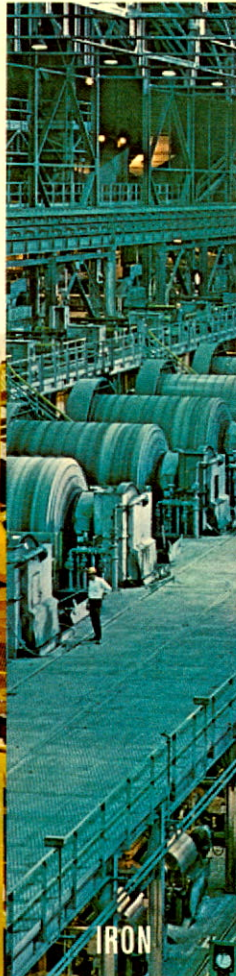




PACKAGING



STORAGE



IRON



STEEL



FERROALLOYS



METAL POWDERS



FURNISHINGS

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**interlake**  
ANNUAL REPORT 1970

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## MARKETING HIGHLIGHTS

- Marketed to most industries—primary metals, fabricated metals, textiles, paper, brick, lumber, and food are key markets
- Marketed world-wide through company sales forces and licensee/distributors
- Adding distributors in the U.S. to broaden distribution and increase market penetration
- Supply complete packaging system custom-engineered to an industry or individual customer's needs
- Systems keyed to maximize labor savings

- Marketed to all industries with storage needs including automotive parts, food, furniture, textile, lumber, aircraft
- Storage industry leader with broadest product line
- Greatly increased share in West Coast markets through Lodi-Fab Industries—acquired in 1969
- Increase penetration in European storage rack market
- Developed agreement with licensee/manufacturer in Venezuela for storage rack
- Established strong position in storage and retrieval systems
- Sold by company sales forces and distributors

- Major market: foundry industry
- Maintained position as largest domestic merchant iron producer
- Almost 50% of production is used internally
- Sold through sales agent

- Marketed specialty steel products to nation's major industries, with key percentages going to auto, farm implement, appliance and aerospace industries
- The nation's 15th largest steel producer
- Our specialty: narrow width capabilities
- Over 20% of production used internally and further fabricated into other product lines
- Marketed by company national sales network

- Marketed to steel, aluminum and chemical industries
- Vital to production of alloy and stainless steel castings
- Silicon metal vital ingredient in aluminum, silicones for chemical industry products
- Growing rapidly as important industry competitor because of quality reputation
- Known for research and analytical capabilities unique to industry
- Sold through sales agent

- Marketed to contract fabricators and mass production P/M parts manufacturers
- Key users are automotive, appliance and office equipment producers
- Product keyed to eliminating costly machining, scrap, etc.
- Increased U.S. leadership in metal powder production
- Provide unique technical and metallurgical customer service
- Marketed by company sales force

- Serves diversified furniture markets including home, educational, mobile home, hospital, restaurant, industrial, and office
- Continued expansion of successful modern and Mediterranean dinette lines
- Strengthened design capabilities on all lines
- Registered gas grill and lamp sales increase of well over 75%
- Marketed through company sales force, representatives, distributors and retailers

## CAPITAL SPENDING AND MAJOR VENTURES

- Acquired remaining 60% of Burmac Corporation, Ottawa, Ill., for manufacturing strapping machines and systems
- Completed expansion in Scarborough, Ontario, to manufacture strapping machines
- Initiated strapping production expansion at Scarborough plant
- Established Acme Overseas Engineering in Brussels, Belgium, to serve Common Market area

- Acquired remaining 60% of Burmac Corporation, Ottawa, Ill., to manufacture automated storage systems
- Purchased additional land adjoining Weston, Ontario, plant for future expansion
- New facilities installed at Lodi to improve quality and broaden product line

- Reactivated Erie, Pa., coke ovens for foundry coke production
- Completed relining on Chicago "B" furnace

- Implemented \$3.8 million pollution control project for Newport facilities
- Purchased additional land adjacent to Gary Steel for future expansion
- Equipped new environmental quality laboratory at Riverdale Technical Center

- Completed new finished product warehouse
- Successfully tested self-baking electrodes in silicon metal furnaces
- Announced \$6 million pollution control program for Beverly plant

- Building \$8 million steel atomizing plant
- Expanded research facilities for P/M hot forging development
- Installed pollution abatement system for air and water on new plant

- Acquired additional warehousing facilities adjacent to St. Charles plant

# A PROFILE OF INTERLAKE IN 1970

	PLANT LOCATIONS	SALES/EARNINGS*	PRODUCTS
<b>PACKAGING PRODUCTS</b>	Riverdale, Illinois Pittsburg, California Racine, Wisconsin Ottawa, Illinois Scarborough, Ontario, Canada Welwyn and Kilnhurst, England (50% owned) Mexico City, Mexico	<ul style="list-style-type: none"> <li>▪ \$69.0 million</li> <li>▪ 21% of total company sales</li> <li>▪ Same as 1969 % of total</li> <li>▪ With storage contributed 24% of total earnings—\$4.9 million</li> </ul>	<ul style="list-style-type: none"> <li>▪ Steel, nylon and polypropylene strapping</li> <li>▪ Tools, machines and systems for strapping application</li> <li>▪ Stitching wire, staples and machines</li> <li>▪ Inflatable dunnage</li> <li>▪ Shrink-film packaging systems</li> </ul>
<b>STORAGE PRODUCTS</b>	Pontiac, Illinois Los Angeles, California Lodi, California Ottawa, Illinois Riverdale, Illinois Weston, Ontario, Canada Brussels, Belgium	<ul style="list-style-type: none"> <li>▪ \$35.1 million</li> <li>▪ 11% of total company sales</li> <li>▪ Increased 2% over 1969</li> <li>▪ With packaging contributed 24% of total earnings—\$4.9 million</li> </ul>	<ul style="list-style-type: none"> <li>▪ Steel storage rack and systems</li> <li>▪ Gravity flow rack</li> <li>▪ Slotted angle</li> <li>▪ Automated and manual storage and retrieval systems</li> <li>▪ Shelving, hoppers, safety decking</li> <li>▪ Flexible conduit, rims, ties, other specialties</li> <li>▪ New in '70 . . . High rise rack and automated storage systems</li> </ul>
<b>IRON</b>	Chicago, Illinois Toledo, Ohio Erie, Pennsylvania	<ul style="list-style-type: none"> <li>▪ \$50.9 million</li> <li>▪ 15% of total company sales</li> <li>▪ Decreased 2% from 1969</li> <li>▪ With steel contributed 49% of total earnings—\$10.0 million</li> </ul>	<ul style="list-style-type: none"> <li>▪ Pig Iron</li> <li>▪ Molten Iron</li> <li>▪ Coke</li> <li>▪ Coal Chemicals</li> </ul>
<b>STEEL</b>	Riverdale, Illinois Newport, Kentucky Wilder, Kentucky Blue Island, Illinois	<ul style="list-style-type: none"> <li>▪ \$106.3 million</li> <li>▪ 32% of total company sales</li> <li>▪ Increased 2% over 1969</li> <li>▪ With Iron contributed 49% of total earnings—\$10.0 million</li> </ul>	<ul style="list-style-type: none"> <li>▪ Hot and cold rolled sheet and strip</li> <li>▪ Alloy sheet</li> <li>▪ Electric weld line pipe</li> <li>▪ Spiral welded pipe</li> <li>▪ New in '70 . . . Research completed on Cor-Lube dry lubricant, increased plate gauge to 3/4" at Newport</li> </ul>
<b>FERROALLOYS SILICON METAL</b>	Beverly, Ohio	<ul style="list-style-type: none"> <li>▪ \$24.6 million</li> <li>▪ 8% of total company sales</li> <li>▪ Increased 1% over 1969</li> <li>▪ Contributed 16% of total earnings—\$3.2 million</li> </ul>	<ul style="list-style-type: none"> <li>▪ Silicon metal</li> <li>▪ Ferrosilicon</li> <li>▪ High, low carbon chrome and silicon</li> <li>▪ Manganese</li> </ul>
<b>METAL POWDERS</b>	Riverton, New Jersey	<ul style="list-style-type: none"> <li>▪ \$14.0 million</li> <li>▪ 4% of total company sales</li> <li>▪ Decreased 1% from 1969</li> <li>▪ With furnishings contributed 11% of total earnings—\$2.3 million</li> </ul>	<ul style="list-style-type: none"> <li>▪ Iron, low alloy, stainless steel and other high alloy powders for powder metallurgy</li> <li>▪ Iron, stainless steel and other high alloy powders for welding electrodes</li> <li>▪ Magnetic particle inspection powders</li> <li>▪ Flame cutting powders</li> <li>▪ Hardfacing alloys</li> <li>▪ Atomized powders</li> </ul>
<b>FURNISHINGS</b>	St. Charles, Illinois Lynwood, California Azusa, California Dallas, Texas (3 separate facilities) Stanley, Wisconsin	<ul style="list-style-type: none"> <li>▪ \$30.0 million</li> <li>▪ 9% of total company sales</li> <li>▪ Same as 1969 % of total</li> <li>▪ With metal powders contributed 11% of total earnings—\$2.3 million</li> </ul>	<ul style="list-style-type: none"> <li>▪ Metal, plastic and wood dinette groupings</li> <li>▪ Mobile home furnishings</li> <li>▪ Institutional seating</li> <li>▪ Educational, library/resource furnishings</li> <li>▪ Bed frames, bunk and roll-away beds</li> <li>▪ Gas grills and gas lamps</li> <li>▪ New in '70 . . . "Contura" sculpted dining group, "Right" mass seating chair, Mark IV gas grill</li> </ul>

# HIGHLIGHTS OF 1970

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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

Jones, Day, Cockley & Reavis,  
Cleveland, Ohio

## INDEPENDENT ACCOUNTANTS

Price Waterhouse & Co.,  
Chicago, Illinois

## ANNUAL MEETING

Shareholders are invited to attend the Company's 1971 Annual Meeting at 10:00 a.m., (New York City time), April 22, 1971, at Bankers Trust Company, 280 Park Avenue, in the Meeting Room on the Main Floor, New York City. Proxy statements for the meeting will be mailed in the latter part of March.

- Sales reach new record \$329,954,000—2% over 1969
- Net income of \$10,666,000, or \$2.42 a share, is down 29% from 1969
- Employment, raw materials costs rise far above 1969 levels
- Changed corporation name to Interlake, Inc., to better identify diversified businesses
- Entered joint venture with Boise Cascade to build condominiums at Lake Tahoe, Nevada, and Lake Arrowhead, California
- Formed new company, Acme Overseas Engineering Corporation in Brussels, Belgium
- \$15 million spent for expansion, modernization and environmental control

### FOR THE YEAR (In thousands)

	1970	1969
Net sales .....	\$329,954	\$324,848
Income before extraordinary items .....	10,666	15,337
Extraordinary items .....	—	5,052
Net income .....	10,666	20,389
Cash flow .....	23,374	29,144
Capital expenditures .....	15,187	18,423
Common stock dividends .....	7,941	8,046

### AT YEAR END (In thousands)

Working capital .....	\$ 74,776	\$ 71,846
Current ratio .....	2.2 to 1	2.2 to 1
Property, plant and equipment—net .....	\$161,305	\$159,593
Long-term debt, less current maturities .....	49,071	40,987
Shareholders' equity .....	209,299	206,514

### PER SHARE STATISTICS

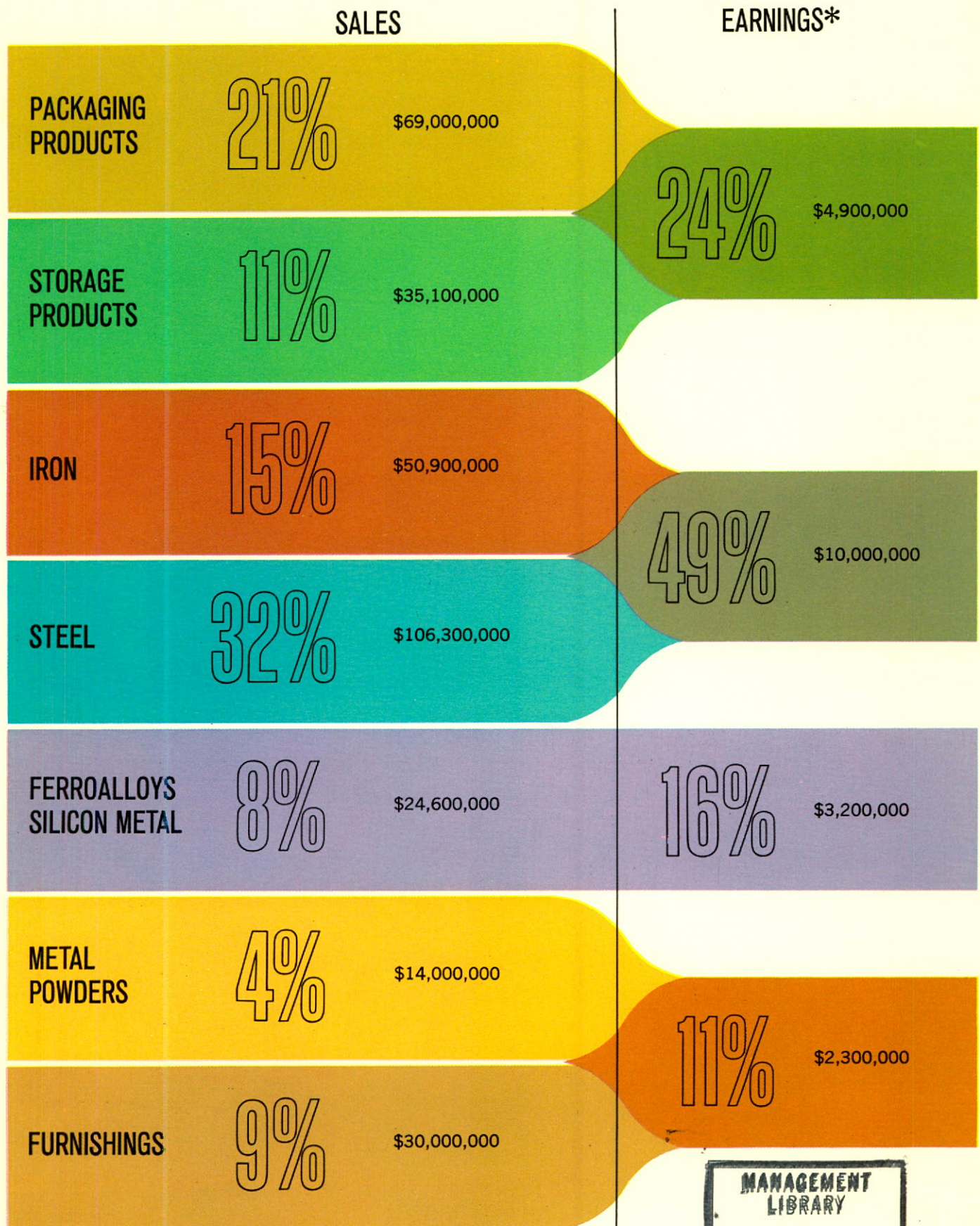
Income before extraordinary items .....	\$ 2.42	\$ 3.43
Extraordinary items .....	—	1.13
Net income .....	2.42	4.56
Cash dividends paid .....	1.80	1.80
Shareholders' equity at year-end .....	47.44	46.82

