THE INTERLAKE CORPORATION
1991 ANNUAL REPORT

JUN 5 1992

. . . working throughout the world.

INTERLAKE AT A GLANCE

Interlake is a multinational manufacturer with five operating groups.

MAJOR PLANT SITES	PRODUCTS/USES	CUSTOMERS	MARKET POSITION
HOEGANAES CORPORATION Gallatin, TN Milton, PA Riverton, NJ	**Iron and alloy powder** • Automotive & light truck engine & powertrain parts • Farm and construction equipment parts • Appliance parts • Welding, chemical and photocopy applications	Metal powder parts suppliers Automotive parts manufacturers Heavy machinery producers	Leader in North America
CHEM-TRONICS, INC. El Cajon, CA	**Aerospace components** • Precision ducts, rings, cases & other complex fabrications for military & commercial jet engines & space launch vehicles	Leading jet engine manufacturers Prime aerospace contractors	Largest in this market segment Unique in its array of fabrication technologies
	Aviation repair • Jet engine fan blades & other components	Most major airlines Overhaul centers Engine manufacturers	Significant share in this market segment
INTERLAKE MATERIAL HANDLING Blacktown, Australia Lodi, CA Pontiac, IL Shepherdsville, KY Sumter, SC	**Storage rack** • Distribution facilities; manufacturing facilities; receiving, shipping, in-process storage	Businesses in all size ranges in North America, Australia	Largest in U.S. and Australia
	Conveyors & conveyor systems		Growing supplier in a fragmented field
	Retail display equipment		Major presence in Australia
DEXION GROUP plc Gainsborough, U.K. Halle, Germany Hemel Hempstead, U.K. Kilnhurst, U.K. Laubach, Germany Nivelles, Belgium	**Storage rack** • Distribution facilities; manufacturing facilities; receiving, shipping, in-process storage **Conveyors & conveyor systems** **Shelving, office partitioning**	Businesses in all size ranges in the U.K., European mainland, Africa, Middle East, Far East	Largest in the U.K. and Belgium; a leader in Germany
INTERLAKE PACKAGING CORPORATION Fountain Inn, SC Kilnhurst, U.K. Maidenhead, U.K. Racine, WI Scarborough, Canada	**Plastic strapping machines & plastic strapping** **Metallic strapping machines & metallic strapping** • Carton strapping; securing unit loads, i.e. pallets, textile products, lumber, newspapers	Steel, lumber, brick, concrete, corrugated, newspaper, graphics, can, bottle, textile & distribution industries Businesses that ship products in cartons	A leader in North America and the U.K. Largest supplier in Canada; a leader in the U.K.
	Wire stitchers • Boxboard sealing • Book, magazine binding	Businesses that ship products in cartons Graphic arts	Leader in the U.S.

SHAREHOLDER INFORMATION

Common Stock Listing and Price Information

Interlake's common stock is listed on the New York and Midwest stock exchanges. Its ticker symbol is "IK" and it is listed as "Intlake" in the New York Stock Exchange Composite Transactions, which appear in the business pages of larger daily newspapers.

Shareholder Services

Please address questions about your Interlake stock to: The First Chicago Trust Company of New York, 30 West Broadway, New York, NY 10007; (800) 446-2617.

Form 10-K Available

A copy of The Interlake Corporation Annual Report on Form 10-K, filed with the Securities and Exchange Commission, is available to shareholders upon request to the Corporate Secretary, The Interlake Corporation, 550 Warrenville Road, Lisle, Illinois 60532-4387.

TO OUR SHAREHOLDERS AND EMPLOYEES:

1991

In 1991, Interlake took the actions needed to operate our businesses in a recessionary environment while enhancing our long-term competitiveness.

- We continued our emphasis on managing working capital, reducing working capital as a percentage of sales from 14.7% at the end of 1989 to 10.4% at the end of 1991.
- We aggressively reduced costs to lower the break-even points in our businesses, accumulating savings of nearly $23 million in 1990 and 1991.
- We invested capital in key areas to fund new product development, update machinery and equipment, expand production capacity, and increase market share.

Strong Operating Businesses

Due to these and many other actions, Interlake has five strong businesses that are more efficient and competitive than ever. Our businesses have maintained or improved their market positions and hold leading market shares for nearly all the products they produce.

In many instances, Interlake companies are the leading players in sizable market niches, thanks to numerous competitive advantages, including technological superiority, low cost producer status and superior product quality. Our businesses are also strengthened by contributions from employee involvement, such as increased productivity, reduced costs and improved customer service.

Operating Strategy

While coping with difficult economic conditions in 1991, our businesses have shaped their operating strategies, based on current and future market trends, to become increasingly competitive. Here is a brief summary of actions under way at each business.

Hoeganaes—North America's leading producer of ferrous metal powders, Hoeganaes is developing new proprietary products based on technological advances in powder metallurgy. These new products will increase component precision and strength, enabling Hoeganaes to develop new applications and penetrate new markets. Hoeganaes is also combining continuous improvement in the quality of existing products and processes with unparalleled customer service to further solidify its leading market position.

Chem-tronics—Exploiting its product design expertise and integrated production capabilities, Chem-tronics' Aerospace Components unit is winning new customers in commercial and space markets to replace shrinking military business. The Aviation Repair unit is adding capacity in Oklahoma to enhance its position as one of the largest independent suppliers of repair services.

Dexion—The European market leader in storage products, Dexion is aggressively expanding in eastern Germany by establishing additional distribution centers and by increasing production capacity with the recent purchase of a manufacturing facility near Leipzig. Dexion's U.K. Storage Division will introduce a new shelving product and improved dynamic storage products later this year, and is renewing its efforts to expand export sales, particularly to the Middle East.

Material Handling—The storage rack leader in North America, Material Handling is pursuing "Value Managed Relationships" with key national accounts that will establish long-term contractual agreements and ensure the highest level of customer service. New product introductions and improve-

ments in the existing product range advance Material Handling's unique position as a single source solution for customers' handling and storage needs.

Packaging—In North America and Europe, Packaging is increasing its market penetration by introducing new, faster and more dependable non-metallic strapping machines for the graphic arts, textile, corrugated, can and bottle industries. In Canada and the United Kingdom, Packaging is maintaining market leadership in steel strapping. Packaging is also introducing a new product identification system in Canada to enhance its market position in the lumber industry.

Financial Strategy

The widespread recessionary conditions of the last two years adversely affected Interlake. Sales in most of our markets were down significantly in this period compared with prior years, and profits were also lower.

However, our businesses have responded well, as evidenced by their strong market positions, reduced operating costs and working capital, and strategic capital investments.

In order to better leverage the strengths of our businesses and improve our ability to profit from an economic recovery, it is important that we improve our balance sheet.

Consequently, Interlake's board of directors has approved a proposed financing plan designed to enhance the strategic, operating and financial flexibility of the company. The principal elements of the plan are increasing the equity base of the company, fixing the rate of interest and extending the maturity of the company's subordinated debt, and amending certain terms in the existing credit agreement with our senior bank group. (For more details, see pages 9, 10 and 29.)

As shareholders, you are being asked to approve portions of the proposed financing plan. This year's proxy statement describes the financing plan and the proposals to be voted upon in detail.

Outlook

Interlake's operating results for the remainder of 1992 will be highly dependent on the economic environments in which our businesses operate. We have strong businesses with leading market share positions, very competitive cost structures, and excellent employees. Assuming the successful completion of the financing plan, I am confident that Interlake will take full advantage of the economic recovery as it occurs.

W. Robert Reum,
Chairman, President and
Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (dollars in millions except per share data)

The general economic weakness which affected the Company's businesses at the end of 1990 continued throughout 1991. During the year, management continued its focus on business strategies and financial controls that would allow the Company to meet this economic challenge and to maximize the benefits of economic recoveries as they occur. As a result:

- break-even cost structures were reduced;
- operating working capital as a percentage of sales was lowered;
- key product development programs were continued;
- capital expenditures on expansion projects increased to $4.5 from $3.2 in 1990; and
- debt was reduced by $23.2 in 1991.

Results of Operations

Net sales from continuing operations were $714.7, $786.3, and $827.7, respectively, in 1991, 1990, and 1989. The declines in 1991 and 1990 were largely attributable to declines in sales from non-core businesses which ceased operations in 1990. Operating income was $61.5, $58.7, and $39.3, respectively, in 1991, 1990, and 1989. All of the increase for 1991 and nearly two-thirds of the increase for 1990 is attributable to reductions in unusual items of expense when compared to the prior year.

