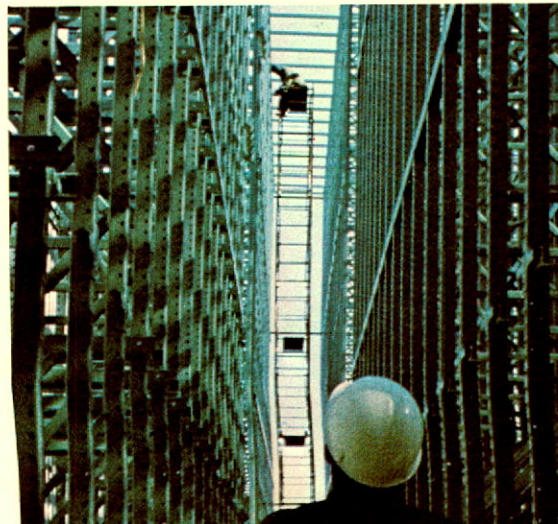


**Interlake  
Annual Report  
1974**



**Our best year**



MANAGEMENT  
LIBRARY  
APR 8 1975  
MCGILL UNIVERSITY

**Metals  
Materials Handling**



### “Corporate Briefs” Feature

Many respondents asked about labor relations, equal employment, safety, research and development, advertising, environmental control and community activities. A “Corporate Briefs” feature on the inside back cover gatefold discusses these topics.

### What Respondents Liked Most

Shareholders used every adjective possible in praising management efforts, Interlake’s progress in difficult times, dividend payout and the annual report. These were the four items mentioned most in written comments on the survey forms.

### What They Didn’t Like

Of the many hand-written notes, the complaint made most often, by far, had to do with the price of Interlake stock, such as:

“Interlake’s stock price is depressed . . . too low . . . undiscovered.”

“Interlake hasn’t appreciated in price the way it should.”

“I wish it would go up.”

“Wall Street is going to catch up with this stock one of these days.”

(Interlake stock was selling at \$29 a share when the survey forms were mailed. On February 1st the price per share had reached \$31.)

### Tardy Mail

*Many shareholders who hold their stock in brokerage accounts complained about receiving information late.*

*Under current procedures we forward our quarterly, post-annual meeting, and other reports to brokerage houses, and they in turn send them along. Obviously, this creates a built-in delay.*

*If you would prefer to receive shareholder materials directly from Interlake, on a more immediate basis, please write the Secretary and we’ll place you on a special mailing list to receive communications at the same time they are received by shareholders whose Interlake stock is registered in their own names.*

### Growth Philosophy

A large percentage of shareholders asked for an explanation of Interlake’s growth philosophy . . . and for more information on future plans. We’ve incorporated comments about future plans in each business section.

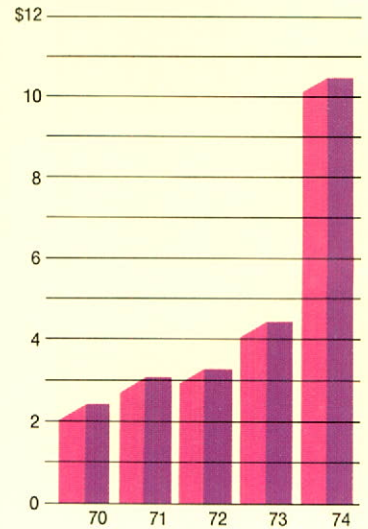
As far as growth is concerned, our goal is to achieve consistent above-average earnings growth . . . through quality sales . . . and to share this growth with Interlake shareholders. We’re not interested in bigness for its own sake. We prefer to expand volume only if it helps increase return on shareholders’ equity.

Since 1970, we’ve put together four back-to-back years of growth, posting increases of:

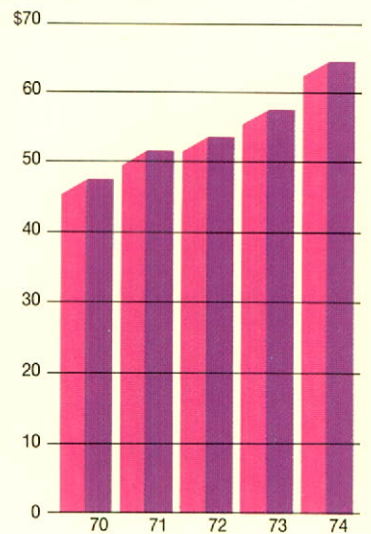
- 216% return on shareholders’ equity (from 5.1% to 16.1%)
- 332% in earnings per share
- 266% in net income
- 89% in net sales

Obviously, four years doesn’t create a major trend. We’re building further on this momentum with programs explained more completely in this year’s report.

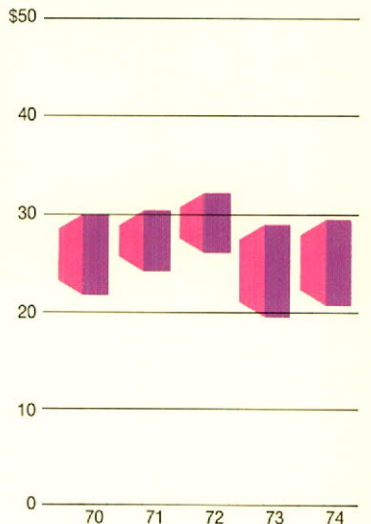
### Earnings Per Share of Common Stock



### Shareholders’ Equity Per Common Share



### Stock Price, High-Low Range





# Here Are Results From Our Investor Relations Survey

By annual report press time, we had received 6,762 completed questionnaires from our Investor Relations Survey mailed with the 1974 Third Quarter Report.

We sent out about 25,000 forms to all shareholders, plus some analysts, brokers, financial institutions and news media.

## Thanks!

We thank respondents for sharing their attitudes with us. Frankly, we were surprised and pleased with how many forms were returned . . . and with the information and insight we gained from them. All returned forms were reviewed.

## Response: 27%

The firm that tabulated our survey called the 27% response "excellent . . . one you should really be proud of." (We are!) They continued: "More than 90% of all respondents made positive comments about Interlake in all three questions related to how satisfied they are with their investments, and the company. Such a response indicates an extremely high level of approval."

## " . . . Unusual Warmth"

"What's more," the report continued, "the voluntary, written comments reflect a warmth toward the company and its policies that is unusual in these times of uncertain market conditions."

## Survey Highlights

In December, the first 4,444 forms we received were analyzed.

(The following statistics don't always equal 100%, because some respondents checked more than one answer, and some didn't answer all questions.)

## Here's who responded:

87% shareholders  
5% Interlake employees  
2% stockbrokers  
1% security analysts  
1% financial advisors  
1% financial press  
5% "other"

## Interest in Interlake came from:

26% stockbroker  
16% annual report  
11% Interlake employee  
9% news article  
7% products  
1% radio/TV  
1% advertisement  
30% "other"

## How satisfied are respondents?

78% satisfied  
16% moderately satisfied  
3% unsatisfied

## Prime investment goals:

53% both capital growth and dividend income  
38% dividend income  
8% capital growth  
1% neither

## What do they think of us as a company?

94% positive  
5% neutral  
1% negative

## Opinion of our stockholder reports:

50% excellent  
42% good  
5% average

## How much of the annual report is read?

41% cover to cover  
40% most of it  
10% highlights only  
5% one-half of it  
2% only a quick glance

## Interested most in what sections?

53% all sections  
34% financial statements  
18% chairman's letter  
11% division sections  
7% charts and graphs  
2% other sections

## Is enough information sent out?

91% yes  
4% need more

## Can our reports be improved?

89% had no comment or said: satisfactory/keep as they are  
11% yes

## This Year's Report

This year's report provides specific facts and answers many questions asked in written comments on the forms, including information about:

- acquisitions
- future plans
- environmental spending
- products and markets
- Interlake's strengths
- outlook for '75
- industry problems

We've added a special International section (pp. 16-17) and provided more information on operations outside the U.S.

## Suggestions Galore

Shareholders weren't bashful about making suggestions on how to save costs, postage, mailing time, etc. They portrayed a gratifying interest in future plans, where to buy company products, what capital expenditures were for and the company's problems. Suggestions have been reviewed by key officials and will be given full consideration.



# Annual Meeting

# Contents

Shareholders are invited to attend the Company's 1975 Annual Meeting at 10:00 a.m. (New York time), on Thursday, April 24, 1975, at Bankers Trust Company, 280 Park Avenue, main floor, New York, New York. Proxy statements will be mailed in March.

### Transfer Agents and Registrars

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

### General Counsel

Jones, Day, Reavis & Pogue, Cleveland, Ohio

### Independent Accountants

Price Waterhouse & Co., Chicago, Illinois

### Common Stock Listed and Traded

New York Stock Exchange  
Midwest Stock Exchange

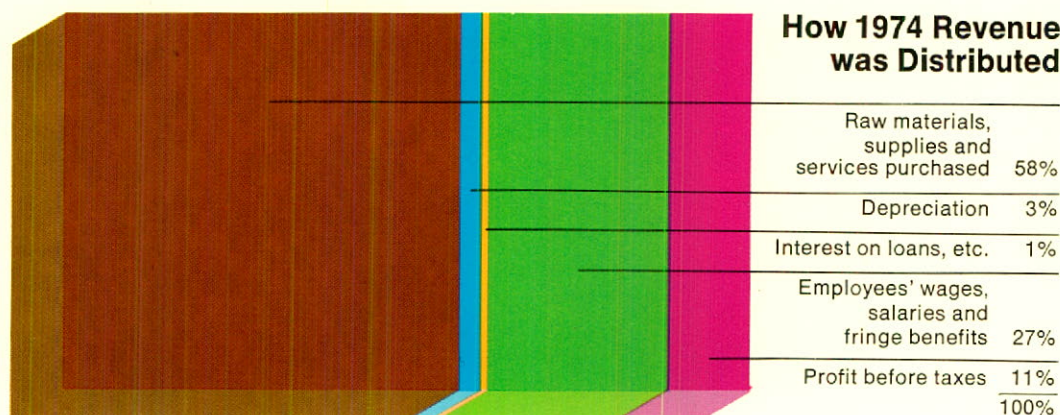
Stock Symbol: IK

Shareholders desiring information about Interlake should address their inquiries to:

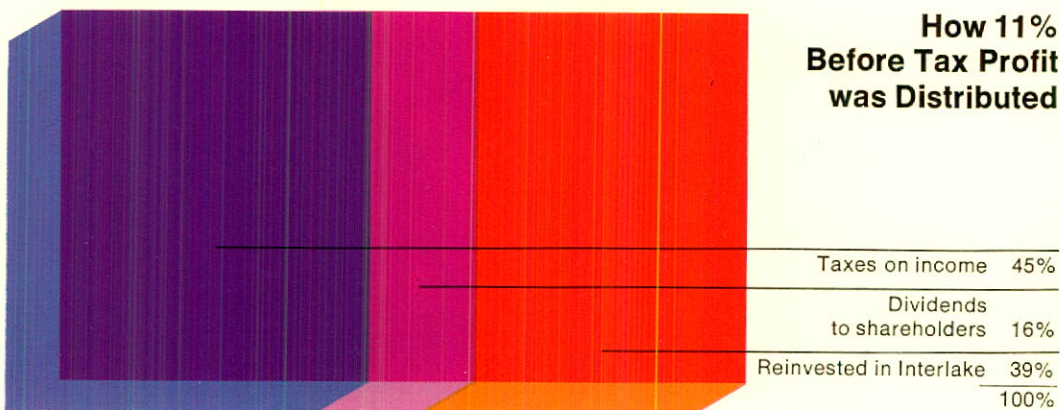
Secretary  
Interlake, Inc.  
310 S. Michigan Ave.  
Chicago, Illinois 60604  
(312) 663-1700

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1974 Corporate Briefs	Back Cover Gatefold

## How 1974 Revenue was Distributed



## How 11% Before Tax Profit was Distributed





# 1974 Highlights

Interlake, Inc. is engaged in two main businesses: metals and materials handling. In metals, we manufacture and sell iron, steel and related products as an integrated steel producer . . . plus silicon metal, ferroalloys and ferrous metal powders. In materials handling, we're involved in packaging, shipping, storage and handling products and systems. Our furnishings business includes several lines of home and institutional products.

For The Year (In thousands)	% Change '74-'73	1974	1973	1972
Net sales	35.6	\$623,794	\$460,111	\$387,749
Net income	132.4	38,999	16,784	12,972
Cash flow	74.1	53,986	31,012	27,267
Capital expenditures	99.5	25,486	12,773	9,818
Common stock dividends	49.4	11,013	7,373	7,158
<b>At Year End (In thousands)</b>				
Working capital	(2.9)	\$ 95,143	\$ 98,021	\$ 90,040
Current ratio	(36.0)	1.6 to 1	2.5 to 1	2.5 to 1
Property, plant and equipment—net	21.6	\$188,746	\$155,265	\$153,697
Long-term debt, less current maturities	22.9	74,216	60,367	62,923
Shareholders' equity	13.1	242,134	214,056	208,295
Shares outstanding	.1	3,735	3,731	3,880
<b>Per Share Statistics</b>				
Net income	136.4	\$ 10.45	\$ 4.42	\$ 3.26
Cash dividends paid	51.3	2.95	1.95	1.80
Shareholders' equity at year-end	13.0	64.83	57.37	53.68

## Quarterly Results—1974 and 1973 (In millions—except per share statistics)

	Sales		Income				Stock Price Range				Dividends	
	1974	1973	Amount		Per Share		1974		1973		Per Share	
			1974	1973	1974	1973	High	Low	High	Low	1974	1973
1st	\$133.2	\$111.3	\$ 4.7	\$ 2.9	\$ 1.25	\$ .76	26	20 <sup>7</sup> / <sub>8</sub>	29	26 <sup>1</sup> / <sub>2</sub>	\$ .45	\$ .45
2nd	157.7	116.0	11.4	5.4	3.06	1.39	27 <sup>7</sup> / <sub>8</sub>	24	27 <sup>7</sup> / <sub>8</sub>	23 <sup>1</sup> / <sub>8</sub>	.50	.45
3rd	167.0	111.6	14.3	3.3	3.83	.89	27 <sup>1</sup> / <sub>4</sub>	22 <sup>1</sup> / <sub>4</sub>	24	22 <sup>5</sup> / <sub>8</sub>	.50	.45
4th	165.9	121.2	8.6	5.2	2.31	1.38	29 <sup>1</sup> / <sub>2</sub>	21 <sup>5</sup> / <sub>8</sub>	24 <sup>1</sup> / <sub>2</sub>	19 <sup>5</sup> / <sub>8</sub>	1.50	.60
Year	\$623.8	\$460.1	\$39.0	\$16.8	\$10.45	\$ 4.42	29 <sup>1</sup> / <sub>2</sub>	20 <sup>7</sup> / <sub>8</sub>	29	19 <sup>5</sup> / <sub>8</sub>	\$2.95	\$1.95

## Sales and Earnings by Business (In millions)

	Sales				Earnings*			
	1974	%	1973	%	1974	%	1973	%
<b>Metals</b>								
Iron	\$103.0	17	\$ 78.6	17	\$45.5	60	\$16.6	52
Steel	202.6	32	142.4	31				
Silicon Metal/Ferroalloys	55.1	9	32.9	7	13.3	17	2.1	7
Metal Powders	34.0	5	26.5	6	3.5	5	1.5	5
<b>Materials Handling</b>								
Packaging/Shipping	119.2	19	95.6	21	16.4	22	13.4	42
Storage/Handling	79.9	13	50.0	11				
Furnishings	30.0	5	34.1	7	(2.6)	(4)	(1.8)	(6)
	\$623.8	100%	\$460.1	100%	\$76.1	100%	\$31.8	100%

\*Before unallocated corporate items and income taxes.



# To Our Shareholders and Employees



Frank Burgert, President and Chief Operating Officer; Robert Jacobs, Executive Vice President— Finance and Administration; and Reynold C. MacDonald, Chairman and Chief Executive Officer, examine Investor Relations Survey forms.

## 1974 Was:

- the best year in company history
- the seventh record sales year in a row
- the fourth consecutive year of improved profits and earnings per share.

## Earnings per share were

\$10.45 compared with:

- \$4.42 in 1973
- \$3.26 in 1972
- \$3.03 in 1971
- \$2.42 in 1970

**Net income** rose to \$39.0 million, up from \$16.8 million.

**Sales** passed the half-billion mark for the first time to \$623.8 million, compared with \$460.1 million in 1973.

## Record Performances

Interlake's metals and materials handling businesses turned in record performances. Iron, steel, silicon metal/ferroalloy and storage/handling businesses in the U.S. operated at or near capacity during the entire year; but packaging, metal powders and some international operations didn't, primarily because business fell off in the last quarter.

Our furnishings division reported a loss.

## 4th Quarter Results

Fourth quarter earnings per share were \$2.31, compared with \$1.38 a year ago. Net income was \$8.6 million, versus \$5.2 in the fourth quarter, 1973. Fourth quarter sales in '74 reached \$165.9 million from \$121.2 million a year earlier.

## Key Factors

Several key factors had an impact on 1974 results.

## On the plus side:

- unprecedented world-wide demand for most product lines



- higher selling prices after controls were finally lifted
- strong second and third quarters.

**On the minus side:**

- inflation and higher costs
- disruptions and added costs due to a fourth quarter strike by coal miners
- relining a large blast furnace in Chicago in '74 rather than '75 as initially planned.

**Dividend Increased**

Your Board of Directors increased the regular \$1.80 a share annual dividend to \$2.00 after the first \$.45 quarterly dividend and declared a special \$1.00 a share year-end dividend. This action raised '74 payout to \$2.95, compared with \$1.95 in 1973.

**Long Range Plan Progress**

In reading this year's annual report, you'll see how expansion programs and acquisitions carried out recently—and those expansions planned for 1975—dovetail into our long range plan announced in 1972.

This year's report provides further details on programs to:

- round out product lines in world markets
- finalize acquisitions
- expand coal reserves
- step up internal growth with new or modernized facilities.

**'74 Capital Expenditures: \$25.5 Million**

Capital expenditures in '74 were \$12.7 million above 1973—the highest spending level in 14 years! Spending included:

- expansion projects, \$7.3 million (29%)
- modernization projects, \$15.3 million (60%)
- environmental control, \$2.9 million (11%)

**Our Profits in Perspective**

Our '74 performance appears particularly encouraging compared to prior years. And it is. But, at the same time, our earnings figures are misleading unless they are placed in perspective. Our current return on investment is a good one, but we must keep in mind that today's inflated dollar buys us far less than the same amount bought a few short years ago. Interlake needs many more profit dollars today just to keep even.