### QUARTERLY RESULTS—1970 and 1969 (In millions—except per share statistics)

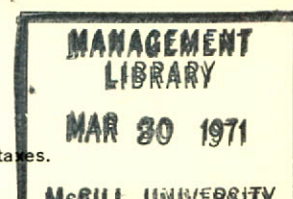
	SALES		INCOME			
	1970	1969	1970		1969*	
	Amount	Amount	Amount	Per Share	Amount	Per Share
1st Quarter	\$ 78.7	\$ 76.5	\$ 2.6	\$ .60	\$ 3.3	\$ .73
2nd Quarter	83.0	86.5	3.3	.75	4.1	.92
3rd Quarter	87.0	79.1	3.0	.67	3.4	.77
4th Quarter	81.3	82.7	1.8	.40	4.5	1.01
	<u>\$330.0</u>	<u>\$324.8</u>	<u>\$10.7</u>	<u>\$2.42</u>	<u>\$15.3</u>	<u>\$3.43</u>

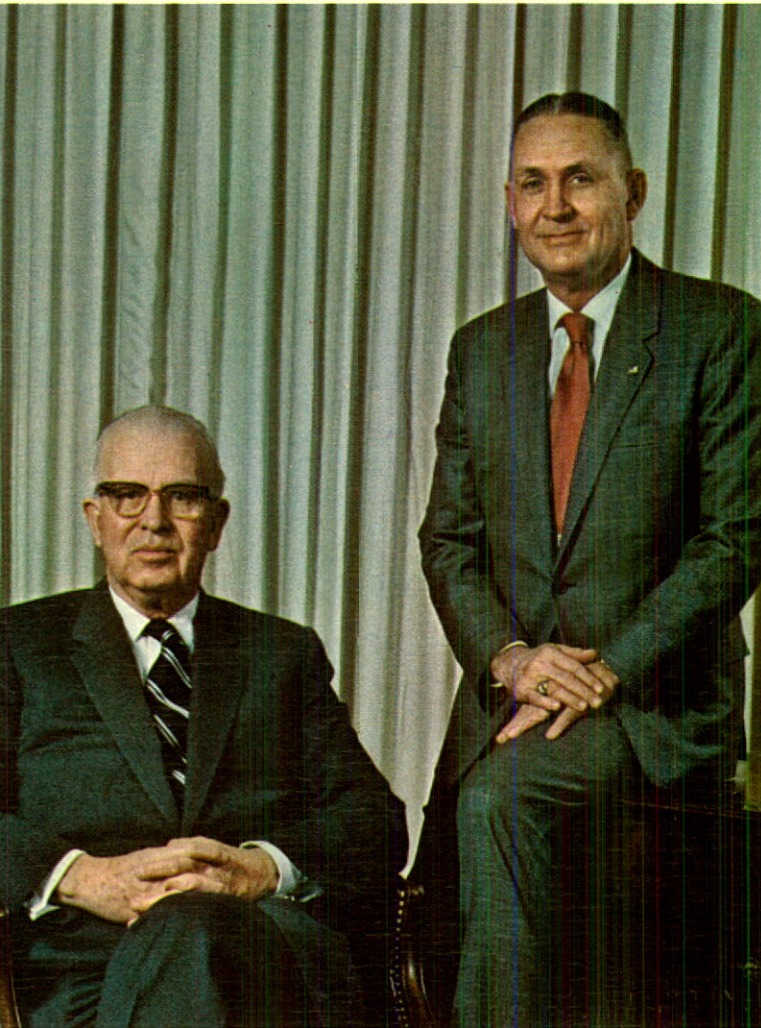
\*Before extraordinary items

# interlake SALES/EARNINGS\*-1970



\*Before unallocated corporate items and income taxes.





*C. Findley Griffiths, Chairman of the Board, and Reynold C. MacDonald, President and Chief Executive Officer.*

## TO OUR SHAREHOLDERS:

1970 was a tough and challenging year, with:

- ... a sluggish economy
- ... slower business activity
- ... strikes and labor disputes in key industries
- ... increased employment expenses
- ... higher-than-expected costs for coal, scrap, goods, services and pollution control equipment.

These factors all had an adverse impact on company performance. The result: Interlake didn't have as good a year in 1970 as in 1969. But, on the other hand, Interlake didn't fare as badly as many other companies, either—thanks primarily to:

- ... contributions from recent acquisitions and diversification activities
- ... input from profit improvement programs
- ... efficiencies and production records from recently-installed or improved equipment
- ... a deliberate attack on our problems.

The results could have been worse.

### SALES UP SLIGHTLY TO NEW RECORD

Sales in 1970 rose 2% to a record \$329,954,000, compared with \$324,848,000 in 1969. Actually, overall volume was down compared with 1969, and the record revenue was reached basically because of:

- ... price increases, and
- ... volume added for the first time by companies acquired late in 1969.

Sales increases during 1970 were reported by flat rolled steel products, storage systems, furniture and leisure products and ferroalloys and silicon metal. Declines were registered in pig iron, pipe sales, molten iron shipments, packaging system products and metal powders. Also, as shown on pages 1 and 25, the company's product mix continues to change.

### PROFITS SLIP TO \$2.42 A SHARE

Earnings in 1970 dropped to \$10,666,000, or \$2.42 a common



*At Lake Arrowhead, California, 125 condominiums will be constructed, marking Interlake's entry in the growing resort market.*

share, down 29% from \$15,337,000, or \$3.43 a share, in 1969. This does not include extraordinary items of an additional \$5,052,000, or \$1.13 a share, which lifted 1969 net income to \$20,389,000, or \$4.56 a share.

Obviously, uncontrollable outside economic and business conditions played the most important role in Interlake's lower profits during 1970. Price increases did not overcome increased costs, which took their toll. Our business was also affected by the adverse impact of national labor disputes in the auto and truck industries . . . plus a strike at a Howell Division furniture plant and costs associated with the reline of a blast furnace at the Chicago plant.

#### **COSTS OF DOING BUSINESS INCREASE IN '70**

Higher costs in several key areas of company operations had a particularly adverse impact on company earnings in 1970. In addition to increased costs for freight, goods and services, etc., employment costs rose approximately \$5 million, compared with 1969.

Rising costs had more of an impact on our iron and steel businesses than on other company operations. Consider, for example, cost increases for the scrap metal and coal we buy as raw materials. Compared to 1969, coal alone was \$3.7 million higher. Scrap metal prices rose 30% and cost \$3.1 million more in 1970. The increases in employment, coal and scrap prices, by themselves, were equal to approximately \$1.36 per share.

Concerning coal, the serious bituminous coal shortage that exists in the U.S. stems mainly from a combination of: the alarmingly high levels of low sulphur coal being exported, the growing substitution of this metallurgical grade coal for steam grade coal by the electric power utilities who are using it to reduce air pollution, wildcat strikes and new mine safety regulations.

#### **CAPITAL EXPENDITURES \$15.2 MILLION**

Capital expenditures during 1970 were \$15,187,000, compared with \$18,423,000 in 1969. The funds were spent for:

Expansion . . . . .	\$5,357,000	(35%)
Repair/Replacement . . . . .	\$8,185,000	(54%)
Environmental Control . . . . .	\$1,645,000	(11%)

The main expansion projects were construction of the new steel atomizing plant and research center at Hoeganaes Corporation, Riverton, N.J. Other important expansion projects included a new storage building at Beverly, Ohio, a hot rolled strip shear line for Gary Steel in Blue Island, Illinois, a new cut-to-length line at Lodi, California, and a 40,000 square foot warehouse near the St. Charles, Illinois, furniture plant.

Expenditures for environmental control involved 22 individual projects, which are explained in more detail on pages 8 and 9.

Repair and replacement projects include a complete reline and other repairs to our Chicago "B" blast furnace, a new trolley for an ore bridge at Chicago, purchase of 19 ingot mold cars at Newport and the overhaul and purchase of new machine tool equipment for the strapping tool plant at Riverdale.

#### **COMPLETE ADDITIONAL DIVERSIFICATION DURING YEAR**

Interlake completed its ninth and tenth diversification moves in the past 3 years designed to broaden company involvement in growing markets.

The ninth action took place August 31, 1970, when Interlake acquired the remaining 60% ownership of the Burmac Corporation of Ottawa, Illinois. Interlake had previously owned 40% of this facility where steel strapping machines and Couriers, used in Interlake's automated storage systems, are being manufactured.

The tenth action occurred in October when Interlake entered into a joint venture with Boise Cascade Corporation's Recreation Communities Group of Palo Alto, California, to build condominiums at Lake Tahoe, Nevada, and at Lake Arrowhead, near Los Angeles.

Initial plans call for construction of 138 condominium units at Incline Village, Lake Tahoe, and 125 at Lake Arrowhead. The first units are scheduled for completion in 1971. This marks Interlake's first entry in the growing recreation resort housing market.

#### **INTERNATIONAL OPERATIONS CONTINUE GROWTH**

With Canadian companies leading the way, Interlake's international operations continued to grow and in 1970 provided a more significant contribution to sales growth and earnings. A new company was formed during the year to serve foreign markets in the development and installation of packaging equipment. This new organization, Acme Overseas Engineering Corporation, in Brussels, Belgium, will provide sales, product and design engineering service for Interlake's licensees and distributors in Europe, the Middle East and Africa.

The 1969 agreement with P. W. Lenzen of Letmathe, West Germany, called for construction of new facilities to manufacture strapping which would be sold exclusively through Interlake distributors in Western Continental Europe. The plant has been



*Interlake, with Boise Cascade, will jointly develop a 138-unit condominium recreational community on scenic, wooded property at Lake Tahoe, Nevada.*

completed, and the new strapping equipment is now being run through break-in testing. Production should begin in early spring.

In Canada, land has been acquired for future expansion of Redirack Industries, Ltd. of Weston, Ontario, and at nearby Scarborough, Acme Steel Company of Canada, Ltd., facilities were expanded to permit strapping machines to be fabricated in the plant.

### NEW PRODUCTS MAKE IMPORTANT CONTRIBUTION

New product development is an important key to growth for the company, and we are pleased with the performance of several products introduced within the past two years. Details about new products introduced in 1970 and planned for 1971 can be found in the main body of the report.

### RESEARCH, CORPORATE PLANNING COMBINED

The company's research and corporate planning functions were grouped together during the year. The reorganization will permit a more unified approach to new product and new process development plus improved relationships for merger and acquisition activities.

R & D activities during the year focused on items with the greatest financial potential. Particular attention was devoted to raw material projects involving coal blends, sintering practices and methods for utilizing lower cost, iron-bearing materials.

### ACTIVE TIMES FOR EMPLOYEE RELATIONS

Interlake employees have improved their on-the-job safety performance for the 4th successive year. Their efforts for continued

improvement were particularly successful again in 1970. Disabling injuries were reduced by 30%, compared to 1969 when disabling injuries were 11% below '68 levels. Tighter goals have been set for 1971.

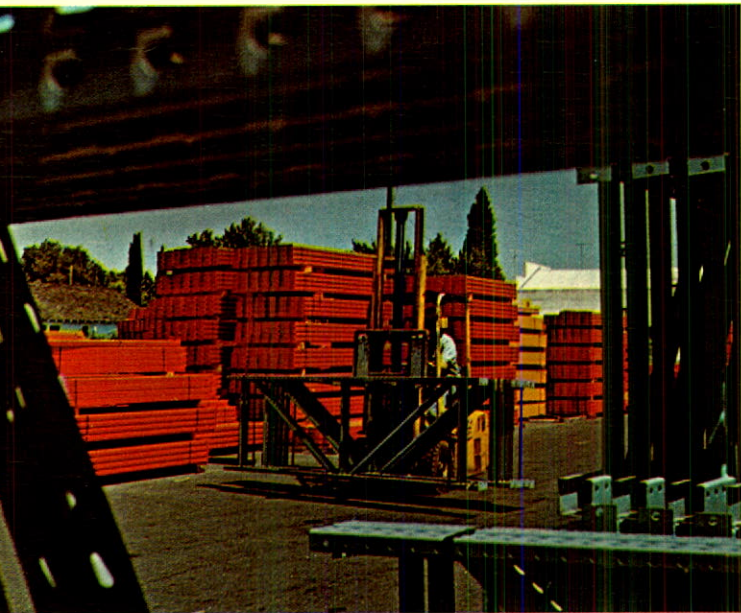
1970 was a relatively quiet year in labor relations, although five labor agreements were negotiated throughout the company. Two weeks of production were lost due to a strike at the company's St. Charles, Illinois, furniture plant. The year 1971, however, promises to be a great deal more active in labor relations. The current pattern of continued inflation, coupled with increased costs and the pressure on profits, will make it difficult to achieve equitable settlement of contract disputes.

Salaried employees may further their formal education at various schools and universities through the company's Educational Assistance Program. A total of 234 employees participated in 1970.

Equal Employment Opportunity has been a long established policy at Interlake. 1970 witnessed the acceleration of efforts to increase minority group employment in various job categories through plant level and corporate programs.

### G. F. GRIFFITHS RETIRES

G. Findley Griffiths, Chairman of the Board, will retire February 26, 1971, following his 65th birthday, and in keeping with company policy of mandatory retirement. On page 6 we pay special tribute to Mr. Griffiths for his many contributions to the company, which has grown almost three-fold since he joined former Acme Steel Company in 1950 as Assistant to the President.



*The acquisition of Lodi-Fab Industries brings Interlake vital manufacturing facilities serving West Coast markets. Manufacturing and shipping this storage rack at Lodi, California, strengthens our ability to compete in the West.*



*New in 1970 . . . Gravity flow rack provides efficient, damage free high density storage to maximize cubic space utilization.*



## ENVIRONMENTAL CONTROL PROGRESS CONTINUES

Interlake continued its leadership role in environmental control activities during 1970. In this connection, Reynold C. MacDonald was appointed to President Nixon's National Industrial Pollution Control Council as a representative of the steel industry. A special two-page report is presented on pages 8 and 9.

## KEY MANAGEMENT CHANGES MADE DURING THE YEAR

Several key executive changes were made during the year as part of the company's continuing program to strengthen operations, give management broader experience in new areas and bring fresh ideas to bear on the company's growth and profit improvement programs.

Last year's annual report featured Interlake's top management group, including the senior executives who guided Interlake's major businesses and staff departments. This year, in an attempt to identify more of Interlake's management personnel, we have included photographs of key men who share responsibility for running various company operations, and Interlake's unique environmental quality project team.

## EXPLORATION IN AUSTRALIA CONTINUES

As previously reported, Interlake has a 11% interest in a joint venture that has been exploring for minerals in the State of Western Australia. An area has been defined that has nickel potential in the vicinity of Ravensthorpe, Western Australia. Further drilling is in progress to accurately define the potential, and shareholders will be kept informed of developments.

## OUTLOOK FOR THE YEAR: BETTER THAN '70

Looking ahead at 1971, our nation still faces a complicated combination of domestic and foreign problems. Fiscal and monetary policies are in transition in the continued attempt to curb inflation and rising costs. The year '71 should be a better business year than '70, and our plans are to participate to the fullest extent.

We believe the first half will be the stronger of the two this year, and the outlook for the last six months of 1971 can only be called uncertain.



*Fred W. Reilly, President-Redirack Industries (left) and H. Richard Schenke, President-Acme Steel Company of Canada, direct Interlake's highly successful Canadian storage and strapping businesses. Their activities typify our growing International operations.*

## THANKS TO INTERLAKE EMPLOYEES

We pay particular tribute at this time to the men and women of Interlake around the world who comprise our employee family. We would like to thank them for their efforts and accomplishments.