Management believes that results of the Company's core businesses, excluding unusual items of expense, are the best indication of future performance. Excluding non-core businesses, net sales from core businesses were $714.7, $753.2, and $756.8, respectively, in 1991, 1990, and 1989. Non-core businesses are those identified as operations not directly related to the core businesses in the Company's strategic operating plan and therefore designated for disposal under the 1989 Restructuring Program. (See Note 2 of Notes to Consolidated Financial Statements.) The declines in 1991 and 1990 were attributable to recessionary conditions which first appeared in 1990. Operating income, excluding unusual items of expense, from core businesses was $64.9, $72.1, and $65.5, respectively, in 1991, 1990, and 1989. Such decrease in operating income in 1991 was due to lower sales and operating income in the Handling/Packaging Systems segment, including a decline in LIFO inventory reduction benefits. The increase in operating income in 1990 was attributable to Handling/Packaging Systems which was favorably affected by the mid-1989 acquisition of the Power Companies, by higher exchange rates for foreign currencies, and an increase in LIFO inventory reduction benefits. During the three-year period, Engineered Materials' operating income was stable, except for charges taken in 1990 for a substantial inventory adjustment and the Pan American World Airways, Inc. ("Pan Am") bankruptcy. Notwithstanding lower sales, the Company's cost of sales, excluding unusual items of expense, as a percentage of sales was 73%, 73%, and 74%, respectively, in 1991, 1990, and 1989, reflecting the positive impact of the Company's cost reduction programs. Selling and administrative expenses for the core businesses were reduced each year ($128.1, $130.0, and $130.8, respectively, in 1991, 1990, and 1989) and, as a percentage of sales, were up less than 1% in 1991.

1991 by Quarter

Sales were essentially flat from quarter-to-quarter in 1991. Operating income, excluding unusual items of expense, was $12.9, $15.9, $15.5, and $20.5, respectively, in the first through fourth quarter, respectively. The second and fourth quarters included LIFO inventory reduction benefits of $1.0 and $3.6, respectively. The underlying operating income growth of the core businesses was achieved through improvements in the mix of products sold and further reductions in overhead and manufacturing costs.

Net Sales and Operating Profit by Business Segment

	Net Sales			Operating Profit		
	1991	1990	1989	1991	1990	1989
			(in millions)			
Engineered Materials						
Hoeganaes (Special Materials)	$114.5	$121.5	$127.9			
Chem-tronics (Aerospace Components)	77.9	75.8	73.1			
Core Businesses	192.4	197.3	201.0	$ 32.4	$ 26.8	$ 31.6
Non-Core Businesses/Other Unusual Items	—	1.0	2.5	—	(4.3)	(1.2)
	192.4	198.3	203.5	32.4	22.5	30.4
Handling/Packaging Systems						
Handling	392.0	413.0	419.8			
Packaging	130.3	142.9	136.0			
Core Businesses	522.3	555.9	555.8	33.7	47.0	35.0
Non-Core Businesses/Other Unusual Items	—	32.1	68.4	(3.3)	(11.0)	(2.6)
	522.3	588.0	624.2	30.4	36.0	32.4
Corporate Items/Eliminations	—	—	—	(62.4)	(58.6)	(41.9)
Consolidated Totals	$714.7	$786.3	$827.7	$ .4	$ (.1)	$ 20.9

The following business segment commentary excludes the results of non-core businesses and other unusual items. See Note 5 of Notes to Consolidated Financial Statements for further information on business segments.

Engineered Materials

Engineered Materials includes Hoeganaes (metal powders for forming intricate shapes) and Chem-tronics (precision machined structures, complex fabrications, and jet engine component repairs).

The Engineered Materials segment's sales declined 2% in 1991. Hoeganaes' sales declined 6% due mainly to sluggishness in U.S. automobile and light truck production, which experienced a 10% decline in units produced for the year. The powdered metals market continued to be enhanced by growth in pounds of powdered metal used per vehicle produced and this partly offset the decline in the number of vehicles produced for the year. Chem-tronics' sales improved 3% due to an increase in jet engine component repairs. Declines in defense-related business were effectively offset by increases in non-defense business.

Chem-tronics' defense related business represented approximately 50%, 53% and 54% of Chem-tronics' sales in 1991, 1990 and 1989, respectively. Chem-tronics has emphasized a strategy of developing non-defense business in anticipation of declines in defense spending and has experienced an 18% increase in non-defense sales (commercial and space) from 1989 to 1991. However, defense business remains an important part of Chem-tronics' sales, and a significant decline in this business would have a negative impact on the Company's results. Defense sales as a percent of the Company's total sales were approximately 5% in each of the last three years.

All of the operating profit increase in 1991 was due to 1990 being adversely affected by a substantial inventory adjustment and a write-off related to the bankruptcy of Pan Am. Chem-tronics experienced operating profit gains in 1991, generated by higher sales and improved operating costs, offset by lower profit for Hoeganaes, reflecting lower operating volumes and the sales decline.

Sales in 1990 were down 2% from 1989 equaling the shortened reporting period (52 weeks versus 53 weeks). Hoeganaes' sales declined 5% while U.S. automobile and light truck production decreased 10%. Chem-tronics' sales increased 4% with advances in defense and non-defense business. Operating profit declined 15% due largely to the unfavorable inventory adjustment and the Pan Am write-offs mentioned above.

The Engineered Materials segment ended 1991 with order backlogs of $92.5, down from $132.5 at the end of 1990. Hoeganaes' backlogs, which are generally short-term in nature, were slightly ahead of 1990. However, Chem-tronics' backlogs, which are dominated by multi-year orders, were down sharply due to deliveries of 1991 orders and cancellations of 1992 and 1993 orders related to reductions in defense programs.

Handling/Packaging Systems

Handling/Packaging Systems includes hardware and supplies used to convey, store, retrieve, sort, and package.

The Handling/Packaging Systems segment's sales declined 6% in 1991, reflecting continued recessionary conditions in capital goods markets. The decline was split almost evenly between U.S. and foreign markets. Domestically, Handling's sales were down 8% due to lower sales volumes (4%) and competition-driven lower prices (4%) as capital expenditures were down through most of the U.S. economy. Packaging's domestic sales remained level with 1990. In foreign markets, Handling's sales were down 2%, with a 19% decline in the United Kingdom partially offset by gains in Germany and Belgium of 20% and 12%, respectively. Packaging's foreign sales fell by 12% with a 19% decline in the United Kingdom, where the brick and steel industries were severely depressed, and a decline of 6% in Canada, where the lumber and steel industries have been in recession.

Operating profit for the segment declined 28%, as the effect of lower sales and reduced production volumes could not be fully offset by stringent cost reduction measures taken at all operating units. Liquidations of LIFO inventories benefited 1991 operating profits by $4.1, down from benefits of $5.4 in 1990.

Sales in 1990 were even with 1989. Favorable exchange rates added 5% to sales, while a full year's results for the Power Companies contributed a 4% gain. However, these pluses were largely offset by recessionary conditions, particularly in Australia, Canada, and the United Kingdom. The segment's operating profit increased 35% over 1989, with improved foreign exchange rates furnishing a 7% gain. Packaging's operating profit was up 40%, due to a full operating year for the Power Companies, liquidation of LIFO inventories, and the gain on the sale of a small subsidiary. Handling's operating profit improved 26% due to cost reduction efforts, largely in Europe, and liquidations of LIFO inventories.

The Handling/Packaging Systems segment ended 1991 with an order backlog of $81.5, down from $94.9 at the end of 1990. Most of the decline came at Handling in the United States where major orders were down from the prior year, reflecting continued recessionary conditions.

Unusual Items

Unusual items in 1991 consisted of $3.3 in unfavorable adjustments with respect to non-core businesses designated to be divested, reflecting declining real estate prices and a longer holding period for the remaining property.

Unusual items in 1990 consisted of the results of the non-core businesses designated to be divested (operating losses of $11.3 and disposal gains of $.6); settlement of a law suit related to activities at the Chem-tronics aerospace unit prior to its 1984 acquisition and a partial settlement (including all monetary claims) of a separate case brought by Chem-tronics involving the same parties ($2.0); and adjustment of estimated costs of the 1989 restructuring ($.8).

Unusual items in 1989 consisted of the results of the non-core businesses designated to be divested ($3.8); 1989 Restructuring Program costs of $19.9 (including $16.5 for consultant, advisor and other professional fees and $3.4 for costs related to designated asset divestitures and corporate cost reductions); and stock incentive costs of $2.4 associated with the significant increase in the Common Stock price related to the 1989 Restructuring Program.

