne Inc.*
- EDWARD J. WILLIAMS  
*Executive Vice President, Jos. Schlitz Brewing Company*
- MORRIS H. WRIGHT  
*General Partner, Kuhn, Loeb & Co.*

## † OFFICERS

- G. FINDLEY GRIFFITHS  
*Chairman and Chief Executive Officer*
- REYNOLD C. MacDONALD  
*President and Chief Operating Officer*
- ROBERT JACOBS  
*Vice President, Finance*
- DAVID G. BOWSER  
*Vice President, Globe Metallurgical Division*
- JAMES W. DUNCAN  
*Vice President, Merchant Iron Division*
- R. RUSSELL FAYLES  
*Vice President, Steel Division*
- 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*

\*Member of Executive Committee  
†As of March 1, 1967

## PRODUCTS

(MANUFACTURED & DISTRIBUTED)

### MERCHANT 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.

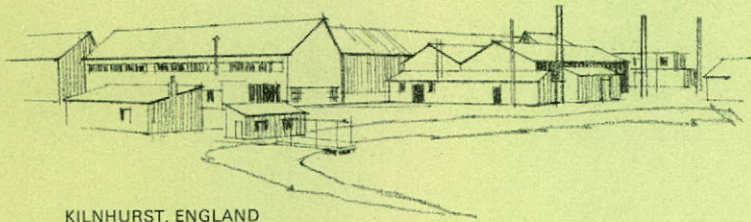
### GLOBE METALLURGICAL DIVISION

Ferroalloys and Silicon Metal.