*G. F. Griffiths*

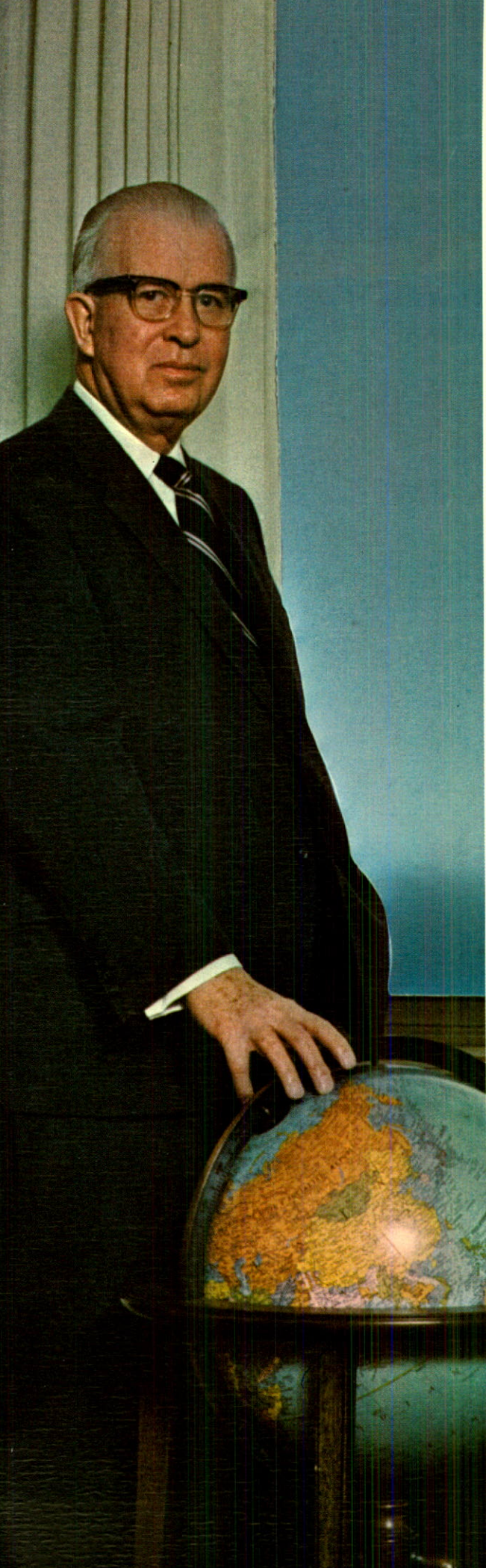
G. Findley Griffiths  
Chairman of the Board

*R. MacDonald*

Reynold C. MacDonald  
President, Chief Executive Officer

February 17, 1971

*The new powder metallurgy hot forging laboratory at Hoeganaes gives Interlake the research and development capability to continue leadership in the new P/M hot forging market.*



## G. FINDLEY GRIFFITHS

Twenty years ago, a small item in the 1950 annual report of the then Acme Steel Company noted: "Mr. G. Findley Griffiths has become a member of our staff organization. His wide knowledge of steel products and their markets will assist us in our plans for expansion."

The same report also noted sales of \$68,730,632.

In 1970, as "Fin" Griffiths completed his 20th and final year with Interlake, the company posted \$329,954,000 in sales.

On the occasion of Mr. Griffiths' retirement, it is well to reflect that many of the company's achievements and its rise to industry leadership are due to his initiative, his foresight and his total dedication to the company's progress.

### STEEL CAREER SPANS 40 YEARS

Mr. Griffiths' career in the steel industry spanned 40 years. Following 20 years of combined service with United States Steel and Sharon Steel Corporation, he joined Acme Steel Company in 1950 as Assistant to the President, and shortly thereafter he was elected Vice President-Sales and a Director.

As Vice President-Sales he played an active role in stimulating the company's growth, diversifying the scope of its business, and in developing the extensive program that was undertaken in 1958 to integrate and modernize facilities.

He was elected President of the Acme Steel Company in 1960, and in 1961 he was named its Chief Executive Officer. These were critical years in the company's history. A major strike and related problems, coupled with new equipment break-in, weakened the company's financial position. Solutions were found to these problems and earning power and dividends were restored, leading to the 1964 merger of Interlake Iron and Acme Steel. The consolidation, heralded as an "ideal industrial marriage," created the country's 16th largest integrated steel producer and a highly diversified company.

### ELECTED CHAIRMAN AFTER MERGER

Mr. Griffiths was elected Chairman of the Board and Chief Executive Officer of the merged company. He continued in that capacity until 1969, when he relinquished the responsibilities of Chief Executive Officer to provide for the orderly transition of management direction.

Certainly, Findley Griffiths would be the first to state that the last 20 years of progress are the result of the efforts of many individuals. These same individuals would acknowledge Mr. Griffiths' influence in directing Interlake's remarkable growth. In 1950, there were 9,135 stockholders. Last year, 27,000 persons were recorded as shareholders. Employment increased from 4,000 in 1950 to nearly 10,000 today.

The career of such a man can truly be marked as one dedicated to the American system of free enterprise, public service and public responsibility.

Mr. Griffiths retires with the best wishes of all the men and women of Interlake. He has served Interlake with a quiet dignity that will inspire those who are to follow him.

*G. Findley Griffiths, who served Interlake for 20 years, retired in February, 1971. The company experienced record growth and developed successful diversification programs during his years as Chairman of the Board.*

On the occasion of your retirement as Chairman of the Board of Directors of Interlake, Inc., we wish to express our deepest appreciation for the leadership and many services you have rendered the corporation. The growth and development of Interlake, its influence and general well-being, have, in large measure, been due to your wise counseling and guidance. We wish to record and recognize the esteem which all of us, as your friends, fellow directors and officers, feel for you and hereby tender to you our deepest affection, respect and gratitude for your many contributions. Congratulations on your outstanding record of service and warmest best wishes for many happy years ahead.

The Board of Directors and Officers

## DIRECTORS\*\*

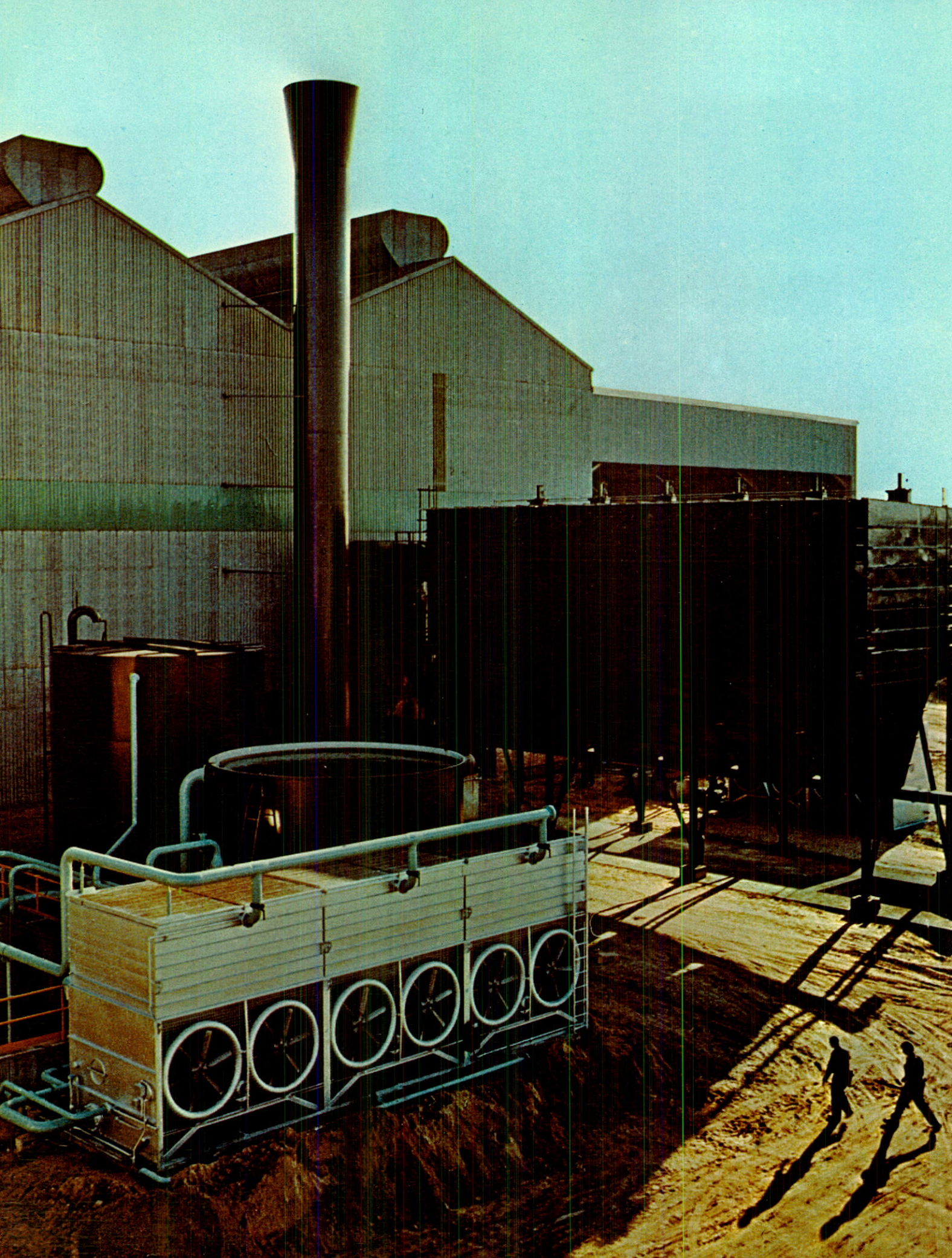
- \*KEITH S. BENSON  
Executive Vice President, Director,  
Diamond Shamrock Corporation and Chairman,  
Pickands Mather & Co., a subsidiary of  
Diamond Shamrock Corporation
- EUGENE P. BERG  
Chairman, President, Director, Bucyrus-Erie Company
- \*MARVIN CHANDLER  
Chairman, Director, Northern Illinois Gas Company
- \*JAMES W. COULTRAP  
Staff Vice President, Commercial Products  
Group and Director, North American  
Rockwell Corporation
- \*GEORGE E. ENOS  
Chairman of Executive Committee
- \*G. FINDLEY GRIFFITHS  
Chairman of the Board
- ROBERT JACOBS  
Vice President—Finance and Administration
- CARTER KISSELL  
Partner in the law firm of Jones, Day, Cockley & Reavis
- \*REYNOLD C. MacDONALD  
President and Chief Executive Officer
- GEORGE S. PATTERSON  
Chairman, Director, Buckeye Pipe Line Company
- LOUIS PUTZE  
Deputy Group Vice President, Director  
The Singer Company
- LEE C. SHAW  
Partner in the law firm of Seyfarth, Shaw, Fairweather & Geraldson
- JOHN SHERWIN  
Director, Diamond Shamrock Corporation
- EDWARD J. WILLIAMS  
Executive Vice President, Director, GAF Corporation
- \*MORRIS H. WRIGHT  
General Partner, Kuhn, Loeb & Co.

\*Member of Executive Committee  
\*\*As of 2/12/71

## OFFICERS\*\*

- G. FINDLEY GRIFFITHS  
Chairman of the Board
- REYNOLD C. MacDONALD  
President and Chief Executive Officer
- \*ROBERT JACOBS  
Vice President—Finance and Administration
- FRANK K. ARMOUR  
Vice President—Engineering
- DAVID G. BOWSER  
Vice President—Globe Metallurgical Division
- FRANK J. BURGERT  
Vice President—Operations
- \*R. RUSSELL FAYLES  
Vice President—Research and Corporate Planning
- RALPH K. FREW  
Vice President—Employee Relations
- ROBERT M. GILASON  
Vice President—Marketing
- \*ALBERT K. ZEITELL  
Vice President—Packaging and Storage  
Products Division, International and Domestic
- WILLIAM R. STEAD  
Secretary and Corporate Counsel
- GEORGE L. FAULSTICH, JR.  
Treasurer
- RAYMOND T. ANDERSON  
Controller

\*Change in title since last year's report  
\*\*As of 2/12/71



## ENVIRONMENTAL CONTROL

The quality of the air and water around Interlake plants improved measurably in the past year.

The company's aggressive commitment to an improved environment in 1970 required additional capital expenditures of \$1,645,000. Operating and maintenance costs for present control equipment total about \$2 million per year. To date, Interlake has allocated or spent more than \$33 million for environmental quality.

Last year, \$5.6 million was committed to new environmental control projects, and in addition, \$1.6 million was spent to complete existing programs or begin new ones. Water pollution control was the major thrust of our program in 1970. Air pollution control will receive the bulk of capital expenditures in 1971.

Pollution control is a complex, expensive and time-consuming process. Many solutions are available to us, but we still face formidable problems, like coke ovens, for example. We are using, wherever possible, the latest devices and equipment to abate pollution, and we will continue to do so whenever possible.

### WATER QUALITY IMPROVED

Among the major specific water control projects we have undertaken are: the control and treatment of waste pickle liquor and improvements to the bar pickle tanks at Newport; the construction of a sand filtration system on the #4 hot strip mill at Riverdale; and the installation of a closed recirculating water system on the coke oven's final coolers at Toledo. At Chicago, we have recirculated the blast furnace gas cleaning water, built dikes around tanks and installed oil skimmers. These projects combined with other improvements in facilities at our various plants amounted to \$1,300,000.

### MANY AIR POLLUTION CONTROL PROGRAMS NOW UNDERWAY

In the area of air pollution control, grit arrestors are being installed at the Chicago plant's coke quenching tower to control particle emissions. Contracts have been let to construct an air filtering system, referred to as a bag house, to service the Newport electric furnaces. The first stage of the air pollution abatement program is already underway at Beverly, and numerous air control projects are rapidly shaping up at Toledo. These include the installation of graphite control equipment, mist eliminators, steam atomizing burners and coal pile sprinkling systems. For controlling air pollution in 1971, we have allocated in excess of \$5 million.

*The air and water pollution control systems on the new atomizing plant at Hoegaanes were designed and constructed to meet pollution abatement standards through the combined efforts of the project team.*

## ADVANCES MADE IN SOLID WASTE DISPOSAL

We have made considerable inroads into the disposal of solid wastes. One hundred and fifty tons of solid waste are disposed of every day. This refuse is hauled to landfill areas, many of which are on company property. Flue dust and slag, which previously posed disposal problems, are now put through beneficiation processes. Flue dust, which has a high iron content, is sintered into coarse clinkers and used for charging into the blast furnace. Slag is sold as ballast or for concrete aggregate.