Our '74 results enabled us to return profits to the kind of levels we need to keep us modern, efficient, and productive.

**Profits Vital**

As I pointed out in my preliminary report to you, the improved profits we generated are vital to us because we have to:

- recover costs absorbed over the long period of controls
- expand raw material reserves
- complete new facilities which enable us to meet long term requirements for our customers
- pay for expensive environmental controls.

Thus, we must maintain profits at sufficient levels if we're to pay for the planned expansion programs ahead of us in 1975.

**'75 Spending: \$48 Million**

In 1975 we plan to invest \$48 million in capital projects to help ensure our growth and profitability in the years ahead. (For details, see inside of flaps.)

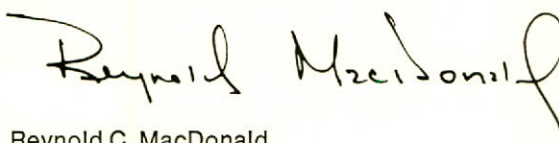
**'75 Outlook**

Many of our company's major operations are still busy. We expect a good first quarter. But demand is softer, particularly from the automotive, building and housing industries. Our metal powders, furnishings, packaging and storage order books have been affected.

But current demands for iron, steel, ferroalloys and silicon metal should provide us with first half earnings strength.

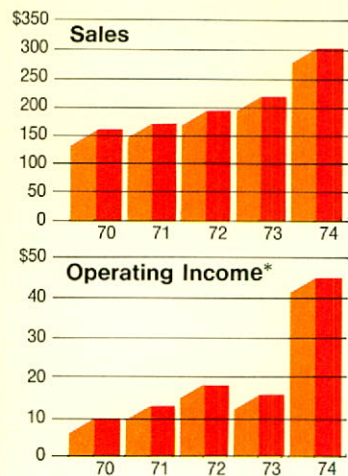
As far as overall 1975 is concerned, competitive pressures are intensifying in the marketplace, and any outlook must be clouded by many economic and political imponderables.

Despite some immediate business uncertainties, we expect our progress to continue and our plan is to improve on our 1974 performance. It should be another challenging year.



Reynold C. MacDonald  
Chairman and  
Chief Executive Officer  
February 7, 1975





aircraft pumps and jet engine frames; giant water turbine housings and rotors; electric power components; industrial pumps; housings and fittings; air brake cylinders; furnace and burner parts; tiny castings for business machines; plus thousands of other sizes and shapes.

We also sell coal chemical by-products created in our iron-making process. Customers use them in road tars, solvents, thinners, perfumes, fertilizer, drugs, aviation gas, and plastics.

#### Backlog

Future demand and lack of inventory will force us to allocate pig iron well into 1975. Due to our Chicago plant's high hot metal requirements, merchant iron sales are supplied from Toledo's production.

#### 1975 Outlook

Another good year is forecast, despite inflation and increased operating costs. Raw steel production might not reach '74 levels, but there will be continuing demand for iron. We'll add 53,000 tons of merchant iron for shipment to customers by using Toledo's largest blast furnace.



One of Interlake's Chicago blast furnaces dramatically rises above piles of pig iron, our most basic product.



## 1974 Profile

Iron sales rose to \$103.0 million in 1974, reflecting high-level demand for merchant iron. Iron shipments were 1,497,000 tons. Demand was so strong that customers were on allocation throughout most of the year.

### Iron and Steel (% of Interlake total)

(In millions)	1974	%	1973	%
Sales	\$305.6	49	\$221.0	48
Operating Income*	45.5	60	16.6	52

\*Before unallocated corporate items and income taxes

### Raw Material Reserves

Interlake has an enviable position in basic raw materials required for iron-making. Through joint ventures, we have extensive iron ore reserves.

In addition to some purchased ore shipped direct from the Mesabi Range, Interlake owns 10% of Erie Mining Company at Hoyt Lakes, Minnesota. We receive about 1,000,000 gross tons of ore pellets from Erie annually. Each year we're eligible to receive 600,000 gross tons of pellets from our 10.2% ownership in Wabush mine operations in Newfoundland and near Point Noire, Quebec.

Erie and Wabush provide about 75% of our iron ore requirements and, at current production levels, hold reserves for at least 50 years.

### Coal Reserves

About 25% of our coking coal comes from properties in which we hold ownership, and most of the rest is obtained under long-term contracts.

We entered into a joint venture in 1974 with Ford Motor Company, Wheeling-Pittsburgh Steel Corporation and Pickands Mather to build a 1,250,000 ton-per-year underground coal mine and processing plant near Pikeville, Ky. Interlake owns 20% of this new development, called the Scotts Branch Mine, which further strengthens our coal position.

### Iron Production:

1,460,000 tons

### Iron Shipments:

797,000 tons to customers

### 1974 Capital Expenditures, \$8.9 million

#### Expansion, Replacement and Modernization Projects

- Completed Toledo's "B" blast furnace rehabilitation, and new hot blast stove
- Rehabilitated Chicago's "A" furnace
- Oxygen injection project begun at Chicago blast furnace
- Coke moisture control on Chicago's "A" furnace
- Began five-year stove replacement program at Chicago's "A" furnace
- Purchased two locomotives at Chicago plant

#### Environmental Projects

- Began modernization of dedusting system at Chicago sinter plant
- Began work on coke oven emission control at Chicago
- Major installation of air pollution control equipment at Chicago sinter plant main stack

### 1975 Spending, \$14,217,000

#### Expansion, Replacement and Modernization Projects

- Complete oxygen injection furnaces at Chicago
- Continue Phase I of "A" furnace stove replacement program at Chicago

### How Iron Is Used

In addition to steel and steel products, iron is used by foundries to make castings used by the railroad, steel, automotive and other industries for: motor blocks and other key auto components;



# Iron

## basic to our economy

### What We Do

Interlake currently sends more merchant iron to market than any other U.S. producer. A very fundamental product, merchant iron is used by foundries to make iron castings. Steel producers use iron to make steel. About 48% of the iron we produce is used to make our own steel at Riverdale, Ill.

### Key Executives

Ernest F. Stebbins  
Vice President  
Iron and Steel Operations  
James W. Duncan  
General Manager  
Coke, Iron and Raw Materials

### Plants

- Chicago, Ill.  
(312) 221-3131
- Toledo, Ohio  
(419) 691-4641

### Annual Capacity:

1,600,000 net tons of iron  
825,000 net tons of coke

**Employees:** 1,389

### Products

- Pig iron
- Molten iron
- Coke
- Coal chemicals
- Sinter

### Markets

- Ingot mold producer  
(Chicago)

- Foundry industry
- Interlake (In 1974 about 48% of total production)

### Major Customer

Approximately 40% of the company's commercial sales of iron are made to Microdot, Inc. in Chicago, which receives molten iron for manufacturing steel ingot molds.

### Market Position

We're the largest domestic merchant iron marketer in the U.S.

### Distribution

Our merchant pig iron is marketed through Pickands Mather & Co., a leading sales agent for basic materials.  
 Pickands Mather & Co.  
1100 Superior Avenue  
Cleveland, Ohio 44114  
(216) 694-7500

### Our Strengths

- Advanced research and engineering techniques
- Strict quality control methods geared to customer requirements

Our iron is used to make castings such as those resting on pigs below.







Iron influences every American many times each day. As unglamorous as it may look, iron is still the most basic metal to America's economy.

A key reason: it's the backbone of steel and foundry industries.

In Interlake's case, we can produce about 1.6 million tons a year. We use about 48% in making our own steel. The rest is sold in molten or pig form (see left hand page) to outside customers. Our key market for merchant pig iron (MPI) is the foundry. U.S. industry depends heavily on iron castings. In fact, America's manufacturing complex would be shut down if strategic castings weren't available.

#### **MPI Shortage Grows**

Each year, the merchant iron shortage grows more acute, causing foundries serious concern. Shipments in '74 by the entire MPI producing industry were a half-million tons less than shipments in '73. Future availability doesn't look too promising, either.

#### **Why Shipments Are Down**

Shipments are going down for many reasons. Producers have been abandoning the MPI business mainly because users were switching to imports and to low-priced scrap as their charge material. So less domestic MPI was being sent to market.

Now, with imports down, scrap prices up, and less scrap available because of exports, users are turning back to domestic pig iron.

In the meantime, a worldwide shortage of steel capacity has required most steel companies to use their iron for making steel, and less MPI is available for shipment to outside customers.

#### **Interlake Helping Ease Shortage**

Interlake is one producer doing something about the MPI shortage.

We're aggressively continuing our maintenance and modernization program to meet outside customer needs.

#### **More Capacity at Toledo**

At Toledo, the larger "B" furnace has been relined for \$3.9 million. This includes a new stove and redesigned furnace to conform to other high-performance units in operation. As a result, "B" furnace capacity will be about 90,000—100,000 tons a year more than the "A" furnace, which has been producing MPI tonnage for our customers.

The Toledo ore dock is being renovated in conjunction with improved capacity, and for possible future growth.

#### **Two-Furnace Operation Under Study at Toledo**

We're now reviewing a possible two-furnace operation at Toledo in 1976 or '77. "A" furnace would have to be completely relined and a new stove facility would be necessary. Projected cost: \$8 to \$10 million, before escalation.

#### **Chicago Improvements, Too**

A \$7 million program is underway now at our Chicago blast furnace plant to replace stoves. The project will take four years to complete; but the new equipment will save money, because highly expensive coke fuel will be conserved with our ability to use higher blast temperatures.

#### **New Baghouse at Chicago**

A new \$700,000 baghouse has been completed at the Chicago sinter plant, which will greatly reduce emissions into the atmosphere.

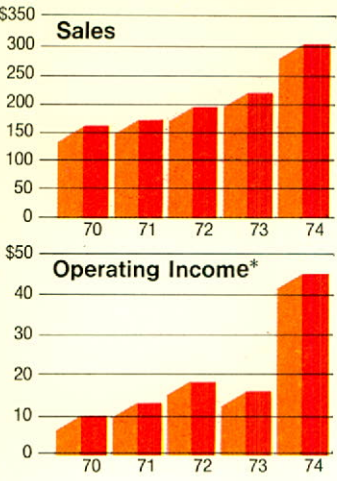
#### **Chicago "A" Refined**

The coal miners' strike late in '74 prompted us to advance schedules to reline "A" furnace in Chicago. The project wasn't scheduled to begin until 1975. Also, we delayed starting up the Toledo "B" furnace until adequate coal supplies were assured. These and other actions permitted us to keep other furnaces in operation on limited coal supplies. A special coal use program was activated at all coke ovens to conserve raw materials. Coke ovens operated at capacity all year, except "C" battery in Toledo. An explosion and fire there in December caused reduced output for a short time. All in all, however, our iron and coke producing facilities will operate in '75 with many improvements completed and underway.

Ernest Stebbins, Vice President—Iron and Steel Operations; James Duncan, General Manager—Coke, Iron and Raw Materials; and John Seaman, Superintendent—Chicago plant, on new locomotive purchased for our Chicago plant.

An operator pours molten iron into the pig machine at Toledo.





- Replace coilers for PL-7 pickler at Riverdale
- Install soaking pit recuperators at Riverdale
- Complete fifth battery of soaking pits at Riverdale
- Purchase 25 ingot mold cars for Newport
- Environmental**
- B.O.F. Precipitator rehabilitation at Riverdale
- Phase IV of total recycle system at Riverdale

**1975 Outlook**

Demand for steel has softened somewhat now, compared to a year ago, particularly in automotive and appliance industries. Yet, strength does exist in other market areas, and we expect to continue operating our iron and steel facilities at a high level during 1975.



Riverdale, Ill. plant looking north toward downtown Chicago. The Technical Center is at lower left.



## 1974 Profile

Steel product sales reached a record \$202.6 million in 1974, boosted by unprecedented demand and the third consecutive year of capacity operations. The end of price controls permitted price adjustments to recover increased costs and improve return on investment. Operating income rose despite adverse effects of a coal miners' strike and repair outages at Chicago and Newport.

### Iron and Steel (% of Interlake total)

(In millions)	1974	%	1973	%
Sales	\$305.6	49	\$221.0	48
Operating Income*	45.5	60	16.6	52

\*Before unallocated corporate items and income taxes.

### Distribution

Marketed by our own sales force, and by sales agents serving Alabama, California, Colorado, and the Dakotas.

### Our Strengths

- Basic raw material reserves
- Flexible production capabilities
- Personal attention to customer requirements
- Service
- We're a versatile and specialized steel producer. The flexibility of our production scheduling is a valuable asset to our customers and, under normal circumstances, gives them good leeway in operating with modest inventories.

### Customers' End Products

- Automotive**—energy absorbing bumpers, door hinges, spring parts, wheels, rims, all types of brackets, frames, seat slides, pedals, starter motors, clutches, brakes, etc.
- Light and heavy machinery**—power tools, motor laminations, cables, belts, drives, covers, safety guards.
- Farm implements**—tractors, combines, discs, wheels, plows, chains, conveyors, and other machinery parts.
- Recreation equipment**—mobile homes, campers, ice and roller skates, bicycles, wagons, boats and wheels.
- Steel fabrication**—appliance parts, housings, furniture, cabinets, hardware, tools, shelving, rack, aircraft parts, line pipe . . . to mention only a few applications.

### Steel Ingot Production:

1,244,000 tons

### Steel Shipments:

763,000 tons to customers

### 1974 Capital Expenditures, \$4.1 million

- Expansion, Replacement and Modernization Projects**
  - Improved Riverdale's #4 hot strip mill
  - Upgraded coil cut-up line and #13 cold roll mill at Newport
  - Installed new 5,000 H.P. direct drive motor and associated equipment at Newport's roughing mill
  - We've replaced the drive on our hot strip mill in Newport.
  - And we've made other improvements to help Newport improve the quality of products we offer our customers.
  - Environmental**
  - Completed Phase III and began Phase IV of total water pollution control recycling system at Riverdale
  - Completed closed loop water pollution control recirculating system at Newport
- ### 1975 Spending, \$7,972,000
- Expansion, Replacement and Modernization Projects**
  - Rehabilitate main drive for Riverdale blooming mill



# Steel

## basic and versatile

### What We Do

We're a specialized steel producer, meeting customers' exact requirements. Our specialties include expertise in hot rolled high carbon products at our Riverdale, Ill., plant, and aircraft quality alloy at our Newport, Ky., works.

We're a fully-integrated steel producer with interests in coal and iron ore mines and pelletizing facilities.

### Key Executives

Ernest F. Stebbins  
Vice President  
Iron and Steel Operations  
C. Robert Lammers  
Vice President—Marketing/  
Steel  
John L. Scarry  
General Manager  
Steel Plants

### Plants

- Riverdale, Ill.  
(312) 849-2500
- Blue Island, Ill.  
(312) 388-7100
- Newport, Ky.  
(606) 261-5620
- Wilder, Ky.  
(606) 261-5620

### Annual Capacity:

1,350,000 net ingot tons

**Employees: 3,070**

### Products

- Hot and cold flat rolled carbon sheet and strip
- Hot rolled plates and bars
- Alloy sheet, strip, plates and bars
- Electric weld line pipe
- Spiral weld pipe

### Markets

The nation's metalworking companies are our key steel market. Industries receiving our steel include:

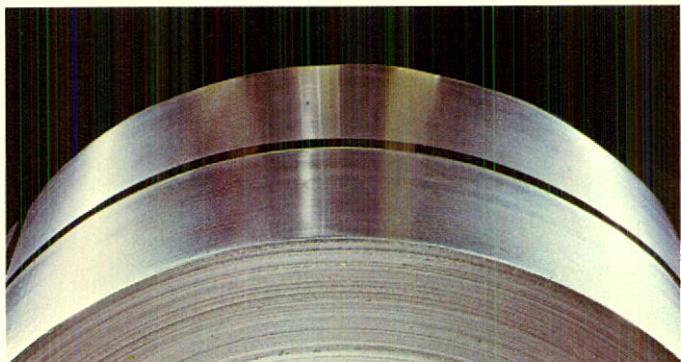
- automotive—20%
- machinery, equipment, tools—16%
- oil and gas distribution—25%
- agriculture—11%
- service centers—5%
- electrical equipment—6%
- construction—8%
- other—9%

About 21% of our steel is used by Interlake's other businesses for finished products.

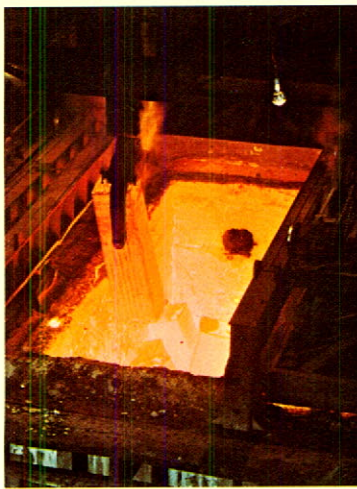
### Market Position

Interlake ranks 15th among the nation's steelmakers. But we have an important market position for quality products within our rolling capabilities.

Interlake's specialty is narrow-width steel coils.







Our steel operations ran flat-out in '74 trying to meet high level demands from customers all year. In April, controls were lifted by the government, easing somewhat our frustrations of trying to overcome a gnawing cost/price squeeze.

#### Why We Needed Higher Selling Prices

Higher selling prices were finally possible in '74 which enabled profits to improve from depressed levels in recent years.

These improved returns came none too soon. We need them to:

- help recover increased employment and other costs
- help pay for expensive pollution control installations
- help offset inflation's impact
- round-out plant operations for maximum output
- install new facilities to meet long-term customer requirements that can't be met with present capacity
- reward shareholders for investing in our business
- continue offering more and longer-term jobs to those who serve our company and depend on it for their livelihood.

#### Sustained Profits Are Vital

Our situation typifies a need faced by the entire steel industry . . . and every company: *reasonable profit levels, sustained over a long period of time.* This is the only way bills in the future will be paid!

#### Riverdale Steel Improvements Under Study

Several steel-related programs are being studied now.