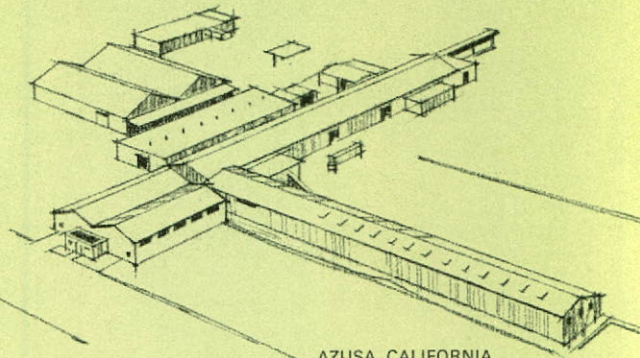
### HOWELL DIVISION

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

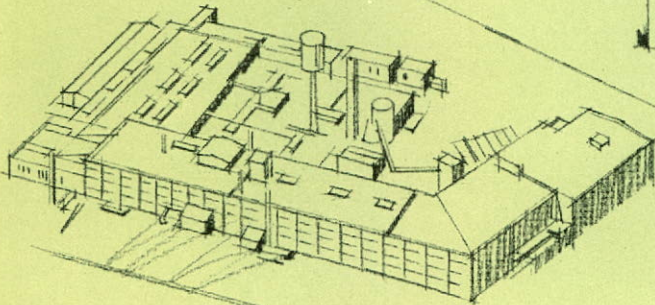




KILNHURST, ENGLAND



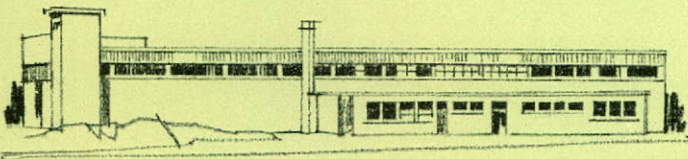
AZUSA, CALIFORNIA



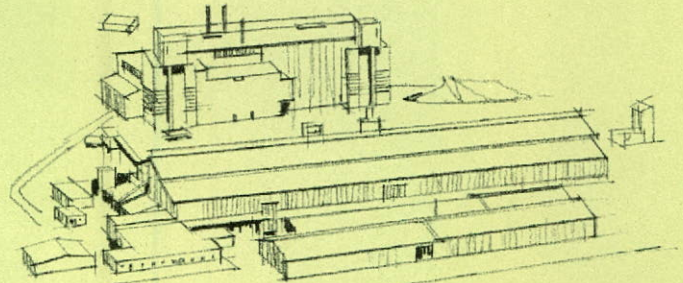
ST. CHARLES, ILLINOIS



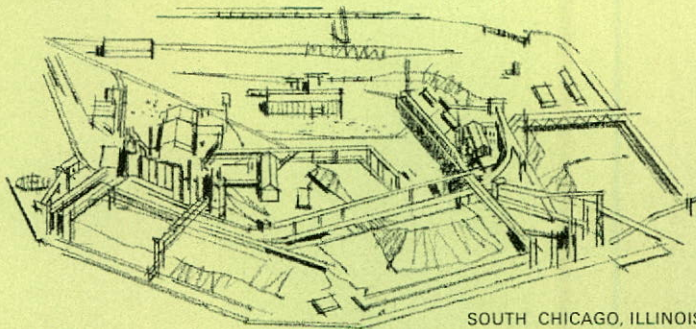
PONTIAC, ILLINOIS



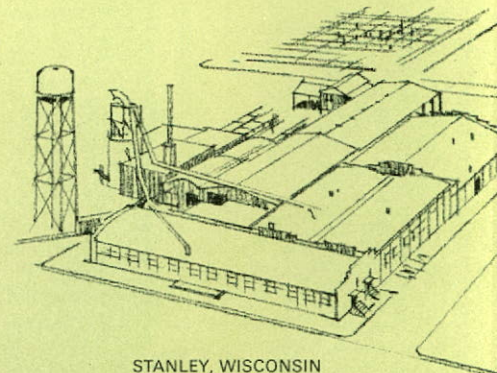
SEZANNE, FRANCE



BEVERLY, OHIO



SOUTH CHICAGO, ILLINOIS



STANLEY, WISCONSIN



% of Shareholders' Equity	Income per Common Share		
	Before Extraordinary Items	Extraordinary Items	Net Income
8.9%	\$ 3.68	\$ —	\$ 3.68
7.9	3.02	—	3.02
5.3	2.78	(.83)	1.95
6.4	2.52	—	2.52
3.3	1.82	(.70)	1.12
.7	1.08	(.98)	.10
2.7	1.28	(.31)	.97
6.2	2.44	—	2.44
4.7	1.83	—	1.83
8.0	3.14	—	3.14

Depreciation	Interest & Debt Expense	Taxes on Income Before Extraordinary Items	
		Amount	% of Pre-Tax Income
\$ 13,232	\$ 1,296	\$ 12,126	42.4%
12,871	1,547	8,176	37.1
12,730	1,898	5,772	30.5
11,886	1,770	9,592	44.3
11,050	2,204	9,478	52.0
10,137	2,935	6,089	52.8
10,121	3,239	6,796	53.2
9,383	2,705	10,989	50.7
9,806	2,113	8,150	51.1
11,038	1,571	12,459	49.7

Preferred Stock	Common Shareholders' Equity		
	Amount	Outstanding Shares	Per Share
\$ —	\$185,358	4,483	\$ 41.35
—	176,552	4,477	39.43
8,650	170,353	4,466	38.15
15,430	173,125	4,613	37.53
16,888	158,743	4,235	37.47
17,250	159,150	4,195	37.59
11,500	163,298	4,191	38.60
7,250	165,114	4,189	39.06
5,300	160,154	4,177	37.99
—	157,035	4,180	37.22

## 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 1957-1964, 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.

Net income for the years 1960, 1961, 1962 and 1964 has been restated, in accordance with Opinion #9 of the Accounting Principles Board, to reflect items previously charged directly to retained earnings in those years. These items, which relate principally to the sale or abandonment of certain operating properties and facilities, have been charged to extraordinary items except for \$1,502,000 (net of tax) in 1961 which was charged to income before extraordinary items.

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 Metalcraft Products Company in 1966 and the Enos Coal Mining Company in 1963.