## RESEARCH AIMS AT NEW TECHNIQUES

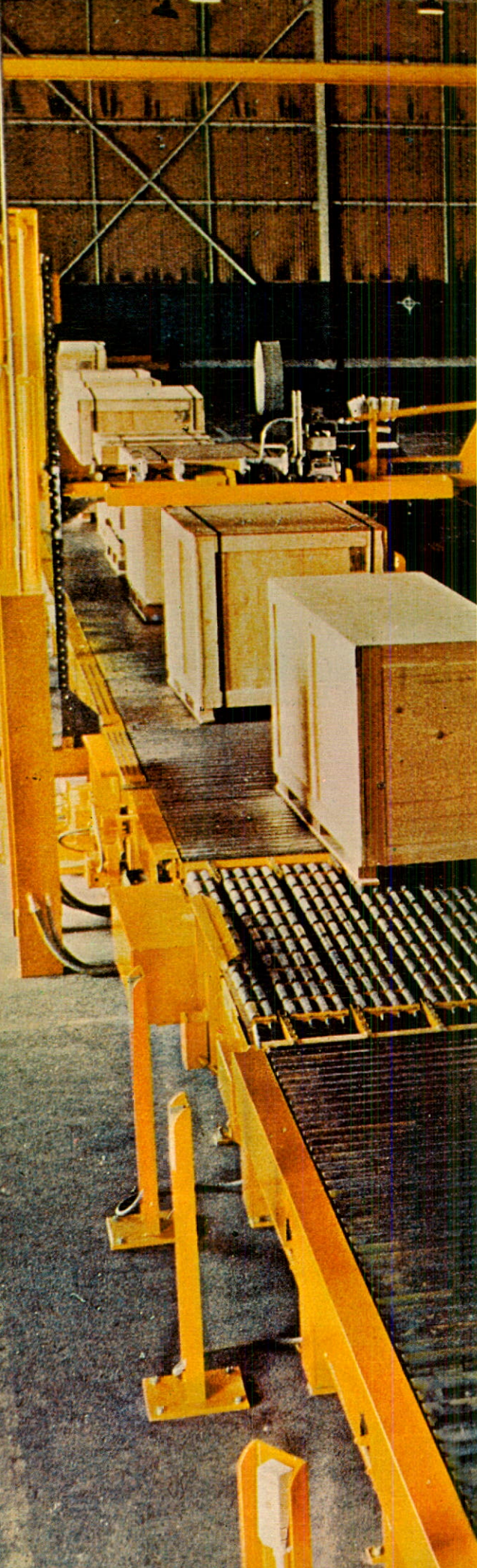
Our engineers and researchers, together with our maintenance and repair department, are monitoring all sources of pollution and its control equipment to devise new methods of combating pollution. We have installed an environmental control laboratory, and we regularly add research equipment as the needs arise.

For example, a gas chromatograph which analyzes air pollutants was installed as was an atomic absorption unit used to measure minute particles of metallic substances. Also added were a Coulter counter for calculating particulate matter in water and sound pressure level meters which determine sounds in decibel units to aid our research into noise pollution.

Interlake is cognizant of its responsibilities as a corporate citizen and neighbor, and we will continue to strive to provide a wholesome environment for our employees and the residents of our plant communities—to this we are dedicated.



*Interlake's environmental control activities are directed by our unique project team including: (clockwise from front) Frank K. Armour, Vice President-Engineering; William P. Porcelli, Assistant Secretary and Corporate Attorney; H. Harry Henderson, Director-Public Relations; and Fred G. Krikau, Manager-Environmental Control.*



## PACKAGING/SHIPPING PRODUCTS

Interlake, during 1970, capitalized on its unique market position as a complete systems supplier to the packaging and shipping needs of world-wide industry. Wherever goods are packaged, shipped or stored, the Packaging and Storage Products Division brings its experience and expertise to bear in a problem solving capacity.

Our products and systems include steel, nylon and polypropylene strapping; manual and automated tools and machines; stitching wire, staples and machines; shrink-film packaging systems; and inflatable dunnage. All these can provide cost savings in operating efficiency and damage reduction to Interlake customers.

Several newly implemented management programs helped improve division operations in 1970. Functions related to engineering, design, manufacturing, sales and service were consolidated for the division. In addition, supervision for sales, production and administration were re-aligned to provide more concise, efficient operations.

As part of these activities, the remaining 60% of Burmac Corporation, Ottawa, Illinois, was acquired. This acquisition provides us with a facility for our own production of strapping machines and custom designed packaging and storage systems. In addition, major improvements were made throughout our production equipment systems that manufacture strapping and other division products.

The division's international activities were particularly successful during 1970. Our Canadian subsidiaries, Acme Steel Company of Canada, Ltd., and Redirack Industries, Ltd., both of Toronto, experienced record years. Facilities were completed at P. W. Lenzen, Letmathe, West Germany, for strapping production; and a new company, Acme Overseas Engineering Corporation, Brussels, Belgium, was formed to provide technical service in Europe, the Middle East and Africa.

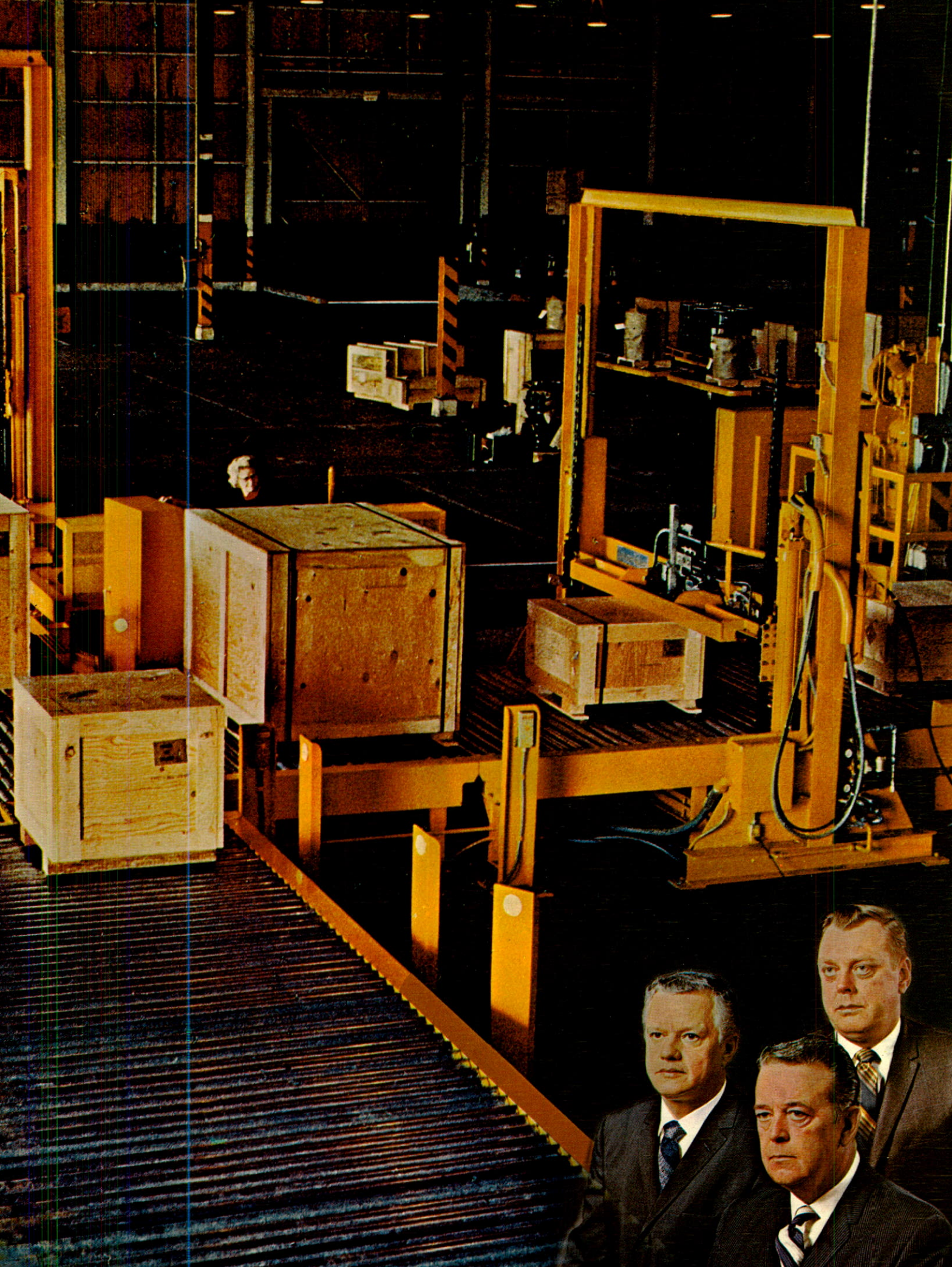
Installations of Interlake's shrink-film packaging systems cover many industries and the list continues to grow. Primary users are the glass bottle industry; automotive parts manufacturers; brick, block and ceramic producers plus many others.

In 1971 we will introduce automated strapping systems to previously untouched markets. Interlake is now pioneering strapping applications for exporting unit load shipments of paper pulp. Your company has also installed the first automatic strapping machines ever to be used by the nation's cotton industry. These machines automatically strap cotton bales for low cost, secure shipping and insure Interlake's leadership in the industry for the future.

Division marketing highlights include a program to provide Interlake strapping to more customers through a nation-wide distributor network. This program, already showing initial success, will make our product readily available to a much larger buying community than would otherwise be possible.

Through these and other activities, the Packaging and Storage Products Division continues to demonstrate a determination to improve operating practices, expand markets and sales potential. Such actions point optimistically to future growth.

*This unique custom designed packaging system automatically applies various strapping patterns to an extremely wide range of container shapes and sizes. Key managers in our packaging businesses are: (clockwise from front) Harry E. McGrath, Vice President-Marketing for packaging products; M. Paul Hunt, General Manager-Strapping Operations for packaging products; and Otis W. Creasman, Director of Administration—Packaging and Storage Products.*





## STORAGE/HANDLING PRODUCTS

Materials storage and handling are essential procedures for almost all industries world-wide, both during production and in finished goods distribution. Interlake's storage products businesses serve thousands of customers by providing complete materials handling systems. These are backed by the engineering know-how necessary to design installations that maximize cost reductions.

Your company greatly improved its ability to competitively market its storage products nationally in 1970. The acquisition of Lodi-Fab Industries, Lodi, California, announced last year, provided much needed manufacturing facilities to strengthen our service to West Coast markets.

Initially the Lodi operations brought Interlake the finest cantilever rack system available, both in design and construction. This cantilever product made a significant contribution to our product line and promised new potential in reaching a wider range of markets and supplying more diversified customer needs.

Production facilities at Lodi were redesigned during the year to accommodate conventional Interlake storage rack, already recognized as the industry's quality and design leader. This action improved Interlake's position in West Coast markets by eliminating competitively prohibitive shipping costs from our Pontiac, Illinois, manufacturing headquarters. In addition, new tooling to produce the Lodi cantilever systems is being planned for Pontiac which similarly strengthens our national marketing position in this area.

Several Interlake automatic storage and retrieval systems were installed during the year. Automated warehousing technologies provide one of the last great areas in industrial cost savings. Interlake Couriers can be designed to operate in conjunction with computer systems and function on a fully automatic basis. Full automation, reduction in manpower requirements, maximized cubic space utilization and accurate inventory control are features that make the Courier particularly attractive to all increasingly cost conscious industries.

One of the most important new products introduced during 1970 was our new gravity flow rack system. Gravity flow rack controls materials flow on a first-in-first-out basis and provides the utmost in cubic space utilization. Materials enter the system and are carried by gravity power along slightly declining rollers to the exit station. Specially designed braking systems control flow rates to prevent damage. The result is a high density storage core that eliminates the need for space consuming aisles between racks.

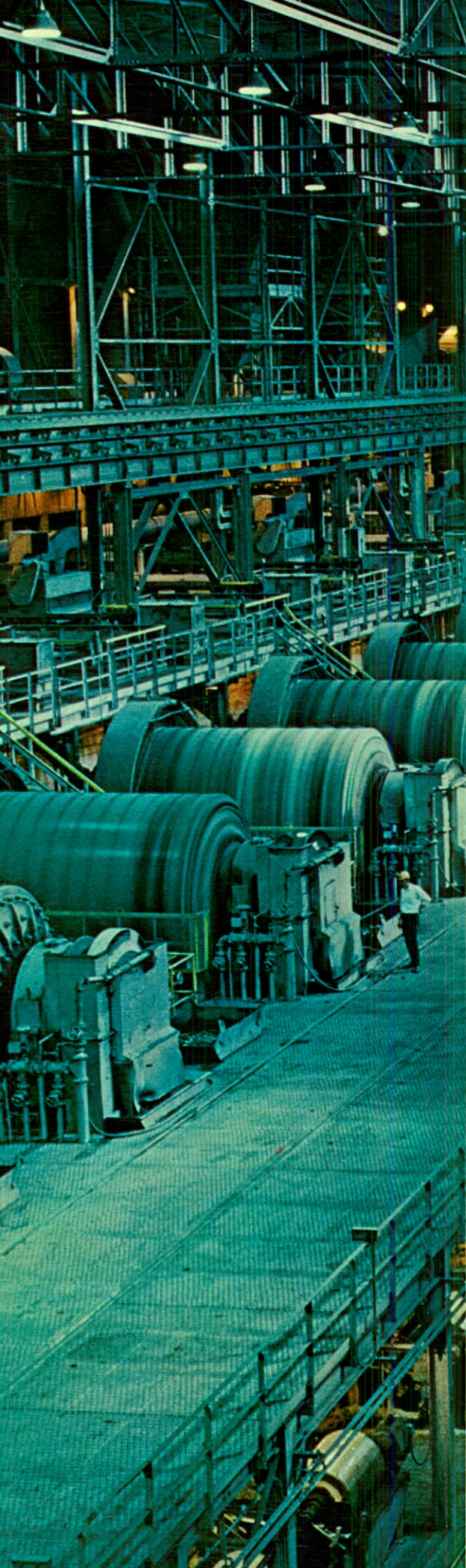
The Packaging and Storage Products Division also increased its activities in high rise storage systems. Both conventional rack systems and Courier installations are now being marketed world-wide to store materials up to 70 feet high. The high rise concept permits customers to utilize vertical space, increasing useable cubic storage areas without increasing horizontal floor area requirements, a premium commodity for most businesses.

Many new designs and refinements are planned for Interlake's storage products line during 1971. In addition, the operation will also benefit from the division-wide management reorganization pointing toward continued prominence in the market.

*Interlake installed several automatic Courier storage and retrieval systems during the year. This installation combines both the automatic and manual Courier for specialized storage requirements. William C. Lorden, General Manager-Storage Products (right), and Robert R. Warns, National Sales Manager-Storage Products, direct our nation-wide storage business.*







## IRON

Again during 1970, Interlake maintained its market position as the nation's foremost merchant pig iron producer. Products from our iron businesses provide important internal cost saving advantages as raw materials for producing our steel mill products. These are also manufactured into finished steel goods for the packaging, storage and furnishings operations. Interlake's demands alone account for about 50% of our iron production.

In addition, our sales agent markets molten and pigged iron to iron foundries throughout the country. End products here include all types of iron castings used in the agricultural, railroad, automotive and many other industries.

Highlighting the year in another phase of Interlake's iron business, was the reactivation of our coke producing facilities in Erie, Pennsylvania. These 58 coke ovens, dormant for the past three years, are being reactivated to produce coke for another company as a result of a recent contract.

Foundry coke requires a longer heating cycle to develop special properties and is in short supply throughout industry. Manufacturers of iron castings for engine blocks, transmission housings, heavy machinery, truck wheels, railroad bolsters and electric motor frames, to name just a few, present heavy foundry coke requirements and another growth market for Interlake. The Erie facility has sufficient capacity to convert 25,000 tons of metallurgical coal per month into foundry coke.

As with all other industries, internal cost controls and reductions are becoming increasingly important to continued success in the iron businesses. Interlake intensified its activities in this area during the year through extensive research and development programs.

