Interlake, Inc.

Annual Report

1982

Interlake, Inc. is a diversified multi-national engaged in two principal businesses, metals and materials handling. The metals business includes iron and steel products, metal powders, investment and die castings, and silicon metal and ferroalloys. The materials handling business includes material handling/storage products and packaging products.

Annual Meeting

Shareholders are invited to attend the Corporation's 1983 Annual Meeting at 10:00 A.M. (Eastern Standard Time) on Thursday, April 28, 1983, in the Basildon Room, Third Floor, The Waldorf-Astoria, 301 Park Avenue, New York, New York. Proxy statements will be mailed in late March.

Common Stock Listed and Traded

New York Stock Exchange, Midwest Stock Exchange

Stock Symbol: IK

Transfer Agent and Registrar

The First National Bank of Chicago, Chicago, Illinois

Independent Accountants

Price Waterhouse, Chicago, Illinois

Form 10-K Available

Copies of the Company's Form 10-K Annual Report to the Securities and Exchange Commission are available upon request. Shareholders desiring a Form 10-K or additional information about Interlake should address their inquiries to: Secretary, Interlake, Inc., 2015 Spring Road, Oak Brook, Illinois 60521.

Interlake, Inc. 1982 Financial Highlights

For The Year (in thousands)	1982	1981	% Change
Net sales	**$767,300**	$1,016,605	(24.5)
Net income	**5,752**	46,577	(87.7)
Capital expenditures	**27,864**	37,393	(25.5)
Cash dividends declared or paid	**15,998**	14,735	8.6
At Year-End (in thousands)			
Working capital	**$175,891**	$ 199,803	(12.0)
Current ratio	**2.1 to 1**	2.2 to 1	(4.5)
Property, plant and equipment—net	**260,236**	263,296	(1.2)
Long-term debt, less current maturities	**122,338**	126,618	(3.4)
Shareholders' equity	**323,251**	358,748	(9.9)
Shares outstanding	**5,708**	6,179	(7.6)
Per Share Statistics			
Net income	**$ .92**	$ 7.59	(87.9)
Cash dividends declared or paid	**2.60**	2.40	8.3
Shareholders' equity at year-end	**56.63**	58.06	(2.5)

Sales and Earnings by Business Segments (in millions)

	Sales		Earnings	
	1982	1981	**1982**	1981
Metals				
Investment/Die Castings	**$ 95.0**	$ 108.5	**$ 3.7**	$14.1
Metal Powders	**71.0**	87.7	**12.1**	16.9
Silicon Metal/Ferroalloys	**55.1**	95.7	**(3.4)**	8.9
Iron/Steel	**196.2**	344.2	**(12.7)**	19.3
Materials Handling				
Material Handling/Storage Products	**253.7**	277.4	**2.1**	9.7
Packaging	**144.3**	175.0	**9.9**	13.2
Corporate Items/Eliminations	**(48.0)**	(71.9)	**(4.5)**	(3.0)
	$767.3	$1,016.6	**$ 7.2**	$79.1

Contents:

To Our Shareholders and Employees:

The worldwide recession caught up with Interlake's markets and businesses in 1982. The result: sales and earnings dropped sharply from high levels in 1981. Interlake employees worked hard to offset the negative impact from sharply reduced demand and intense price competition.

Major belt-tightening efforts included:

- ☐ strict cost and inventory controls
- ☐ operating and energy conservation programs
- ☐ job consolidations and eliminations

1982 Results 1982 net income dropped to \$5.8 million, equal to \$.92 per share, compared with \$46.6 million, or \$7.59 per share, last year. Sales declined to \$767.3 million from the \$1.02 billion reported for 1981.

Weakness in our major markets persisted throughout the 1982 fourth quarter, as net income dropped to \$493,000, or \$.08 per share, compared with earnings of \$11.7 million, or \$1.88 per share, in the fourth quarter of 1981.

Significant Items Decisions were made during 1982 to discontinue three operations. They were not producing an adequate return on investment and there were no prospects for improvement in the future. Thus, a die casting plant in Hazleton, Pennsylvania, has been closed, and a small investment casting operation in Rockleigh, New Jersey, will be closed. Equipment from both facilities will be relocated to other operations. In addition, a material handling marketing unit in Denmark will also be shut down.

Provisions for these closings reduced 1982 net income by \$3.4 million, or \$.54 per share. Of that amount, \$2.0 million, or \$.32 per share, was in the fourth quarter.

Across-the-board inventory reductions were achieved during 1982 to bring inventories in line with business conditions, improve cash flow and reduce interest costs. The \$17.5 million inventory reduction during 1982 not only reduced carrying costs, but also generated positive cash flow in excess of \$23 million.

Reynold C. MacDonald   Frederick C. Langenberg

Most of Interlake's inventories are accounted for under the last-in, first-out (LIFO) method. As a result, lower inventory levels had the net effect of increasing 1982 net income by \$7.5 million, or \$1.19 per share. Of that amount, \$6.0 million, or \$.94 per share, occurred in the fourth quarter.

Strong Financial Condition We are pleased to report that Interlake maintained a strong financial position during the year, despite business conditions.

The balance sheet remains strong, liquid and a source of financial flexibility. Our cash position is good, and is only \$2.7 million below 1981 . . . even after our stock repurchase, which required \$19 million. Our present borrowing capacity on existing bank lines exceeds \$120 million.

Dividend Maintained Interlake's financial strength was the important factor when a decision was made in 1981 to increase the quarterly dividend to \$.65. Your board voted to maintain the dividend throughout 1982 because of the company's continuing financial strength and flexibility.

Stock Repurchased Interlake repurchased 714,929 of its shares from Madison Fund, Inc. in November, 1982. The remaining 1,000,000 shares previously held by Madison Fund were acquired by investors who hold this stock subject to standstill agreements with Interlake.

In October, 1982, Madison Fund announced it had entered into an agreement in principle to be acquired by Warner Communications, Inc. At about the same time, Warner stated its intention to convert Madison Fund's assets into cash.

Subsequently, management and the board of directors agreed to purchase 714,929 shares for $28.00 per share. $26.50 per share was paid to Madison Fund in cash in November, 1982. The remaining $1.50 per share is due in November, 1983.

Business Overview Interlake's principal businesses are metals and materials handling. Our divisions and subsidiaries serve many key industries, including automotive, aerospace, construction, aluminum and primary metals.

Despite the recession's impact on these industries, Interlake's metal powder producing subsidiary and our packaging division turned in reasonably good performances. But our investment/die castings business declined significantly from 1981 levels. Investment casting was impacted by low demand from the commercial aviation industry. But, on the other hand, orders from the defense sector did help results.

Dexion-Comino International, Ltd. was the hardest hit of our material handling businesses. But our domestic and Australian operations did fare somewhat better.

Interlake's Iron and Steel Division and silicon metal/ferroalloy division serve industries very heavily impacted by the recession and low-priced foreign imports. Although both divisions reported losses for 1982, they did make substantial operational improvements that have made them more efficient.

Capital Expenditures Capital expenditures were carefully monitored in 1982 and reached only $27.9 million. Major investments were made in investment casting facilities and powder metallurgy research and development. And the expansion programs announced a year ago will be completed in early 1983 at material handling, investment casting and die casting operations.

Labor Relations/Safety While labor negotiations, in general, proceeded normally throughout the company in 1982, the new contract at the Riverdale, Illinois, steel plant is significant. Its terms recognize the economic realities of the steel industry and the mutual stake held by both labor and management in working toward the survival of its plants. Labor costs at Riverdale will moderate through agreed-to adjustments in certain wage, cost-of-living and benefit provisions.

We are especially proud of Interlake's employees' safety record. During 1982, the disabling accident frequency rate dropped to .49 per 200,000 man-hours, from .61 in 1981. According to national statistics, this is one of the best records in industry and means that Interlake employees are safer on the job than off the job.

Outlook Interlake's businesses will improve as economic recovery takes place. We know the company has made substantial gains in operating efficiency, inventory control and cost reductions. And their impact will be more evident in the near future. This worldwide commitment to improved productivity and more efficient operations helped 1982 sales and earnings.

In a rebounding global economy, the contributions Interlake people everywhere have made to the organization's fundamental efficiencies will pay off. In turn, shareholders can anticipate continued financial strength and management emphasis on increased return on investment.

Reynold C. MacDonald
Chairman of the Board

Frederick C. Langenberg
President and Chief Executive Officer

February 24, 1983

An Interview with Reynold C. MacDonald and Frederick C. Langenberg

Important factors that influenced Interlake's 1982 performance were discussed by Reynold C. MacDonald, chairman of the board, and Frederick C. Langenberg, president and chief executive officer.

Question: *How would you describe 1982 results?*

Mr. MacDonald: Poor. The severe recession ravaged industry worldwide. Unemployment was at a post-war high with plant capacity utilization at its lowest point in over three decades.

For Interlake, this translated into sales and earnings well below our expectations. Major customer groups—notably aerospace, automotive and primary metals—were hard hit, working down inventories and curtailing purchases. Demand simply evaporated.

Our task became one of minimizing the effects of poor market conditions, while maintaining the company's financial strength and flexibility for renewed growth in economic recovery. We feel we accomplished that.

Mr. Langenberg: A key to analyzing 1982 is to realize that fundamental changes occurred that will not vanish with an economic upswing. In this new disinflationary environment, price increases will no longer be the way to achieve acceptable profit margins. In 1983 and beyond, other factors will take on increasing importance. Cost reduction and control. Increased return on assets. Research and development. Product quality and competitiveness. These factors will be the keys to generating a satisfactory return on investment, even after business conditions improve.

Question: *Did any Interlake divisions do well in 1982?*

Mr. Langenberg: Hoeganaes metal powders and Acme Packaging were our best 1982 performers with division earnings of $12.1 million and $9.9 million, respectively—both down over 25% from last year. However, each one had a reasonable return on investment performance.

As a matter of fact, both the domestic packaging and material handling operations managed to improve their overall return on investment during 1982. Certainly a major accomplishment in a difficult environment.

The Iron and Steel Division reduced its costs by over $20 million through material savings, operating efficiencies and other cost reduction projects. This significantly diminished their loss.

Question: *How do you explain the reversal from 1981's record?*

Mr. MacDonald: Keep in mind that the economy began trending down in the middle of 1981. So in the first place, we are dealing with a recession approaching 20 months duration.

Beyond being unusually long, this recession has been unusually pervasive, both by industry and geography.

Die castings from Arwood are an efficient method for mass producing parts for such industries as instruments and controls, automotive, and tools and appliances.

In the past, Interlake's diversification offered some insularity to business cycles. But this time, virtually every major industry served by Interlake was down. To name a few: automotive, commercial aviation, machinery and equipment, aluminum, steel, primary metals and foundries, construction, forest products, chemicals. Canada and the countries we serve in Europe are also suffering through severe economic difficulties.

So the erosion of Interlake's sales and earnings must be viewed in this context. Fortunately, the company's fundamental strengths are intact.

Question: *Were there significant items that affected 1982 income?*

Mr. Langenberg: Yes, they were primarily the effects of inventory reductions and provisions for closing certain operations.

Decisions to discontinue three operations resulted in a $3.4 million charge against net income. In each case, the operation discontinued had below par performance and projections showed no near-term improvement.

We decided to close a die casting facility in Hazleton, Pennsylvania. Much of its equipment will be relocated to other Arwood die casting plants as needed. Many of the plant's customers will continue to be served from the High Point, North Carolina, facility.

Arwood's Jetshapes investment casting plant will also be closed. Importantly, however, we expect to consolidate much of that operation's airfoil investment casting business at Duradyne Technologies, another Arwood facility in Mentor, Ohio. Finally, a Dexion-Comino marketing unit in Denmark will be closed.

Shareholders' investments must be productively employed. Generating a satisfactory return on all assets is the best way to secure the company's long-term potential. When certain plants or product lines don't meet this requirement, divestitures are necessary.

Question: *Will you discuss the impact of LIFO on 1982?*

Mr. MacDonald: In the first place we decided to reduce inventories in order to match business levels and release cash for more productive purposes. Importantly, those inventory reductions generated $23 million in positive cash flow at a time when it was vital.

Another consequence of reducing Interlake's LIFO-based inventories in 1982 was to increase earnings. For Interlake, LIFO inventory liquidations added $7.5 million to 1982 net income.

Question: *How has Interlake's financial position been affected?*

Mr. MacDonald: Interlake remained in excellent financial condition. We closed 1981, our record year, with a debt/equity ratio of 28/72, a current ratio of 2.2/1 and a quick ratio of 1.1/1. That was Interlake's strongest position ever.

At the end of 1982—a very demanding year—Interlake's debt/equity ratio was 30/70, the current ratio was 2.1/1 and the quick ratio 1.0/1. Obviously, the company's fundamental strengths were not significantly diminished by the difficulties of 1982.