Interest Expense

The 1989 Restructuring Program resulted in a highly leveraged capital structure which substantially increased net interest expense beginning in the fourth quarter of 1989. Consequently, net interest expense was $56.1, $62.0, and $19.4 in 1991, 1990, and 1989, respectively. The decline in 1991 was a result of lower prevailing interest rates and a reduction in the amount of average outstanding borrowings. All of the Company's debt incurred under the 1989 Restructuring Program bears interest at floating rates which causes the Company to be sensitive to prevailing interest rates. However, the Company has entered into long-term interest rate protection agreements and other interest rate hedging transactions, as required under the 1989 Credit Agreement, which effectively provide fixed rates of interest or ceiling rates of interest on 67% of the Company's current bank obligations.

Nonoperating Items

Nonoperating items consist of items which are not related to activities that constitute the Company's ongoing major operations.

The Company's past and present business operations and its past and present ownership and operation of real property are subject to extensive and changing federal, state, local and foreign environmental laws and regulations. As a result from time to time the Company is involved in administrative and judicial proceedings and inquiries relating to environmental matters. The Company has been identified as a potentially responsible party in connection with a site on the St. Louis River in Duluth, Minnesota, where a predecessor of the Company owned and operated a facility which produced coal tar as a by-product. The facility related to the predecessor's iron and steel division and was shut down in 1961 and is unrelated to the ongoing business of the Company. This site has been placed on the national priorities list (also known as the "Superfund" list) of the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980. In March 1991, the Minnesota Pollution Control Agency ("MPCA") issued a Request for Response Action ("RFRA") to the Company and two other corporations identifying each of them as a "responsible person" with respect to specific portions of the Duluth site. Under the RFRA, the Company believes it will be responsible for only small tar seep areas and contiguous soil areas located at that portion of the Duluth site for which it has been designated responsible by the MPCA. The RFRA does not cover underwater sediments in areas adjacent to the Duluth site. No governmental agency has made any determination as to whether any remediation of underwater sediments will be required. Based on investigations and studies completed during 1991, the Company's present estimate of potential costs related to that portion of the Duluth site for which it believes it will have liability is $4.5. In making this estimate, the Company has not assumed any recoveries from insurance or third parties. During 1991, the Company also reviewed several other environmental matters involving nonoperating locations and estimated total costs of $1.5 related to these matters. As a result, the Company made a special charge of $6.0 to nonoperating expenses to provide for all these matters. Further environmental issues relating to the presently identified sites or to other sites related to the Company could require additional expenditures, but based on information available as of April 30, 1992, including an

evaluation of all locations where the Company may have environmental liability, including without limitation, the evaluation relating to the Duluth site referred to above, the Company believes that the costs of known environmental matters either have been fully provided for or are unlikely to have a material adverse effect on future operating results or the financial condition of the Company. (See Note 11 of Notes to Consolidated Financial Statements.)

In 1990, nonoperating income of $2.4 was attributable mainly to royalty income ($.9) and gains on asset sales ($.8).

Provision for Income Taxes

The high level of net interest expense caused domestic losses which were not eligible for federal tax benefits in 1991 and 1990. As a result, the taxes due to foreign and state authorities were not offset by any U.S. federal income tax benefits. Consequently, the Company recorded a tax expense in excess of pretax income in 1991 and a tax expense compared to a pretax loss in 1990. (Existing losses can be carried forward and tax benefits realized in future years to the extent that domestic income is earned.)

Income taxes were provided at an effective rate of 69.4% in 1989. The effective rate in 1989 was high because the book tax provision was adversely affected by the 1989 Restructuring Program. These costs caused a U.S. loss for book purposes. However, this loss did not produce a comparable income tax benefit due to application of alternative minimum tax rules. In addition, the repatriation of foreign earnings, as part of the 1989 Restructuring Program, resulted in U.S. and foreign income tax expenses which could not be fully offset by foreign tax credits because of increased U.S. interest expenses.

Discontinued Operations

The Company's Arwood subsidiary sold its investment casting business for approximately $54.0 in cash on May 18, 1990. The proceeds, net of transaction costs and taxes, were used to prepay Company bank debt. The loss from discontinued operations of $8.9 ($.85 per share) consisted of the loss on the sale of the investment casting business of $3.4, operating losses of $3.2 and allocated corporate and interest expenses of $2.3. (See Note 3 of Notes to Consolidated Financial Statements.)

Liquidity and Capital Resources

Cash Flow (see Consolidated Statement of Cash Flows)

Cash inflows provided by operating activities were $23.4, $24.8, and $74.3 in 1991, 1990, and 1989, respectively. Cash inflows in 1991 remained close to 1990 as reduced working capital inflows were largely offset by an $8.0 reduction in the loss from operations. Cash inflows in 1990 were down substantially from 1989 as a result of the 1990 loss from operations of $21.8 compared to net income in 1989 of $1.0 and as working capital reductions in 1990 did not match the reductions achieved in 1989. Throughout this period, the Company has placed an emphasis on managing working capital. As a result, cash inflows from working capital reductions were $3.8 in 1991, $14.4 in 1990, and $36.9 in 1989. The Company believes that working capital is being managed in an effective manner. Working capital, excluding accrued interest and interest bearing items and including net assets held for sale, as a percent of sales has been reduced from 17.5% at the end of August 1989 to 10.4% at the end of 1991. Future working capital inflows or outflows are expected to more closely reflect changes in the level of the Company's activities.

Investing activities included divestiture inflows of $2.2 in 1991 and $63.4 in 1990 (including the Arwood proceeds of $54.0). Excluding these benefits, cash outflows used by investing activities were $11.6, $12.7, and $45.8, respectively, for 1991, 1990, and 1989. In 1991 and 1990 capital expenditures were $13.5 and $14.2, respectively. Included in these outflows were expansion projects of $4.5 and $3.2, respectively. Expansion spending in 1991 included the purchase of a German production facility near Leipzig which, along with the establishment of five new distribution centers, enhanced the Company's business opportunities in eastern Germany. Outflows were extremely high in 1989 with capital expenditures of $31.4 completing a multi-year growth program and with acquisition expenditures of $21.8 related to the acquisition of the Power Companies. Management believes that capital expenditures have been adequate to properly maintain the Company's core businesses and provide for anticipated growth opportunities. At the end of 1991, the unexpended balance on approved capital expenditure projects was $8.1. The Company anticipates that 1992 capital spending will be approximately $25.0. Each year of this period benefited by $6.0 from redemptions of preferred stock received from a prior year business disposal, with the final redemption occurring in 1991.

Cash inflows before financing activities were $13.9, $75.5, and $28.5 in 1991, 1990, and 1989, respectively. Excluding divestiture proceeds, the comparable amounts were $11.8, $12.0, and $28.5, respectively.

Cash flows for financing activities were $21.8, $74.9, and $64.5 in 1991, 1990, and 1989, respectively. Activities in 1991 were essentially scheduled debt retirements, but included the use of $7.5 of deferred term loan facilities as provided under the 1989 Credit Agreement. Activities in 1990 included scheduled debt retirements, disposal related prepayments, and purchases of treasury stock. Activities in 1989 were dominated by the 1989 Restructuring Program.

Capital Resources

At December 29, 1991, the Company had unutilized credit facilities of $43.5 available under the 1989 Credit Agreement (after giving effect to outstanding letters of credit and bank guarantees of $25.3 and borrowing base limitations of $12.3). Of the amount available, $22.5 may be used only for scheduled debt repayments (with a maximum of $16.1 available in 1992).

Financial Condition

Current Situation

The Company is contemplating a Financing Plan as described below. The Company's operating results and Designated Asset Sale Program have been significantly and adversely affected by recessionary conditions over the last two years. If the Financing Plan or an alternative plan is not consummated, the Company believes that it is unlikely that it will achieve a level of performance sufficient to comply with the Adjusted Net Worth and Cash Flow Coverage Ratio covenants in the 1989 Credit Agreement in late 1992. The Company may also be unable to meet its current debt amortization and certain other cash requirements from the combination of cash flow from operations and available borrowings under the 1989 Credit Agreement in late 1992. Such circumstances could lead to a default under the 1989 Credit Agreement, which, in turn, could constitute a default under other Company obligations, including the indenture relating to the $200 of increasing rate notes.