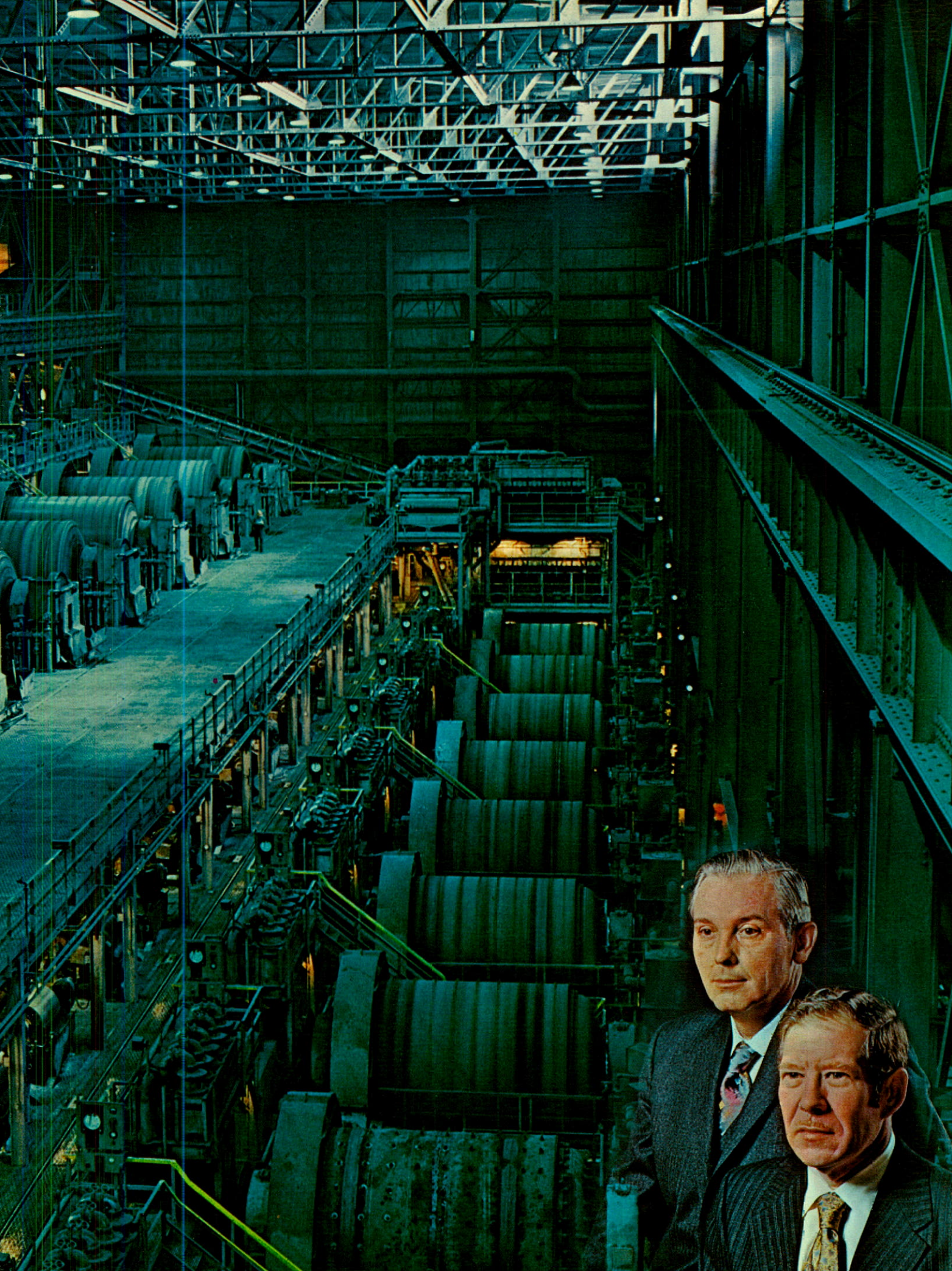
Significant research programs have centered on various coals, improved sintering practices and new procedures allowing use of lower cost iron bearing materials. Experimental coal blends used in pilot projects are pointing the way to easing the adverse effects caused by short coal supplies and rising costs. In addition, increased utilization of lower cost iron oxide materials provides additional cost savings that will become increasingly effective as laboratory results are duplicated in actual operations.

Our "B" blast furnace at the Chicago plant was shut down for 74 days during the year for a routine reline and general maintenance, and also to install improved equipment. During this period molten metal was purchased to maintain normal steel plant operations—an unusual cost for the company. However, on the long term, such activities provide more efficient operations and are vital to consistently profitable production practices.

Such attention to improved capital equipment, coupled with Interlake's high quality raw materials sources, generates important advantages for overall operations. Your company has ownership participation in ore mining and pelletizing operations in Labrador and Minnesota along with coal mining operations in West Virginia. Both provide a consistent supply of the most basic necessities for our businesses.

These factors, strengthened by our continuing determination to develop new markets for our products, are the basis for improvements. As an example, Interlake this year developed agreements that should ultimately increase our shipments of hot metal to Valley Mould and Iron Division, Microdot Inc. by about 50%. Valley Mould is one of our leading customers for iron. This is indicative of the future potential for the iron related businesses.

*Giant equipment like this ball mill at Erie Mines in Minnesota, processes iron ore as it comes from the ground before it can be charged into our blast furnaces. Ernest F. Stebbins, Vice President-Iron and Steel Operations (right), and James W. Duncan, General Manager-Iron, Coke and Raw Materials, control our iron businesses.*





## STEEL

Steel operations continue to be one of the most vital factors in Interlake's activities and present further potentials for future growth. Sales of steel mill products during 1970 reached a new high, and the division increased its penetration into those markets particularly profitable for Interlake's specialized products and service.

Our steel producing facilities are located in Riverdale, Illinois, and Newport, Kentucky, where we operate both basic oxygen and electric arc steel furnaces, plus hot and cold rolling and finishing equipment. Hot and cold rolled sheet and strip, alloy sheet, electric weld line pipe and spiral welded pipe highlight the product line. In addition many specialty steel products supplement our activities and open other important markets for Interlake.

Narrow width products place your company in a special niche in the market place. These capabilities, along with our flexible production position, allow the division to produce special alloys and analyses and provide particularly fast service to customers.

During 1970 several programs were implemented to broaden and strengthen the product line. The #4 hot strip mill at Riverdale increased production activities in 30" wide strip. While still within the realm of our narrow width specialty, this increased coil dimension provides additional outlets for our product. Also at Riverdale, we expanded our participation in markets for alloy strip, sheet, bars and plates.

At Newport, the company began steel plate production with gauges increased to  $\frac{3}{4}$ ". All these activities in product line expansion mark a determination to improve our position in the industry on a continuing, long term basis. Interlake's key markets include: the automotive, farm equipment, construction, industrial equipment and railroad industries.

An important new research and development program was successfully tested in our laboratories and in several on-line customer trials. A new dry lubricant coating, named Cor-Lube, was perfected and will have a significant impact on the use of hot rolled sheet produced at Newport and selected items from Riverdale.

Cor-Lube is a specialized surface treatment and protecting agent designed to retard corrosion and greatly improve drawability characteristics vital to smooth operation in forming presses. The stamping industry in particular should find Cor-Lube treated steels particularly desirable, again increasing Interlake's market potential.

Environmental control activities continue to play a significant role in Steel Division operations. A \$3.8 million program was inaugurated for the Newport steel facilities. Installations during the next two years will control air and water contaminants from steel production and finishing operations. Programs at Riverdale, announced in previous years, are nearing completion, although refinements in equipment and operating practices are continually being made.

Continued activities in quality improvement, research and development, and environmental control point toward future business growth in specialized applications of our steel products.

*Steel provides a strong base for Interlake operations and is shown here being coiled after finished hot rolling operations. C. Robert Lammers, Vice President-Steel Marketing (right), and John L. Scarry, General Manager-Steel Operations, manage our steel activities in sales and production.*





## FERROALLOYS

Interlake's Globe Metallurgical Division reached \$25 million in sales during 1970, a new record for the second consecutive year. Earnings also improved showing the ferroalloy and silicon metal business as a continually important growth area.

Your company operates seven electric furnaces at the Beverly, Ohio plant, producing a wide range of ferrochromes, ferrosilicons, chrome silicides, manganese and magnesium alloys, and silicon metal. All these products are used as additives or raw materials imparting special properties to thousands of industrial and consumer products.

An exciting and promising new market for our products is in the automotive industry. The current trend toward smaller, lightweight cars is increasing the emphasis on development and consumption of aluminum and aluminum alloys which require silicon metal for production. One of the nation's leading automotive firms is now producing a subcompact with an aluminum engine containing 17% silicon.

Silicon is a vital ingredient for increasing fluidity in molten aluminum and greatly improves its capacity to precisely fill molds in die casting operations. In addition, the silicon metal additive adds strength to finished aluminum castings. As requirements for other high strength, lightweight automotive components increase, the demand for our silicon metal should grow accordingly.

During the year's first quarter, the Beverly operation was hampered by the inability of our outside utility source to supply sufficient electrical power. This power shortage limited production levels an estimated 10%. The year, however, ended with operations at full capacity. In addition, the current embargo on Rhodesian chrome ore, the world's leading source for this vital raw material, caused severe industry shortages and spiraling ore prices.

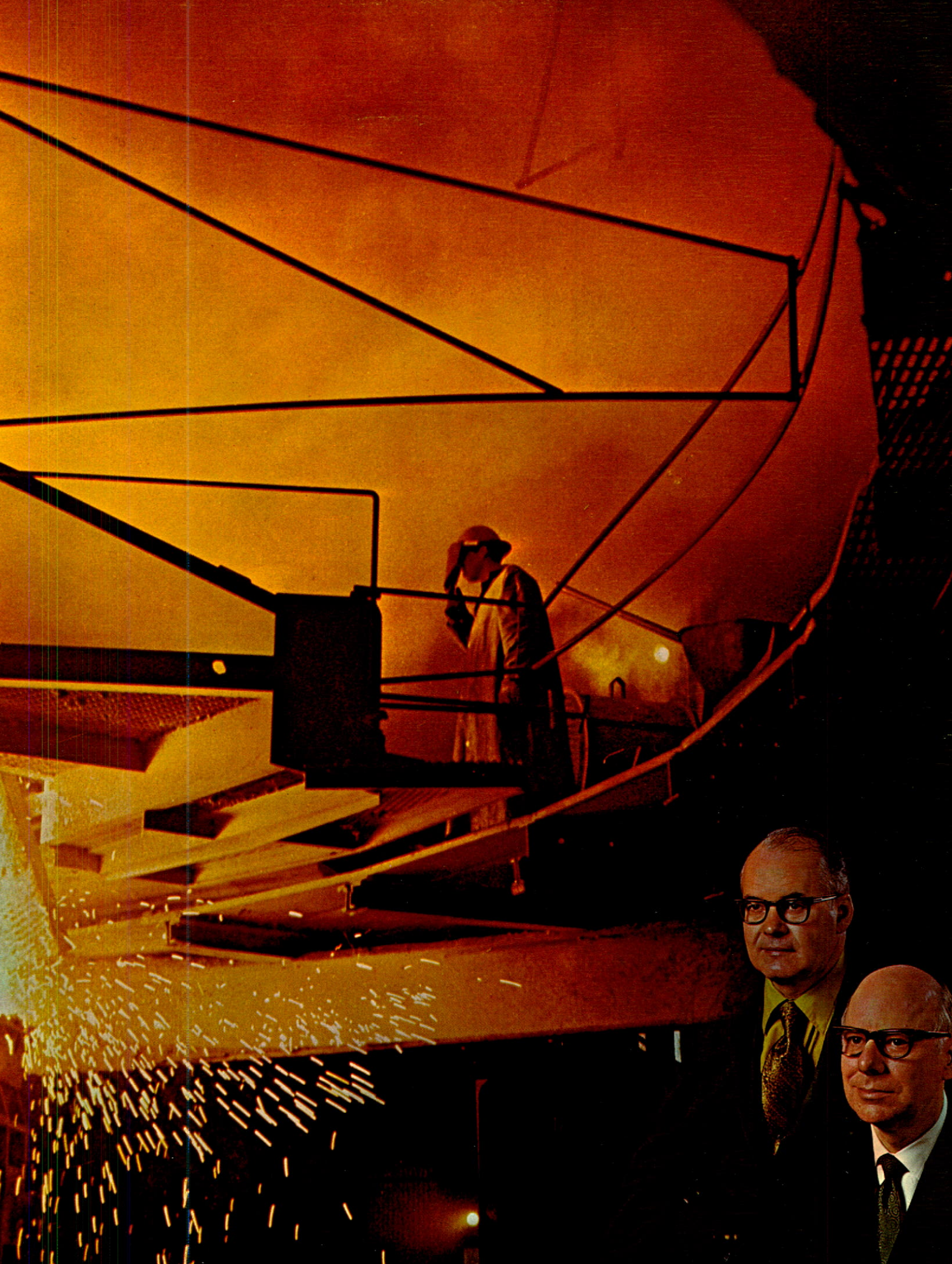
Facilities at Beverly were expanded and improved to bring the division increased operating efficiencies. A new finished product warehouse was completed during the year providing much needed pre-shipment storage. The warehouse also protects finished materials from the elements and allows greater flexibility in production schedules.

Continuing Interlake's commitment to environmental control, funds for a \$2.6 million fume collection system were appropriated. The system, to be installed during 1971, operates like a gigantic vacuum cleaner to filter smoke and recover particulate matter from the air before it escapes to the atmosphere.

When completed later this year, the system is designed to be highly effective in controlling emissions from the plant's largest furnace. The system is part of a \$6 million pollution control program underway for our ferroalloy operations. Ultimately, both air and water contaminants will be controlled for environmental protection.

Our ferroalloys business shows excellent promise for the future because it is a vital supplier to two of the nation's largest, most dynamic industries—metals and chemicals. Ferroalloys are used in an almost unending number of products for home and industry, pointing toward strong, growing markets in years to come.

*Interlake's ferroalloys and silicon metal, produced in giant electric arc furnaces, are marketed to many industries and used in thousands of industrial and consumer products. Alfred D. Gate, Assistant Division Manager (right), and William R. Meredith, Plant Manager, are key executives in Globe Metallurgical Division's operations.*



## METAL POWDERS

Interlake strengthened its leadership in the metal powder industry by continuing an \$8 million expansion program at the Hoeganaes operation in Riverton, N.J. A new 50,000 ton annual capacity facility for manufacturing steel powders represents a 60% increase in powder capacity and is the focal point for the capital investment. Pollution abatement equipment included in this construction controls both air and water contaminants.

Atomized steels produced in the new plant will be primarily in the low carbon and low alloy steel groups and will increase Hoeganaes' technological and market leadership in the new powder metallurgy hot forging industry. Our subsidiary has already achieved prominence for its activities in the research and development phases of P/M hot forging.

Increased efficiency in manufacturing procedures is the key to this newly developed technique for structural parts production with metal powders. Preformed P/M parts are forged in various complex shapes resulting in finished parts with physical properties matching and exceeding those of conventional cast and forged parts.

The process provides cost savings through simplifying and reducing the number of forging operations required. In addition, finishing operations are minimized and materials savings are realized through reductions in scrap losses. Several Hoeganaes customers have already tested P/M hot forging with very satisfactory results.

Complementing Hoeganaes' increased activities in research and development, in all phases of metal powder technology, a major expansion to the laboratory facilities was also completed in 1970. Particular research emphasis will be placed on the P/M hot forging processes and improved powders for coatings of high efficiency welding electrodes.

Hoeganaes' position as a major force in the P/M industry will be greatly enhanced by these improvements in production facilities and research and development capabilities. Using metal powders in mass producing complex parts has yet to reach its full potential for many of the nation's most vital and dynamic industries. Automotive, appliance and office equipment producers are currently reaping particular benefits using the P/M process to eliminate scrap and machining operations.