##### At Riverdale:

- We're adding a fifth battery of soaking pits to boost our primary rolling mill capacity 40,000 net tons a year, create major cost savings, and permit our #3 and #4 hot strip mills to operate at capacity.
- We're also studying the addition of soaking pit recuperators to generate a 7% annual fuel savings.
- We're studying #4 hot strip mill improvements, designed to increase capacity 70,000 net tons a year, including: revisions to increase slab heating furnace capacity and a heavy duty shear.
- We're also considering additional basic oxygen furnace controls, material handling and storage facilities to increase Riverdale's annual ingot capacity from 897,000 to 935,000 tons by 1976.

#### Special Customer Service

Every business is in business to satisfy customers, and nobody works harder at it in the steel industry than our people. We've long recognized and implemented active technical service programs with customers and prospects. In fact, our customers say that's one of our important pluses in this highly competitive business.

We serve each customer's individual need and problem, as best we can. Customers turn to us for evaluating material purchases and applications. We help them make the most of available steel, and we try to help them counterbalance cost increases incurred from higher material prices.

#### Technical Service Activities

Specifically, our technical service activities include helping customers:

- change grade or process to better utilize facilities or eliminate bottlenecks
- develop acceptable steel alternatives
- modify products and/or processing to improve productivity and cut costs
- review and correct problem areas
- write and review specifications for individual part requirements

We're making every effort to keep supplying our share of steel . . . the world's most all-around product.

Despite competition from other materials, steel is still applicable for more uses, at less cost, than any other. For that reason, steel will remain a vital asset for Interlake.

#### Growth Areas

In our opinion, the greatest growth in the future of steel will be in the high strength low alloy areas. Metallurgical ingenuity and innovations are making significant strides in increasing the formability properties of higher strength steels.

The market demands success in maintaining or increasing strength requirements without adding weight. We spend considerable time with customers helping them in these and other areas.

A six ton ingot being lifted from soaking pit at Riverdale plant.

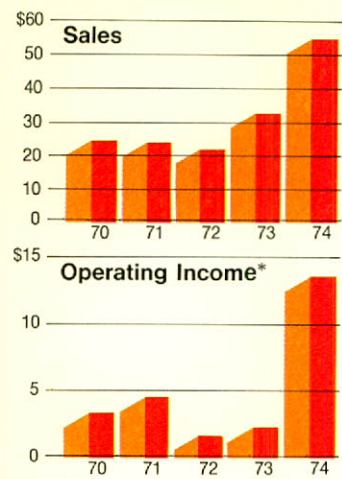
John Scarry, General Manager — Steel Plants; William Taylor, Assistant General Sales Manager — Flat Rolled Products; Steven Oker, General Sales Manager — Flat Rolled Products; and Sidney Galloway, Plant Manager — Newport, at Newport plant.

Ernest Stebbins, Vice President — Iron and Steel Operations, and C. Robert Lammers, Vice President — Marketing/Steel, with new 5,000 H.P. motor at Newport, Ky. plant.

Joseph Creevy, General Sales Manager — Tubular Products, looks at pipe produced at our Newport plant.



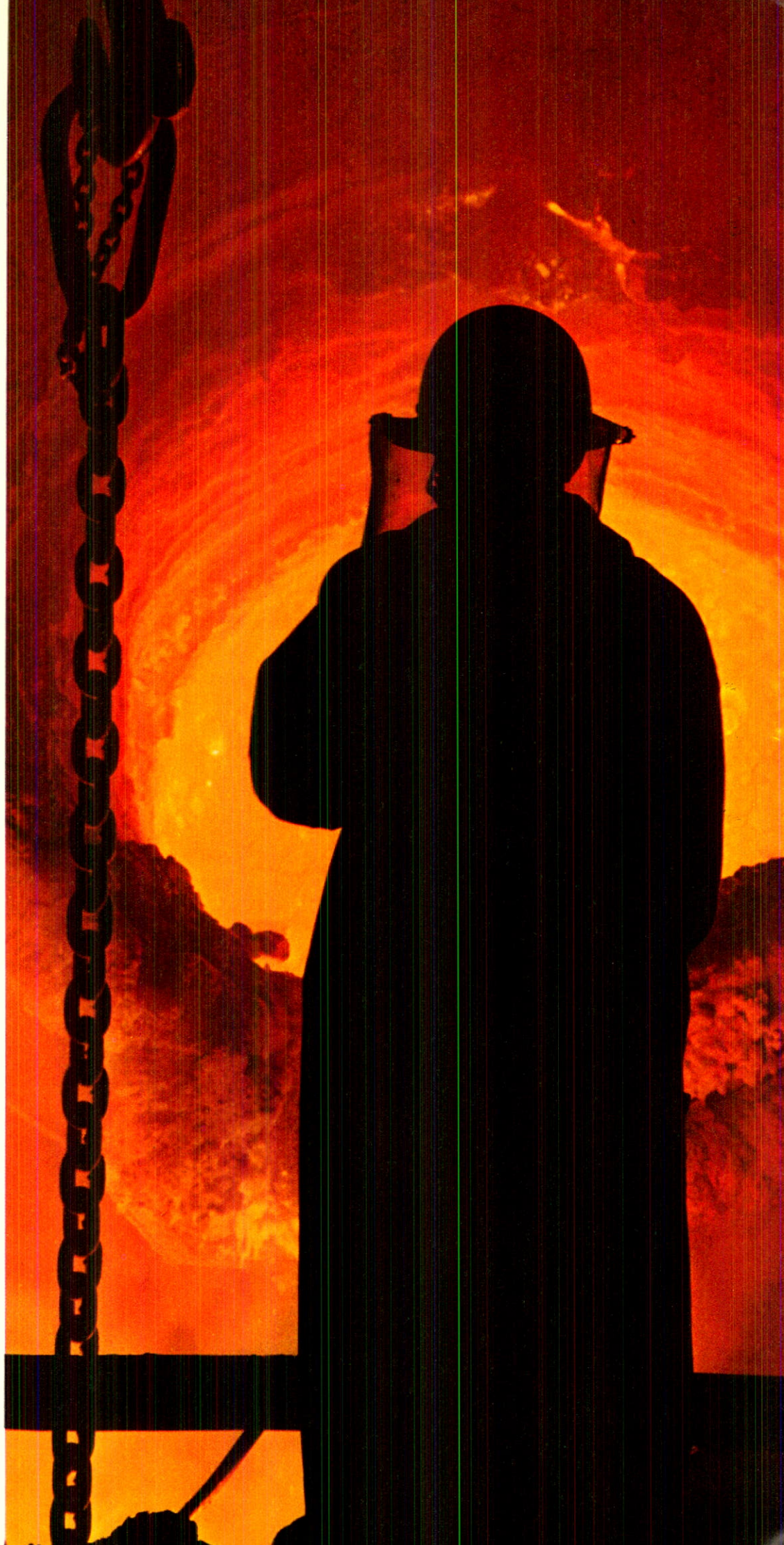




About 90% of all chromium alloys produced in the U.S. eventually wind up in various grades of stainless steel. The rest goes into other alloy steels.

**1975 Backlog/Outlook**

We expect to continue operating most furnaces at or near capacity particularly during the first half. We're planning for higher sales and stable earnings. Capital spending will rise to \$16.5 million to handle expansion plans and environmental control costs. See next page for our outlook on markets.



An operator at Beverly, Ohio pours ferroalloys from a ladle.



## 1974 Profile

Globe set new sales and earnings records in 1974—above plan and '73 results. Sales reached \$55.1 million and operating earnings rose to \$13.3 million, compared with \$2.1 million reported a year ago.

Major product leaders accounting for gains: silicon metal, low carbon and high carbon ferrochrome. A full year of Alamet operations also contributed to a fine performance.

### Silicon Metal/Ferroalloys (% of Interlake total)

(In millions)	1974	%	1973	%
Sales	\$55.1	9	\$32.9	7
Operating Income*	13.3	17	2.1	7

\*Before unallocated corporate items and income taxes.

#### Production:

89,000 tons

#### Shipments:

89,000 tons

#### 1974 Capital Expenditures, \$3.6 million

##### Expansion, Replacement and Modernization

Started No. 2 silicon metal furnace at Alamet.

Installing higher capacity transformer on Beverly's #5 furnace.

##### Environmental

Began air pollution control on Alamet's #1 furnace

Started fume collection on Beverly's #1 shop and #5 furnace

#### 1975 Spending, \$16.5 million

Complete second silicon metal furnace at Alamet, including pollution control—\$8 million in '75 of \$9.8 million project

Air pollution control at Alamet's #1 furnace—\$2.1 million

Higher capacity transformer at Beverly—\$.4 million

Pollution control at Beverly #1 shop and #5 furnace—\$3.8 million

#### Silicon Metal's Future

Aluminum and chemical industries are major users of silicon metal.

The aluminum industry uses silicon metal for automotive castings. High strength and light weight are key goals of automotive manufacturers, particularly in smaller automobiles which require strong

parts with as little weight as possible. Silicon improves casting properties and greatly enhances product quality.

The chemical industry uses silicon metal as a source material for manufacturing silicone chemicals. Silicones are used in products generally classified as fluids, elastomers and resins.

This end-product list should indicate why silicon metal offers promising growth.

**Fluids:** cosmetics, toiletries, floor waxes, furniture polish, lubricants, release agents for rubber, plastics and bakery goods, aerosol laundry starches, rust preventatives and window washing sprays.

**Elastomers:** molded rubber parts for aerospace uses, adhesives, fabric coatings, electrical insulation for wire and cable, caulking and sealing materials, roofing, waterproofing agents, medical products . . . to mention just a few.

**Resins:** paint and additives, water repellents for masonry and varnishes for electrical insulation.

Hundreds of other uses for these products are found in aerospace, marine, industrial and agricultural applications.

#### Ferrochrome: Vital to U.S.

Ferrochromium alloys are vital to our nation. They provide hardness, and strength to steel, help prevent corrosion and help make steel relatively stable at high temperatures.

Chromium is absolutely essential to hardware in our defense systems, clean air and water programs, air and ground transport, including mass transit, generation of energy and processing of vital foods and chemicals.



# Silicon Metal/Ferroalloys

around you everywhere

## What We Do

Our Globe Metallurgical Division produces basic metals used as ingredients in thousands of products for industry, homes, schools, farms, etc.

## Key Executives

David G. Bowser  
Vice President  
Globe Metallurgical Division  
Alfred D. Gate  
General Manager  
Globe Metallurgical Division

## Plants

- Selma, Alabama  
(205) 872-3491
- Beverly, Ohio  
(614) 984-2361

## Division Office

- Cleveland, Ohio  
(216) 241-0808

**Employees:** 427

## Products

- Silicon metal
- High and low carbon ferrochrome
- Low carbon chrome silicon

## Markets

Key silicon metal markets include these industries:

- Chemical
- Aluminum
- Automotive
- Iron foundry
- Steel
- Electronics

Ferrochrome alloy markets include these industries:

- Steel
- Iron foundry
- Aluminum
- Stainless steel
- Alloy steel

## Market Position

We're a leading domestic silicon metal and ferrochrome producer.

## Distribution

Marketed by Pickands Mather & Co., a leading sales agent for basic materials.

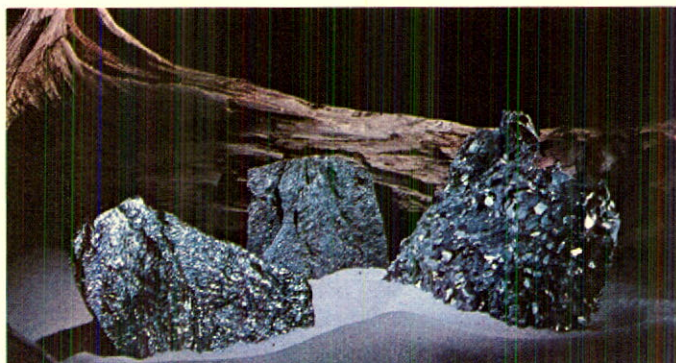
- Pickands Mather & Co.  
1100 Superior Avenue  
Cleveland, Ohio 44114  
(216) 694-7500

## Our Strengths

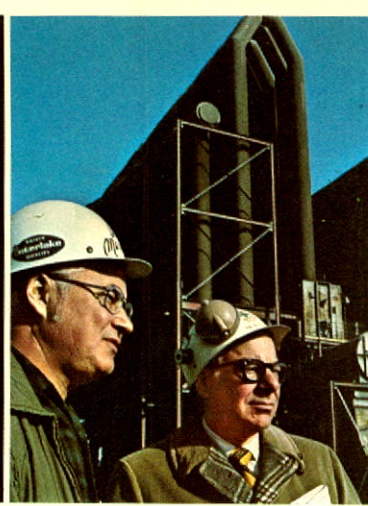
Our reputation is excellent because of:

- Reliability
- Careful attention to customers' quality and operating needs
- Research and analytical capabilities unique to this industry
- Raw materials for silicon production

Ferroalloys and silicon metal are important ingredients in many modern day materials and products.







A year ago we expressed great confidence in the future for silicon metal and ferrochrome alloys. We have no reason to modify our outlook. We're directing our production capacity toward these two key product areas.

We believe requirements for these important products of Interlake's Globe Metallurgical Division will continue in high demand.

In fact, our major customers are urging us to provide increased output to match their long-term needs, and we are planning accordingly.

#### **Silicon Metal: High Demand**

Reacting to a fierce demand for silicon metal in 1974, our plants produced record tonnage and dollar volume. We worked with our customers on an allocation basis to serve them as equitably as possible, with price increases imposed when necessary to reflect escalating costs and improve margins.

#### **Capacity Operations Expected in '75**

We expect our silicon metal furnaces at Beverly, Ohio, and Selma, Alabama, to operate at capacity in 1975, despite present economic uncertainties. We'll have two short outages: #5 furnace at Beverly will be down in April while we install a new high-capacity transformer; #7 furnace will be scheduled for a major overhaul at the earliest opportunity.

To further aid Globe's growth, capital expenditures of \$16.5 million are planned for 1975. (See back flap, this section.)

#### **Alamet: Helping Already**

Alamet (Alabama Metallurgical Corporation) made an important contribution to Globe's record performance in 1974.

This facility, with its single operating furnace, not only provided us with immediate additional capacity, but . . . even more important . . . the plant site provided ample space for expansion, along with enhanced power availability, improved raw materials supply, and economical transportation.

#### **Second Furnace Will Double Capacity**

To help maximize Alamet's potential, a second silicon metal furnace is now under construction and scheduled to come on-stream in the third quarter of 1975. It will more than double the plant's annual silicon metal capacity to 23,000 tons. Also included: the best air pollution control equipment available to meet environmental control laws. A future expansion for Alamet is already under study as a significant part of Interlake's long-range planning.

#### **Ferrochrome Demand Continues**

Five furnaces at Beverly operated at capacity in 1974 producing high-carbon ferrochrome, low-carbon ferrochrome, and low-carbon chrome silicon.

The tremendous demand for chromium as an alloying agent by the American steel industry could not be supplied by domestic suppliers, so, our steel industry was forced to augment supplies by importing chromium units at exploitative prices.

Beverly has one of the most diversified ferrochromium alloy facilities now operating in the U.S. to serve the domestic market. And we plan to produce as much as we can in 1975.

#### **Current Concerns**

Globe, like most businesses, has its share of concerns. We need electric energy to power our smelting furnaces and in 1974, Beverly operations were unfavorably affected by severe downtime due to power interruptions. Ore prices have increased rapidly, as have ocean and rail freight rates.

Long-range, though, Globe is most concerned about availability of vital chrome ore supplies and about growing ferrochrome production abroad. We've been active in the Ferroalloys Association, American Iron and Steel Institute, and other groups urging the U.S. Government to establish proper stockpiles of chrome ores and to maintain a free flow of ore from Rhodesia. This is particularly important to reduce our national dependency on iron curtain ores, which are available in decreasing amounts at vastly increased prices.

(See back flap this section—Ferrochrome: Vital to U.S.)

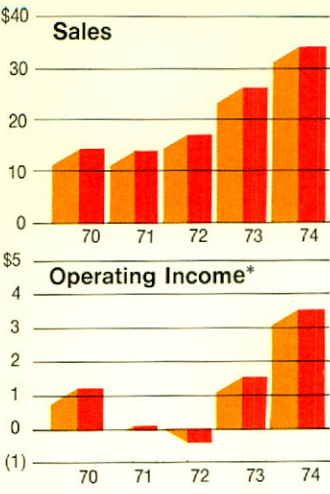
Harold Tuten, Assistant Plant Manager—Beverly, and Julien Atkins, Plant Manager—Alamet, at Alamet construction site in Selma, Ala.

William Meredith, Plant Manager—Beverly, and Alfred Gate, General Manager—Globe, at Beverly baghouse, a major environmental control installation.

Silicon is used in bathroom caulking that provides colorful solutions to dozens of home maintenance and decorating problems.







**Hot Forming**

Hot forming, the newest P/M production process, permits customers to gain increased high-density, high-strength parts and offers new applications in: appliances, automobile transmission and differential gears, drive gears for power tools and lawn mowers, connecting rods for small recreational gasoline engines, and heads for socket wrenches.

**1975 Backlog/Outlook**

Our 1975 profit plan calls for higher dollar volume and improved earnings. At press time we foresee demand for our products slowing in the first half then improving later in 1975.

This depends largely on our biggest market, the automotive industry, picking up and Americans getting more bullish in 1975.



Steel atomizing furnace at Hoeganaes, in Riverton, N.J.



## 1974 Profile

Hoeganaes' sales rose 28% to a record \$34.0 million, and operating income more than doubled in '74 to \$3.5 million. P/M powder sales were up 19%, welding powder, up 60%, and high alloy, up 30%.

A broader market helped division operating income during the year, but price increases provided the biggest boost.

### Metal Powders (% of Interlake total)

(In millions)	1974	%	1973	%
Sales	\$34.0	5	\$26.5	6
Operating income*	3.5	5	1.5	5

\*Before unallocated corporate items and income taxes.

### Our Strengths

- We're industry pioneers and leaders in materials research, product development and powder applications.
- We're leaders in technical customer service activities with new and unique research facilities.
- We're strong in developing welding techniques and applying powders to upgrade welding operations.

### Raw Material Reserves

We have access to quality ore reserves from Sweden.

### Total Production:

109,000 tons

### Total Shipments:

103,000 tons

### 1974 Capital Expenditures \$1.8 million

- Installed two annealing furnaces and supporting equipment, \$1,500,000

### New Products from R & D

- Introduced 411, a new grade of atomized powder.
- Introduced specially sized screen cut powders for specific customer needs.