Mr. Langenberg: This continued financial strength is critical to Interlake's flexibility and ability to take advantage of growth opportunities as they are presented. Liquidity remains good. Bank lines totaling $137 million are

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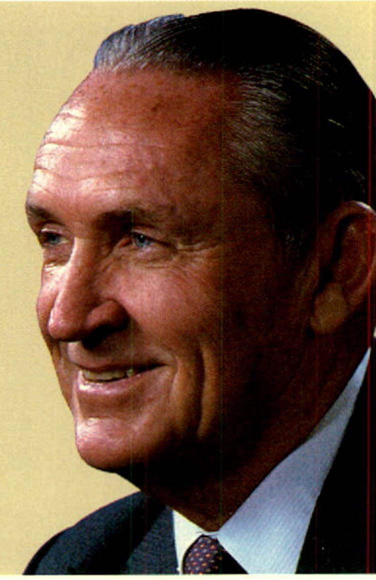
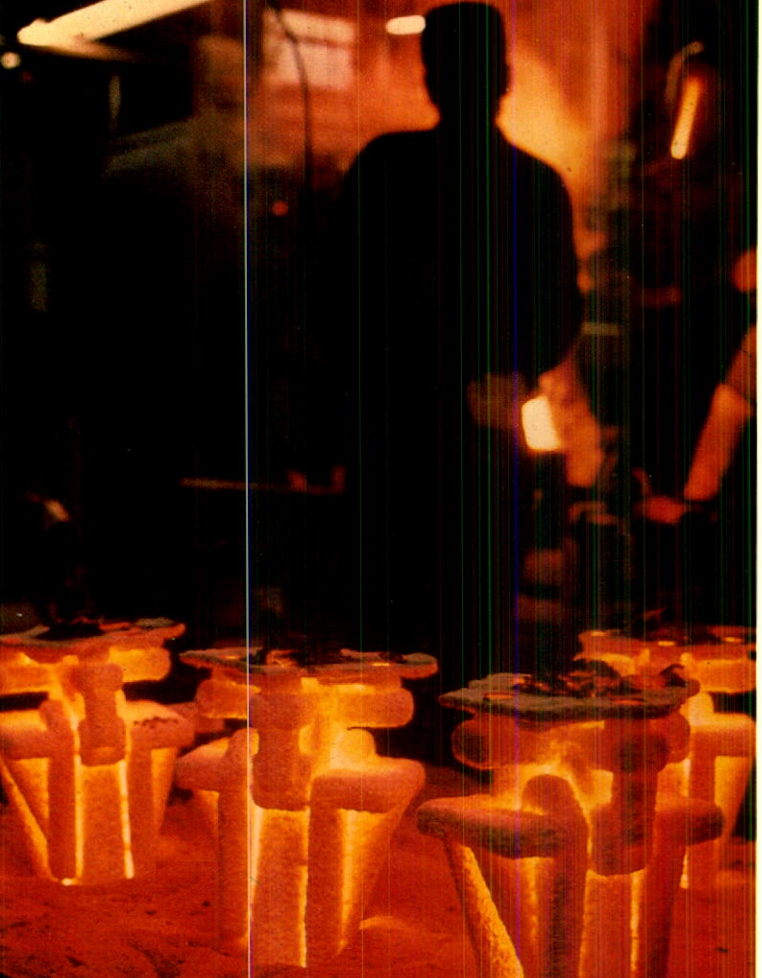
Reynold C. MacDonald





Arwood's investment castings have application in the aerospace and defense industries where performance demands precision shape and metallurgical properties.

The Acme Packaging Division is a leader in strapping and stitching products used by major industries including paper, forest products, primary metals and graphic arts.

available with $12.4 million borrowed against these lines at the end of 1982.

Question: *Why did Interlake repurchase stock from Madison Fund?*

Mr. Langenberg: Madison announced that they had agreed to be acquired by Warner Communications. Warner then said that it would convert Madison's holdings to cash.

That action would have placed about 27% of Interlake's outstanding common shares on the market. We felt that the situation gave us the opportunity to make a good investment that was also in the best interests of Interlake's long-term stability.

Question: *How did Interlake's businesses adjust to the recession?*

Mr. Langenberg: In many ways. Many actions involved enhanced operating efficiencies. For example, Arwood's Die Casting and Investment Casting Divisions worked down accounts receivable, reduced raw material inventories, trimmed staff and shifted marketing emphasis from commercial aviation to the defense industry.

Acme Packaging consolidated employees' duties, adopted a more flexible pricing strategy and brought improved non-metallic strapping and a new high tensile steel strap to the marketplace. And Hoeganaes Corporation was able to benefit substantially from reduced scrap prices, coupled with the effect of cost reduction programs begun in 1981.

Our domestic storage operation and the domestic packaging group improved their asset management which aided gains in their return on investment.

These are just a few examples. But the cumulative effect of many such activities in each division and operating unit helped Interlake cope with the recession. These, and other similar efforts will continue throughout the company and have a more positive impact in the future.


Iron and Steel Division produces pig iron, molten iron, hot and cold rolled carbon sheets and strip, hot rolled plates and bars, alloy sheets, strip, plates and bars.


Material Handling and Storage Products provides storage rack and automated systems for industries including pharmaceutical, automotive and equipment, food and retail.

Mr. MacDonald: Other efforts were directed outward to the marketplace.

A world leader in stitching products, Acme Packaging began marketing a new loop stitcher that is expected to be well received in the printing and binding industry. Other new products were introduced that opened new markets for Acme in the food and health products industries. The steel strap Mr. Langenberg mentioned is a new product called SupraMet. It is made through an Interlake patented process that allows us to offer our customers high tensile strapping at a lower cost.

Again, a few examples of division activities that, taken together, helped blunt the impact of the recession for Interlake as a whole.

Question: *How well did Interlake weather the recession?*

Mr. MacDonald: In broad terms, we have improved the efficiency of our operations throughout the company.

Unfortunately, poor business conditions overwhelmed the improvements. Benefits were not reflected in higher earnings, but that will come. The foundation is in place.

Mr. Langenberg: We have also accomplished some necessary pruning and we are prepared to consider other divestitures when and where performance falls short of the requirement to produce a good return.

Question: *Can these belt-tightening improvements be maintained during economic recovery?*

Mr. Langenberg: They not only can be, they must be. Constant attention to cost control has become a way of life at all Interlake plants. It will continue to be so.

Question: *Are necessary capital investments in the company continuing?*

Mr. MacDonald: In 1982 we focused our attention on necessities. Capital expenditures dropped to $27.9 million, from $37.4 million last year. 31% went to expansion projects, 60% to improvements and nine percent to environmental control.

But bear in mind, we consider investment in our high potential businesses to be one of the necessities. 24% of total 1982 capital expenditures were invested in the metal powder business, 19% went to investment/die castings and 28% went to our storage businesses worldwide.

Some project highlights include: plant expansions for Redirack/Canada and for Dexion/Australia; a new investment casting plant in Franklin, New Hampshire, and expansion of the Garland, Texas, die casting plant; and completion of Hoeganaes' research and development facility.

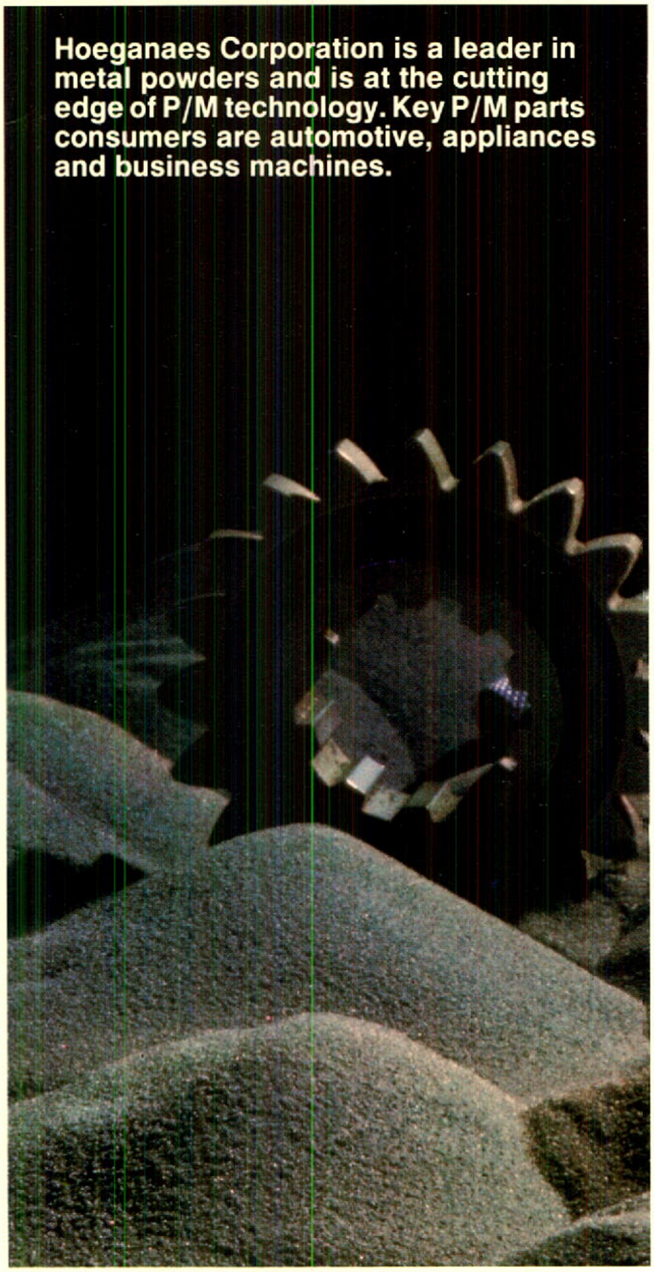
Obviously, we did curtail planned spending as the recession dragged on. But we expanded facilities in line with projected growth and maintained the facilities needed to stay competitive. More importantly, our financial strength enabled us to move forward on projects that should have an above average return in the future.

Question: *What's in store for Interlake in 1983?*

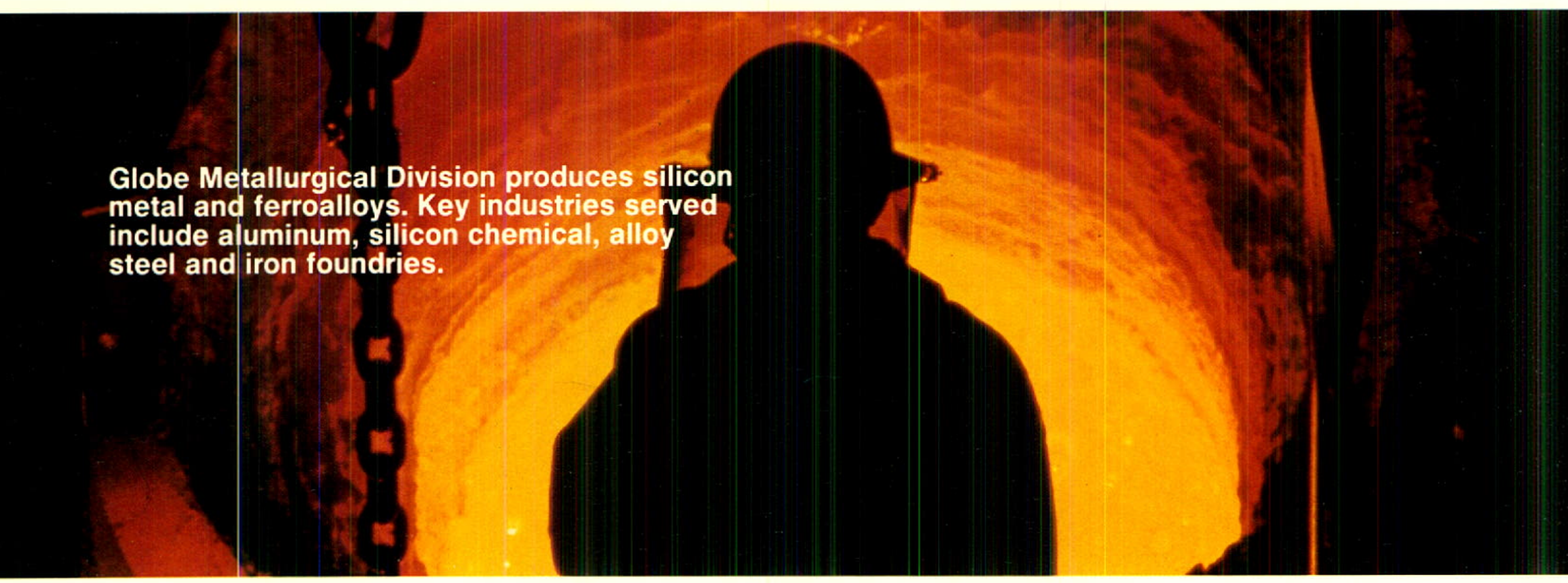
Mr. Langenberg: Clearly, our cost controls and asset management efforts will not significantly improve earnings without an improvement in demand. The recession seems to be winding down. Some of Interlake's divisions have reported spotty increases in order entry, but it is too early to gauge the strength of an economic rebound in our major markets.

However, as the recovery takes hold, a satisfactory return on investment will continue to be the objective of each division. It will be the standard by which we evaluate each plant, each product.