## TEN YEAR FINANCIAL SUMMARY OF OPERATIONS

(In thousands—except per share statistics)

### FOR THE YEAR

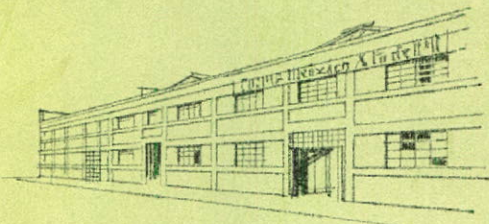
	Net Sales	Income Before Extraordinary Items	Extraordinary Items (less applicable income tax)	Net Income	
				Amount	% of Net Sales
1966	\$268,804	\$ 16,481	\$ —	\$ 16,481	6.1%
1965	262,363	13,861	—	13,861	5.3
1964	259,580	13,147	(3,714)	9,433	3.6
1963	234,413	12,079	—	12,079	5.2
1962	227,875	8,762	(2,978)	5,784	2.5
1961	224,594	5,442	(4,129)	1,313	.6
1960	229,276	5,966	(1,328)	4,638	2.0
1959	247,694	10,668	—	10,668	4.3
1958	208,128	7,793	—	7,793	3.7
1957	249,915	12,610	—	12,610	5.0

### FOR THE YEAR

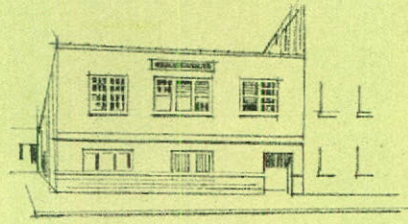
	Cash Flow	Dividends Paid			Capital Expenditures
		Common	Preferred	% of Income Before Extraordinary Items	
1966	\$ 29,448	\$ 7,842	\$ —	47.6%	\$ 17,905
1965	28,778	7,160	436	54.8	12,988
1964	24,846	6,295	730	53.4	16,955
1963	24,712	5,613	1,031	55.0	18,898
1962	22,126	3,885	1,065	56.5	5,866
1961	17,902	4,711	819	101.6	4,073
1960	18,439	6,373	486	115.0	28,227
1959	21,991	6,326	351	62.6	15,180
1958	20,520	4,786	25	61.7	35,416
1957	25,664	9,631	—	76.4	22,024

### AT YEAR END

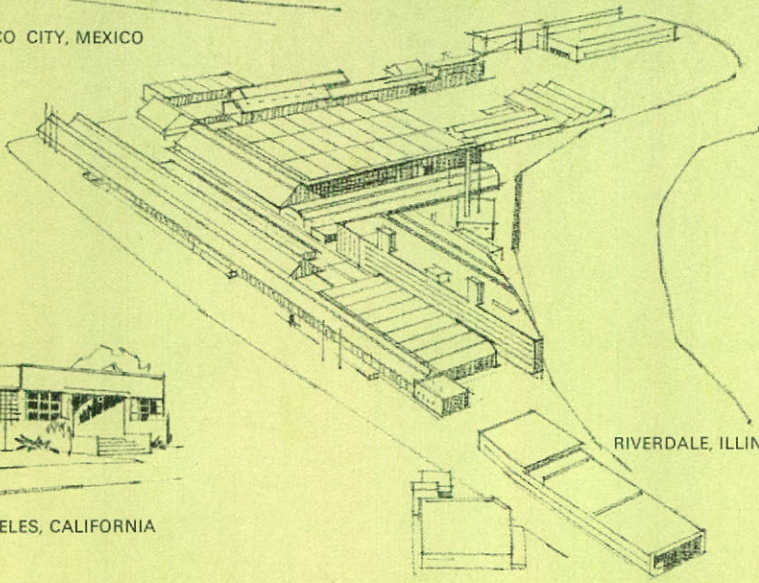
	Working Capital		Property (Net)	Long-Term Debt	Future Income Taxes
	Amount	Current Ratio			
1966	\$ 63,621	2.7 to 1	\$137,590	\$ 23,431	\$ 19,454
1965	64,756	2.9	131,603	25,925	19,719
1964	58,009	2.5	146,880	29,375	17,303
1963	71,506	2.8	149,557	31,450	20,649
1962	79,057	3.5	131,916	33,838	18,871
1961	86,792	3.6	142,456	54,348	15,492
1960	71,055	2.6	149,194	56,184	12,633
1959	79,208	2.9	132,180	52,688	9,795
1958	72,463	3.5	126,581	48,798	7,504
1957	65,883	3.2	110,619	37,826	4,558