### How Customers Make Parts

Here's how customers make parts with our powder, using the conventional P/M process:

1. Powders and lubricants are mixed
2. Compacting presses automatically:
  - fill precision die
  - apply pressure top and bottom
  - remove shape from die
3. Controlled atmosphere furnaces heat (sinter) and cool compacted shape

4. Now it has desired strength, shape, surface finish and dimensional tolerances. Very little, if any, machining is necessary. No wasted powder.

This is why powder metallurgy gives promise of extraordinary growth. Production men throughout industry look upon it as one of the most exciting new technologies.

P/M's growing appeal is five-fold:

1. It saves vital material. More pieces can be made per pound of metal.
2. Increases productivity.
3. Saves costs.
4. Improves quality.
5. Many difficult, complex parts can be made more easily and inexpensively than by stamping, casting and machining.

### Where P/M Parts Are Used

P/M parts are widely used in:

**Automobiles**, including power assist oil pumps and gears, shock absorber parts, automatic transmission parts, ball joints, timing sprockets, spark plug shells, rear view mirror mount and windshield wiper parts. A rapid increase of P/M parts is seen in heavy trucks, farm equipment and construction vehicles.

**Transportation**, including motors, planes, bicycles, etc.

**Pollution Control Equipment**, such as pumps and air exhaust silencers.

**Office Copy Equipment** producers are using and experimenting with metal powder parts and toners.

Other uses include furniture casters, air support systems and filters in rockets and space vehicles, and electrical terminal clamps.



# Metal Powders

**involved in extraordinary growth**

## What We Do

Hoeganaes is a leader in powder metallurgy technology (P/M) and ferrous metal powder production. The company is owned by Interlake (80%) and Hoganas Aktiebolag, AB of Sweden (20%).

## Key Executives

- R. Russell Fayles  
President—Hoeganaes
- Ross Holmes  
Vice President — Marketing,  
Hoeganaes

## Plant

- Riverton, N.J.  
(609) 829-2220

## Annual Capacity:

135,000 tons

## Employees: 330

## Products

- Iron, low alloy, stainless steel and high alloy powders
- Powders for welding electrodes and flux-cored wire
- Hardfacing alloy powders
- Flame cutting powders
- Magnetic particle inspection powders
- Powders for chemical and medical uses

## Markets

- Automotive
- Agriculture
- Appliance
- Construction Equipment
- Business Machine
- Chemical

## % of Shipments For:

- Powder metal parts, 68%
- Welding, 22%
- Miscellaneous, 10%

## Market Position

Hoeganaes further improved its leadership position in 1974 by expanding production facilities.

## Distribution

- Marketed to contract fabricators and mass production P/M parts manufacturers.
- Marketed domestically and overseas by company sales force and agents in all countries of the Western Hemisphere.
- Welding powders marketed to major welding electrode manufacturers.
- High alloy powders are sold throughout the world.
- The automotive industry is the principal user of metal powders.

Many parts are made with our metal powders.





## 1974 Profile

Packaging products sales rose 17% to a record \$79.4 million in '74 as metallic strapping and seals and stitching products posted the most sizeable gains. Metallic strapping shipments were almost at '73's record pace through the first nine months, but dropped sharply in the fourth quarter.

Packaging earnings also established new highs as prices related better to costs following the end of controls.

### Packaging and Storage Domestic (% of Interlake total)

(In millions)	1974	%	1973	%
Sales	\$129.3	21	\$102.2	22
Operating Income*	9.0	12	5.0	16

\*Before unallocated corporate items and income taxes.

### Our Strengths

Our ability to help customers with total production/distribution systems is our most important asset. We analyze our customer's needs, including: how materials are bought, packaged, handled, produced, controlled in inventory, warehoused, processed as orders, shipped and transported. Then we choose a product, several products or an entire system, from our extensive product line, to do a better job.

### Promising Growth

Our long-range outlook is sound because customers come to us and our distributors for complete systems . . . or for isolated products . . . to meet specific needs. Our overall growth should continue for three basic reasons:

1. We're innovative and maintain high product standards.
2. We're so closely involved with our customers that we can participate in their growth . . . and that of the industries they serve.
3. We strongly support the total materials management concept.

### Raw Material Reserves

Our internal raw material supply is another unique strength. Many of our packaging products use our own steel.

### 1974 Capital Expenditures, \$437,000

- Replacement and improvement projects at Riverdale which should result in increased productivity, efficiency, and improved quality

### 1975 Spending \$2,000,000

- Several equipment modernization and replacement programs.

### Marketing Highlights

- Completed major redesign program for our HF16PG

gasoline powered Silver-stitcher for produce industry. Success indicates that sales will spurt in 1975.

- More disposable inflatable dunnage being used in rail shipments.
- New interest in disposable dunnage for piggy-back and overseas container shipments.
- New program for marketing steel strapping for mobile home tie-downs.
- Growth of polyband strapping as users try other types of strapping materials. Plastic strapping market expected to continue strong growth.

### Strapping Does Many Things

- It is used to create countless different packages.
- Locks down covers on containers.
- Ties down huge loads of steel, pipe, telephone poles, heavy equipment . . . most anything that can be shipped on a flat car . . . to prevent shifting in transit.
- High tensile strapping will maintain good tension on heavy, dense units that tend to shift in transit.
- Strapping can help hold together packages that are banded while compressed so they can't expand in shipment.

### More Plastic Strapping In Use Each Year

More plastic strapping is being used per unit of output in many industries. Our plastic strapping sales continued to grow in '74, particularly in textile, corrugated, food and fabricated metal product markets.

With increased demands for plastic strapping, particularly polypropylene, we're now considering plans to further increase our supply.



## Materials Handling

# Packaging/Shipping Domestic

### saving production/distribution costs

#### What We Do

Interlake is a leading world producer, marketer and supplier of quality packaging/shipping products which save customers time, labor and materials.

#### Key Executives

Paul S. Landis  
Vice President  
Packaging/Storage Products

Otis W. Creasman  
Assistant Vice President  
Administrative Services &  
Distribution

Robert W. Hardie  
Assistant Vice President  
Marketing

M. Paul Hunt  
Assistant Vice President  
Manufacturing & Engineering

#### Plants

- Riverdale, Ill.  
(312) 849-2500
- Pittsburg, Calif.  
(415) 687-2600
- Racine, Wisc.  
(414) 632-5115
- Ottawa, Ill.  
(815) 434-7900

**Employees:** 1,230

#### Products

- Strapping—steel, nylon and polypropylene
- Tools, machines and systems for strapping applications
- Stitching wire

- Stitching machines—corrugated, graphic arts and industrial fastening
- Shrink film systems
- Inflatable dunnage

#### Markets

We service customers who are as varied as American and world industry, but our major accounts are in the following industries:

- Primary metals
- Paper
- Lumber/Building materials
- Textiles
- Fabricated metals
- Brick/Block
- Food
- Wholesale trade

#### Market Position

We're the second largest domestic producer of steel strapping . . . and market leader for stitching wire and machines, inflatable dunnage and pallet shrink systems.

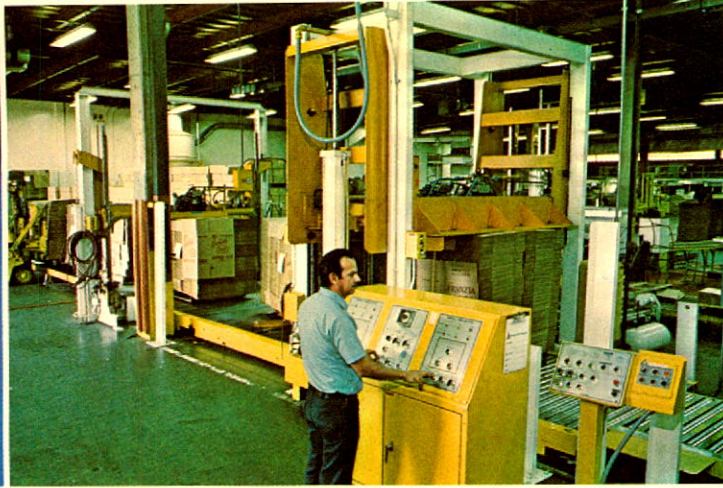
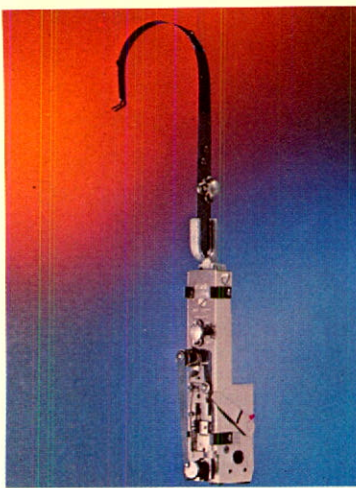
#### Distribution

- Dual distribution by nation-wide company sales force and distributors
- International markets served by company sales forces and licensee/distributors

We use our own strapping to package coils and pallets shipped from our plants.







Wherever goods are packaged, stored, or shipped, you'll find Interlake products providing ways to do it more easily and at less cost. We're a complete systems supplier to industries world-wide, and we help our customers improve operating efficiency and profits.

#### Strapping: Our 'Bread-n-Butter'

Strapping is one of our major 'bread-n-butter' products. And there are many reasons for its growing use. Included:

- **Cost**—Cost of strapping per package is one of the least expensive of any packaging method.
- **Versatility**—Strapping can be applied by many methods... from simple hand tools to fully automated equipment requiring no operator. Modern equipment permits strapping operations to be integrated with production lines and to match their speeds for optimum efficiency.
- **Reliability**—A high safety factor ensures that strapping won't snap when subjected to severe shipping requirements.
- **Security**—Strapping effectively locks and seals items within containers, making them tamperproof and pilferproof.

#### Introduce Drape Feed System

Many of our customers are packers, and they use strapping to unitize cartons or boxes of produce on pallets. Unitizing creates substantial savings, lowers handling time and reduces in-transit damage.

We introduced a new drape feed unitizing system in '74 that straps 30 to 50 pallets an hour.

#### Show New Bale Wrapper For Textile Industry

We also introduced a new bale wrapper for the textile industry, which increases potential for both our strapping and shrink-film products. The wrapper is designed for use with existing Interlake equipment and our gas-fired shrink tunnels. High quality textile industry standards call for clinically clean protection of fibres shipped to mills in bales. Bales are strapped, then wrapped with plastic film and put through a shrinking process before shipment. In '74, our customers used more than 1.5 million pounds of our shrink-film to wrap textile bundles.

#### Produce: Growing Market For Our Stitchers

The produce industry continues to rely on Interlake more and more for solutions to their unique packaging and shipping problems (volume, size, variety of packages, production flow, spoilage, etc.).

It's very probable that the lettuce you purchase was packaged by an Interlake stitching system. Growers in California and other major growing areas report our new high speed Silverstitcher has been a real boon to their in-field packaging. (See photo at left.)

Powered by a gasoline engine, the stitcher is mounted on a special truck and helps assemble shipping containers during harvest.

#### Products In Action

- In Georgia, an Interlake Versatizer automated unitizing and strapping system enables a high volume producer of corrugated boxboard to easily and economically produce 50 million square feet per month.
- An Interlake horizontal strapping head device—the first ever installed in a concrete block plant—helps Florida's second largest producer of pre-cast lintels and sills achieve high volume production.
- In Pennsylvania, an Interlake strapping system is used by a lumber company to automatically package kiln-dried lumber at 10,000 to 15,000 board feet per hour.
- Our Edgeboard continues to show growth. This is a tough, laminated paperboard formed into a rigid 90 degree angle, which provides excellent package protection. Now being used throughout American industry, Edgeboard reduces corner damage on pallet loads, keeps multiple units in position, and permits greater strap tension to better stabilize loads.

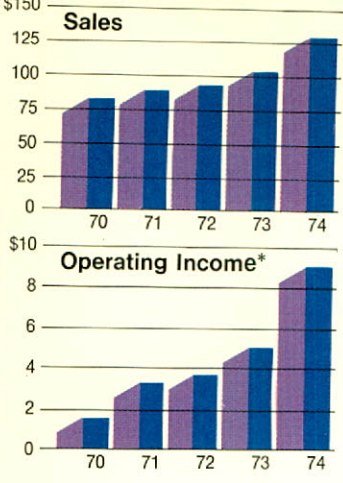
Interlake "Champion" stitcher heads are used by the graphic arts industry.

Model VI Versatizer system palletizing cartons at large paper plant in California. Plastic strapping unit is fully automatic with turntable and three heat-seal heads.

Paul Hunt, Assistant Vice President and General Manager—Manufacturing and Engineering, Packaging Products; Robert Hardie, Assistant Vice President—Marketing, Packaging Products; and Paul Landis, Vice President—Packaging and Storage Products Division, at entry welder of our HT-1 strapping line.







service benefit which few—if any—other storage manufacturers can offer.

**New Line at Lodi**

A new roll-forming line and automatic beam end plate welding equipment were installed at our Lodi, California plant. Several production operations were combined, man-hour productivity was increased and product flow was improved.

**A. J. Bayer Acquired**

On December 21, 1974, Interlake purchased, for cash, all outstanding shares of A. J. Bayer Company, Torrance, California. Bayer, with 1974 sales of about \$13 million, manufactures roller and overhead conveyors, does custom metal forming, and casts architectural and memorial plaques. The acquisition adds a line of conveyors to Interlake's packaging and storage systems.

Bayer employs 253 at its main plant in Torrance, near Los Angeles, plus an additional 54 persons at a new conveyor manufacturing facility in Shepherdsville, Kentucky, near Louisville.

**1975 Backlog/Outlook**

Orders for live storage systems are booked into 1975. We expect this trend to continue. But we think demand will soften, backlogs will decline, and price competition will remain stiff. We'll be hard pressed to match '74's results.



Our storage rack will support this frozen food warehouse now under construction in Ohio.



## 1974 Profile

Storage product sales rose to \$49.9 million—a 45% increase. Price adjustments accounted for \$6.9 million of the total increase. The remaining increase consisted of sales growth in storage systems and rack and angle products. Product shipments increased by 8,700 tons.

### Packaging and Storage Domestic (% of Interlake total)

(In millions)	1974	%	1973	%
Sales	\$129.3	21	\$102.2	22
Operating Income*	9.0	12	5.0	16

\* Before unallocated corporate items and income taxes.

- We handle entire systems, from initial research through design and concept formulation, equipment selection and installation.
- We produce complete product lines at our California and Illinois plants.
- We have significant market coverage.
- We have an extensive force of marketing engineers, strategically located, thoroughly trained in all facets of material storage.

#### Storage Pluses

Our storage/handling equipment has basically three things to offer:

##### 1. Increased productivity—

This can be done in two ways:

- By increasing the capacity of a building without expanding it.
- By reducing the cost of moving a product from the production line, to the storage area, and finally out of the plant.

2. **Inventory control** is made easier by our conventional selective pallet rack and automated systems. These products permit companies to alter storage methods in direct response to orders received. This flexibility permits users to operate with smaller inventories.

3. **Reduced labor costs/thefts.** Conventional and automated handling can increase storage efficiency and reduce product damage and theft.

#### 1974 Capital Expenditures, \$2,330,000

- Completed 60,000 sq. ft. addition to Pontiac, Ill. plant, \$1.7 million.
- Increased roll forming and automatic beam welding capacity at Lodi, Calif. plant, \$.4 million.

#### 1975 Spending, \$2,000,000

- Expansion projects at Pontiac and Lodi
- Improvements on GM-10 galvanizer at Riverdale

#### Marketing Highlights

- Our standard catalog products continue to be the bellwether of sales and earnings.
- Our distributors continue to make increased contributions each year to our progress.
- Interlake Distributor Advisory Council (INDACO) formed to improve communications, operations and performance for customers.
- Pontiac expansion will enable us to improve assembly and testing of Couriers and transfer cars.

#### Pontiac Expanded—Again!

The third expansion at our Pontiac, Ill., plant in the past 10 years is being completed. Capacity has been increased to 395,000 square feet for manufacturing and shipping. Pontiac products include steel storage rack and systems, gravity-flow rack, shelving, framing, cantilever rack, safety deck and slotted angle.

#### Retrieval System To Be Installed

An Interlake retrieval system is being installed to help handle Pontiac's increased output. The system gives us a modern order picking system, and acts as a demonstrator for many customers and potential customers who visit this plant each year.

The Pontiac expansion also permits Courier and live storage systems to be assembled at one location. Now Couriers can be pretested and debugged prior to shipment rather than on the customer's floor. This is another cost improvement and customer



# Storage/Handling Domestic

**winning the race for inner space**

## **What We Do**

We're a leading producer in the rapidly growing storage/handling markets. Our job is to solve industry's massive storage problems by reducing costs of storing and handling inventories. (See Storage Pluses)

## **Key Executives**

Paul S. Landis  
Vice President  
Packaging/Storage Products  
William C. Lorden  
Assistant Vice President and  
General Manager  
Storage Products

## **Plants**

- Pontiac, Ill.  
(815) 844-7191
- Lodi, Calif.  
(209) 369-7441
- Newburgh, N.Y.  
(914) 428-9300
- Ottawa, Ill.  
(815) 434-7900
- Riverdale, Ill.  
(312) 849-2500
- Torrance, Calif.  
(213) 328-9000
- Shepherdsville, Ky.  
(502) 543-7046

**Employees:** 1,053

## **Products**

- Steel storage rack and systems
- Live storage/gravity flow rack

- Selective pallet rack
- Cantilever rack
- Automated and manual Courier storage and retrieval systems
- Shelving, framing
- Self-dumping hoppers
- Safety decking
- Slotted angle
- Latch-on framing and accessories
- Conveyors

## **Markets**

We serve a broad customer base with major users in these industries:

- Lumber
- Furniture
- Textile
- Automotive parts
- Food

## **Market Position**

We're a leading storage rack producer.

## **Distribution**

Marketed by company sales force, distributors and foreign licensees.

## **Our Strengths**

- Manufacturing know-how.
- Concept and design.
- We're a key single-source supplier, because of our broad product line and technical expertise.

Automated storage and retrieval systems help customers reduce labor and handling time.







Interlake's storage product capabilities were expanded during the year by:

- Enlarging most domestic and international manufacturing facilities.
- Acquiring an England-based storage products company with world-wide operations.
- A joint venture in Japan. (See International Section)

#### Why We're Special

We're successful because:

- Our basic philosophy calls for integrity of effort, no matter how simple or complex the project—from a small rack installation in a bindery to a computerized storage and retrieval system in a giant warehouse.
- We've consistently tried to respond to customer requirements with reliable solutions.
- We make the best quality storage racks.
- We have the experienced management, technical know-how, engineering service, financial resources, raw materials, and proven capability in research, development, production and marketing of storage/handling equipment and systems.
- We go out of our way to do a good job of training. Learning centers at our Illinois and California plants are specially equipped for

seminars to keep distributors, customers, and our own personnel informed on new products and concepts, plus improved technical and sales techniques.