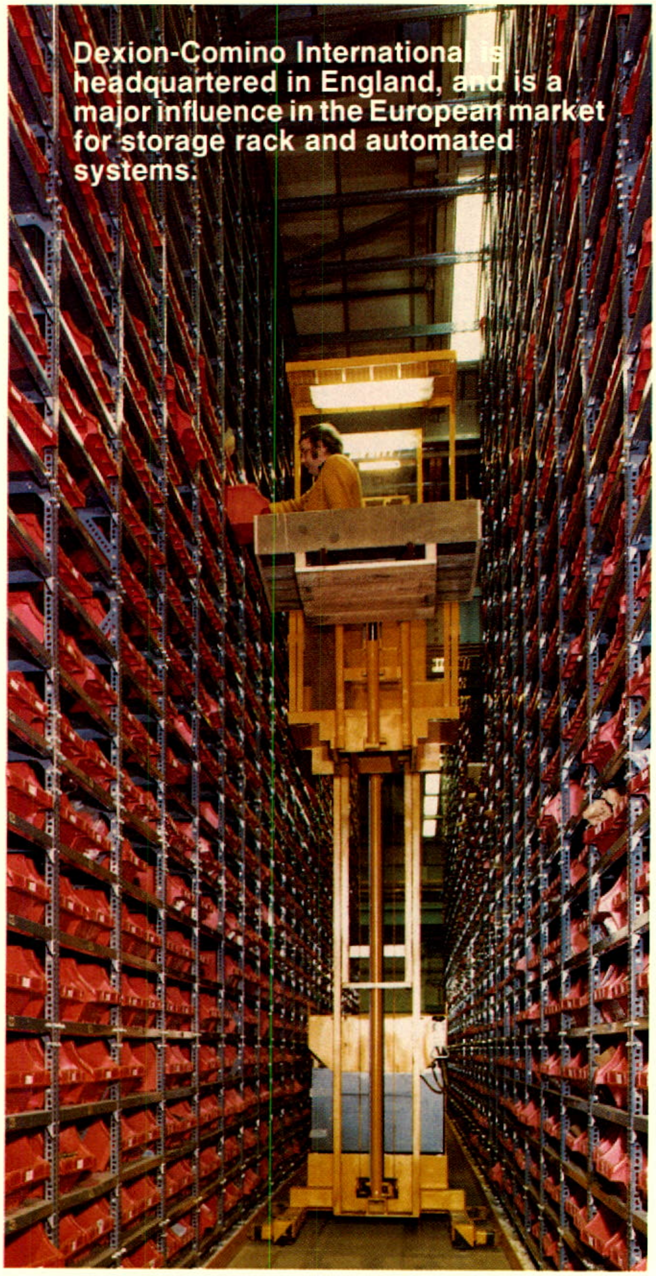
Where our facilities and products have good potential and produce a good return, we will



Hoeganaes Corporation is a leader in metal powders and is at the cutting edge of P/M technology. Key P/M parts consumers are automotive, appliances and business machines.



Globe Metallurgical Division produces silicon metal and ferroalloys. Key industries served include aluminum, silicon chemical, alloy steel and iron foundries.



Dexion-Comino International is headquartered in England, and is a major influence in the European market for storage rack and automated systems.

expand, commit research and development dollars, develop new markets. And where we have to, we are prepared to pull back.

Queston: *What is Interlake's business strategy?*

Mr. Langenberg: In this interview, Mr. MacDonald and I have repeatedly stressed cost controls and operating efficiencies. We view these practices as necessary means to achieve satisfactory returns.

Through our divisionalized management structure, we encourage entrepreneurial attitudes in our divisional managers. We concentrate on businesses with good profit margins. We continue to diversify our product base to minimize dependency on any one product or market. And, we emphasize businesses and product lines where we have, or can achieve, a substantial degree of market leadership.

Question: *And how will Interlake grow in the future?*

Mr. Langenberg: We will continue to build on those of our existing businesses that hold above average potential for a long-term satisfactory rate of return. We've been successful with this approach in the past. We expect to be so in the future.

Acquisitions will play an important role. Joint ventures, too. We expect such activity to contribute a significant portion of future growth.

When we consider such growth opportunities, we will want leadership, either by industry, by market, by product or by technology. We will be interested in growth in innovative new fields, or in areas that complement our existing businesses and accelerate their growth.

Finally, we will insist on compatibility with our own fundamentals—well managed costs, efficient operations and a satisfactory return on invested assets.

"We concentrate on businesses with good profit margins. We continue to diversify our product base to minimize dependency on any one product or market. And, we emphasize businesses and product lines where we have, or can achieve, a substantial degree of market leadership."

Frederick C. Langenberg

Management's Discussion and Analysis of Financial Condition and Results

W. Robert Reum
Vice President—Finance and Chief Financial Officer

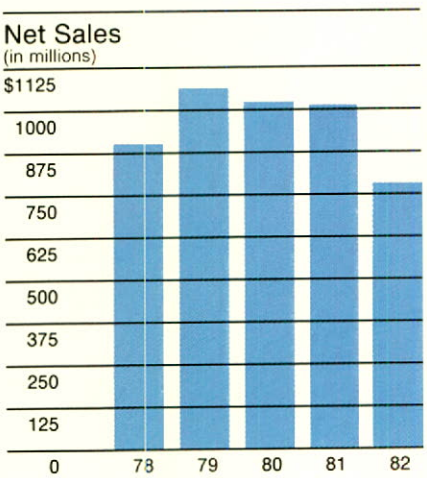
The deep and broad-based international recession, which began in mid-1981 and prevailed throughout 1982, had a severe impact on Interlake's operating results. In 1982, net sales were $767.3 million and net income was $5.8 million, or $.92 per share. However, Interlake's financial strength was maintained.

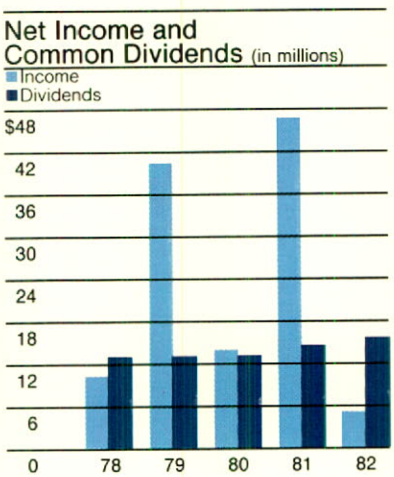
Sales of $767.3 million dropped by $249.3 million, or 24.5%, after exceeding the $1 billion level for three years. Virtually all the decline resulted from lower shipment volume. Shipments fell from 1981 levels by 48% for iron and steel products, 37% for silicon metal/ferroalloys, and over 20% for both packaging products and metal powders. Competition from low-priced imported products had a negative impact in the markets for the company's products, particularly in iron and steel and ferroalloys. Although sales benefits from limited price increases were realized, this gain was offset by the effect of translating 1982 sales of non-U.S. operations at weakened foreign currency values as measured in U.S. dollars.

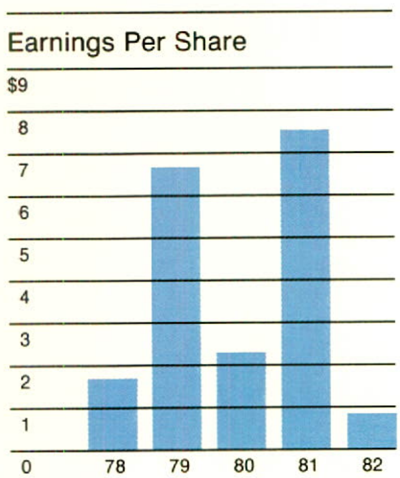
1981 sales of $1.02 billion declined 4% from 1980's level because of the loss of sales from discontinued steel operations. The positive effects of price increases and higher volume from on-going operations in 1981 were reduced by $38.0 million because of lower foreign currency values.

In 1982, other revenues, consisting principally of interest income, royalties and gains on sales of capital assets, totaled $11.1 million and declined $5.6 million from 1981. The 1982 decline reflected a sharp drop in interest income caused by lower yields on short-term investments and less funds available to invest. The 1981 total also included unusually high gains of $2.9 million on sales of assets.

In 1982, the shutdown/disposal provisions of 1980 (Newport/Wilder, Kentucky, steel plants) and







1978 (Toledo, Ohio, iron plant) were adjusted to reflect current determinations of employee severance costs and investment tax credit recaptures. Therefore, 1982 income increased by $1.3 million. In 1980, the shutdown/disposal provision was $37.0 million before taxes, equivalent on an after-tax basis to a loss of $4.10 per share. (See Note 6 of Notes to Consolidated Financial Statements.)

1982 income before taxes amounted to $7.2 million, down from $79.1 million in 1981. This decrease was caused by the significant decline in sales and the accompanying drop in production activity. Extensive cost reductions could not offset the impact of these lower operating levels. Income for all business segments declined in 1982.

The iron and steel business accounted for $32.0 million, or 45%, of the year-to-year decline in 1982 income. The company's record level of income before taxes in 1981 was aided by the positive results of iron and steel. However, the iron and steel business reported a loss in 1982. Consequently, the company is continuing to study various alternatives for its iron and steel business, one of which is a further disposition of assets. The disposition of major assets is likely to result in a material after-tax charge against income. No decision has been reached, however, on a plan by management or the Board of Directors.

Included in 1982 income before taxes are provisions of $3.6 million for closing a die casting plant and an investment casting plant (including the relocation of certain facilities) and $1.0 million for the decision to divest a European marketing operation. Income before taxes in 1982 benefited by $13.8 million from the liquidation of LIFO (last-in, first-out) inventories. Management emphasis on a program to reduce inventories in line with customer demand proved to be effective. In addition to reduced investments in inventory, these liquidations favorably affected cost of goods sold by recognizing costs of inventory accumulated in earlier, lower-cost years. In 1980, LIFO inventory liquidations reduced cost of goods sold by $15.4 million.

Income before taxes in 1981 increased $58.6 million from 1980, which was affected by the Newport/Wilder shutdown provision of $37.0 million. Improved operating income over 1980 in iron and steel, packaging, and metal powders was due to higher sales volume and the benefit of price increases.

A separate review of each of Interlake's six business segments follows this summary.

The provision for income taxes was at the following effective rates for the three years:

1982	1981	1980
3.8%	39.1%	29.2%

Effective tax rates for these years are less than statutory rates primarily because of investment tax credits and United Kingdom stock (inventory) relief tax credits. In 1982 these credits had a much greater impact on the effective rate because of the low level of income before taxes.

Financial Condition

Interlake's financial condition remained strong in 1982 as indicated by these financial ratios:

	1982	1981	1980
Current ratio	**2.1/1**	2.2/1	2.0/1
Quick asset ratio	**1.0/1**	1.1/1	1.0/1
Total debt/total capitalization	**30/70**	28/72	31/69

Cash and short-term investments at year-end 1982 totaled $32.2 million, representing a decrease of only $2.7 million for the year. Total debt increased by only $.3 million to $138.2 million. The company was able to limit the reduction of cash and short-term investments and the increase in debt by effective asset management. Principally, accounts receivable and inventories were reduced in line with lower sales levels.

Funds provided from operations were down substantially in 1982, essentially because of lower net income. However, 1982 cash flow benefited from $8.3 million realized from the sale of the company's interest in the Scotts Branch coal mining joint venture.

Dividends of $2.60 per share increased in 1982 from $2.40 in 1981 and $2.20 in 1980. Dividends to shareholders declared in 1982 totaled $16.0 million as compared with $14.7 million in 1981 and $13.3 million in 1980. The company's dividend reinvestment program provided $5.9 million in 1982 compared with $2.2 million in 1981 and $1.9 million in 1980.

The company repurchased 714,929 shares of its stock from the Madison Fund in November 1982 for $19.9 million, of which $1.1 million is payable in November 1983. These shares were placed in the treasury.

Funds invested in property, plant and equipment totaled $27.9 million in 1982, down from $37.4 million in 1981 and $31.3 million in 1980. Spending by classification for the three years was as follows:

	1982	1981	1980
Capacity expansion	**31%**	41%	37%
Improvements and replacements	**60**	56	59
Environmental and safety	**9**	3	4

Identification of growth opportunities, providing for technological improvements in production processes, maintaining the adequacy of existing resources—and the selective allocation of available funds between projects meeting these objectives—all form an important part of Interlake's capital planning system.

The percentage distribution of capital spending by segment shows a movement towards those businesses which management believes have the most potential for long-term growth:

	1982	1981	1980
Material handling/storage products	**28%**	20%	23%
Metal powders	**24**	11	11
Investment/die castings	**19**	24	17
Packaging	**12**	18	21
Iron/steel	**12**	18	24
Silicon metal/ferroalloys	**5**	9	4

Major projects in 1982 included:

- Plant expansions at the Canadian and Australian facilities of Material Handling/Storage Products to be completed early in 1983.
- A new plant at Franklin, New Hampshire, to produce investment castings, scheduled for completion early in 1983.
- Expansion of the research and development laboratory of the metal powders business, which was dedicated in September, 1982.