If there were a default under the 1989 Credit Agreement, depending on the actions taken by the banks thereunder, the Company could be prohibited from making any payments of principal, premium or interest on the increasing rate notes. In addition, the banks could elect to declare all obligations under the 1989 Credit Agreement to be due and payable. If the obligations under the 1989 Credit Agreement are accelerated, the Company's financial condition and the value of the Company's securities would be materially and adversely affected and there can be no assurance that the assets of the Company would be sufficient to repay the obligations under the 1989 Credit Agreement and its other obligations in full.

Accordingly, the Company has actively pursued alternative refinancing programs which have resulted in the Financing Plan described below. The Financing Plan reflects the current understanding among the Company, various equity sources, investment bankers and the Company's senior bank lenders. The Financing Plan is viewed as the most effective and comprehensive long-term solution to what the Company believes are its likely covenant compliance problems and its possible debt amortization problems. If the Financing Plan does not reach a successful conclusion, the Company will pursue other short-term courses of action to overcome any covenant problems and cash flow shortages.

These actions may include significant decreases in planned capital expenditures and further reductions in working capital and operational costs. In addition, the Company would seek waivers from the Banks for any possible violations of its financial and/or operating covenants until an alternate long-term financing plan can be consummated. However, there can be no assurance that such waivers would be granted by the Banks or that such alternate long-term financing plan would be consummated or that any other short-term course of action would be successful to overcome any covenant problems or cash flow shortages.

Financing Plan

Under the Financing Plan the Company will raise additional debt and equity capital, replace certain outstanding indebtedness, and revise the terms of certain outstanding indebtedness. The purpose of the Financing Plan is to enhance the strategic, operating and financial flexibility of the Company by fixing the rate of interest paid and extending the maturity of the Company's subordinated debt, increasing the equity base of the Company and amending certain terms of the 1989 Credit Agreement.

The elements of the Financing Plan, as presently contemplated, include the following: (i) the underwritten public offering of $200 of Senior Subordinated Debentures to mature in 2002, (ii) the raising of $75 to $95 in equity funds, through a combination of (A) the sale in a private placement of $35 of preferred stock which would be convertible to common stock at the option of the holder and exchangeable for subordinated debentures at the option of the Company and (B) the issuance in an underwritten public offering of $40 to $60 of Common Stock, (iii) the redemption of the $200 of outstanding increasing rate notes, and (iv) the amendment and restatement of the 1989 Credit Agreement to extend certain term loan maturities and to revise financial and operating covenants. Certain elements of the Financing Plan will require the approval of the Company's stockholders. The Company expects to submit those portions of the Financing Plan to stockholders at the annual stockholders meeting, scheduled for May 26, 1992.

The Company and institutional investors have executed a definitive agreement for the purchase of $35 of convertible preferred stock. All of the banks which are parties to the 1989 Credit Agreement have agreed in principle to the proposed amendments to the 1989 Credit Agreement, but required formal agreements between the banks and the Company have not been executed. A managing underwriter for the proposed firm underwriting of the Senior Subordinated Debentures and the Common Stock offerings has been selected. Generally, each element of the Financing Plan will be contingent upon the successful completion of each other element and upon the satisfaction of other conditions. No assurance can be given that the Company will be successful in completing the Financing Plan.

Assuming the successful completion of each of the elements of the Financing Plan, the Company will reduce total long-term indebtedness by a minimum of $41.5. In addition, the Company will have available, for general corporate purposes, cash of approximately $28 to $38 and unutilized credit facilities under the New Credit Agreement of $74.7. If the Financing Plan is fully consummated and if operating results continue at 1991 levels and current economic conditions remain unchanged, the Company does not foresee any liquidity problems through 1993.

The consummation of the Financing Plan could cause the existing holders of the Common Stock of the Company to experience a significant loss of relative voting power and economic interest in the Company and, to the extent the Company has positive net income in the future, will result in lower earnings per share on a fully diluted basis. In addition, consummation of the Financing Plan might in the near term lead to a decrease in the market price of the Common Stock.

Other Prospective Developments

FAS 106, issued in December 1990, pertains to postretirement benefits other than pensions. The required adoption dates of this standard are 1993 for domestic plans and 1995 for plans outside the United States. Preliminary studies indicate that the accumulated postretirement medical benefit obligation would be approximately $30.0. The Company has already recognized approximately $15.0 of this obligation under accounting practices which it developed in 1979. The Company also offers postretirement death benefits for which no estimate of the effect of adopting FAS 106 is available at this time.

FAS 109 requires the provision of deferred and future taxes based on temporary differences between reported book and tax return calculations, at the statutory rates which would apply during the period when such taxes become refundable or payable. The adoption of this standard is required in 1993. The Company anticipates a favorable impact from this future accounting change when adopted.

Foreign Operations

The Company does business in a number of foreign countries, mainly through its Handling/Packaging Systems segment. The results of these operations are initially measured in local currencies, principally in British pounds or Canadian dollars, and then translated into U.S. dollars at applicable exchange rates. The results of these operations are sensitive to changes in applicable foreign exchange rates and could have a material effect on the Company's results of operations. Fluctuations in foreign currency exchange rates in 1991 versus 1990 had very little effect on sales and operating income. However, fluctuations in 1990 versus 1989 caused increases in sales and operating income of 4% and 7%, respectively. (For additional information about the Company's operations by geographic area, see Note 5 of Notes to Consolidated Financial Statements.)

Effects of Inflation

The impact of inflation on the Company in recent years has not been material, and it is not expected to have a significant effect in the foreseeable future.

THE INTERLAKE CORPORATION—REPORT OF MANAGEMENT

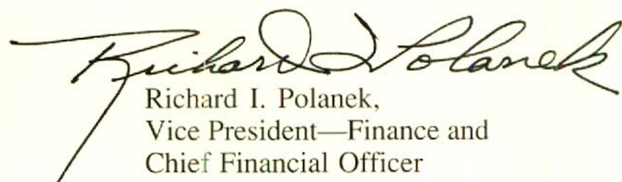
The consolidated financial statements of The Interlake Corporation, presented on pages 13 through 30 of this annual report, have been prepared by management, which is responsible for their accuracy and integrity. They have been prepared in conformity with generally accepted accounting principles, consistently applied, and include informed judgments and estimates, as required. Other financial information in this annual report is consistent with the financial statements.

Interlake's system of internal controls is 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 includes organizational arrangements with clearly defined lines of responsibility. Internal controls are monitored through recurring internal audit programs.

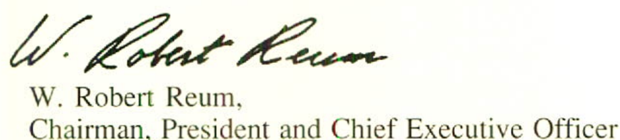
Price Waterhouse, independent accountants, have examined Interlake's financial statements and their opinion appears below.

The Audit Review Committee of the Board of Directors, composed solely of outside directors, determines that management is fulfilling its financial responsibilities by meeting periodically with Price Waterhouse, the internal auditors and management to review accounting, auditing, 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. Internal audit procedures have been developed to provide reasonable assurance that violations of these policies, if any, are detected.



Richard I. Polanek,
Vice President—Finance and
Chief Financial Officer



W. Robert Reum,
Chairman, President and Chief Executive Officer

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of The Interlake Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of cash flows and of shareholders' equity present fairly, in all material respects, the financial position of The Interlake Corporation and its subsidiaries at December 29, 1991 and December 30, 1990, and the results of their operations and their cash flows for each of the three years in the period ended December 29, 1991, in conformity with generally accepted accounting principles. These financial statements are the responsibility of The Interlake Corporation's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As described in Note 13 to the consolidated financial statements, the corporation has approved a financing plan designed to address possible liquidity shortages and non-compliance with certain bank loan covenants which could occur late in 1992 resulting from recurring losses brought about by recessionary conditions over the last two years.