Anticipating continuing industry growth trends, Hoeganaes will introduce a number of new and technologically improved products during the coming year. Marketing plans call for high density iron powders for high efficiency coated electrodes and other special powders for flux-cored wire. Additionally, the new facilities will permit atomized carbon, low alloy and free machining steel powders to be marketed. These will be applicable to both the conventional and the P/M forging process. Hoeganaes has also established improved procedures that extend its capacity to manufacture stainless and high-alloy steel powders, another growth area for powder metallurgy.

Our industry position is already unique in technical and metallurgical customer service. As new products are added to Hoeganaes' extensive product line, we will be ever-increasingly competitive and should continue to provide industry leadership in the future.



*Powder metallurgy hot forging is a new technique opening additional markets for Hoeganaes. P/M forgings shown are both preformed and finished forged parts. Hoeganaes' management includes: (clockwise from front) Ross R. Holmes, Vice President-Marketing; Sture L. Mossberg, Vice President-Manufacturing; and Dr. Cornelius G. Durdaller, Director-Research.*





## HOME/INSTITUTIONAL FURNISHINGS

Howell Division's diversification over the past several years has expanded our furniture business into several unique markets. Now, in addition to dinette and institutional furniture, the division is active in educational, library/resource, and mobile home furnishings; audio/visual support systems; outdoor gas lamps and grills; and the formal dining market.

Your management's approach is to define the specialized characteristics shown in each market and develop sales, production and design to better serve each product line. Accordingly, the division's operating and marketing practices were changed during the year, and resulted in improved labor efficiencies and cost control.

Design is one of the most important factors in furniture and, as such, is a key in improving future performance for all Howell product lines. The division continues to focus increasing emphasis on consumer oriented design. Dinette furnishings in particular experienced important success in 1970 through the contemporary "Now" collection of mix-and-match furnishings . . . a design innovation from Howell.

These immensely popular, modern polished chrome groupings are directed toward casual dining areas, family and recreation rooms. The "Now" collection features the opportunity for the consumer to choose chairs and tables, designed in a variety of decorator oriented colors and fabrics, and select combinations to complement individual tastes and decors.

January '71 markets in Chicago, Dallas, Los Angeles, New York, San Francisco and Minneapolis saw the division introduce a record number of creatively designed groupings through the Howell, Metalcraft and Falcon dinette and dining operations.

Increased emphasis will be placed on Metalcraft's steel frame bunk and roll-away beds in 1971. Decorator motivation will be carried through this product line by introducing color coordinated and padded head and footboard panels. Newly designed occasional tables will also soon be marketed from Plasco, Inc., Dallas.

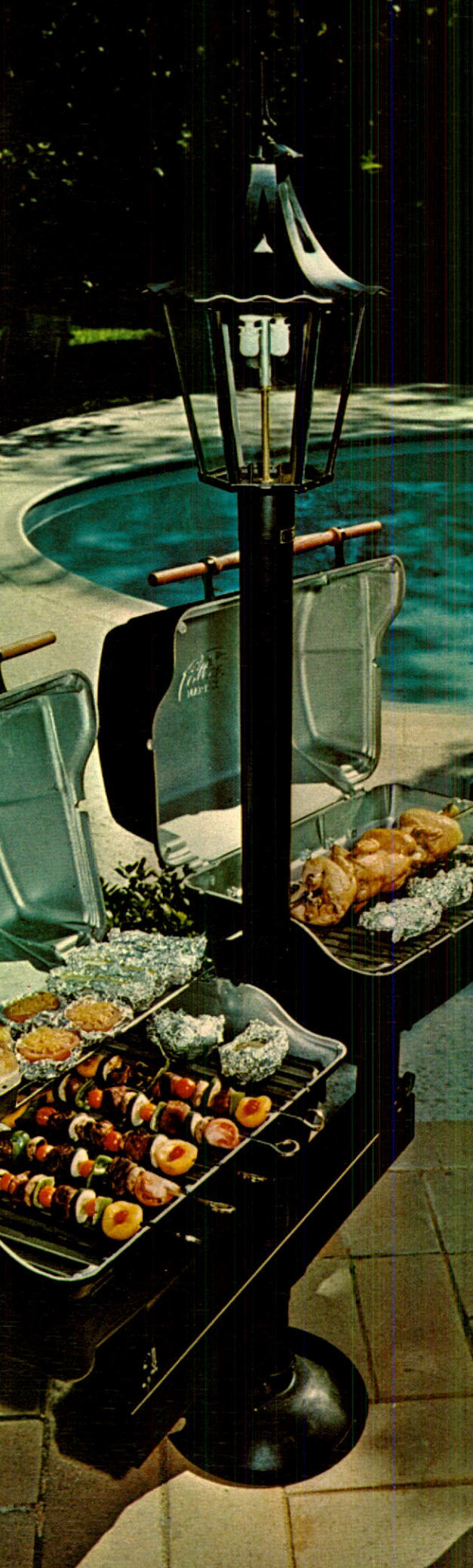
The McNeff operation, Dallas, continues to make an important contribution to the division's diversification through the educational market. An ever-increasing demand for individualized learning systems and the trend toward audio/visual teaching methods is contributing to further improved growth in this area. McNeff's response to ever-changing educational technologies lends support to its reputation as a leading innovator in the industry.

Howell's contract furnishings answer the demand for increased style consciousness in institutional markets. Particular success was reached in 1970 by the durable polypropylene and steel "Right" chair. Introduced in 1969, over 40,000 units were sold during the year, and forecasts indicate sales to double during '71.

Although 1970 was a difficult year in light of the general economic downturn and both internal and external labor difficulties, the Howell division utilized the period making significant internal operating and marketing adjustments. As benefits from these programs accrue, the entire spectrum of division operations should be increasingly competitive and successful.

*The Contura, a new dinette grouping from Howell, offers sculpted upholstered design highlighted by a sparkling smoked crystal table top. Directing all Howell's furnishings activities are: (clockwise from front) Paul W. Kerr, Vice President and General Manager, Howell Division; Paul R. Evenson, Director-Marketing; and Warren D. Petersen, Director-Design.*





## LEISURE PRODUCTS

1970 saw previous growth forecasts hold true and found Americans devoting a greater portion of their time to leisure activities. Interlake's Falcon Mfg. Company, Dallas, Texas, operating in the Howell division, continued to participate in this rapidly growing leisure market through its outdoor barbecue grills and outdoor gas lighting fixtures.

As general income levels and living standards continue to rise, leisure hours play a more and more important role in our life style. The growing popularity and trend to outdoor cooking served to solidify Falcon's participation in this important market segment.

The Mark V gas grill led the Falcon line with sales almost four times greater than 1969 results. Quality craftsmanship in construction coupled with the unique features available on the Falcon product, brought ever-increasing customer acceptance. Flameless cooking and complete meal versatility place the Mark V in a class by itself, and find enthusiasts enjoying its use year-round, even in cold climates.

In response to the unusual success experienced by the Mark V in 1970, Falcon will soon introduce its new Mark IV gas grill. By expanding the product line in this area, the same outstanding features of the Mark V will be available in an intermediate price range. Thus, Falcon grills will be competitive in a significantly larger market.

Outdoor gas lighting fixtures, too, will receive increased emphasis during the coming year. With 1970 sales significantly improved over the previous year, several new models are now being readied for production. The new contemporary and Mediterranean styles will complement the existing line and add attractive, low cost night lighting to lawns and patios.

Falcon has already benefited from aggressive marketing guidelines inaugurated through the newly formed corporate marketing organization. Specific advertising campaigns were designed and implemented through the print media after analyses of buyer behavior and customer identity research. Such techniques enabled internal sales personnel and distributors to increase their effectiveness in handling the Falcon line.

Special product promotion techniques were also applied and featured successful "Gas Cooking In Action" demonstrations at retail outlets in the midwest. Falcon grills were strategically located at shopping centers and fairs and food prepared for sampling by prospective customers. Such quality and versatility demonstrations improved consumer awareness and contributed to 1970 sales achievements.

As with other Howell operations, leisure products benefited from a re-oriented managerial approach directed to specific needs in various product lines. As this strategy takes firmer hold in 1971, continued growth and improvement should be assured.

*Outdoor cookery takes on a new dimension with Falcon's Mark V flare-proof gas grill. This twin unit provides cooking area to serve the largest groups, and the Apollo double-mantel lamp gives brilliant lighting for evening gatherings.*

## FINANCIAL REVIEW

The year 1970 was a difficult period for the economy and for Interlake. Operations were hindered by labor disputes, spiraling costs and a general slowdown of business activity throughout the country. After record sales in 1969, and with income from operations in that year the second highest in the company's history, the results attained in 1970 were disappointing.

- Sales of \$329,954,000 in 1970 were 2% ahead of the \$324,848,000 reported in 1969. Operating throughout the year in a sluggish economy, Interlake recorded a modest improvement in sales because of higher selling prices and the revenues added by companies acquired late in 1969 which were included for a full year in 1970.
- Net income in 1970 was \$10,666,000, or \$2.42 per share. In 1969, income before extraordinary items was \$15,337,000, or \$3.43 per share. Extraordinary items in 1969 added \$5,052,000 to income, equal to \$1.13 per share.
- Capital expenditures in 1970 amounted to \$15,187,000, down \$3,236,000 from 1969.
- Financial condition at year end reflected increased working capital requirements. Cash requirements in 1970 were met with funds generated from operations plus bank borrowings under an established credit agreement.

### OPERATING RESULTS

Interlake's operations may be divided into a number of separate businesses. The largest is the iron and steel business, which includes iron and hot and cold rolled steel products. The next largest is the packaging and storage products business including: steel strapping and stitching wire, tools and machines for applying these products, storage rack and automated warehouse systems.

A third business is ferroalloy products and silicon metal, marketed to the steel, aluminum and chemical industries and vital in producing alloy stainless steel castings and silicons.

Two other Interlake businesses are furniture produced by the Howell Division and metal powders manufactured by the Hoeganaes Corporation.

In 1970 these businesses had total sales of \$329,954,000, marking the second consecutive year that total sales have established a new record. The sales contribution by each business in 1970 compared with 1969 is:

	1970	1969*
Iron and steel products	\$157,226,000	\$153,165,000
Packaging and storage products	104,088,000	96,696,000
Ferroalloys and silicon metal	24,598,000	23,505,000
Metal powders	14,001,000	15,245,000
Home and institutional furnishings	30,041,000	29,858,000
	<b>\$329,954,000</b>	<b>\$318,469,000</b>

\*Excludes sales of \$6,379,000 from sources not shown in above analysis.

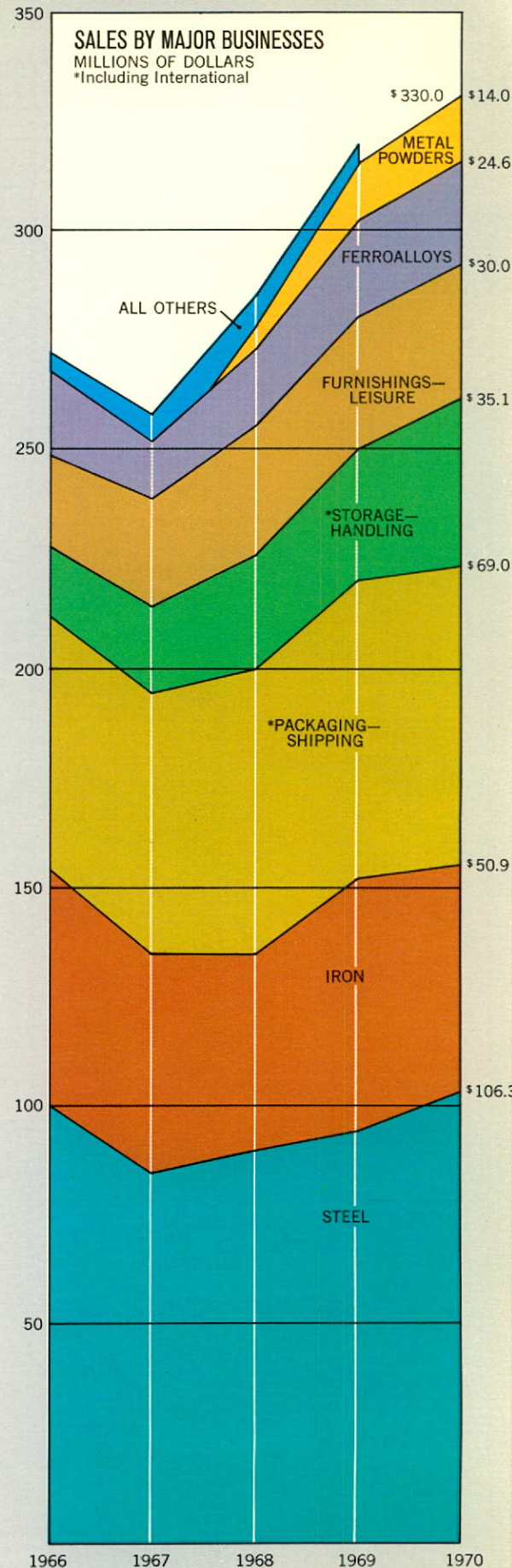
The iron and steel business accounted for the major portion of sales in both years and includes several product groups. Sales in 1970 and 1969 were:

	1970	1969
Flat rolled products	\$ 94,972,000	\$ 85,044,000
Tubular products	11,321,000	13,377,000
Pig iron, molten iron and coal chemicals	50,933,000	54,744,000
	<b>\$157,226,000</b>	<b>\$153,165,000</b>

In 1970 sales of flat rolled steel mill products posted an increase of approximately 11%. About half the increase was in semi-finished products sold to other companies. In addition, sales improved with the added volume of Gary Steel Supply Company, a steel warehouse and processor acquired by Interlake late in 1969. Sales of tubular products produced by the Newport, Kentucky, plant were approximately 22% lower than last year. This decrease is due to a reduction in the establishment of new natural gas fields and the slowdown in the home building industry, both large volume users of Newport's tubular products. The volume of pig iron sold in 1970 was slightly lower than in 1969. Sales of molten iron declined because of lower customer requirements and also because 1969 sales were enhanced by sales to another steel company.

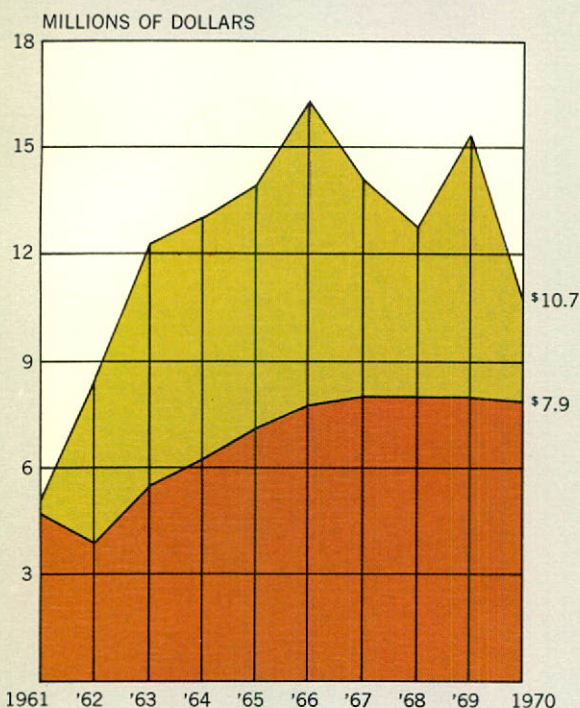
Sales of packaging products were lower in 1970, reflecting the reduced economic activity. A new program for establishing distributors to market Interlake's strapping products was started in 1970 and is meeting with initial success. The new distributor program will bring Interlake's products and packaging capabilities to the attention of large numbers of additional potential strapping product customers.