- And we try hard at good communications. In '74, we took another step to improve communications between our distributors and ourselves by forming a distributor council for two-way information exchange.

#### Promising Market: Frozen Food

We serve many growing markets, but the frozen food industry is particularly suited to our know-how. We're now building an \$875,000 rack supported freezer building for a large frozen food company in Ohio, which will include our Courier and live storage systems. (See left photo)

The frozen food industry is particularly interested in our services because we've shown them how to solve problems peculiar to their business, including:

- How to achieve more efficient handling of food packages to keep costs down.
- How to handle increased production that is raising the volume of food to be stored.
- How to design systems for storing many types and sizes of food packages.

#### Products In Action

Here are a few examples of our storage products in action:

- A large cold storage company wanted to build an addition to their freezer building without interrupting present operations, and they also wanted "drive-in" capability. We've almost completed the installation!
- A large furniture retailer is boosting an unusual idea of getting furniture to his customers—fast! "It's in the back room," he tells them. "The Back Room" is more than two acres of warehouse space filled with our cantilever rack that holds 52,000 pieces of furniture!
- A diversified machinery and hardware customer built a new \$6 million plant and had to store thousands of production parts and components for building complicated glass forming machines.

Our system provided 6,750 shelf openings in three aisles. Each aisle is served by a Courier that can select and retrieve any of 2,250 metal parts storage pans in that aisle. The company's manufacturing engineer reports that our installation handles approximately 15,000 transactions each month!

Paul Landis, Vice President—Packaging and Storage Products; and William Lorden, Assistant Vice President and General Manager—Storage Products.

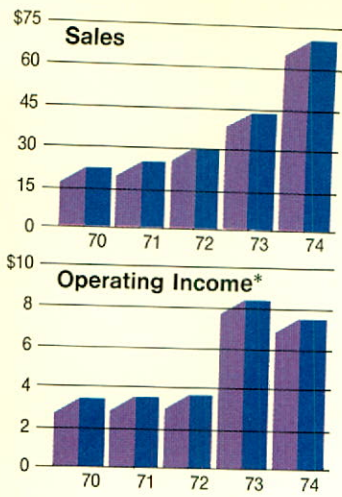
Aerial view of our Pontiac, Ill. storage rack plant—expanded three times in 10 years.

A. J. Bayer Company in Torrance, Calif.

Raymond Juechter, Manager—Storage Systems and Products; Robert Warns, General Sales Manager—Storage Products; and Fred Boulais, General Manager—Pontiac plant.







### Acme Canada Enlarged

A 7,000 square foot addition to Acme Canada's Scarborough manufacturing facilities in '74 will increase output of strapping machines and systems. Rapid growth of strapping business in Western Canada has also necessitated purchase of expanded warehouse facilities in Vancouver.

### 1975 Outlook

We expect an increase in Latin American and Middle East business in 1975. However, because of economic conditions in Europe and the Far East, we anticipate a slow-down in these areas during 1975.



Part of an automated line at Dexion's Hemel Hempstead plant, producing 16-foot uprights for Speedlock.



## 1974 Profile

1974 was a good year for Interlake operations outside the United States. Sales rose 61% to a record \$69.8 million from \$43.4 million in 1973. This included one month of sales from Dexion, which totaled \$8.6 million.

Earnings from Operations were \$7.4 million. All international companies except Dexion Redirack (Belgium) reported improved income. 1973's earnings benefited by \$3.5 million of gains from the sale of land and buildings.

### Packaging and Storage International (% of Interlake total)

(In millions)	1974	%	1973	%
Sales	\$69.8	11	\$43.4	10
Operating Income*	7.4	10	8.4	26

\*Before unallocated corporate items and income taxes.

### Markets

- Produce
- Primary metals
- Paper
- Lumber/Building materials
- Textiles
- Fabricated metals
- Brick/Block
- Food
- Wholesale trade
- Automotive
- Appliance
- General warehouse

### Market Position

- We're a leading marketer of strapping and stitching materials in Canada, Latin America, South Africa, and the Far East.
- We're the leading storage products producer in Europe and Canada.

### Our Strengths

- Exporting know-how in packaging and storage products business
- Significant coverage of Canadian and European markets

### 1974 Capital Expenditures, \$3.4 million

- Pallet rack manufacturing facilities, Gerrard
- Increased steel strapping capacity, Acme Canada
- Refurbished Kilnhurst factory, Gerrard
- Completed plant expansion, Redirack Canada
- Strapping machine fabrication expansion, Acme Canada
- Purchased Vancouver warehouse, Acme Canada
- Installed new paint line conveyor at Dexion-Redirack

### 1975 Spending, \$7.8 million

- New steel strapping production line at Kilnhurst plant, Gerrard
- Warehouse addition at Scarborough, Acme Canada
- In-line punch press, Dexion Redirack
- Strapping machine fabrication expansion, Gerrard
- Additional cold mill, Dexion U.K.
- Additional roll forming lines, Dexion U.K. and France
- Additional warehouse facility, Dexion, Germany
- Increased shelf fabrication and paint facilities, Dexion U.K.

### Dedicate Gerrard Storage Plant

In October, we dedicated a new addition to Gerrard Industries' Kilnhurst, England plant where annual capacity will be 18,000 finished tons of pallet rack. Previously, this plant was engaged exclusively in our packaging business. Plans are also underway to expand Gerrard's facility in Welwyn to increase production of strapping machines and systems.

### Redirack-Canada Expanded

During 1974, we also completed a major plant expansion at Redirack-Canada in Weston, Ontario. A 39,000 square foot addition and new production facilities permitted a 20% volume growth in 1974, and are expected to double that company's business in Canada's storage systems market. Cost of this project was about \$1,100,000.



# Materials Handling International

helping the world do its work

## What We Do

Interlake produces and markets storage and packaging products in many countries of the free world, and other company products are also exported from the U.S. Our operating companies outside the U.S., 22 licensees and 106 distributors serve over 100 countries.

## Key Executives

Paul S. Landis  
Vice President  
Packaging and Storage  
Products

Norman P. Bailey  
Chairman, Dexion-Comino  
International Limited

Richard I. Polanek  
Assistant Controller,  
International Operations,  
Interlake, Inc.

Bill G. Rigg  
Managing Director,  
Dexion-Comino  
International Limited

H. Richard Schenke  
Managing Director,  
European Operations,  
Interlake, Inc.

## Major Locations

- Acme Interlake  
Engineering Corp.  
Brussels, Belgium
- Dexion Redirack  
Brussels, Belgium  
Nivelles, Belgium

- Acme Steel Company of  
Canada Limited  
Toronto, Ontario, Canada
- Redirack Industries  
Limited  
Weston, Ontario, Canada
- Gerrard Industries Limited  
Welwyn Garden City, England  
Rotherham, England  
Kilnhurst, England
- Acme-Flejes de Mexico  
Mexico 4 DF Mexico
- Dexion-Comino  
International Limited  
Wembley, England  
Hemel Hempstead, England  
Gainsborough, England
- Dexion Overseas Limited  
Wembley, England

## Dexion Subsidiaries

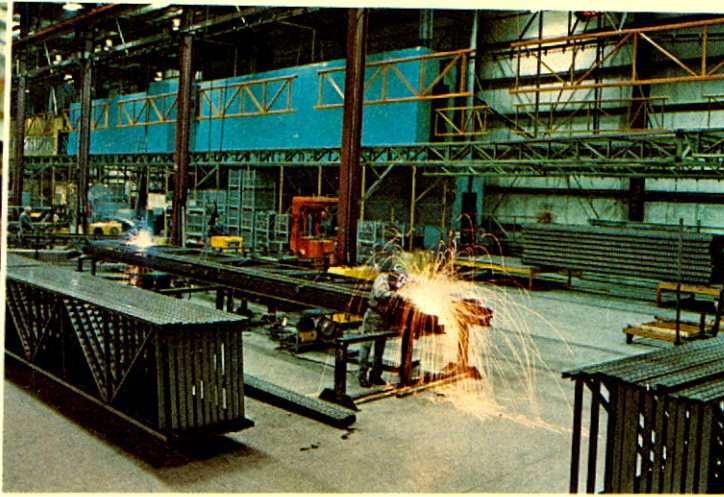
- Dexion (Australia) Pty.  
Limited, Australia
- Dexion Gesellschaft mbH,  
Austria
- Dexion A/S, Denmark
- Dexion GmbH, Federal  
German Republic
- Aura GmbH, Federal  
German Republic
- Dexion Feralco SA, France

**Employees: 4,573**

Interlake international manufacturing locations, licensees.







Two years ago when we discussed Interlake's new long-range plan, we announced our intentions to expand the storage and materials handling business at home and in markets outside the U.S.

We made important headway toward this goal in '74, through a joint venture in Japan, an acquisition in England and by expansion and modernization programs at many key Interlake plants engaged in these businesses.

#### Joint Venture In Japan

In August, we finalized a joint venture agreement with Kawasaki Steel Corporation, Tokyo, to engineer and sell storage rack and automated handling systems in Japan. A new company was formed called Kawatetsu-Interlake, Ltd. The project involves a new manufacturing plant near Tokyo and a sales/engineering company.

We believe this action should lead to a strong storage rack/materials handling business in a vital market. A densely populated country, Japan has long recognized the need for high quality storage products. Industrial and commercial companies there are finding space even more valuable than it has been for centuries. The market is obvious for products designed to maximize storage space.

#### Kawasaki Steel Important Partner

Equally important: our affiliation with one of Japan's leading firms also enhances our position and long-term potential for future growth in Japan.

Kawasaki Steel is Japan's third largest steel producer. Their sales in 1973 were \$2.1 billion and steel shipments that year reached

13 million net tons, with about 27% going to export markets.

#### Dexion In Family Now

In October, we purchased Dexion-Comino International Limited, a prestigious England-based materials handling and storage products company, for \$22 million. Dexion was a pioneer in the storage and handling business. Headquarters are in Wembley, England. Dexion directs United Kingdom and overseas operations that in 1974 generated more than \$100 million in sales.

#### Dexion: Far Reaching

Dexion operates eight major manufacturing facilities, and has distributors in over 90 countries. The largest operations are in England, Germany and France.

Products include slotted angle, storage racks, shelving, mobile and automated storage systems, conveyors, plastic bins, "Apton" display systems and prefab and sectional buildings.

Dexion's main manufacturing plant at Hemel Hempstead is described as the largest, most technologically advanced factory in the world for storage equipment manufacture. One million feet of slotted angle is produced at this plant each week—60% of which is exported throughout the world.

#### Good Growth In 10 Years

Dexion achieved good growth in the past 10 years. This was based on slotted angle until 1964, when Speedlock adjustable pallet

rack became the first Dexion product designed exclusively for storage purposes. Now, 10 years later, the 16-foot Speedlock upright sections are among 64 products in a Dexion catalog which provides a single source for industry's total storage and handling requirements.

Plans are underway now to help Dexion further expand a new product development and acquisition program that moved the company from \$22 million sales in '64 to more than \$100 million for fiscal 1974, ending October 31st.

#### Consolidation In Works

Interlake's chairman, Reynold C. MacDonald, has taken personal charge of programs to meld the Interlake and Dexion organizations together harmoniously. Top executives from each company have been appointed to a working committee which meets monthly. Plans and actions are being formulated to achieve the greatest benefits from product lines, facilities and other matters that must be settled to make the new partnership successful.

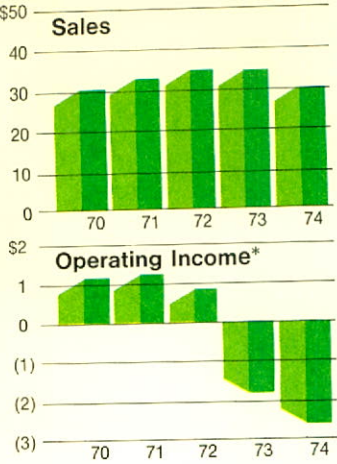
Richard Polanek, Assistant Controller—International Operations, Interlake, Inc. and H. Richard Schenke, Managing Director—European Operations, at Gerrard Industries plant expansion dedication.

Redirack Canada's expanded plant can weld and bake-enamel 40-foot one-piece trusses.

Storage rack being assembled at Gerrard's new production line, Kilnhurst, England.







ished chrome with walnut look table top and nylon velvet upholstered chairs

**Hospitality** . . . a comfort-plus set with inverted "V" base on chairs and table

**Whitefield** . . . features parsons-look table with pull-out drawer for storing silverware, cards, etc.

**Celebrity** . . . features host and hostess high-backed chairs with mitred overscaled chrome tubular legs on chairs and table

**Concept-80** . . . table top offers a marbleized effect. Plush arm chairs have unique "S" frame construction, adding to overall comfort

**Gourmet/Game Set** . . . featuring flip-top table for dining or games

Our contract division also introduced a new supper club chair, folding table, and a roll-away bed.

Falcon introduced aluminum cooking grids for their gas grills.

**1975 Outlook**

We think demand for dinettes will continue to be soft during most of '75, although we hope to capture a larger share of purchases that will be made. We have an excellent product line, but we know we'll face increasing competitive pricing pressures. Our goal is to continue our aggressive operating and marketing development programs, to remain as trim as possible, and to finish 1975 on the profit side of our ledgers.



Vogue, a popular new dining ensemble which blends a contemporary look and traditional styling.



## 1974 Profile

Howell's furniture business took it on the chin from inflation and a sharp drop in housing starts during 1974. The home furnishings market was very "soft" most of '74, and sales of \$30 million were 12% lower than a year earlier. The division lost \$2.6 million in 1974, \$800,000 more than in 1973, when earnings were affected by two operations that were discontinued. Sales of gas grills, bedding products and contract furnishings were higher than those in 1973.

### Furnishings (% of Interlake total)

(In millions)	1974	%	1973	%
Sales	\$30.0	5	\$34.1	7
Operating Loss*	(2.6)	(4)	(1.8)	(6)

\*Before unallocated corporate items and income taxes

### Market Position

We're a leading style and quality dinette producer. But we're not a major volume leader in the overall furnishings field, which is very fragmented and characterized by many firms of all sizes.

### Distribution

Howell has a multichannel distribution system. Products are marketed by company sales force, representatives, distributors and dealers.

### Major Marketers

- Breuners
- Daytons
- Hoffman/Koos
- J. L. Hudson
- Leath & Co.
- Marshall Field & Co.
- Montgomery Ward
- J. C. Penney
- Sears, Roebuck & Co.
- John M. Smyth
- Wickes

### Our Strengths

- Quality and design leadership developed over the past 40 years
- National marketing/distribution with regional manufacture
- Integrated manufacturing facilities permitting product and design flexibility
- Ability to adapt to ever changing market requirements
- Ability to work on a tight production schedule

Consumers are looking for four major ingredients when buying dining ensembles these days: value, style, quality, and well-thought-out design. Price is an important factor, too. But consumers will invest wisely to get quality merchandise.

### 1974 Capital Expenditures, \$218,000

- Completed requirements on plating line
- Purchased two diesel tractors and trailers

### 1975 Spending, \$5 million

- New electrostatic powder coating line at St. Charles
- Installation of washer/polishing equipment

### New Products

Howell's new dinette line received excellent reaction at October High Point market and January markets in Chicago, New York, Dallas, Los Angeles, and San Francisco. Included in the new line are:

**Floor Waxer Chair . . .** features stacking ability for storage in small places. Versatile enough to go from dining table to game table to desk

**Galaxy . . .** warm, traditional, nostalgic styling with inverted "V" based chairs and table

**Horizon . . .** contemporary ensemble with smoked glass table top and plush, gently curved stackable chairs

**Pinnacle . . .** features special cast aluminum pedestal base, table top which blends the look of walnut, pecan, rosewood and monkeypod, with saddle-back pillowed chairs

**Manor House . . .** blends old classics with contemporary . . . a combination of semi-circle chrome legs, mixed wood table top and plush, curved seats

**Vogue . . .** casual, formal, contemporary and traditional. Features high-backed, gently contoured chairs combined with planked parquet-look table top

**Executive . . .** for desk or dining. Combines bright pol-



# Howell/Falcon

**comfort by design**

## What We Do

Interlake's Howell division produces dining and contract furniture, bedding products and gas grills.

## Key Executives

Robert M. Gilason  
President

Arnold R. Johnson  
Vice President and  
General Manager

Arnold T. Hoenke  
Vice President-Operations

Paul R. Evenson  
Vice President-Marketing

## Plants

St. Charles, Ill.  
(312) 584-0094

Dallas, Texas  
(214) 242-5161

Dallas, Texas  
(214) 631-7790

Stanley, Wisc.  
(715) 644-5531

Azusa, Calif.  
(213) 334-5181

Lynwood, Calif.  
(213) 537-8250

**Employees: 886**

## Products

- Metal, plastic, wood and glass dining groups
- Contract seating and tables
- Educational seating and tables
- Study carrells
- Bed frames
- Day bed ensembles

- Bunk and roll-away beds
- Gas grills
- Gas lamps
- Food smokers

## Markets

Our furnishings division serves a broad customer base, including:

- Homes
- Mobile Homes
- Hospitals
- Nursing Homes
- Restaurants
- Offices
- Universities
- Elementary and High Schools
- Hotels
- Motels
- Federal and Local Government

## % of Shipments

- Dinettes, 49%
- Bedding, 17%
- Contract, 17%
- Gas Products, 11%
- Furniture Components, 6%

Game/Gourmet ensemble with flip-top table for gaming or dining.







The most aggressive production and marketing development program in Howell Furniture history was launched in 1974. The goals: to improve profitability, streamline operations and gain a larger share of a market hard hit by:

- inflation
- sharp cost increases
- an estimated 35% downturn in housing starts
- stiff competitive pricing

#### Aggressive Actions Taken

Many steps were taken to improve division performance, including:

- new top management team
- thorough analysis of production methods at the St. Charles, Illinois plant
- stringent cost control
- trimming tables and chairs from our product lines
- phasing out McNeff educational furniture business
- shifting Howell table top production from St. Charles, Ill., to Stanley, Wisc.
- streamlining shipping methods and freight programs
- new product designs using interchangeable parts

#### Query Consumers

Consumers just weren't buying furnishings in normal patterns so we decided to find out what they like and don't like about dinette products. We launched pre-market research with homemaker groups and incorporated many suggestions and product preferences in our '75 lines.