Estimated future expenditures to complete projects already approved totaled $16.1 million at year-end 1982. Budgeted capital expenditures for 1983 are approximately $30 million, in line with the average of the prior three years.

Depreciation expense totaled $23.0 million, $26.0 million and $26.9 million in 1982, 1981 and 1980, respectively. The decline in 1982 is due primarily to an extension of the use of the straight-line lapsing method of depreciation to certain assets previously depreciated on the straight-line composite method. This method will more equitably allocate the undepreciated cost of these assets over their remaining useful lives. Depreciation expense, while significant, does not meet the inflation-affected expenditures necessary to replace existing facilities. The impact of this problem is discussed further in the section entitled "Supplementary Financial Data Adjusted for Effects of Changing Prices" beginning on page 35.

Shareholders' equity at December 26, 1982, of $323.3 million declined $35.5 million from year-end 1981 due primarily to the:

- $19.9 million stock repurchase.
- $12.0 million adjustments from translating foreign currency financial statements at lower, current foreign exchange rates as measured in U.S. dollars.
- $4.4 million by which dividends paid, net of dividend reinvestments, were greater than 1982 net income.

As a result, shareholders' equity per share declined from $58.06 at the end of 1981 to $56.63 at the end of 1982.

Interlake has substantial capital resources to meet future financial requirements. In addition to the company's capacity for long-term borrowings, the company maintains revolving credit and short-term bank credit lines which totaled $137 million at the end of 1982. Only $12.4 million was borrowed against these credit facilities at December 26, 1982.

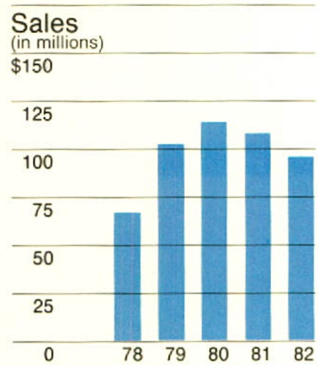
A Review of Interlake's Business Segments

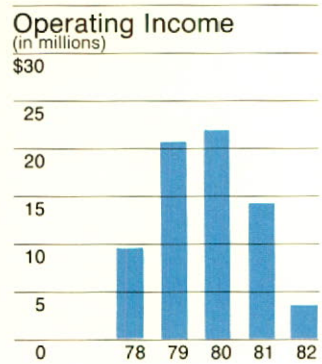
Investment/Die Castings The slowdown in the aerospace industry and the persistence of generally poor economic conditions adversely impacted the results of this segment for the second consecutive year. Net sales fell by 12% in 1982 following a 5% decline in 1981.

The investment castings business produces metal parts for use principally in the commercial and military aircraft sectors. The commercial aircraft business experienced sizeable downturns during 1982 and 1981. The general decline in this market had an unfavorable effect on investment castings' sales, which was partially moderated by the acquisition of ACC Casting Company, Inc. and Duradyne Technologies, Inc. in May and July of 1981, respectively. The decision to close the Jetshapes facility had no effect on 1982 sales. Overall, investment castings' sales were down 2% in 1982 and 5% in 1981.

Die castings are sold primarily to manufacturers of durable goods for the consumer product markets. The continued economic recession, high interest rates and depressed housing and automotive markets combined to substantially reduce demand for such products in the past three years. Sales in 1982 dropped by 36% compared with 1981 levels as all locations experienced declines. This decline followed year-to-year sales decreases of 6% in 1981 and 4% in 1980. Closing of the Hazleton facility had the effect of decreasing 1982 die casting sales by 2%.

Prior to 1981, steady sales growth and the economies of higher volumes had boosted the segment's operating income to a string of records. This trend was reversed in 1981. In 1982, the negative impact of higher costs of materials and lower shipping volumes exceeded the benefits of limited price relief. All plants reported lower operating income in 1982. In addition, 1982 operating income was reduced $3.6 million by provisions for the closing of the Jetshapes and Hazleton plants and the relocation of their activities to other locations.



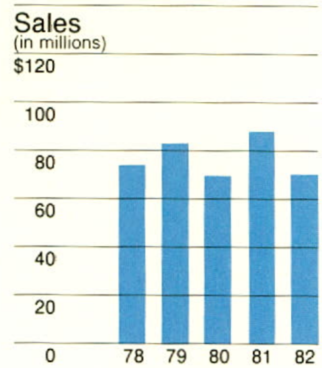


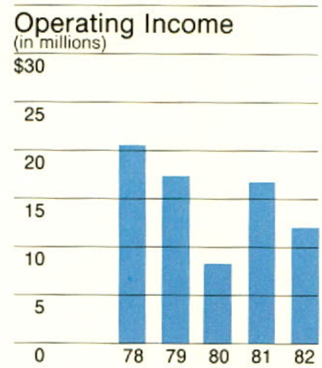
Metal Powders Hoeganaes Corporation's metal powders business has grown on the strength of developing new applications for powder metallurgy. This has led to increasing use within the U.S. automotive industry and gradual increased applications in other industries.

Metal powders enjoyed surging demand through 1979, but the generally depressed conditions in the automotive industry had an adverse effect over the past three years. The temporary rebound in metal powder demand in 1981 (when shipments rose by 13%) was followed by a 20% decline in 1982. Net sales fell 19% in 1982 following a 24% increase in 1981.

The 1981 operating income recovery could not be sustained with the shipment and production declines experienced in 1982. Production dropped 25% in 1982 in line with demand and efforts to control inventory levels. However, 1982 earnings of $12.1 million were 36% better than the operating income reported in 1980 on comparable sales. Operating economies of the Gallatin, Tennessee, plant, completed in 1979, aided 1982 results.

A $3.7 million expansion of the Riverton, New Jersey, research and development facilities was undertaken in 1981 to support continuing development of new applications for powder metallurgy. The new building was substantially completed in 1981 and most of the equipment was installed in 1982.





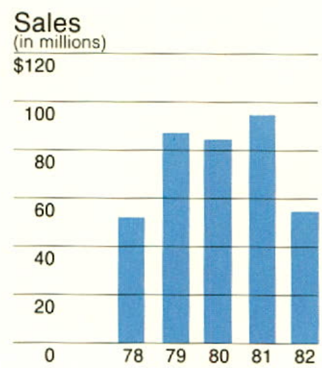
Silicon Metal/Ferroalloys The U.S. ferroalloy industry experienced its most difficult year in history in 1982. Demand for domestic production was reduced due to lower needs of steel producers, foundries, primary and secondary aluminum producers and the chemical industry. This condition was compounded by competitive pressures of low-priced imported alloys.

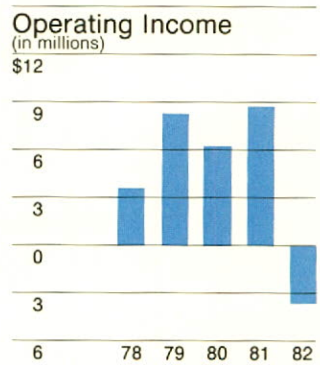
In 1981, Interlake's silicon metal/ferroalloys segment reached record sales and the highest operating income level since 1974. But this was reversed in 1982. 1982 sales fell by 42% and the segment reported a loss as shipments dropped 37%.

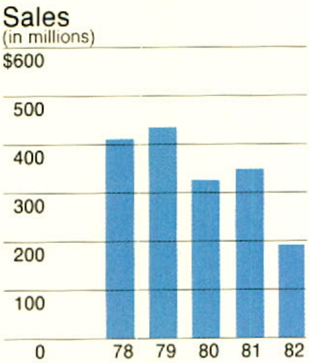
Silicon metal is sold primarily to aluminum and chemical producers. Aluminum continued to be hard hit by the depressed conditions in the automotive industry in 1982, and the otherwise stable chemical industry also declined. As a result, the shipping volume of silicon metal declined by 35% in 1982 compared with a 12% increase in 1981.

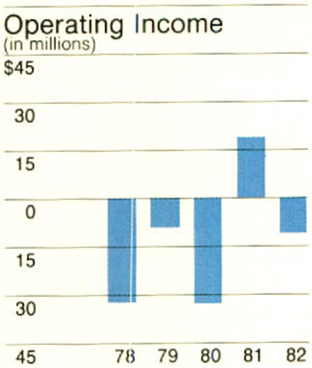
Interlake's ferroalloys consist mainly of ferrosilicons, magnesium ferrosilicons, and ferrochromes. With the exception of new products, sales volume was down for all ferroalloys in 1982. Ferrosilicon and magnesium ferrosilicon usage is heavily related to U.S. automotive activity. As a result, ferrosilicon volume fell 32% in 1982 after stable demand in 1980-81. The decline in magnesium ferrosilicon shipments was limited to 14% (following a 44% gain in 1981) because of expanded applications. Demand for ferrochromes was influenced by severe pressure from low-priced import competition and imports of products using ferrochromes. Low carbon ferrochrome shipments declined 69% in 1982, after a decline of 29% experienced in 1981. High carbon ferrochrome fell 46%, reversing a 76% gain in 1981.

The operating loss in 1982 resulted from lower shipment volume in combination with the impact of restricted production levels to reduce inventories. Overall, production levels dropped in 1982 to about one-half of the 1981 level. In addition, escalating labor and energy costs were not recoverable as prices were decreased to meet competition.









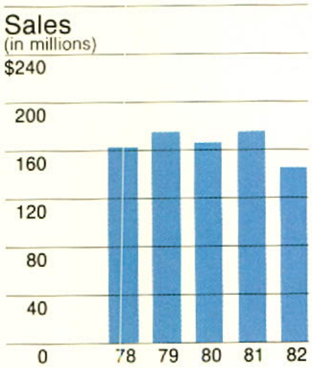
Iron/Steel In recent years, the domestic iron and steel industry has been under the compounding pressures of declining customer demand and increasing market penetration by foreign producers. These factors, combined with deteriorating cost/price relationships, continued to preclude the attainment of profit margins needed to justify large investments in this capital intensive business.

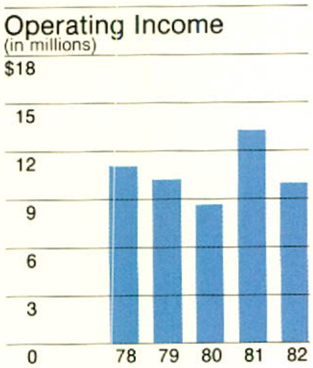
Interlake's iron and steel business was severely impacted during these years. In 1978, the Toledo, Ohio, pig iron operation was closed as a result of declining sales in a depressed market dominated by low-priced, imported iron. In 1980, after several years of operating losses, the Newport/Wilder, Kentucky, steel plants were shut down following the local union's rejection of a one-year proposal for the containment of labor costs.

Sales of the continuing Chicago and Riverdale operations experienced a decline of $148 million, or 43%, in 1982 after an increase of $95 million, or 38%, in 1981. Shipping volume from these operations advanced by 35% in 1981 and was accompanied by inventory accumulations. As a result, production rose substantially from 1980. In 1982, shipments fell by 48% and overall production levels dropped proportionately.

The operating results of the Chicago and Riverdale operations reflected this cyclical movement of shipments and production. In 1982, material and energy cost increases were essentially offset by cost reductions and labor cost concessions. However, the unfavorable effect of record low shipment and production volumes caused iron and steel to incur a loss following 1981's profitable operations.

Iron and steel's earnings history has been affected by shutdown/disposal provisions of $15.7 million in 1978 and $37.0 million in 1980. In 1982, these provisions were adjusted favorably (due to updated cost determinations) by $1.3 million. In addition, iron and steel's results benefited from inventory liquidations which generated LIFO decrement benefits of $8.5 million in 1980 and $6.6 million in 1982, and from extended use of the straight-line lapsing method of depreciation which favorably affected 1982 results by $2.4 million.





Packaging Usage of packaging products extends into nearly all industries and is particularly sensitive to the level of general economic activity. As a result of the global recession, sales declined in 1982 by 18% compared with a 7% gain in 1981. Foreign sales represented approximately 36% of total sales in 1981 and 1982. However, the year-to-year dollar value of foreign sales fell by 7% in both 1982 and 1981 due to the decreasing value of foreign currencies as measured in U.S. dollars.

Shipments of metallic strapping, which accounts for a majority of total sales volume, dropped 24% in 1982 compared with a 2% gain in 1981. This pattern reflected North American results while United Kingdom shipments fell only 9% in 1982. Sales for the balance of the products, principally non-metallic strapping, strapping tools and machines, and stitching wire and equipment, were down 13% in 1982. This decline was also limited to North American markets as United Kingdom sales gained 3%.

Operating income declined 25% from 1981's record high. Sluggish demand coupled with production levels which were lowered to reduce inventories more than accounted for this decline. Operating income in 1982 was favorably influenced by LIFO decrement benefits of $3.9 million. In 1980, LIFO decrement benefits added $2.0 million to income. 1982 domestic income marginally exceeded 1981 because of the LIFO benefits and significant cost reductions. Income in Canada was impacted by volume declines and retreated from successive record high levels of 1981 and 1980. United Kingdom income was lowered in 1982 by extra costs associated with new and relocated facilities which were in place by year-end. Falling foreign currency values caused earnings of foreign operations, as measured in U.S. dollars, to decline 4% in 1982 and 9% in 1981.