During 1970 the company continued its leadership in the storage products field by completing many major storage installations for leading U.S. com-



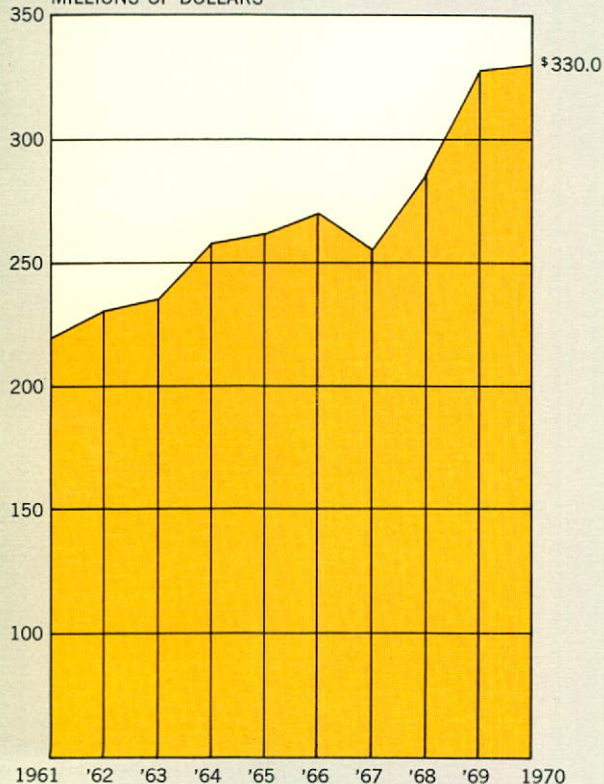
## INCOME BEFORE EXTRAORDINARY ITEMS AND COMMON DIVIDENDS

INCOME BEFORE EXTRAORDINARY ITEMS  
 COMMON DIVIDENDS



## NET SALES

MILLIONS OF DOLLARS



panies. More important, the technology employed in this fast-growing area has proven itself and provides a strong base for further growth.

Sales of ferroalloys and silicon metal by the Globe Metallurgical Division set another record in 1970. Sales were up 5% from 1969. The improvement in sales, however, was the result of price increases on these products during the year rather than because of an overall increase in tonnage shipped. Actual shipments were limited during 1970 by the productive capacity of the Beverly plant and reduced inventory levels from the previous year end. Production in the first quarter of 1970 was hard hit because of severe electric power delays, and later in 1970 the automotive strike curtailed ferrosilicon shipments.

Sales of metal powders by the Hoeganaes Corporation were down slightly in 1970 because of lower selling prices and lower volume. There was a change in product mix during the year from the regular powdered iron grades to atomized steel powders. Atomized steel powder sales increased 84% in 1970 from 1969, while plain grades of powdered metal declined. Much of this decline can be traced to reduced activity in the automotive industry in 1970.

In total, the sales of furniture and leisure products by the Howell Division were about the same in 1970 as in 1969. Dinette sales, hampered by a poor business climate and a highly competitive market, held at approximately the same level as last year while institutional and other home furnishings decreased. Gas lamps and grills in 1970 experienced continued customer acceptance and sales almost doubled 1969 results. The Howell Division will soon be introducing a new gas grill in the intermediate price range.

Outside economic conditions played an important role in the company's profitability in 1970. While most of Interlake's products benefited from some price increases during 1970, these increases were not sufficient in many instances to cover the increased costs of doing business. In addition, the erratic business conditions due to a lower level of economic activity, several national labor disputes and a strike at our St. Charles, Illinois, furniture plant caused problems which made it difficult to maintain efficient operating levels.

As a result, operating income was reduced in 1970 as shown below:

	1970	1969
Iron and steel products	\$ 9,981,000	\$20,389,000
Packaging and storage products	4,920,000	6,708,000
Ferroalloys and silicon metal	3,245,000	1,878,000
Others	2,268,000	3,086,000
Income before unallocated corporate items and income taxes	<u>\$20,414,000</u>	<u>\$32,061,000</u>

The iron and steel business felt the effect of rising costs more than any other Interlake business. In 1970, prices paid for many basic raw materials used increased substantially. For example, scrap metal (the basic raw material used by the Newport plant) averaged \$29.76 per ton in 1969 compared with \$38.77 per ton in 1970, a 30% increase. Coal, in short supply, increased an average of 21% per ton. A portion of the coal price increase experienced in 1970 is a result of the recent Federal Coal Mine Health and Safety Act.

In addition, the "B" furnace at the Chicago blast furnace plant was taken out of operation in October for a reline and rehabilitation. This necessitated higher costs for the purchase of hot metal to replace lost production tonnage and also resulted in lower absorption of the operating costs of the plant.

The packaging and storage products business felt the impact of higher manufacturing costs as well as a reduction in volume in packaging products.

The increase in earnings of the ferroalloy business reflects a much needed improvement in the selling prices realized for these products in 1970. Sales of some products were limited during the year by lack of productive capacity due to factors mentioned previously.

The other businesses of the company reported lower earnings in 1970. The Hoeganaes Corporation incurred added costs in 1970 because of problems encountered in the operation of its tunnel kilns and costs associated with the new atomized steel powder plant. Profit of the furnishings business in 1970 was down from 1969 due to higher costs, the truck strike earlier in the year and a strike at the St. Charles, Illinois, plant.

### NET INCOME

Net income in 1970 of \$10,666,000 was equal to \$2.42 per share, down \$4,671,000 or \$1.01 from 1969 when income before extraordinary items amounted to \$15,337,000 or \$3.43 per share. There were no extraordinary items in 1970, while a year earlier extraordinary items added \$5,052,000, or \$1.13 per share to net income.

The reduced net income in 1970 reflects the lower operating results discussed previously and slightly lower net corporate expense items. Corporate items include interest income and expense, gain on the sale of corporate assets, exploration expenses and other items not allocated to operations.

Net income was also influenced by a reduction in the effective U. S. and

foreign income tax rate which was 39% in 1970 compared with 47% in 1969. The major factors contributing to the net change in the rate were:

- Reduction of the surtax on U. S. income taxes.
- Reduction in income taxes because of the contribution of certain appreciated property to the Interlake Steel Foundation.
- Lower investment credit in 1970.

#### NEW VENTURES AND ACQUISITIONS

During 1970 Interlake took several steps to strengthen existing activities and continue diversification programs. The steps include:

- A joint venture with Boise Cascade Recreation Communities to build condominiums at Lake Tahoe, Nevada, and Lake Arrowhead, California.
- Acquisition of full ownership of the Burmac Corporation of Ottawa, Illinois, for manufacturing strapping machines and storage systems.
- Formation of a new company, Acme Overseas Engineering Corporation in Brussels, Belgium, to serve foreign markets in the development and installation of packaging equipment.

These activities are discussed in greater detail in the shareholders' letter.

#### CAPITAL EXPENDITURES

Capital expenditures in 1970 totaled \$15,187,000, down \$3,236,000 from the \$18,423,000 spent in 1969. Capital expenditures in 1970 may be summarized as follows:

	Amount	%
Expansion	\$5,357,000	35
Environmental control	1,645,000	11
Replacement	8,185,000	54

The largest capital expansion project in 1970 was the continued construction of the steel atomizing facility at the Hoeganaes Corporation. This project provides the productive capacity to produce 50,000 tons of steel powder annually. Other important expansion expenditures in 1970 include a new silicon metal storage building at the Beverly, Ohio, ferroalloy plant, the purchase of a hot rolled shear line for Gary Steel which will increase Gary's service capabilities, a new cut-to-length line at the Lodi, California, plant and the purchase of a 40,000 sq. ft. warehouse adjacent to the St. Charles, Illinois, furniture plant.

During 1970, the company continued to meet its responsibility for air and water pollution control. There were expenditures in 1970 for 22 individual capital projects designed to protect the environment. Major expenditures in 1970 included additional work on the sand filtration system for the #4 hot strip mill at Riverdale and completion of the blast furnace and sinter plant closed recirculating water system at Chicago. In 1970, two capital appropriations totaling more than \$4,800,000 were approved for the control of emissions from the company's electric furnaces at Beverly, Ohio and Newport, Kentucky. These projects are in their initial stages. Most of the expenditures applicable to these two projects will be made in 1971 as work progresses.

The "B" blast furnace at Chicago was shut down early in October for a complete relining and other necessary repairs. The furnace was out for 74 days during which time the hearth and bosh lining was removed and replaced with improved refractories having better wear resistance. Other major repair and replacement expenditures in 1970 include a new trolley for an ore bridge at Chicago, purchase of new machine tool equipment for the strapping tool plant at Riverdale and the purchase of 19 ingot mold cars at Newport.

#### FINANCIAL CONDITION AND CAPITAL STRUCTURE

During the year, Interlake's financial condition was strong. However, substantial cash requirements in 1970 necessitated borrowing an additional \$18,000,000 from a group of banks under a credit agreement with them. On August 31, 1970, the total amount borrowed, \$40,000,000, was converted to a five-year term loan repayable in equal annual installments. This debt will probably be replaced with longer term financing before the first installment becomes due in 1971.

Bank borrowings plus Interlake's cash flow of \$23,374,000 provided sufficient funds to meet the company's expanding needs in 1970. Purchase of new equipment was down 18% from 1969 while the payment of dividends was at approximately the same level as last year. However, working capital increased \$2,930,000 from the previous year and at year end was at the highest level since 1962.

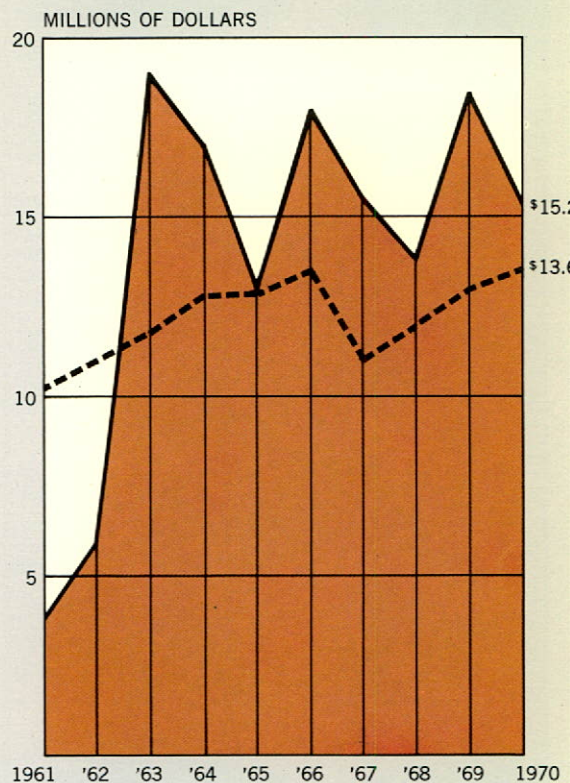
The increase in working capital resulted primarily from higher inventories. A portion of this is a result of the increase in the general level of prices. The balance reflects efforts by Interlake's customers to reduce inventories by requiring shorter delivery times. Working capital at year end amounted to \$74,776,000 and the ratio of current assets to current liabilities was 2.2 to 1.

The company continued to pay common stock dividends during 1970 at the annual rate of \$1.80 per share. Total dividends paid in 1970 amounted to \$7,941,000 and represented 74% of net income for the year.

The company's debt to equity ratio increased in 1970 as a result of additional borrowings under the credit agreement with the banks. The debt to equity ratio at the end of 1970 (including the current portion of the notes payable to banks) was 21/79 compared with a ratio of 17/83 at the end of 1969.

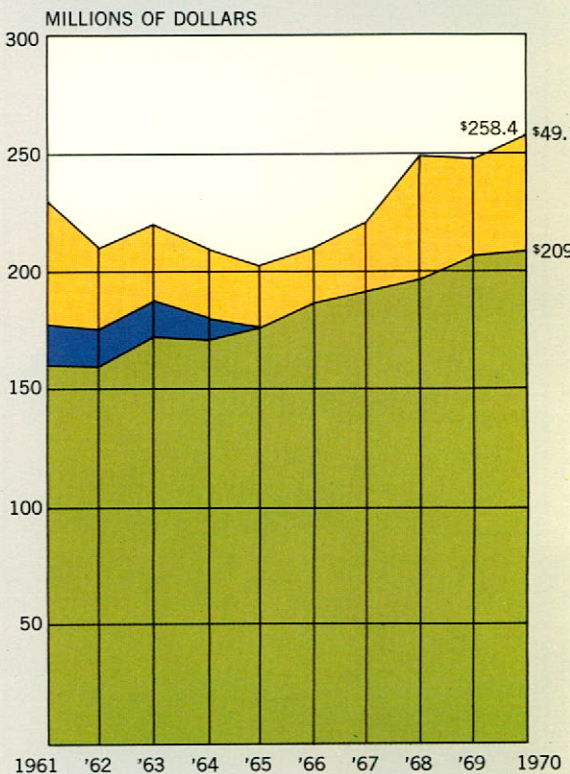
## CAPITAL EXPENDITURES AND DEPRECIATION

— CAPITAL EXPENDITURES  
 - - - DEPRECIATION



## CAPITALIZATION

■ SHAREHOLDERS' EQUITY  
 ■ LONG TERM DEBT  
 ■ PREFERRED STOCK



**STATEMENT OF SOURCE AND APPLICATION OF FUNDS**

For the Years Ended December 31, 1970 and 1969

(See notes to financial statements)

	1970	1969
<b>SOURCE OF FUNDS:</b>		
Net income . . . . .	<b>\$10,666,497</b>	\$20,388,703
Depreciation, depletion and amortization . . . . .	<b>13,614,723</b>	13,042,182
Write-down of inactive facility . . . . .	—	2,194,827
Future income taxes . . . . .	<b>(907,050)</b>	14,751
	<u><b>23,374,170</b></u>	<u>35,640,463</u>
Notes payable to banks and others . . . . .	<b>19,844,294</b>	—
Proceeds from sale of investments, less gains . . . . .	—	6,206,109
Minority interest in subsidiary . . . . .	<b>18,509</b>	157,091
	<u><b>43,236,973</b></u>	<u>42,003,663</u>
<b>APPLICATION OF FUNDS:</b>		
Capital expenditures less net book value of retirements and sales of \$567,318 in 1970 and \$1,023,701 in 1969 . . . . .	<b>14,619,256</b>	17,399,094
Reduction of long-term debt . . . . .	<b>11,760,882</b>	13,585,334
Cash dividends . . . . .	<b>7,940,815</b>	8,045,843
Investments and advances:		
Affiliated and associated companies . . . . .	<b>3,401,468</b>	—
Iron ore interests . . . . .	<b>1,553,481</b>	271,523
Assets of businesses acquired, net of working capital and long-term debt . . . . .	<b>534,647</b>	3,354,408
Purchase of Company common stock . . . . .	—	2,013,350
All other—net . . . . .	<b>496,424</b>	(147,234)
	<u><b>40,306,973</b></u>	<u>44,522,318</u>
Working capital increase (decrease) during year . . . . .	<u><b>\$ 2,930,000</b></u>	<u>\$ (2,518,655)</u>
<b>INCREASE (DECREASE) IN WORKING CAPITAL COMPRISES:</b>		
Cash and marketable securities . . . . .	<b>\$ (4,295,502)</b>	\$ 2,336,426
Receivables . . . . .	<b>1,257,288</b>	10,930,952
Inventories . . . . .	<b>10,706,026</b>	(2,139,021)
Other current assets . . . . .	<b>262,322</b>	978,126
Notes payable . . . . .	<b>(2,617,284)</b>	43,008
Accounts payable and salaries and wages . . . . .	<b>2,343,104</b>	(10,322,541)
Taxes payable . . . . .	<b>3,690,395</b>	(4,216,627)
Current maturities of long-term debt . . . . .	<b>(8,416,349)</b>	(128,978)
	<u><b>2,930,000</b></u>	<u>(2,518,655)</u>
Working capital at beginning of year . . . . .	<b>71,846,307</b>	74,364,962
Working capital at end of year . . . . .	<u><b>\$74,776,307</b></u>	<u>\$71,846,307</u>