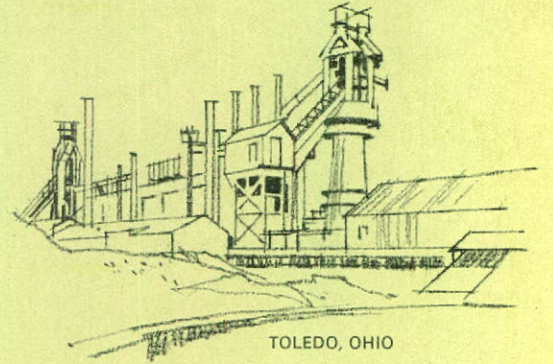
MEXICO CITY, MEXICO



RACINE, WISCONSIN



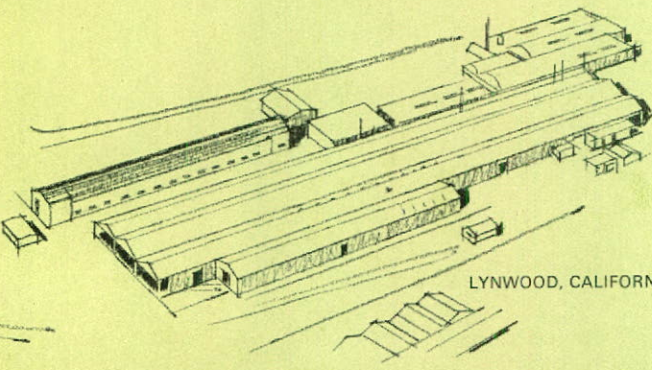
RIVERDALE, ILLINOIS



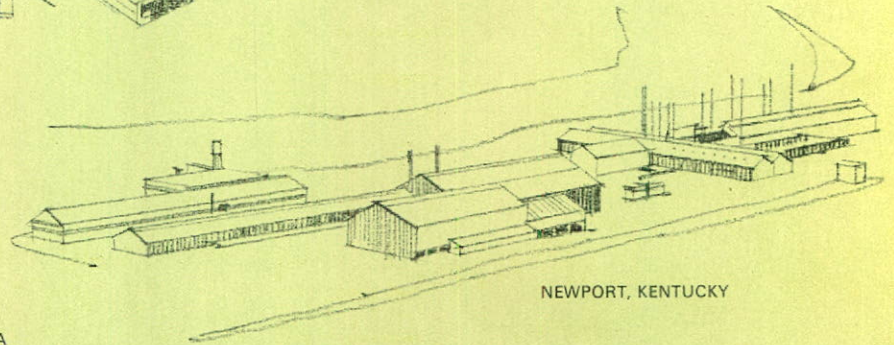
TOLEDO, OHIO



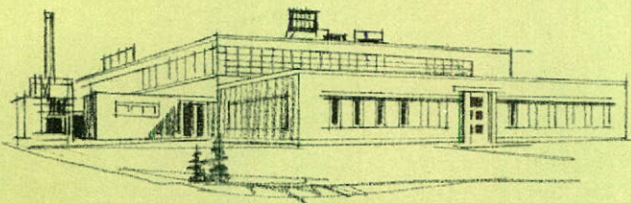
LOS ANGELES, CALIFORNIA



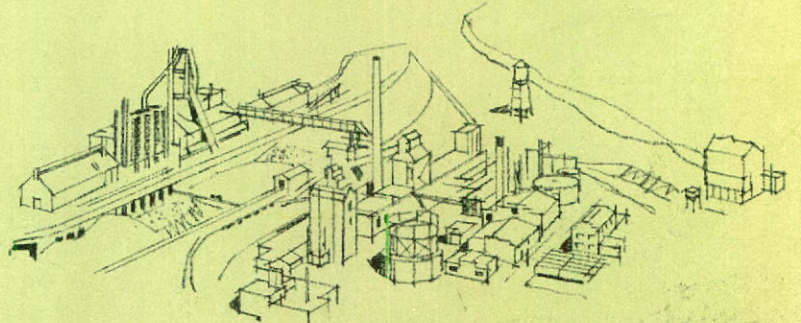
LYNWOOD, CALIFORNIA



NEWPORT, KENTUCKY



TORONTO, CANADA



ERIE, PENNSYLVANIA

 **interlake**  
STEEL CORPORATION

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