Material Handling/Storage Products The material handling/storage products business is highly dependent on customers' plans to build or improve facilities. The worldwide business recession had an adverse impact on capital spending in the last two years.

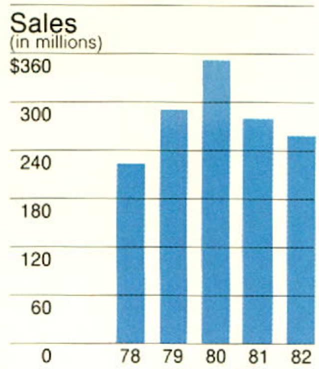
Sales for this segment declined 9% in 1982, entirely attributable to foreign operations, following a 21% drop in 1981. The material handling/storage products segment derived 70% of its sales from outside the United States in 1982 and 72% in 1981. The decreasing value of foreign currencies as measured in U.S. dollars had a significant unfavorable impact on reported foreign sales. As a result, the year-to-year dollar value of foreign sales fell by 12% in 1982 and 18% in 1981, accounting for the entire 1982 sales decline and for 80% of the 1981 drop.

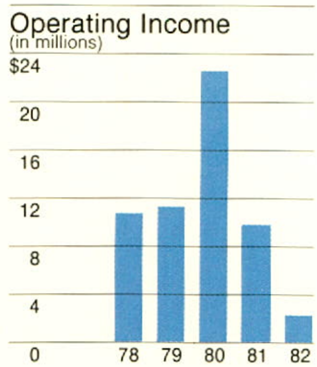
The persistent European recession continued to be widespread. Local currency sales were virtually unchanged in 1982 following a 4% decline in 1981. The United Kingdom showed improvement in 1982 with expanded courier and conveyor sales, but this was offset by general sales declines elsewhere, especially in West Germany.

Australian operations have been the only area to show improvement in the last two years. Australian local currency sales improved by 4% in 1982 and 29% in 1981. Canadian operations experienced the first sales decline in five years and slipped 8% from the sales record achieved in 1981 when sales advanced by 5% over 1980.

Domestic sales remained relatively stable in 1982 after experiencing a 29% decline in 1981. Sales of conventional pallet rack and conveyor products have been fairly stable over the last three years. However, a significant decline was experienced in the area of automated warehouse systems. Interlake completed a number of major systems projects in 1980, including the largest automated warehouse project ever undertaken by the company. Activity in this area has been substantially lower since 1980, both for the company and the economy as a whole. A resurgence is likely to lag general economic recovery.

These various negative economic influences reduced sales volumes and limited selling price increases, which unfavorably impacted operating income. Overall year-to-year earnings fell 78% in 1982 and 57% in 1981. However, domestic earnings rebounded moderately in 1982 as a result of cost control efforts. Operating income in Europe declined substantially, partially as a result of falling exchange rates (especially in 1981), but more importantly because of pressures of stagnating European economies on sales volume. Benefits associated with significant cut-backs in personnel in Europe were limited in 1982 because of high severance costs.





Report of Management

The financial statements of Interlake, Inc. and consolidated subsidiaries, presented on pages 19 through 33 of this Annual Report, have been prepared by management, which is responsible for their accuracy and integrity. They have been prepared in conformity with generally accepted accounting principles on a basis consistent with that of the prior year, and include informed judgments and estimates, as required. Other financial information contained in this Annual Report is consistent with the financial statements.

Interlake maintains an extensive system of internal accounting controls and procedures designed to provide reasonable assurance, at a justifiable cost, as to the reliability of financial records and reporting and the protection of assets. This system consists, in part, of organizational arrangements with clearly defined lines of responsibility and delegation of authority. Internal accounting controls are continually modified as warranted by changing business conditions and are monitored by an internal audit staff through ongoing reviews and comprehensive audit programs.

Price Waterhouse, independent public accountants, is retained to examine Interlake's financial statements and to render an opinion as to the fairness of reported operating results and financial condition. Their accompanying report is based on an examination which included a review of Interlake's system of internal accounting controls to the extent they considered necessary to evaluate the system as required by generally accepted auditing standards.

The Audit Review Committee of the Board of Directors, which is composed solely of outside directors, evaluates on an ongoing basis the effectiveness of internal and external audits and reviews the nature and extent of the services provided by the company's independent public accountants. The Audit Review Committee also determines that management is fulfilling its financial responsibilities by meeting periodically with Price Waterhouse, the internal auditors and management to review accounting, auditing, internal accounting control and financial reporting matters. The internal auditors and independent accountants have free and complete access to the Audit Review Committee.

Interlake has adopted formal corporate policies demanding high standards of ethical and financial integrity and has disseminated these policies to appropriate employees. Specific internal controls and internal audit procedures have been developed to provide reasonable assurance that violations of these policies, if any, are detected.

W. Robert Reum

W. Robert Reum
Vice President of Finance
and Chief Financial Officer

Frederick C. Langenberg

Frederick C. Langenberg
President and Chief
Executive Officer

Report of Independent Accountants

Price Waterhouse

200 E. Randolph Drive
Chicago, IL 60601

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

January 31, 1983

In our opinion, the accompanying consolidated balance sheet and the related statement of consolidated income and retained earnings and the statement of changes in consolidated financial position present fairly the financial position of Interlake, Inc. and its subsidiaries at December 26, 1982 and December 27, 1981, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 26, 1982, 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

Interlake, Inc. Statement of Consolidated Income and Retained Earnings
For the Years Ended December 26, 1982, December 27, 1981 and December 28, 1980

	1982	1981	1980
	(in thousands except per share statistics)		
Sales and Revenues:			
Net sales	**$767,300**	$1,016,605	$1,055,883
Other revenues	**11,127**	16,706	7,880
	778,427	1,033,311	1,063,763
Costs and Expenses:			
Cost of products sold (excluding depreciation and taxes)	**605,334**	772,692	815,586
Depreciation, depletion and amortization	**22,956**	25,976	26,869
Selling and administrative expenses	**103,578**	111,442	116,523
Taxes other than income taxes	**27,549**	30,675	31,485
Interest expense	**13,076**	13,407	15,747
	772,493	954,192	1,006,210
Income Before Nonrecurring Item, Taxes on Income and Minority Interest	**5,934**	79,119	57,553
Shutdown/Disposal Provision	**1,300**	—	(37,000)
Income Before Taxes on Income and Minority Interest	**7,234**	79,119	20,553
Provision for Income Taxes	**272**	30,953	5,998
	6,962	48,166	14,555
Minority Interest in Net Income of Subsidiary	**1,210**	1,589	737
Net Income for the Year	**$ 5,752**	$ 46,577	$ 13,818
Net Income Per Share of Common Stock (based on average shares of 6,263,194 in 1982, 6,134,310 in 1981 and 6,038,764 in 1980)	**$ .92**	$7.59	$2.29
Retained Earnings at Beginning of Year	**$271,448**	$ 239,606	$ 239,075
Net Income for the Year	**5,752**	46,577	13,818
	277,200	286,183	252,893
Deduct—Cash Dividends Declared or Paid ($2.60 per share in 1982, $2.40 per share in 1981 and $2.20 per share in 1980)	**(15,998)**	(14,735)	(13,287)
Retained Earnings at End of Year	**$261,202**	$ 271,448	$ 239,606

(See notes to consolidated financial statements)

Interlake, Inc. Consolidated Balance Sheet
December 26, 1982 and December 27, 1981

Assets	1982	1981
	(in thousands)	
Current Assets:		
Cash	$ 6,649	$ 5,599
Certificates of deposit	25,580	29,367
Receivables, less allowances of $2,850,000 in 1982 and $2,811,000 in 1981	120,224	146,244
Inventories	153,901	171,445
Other current assets	24,716	19,559
Total current assets	331,070	372,214
Investments and Other Assets:		
Investments in and advances to associated companies	35,489	43,960
Other assets	28,997	30,747
	64,486	74,707
Property, Plant and Equipment, at cost:		
Land and mineral properties, less depletion	9,716	10,146
Buildings	105,716	103,474
Equipment	462,134	446,158
Construction in progress	12,703	17,679
	590,269	577,457
Less—Depreciation and amortization	(330,033)	(314,161)
	260,236	263,296
Total Assets	$655,792	$710,217

Liabilities and Shareholders' Equity	1982	1981
Current Liabilities:		
Accounts payable	$ 59,948	$ 76,840
Accrued liabilities	38,977	34,392
Accrued employment costs	18,752	26,036
Income taxes payable	13,672	14,946
Taxes other than income taxes	7,948	8,908
Debt due within one year	15,882	11,289
Total current liabilities	155,179	172,411
Long-Term Debt	122,338	126,618
Other Long-Term Liabilities:		
Noncurrent shutdown costs	9,822	10,022
Other	16,953	14,538
	26,775	24,560
Future Income Taxes	21,200	20,738
Minority Interest in Subsidiary	7,049	7,142
Commitments and Contingencies	—	—
Shareholders' Equity:		
Common stock, par value $1 per share, authorized 20,000,000 shares, issued—7,158,551 shares 1982 and 6,997,642 shares 1981	120,537	115,412
Cost of common stock held in treasury (1,450,218 shares 1982 and 818,776 shares 1981)	(33,527)	(15,120)
Retained earnings	261,202	271,448
Accumulated foreign currency translation adjustments	(24,961)	(12,992)
	323,251	358,748
Total Liabilities and Shareholders' Equity	$655,792	$710,217

(See notes to consolidated financial statements)

Interlake, Inc. Statement of Changes in Consolidated Financial Position
For the Years Ended December 26, 1982, December 27, 1981 and December 28, 1980

	1982	1981*	1980*
		(in thousands)	
Financial Resources Were Provided By:			
Net income	**$ 5,752**	$ 46,577	$ 13,818
Depreciation, depletion and amortization	**22,956**	25,976	26,869
Equity in earnings of affiliates and joint ventures, less dividends received	**618**	(1,828)	1,248
Shutdown/disposal provision—noncurrent portion	**116**	—	25,584
Relocation provisions—noncurrent portion	**1,858**	—	—
Future income taxes	**462**	7,407	(7,509)
Other long-term liabilities	**81**	(847)	1,934
Minority interest in net income of subsidiary, less dividend paid	**(93)**	192	(258)
Working capital provided from operations	**31,750**	77,477	61,686
Disposal of investment in joint venture mining operation	**8,285**	—	—
Dividend reinvestment plan	**5,869**	2,173	1,896
Amortization of tax leases	**3,608**	6,679	—
Disposals of property, plant and equipment	**774**	3,568	1,341
Disposal of shutdown facilities	**—**	13,860	—
Long-term borrowings	**—**	—	1,233
Other	**2,041**	4,434	998
	52,327	108,191	67,154
Financial Resources Were Used For:			
Capital expenditures	**27,864**	37,393	31,276
Cash dividends declared	**15,998**	14,735	13,287
Purchase of treasury stock	**19,949**	—	—
Reduction of long-term debt	**5,243**	6,402	3,716
Acquisition of businesses, net of working capital acquired	**—**	9,896	—
Investment in tax leases	**—**	11,646	—
Change in exchange rates	**7,185**	9,461	—
	76,239	89,533	48,279
Increase (decrease) in working capital	**$ (23,912)**	$ 18,658	$ 18,875
Increase (Decrease) in Working Capital Components:			
Cash and short-term investments	**$ (2,737)**	$ 14,214	$ 9,944
Receivables	**(26,020)**	(22,918)	(11,528)
Inventories	**(17,544)**	7,739	(17,659)
Other current assets	**5,157**	3,647	5,298
Accounts payable and other accrued liabilities	**20,551**	6,914	19,469
Income taxes payable	**1,274**	928	(8,444)
Debt due within one year	**(4,593)**	8,134	21,795
	(23,912)	18,658	18,875
Working capital at beginning of year	**199,803**	181,145	162,270
Working capital at end of year	**$175,891**	$199,803	$181,145

*Certain amounts have been reclassified to conform to the presentation in 1982.

(See notes to consolidated financial statements)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation—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 earnings.

Inventories—Inventories are stated at the lower of cost or market value. Cost is determined principally by the last-in, first-out (LIFO) method, which is less than current costs by $113,343,000 and $124,800,000, at December 26, 1982 and December 27, 1981, respectively.

Effective with the beginning of fiscal 1981, the Company extended the use of the LIFO method of accounting for the principal inventories of its foreign subsidiaries which previously used the FIFO (first-in, first-out) method. Management believes that the LIFO method provides a better matching of current costs with current revenues. The effect of the extension of LIFO for foreign inventories was to reduce net income $1.0 million or $.16 per share in 1981. There was no cumulative effect of this change on prior years' reported earnings.