**STATEMENTS OF INCOME AND RETAINED EARNINGS**

For the Years Ended December 31, 1970 and 1969

(See notes to financial statements)

**INCOME****SALES AND REVENUES:**

	1970	1969
Net sales . . . . .	\$329,954,295	\$324,847,517
Other revenues . . . . .	<u>2,737,035</u>	<u>3,030,409</u>
	<u>332,691,330</u>	<u>327,877,926</u>

**COSTS AND EXPENSES:**

Cost of products sold . . . . .	254,646,301	241,818,925
Depreciation, depletion and amortization (Note 2) . . . . .	13,614,723	13,042,182
Selling and administrative expenses . . . . .	34,490,762	31,905,455
State, local and miscellaneous taxes . . . . .	8,744,872	8,651,110
Interest expense . . . . .	<u>3,611,175</u>	<u>3,593,320</u>
	<u>315,107,833</u>	<u>299,010,992</u>

**INCOME BEFORE TAXES ON INCOME AND  
EXTRAORDINARY ITEMS . . . . .**

17,583,497	<u>28,866,934</u>
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**PROVISION FOR U.S. AND FOREIGN INCOME TAXES,  
less investment credit of \$123,000 in 1970 and  
\$560,000 in 1969 (Note 8):**

Current . . . . .	7,598,000	13,070,000
Deferred—net . . . . .	<u>(681,000)</u>	<u>460,000</u>
	<u>6,917,000</u>	<u>13,530,000</u>

**INCOME BEFORE EXTRAORDINARY ITEMS . . . . .**  
**EXTRAORDINARY ITEMS, net of income taxes of \$278,000 (Note 9) . . .**  
**NET INCOME FOR THE YEAR . . . . .**

10,666,497	15,336,934
—	5,051,769
<u>\$ 10,666,497</u>	<u>\$ 20,388,703</u>

**PER COMMON SHARE:**

Income before extraordinary items . . . . .	\$2.42	\$3.43
Extraordinary items . . . . .	<u>—</u>	<u>1.13</u>
NET INCOME per common share . . . . .	<u>\$2.42</u>	<u>\$4.56</u>

**RETAINED EARNINGS**

RETAINED EARNINGS at beginning of the year . . . . .	\$105,511,216	\$ 93,168,356
NET INCOME for the year . . . . .	<u>10,666,497</u>	<u>20,388,703</u>
	116,177,713	113,557,059
DEDUCT—Cash dividends paid, \$1.80 per share . . . . .	<u>7,940,815</u>	<u>8,045,843</u>
RETAINED EARNINGS at end of the year . . . . .	<u>\$108,236,898</u>	<u>\$105,511,216</u>

INTERLAKE, INC. AND CONSOLIDATED SUBSIDIARIES

**BALANCE SHEET**—December 31, 1970 and 1969

(See notes to financial statements)

**ASSETS**

**CURRENT ASSETS:**

	1970	1969
Cash and certificates of deposit . . . . .	\$ 5,737,907	\$ 8,034,381
Marketable securities, at cost . . . . .	—	1,999,028
Receivables, less allowance for doubtful accounts of \$631,000 in 1970 and \$577,000 in 1969 . . . . .	42,981,524	41,724,236
Inventories, at lower of cost (principally LIFO) or market:		
Raw materials . . . . .	26,636,586	21,231,737
Semifinished and finished products . . . . .	46,580,049	42,317,040
Supplies . . . . .	9,708,254	8,670,086
	<u>82,924,889</u>	<u>72,218,863</u>
Other current assets . . . . .	5,686,597	5,424,275
Total current assets . . . . .	<u>137,330,917</u>	<u>129,400,783</u>

**INVESTMENTS AND OTHER ASSETS:**

Affiliated and associated companies (Note 1) . . . . .	6,017,711	3,974,268
Iron ore interests (Notes 1 and 10) . . . . .	20,758,069	19,204,588
Other investments and deferred charges . . . . .	1,455,475	877,164
	<u>28,231,255</u>	<u>24,056,020</u>

**PROPERTY, PLANT AND EQUIPMENT, at cost:**

Land and mineral properties, less depletion . . . . .	11,632,147	11,266,635
Plant and equipment . . . . .	356,499,306	343,406,997
	<u>368,131,453</u>	<u>354,673,632</u>
Less—Depreciation and amortization (Note 2) . . . . .	206,826,336	195,080,752
	<u>161,305,117</u>	<u>159,592,880</u>

**INTANGIBLE ASSETS, principally goodwill (Note 3) . . . . .**

	13,131,601	11,929,678
	<u>\$339,998,890</u>	<u>\$324,979,361</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

**CURRENT LIABILITIES:**

Notes payable . . . . .	\$ 3,799,947	\$ 1,182,663
Accounts payable . . . . .	28,622,768	30,667,235
Salaries and wages . . . . .	11,547,812	11,846,449
Taxes other than income taxes . . . . .	4,175,001	4,204,310
U. S. and foreign income taxes . . . . .	4,480,422	8,141,508
Current maturities of long-term debt (Note 4) . . . . .	9,928,660	1,512,311
Total current liabilities . . . . .	<u>62,554,610</u>	<u>57,554,476</u>

LONG-TERM DEBT (Note 4) . . . . .	<u>49,070,633</u>	<u>40,987,221</u>
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FUTURE INCOME TAXES (Note 2) . . . . .	<u>17,765,315</u>	<u>18,633,154</u>
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MINORITY INTEREST IN SUBSIDIARY . . . . .	<u>1,309,029</u>	<u>1,290,520</u>
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**SHAREHOLDERS' EQUITY:**

Serial preferred stock, par value \$1 a share ; authorized 1,000,000 shares ; none issued . . . . .	—	—
Common stock, par value \$1 a share ; authorized 10,000,000 shares ; issued 4,660,005 shares . . . . .	107,749,253	107,749,253
Retained earnings (Note 5) . . . . .	108,236,898	105,511,216
	<u>215,986,151</u>	<u>213,260,469</u>

<b>Less</b> —Cost of common stock held in treasury (247,580 shares in 1970 and 249,192 shares in 1969) (Note 6) . . . . .	6,686,848	6,746,479
	<u>209,299,303</u>	<u>206,513,990</u>
	<u>\$339,998,890</u>	<u>\$324,979,361</u>

**NOTES TO FINANCIAL STATEMENTS** For The Years Ended December 31, 1970 and 1969**NOTE 1—PRINCIPLES OF CONSOLIDATION:**

The consolidated financial statements include the Company, all wholly owned subsidiaries, and the Hoeganaes Corporation which is two-thirds owned. Foreign subsidiaries, located principally in Canada, represent approximately 4% of consolidated net assets.

The Company's equity in the underlying net assets of unconsolidated companies and iron ore interests exceeded the book value, recorded at cost or lower, by \$2,138,598 at December 31, 1970, and \$1,975,164 at December 31, 1969. Dividends received from these investments approximated the Company's equity in the net income thereof for 1970 and 1969.

**NOTE 2—DEPRECIATION AND AMORTIZATION:**

It is the policy of the Company to depreciate plant and equipment principally on a straight-line method 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 additional depreciation claimed for tax purposes have been credited to future income taxes.

**NOTE 3—INTANGIBLE ASSETS:**

Intangible assets include goodwill of \$12,884,439 in 1970 and \$11,872,438 in 1969. The goodwill, which is not being amortized, represents the difference between purchase price and the Company's equity in the underlying net assets of companies acquired as at the date of acquisition.

**NOTE 4—LONG-TERM DEBT:**

Long-term debt of the Company consists of the following:

	December 31,	
	1970	1969
Notes payable to banks, due annually \$8,000,000 1971 to 1975.....	\$40,000,000	\$22,000,000
4% debentures, due annually \$1,250,000 1971 and 1972, \$1,500,000 1973 to 1976, and \$2,500,000 in 1977.....	9,608,000	10,912,000
5% debentures, due annually \$375,000 1971 to 1977.....	2,625,000	3,000,000
5% insurance company loan, due annually \$700,000 1971 to 1973, and \$900,000 in 1974	3,000,000	3,700,000
Other.....	3,766,293	2,887,532
	<u>58,999,293</u>	<u>42,499,532</u>
Less—Current maturities.....	9,928,660	1,512,311
Long-term debt.....	<u>\$49,070,633</u>	<u>\$40,987,221</u>

On August 31, 1970, the Company exercised its option under the terms of a credit agreement with a group of banks and converted \$40,000,000 borrowed under the agreement to a five-year term loan bearing interest at a rate of 1/4 of 1% above the prime interest rate. The agreement provides that consolidated working capital be at least \$55,000,000 at each year-end.

At December 31, 1970, 4% debentures with a face value of \$1,392,000 were held in the treasury by the Company. Of these, \$1,250,000 may be used to meet the 1971 sinking fund requirements and have been applied as a reduction of current maturities of long-term debt. The balance may be used to meet future sinking fund requirements and has been applied as a reduction of long-term debt.

**NOTE 5—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, \$54,776,307 and \$51,846,307 of retained earnings at December 31, 1970 and 1969, respectively, were unrestricted for the payment of cash dividends.

**NOTE 6—STOCK OPTIONS AND TREASURY STOCK:**

In 1965, the shareholders approved a Qualified Stock Option Plan for the Company's officers and key employees. Under the plan, options may be granted to purchase common stock until December 31, 1974 for periods not longer than five years. Options are exercisable 33 1/3% annu-

ally, on a cumulative basis, beginning one year from date of grant. The options outstanding expire at varying dates until 1975. No options were exercised in 1970 and 1969.

Changes in the number of shares of common stock under option during the two years ended December 31, 1970 were as follows:

	1970	1969
Options outstanding at beginning of the year.....	79,750	59,050
Options granted:		
Per share—\$23.13 in 1970 and \$30.57 in 1969.....	35,450	27,650
Options canceled.....	(41,750)	(6,950)
Options outstanding at end of the year.....	<u>73,450</u>	<u>79,750</u>
Per share.....	<u>(\$23.13-\$41.94)</u>	<u>(\$30.57-\$41.94)</u>
Options exercisable at end of the year....	<u>22,670</u>	<u>48,766</u>

At December 31, 1970, 150,000 treasury shares of common stock were reserved for stock options, 4,356 for distribution under a deferred compensation plan, and 93,224 were unreserved. During 1970 and 1969, respectively, 1,684 and 1,716 treasury shares were distributed under the deferred compensation plan. In 1969, the Company purchased 80,000 shares of its common stock on the open market.

**NOTE 7—PENSION PLANS:**

The Company has several pension plans which cover substantially all employees. These plans generally follow the basic pension pattern of the steel industry. Pension cost was \$7,632,736 in 1970 and \$5,894,338 in 1969, which includes current costs plus interest on and forty year amortization of unfunded prior service cost. The Company's policy is to fund pension cost accrued.

The actuarially computed value of vested benefits per the latest actuarial reports exceeded the market value of the pension fund assets by approximately \$21,000,000 and \$15,500,000 as of December 31, 1970 and 1969, respectively.

**NOTE 8—U. S. AND FOREIGN INCOME TAXES:**

The consolidated tax provision results in an effective tax rate lower than prevailing rates due principally to percentage depletion allowances, lower tax rates applicable to certain dividend income and capital gains, investment tax credits and, in 1970, the charitable contribution of certain properties having a fair market value in excess of the amount recorded for financial purposes.

As of December 31, 1970, federal income tax returns for the years 1961 through 1966 are being examined by the Internal Revenue Service. The Company believes that adequate provision has been made for possible assessments of additional taxes.

**NOTE 9—EXTRAORDINARY ITEMS:**

Extraordinary items in 1969, net of income taxes of \$278,000, comprise the following:

	Amount
Gain on sale of 125,000 shares of The Standard Oil Company (Ohio) common stock.....	\$ 5,881,129
Gain on sale of a 90% interest in Feralco, S.A.....	457,265
Write-down of inactive facility.....	(1,286,625)
	<u>\$ 5,051,769</u>
Per common share.....	<u>\$1.13</u>

Federal income taxes in the amount of \$2,060,000 applicable to gains on the sale of The Standard Oil Company (Ohio) common stock and Feralco, S.A. have been reduced by \$681,000 as a result of the liquidation of certain mining companies in 1969.

**NOTE 10—COMMITMENTS:**

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 \$1,900,000 annually over about 20 years, regardless of the quantity of product received.

To the Board of Directors and Shareholders of Interlake, Inc.

In our opinion, the accompanying consolidated balance sheets, the related statements of consolidated income and retained earnings and the consolidated statements of source and application of funds present fairly the financial position of Interlake, Inc. and its consolidated subsidiaries at December 31, 1970 and 1969, the results of their operations and the source and application of funds for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

January 29, 1971

INTERLAKE, INC. AND CONSOLIDATED SUBSIDIARIES

**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			Income Per Common Share		
				Amount	% of Net Sales	% of Shareholders' Equity	Before Extraordinary Items	Extraordinary Items	Net Income
1970	\$329,954	\$10,666	\$ —	\$10,666	3.2%	5.1%	\$ 2.42	\$ —	\$ 2.42
1969	324,848	15,337	5,052	20,389	6.3	9.9	3.43	1.13	4.56
1968	285,571	12,556	—	12,556	4.4	6.4	2.80	—	2.80
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

**FOR THE YEAR**

Cash Flow	Dividends Paid			% of Income Before Extraordinary Items	Capital Expenditures	Depreciation	Interest Expense	Taxes on Income Before Extraordinary Items	
	Common	Preferred	Amount					Amount	% of Pre-Tax Income
1970	\$ 23,374	\$ 7,941	\$ —	74.4%	\$15,187	\$13,615	\$ 3,611	\$ 6,917	39.3%
1969	29,144	8,046	—	52.5	18,423	13,042	3,593	13,530	46.9
1968	24,199	8,078	—	64.3	13,752	12,273	2,465	10,013	44.4
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

**AT YEAR END**

	Working Capital			Long-Term Debt	Future Income Taxes	Preferred Stock	Common Shareholders' Equity		
	Amount	Current Ratio	Property (Net)				Amount	Outstanding Shares	Per Share
1970	\$ 74,776	2.2 to 1	\$161,305	\$49,071	\$17,765	\$ —	\$209,299	4,412	\$47.44
1969	71,846	2.2	159,593	40,987	18,633	—	206,514	4,411	46.82
1968	74,365	2.7	153,965	53,047	18,618	—	196,122	4,489	43.69
1967	69,170	2.8	142,039	28,268	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

**NOTE TO TEN YEAR SUMMARY**

Interlake, Inc. 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 1961-1964, 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 the assets of acquired businesses.



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