Chicago, Illinois
March 6, 1992

THE INTERLAKE CORPORATION
CONSOLIDATED STATEMENT OF INCOME
For the Years Ended December 29, 1991, December 30, 1990 and December 31, 1989

	1991	1990	1989
	(in thousands except per share data)		
Net Sales of Continuing Operations	$ 714,742	$ 786,279	$ 827,739
Cost of products sold	521,803	578,173	618,719
Selling and administrative expense	128,056	135,973	143,545
Unusual items	3,344	13,482	26,146
Operating Income	61,539	58,651	39,329
Interest expense	58,654	65,671	23,432
Interest income	(2,508)	(3,634)	(4,000)
Dividend income	(220)	(900)	(1,350)
Nonoperating (income) expense (1991 includes a $6,000,000 charge for environmental matters—see Note 11)	5,186	(2,378)	365
Income (Loss) from Continuing Operations Before Taxes on Income and Minority Interest	427	(108)	20,882
Provision for Income Taxes	10,530	8,536	14,502
Income (Loss) from Continuing Operations Before Minority Interest	(10,103)	(8,644)	6,380
Minority Interest in Net Income of Subsidiaries	3,641	4,199	3,983
Income (Loss) from Continuing Operations	(13,744)	(12,843)	2,397
Income (Loss) from Discontinued Operations, Net of Income Taxes	—	(8,908)	(1,432)
Net Income (Loss)	$ (13,744)	$ (21,751)	$ 965
Income (Loss) Per Share of Common Stock:			
Continuing operations	$ (1.31)	$ (1.22)	$ .23
Discontinued operations	—	(.85)	(.14)
Net Income (Loss)	$ (1.31)	$ (2.07)	$ .09
Average number of shares outstanding	10,484	10,516	10,291

(See notes to consolidated financial statements)

THE INTERLAKE CORPORATION
CONSOLIDATED BALANCE SHEET
December 29, 1991 and December 30, 1990

	1991	1990
	(in thousands)	
Assets		
Current Assets:		
Cash and cash equivalents	$ 10,541	$ 18,473
Receivables, less allowances of $5,014,000 in 1991 and $5,513,000 in 1990	128,006	134,941
Inventories	75,923	84,867
Other current assets	20,591	27,168
Total Current Assets	235,061	265,449
Goodwill and Other Assets:		
Goodwill, less accumulated amortization of $14,077,000 in 1991 and $11,272,000 in 1990	45,752	44,165
Other assets	39,298	42,770
Total Goodwill and Other Assets	85,050	86,935
Property, Plant and Equipment, Net	157,956	166,613
Total Assets	$478,067	$518,997
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	$ 63,412	$ 60,635
Accrued liabilities	49,136	58,507
Accrued salaries and wages	14,201	14,752
Income taxes payable	25,160	26,920
Debt due within one year	21,805	34,615
Total Current Liabilities	173,714	195,429
Long-Term Debt	449,636	460,000
Other Long-Term Liabilities	33,017	32,087
Future Income Taxes	43,872	41,287
Commitments and Contingencies	—	—
Minority Interest	17,293	17,002
Shareholders' Equity:		
Common stock, par value $1 per share, authorized 100,000,000 shares, issued 11,740,695 in 1991 and 1990	11,741	11,741
Cost of common stock held in treasury (1,256,696 shares in 1991 and 1,351,302 shares in 1990)	(28,709)	(30,685)
Retained earnings (Accumulated deficit)	(198,408)	(182,654)
Unearned compensation	(14,112)	(16,064)
Accumulated foreign currency translation adjustments	(9,977)	(9,146)
Total Shareholders' Equity	(239,465)	(226,808)
Total Liabilities and Shareholders' Equity	$478,067	$518,997

(See notes to consolidated financial statements)

THE INTERLAKE CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Years Ended December 29, 1991, December 30, 1990 and December 31, 1989

	1991	1990	1989
		(in thousands)	
Cash flows from (for) operating activities:			
Net income (loss)	$ (13,744)	$ (21,751)	$ 965
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Loss on divestitures	—	2,356	—
Depreciation and amortization	25,324	27,146	30,300
Unusual items	—	—	4,434
Nonoperating environmental matters	6,000	—	—
Other operating adjustments	1,963	2,646	1,736
(Increase) Decrease working capital:			
Accounts receivable	(754)	9,489	33,755
Inventories	8,548	22,565	11,009
Other current assets	5,518	2,035	5,480
Accounts payable	2,033	(14,503)	(2,138)
Other accrued liabilities	(11,773)	(9,384)	(8,410)
Income taxes payable	260	4,160	(2,817)
Total working capital change	3,832	14,362	36,879
Net cash provided by operating activities	23,375	24,759	74,314
Cash flows from (for) investing activities:			
Capital expenditures	(13,472)	(14,249)	(31,425)
Proceeds from disposal of PP&E	2,344	1,122	1,220
Acquisitions	(5,472)	(4,297)	(21,812)
Partial redemption of preferred stock received from 1984 business disposition	6,000	6,000	6,000
Divestitures	2,160	63,442	—
Other investment flows	(1,007)	(1,294)	173
Net cash provided (used) by investing activities	(9,447)	50,724	(45,844)
Cash flows from (for) financing activities:			
Proceeds from issuance of short-term debt	—	—	37,779
Retirements of short-term debt	—	—	(85,025)
Proceeds from issuance of long-term debt	111,344	111,754	560,339
Retirements of long-term debt	(133,179)	(181,462)	(105,894)
Dividends	—	—	(470,677)
Sale of treasury stock	—	—	16,088
Purchase of treasury stock	—	(4,313)	(9,004)
Other financing flows	36	(875)	(8,151)
Net cash used by financing activities	(21,799)	(74,896)	(64,545)
Effect of exchange rate changes	(61)	1,705	1,802
Increase (Decrease) in cash and cash equivalents	(7,932)	2,292	(34,273)
Cash and Cash Equivalents, beginning of year	18,473	16,181	50,454
Cash and Cash Equivalents, end of year	$ 10,541	$ 18,473	$ 16,181

(See notes to consolidated financial statements)

THE INTERLAKE CORPORATION
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
For The Years Ended December 29, 1991, December 30, 1990 and December 31, 1989

	Common Stock and Paid-In Capital		Common Stock Held in Treasury		Retained Earnings (Deficit)	Unearned Compen-sation	Foreign Currency Translation	Total
	Shares	Amount	Shares	Amount				
	(in thousands)							
Balance December 25, 1988	11,741	$ 96,769	(1,614)	$ (65,825)	$ 249,466	$ (2,264)	$ (8,196)	$ 269,950
Net Income					965			965
Dividends Declared		(85,279)			(381,589)			(466,868)
Stock Incentive Plans		251	126	4,880	(114)	(1,432)		3,585
Treasury Stock			(522)	(9,004)				(9,004)
ESOP Transactions			1,110	45,477	(29,240)	(15,886)		351
Translation Loss..........							(1,950)	(1,950)
Balance December 31, 1989	11,741	11,741	(900)	(24,472)	(160,512)	(19,582)	(10,146)	(202,971)
Net Income (Loss)					(21,751)			(21,751)
Stock Incentive Plans			(26)	(1,900)	(391)	2,613		322
Treasury Stock			(425)	(4,313)				(4,313)
ESOP Transactions						905		905
Translation Gain..........							1,000	1,000
Balance December 30, 1990	11,741	11,741	(1,351)	(30,685)	(182,654)	(16,064)	(9,146)	(226,808)
Net Income (Loss)					(13,744)			(13,744)
Stock Incentive Plans			94	1,976	(2,010)	745		711
ESOP Transactions						1,207		1,207
Translation Loss..........							(831)	(831)
Balance December 29, 1991	11,741	$ 11,741	(1,257)	$ (28,709)	$(198,408)	$ (14,112)	$ (9,977)	$(239,465)

(See notes to consolidated financial statements)

THE INTERLAKE CORPORATION

Notes to Consolidated Financial Statements

For the Years Ended December 29, 1991, December 30, 1990 and December 31, 1989

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.

Cash Equivalents—The Company considers all highly liquid financial instruments with maturities of three months or less to be cash equivalents and reports the earnings from these instruments as interest income.

Revenue Recognition—Revenue from sales is generally recognized when product is shipped, except on long-term contracts in the Handling/Packaging Systems segment, where revenue is accounted for principally by the percentage-of-completion method.

Inventories—Inventories are stated at the lower of cost or market value. Cost is generally determined by the last-in, first-out (LIFO) method. Gross inventories valued on the LIFO method represent approximately 57% and 64% of gross inventories at December 29, 1991 and December 30, 1990, respectively. The current cost of these inventories exceeds their valuation determined on a LIFO basis by $21,749,000 at December 29, 1991 and by $26,165,000 at December 30, 1990.

During 1991, 1990, and 1989, inventory quantities valued on the LIFO method were reduced, resulting in the liquidation of LIFO inventory quantities carried at lower costs that prevailed in prior years as compared with the costs of production for 1991, 1990, and 1989. As a result, pretax income from core operations in 1991, 1990, and 1989 was increased by $4,643,000, $5,623,000, and $2,765,000 respectively. Pretax income from non-core operations in 1991, 1990, and 1989 was increased by $277,000, $3,272,000, and $201,000, respectively, and discontinued operations was increased by $257,000 in 1989.