They asked for flexible multi-purpose products in the leisure, casual, natural and country "look." So we designed several new ideas to complement popular models

in our current catalog, including our highly successful Town and Country series.

#### Entered High Point

We entered the vital High Point, North Carolina, market for the first time in '74 and beat competition to the punch by introducing eight innovative dining groups and a new stacking chair. This key market show takes place three months before traditional winter markets, when most furniture manufacturers introduce their new lines in Chicago, New York City, Los Angeles, San Francisco and other cities.

#### New Products '75

We moved into winter markets with seven dining groups and more new product ideas, including cantilever bases, hutches, serving carts, etageres (shelf units) and new finishes with correlated table tops.

One set features a multi-purpose, drop-in table top. Dine on one side, then flip the top over and use the other side for games.

Matching chairs feature a new "G" frame base (see flap photo).

#### Contract Line Expanded

Our contract line for hospitals, institutions etc. was expanded during the year, including a supper club chair and new folding table.

Phase-out of the McNeff educational furniture line was completed, and we added a newly designed study carrell, seating and tables to our product lineup for the educational market.

#### Gas Grill Sales Up; Counter Industry Trends

Industry sales of gas grills declined about 17% in '74,

but Falcon sales were up about the same amount. Our very popular Mark IV model sold at an all-time high, in contrast to gas lamp sales which have fallen with the rise of energy conservation measures in lighting.

Grill sales have been rejuvenated because:

- More Americans are cooking and eating outdoors than ever before.
- Consumer education programs have noted the gas grill's energy saving potential as a substitute for indoor cooking during hot weather.
- L-P gas grills are gaining favor due partly to their portability and convenience and partly to improved availability of L-P gas.

#### More '75 Plans

Many other plans are in the works for '75, including:

- "Pronto" warehousing—an improved delivery plan first tested on a regional basis—will be expanded nationally.
- Regional furniture products are being readied for market testing. These are new ideas tailored to particular buying habits in regional markets.
- Howell exposure on national TV game shows will further establish Howell and Falcon identity nation-wide and will provide sales promotion support for dealers.
- In Chicago, Howell, and other Interlake products will be promoted during White Sox baseball games, since Interlake will sponsor televised games in '75.

Falcon's Mark V grill has proven one of the company's best selling products.

Concept-80 features softly padded armchairs with unique "S" frame construction and new cantilever base.

Stacking "floor waxer" chair . . . easy to store and stacks eight high.

Robert Gilason, Howell President, and Arnold Johnson, Howell Vice President and General Manager, examine chrome plating on chair frames.





# Operating/Financial Review

## Highlights

Strong demand for nearly all Interlake products began in 1973 and continued throughout most of 1974. As a result, our major facilities were operating at or near maximum levels during this period. However, due to reduced inventories in 1974, some product sales were limited by our productive capacity. The significant earnings improvement shown in 1974 may be attributed primarily to higher selling prices needed to recover cost increases absorbed during the period of governmental price controls.

Financial results for 1974 may be summarized as follows:

- **Net sales** in 1974 totaled \$623,794,000, up \$163,683,000 or 36% from \$460,111,000 reported in 1973. All businesses, except furnishings, posted significant gains.
- **Net income** rose to \$38,999,000 in '74, compared with \$16,784,000 a year earlier. Net income per common share was \$10.45 compared with \$4.42 a share in 1973.
- **Dividends** paid to common shareholders were \$2.95 a share, including an extra \$1.00 per share dividend paid in December, 1974. In 1973, dividends paid totaled \$1.95 per share and included an extra 15¢ dividend payment.
- **Capital expenditures** were the highest since the Acme/Interlake merger. Spending amounted to \$25,486,000, with the largest amount being spent on Interlake's iron and steel producing facilities.

Several important actions were taken in 1974 as part of our long range plan:

- An England-based storage rack producer was acquired (Dexion-Comino International Limited).
- A producer of conveyors was acquired (A. J. Bayer Company, Torrance, California).
- We entered into a joint venture with Kawasaki Steel Corporation, Tokyo, to manufacture and distribute storage rack products in Japan.

## Operating Results

1974 was Interlake's seventh record sales year in a row. The substantial increase resulted primarily from improved selling prices for most products. Iron and steel accounted for over half the sales increases. These businesses were adversely affected in prior years and early 1974 by government price controls which forced us to absorb cost increases.

Following is a summary of sales by Interlake's businesses in 1974 and 1973:

	1974		1973	
(In thousands)	Amount	%	Amount	%
Iron and steel	\$305,593	49	\$220,966	48
Silicon metal and ferroalloys	55,151	9	32,927	7
Metal powders	33,958	5	26,523	6
Packaging, storage products	199,084	32	145,583	32
Furnishings	30,008	5	34,112	7
	\$623,794	100%	\$460,111	100%

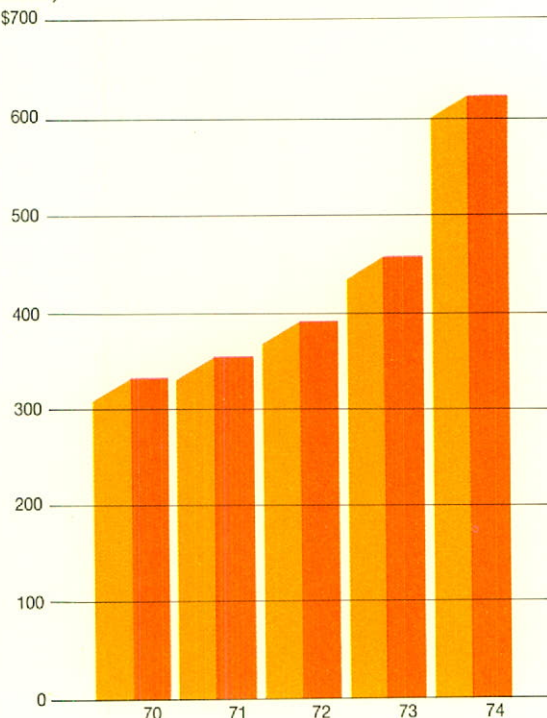
## Iron and Steel

Iron and steel product sales in 1974 rose to \$305,593,000, a 38% increase from \$220,966,000 reported in 1973. However, despite the significant increase, iron and steel sales still accounted for 49% of Interlake's total sales . . . about the same as 1973.

Interlake produces three major categories of iron and steel products: pig iron and molten iron, flat rolled steel products, and tubular steel products.

Pig iron and molten iron shipments in 1974 were 9% below 1973, while the dollar sales of iron and related by-products increased from \$78,560,000 in 1973 to \$103,013,000 in 1974. During 1974, molten iron shipments for ingot molds increased 8%, reflecting the steel industry's strong demands. This was the third consecutive year such shipments have increased from the prior year. The strong demand for pig iron, which began in 1973 as scrap became scarce, significantly depleted our iron inventory. Consequently, 1974 sales were limited to available productive capacity. In addition, iron production was curtailed in 1974's fourth quarter due to shortages of metallurgical grade coal, brought about by the coal miners' strike, and to the relining of the Chicago "A" furnace.

**Net Sales**  
(In millions)





Flat rolled steel product sales in 1974 rose 18% to \$147,617,000 from \$125,014,000 in 1973. Flat rolled steel represents our largest single product line. Shipments, however, declined slightly from last year.

Depleted inventories and several necessary major plant outages also curtailed steel production in 1974. At Newport, the 54" hot strip mill was down 41 days to install a new 5,000 H.P. direct drive motor on the roughing mill and make other needed mill improvements. The Riverdale plant, whose source of iron is the Chicago iron plant, curtailed production in December during the Chicago furnace reline.

Selling prices of flat rolled products received a much needed boost in 1974. During their tenure, price controls had prevented full flow-through of cost increases to steel purchasers. Consequently, when controls were abolished, Interlake raised prices in order to obtain a fair return on investment and provide needed funds for expansion and rehabilitation of steel facilities.

In 1974, Interlake took several steps to increase its iron and steel productive capacity. Because of continuing high demand for iron, Toledo's "B" furnace was completely rebuilt and went on blast in December. Toledo's older and smaller "A" blast furnace (which is in need of a major reline) was taken out of production. Toledo "B" furnace will increase pig iron production in 1975 by 53,000 tons over 1974. Newport's rolling facilities were significantly improved in 1974 to increase production capacity and quality of hot rolled sheet and strip produced there. Modifications are underway, and plans are being completed to use oxygen injection to increase blast furnace capacity. We're reviewing ways to increase Riverdale's steel rolling capacity.

Demand for "oil country goods" in 1974 caused a significant increase in line pipe sales (pipe used in the gathering and transmission of oil and gas). Line pipe production and shipments were up over 75% from 1973. Total pipe sales in 1974 amounted to over \$54,963,000 compared with \$17,392,000 in 1973.

#### **Silicon Metal and Ferroalloys**

Silicon metal and ferroalloys sales were strong throughout 1974. Total '74 sales amounted to \$55,151,000, compared with \$32,927,000 in 1973. Sales were favorably affected in 1974 by increased selling prices plus additional silicon metal sales from our Selma, Alabama plant, acquired in 1973.

A second silicon metal furnace, currently under construction, will more than double silicon metal output at our Selma plant. The furnace will begin production during the last half of 1975.

#### **Metal Powders**

Metal powder sales were brisk in 1974 despite an automotive industry slowdown, which business accounts for approximately one-half of our metal powder sales. Net sales in 1974 amounted to \$33,958,000, compared with sales of \$26,523,000 in 1973. Shipments of metal powders in 1974 were slightly lower than last year. Sales increases were posted for several grades of powders. These gains, however, were offset by decreased demand for premixed powder.

Hoeganaes completed construction of two 60" annealing furnaces in 1974. These additional furnaces are needed to bring the steel atomizing plant's annealing capacity more into line with its melting capacity. These furnaces will permit the steel plant to operate at full productive capacity.

#### **Packaging and Storage Products**

Packaging and storage product sales in the U.S. and abroad increased significantly in 1974. About \$8,568,000, came from one month's sales of Dexion-Comino International Limited, which we acquired late in 1974. Dexion's annual sales are expected to add more than \$100,000,000 to Interlake's storage products sales in 1975.

Below is a summary of Interlake's foreign and domestic packaging and storage products sales for the past two years:

	1974		1973	
(In thousands)	Packaging	Storage Products	Packaging	Storage Products
U.S.	\$ 79,414	\$49,911	\$67,840	\$34,357
Foreign	39,769	29,990	27,712	15,674
	\$119,183	\$79,901	\$95,552	\$50,031

Packaging product sales, principally steel and plastic strapping, stitching wire, and tools and machines for applying the strapping and wire, increased \$23,631,000 or 25%, in 1974, compared with 1973. Volume increases in 1974 over record 1973 levels for strapping products were achieved in Canada, the United Kingdom, and in Mexico. In the United States, strapping volume declined slightly. Through the first nine months of '74 U.S. strapping shipments were about equal to 1973. However, fourth quarter sales began to fall off. Strapping is a commodity item, without much customer order backlog. We try to fill orders generally within a week or ten days of receipt. As a consequence, the fourth quarter decline in business activity by many customers was immediately reflected in lower strapping product shipments.

Interlake also services a number of European strapping users through licensee arrangements with several major distributor organizations. Strapping sold by these distributors is manufactured by Acme/P. W. Lenzen K. G., a German company which in 1974 shipped almost 35% more strapping to our distributors than in 1973. The Lenzen plant began operations in 1970, and in five years has reached capacity.

Storage products shipments were at record levels in 1974. Sales rose to \$79,901,000, compared with \$50,031,000 in 1973. All domestic and foreign operations reported sales increases.

In the U.S., our Pontiac, Illinois plant and Lodi, California facility both operated at high levels throughout most of the year to meet customer delivery requirements. In 1974, we completed the third expansion of our Pontiac plant, and we are thinking of expanding it again. Our Lodi facility has almost reached maximum size.

In 1974, Interlake took a major step forward in storage products when it acquired the outstanding shares of Dexion-Comino International Limited. (See page 17 for a description of Dexion.)



Two other important moves by Interlake in 1974 further strengthened our position in the storage products field. In September, 1974, we entered into a joint venture with Kawasaki Steel for manufacturing and selling storage rack products in Japan. The new company, Kawatetsu-Interlake, Ltd., has been organized and necessary governmental approvals obtained. A rack manufacturing plant will be built by Kawasaki in Ichikawa, Japan, which will have the initial production capacity of 20,000 tons of storage rack per year. Also, in December, Interlake acquired A. J. Bayer Company, Torrance, California. Bayer produces, among other things, a wide range of conveyors, a key item in many storage rack installations. Bayer has plants in Torrance, California and Shepherdsville, Kentucky, and will play an important part in our future storage products business.

#### Furnishings

Sales of home and institutional furnishings fell \$4,104,000 in 1974 due to a sharp decline in demand for dinette furniture. Dinette shipments in 1974 were about 66% of 1973's. Factors causing a dinette business slow-down were: tight money, fewer housing starts, and a decline in general business conditions during the last quarter of 1974. Institutional furniture, bedding, and gas products all showed increased sales in 1974.

#### Income From Interlake's Businesses

Income before taxes and unallocated corporate items was \$76,088,000 compared with \$31,888,000 in 1973, an improvement of over 138%. Iron, steel, ferroalloys, and silicon metal posted the most significant gains in 1974 because of strong demand.

Below are the earnings of each Interlake business in 1974 and 1973:

(In thousands)	1974		1973	
	Amount	%	Amount	%
Iron and steel	\$45,503	60	\$16,613	52
Silicon metal and ferroalloys	13,288	17	2,124	7
Metal powders	3,457	5	1,524	5
Packaging, storage products	16,445	22	13,444	42
Furnishings	(2,605)	(4)	(1,817)	(6)
	\$76,088	100%	\$31,888	100%

#### Iron and Steel

Iron and steel earnings, which were adversely effected in 1973 by governmental controls and the write-off of \$2,350,000 for an abandoned capital project, increased \$28,890,000 from the previous year. 1974 income amounted to \$45,503,000 compared with \$16,613,000 earned in 1973.

All iron and steel operations contributed to 1974's improved earnings. The steel portion of the business showed the greatest improvement because of the pass-through of increased scrap costs in steel selling prices which was permitted early in 1974 before price controls were completely removed.

Iron also showed improved earnings. We obtained price increases during the year to recoup costs incurred in prior years but not fully passed on to customers. In addition, strong demand enabled these operations to run at peak capacity throughout the year to realize their maximum earnings potential.

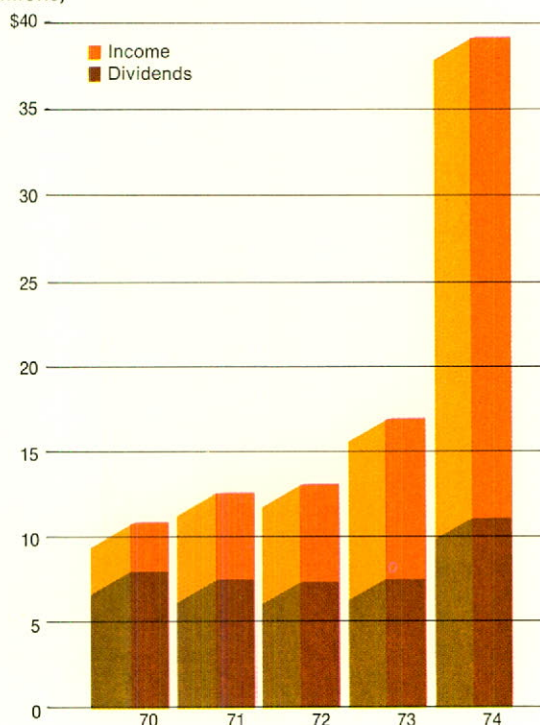
#### Silicon Metal and Ferroalloys

Silicon metal and ferroalloys earnings rose to \$13,288,000 compared with \$2,124,000 earned in 1973. This increase is a result of strong customer demand and good operating performance in 1974. The most significant portion of the earnings improvement came from our Beverly plant where higher sales of high and low carbon ferrochrome products and improved selling prices resulted in Beverly having the best year in its history.

The Alamet acquisition also contributed to higher earnings. When purchased the Selma plant produced ferrosilicon, a less profitable product than silicon metal. The plant was shut down near the end of 1973 while the electric furnace and related equipment were converted to the manufacture of silicon metal. The plant began silicon metal production when a transformer failure, late in 1973, caused a further shutdown. The full earnings impact of the Selma acquisition, therefore, is really being seen for the first time in 1974.

#### Net Income and Common Dividends

(In millions)





### Metal Powders

Metal powders earnings more than doubled in 1974. Income amounted to \$3,457,000 in 1974, compared with \$1,524,000 in 1973. Despite the fact that the metal powders business is heavily dependent upon the automobile industry for much of its volume, the demand for powders was strong throughout most of the year. Strong demand plus price improvements permitted a new earnings record in 1974.

### Packaging and Storage Products

Packaging and storage products income in 1974 rose to \$16,445,000, an increase of \$3,001,000, or 22%, over 1973. This increase is very significant considering that 1973's earnings included a \$3,538,000 gain from the sale of an office building in London and land in Canada.

Packaging earnings improved 14% from 1973. Storage products income increased over 35% from a year ago.

### Furnishings

Home and institutional furnishings reported a loss for the second year in a row. Last year, several unprofitable operations were eliminated and provisions made for disposal of unusable products or materials. However, 1974 failed to produce expected earnings. The largest single factor for this short-fall was the sharp decline in the dinette furniture business in 1974. With sales of dinettes running well below last year and dinette plants working less than full time, unabsorbed operating costs contributed to poor results.