During 1982 and 1980, inventory quantities were reduced,resulting in liquidations of LIFO inventory quantities carried at the lower costs which prevailed in prior years as compared with the costs of production for 1982 and 1980. As a result, income before taxes was increased by $13,804,000 and $23,200,000, equivalent to $1.19 and $2.08 per share after applicable income taxes, in 1982 and 1980, respectively. In 1980, $15,400,000 of the increase in income before taxes, equivalent to $1.38 per share after applicable income taxes, was reflected in cost of products sold and the balance was included as a reduction of the 1980 shutdown/disposal provision (see Note 6).

December 26, 1982 and December 27, 1981 inventory amounts by category were:

	1982	1981
Raw materials	**$ 57,692,000**	$ 58,976,000
Semi-finished and finished products	**75,174,000**	88,502,000
Supplies	**21,035,000**	23,967,000
	$153,901,000	$171,445,000

In 1982, 1981 and 1980 the Company made raw material purchases of $42,075,000, $76,106,000 and $57,631,000, respectively, from affiliated iron ore and coal mining interests. Included in accounts payable are amounts due affiliated companies for raw material purchases of $15,430,000, $20,005,000 and $10,755,000 at December 26, 1982, December 27, 1981 and December 28, 1980, respectively.

Property, Plant and Equipment and Depreciation—For financial reporting purposes, plant and equipment are depreciated principally on a straight-line method over the estimated useful lives of the assets. In the third quarter of 1982, the Company extended the use of the straight-line lapsing method of calculating depreciation expense to certain fixed assets formerly depreciated under the straight-line composite method. Management believes that the straight-line lapsing method will more accurately charge depreciation over the remaining useful lives of these assets and is consistent with the method used principally for the Company's other fixed assets. This action increased 1982 net income by $1.5 million, or $.24 per share.

Depreciation claimed for income tax purposes is computed by use of accelerated methods. Income taxes applicable to differences between depreciation claimed for tax purposes and that reported in the financial statements are charged or credited to future income taxes, as appropriate. Provisions for depletion of mineral properties are based on tonnage rates which are expected to amortize the cost of such properties over the estimated amount of mineral deposits to be removed.

Upon sale or disposal of property, plant and equipment, it is the Company's policy to relieve the respective asset accounts of cost and, in the case of normal sales or disposals, to charge such original cost to accumulated depreciation and amortization, thereby not recognizing any gain or loss. Any proceeds from these sales or disposals are credited to accumulated depreciation and amortization. On an abnormal sale or disposal of property, plant and equipment, the original cost and the amount of depreciation actually credited to accumulated depreciation and amortization are removed from the accounts and any gain or loss on the disposal is credited or charged to income.

Expenditures for maintenance and repairs and minor renewals and betterments are charged to expense as incurred. Furnace relines and expenditures for renewals and betterments of a character calculated to extend the originally estimated useful life of any asset or materially increase its productivity are capitalized.

Goodwill—Other assets includes goodwill of $13,394,000 and $13,947,000 at December 26, 1982 and December 27, 1981, respectively. Goodwill represents the excess of the purchase price over the fair value of the net assets of acquired companies and is being amortized on a straight-line method over a period of approximately thirty years.

Foreign Currency Translation—In the fourth quarter of 1981 the Company adopted, retroactive to the beginning of the year, Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation." This Statement provides that adjustments for currency exchange rate changes are included in net income for those fluctuations that impact cash flows. Translation gains and losses which do not impact cash flows are deferred in a separate component of shareholders' equity entitled "Accumulated foreign currency translation adjustments." Activity in this account has been as follows:

	1982	1981
Opening balance	**$(12,992,000)**	$ 2,583,000
Adjustments from translating foreign currency financial statements at current rates	**(11,969,000)**	(15,575,000)
Balance at fiscal year - end	**$(24,961,000)**	$(12,992,000)

The opening balance for 1981 represents the effect of translating certain assets and liabilities at December 28, 1980 (previously translated at historical exchange rates) at the exchange rates in effect at that date.

Adoption of this Statement had a minimal effect on 1981 net income. 1980 net income included a net gain of $1.4 million, or $.24 per share, for foreign currency translation and hedging costs.

Investment Tax Credit—The full amount of investment tax credits claimed for tax purposes is reflected in income in the year in which the credits first become available.

Purchased Tax Benefits—In the fourth quarter of 1981, the Company entered into several agreements to purchase tax benefits through tax leases. The purchase price, which has been included in "other assets," is being amortized to income at a constant rate of return over the period benefited and resulted in gains of $421,000 and $679,000 included in 1982 and 1981 net income, respectively. The current liability for income taxes payable at December 26, 1982 and December 27, 1981 has been reduced by $4,029,000 and $7,358,000, respectively, for such tax benefits.

Retirement Benefits—The Company has various pension plans which cover substantially all employees. The provision for pension costs includes current costs plus interest on and amortization of unfunded prior service costs over periods not exceeding twenty-five years. The Company's policy is to fund pension costs accrued. The Company also has post-retirement life and health benefit plans covering certain retired employees. The provision for post-retirement costs includes current costs plus amortization of prior service costs over periods not exceeding twenty-five years and interest on the accrued liability.

NOTE 2—LONG-TERM DEBT AND CREDIT ARRANGEMENTS

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

	December 26, 1982	December 27, 1981
	(in thousands)	
8.8% Debentures, due annually $2,500,000 in 1983 to 1995, and $5,000,000 in 1996	**$ 32,229**	$ 34,997
8½% Senior Notes, due annually $3,000,000 1984 through 1998	**45,000**	45,000
Obligations under long-term lease agreements	**15,600**	16,150
Notes payable, due annually in varying installments from 1983 to 1992	**10,566**	9,711
Pollution control and industrial development loan agreements	**18,350**	18,350
Other	**3,003**	3,520
	124,748	127,728
Less—current maturities	**2,410**	1,110
	$122,338	$126,618

At December 26, 1982, 8.8% debentures with a face value of $5,271,000 were held in the treasury by the Company. $2,500,000 of these may be used in meeting the 1983 sinking fund requirement and have been applied as a reduction of debt due within one year.

The long-term lease obligations relate principally to capitalized pollution control facilities. The interest rates on these obligations vary from 6.00% to 7.88%. Principal payments began in 1981 and continue in varying annual amounts through 2002.

Notes payable at December 26, 1982 include unamortized premium of $962,000, such amount being the result of a change in interest rate from 11¼% to 13% made in connection with the 1982 sale of the Company's interest in a joint venture coal mining operation.

The Company borrowed funds under several loan agreements with state and county pollution control and industrial development authorities to finance certain environmental control and facility expansion and improvement projects. Interest rates on these obligations vary from 6% to 7⅛% with the exception of a $1,000,000 loan at 65% of the prime rate. Principal payments of $1,000,000, $1,700,000 and $3,500,000 are to be made in 1983, 1988 and 1993, respectively, then continue in varying amounts from 1998 to 2009.

The combined aggregate maturities and sinking fund requirements for long-term debt for the five years following 1982, after giving effect to debentures held by the Company and available for sinking fund requirements, are as follows:

1983	$2,410,000
1984	4,356,000
1985	6,694,000
1986	7,266,000
1987	8,142,000

The Company maintains formal and informal, domestic and foreign, intermediate and short-term bank credit facilities of $137,000,000 against which $12,400,000 was borrowed at December 26, 1982. Domestic borrowings bear interest at the prime rate. Foreign borrowings bear interest at varying rates which are generally the overseas equivalent of the prime rate. In connection with the domestic credit facilities, the Company has entered into informal arrangements to maintain average compensating balances of 5% for the unused portion of the informal lines and 5% for any borrowings under the formal lines.

NOTE 3—CAPITAL STOCK

The Company's authorized capital stock includes 2,000,000 shares of serial preferred stock at $1 par value per share, none of which has been issued.

The Company's 1979 Dividend Reinvestment and Voluntary Stock Purchase Plan allows shareholders to purchase shares of the Company's common stock at 95% of market for dividend reinvestments and at market for voluntary cash payments, subject to certain limitations. Shares issued in connection with the Plan totaled 220,596 shares or $5,869,000 in 1982, 64,999 shares or $2,173,000 in 1981 and 76,590 shares or $1,896,000 in 1980.

On November 24, 1982, the Company and certain designees purchased 1,714,929 shares of Interlake common stock from Madison Fund, Inc. for $28.00 per share. The Company acquired 714,929 of these shares and these were held in the treasury at year-end.

NOTE 4—STOCK INCENTIVE PLANS

The Company's 1975 stock option plan (as amended through 1982) provides for the granting of options for the purchase of common stock to officers and other key employees at prices not less than fair market value at the dates of grant. Such options may be incentive stock options (which are intended to qualify for favorable federal income tax treatment to the optionee), non-qualified stock options (which are intended not to so qualify), or combinations of the foregoing. A maximum of 650,000 shares may be granted under the plan until December 31, 1984. Options granted before 1982 become exercisable one third annually, on a cumulative basis, starting one year from the date of grant and may be exercised until ten years have elapsed from the date of grant. Stock options granted in 1982 become exercisable one half annually, on a cumulative basis, starting one year from the date of grant. Incentive stock options may be exercised until five years have elapsed from the date of grant and non-qualified options may be exercised until ten years have elapsed. The 1981 amendment and restatement of the plan, besides permitting the granting of options to purchase 275,000 additional shares, included in the above maximum, also provided that options may be exercised by the transfer to the Company of shares of Company common stock having a value equal to the total option price.

The Company's 1977 Stock Incentive Program consists of a Stock Appreciation Rights Plan under which a maximum of 300,000 shares of common stock may be issued, a Stock Awards Plan and a Restricted Stock Purchase Plan. Total shares issued for the latter two plans may not exceed 100,000. Stock Appreciation Rights (S.A.R.s) are issued concurrently with specific stock option grants and entitle the holders to receive the difference between option price and market price at the time of exercise of the S.A.R.s in cash, shares of common stock, or a combination of the two at the Company's discretion. An equivalent number of shares under option are surrendered upon exercise of S.A.R.s. Under the Stock Awards Plan, shares of common stock are issued at the date of the award and delivered to recipients 20% immediately and 20% on each of the four succeeding anniversary dates, subject to certain restrictions. The Board of Directors has not adopted a Restricted Stock Purchase Plan.

Changes in common shares under option and related S.A.R.s for the three years are summarized as follows:

	1982		1981		1980	
	Option Shares	**Average Option Price**	Option Shares	Average Option Price	Option Shares	Average Option Price
Stock Options:						
Outstanding—beginning of year	**283,337**	**$30.94**	263,814	$28.93	247,198	$29.99
Granted	**94,450**	**26.84**	47,650	40.25	78,500	25.94
Exercised	**(1,674)**	**24.76**	(5,062)	25.09	(4,723)	23.75
Surrendered for exercised S.A.R.s	**(4,899)**	**27.39**	(8,214)	26.89	(9,874)	24.19
Canceled or expired	**(7,202)**	**30.81**	(14,851)	29.39	(47,287)	31.03
Outstanding—end of year	**364,012**	**29.95**	283,337	30.94	263,814	28.93
Exercisable—end of year	**217,761**	**30.22**	173,689	30.17	140,093	31.51
Available for grant	**226,292**		313,540		71,339	
Stock Appreciation Rights:						
Outstanding—beginning of year	**159,277**		139,941		136,932	
Granted	**6,746**	**26.81**	28,650	40.25	38,250	25.94
Exercised	**(4,899)**		(8,214)		(9,874)	
Canceled or expired	**(3,601)**		(1,100)		(25,367)	
Outstanding—end of year	**157,523**		159,277		139,941	

Treasury shares issued for exercised stock appreciation rights totaled 376 in 1982, 1,055 in 1981 and 794 in 1980. The Stock Awards Plan, activated in 1978, resulted in the awarding of 21,750 shares in 1982, 18,600 shares in 1981 and 4,350 shares in 1980 with total market value at dates awarded of $701,000, $571,000 and $113,000, respectively.

NOTE 5—RETAINED EARNINGS

Under the most restrictive terms of the Company's various loan agreements, the Company could not as of December 26, 1982 pay cash dividends or repurchase the Company's capital stock in amounts aggregating more than $69,700,000.

NOTE 6—SHUTDOWN/DISPOSAL PROVISION

In the third quarter of 1980, a provision was recorded for the closing of the Newport and Wilder, Kentucky steelmaking and related facilities. The provision of $37,000,000 was equivalent to $4.10 per share after applicable income taxes. This provision covered estimated losses on the disposition of property, plant and equipment and inventories, and employee severance and other costs. Net sales of products from these facilities included in consolidated sales totaled $69,497,000 in 1980. These facilities were sold in the second quarter of 1981 with no adjustment to the 1980 provision required at that time. The shutdown/disposal provisions of 1980 and 1978 were adjusted in 1982 to reflect current determinations of employee severance and other costs, investment tax credit recaptures, and other items. The effect of these adjustments was to increase net income by $1,300,000 ($.20 per share) in the first quarter of 1982.