Inventories by category at December 29, 1991 and December 30, 1990 were:

	1991	1990
	(in thousands)	
Raw materials	$ 11,009	$ 12,628
Semi-finished and finished products	55,707	61,037
Supplies	9,207	11,202
	$ 75,923	$ 84,867

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. Depreciation claimed for income tax purposes is computed by use of accelerated methods.

Upon sale or disposal of property, plant and equipment, the asset cost and related accumulated depreciation are removed from the accounts, and any gain or loss on the disposal is generally credited or charged to nonoperating income. (In 1991 and 1990, gains and losses on disposals related to the restructuring program (see Note 2) were included in operating income as unusual items.)

Expenditures for renewals and betterments which extend the originally estimated useful life of an asset or materially increase its productivity are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Property, plant and equipment by category at December 29, 1991 and December 30, 1990 were:

	1991	1990
	(in thousands)	
At cost:		
Land	$ 7,391	$ 7,244
Buildings	75,795	75,124
Equipment	264,968	260,583
Construction in progress	8,013	6,257
	356,167	349,208
Less-Depreciation and amortization	(198,211)	(182,595)
	$157,956	$166,613

Goodwill—Goodwill represents the excess of the purchase price over the fair value of the net assets of acquired companies and is amortized on a straight-line method over periods not exceeding thirty years.

Foreign Currency Translation—The financial position and results of operations of the Company's foreign subsidiaries are measured using local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at the exchange rate in effect at each year-end. Income statement accounts are translated at the average rate of exchange prevailing during the year. Translation adjustments arising from the use of differing exchange rates from period to period are included in the cumulative translation adjustment account in shareholders' equity.

Foreign Exchange Contracts—Premiums received and fees paid on foreign exchange contracts are deferred and amortized over the period of the agreement. At December 29, 1991, the Company had various contracts maturing through March 1992 to purchase $51,325,000 (21.7 million Canadian dollars, 12.9 million Australian dollars, 6.5 million deutsche marks, 9.4 million pounds sterling, and 70.4 million Belgian francs) and sell $10,130,000 (1.2 million Canadian dollars, 2.1 million Australian dollars, and 8.0 million deutsche marks) in foreign currency to hedge loans denominated in foreign currencies.

Interest Rate Hedges—The Company utilizes various financial instruments to hedge its interest rate exposures (see Note 10). Interest expense increases or decreases are accrued as they occur and are settled on a quarterly basis.

Research and Development Expenses—Research and development expenditures for Company sponsored projects are generally expensed as incurred, except for software development projects which are expected to result in a saleable product. Research and development expenses included in selling and administrative expenses were $3,782,000, $4,252,000 and $6,174,000 in 1991, 1990 and 1989, respectively.

NOTE 2—1989 RESTRUCTURING PROGRAM

During the third quarter of 1989, the Company adopted a restructuring program which included (a) recapitalization of the Company, (b) establishment of an employee stock ownership plan (ESOP), and (c) modification of the strategic operating plan.

The recapitalization occurred on September 27, 1989 when the Company borrowed $335,000,000 in senior bank debt and issued $200,000,000 in subordinated increasing rate notes. These proceeds and other internal funds were used to pay a special cash dividend of $45 per share ($458,779,000), repay certain existing debt ($71,930,000), and pay related fees and expenses ($26,583,000, of which $16,582,000 was charged to unusual items and $10,001,000 was deferred as debt issuance cost to be amortized to interest expense over the term of the borrowings).

The ESOP borrowed $16,088,000 on November 2, 1989 through the Company's senior bank debt arrangements, which was guaranteed by the Company. Proceeds were used to purchase 1,100,000 shares of Interlake common stock from the Company. The Company subsequently began a related stock purchase program intended to acquire, in the open market, the lesser of 1,100,000 shares or $16,088,000 of common stock. Through December 29, 1991, the Company purchased 893,739 shares or $11,083,000 of common stock.

The strategic operating plan identified certain businesses and Corporate assets to be disposed of (the Designated Asset Sale Program) and implemented major Corporate cost reductions. The Corporate cost reduction actions involved provisions for severances and relocations of $2,280,000 which were charged to unusual items during 1989, with an additional provision of $1,248,000 in 1990. The designated businesses were sold or shut down in 1990. The combined sales of these businesses were $33,120,000 and $70,940,000, and operating losses (reported as part of unusual items) were $11,354,000 and $3,769,000 in 1990 and 1989, respectively. The gain on disposal of these businesses and the corporate aircraft was $643,000 in 1990 (reported as part of unusual items). Additional shutdown costs of $3,344,000 were provided for in 1991, reflecting declining real estate prices and a longer holding period for the remaining property.

NOTE 3—DISCONTINUED OPERATIONS

On May 18, 1990 the Company announced that its subsidiary, Arwood Corporation, had completed the sale of its investment casting business to a subsidiary of Wyman-Gordon Company for approximately $54,000,000 in cash. The proceeds, net of estimated transaction costs and taxes, were used to prepay Interlake bank debt. The disposal resulted in a loss of $3,368,000 (including the recapture of U.S. investment tax credits). Operating losses ($3,251,000) and allocated corporate and interest expenses ($2,289,000) resulted in an overall loss of $8,908,000 ($.85 per share) for 1990.

	1990	1989
	(in thousands)	
Net sales	$ 29,400	$ 85,155
Loss from discontinued operations less related income tax provision of zero in 1990 and $138,000 in 1989	$ (5,540)	$ (1,432)
Loss on disposal after applicable income tax provision of $393,000	(3,368)	—
Total loss from discontinued operations	$ (8,908)	$ (1,432)

NOTE 4—ACQUISITIONS

On June 7, 1989 the Company and certain of its subsidiaries acquired a majority interest in Power Industries, Ltd. of Maidenhead, England and Power Strap, Inc. of Cleveland, Ohio, along with its wholly owned subsidiary Power Polystrap of Jacksonville, Florida, which was sold in January 1990. The acquisition of these packaging systems and plastic strapping companies was for cash and notes of $17,870,000, plus future consideration based on future performance. The companies had current and long-term assets of $13,168,000 and $3,345,000, respectively, and liabilities and minority interests of $14,061,000 and $490,000, respectively. The Company accounted for this acquisition using the purchase method. The excess of the purchase price over the fair value of net assets acquired, $15,908,000, is being amortized on a straight-line basis over a twenty-year period. Three earn-out payments were made in 1991, 1990 and 1989 for $28,000, $3,961,000 and $3,490,000, respectively, and are being amortized on a straight-line basis over eight, nine and ten year periods, respectively. Additional earn-out payments may be made in 1992 and 1993.

On November 20, 1991, the Company purchased the outstanding minority interest in Power Industries, Ltd. for $5,472,000 with a related increase in goodwill of $4,387,000.

NOTE 5—BUSINESS SEGMENT INFORMATION

The Company operates in two segments, each of which is composed of products which have a similar strategic emphasis. The two business segments are:

Engineered Materials—included are special materials (metal powders for forming intricate shapes), and aerospace components (precision machined structures, complex fabrications and jet engine component repairs).

Handling/Packaging Systems—included are hardware and supplies used to convey, store, retrieve, sort and package.

The accompanying tables present financial information by business segment for the years 1991, 1990 and 1989. Operating profit consists of net sales of the segment less all costs and expenses related to the segment. 'Corporate Items' includes net interest expense and other items which are not related to either of the two business segments. 'Corporate Items' includes a special nonoperating charge of $6,000,000 for environmental matters in 1991, and unusual items of income of $1,941,000 in 1990 and expense of $22,377,000 in 1989. Total assets by business segment consist of those assets used directly in the operations of each segment. Corporate assets consist principally of cash, nonoperating investments, prepaid pension cost and net assets related to closed plants and discontinued operations.

The operating profits of specific segments were increased (decreased) by the following significant items:

	Engineered Materials	Handling/ Packaging Systems
	(in millions)	
1991		
Businesses to be divested*	$ —	$ (3.3)**
Liquidation of LIFO inventory quantities	.5	4.1
1990		
Businesses to be divested*	$ (2.3)**	$(11.0)**
Liquidation of LIFO inventory quantities	.2	5.4
Litigation settlement	(2.0)**	—
1989		
Businesses to be divested*	$ (1.2)**	$ (2.6)**
Liquidation of LIFO inventory quantities	—	2.9

* Businesses to be divested under the Designated Asset Sale Program (see Note 2).
** Included in unusual items.