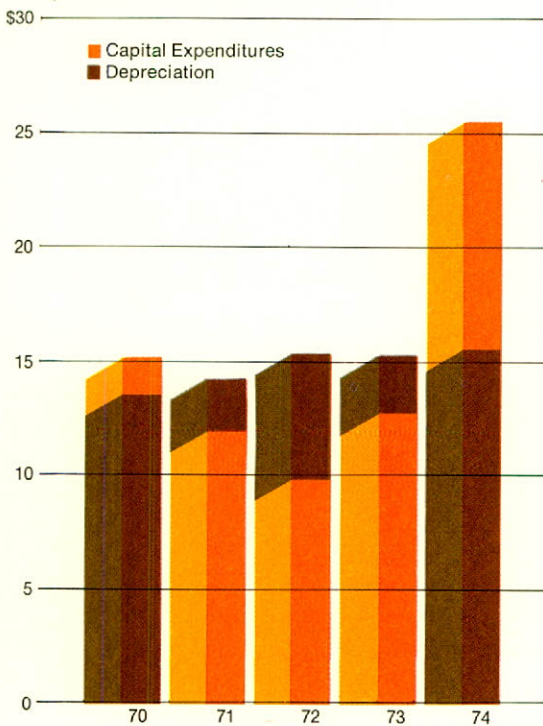
### Net Income

Net income in 1974 was \$38,999,000 compared with \$16,784,000 earned in 1973. Net income per common share rose to \$10.45, compared with \$4.42 per share in 1973. In addition to improved operating results, corporate interest income more than doubled during 1974 as we invested excess cash at high yields. Corporate expenses, not allocated to operations, increased slightly from 1973. 1974 interest expense of \$5,934,000 rose as a result of borrowings used to finance pollution control facilities.

The effective U. S. and foreign income tax rate in 1974 was 45.1%, compared with 37.7% in 1973. Adjustments to taxable income, which Interlake has each year and which tend to lower the effective income tax rate (percentage depletion allowances, investment tax credit, etc.), were about equal to 1973's. The increase in effective tax rate is principally due to higher earnings in 1974. Increased earnings were taxed at a full 48% which raised the effective overall tax rate. Also, in 1973, there was a significant amount of income subject to low taxation rates (gains on the sales of Canadian land and London office building) which tended to lower the effective tax rate for that year.

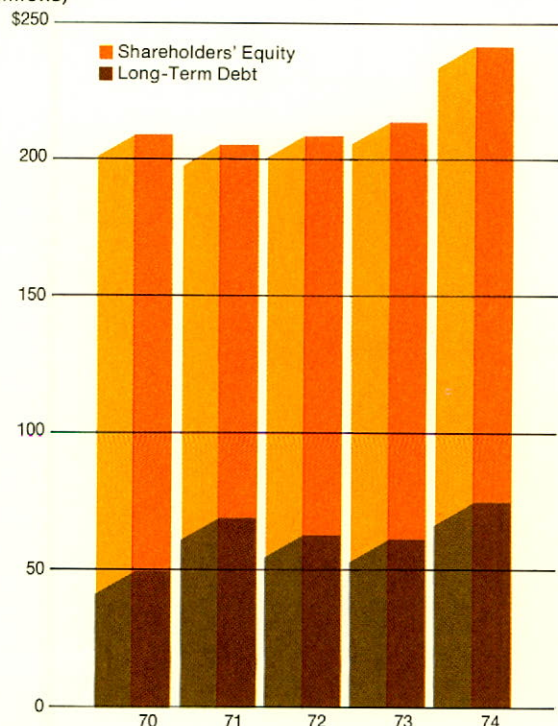
### Capital Expenditures and Depreciation

(In millions)



### Capitalization

(In millions)





# Report of Independent Accountants

## Capital Expenditures

Capital spending in 1974 was \$25,486,000. Spending was concentrated in iron and steel where capital expenditures were \$13,068,000 . . . approximately one-half of total corporate spending. Included in iron and steel expenditures was the cost of relining blast furnaces at Chicago and Toledo, installation of a 5,000 H.P. direct drive motor on Newport's roughing mill, plus numerous other expenditures. Capital expenditures for pollution control devices amounted to \$2,867,000 in 1974.

Capital spending in 1974 at our other operations included:

- fume control facilities at our Beverly, Ohio and Selma, Alabama ferroalloy plants
- a second silicon metal furnace under construction at Selma
- two new annealing lines at our metal powders plant
- installation of pallet rack production equipment at Kilnhurst
- expansion of our Canadian storage products plant (Redirack Industries)
- additional heat treating capacity at our Riverdale, Illinois strapping plant

At year end, Interlake had a backlog of unspent, approved capital appropriations greater than 1974's total capital spending. Continued high earnings are necessary to justify these large investments to expand and modernize our plants and equipment.

## Financial Condition

Interlake's financial condition in 1974 was good. Earnings and non-cash charges (principally depreciation) generated a cash flow of \$53,986,000. In addition, the Company was able to retain a substantial amount of cash from federal income taxes on 1974's much higher earnings, which will not become payable until 1975.

There were a number of substantial demands on our financial resources during 1974. Capital spending amounted to \$25,486,000 and dividends paid in 1974 were \$11,013,000, \$3,640,000 higher than 1973. In addition, the company paid over \$22,000,000 in cash for the outstanding shares of Dexion, and at the end of the year had advanced Dexion approximately \$9,000,000 to liquidate certain of its indebtedness to outsiders.

During 1974, the company entered into long-term leasing arrangements to finance construction of pollution control facilities at Beverly, Ohio and Selma, Alabama. Total borrowings under these agreements amounted to \$11,100,000. At the end of 1974, \$9,569,000 of the amount borrowed to finance the construction of pollution control facilities was unspent and is classified separately in our balance sheet.

The balance sheet of Interlake, Inc. at the end of 1974 includes the accounts of Dexion-Comino International Limited and A. J. Bayer Company of Torrance, California.

At year end, the debt to equity ratio of Interlake stood at 23 to 77, compared with a ratio of 22 to 78 at the end of 1973. The working capital of Interlake at year end was 1.6 to 1, compared with 2.5 to 1 at the end of 1973.

## Form 10-K Available

The company files, with the Securities and Exchange Commission each year, an Annual Report (Form 10-K) which includes much of the data included in this report plus additional data regarding the operations of the company. As we've pointed out in the last two years, any shareholder desiring a copy of our 1974 10-K may have a copy by writing the Secretary at the company's general office.

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

In our opinion, the accompanying consolidated balance sheets and the related statements of consolidated income and retained earnings and the statements of changes in consolidated financial position present fairly the financial position of Interlake, Inc. and its subsidiaries at December 29, 1974 and December 30, 1973, the results of their operations and changes in financial position 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.**

Chicago, Illinois  
January 31, 1975



**Consolidated Income and Retained Earnings**

For the Years Ended December 29, 1974 and December 30, 1973

	1974	1973
<b>Sales and Revenues:</b>		
Net sales	\$623,793,521	\$460,110,994
Other revenues (Note 5)	9,337,558	7,038,258
	633,131,079	467,149,252
<b>Costs and Expenses:</b>		
Cost of products sold (Note 5)	473,222,723	363,113,019
Depreciation, depletion and amortization (Note 1)	15,644,525	15,340,838
Selling and administrative expenses	51,963,560	42,670,509
State, local and miscellaneous taxes	15,351,183	13,756,649
Interest expense	5,934,395	5,322,487
	562,116,386	440,203,502
<b>Income before Taxes on Income</b>	71,014,693	26,945,750
<b>Provision for Income Taxes (Note 8)</b>	32,016,000	10,162,000
<b>Net Income for the Year</b>	38,998,693	16,783,750
<b>Retained Earnings at Beginning of the Year</b>	129,591,281	120,180,122
	168,589,974	136,963,872
<b>Deduct Cash Dividends Paid</b> (\$2.95 per share in 1974 and \$1.95 per share in 1973)	11,012,925	7,372,591
<b>Retained Earnings at End of the Year</b>	\$157,577,049	\$129,591,281
<b>Net Income Per Share of Common Stock</b>	\$10.45	\$4.42

(See notes to consolidated financial statements)



**Changes In Consolidated Financial Position**

For the Years Ended December 29, 1974 and December 30, 1973

	1974	1973
<b>Financial Resources Were Provided By:</b>		
Net income	\$38,998,693	\$16,783,750
Depreciation, depletion and amortization	15,644,525	15,340,838
Equity in undistributed earnings of affiliates and joint ventures	(2,763,421)	(296,692)
Future income taxes	(657,558)	(1,113,000)
Goodwill write-off	—	693,000
Increase in other long-term liabilities	2,143,995	835,229
Working capital provided from operations	53,366,234	32,243,125
Long-term borrowings	11,100,000	—
Reduction of investment in joint venture	—	1,623,507
	64,466,234	33,866,632
<b>Financial Resources Were Used For:</b>		
Capital expenditures less net book value of retirements and sales of \$1,454,876 in 1974 and \$694,801 in 1973	24,031,361	12,078,287
Reduction of long-term debt	4,008,218	2,556,274
Cash dividends	11,012,925	7,372,591
Purchase of Company common stock	—	3,667,821
Acquisitions, net of working capital acquired (Note 6)	18,882,968	358,608
Increase in construction funds held by trustees	8,998,327	—
Other	411,248	(147,977)
	67,345,047	25,885,604
Increase (decrease) in working capital	\$ (2,878,813)	\$ 7,981,028
<b>Increase (Decrease) In Working Capital Comprises:</b>		
Cash	\$ 1,035,596	\$ 1,513,056
Certificates of deposit	(5,272,882)	5,907,076
Marketable securities	(4,733,971)	2,932,590
Receivables	44,118,481	9,664,100
Inventories	49,055,819	(4,693,544)
Other current assets	2,244,323	(999,352)
Notes payable	(16,700,482)	—
Accounts payable and salaries and wages	(48,597,260)	(8,149,016)
Taxes payable	(23,140,699)	2,015,007
Current maturities of long-term debt	(887,738)	(208,889)
	(2,878,813)	7,981,028
Working capital at beginning of year	98,021,465	90,040,437
Working capital at end of year	\$95,142,652	\$98,021,465

(See notes to consolidated financial statements)



# Consolidated Balance Sheet

December 29, 1974 and December 30, 1973

Assets	1974	1973
<b>Current Assets:</b>		
Cash	\$ 5,071,634	\$ 4,036,038
Certificates of deposit	1,647,987	6,920,869
Marketable securities, at lower of cost or market	3,557,451	8,291,422
Receivables, less allowance for doubtful accounts of \$2,450,000 in 1974 and \$950,000 in 1973	106,136,415	62,017,934
Inventories (Note 1)—		
Raw materials and supplies	60,121,078	35,050,208
Semi-finished and finished products	66,332,308	42,347,359
Other current assets	7,578,937	5,334,614
Total current assets	250,445,810	163,998,444
<b>Investments and Other Assets:</b>		
Affiliated and associated companies (Note 1)	5,618,392	3,110,207
Iron ore interests (Notes 1 and 9)	22,367,676	21,293,476
Other investments and deferred charges	8,322,342	7,258,435
Construction funds held by trustees	9,568,928	570,602
	45,877,338	32,232,720
<b>Property, Plant and Equipment, at cost (Note 1):</b>		
Land and mineral properties, less depletion	14,718,260	12,473,371
Plant and equipment	438,286,832	385,357,254
	453,005,092	397,830,625
Less—Depreciation and amortization	264,258,709	242,565,594
	188,746,383	155,265,031
<b>Goodwill (Notes 1 and 6)</b>	11,294,208	10,781,829
	\$496,363,739	\$362,278,024
<b>Liabilities and Shareholders' Equity</b>		
	1974	1973
<b>Current Liabilities:</b>		
Notes payable	\$ 16,700,482	\$ —
Accounts payable	85,713,329	38,647,572
Salaries and wages	14,801,873	13,270,370
Taxes other than income taxes	7,356,939	6,332,749
U. S. and foreign income taxes (Note 8)	28,002,250	5,885,741
Current maturities of long-term debt (Note 2)	2,728,285	1,840,547
Total current liabilities	155,303,158	65,976,979
<b>Long-Term Debt (Note 2)</b>	74,216,174	60,367,069
<b>Other Long-Term Liabilities</b>	8,399,620	5,730,872
<b>Future Income Taxes (Note 1)</b>	13,316,205	13,973,763
<b>Minority Interests in Subsidiaries</b>	2,994,775	2,172,944
<b>Shareholders' Equity:</b>		
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 4,257,128 shares (Note 4)	98,418,612	98,433,467
Retained earnings (Note 3)	157,577,049	129,591,281
	255,995,661	228,024,748
Less—Cost of common stock held in treasury (521,955 shares in 1974 and 525,731 shares in 1973) (Note 4)	13,861,854	13,968,351
	242,133,807	214,056,397
	\$496,363,739	\$362,278,024

(See notes to consolidated financial statements)



# Notes to Consolidated Financial Statements

For the Years Ended December 29, 1974 and December 30, 1973

## NOTE 1—Summary of Significant Accounting Policies:

The **consolidated financial statements** include the accounts of all majority-owned domestic and foreign subsidiaries. Investments in corporate joint ventures and companies owned 20% to 50% are accounted for by the equity method. Such investments are carried at cost plus equity in undistributed net earnings.

**Foreign subsidiaries**, located principally in Canada and Europe, represent approximately 18% of consolidated net assets at December 29, 1974. The accounts of foreign subsidiaries are translated into U.S. dollars at rates of exchange in effect at the balance sheet date, except for properties and related depreciation and amortization which are translated at historical rates and revenues and expenses (except for depreciation and amortization) which are translated at average rates. Exchange adjustments, including accrued losses on unperformed foreign exchange contracts, of insignificant amounts have been reflected in earnings. No provision for U.S. income taxes on unremitted earnings of foreign subsidiaries has been made as it is anticipated that any U.S. taxes on dividend distributions will be offset by foreign tax credits.

**Inventories** are stated at the lower of cost or market value. Cost of domestic inventories is determined principally by the last-in first-out method. Cost of inventories of foreign subsidiaries is determined principally by the first-in first-out method.

**Plant and equipment** are depreciated principally on a straight-line method over the estimated useful lives of the assets. Costs of significant renewals and betterments, including furnace relines, are capitalized. Depreciation claimed for income tax purposes is computed by use of accelerated methods. Income taxes applicable to the additional tax depreciation are credited to future income taxes. Provision for depletion of mineral properties is based on tonnage rates which are expected to amortize the cost of such properties over the estimated amount of mineral deposits to be removed.

**Goodwill** of \$10,417,399 at December 29, 1974, representing the difference between purchase price and the Company's equity in the underlying net assets of companies acquired prior to November 1, 1970, is not being amortized (see Note 6).

The full amount of **investment tax credits** claimed for tax purposes is taken into income in the year the related property is placed in service.

The Company has several **pension plans** which cover substantially all employees. These plans generally follow the basic pension pattern of the steel industry. The provision for pension cost includes current costs plus interest on and amortization of unfunded prior service cost over a period of approximately 25 years. The Company's policy is to fund pension cost accrued.

## NOTE 2—Long-term Debt:

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

	December 29, 1974	December 30, 1973
8.80% debentures, due annually \$2,500,000 1978 to 1995, and \$5,000,000 in 1996	\$50,000,000	\$50,000,000
4 $\frac{7}{8}$ % debentures, due annually \$1,500,000 1975 and 1976, and \$2,477,000 in 1977	3,374,000	4,104,000
Obligations under long-term lease agreements	16,300,000	5,200,000
5 $\frac{1}{8}$ % insurance company loan, due in 1974	—	900,000
5% debentures, due annually \$375,000 1975 to 1978	929,000	929,000
Other	6,341,459	1,074,616
	76,944,459	62,207,616
Less—Current maturities	2,728,285	1,840,547
	\$74,216,174	\$60,367,069

At December 29, 1974, 4 $\frac{7}{8}$ % debentures with a face value of \$2,103,000 were held in the treasury by the Company. Of these, \$1,500,000 may be used to meet the 1975 sinking fund requirement and has 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. Further, 5% debentures with a face value of \$571,000 were held in the treasury by the Company. These debentures will be subject to call for retirement on January 1, 1975, or later, and \$143,000 of the debentures held in the treasury has been applied as a reduction of current maturities of long-term debt and the balance as a reduction of long-term debt.

The long-term lease obligations relate principally to pollution control facilities which are being accounted for as plant and equipment as funds are expended. The interest rates on these obligations vary from 6.00% to 7.88%. Principal payments begin in 1981 (\$500,000) and continue in varying annual amounts through 1999.

## NOTE 3—Retained Earnings:

Under the most restrictive terms of the various loan agreements, the Company may not as of December 29, 1974 pay cash dividends or repurchase the Company's capital stock in amounts aggregating more than \$53,726,739.

## NOTE 4—Common 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 $\frac{1}{3}$ % annually, on a cumulative basis, beginning one year from date of grant. The options outstanding expire at varying dates until 1979.

Changes in the number of shares of common stock under option during the years ended December 29, 1974 and December 30, 1973 were as follows:

	1974	1973
Options outstanding at beginning of year	122,900	109,482
Options granted— Per share—\$25.81 in 1974 and \$23.69 in 1973	48,200	27,000
Options exercised— Per share—\$23.13	(3,200)	—
Options cancelled	(22,900)	(13,582)
Options outstanding at end of year	145,000	122,900
Per share	(\$23.13-\$28.13)	(\$23.13-\$30.57)
Options exercisable at end of year	73,314	73,713



During 1973 the Company purchased 149,165 shares of its common stock for \$3,667,821. Shares purchased are being held in the treasury.

At December 29, 1974, 145,000 treasury shares of common stock were reserved for stock options, 866 for distribution under a deferred compensation plan, and 376,089 were unreserved. During both 1974 and 1973, 576 treasury shares were distributed under the deferred compensation plan.

**NOTE 5—Significant Transactions:**

In 1973 other revenues includes \$3,538,000 of gains from the sale of land and buildings located in Canada and the United Kingdom. Cost of products sold includes a \$2,350,000 write-off of unrecovered costs resulting from the abandonment of an expansion and improvement program at the Company's Newport plant, goodwill write-off of \$693,000 applicable to certain operations terminated during the year, and a gain of \$1,209,000 from the sale of an iron ore interest. These transactions increased 1973 net income \$2,065,000.

**NOTE 6—Acquisitions:**

In October, 1974 the Company acquired substantially all of the outstanding ordinary and preference shares of Dexion-Comino International Limited, a producer of storage and material handling products with manufacturing operations principally in Europe, for an aggregate cash cost of \$22,080,000. The acquisition is being accounted for using the purchase method. The excess of the acquisition cost over the fair value of the net assets acquired, \$832,000, is being amortized on a straight-line basis over a 30 year period. The consolidated financial statements include Dexion's operating results for the month of November, 1974 and financial position as of November 30, 1974.