NOTE 7—RETIREMENT BENEFITS

Pension costs totaled $16,256,000, $19,553,000 and $26,822,000 in 1982, 1981 and 1980, respectively. The decrease in pension expense in 1982 was primarily due to a change in retirement age assumptions and the immunization of liabilities for certain retired employees through purchase of a dedicated bond portfolio. The decrease in 1981 was primarily attributable to an increase in the assumed rate of return on investments from 6% to 7% and to the exclusion of Newport and Wilder plant employees. In 1982 the Company adopted a defined contribution retirement savings plan for most of its domestic salaried employees which replaced a defined benefit pension plan and a defined contribution savings plan. Pension costs for 1981 and 1980 have been accordingly restated to include company contributions to the savings plan.

A comparison of accumulated plan benefits and plan net assets for the Company's domestic defined benefit plans follows:

	December 26, 1982	December 27, 1981
		(in thousands)
Actuarial present value of accumulated plan benefits		
Vested	**$124,800**	$ 80,500
Non-vested	**1,700**	1,600
	$126,500	$ 82,100
Net assets available for plan benefits	**$260,100**	$219,700

The assumed rates of return used in determining the actuarial present value of accumulated plan benefits were 11.2% at December 26, 1982 and 14.5% at December 27, 1981 which were the Standard and Poor's average of AAA industrial and utility bond rates.

The Company also provides life and health benefits for certain retired employees. The cost of such plans was $3,117,000, $2,749,000 and $2,970,000 in 1982, 1981 and 1980, respectively.

In addition to the above 1980 retirement benefit costs, the 1980 provision for the shutdown of the Newport and Wilder plants (see Note 6) included retirement benefit costs related to terminated employees.

NOTE 8—INCOME TAXES

The provisions for taxes on income consist of:

	Currently Payable	Deferred	Total
	(in thousands)		
1982			
U. S. Federal	**$ (692)**	**$ (2,744)**	**$ (3,436)**
Foreign	**3,932**	**(753)**	**3,179**
State and other	**529**	**—**	**529**
	$ 3,769	**$ (3,497)**	**$ 272**
1981			
U. S. Federal	$13,863	$ 5,312	$19,175
Foreign	9,622	(947)	8,675
State and other	3,103	—	3,103
	$26,588	$ 4,365	$30,953
1980			
U. S. Federal	$ 7,521	$(13,019)	$(5,498)
Foreign	8,153	714	8,867
State and other	2,629	—	2,629
	$18,303	$(12,305)	$ 5,998

The U. S. Federal income tax provisions were reduced by investment tax credits, net of recapture, of $3,079,000 in 1982, $2,409,000 in 1981 and $1,142,000 in 1980.

The deferred tax provisions result from timing differences in the recognition of income and expenses for tax and financial reporting purposes. Significant items and the tax effects thereof are as follows:

	1982	1981	1980
		(in thousands)	
Excess of tax over book depreciation	**$ 21,431**	$ 6,888	$ (68)
Sale of interest in joint venture	**(13,056)**	—	—
Retirement benefit costs	**(9,163)**	2,047	(1,915)
Foreign translation and hedge contracts	**1,646**	(1,959)	(874)
Equity in earnings of affiliated companies	**(1,225)**	(109)	(952)
Benefit on plant closings	**(1,038)**	(1,529)	(7,560)
All other net	**(2,092)**	(973)	(936)
	$ (3,497)	$ 4,365	$(12,305)

The effective income tax rates for 1982, 1981 and 1980 are reconciled to the federal statutory tax rates in the following table:

	1982	1981	1980
Statutory federal income tax rate	**46.0%**	46.0%	46.0%
Increase (reduction) in taxes resulting from:			
Investment tax credit	**(42.6)**	(3.0)	(5.5)
Tax effect of U. K. stock relief	**(11.3)**	(2.4)	(17.9)
Adjustment of available tax reserves	**(5.5)**	—	—
Excess percentage over cost depletion	**(3.4)**	(2.2)	(4.4)
Purchased tax lease benefits	**(2.7)**	(.4)	—
Earnings attributable to affiliated companies	**2.2**	(1.6)	(3.6)
State income taxes	**4.0**	2.1	6.9
Taxes on foreign income before stock relief	**14.6**	1.1	4.8
All other net	**2.5**	(.5)	2.9
	3.8%	39.1%	29.2%

The amounts included in consolidated income before taxes on income which represent income of foreign operations were $5,723,000, $20,536,000 and $27,764,000 for 1982, 1981 and 1980, respectively.

As of December 26, 1982, U. S. Federal income tax returns for the years 1976 through 1978 were in process of examination. All prior years have been examined and settled. All assessments have been paid including any applicable interest. The Company believes that adequate provision has been made for possible assessments of additional taxes.

Provision for U. S. taxes has not been made on approximately $72,144,000 of unremitted earnings of foreign subsidiaries, considered to be permanently reinvested at December 26, 1982.

NOTE 9—COMMITMENTS AND CONTINGENCIES

With respect to the Company's interest in two iron ore 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 principal payments on the debt of these projects of approximately $4,000,000 through 1983, and lesser amounts thereafter.

The Company is involved, on a continuing basis, as a party to enforcement and other proceedings with governmental agencies relating to the application of environmental laws and regulations to certain of the Company's plants. In some of such proceedings, and in other ways pursuant to laws and regulations, government agencies have threatened or indicated imposition of penalties which, if such agencies prevailed, could involve sums material to the Company; these matters are routinely negotiated and, in the opinion of the Company, are not likely to result in the assessment of penalties material in amount.

NOTE 10—BUSINESS SEGMENT INFORMATION

The Company operates in six lines of business, four in metals and two in materials handling products. Metals includes iron and steel, metal powders, investment castings and die castings, and silicon metal and ferroalloys. Materials handling consists of material handling and storage products and packaging. The accompanying tables present financial information by line of business for the years 1982, 1981 and 1980.

Sales between lines of business are primarily priced at market value for metal products and at distributor prices for material handling products. Operating profit consists of total sales and other revenues of a product line less all related operating expenses. Income and expenses which are not related to, nor appropriately allocable to, lines of business, primarily interest expense, are included in general Corporate expense.

The operating results of certain segments were increased (decreased) by the following unusual items:

	Iron/ Steel	Investment/ Die Castings	Matl. Hdlg./ Stor. Prod.	Packaging	All Other
			(in millions)		
1982					
Liquidation of LIFO Inventory Quantities	**$ 6.6***	**$ —****	**$ 1.4**	**$ 3.9**	**$ .3**
Shutdown/Disposal Provisions	**1.3**	**—**	**—**	**—**	**—**
Plant Closings and Relocations	**—**	**(3.6)**	**(1.0)**	**—**	**—**
Depreciation Adjustments	**2.4**	**—**	**.4**	**—**	**—**
	$ 10.3	**$ (3.6)**	**$ .8**	**$ 3.9**	**$ .3**
1980					
Liquidation of LIFO Inventory Quantities	$ 8.5*	$ .2	$ 4.0	$ 2.0	$ .7
Shutdown/Disposal Provisions	(37.0)	—	—	—	—
Plant Closings and Relocations	—	—	—	(2.5)	—
	$ (28.5)	$ .2	$ 4.0	$ (.5)	$ .7

*Excludes $1.0 million and $7.8 million for 1982 and 1980, respectively, which were included in the shutdown/disposal provisions caption.

**Excludes $.6 million included in the plant closings and relocations caption.

Total assets by line of business consist of those assets used directly in the operations of the product line. Corporate assets consist principally of cash, securities and investments in real property.

The Company's interest in iron ore mining joint ventures in Minnesota and Labrador, Canada and a coal mining joint venture in West Virginia are accounted for by the equity method within the iron and steel business. Investments in materials handling companies in Mexico and Japan are also accounted for on an equity basis.

Sales to the largest individual customers are not material in relation to consolidated sales, nor are sales to domestic or foreign government agencies. Transfers between geographic areas, which are virtually all in the materials handling lines of business, are made at prices which approximate the prices of similar items sold to distributors. Operating profit by geographic area is the difference between total sales and other revenues attributable to the areas and related operating expenses. Income and expenses which are not related to nor appropriately allocable to geographic areas, primarily interest expense, are included in general Corporate expense. Export sales to unaffiliated customers included in the United States' sales are not material.

'All other foreign' includes operations in Canada, Mexico, Australia and Japan.

Total assets consist of those assets used directly in the operations in the geographic areas shown.

INFORMATION ABOUT THE COMPANY'S LINES OF BUSINESS

	Year	Net Sales Customers(a)	Net Sales Affiliates	Operating Profit (Loss)(b)	Assets at Year-End(c)	Depreciation Depletion & Amortization	Capital Expenditures
				(in millions)			
Iron/Steel	**1982**	**$ 149.5**	**$ 46.7**	**$(12.7)**	**$189.0**	**$ 8.3**	**$ 3.5**
	1981	274.3	69.9	19.3	210.0	11.5	6.7
	1980	274.4	50.8	(34.5)	241.5	12.2	7.6
Metal Powders	**1982**	**71.0**	—	**12.1**	**84.7**	**3.2**	**6.7**
	1981	87.7	—	16.9	83.0	3.0	4.2
	1980	70.9	—	8.9	77.5	2.9	3.5
Investment/ Die Castings	**1982**	**95.0**	—	**3.7**	**65.1**	**2.6**	**5.2**
	1981	108.5	—	14.1	66.3	1.9	8.9
	1980	114.3	—	22.0	50.0	1.3	5.3
Silicon Metal/ Ferroalloys	**1982**	**54.9**	**.2**	**(3.4)**	**46.8**	**2.3**	**1.4**
	1981	95.4	.3	8.9	54.3	2.2	3.4
	1980	83.4	1.1	6.2	45.0	2.1	1.1
Material Handling/ Storage Products	**1982**	**253.7**	—	**2.1**	**147.5**	**5.2**	**7.7**
	1981	277.4	—	9.7	164.1	5.8	7.4
	1980	350.5	—	22.6	181.7	5.6	7.3
Packaging	**1982**	**143.2**	**1.1**	**9.9**	**69.5**	**1.5**	**3.4**
	1981	173.3	1.7	13.2	78.8	1.4	6.8
	1980	162.4	1.7	8.9	71.8	2.4	6.5
Corporate Items/ Eliminations	**1982**	—	**(48.0)**	**(4.5)**	**53.2**	**(.1)**	—
	1981	—	(71.9)	(3.0)	53.7	.2	—
	1980	—	(53.6)	(13.5)	36.1	.4	—
Consolidated	**1982**	**767.3**	—	**7.2**	**655.8**	**23.0**	**27.9**
	1981	1,016.6	—	79.1	710.2	26.0	37.4
	1980	1,055.9	—	20.6	703.6	26.9	31.3

		1982	1981	1980
(a) Includes sales in Iron/Steel operations of:	Iron Products	**$ 46.0**	$108.3	$ 61.0
	Steel Products	**103.5**	166.0	213.4
(b) Includes equity in earnings of unconsolidated affiliates in:	Iron/Steel	**1.7**	13.2	7.3
(c) Includes investment in unconsolidated affiliates in:	Iron/Steel	**35.5**	43.7	43.1
	Material Handling/ Storage Products	—	—	.5
	Packaging	—	.3	.3

INFORMATION ABOUT THE COMPANY'S OPERATIONS BY GEOGRAPHIC AREAS

	Year	Net Sales: Customers	Net Sales: Inter-geographic	Operating Profit (Loss)	Assets At Year-End
			(in millions)		
United States	**1982**	**$ 539.2**	**$ 2.6**	**$ 5.9**	**$429.7**
	1981	754.8	3.4	59.5	472.9
	1980	752.1	4.9	7.4	471.5
Western Europe	**1982**	**159.6**	**.5**	**(1.8)**	**115.2**
	1981	182.6	.6	9.4	125.6
	1980	231.2	.7	15.7	145.2
All Other Foreign	**1982**	**68.5**	**.2**	**7.0**	**57.7**
	1981	79.2	—	12.7	58.0
	1980	72.6	.1	11.9	50.8
Corporate Items/Eliminations	**1982**	**—**	**(3.3)**	**(3.9)**	**53.2**
	1981	—	(4.0)	(2.5)	53.7
	1980	—	(5.7)	(14.4)	36.1
Consolidated	**1982**	**767.3**	**—**	**7.2**	**655.8**
	1981	1,016.6	—	79.1	710.2
	1980	1,055.9	—	20.6	703.6

NOTE 11—INVESTMENTS IN IRON ORE INTERESTS

The Company holds investments in iron ore mining ventures, the principal investments being a 10% interest in Erie Mining Company and a 17.6% interest in Wabush Iron Company Limited. Combined financial data of these companies is summarized below:

	1982	1981	1980
		(in thousands)	
Net working capital	**$104,966**	$ 97,661	$ 70,298
Capital assets, net of depreciation and depletion	**185,780**	195,277	208,660
Other assets	**14,390**	13,440	14,120
Long-term liabilities	**87,225**	94,564	103,865
Stockholders' equity	**217,911**	211,814	189,212
Revenues	**258,092**	467,557	339,114
Net income	**19,444**	114,871	59,886
Interlake's equity in net income, after consolidating eliminations	**2,745**	12,729	4,000

See Note 9 regarding the Company's obligations with respect to the long-term debt of these ventures.