INFORMATION ABOUT THE COMPANY'S BUSINESS SEGMENTS

	Year	Net Sales (a)	Operating Profit	Assets at Year End	Depreciation and Amortization	Capital Expenditures
				(in millions)		
Engineered Materials	1991	$192.4	$32.4	$162.6	$11.8	$ 6.5
	1990	198.3	22.5	173.5	11.8	6.2
	1989	203.5	30.4	187.8	11.5	13.1
Handling/Packaging Systems	1991	522.3	30.4	296.6	13.3	7.0
	1990	588.0	36.0	311.9	13.7	7.4
	1989	624.2	32.4	319.8	14.5	15.8
Corporate Items/ Eliminations	1991	—	(62.4)	18.9	.2	—
	1990	—	(58.6)	33.6	1.6	.7
	1989	—	(41.9)	86.9	4.3	2.5
Consolidated	1991	714.7	.4	478.1	25.3	13.5
	1990	786.3	(.1)	519.0	27.1	14.3
	1989	827.7	20.9	594.5	30.3	31.4

(a) includes sales in		1991	1990	1989
—Engineered Materials:	Special Materials	$114.5	$122.5	$130.4
	Aerospace Components	77.9	75.8	73.1
—Handling/Packaging Systems:	Handling	392.0	440.7	480.9
	Packaging	130.3	147.3	143.3

The following table presents information about the Company's operations by geographic area. Transfers between geographic areas, which are all in the Handling/Packaging Systems segment, are made at prices which approximate the prices of similar items sold to distributors. Operating profit by geographic area is the difference between net sales attributable to the area and all costs and expenses related to the geographic area. Total assets consist of those assets used directly in the operations in the geographic areas shown. Export sales to unaffiliated customers included in the United States' sales are not material. Sales to domestic and foreign government agencies are not material.

INFORMATION ABOUT THE COMPANY'S OPERATIONS BY GEOGRAPHIC AREA

		Net Sales			
	Year	Customers	Inter-geographic	Operating Profit	Assets at Year End
			(in millions)		
United States	1991	$364.0	$ 5.8	$ 44.2	$255.7
	1990	388.6	3.6	39.5	265.3
	1989	414.8	3.8	38.9	285.9
Western Europe	1991	254.9	2.4	19.0	125.0
	1990	291.3	2.1	18.7	133.4
	1989	283.8	1.0	14.7	130.7
Canada and Australia	1991	95.8	1.1	(.4)	78.5
	1990	106.4	.8	.3	86.7
	1989	129.1	.4	9.2	91.0
Corporate Items/ Eliminations	1991	—	(9.3)	(62.4)	18.9
	1990	—	(6.5)	(58.6)	33.6
	1989	—	(5.2)	(41.9)	86.9
Consolidated	1991	714.7	—	.4	478.1
	1990	786.3	—	(.1)	519.0
	1989	827.7	—	20.9	594.5

NOTE 6—INCOME TAXES

The provisions for taxes on income from continuing operations consist of:

	1991	1990	1989
		(in thousands)	
Current:			
U.S. Federal	$ 2,041	$ (550)	$ 2,735
State	1,674	2,698	2,227
Foreign	6,856	7,308	10,082
Total	10,571	9,456	15,044
Deferred:			
U.S. Federal	—	—	(873)
State	—	—	—
Foreign	(41)	(920)	331
Total	(41)	(920)	(542)
Tax Provision	$10,530	$ 8,536	$14,502

In 1991 and 1990, the high level of net interest expense caused domestic losses which were not currently eligible for federal tax benefits. 1989 was similarly affected (in the fourth quarter) and had additional costs related to the restructuring. As a result, U.S. federal taxes in 1991 and 1990 were essentially the result of tax adjustments related to earlier years, while U.S. federal taxes in 1989 were essentially due to the effect of dividends received from foreign subsidiaries and application of alternative minimum tax rules. (Existing losses can be carried forward and tax benefits realized in future years to the extent that domestic income is earned.)

At December 29, 1991, the Company had net operating loss carryforwards for U.S. regular tax and for U.S. alternative minimum tax of $13,495,000 and $1,140,000, respectively, for income tax purposes and $23,317,000 and $22,711,000, respectively, for financial reporting purposes. Such loss carryforwards will not begin to expire until 2005. The carryforwards when, and to the extent, utilized will result in extraordinary credits.

State and foreign taxes were essentially the result of incomes earned in their respective jurisdictions.

Deferred taxes are provided for items which are recognized in different years for financial reporting and income tax purposes.

Because of the Company's tax situation in 1991 and 1990, effective tax rate analysis is not meaningful.

Actual cash disbursements for income taxes were $11,876,000, $7,273,000, and $14,882,000 in 1991, 1990, and 1989, respectively.

Income from foreign operations included in consolidated income before taxes was $14,790,000, $9,677,000, and $22,550,000 for 1991, 1990, and 1989, respectively.

As of December 29, 1991, U.S. Federal income tax returns for the years 1985 through 1987 were in the process of examination. All prior years have been examined, and all assessments have been paid, except for the years 1982 through 1984. The Company believes that adequate provision has been made for possible assessments of additional taxes.

No provision has been made for U.S. income taxes on approximately $23,078,000 of undistributed earnings of foreign subsidiaries. The Company anticipates that no material tax cost will be incurred upon distribution of these earnings.

NOTE 7—RETIREMENT BENEFITS

The Company has various defined benefit and defined contribution pension plans which cover substantially all employees.

The provision for defined benefit pension costs includes current costs, interest costs, actual return on plan assets, amortization of the unrecognized net asset existing at the date of transition and net unrealized gains and losses. Benefits are computed based mainly on years of service and compensation during the latter years of employment. Company contributions are determined according to the funding requirements set forth by ERISA.

The following table sets forth the funded status of the ongoing, domestic and foreign defined benefit plans and the amounts included in the year-end balance sheet. The Company's plans were generally overfunded. The underfunded plans which existed were not significant.

	1991	1990
	(in thousands)	
Plan assets at fair value	$132,843	$127,040
Actuarial present value of accumulated benefit obligation:		
• Vested benefits	104,151	90,011
• Non-vested benefits	1,151	1,108
	105,302	91,119
Effect of assumed future compensation increases	10,050	24,437
Projected benefit obligation for service to date	115,352	115,556
Plan assets in excess of projected benefit obligation	17,491	11,484
Items not yet recognized in earnings:		
• Unrecognized net asset at December 28, 1986 (being recognized over 15 years)	22,652	24,815
• Unrecognized net actuarial gain (loss)	(4,986)	(18,477)
• Unrecognized prior service cost	(4,125)	(1,072)
	13,541	5,266
Prepaid (Accrued) pension liability	$ 3,950	$ 6,218

Net pension cost (income) included in operating income from continuing operations for these plans consists of the following components:

	1991	1990	1989
		(in thousands)	
Service cost	$ 3,357	$ 4,000	$ 3,608
Interest cost	8,961	8,747	6,595
Actual return on plan assets [(income) loss]	(14,134)	6,511	(21,292)
Net amortization and deferred items	1,545	(21,030)	11,462
Net pension cost (income)	$ (271)	$ (1,772)	$ 373
Assumptions used in the computations:			
Assumed discount rate	7-9%	7-9%	7-9%
Expected long-term rate of return on plan assets	7-9%	7-9%	7-9%
Rate of increase in future compensation levels	5-7%	5-7%	5-7%

Sale of the investment casting business resulted in a curtailment of related pension plans, benefiting discontinued operations by $1,389,000 in 1990.

U.S. pension plan assets are primarily invested in short and intermediate term cash investments, corporate bonds and common and preferred stock.

The expense for the Company's defined contribution pension plans which was included in income from continuing operations was $2,332,000, $2,710,000, and $2,542,000 in 1991, 1990, and 1989, respectively. Annual contributions to defined contribution plans are equal to the amounts accrued during the year.

In 1989, the Company established a non-contributory defined contribution plan operating as an employee stock ownership plan (ESOP) covering all domestic employees not covered by collective bargaining agreements. Company contributions are allocated to participants based on the ratio each participant's compensation bears to the total compensation of all eligible participants. The Company makes contributions to the plan in the amount necessary to enable the plan to make its regularly scheduled payments of principal and interest on its term loan under the bank credit agreement (see Note 10). Such principal and interest totalled $1,207,000 and $1,254,000, respectively, in 1991, $905,000 and $1,654,000, respectively, in 1990, and $201,000 and $300,000, respectively, in 1989.