Following is a pro forma summary of the consolidated results of operations for 1973 and 1974, including Dexion's operations for the fiscal years ended October 31, 1973 and 1974, assuming that the acquisition had occurred at the beginning of 1973. Pro forma consolidated earnings have been adjusted to reflect interest on the funds expended to acquire Dexion, depreciation and amortization of the fair value adjustment of acquired assets and goodwill, and a change in accounting methods to conform with the Company's accounting policy for the translation of foreign currencies.

	1974	1973
Net sales	\$727,832,000	\$557,862,000
Net income	\$ 41,137,000	\$ 15,868,000
Net income per share of common stock	\$11.02	\$4.18

In December, 1974 the Company acquired all of the outstanding common stock of A. J. Bayer Company for \$1,070,000 in a transaction accounted for by the purchase method. The consolidated balance sheet includes the accounts of A. J. Bayer Company as of December 29, 1974. Bayer's operations are not significant in relation to the consolidated operating results of the Company.

The fair value of non-current assets and liabilities of Dexion and A. J. Bayer Company at the respective dates of acquisition were:

Property, plant and equipment	\$24,759,373
Other assets (including goodwill)	1,706,595
Long-term debt	(6,757,323)
Other long-term liabilities	(825,677)
	\$18,882,968

During 1973 the Company acquired an additional interest in Gerrard Industries, Limited and all of the outstanding common stock of Alabama Metallurgical Corporation. These acquisitions did not have a significant effect on the Company's consolidated financial statements.

**NOTE 7—Pension Plans:**

Pension costs were \$13,659,000 in 1974 and \$10,656,000 in 1973. The actuarially computed value of vested benefits per the latest actuarial reports exceeded the market value of the pension fund assets by approximately \$56,000,000 and \$40,000,000 as of December 29, 1974 and December 30, 1973, respectively.

**NOTE 8—Income Taxes:**

The provision for income taxes consists of:

	1974	1973
Currently payable:		
U.S. Federal (less investment credits of \$621,000 in 1974 and \$482,000 in 1973)	\$26,636,000	\$ 8,098,000
State and foreign	5,330,000	3,049,000
Deferred	50,000	(985,000)
	\$32,016,000	\$10,162,000

The consolidated tax provision results in an effective tax rate lower than prevailing rates due principally to investment tax credits, earnings of affiliated companies, percentage depletion allowances and, in 1973, gains from sale of properties in foreign countries for which only minimal taxes were required.

As of December 29, 1974 Federal income tax returns for the years 1965 through 1969 have been examined and returns for the years 1970 and 1971 were in process of examination. A number of adjustments have been proposed, one of which involves the determination of the cost of ore from one of the Company's iron ore interests and could result in certain of these costs being disallowed as a tax deduction. The Company believes that its position on this issue has merit and should not result in any significant adjustment. In the opinion of management, adequate provision has been made for possible tax assessments.

**NOTE 9—Commitments:**

With respect to the Company's interest in two mining joint ventures, the Company is required to take its ownership proportion of 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. Such costs include, as a minimum and regardless of the quantity of ore received, annual interest and sinking fund requirements of the funded debt of these projects of approximately \$3,500,000 through 1983, and lesser amounts thereafter through 1991.

Noncancelable leases for pollution control facilities have been capitalized. All other lease commitments, considered in the aggregate, are not material in relation to the operations of the Company.



# Five Year Financial Summary of Operations

(Amounts in thousands—except per share statistics)

For The Year		1974	1973	1972	1971	1970
Net Sales		\$623,794	\$460,111	\$387,749	\$352,085	\$329,954
Other Revenues		9,337	7,038	1,544	1,304	2,737
		633,131	467,149	389,293	353,389	332,691
Cost of Products Sold and Operating Expense		556,182	434,881	361,426	327,825	311,497
Interest Expense		5,934	5,322	5,497	4,721	3,611
		562,116	440,203	366,923	332,546	315,108
Income Before Taxes on Income		71,015	26,946	22,370	20,843	17,583
Provision for U.S. and Foreign Income Taxes		32,016	10,162	9,398	8,319	6,917
Net Income	Amount	38,999	16,784	12,972	12,524	10,666
	Per Common Share	10.45	4.42	3.26	3.03	2.42
	% of Net Sales	6.3%	3.6%	3.3%	3.6%	3.2%
	% of Shareholders' Equity	16.1%	7.8%	6.2%	6.1%	5.1%
Cash Flow (net income, depreciation and future income taxes)		53,986	31,012	27,267	25,643	23,374
Common Stock Dividends	Amount	11,013	7,373	7,158	7,400	7,941
	Per Share	2.95	1.95	1.80	1.80	1.80
	% of Net Income	28.2%	43.9%	55.2%	59.1%	74.4%
Capital Expenditures (excluding assets of acquired businesses)		25,486	12,773	9,818	12,146	15,187
Depreciation		15,645	15,341	15,362	14,212	13,615
<b>At Year End</b>						
Working Capital	Amount	\$ 95,143	\$ 98,021	\$ 90,040	\$ 86,839	\$ 77,277
	Current Ratio	1.6 to 1	2.5 to 1	2.5 to 1	2.6 to 1	2.3 to 1
Property, Plant and Equipment (Net)		188,746	155,265	153,697	159,304	161,305
Long-Term Debt (less current maturities)		74,216	60,367	62,923	68,115	49,071
Future Income Taxes		13,316	13,974	15,816	16,883	17,765
Common Shareholders' Equity	Amount	242,134	214,056	208,295	206,171	209,299
	Shares Outstanding	3,735	3,731	3,880	4,011	4,412
	Per Share	64.83	57.37	53.68	51.40	47.44
Common Stock Price Range		29½ – 20⅞	29 – 19⅞	32⅛ – 26⅞	30⅞ – 24¼	30 – 21¾
Common Stock Price at Year End		26¾	21	28¾	28	24¾
Price Earnings Ratio (based upon year-end stock price)		2.56	4.75	8.82	9.24	10.07
Number of Shareholders		24,624	24,898	25,036	25,919	26,917
Number of Employees		13,391	10,272	9,440	9,224	9,616



# Management's Discussion of Summary of Operations

Following is a brief discussion of major items giving rise to changes in Interlake's income for the past five years as shown in the preceding summary of operations. A more detailed review of operations and Interlake's financial condition for 1974 is included in the "Operating/Financial Review" section of this report.

Earnings per common share is based on the average number of common shares outstanding during each year.

Except as noted in the comments below relating to other revenues, there have been no changes in accounting principles followed by Interlake, or in the method of applying these principles, which had a material effect on net income reported during the past five years.

## Sales

Net sales reached a record level in 1974. Sales in each of the last five years surpassed the previous year's record. Sales growth can best be portrayed by the following comparison of sales of each Interlake business:

(In millions)	1974	1973	1972	1971	1970
Iron	\$103.0	\$ 78.6	\$ 62.7	\$ 57.9	\$ 50.9
Steel	202.6	142.4	131.3	112.5	106.3
Silicon metal/ Ferroalloys	55.1	32.9	22.3	24.3	24.6
Metal powders	34.0	26.5	17.2	13.8	14.0
Packaging/ Shipping	119.2	95.6	77.9	75.1	69.0
Storage/ Handling	79.9	50.0	42.1	36.3	35.1
Furnishings	30.0	34.1	34.2	32.2	30.0
	\$623.8	\$460.1	\$387.7	\$352.1	\$329.9

Interlake reported a significant sales increase in 1973 when sales of \$460.1 million increased \$72.4 million, or 19%, from the previous year. The sales increase resulted primarily from strong demand and ample inventories permitted shipments in excess of annual production capacity. In 1973, sales volume and product mix accounted for 65% of the increase shown, price increases boosted sales 24% and companies acquired (net of discontinued operations) provided the balance.

1974 sales of \$623.8 million increased \$163.7 million, or 36%, from 1973, because of higher selling prices. Selling prices in the previous two years were unrealistically frozen by government controls. As a result, when price controls were lifted in 1974, increases were put into effect to help recover costs.

## Other Revenues

Other revenues include interest income, gains on the sale of corporate properties, and rent and royalty income.

Other revenues in 1970 included dividend income from an investment in a coal mining operation. In 1971, Interlake adopted the equity method of accounting for joint ventures and other companies 20% to 50% owned. Income from these operations is treated as a reduction of cost of products sold in subsequent years.

In 1973, Interlake sold a parcel of vacant land in Canada and an office building in London. The pre-tax gain on the sale of these two properties of approximately \$3.5 million is included in other revenues. Also, in 1973, interest income increased more than \$1 million from the previous year. Other revenues in 1974 include sales of vacant land in Burnham, Illinois and idle equipment. Interest income in 1974 increased \$1.9 million from 1973 as a result of higher yields and higher average cash balances on hand during most of the year. Also included in other revenues in 1974 is rental income from the lease of the Erie coke facility.

## Cost of Products Sold and Operating Expense

Cost of products sold and operating expenses during the period 1970-1973 remained relatively stable compared with net sales. The weighted average of these expenses, as a percent of sales for the period was 93.8%. In 1974, however, because of increased selling prices previously discussed, these costs amounted to 89.2% of net sales.

A decline in 1974 operating costs, when expressed as a percent of sales, should not be construed to mean that these costs or expenses were held in check or reduced during the year. On the contrary, raw materials, power, labor, and most other costs incurred by Interlake increased steadily throughout 1974. As a result of high operating levels sustained in 1973 and 1974, maintenance and repair costs also increased significantly compared with earlier periods. In addition, real estate, payroll, and other taxes, over which we have little control, have risen steadily in recent years.

## Interest Expense

Interest expense during the past three years has remained relatively unchanged. In 1971, the company issued \$50,000,000 of 8.8% debentures to repay outstanding bank loans. The additional borrowings in 1971 and the higher interest rate applicable to long-term financing accounts for increased interest expense shown in 1971 and 1972.

Interest expense increased slightly in 1974 principally as a result of additional borrowings used to finance pollution control facilities.

## U.S. and Foreign Income Taxes

The tax provision shown in the five-year summary of operations is at an effective rate lower than prevailing tax rates due principally to percentage depletion allowances, earnings of affiliated companies and investment tax credits.

Provision for U.S. and foreign income taxes was at an effective rate of 37.7% in 1973 compared with an effective rate of 42.0% in 1972. The lower rate in 1973 was due to the real estate transactions mentioned previously. Under applicable foreign tax regulations, gains on these sales were subject to minimal income taxes. The effective tax rate in 1974 increased to 45.1% because of much higher operating income subject to income taxes at normal rates.

## Summary of Earnings by Line of Business

Earnings established a new record level in 1974 and were up for the fourth consecutive year. As can be seen from the following table, most of the Company's principal lines of business contributed to the 1974 advance in income before taxes.

(In millions)	1974	1973	1972	1971	1970
Iron and Steel	\$45.5	\$16.6	\$18.5	\$13.0	\$10.0
Silicon metal/ Ferroalloys	13.3	2.1	1.3	4.5	3.2
Metal powders	3.5	1.5	(.4)	.1	1.2
Packaging/ Storage	16.4	13.4	7.2	6.6	4.9
Furnishings	(2.6)	(1.8)	.8	1.2	1.1
	76.1	31.8	27.4	25.4	20.4
Corporate items	(5.1)	(4.9)	(5.0)	(4.6)	(2.8)
Income before taxes	\$71.0	\$26.9	\$22.4	\$20.8	\$17.6

( ) denotes loss or expense



# Directors/Officers

## Executive Changes

Two executive changes occurred during the year:

**Robert M. Gilason**, formerly Vice President—Marketing, was appointed President of our Howell division.

**H. Harry Henderson** assumed additional responsibilities in his new capacity of Vice President—Marketing and Public Affairs. He was formerly Vice President—Public Affairs and Public Relations.



**Reynold C. MacDonald, 56†**  
Chairman of the Board and  
Chief Executive Officer,  
Director, Interlake, Inc.  
1967\*

**†Frank J. Burgert, 54**  
President and Chief  
Operating Officer, Director  
Interlake, Inc.  
\*1972



**Robert Jacobs, 56**  
Executive Vice President  
Finance and Administration,  
Director, Interlake Inc.  
1969\*

- † Member of Executive Committee
- Member of Audit Review Committee
- ▲ Member of Pension Review Committee
- ◆ Member of Compensation and Stock Option Committees
- \* Year in which he became director



# 1974 Corporate Briefs

## 14 Labor Agreements Signed

Fourteen labor agreements were renegotiated during the year, including the pacts covering our major iron and steel producing locations. One strike occurred at a small plant. Generally, our union and labor relations continue to be stable and constructive.

The negotiations resulted in competitive and substantial increases in wages and benefits. Salaries and benefit levels of salaried employees were also adjusted upward to provide appropriate equity for these employees.

## Equal Employment

Interlake has a continuing commitment to provide equal employment opportunities for minority group members and females in all job categories. Various corporate and plant level programs involve affirmative actions to meet this

commitment. In 1974, minority representation in several white collar job categories increased, and employees of minority groups comprise about 25% of our total domestic work force.

## Environmental Control

We spent \$2.9 million in 1974 for environmental control equipment (see back of flaps). In the past five years, we've spent \$13.5 million for these activities, not including an added 12-15% for operating costs of the new equipment. The chart below relates our environmental spending to all other capital expenditures during the last five years.

We continue our objectives to work with federal, state and local agencies to find the most equitable and practical solutions to the complex environmental problems in our nation.

## Safety Improves Again

Interlake employees observed "safety first" during 1974 as never before. Significant reductions were made in major and minor injuries. Our disabling injury frequency rate dropped more than 30% from last year, hitting a new record low and continuing a downward trend that started eight years ago. A corresponding reduction in severity (time lost from work-related injuries) was also realized from the lower accident rate. Lost workdays were down 34% from last year.

## Research and Development

As we pointed out a year ago, our research and development activity doesn't often produce dramatic technological breakthroughs that catch the fancy of investors. Generally speaking, our research is less dramatic but, nevertheless, most important to us. Ours involves day-to-day striving to:

- improve present products
- find new applications for present products
- develop new products
- solve manufacturing process problems
- develop new manufacturing processes and methods
- research and test products and raw materials.

In December, 1974, our corporate research department was working on 133 projects for the company and divisions. About \$2.1 million was spent for R&D activities in '74.

## Advertising/Sales Promotion

Like most major corporations, we use many types of advertising and sales promotion activities to interpret our customer-oriented marketing philosophies and to sell our products. In 1974, Interlake and its operating divisions spent \$2,198,000 for these purposes.

## Community Response

Our company and many of its employees continued their activities in response to community needs during the year. Thousands of volunteer hours were devoted to community and political programs of all types:

- Financial and in-kind contributions to charitable and community organizations
- Support of minority business and similar programs
- Working with youth groups
- Through memberships in over 150 organizations, our company and its employees attempt to carry out our responsibility as a good corporate citizen.

Last year, Interlake's Foundation contributed \$200,000 to 317 organizations involved in community service, education, economic and promotion organizations, health agencies, and civic and cultural groups. We also instituted a program in which Interlake matches financial gifts to the colleges who received contributions from employees.

## Good Government Program

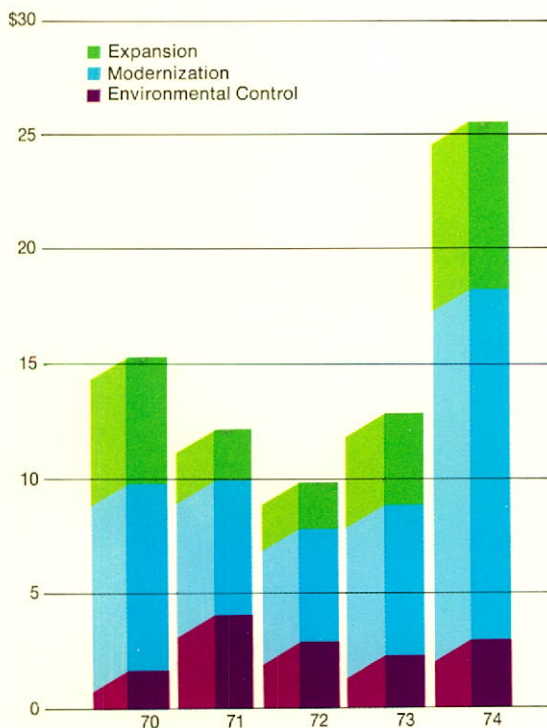
Last year, prior to the election, we carried on a company-wide "Good Government Program" at all plant locations to encourage employee involvement in political campaigns, voter registration, and those activities which are vital to the success of the American Republic.

Interlake made no contribution to any candidate in the last election. All employees, however, were encouraged to contribute to the candidate and party of their choice, and many did so.

Politics is everybody's business and we constantly remind our employees and shareholders that our form of government can only survive if we participate as individuals.

## Capital Expenditures—By Type

(In millions)





**interlake, inc.**

310 South Michigan Avenue  
Chicago, Illinois 60604

**Earnings per share  
reach \$10.45**

**Net income: \$39 million**

**Sales pass  
half-billion mark**

**Capital expenditures:  
\$25.5 million**

**Dividends increased—'74  
payout \$2.95**

**☑ DEXION now in  
Interlake family**

**Storage company  
formed in Japan**

**Participant in  
new coal mine  
joint venture**

**A. J. Bayer acquired**

- Earnings per share in 1974 rose for the fourth consecutive year, compared to \$4.42 in 1973; \$3.26 in 1972; \$3.03 in 1971; and \$2.42 in 1970.
- Net income also was higher for the fourth year in a row.
- Sales in 1974 moved past the half-billion mark for the first time, reaching \$623.8 million!
- Capital expenditures in 1974 were almost double those a year ago. Spent for: expansion, 29%, environmental control, 11%, and modernization, 60%.
- Interlake's \$1.80 per share annual dividend was raised to \$2.00, and a special \$1.00 a share dividend was declared in the fourth quarter.
- In October, we acquired Dexion-Comino International Limited, an England-based materials handling firm with annual sales over \$100 million.
- We entered into a joint venture with Kawasaki Steel, Tokyo, to form Kawatetsu-Interlake, Ltd. The new company will market storage racks and systems in Japan.
- We finalized a joint venture with Ford Motor Company, Wheeling-Pittsburgh Steel Corp. and Pickands Mather, to build and operate a 1,250,000 ton-per-year underground coal mine and processing plant near Pikeville, Ky.
- We acquired A. J. Bayer Company, Torrance, Calif., a producer of conveyors which will enable us to offer more complete materials handling systems.