NOTE 12—QUARTERLY RESULTS (UNAUDITED)

Quarterly results of operations for 1982 and 1981 were as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(in millions except per share data)			
1982				
Net sales	**$205.7**	**$198.2**	**$183.1**	**$180.3**
Other revenues	**3.1**	**2.7**	**2.3**	**3.0**
Costs and expenses	**204.5**	**199.3**	**184.0**	**183.4**
Income (loss) before taxes on income and minority interest	**4.3**	**1.6**	**1.4**	**(.1)**
Net income—Amount	**2.8**	**1.1**	**1.4**	**.5**
—Per share	**.45**	**.17**	**.22**	**.08**
1981				
Net sales	$267.1	$267.2	$255.1	$227.2
Other revenues	3.5	4.9	4.1	4.2
Costs and expenses	252.4	249.8	239.1	212.9
Income before taxes on income and minority interest	18.2	22.3	20.1	18.5
Net income—Amount	10.2	12.4	12.3	11.7
—Per share	1.67	2.03	2.01	1.88

Net income in the fourth quarter of 1982 includes charges of $1.0 million reflecting a decision to divest a European marketing operation and $1.0 million reflecting a decision to close an investment casting plant and relocate certain of its facilities. Net income in the third quarter of 1982 includes a charge of $1.4 million reflecting a decision to close a die casting plant and relocate certain of its facilities.

Liquidations of LIFO inventory quantities in the third and fourth quarters of 1982 increased net income by $1.5 million and $6.0 million, respectively (see Note 1).

Net income in the first quarter of 1982 was increased by $1.3 million for adjustments of the 1978 and 1980 shutdown/disposal provisions (see Note 6).

Depreciation adjustments in the third and fourth quarters of 1982 increased net income by $1.1 million and $.4 million, respectively (see Note 1).

The third quarter of 1981 includes a stock relief tax credit of $1.5 million.

In the second quarter of 1981, the sale of vacant land increased net income by $1.2 million.

MARKET FOR INTERLAKE'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The principal market for the Company's common stock is the New York Stock Exchange (ticker symbol IK). The Company's common stock is also listed on the Midwest Stock Exchange and is admitted to unlisted trading on the Pacific Coast Exchange and the Boston Exchange.

On December 26, 1982 the approximate number of record holders of the Company's common stock was 17,817.

High and low stock prices and dividends for the last two years were:

	1982			1981		
	Sales Price		**Per Share Cash Dividends**	Sales Price		Per Share Cash Dividends
	High	**Low**	**Paid**	High	Low	Paid
Calendar Quarter Ended						
March 31	**$35½**	**$28**	**$.65**	$34¼	$27½	$.55
June 30	**29½**	**22½**	**.65**	41¼	33⅞	.55
September 30	**27¾**	**23¾**	**.65**	45	33	.65
December 31	**34**	**26⅛**	**.65**	37	33¼	.65

The Company expects to continue its policy of paying regular cash dividends, although there is no assurance as to future dividends because they are dependent on future earnings, capital requirements, and financial condition. In addition, the payment of dividends is subject to the restrictions described in Note 5 of Notes to Consolidated Financial Statements appearing on page 26.

SUPPLEMENTARY FINANCIAL DATA ADJUSTED FOR EFFECTS OF CHANGING PRICES

The Financial Accounting Standards Board (FASB) has adopted supplementary disclosure requirements based on alternative measurements of traditional financial information. In compliance with these requirements, the historical cost (as reported) data has been adjusted to depict the effect of 1) general price level changes (constant dollar), and 2) price changes of specific assets (current cost). Under SFAS No. 70, constant dollar disclosures for net income, net income per share and net assets are not required for an enterprise with significant foreign operations.

Constant dollar adjustments bring historical cost data into units having the same general purchasing power by applying appropriate measures of the changes in the applicable general price level indexes.

Current cost adjustments to plant and equipment were determined by applying external price indexes closely related to the assets being measured to the historic acquisition costs of the assets; for land, current cost was primarily determined by reference to real estate tax assessments. Current cost of goods sold was determined by the LIFO (last-in,first-out) inventory method, which is principally the same method used by the Company in its primary financial statements, adjusted for any effect of prior-year LIFO layer liquidations.

Statement of Income Adjusted for Changing Prices For the Year Ended December 26, 1982
(in thousands)

Net income as reported	$ 5,752
Current cost adjustments:	
—cost of goods sold	(12,982)
—depreciation and amortization expense	(23,142)
Net income (loss) in current cost	$(30,372)
Gain from decline in purchasing power on net amounts owed	$ 5,141
Increase in general price level of inventories and property, plant and equipment held during the year	$ 31,343
Effect of increase in current cost*	19,420
Excess of increase in the general price level over the increase in current cost	$ 11,923
Aggregate foreign currency translation adjustment as reported	$(11,969)
—in current cost	$(15,389)

*At December 26, 1982 current cost of inventory was $267.2 million and current cost of property, plant and equipment, net of accumulated depreciation,was $449.5 million.

The current cost adjustments to reported income reflect the effect of price changes of specific assets, resulting in:

- higher costs incurred to replace inventories sold during the year—an adjustment which is minimized because most inventories are valued by the LIFO method.

- higher depreciation expense that would arise if existing plant and equipment were replaced at higher current costs, reflecting assets with relatively long lives.

No adjustment was made for the tax effects normally associated with incurring higher costs because the FASB standard does not permit such modifications and theoretical adjustments are not allowed for federal tax purposes.

Comparison of Selected Data Adjusted for Effects of Changing Prices

	1982	1981	1980	1979	1978
	(Dollar amounts in thousands except per share statistics)				
Net sales and other revenues					
—as reported	**$778,427**	$1,033,311	$1,063,763	$1,112,435	$ 929,845
—in constant dollars	**778,427**	1,097,039	1,246,516	1,479,835	1,376,209
Net income(loss)					
—as reported	**5,752**	46,577	13,818	39,735	
—in current cost	**(30,372)**	25,518	(37,225)	20,837	
Net income(loss) per common share					
—as reported	**.92**	7.59	2.29	6.66	
—in current cost	**(4.85)**	4.16	(6.16)	3.49	
Cash dividends per common share					
—as declared	**2.60**	2.40	2.20	2.20	2.20
—in constant dollars	**2.60**	2.55	2.58	2.93	3.26
Market price per common share at year-end					
—as reported	**31.25**	33.88	27.75	25.00	23.00
—in constant dollars	**30.78**	34.81	31.06	31.45	32.78
Net assets at year-end					
—as reported	**323,251**	358,748	336,707	333,981	
—in current cost	**617,047**	699,033	711,583	792,849	
Aggregate foreign currency translation adjustments					
—as reported	**(11,969)**	(15,575)			
—in current cost	**(15,389)**	(21,605)			
Gain from decline in purchasing power on net amounts owed	**5,141**	11,612	22,107	25,890	
Excess of increase in the general price level over the increase in current cost	**11,923**	11,258	34,873	30,248	
Average consumer price index (1967 = 100.0)	**289.2**	272.4	246.8	217.4	195.4

In 1982 and 1980, liquidation of LIFO inventory quantities required an adjustment to current cost of goods sold of $12.8 million and $18.0 million, respectively, in 1982 average dollars.

The shutdown/disposal provision in 1980 included the reduction of historical costs to expected, realizable values. As such, the adjustments for the effects of changing prices were not necessary for assets related to this provision.

Adjustments to the current cost information to reflect the effects of general inflation are based on the U. S. CPI (U).

None of the preceding data includes current cost information on mineral properties held by joint ventures in which the Company holds investments accounted for by the equity method. The Company's shares of estimated mineral reserves of these joint ventures as of December 26, 1982 were approximately 124 million net tons of iron ore and 14 million net tons of metallurgical coal. In 1982 the price per ton for this iron ore and coal was $38.78 and $48.77, respectively. This information in and of itself is not meaningful without due consideration of the significant and ever-increasing costs of extraction, processing and shipping and associated capital expenditures.

Selected Financial Data

	1982	1981	1980	1979	1978
		(In thousands of dollars except per share data)			
For the Year					
Sales and revenues:					
Net sales	**$767,300**	$1,016,605	$1,055,883	$1,104,588	$921,127
Other revenues	**11,127**	16,706	7,880	7,847	8,718
	$778,427	$1,033,311	$1,063,763	$1,112,435	$929,845
Income before nonrecurring item and taxes on income	**$ 5,934**	$ 79,119	$ 57,553	$ 45,177	$ 31,626
Shutdown/disposal provision	**1,300**	—	(37,000)	—	(15,682)
Income before taxes on income	**7,234**	79,119	20,553	45,177	15,944
Provision for income taxes	**272**	30,953	5,998	3,129	3,100
	6,962	48,166	14,555	42,048	12,844
Minority interest in net income of subsidiaries	**1,210**	1,589	737	2,313	2,356
Net income	**$ 5,752**	$ 46,577	$ 13,818	$ 39,735	$ 10,488
Net income per common share	**$ .92**	$ 7.59	$ 2.29	$ 6.66	$ 1.77
Cash dividends per common share	**2.60**	2.40	2.20	2.20	2.20
At Year End					
Working capital					
—amount	**$175,891**	$ 199,803	$ 181,145	$ 162,270	$163,348
—current ratio	**2.1 to 1**	2.2 to 1	2.0 to 1	1.7 to 1	1.9 to 1
Total assets	**$655,792**	$ 710,217	$ 703,618	$ 733,559	$658,415
Long-term debt, less current maturities	**122,338**	126,618	133,020	135,503	136,169
Common shareholders' equity					
—amount	**323,251**	358,748	336,707	333,981	306,311
—per common share	**56.63**	58.06	55.30	55.64	51.41

NOTE: 1978 was a 53-week year while all other periods were 52-week years.

OFFICERS

Reynold C. MacDonald, Chairman of the Board

Frederick C. Langenberg, President and Chief Executive Officer

Robert Jacobs, Vice Chairman of the Board

Raymond T. Anderson, Treasurer

Ralph K. Frew, Vice President—Employee Relations

H. Harry Henderson, Vice President—Marketing and Public Affairs

Grant L. Johnson, Vice President—Law and Administration

Ian R. MacLeod, Secretary

Richard I. Polanek, Controller

W. Robert Reum, Vice President—Finance and Chief Financial Officer

OPERATING EXECUTIVES

H. Lewis Biggerstaff, President, Arwood Die Casting Division

Bruno Botti, President, Duradyne Technologies, Inc.

Alfred D. Gate, President, Globe Metallurgical Division

Hal L. Harman, Group Vice President, Arwood and Duradyne Divisions

Stephen Hinchliff, Chairman of the Board, Dexion-Comino International, Ltd.

Bernard J. Lavins, President, Material Handling and Storage Products Division

Brian W. H. Marsden, President, Iron and Steel Division

Joseph J. Shiel, President, Arwood Investment Casting Division

Regis A. Vey, Group Vice President, Packaging and Storage Products Divisions

Alfred G. Ward, President, Acme Packaging Division

Ian A. White, President, Hoeganaes Corporation

DIRECTORS

Keith S. Benson, Director and Retired Executive Vice President-Administration and Finance, Oglebay Norton Company (mining, sales and transportation of iron ore, coal and other minerals) (1966)

Eugene P. Berg, Chairman, Automatic Spring Coiling Company (manufacturer of precision mechanical springs) (1964)

Thomas J. Guendel, Chairman of the Board and Chief Executive Officer, Portec, Inc. (manufacturer of engineered products for the railroad industry, construction equipment and industrial products) (1981)

Robert Jacobs, Vice Chairman of the Board, Interlake, Inc. (1969)

Frederick C. Langenberg, President and Chief Executive Officer, Interlake, Inc. (1979)

Reynold C. MacDonald, Chairman of the Board, Interlake, Inc. (1967)

Louis Putze, Retired Vice President and Director, Rockwell International Corporation (manufacturer of products for the automotive, electronic, aerospace and general industries businesses) (1962)

Derald H. Ruttenberg, Private investor (1982)

Erwin E. Schulze, President and Chief Operating Officer, The Ceco Corporation (manufacturer of building products and provider of concrete forming services for the construction industry) (1981)

Lee C. Shaw, Partner, Seyfarth, Shaw, Fairweather and Geraldson (law firm) (1949)

Herbert A. Spring, Jr., Attorney, in private practice, Cleveland, Ohio (1977)

Edward J. Williams, Chairman, President and Chief Executive Officer, McGraw-Edison Company (manufacturer of electrical and mechanical products and related services for industrial applications) (1964)

Morris H. Wright, Advisory Director, Lehman Brothers Kuhn Loeb Incorporated (investment banking firm) (1963)

Year in parentheses is year in which he became a director.

Committees of the Board of Directors include: Audit Review Committee, Compensation Committee, Executive Committee, Nominating Committee, and Pension Review Committee.

interlake, inc.

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