The Company also has postretirement health care and death benefit plans covering certain domestic employees. The provision for postretirement benefit costs includes current costs, amortization of prior service costs over periods not exceeding twenty-five years, and interest on the accrued liability. The provision for such plans included in operating profit was $1,505,000, $1,210,000, and $1,231,000, in 1991, 1990, and 1989, respectively. The provision for plans covering previously closed locations, where liabilities have been fully accrued, is included in nonoperating income and was $225,000, $223,000, and $1,168,000, in 1991, 1990, and 1989, respectively. Favorable actual cost experience resulted in a lower actuarial present value at year end 1990, which reduced expenses provided in 1990. The postretirement benefits are not funded. The accumulated liability for postretirement medical benefits was $14,795,000 and $14,635,000 in 1991 and 1990, respectively. The accumulated liability for postretirement death benefits was $5,645,000 and $5,939,000 in 1991 and 1990, respectively.

NOTE 8—SHAREHOLDERS' EQUITY

On September 27, 1989 a special dividend payment of $45 per share totalling $458,779,000 was paid (see Note 2). This distribution was reflected by reducing additional paid-in capital to zero and charging retained earnings. Prior to the special cash dividend, two regular quarterly dividend payments were declared and paid in 1989, totalling $7,589,000. No dividend payments were made in 1991 and 1990 and no dividend payments are anticipated in the immediate future.

There were 11,740,695 shares issued at the end of 1991 and 1990. Interlake's authorized capital stock also includes 2,000,000 shares of serial preferred stock at $1 par value per share, none of which has been issued.

The ESOP was established with an initial contribution of 10,000 shares, followed by the sale of 1,100,000 shares to the ESOP on November 2, 1989 (see Note 2). Under a related stock purchase program, Interlake undertook to purchase the lesser of 1,100,000 shares or the number of shares purchasable for $16,088,000 in the open market or in privately negotiated transactions. As of December 29, 1991 a total of 893,739 shares had been acquired at a cost of $11,083,000, unchanged from the prior year end.

On January 26, 1989 the Board of Directors declared a dividend distribution of one right for every share of common stock outstanding on February 6, 1989, in accordance with a new Rights Agreement. These new rights replaced rights distributed in 1986 which were redeemed by the payment of five cents per share to shareholders of record on February 6, 1989 ($500,000). The purpose of the new rights is to better protect the Company against certain unfair and abusive takeover tactics. In certain circumstances, shareholders, other than the holder of 15% or more of Interlake's stock, have the right to purchase Interlake stock from the Company for less than its market price. The new Rights Agreement also provides that, in certain circumstances, Interlake shareholders can purchase, for less than market value, shares of a company which acquires The Interlake Corporation.

Unearned compensation represents estimated future charges to income by reason of the ESOP and stock awards previously granted. Principal and interest payments on the ESOP borrowings are charged against earnings as employee compensation and interest expenses, respectively. Payments are made to the ESOP trustee which pays the principal and interest to the banks and uses the amount of such payments to determine the allocation of Interlake common shares to the employee participants' accounts.

NOTE 9—STOCK INCENTIVE PLANS

In November 1989 the Board of Directors adopted a stock incentive program ("1989 Program"), subsequently approved by the Company's shareholders. The 1989 Program provides for the issuance of up to 1.6 million shares of common stock for any of the following purposes: awards of common stock to officers and key employees, payment of all or part of bonuses otherwise payable in cash, the exercise of stock options granted to officers and key employees, and awards of a limited number of shares to directors who are not officers or employees.

A summary of activity under the 1989 Program and its predecessors follows:

	1991		1990	
	Shares	Average Price	Shares	Average Price
Stock Options:				
Outstanding-beginning of year	1,548,264	$13.48	1,719,623	$13.47
Granted	51,250	14.63	47,500	14.63
Exercised	—	—	—	—
Canceled or expired	(180,293)	13.88	(218,859)	13.69
Outstanding-end of year	1,419,221	13.47	1,548,264	13.48
Exercisable-end of year	742,096	12.41	434,948	11.26
Available shares	544,880		558,500	

NOTE 10—LONG-TERM DEBT AND CREDIT ARRANGEMENTS

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

	December 29, 1991	December 30, 1990
	(in thousands)	
Subordinated Increasing Rate Notes	$200,000	$200,000
Term Loans	115,367	148,466
Deferred Term Loans	7,500	—
Revolving Loans	106,057	94,401
ESOP Note	13,775	14,981
Obligations under long-term lease agreements	11,785	12,365
Pollution control and industrial development loan agreements	15,650	15,650
Other	1,307	8,752
	471,441	494,615
Less-current maturities	21,805	34,615
	$449,636	$460,000

Interlake's 1989 recapitalization included arrangements to borrow up to $480,000,000 in the form of senior bank debt (the Credit Agreement), the issuance of $200,000,000 of subordinated increasing rate notes, and repayment of certain existing short-term and long-term debt.

On September 27, 1989, the Company issued $200,000,000 of subordinated increasing rate notes which mature in March 1998 and as of December 15, 1991, bore interest at an annual rate of 12.3125% (to be reset quarterly at the three month LIBOR rate plus a spread that increases 50 basis points each quarter, with a maximum rate limit of 18%).

The Credit Agreement provided facilities for term loans of $230,000,000 (with a deferred term loan limit of $30,000,000); revolving loans of up to $150,000,000; an ESOP loan of up to $20,000,000; and delayed draw term loans of up to $80,000,000 (of which $65,000,000 may be used only for certain environmental costs, if such costs are incurred). On September 27, 1989 borrowings were made of $230,000,000 in term loans and $105,000,000 in revolving loans. On November 2, 1989, the ESOP borrowed $16,088,000 (guaranteed by the Company).

Under the terms of the Credit Agreement, the Company pays a commitment fee ranging from ½ to ¾ percent on unused credit facilities and has the option to borrow funds under the revolving and term facilities at the prime rate plus 1 percent, or various London Interbank Offered Rates (LIBOR) plus 1¾ or 2 percent, dependent on reaching certain predetermined covenant levels and with such rates adjusted periodically. Borrowings under the delayed draw term and deferred term loans would be at the prime rate or LIBOR plus somewhat higher percentages. At December 29, 1991, borrowings of $7,500,000 under the deferred term loans were at LIBOR plus 2½ percent. The Credit Agreement borrowing rates at December 29, 1991 ranged from 6.375% to 13.125%. The Credit Agreement also required the Company to enter into long-term interest rate swap agreements to reduce the impact of changes in interest rates on its floating rate long-term debt. At the end of 1991, the Company had interest rate hedging arrangements limiting interest rates on $162,000,000 of debt under the Credit Agreement to 8.6% plus the applicable spread. The expiration dates of the various contracts correlate to the original schedule of principal term loan repayment dates and extend, on a declining basis, through the final maturity of the term loans.

The long-term lease obligations relate principally to capitalized pollution control facilities. The interest rates on these obligations vary from 6.125% to 7.875%. Principal repayments are due in varying annual amounts through 2002.

The Company has 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 6.00% to 7.125%. Principal repayments are to be made of $3,500,000 in 1993 and various amounts from 1998 to 2009.

The schedule of debt repayment requirements for the five years following 1991 are as follows:

1992	1993	1994	1995	1996
$21,805,000	$28,442,000	$30,590,000	$30,614,000	$29,589,000

Under the Credit Agreement the Company is limited in its ability to pay cash dividends and repurchase its common stock. There are no plans to pay dividends in the immediate future and stock repurchases will be limited to those related to the ESOP. In addition to scheduled repayments of debt, the Credit Agreement requires certain mandatory prepayments in connection with asset dispositions, issuances of stock, incurrence of indebtedness and generation of annual excess cash flows. The Credit Agreement also contains covenants relating to capital expenditures, interest coverage ratios, current ratios, leverage ratios, and net worth. Substantially all of the Company's assets are pledged under the Credit Agreement.

At December 29, 1991 foreign units of the Company had dollar denominated debt of $35,797,000 under the Credit Agreement and forward exchange contracts on this debt as a hedge against major changes in currency exchange rates. The cost of these hedge contracts is spread over the lives of the contracts and is charged as part of interest expense.

Actual cash disbursements for interest were $59,551,000, $67,383,000, and $23,027,000 in 1991, 1990, and 1989, respectively.

At December 29, 1991 the Company had unamortized deferred debt issuance costs of $9,198,000 which are being amortized as part of interest expense over the lives of the various debt issues (generally eight years from October 1, 1989).

At the end of 1991, Interlake had available credit facilities of $43,471,000 of which $22,500,000 may be used only to defer scheduled debt repayments (with only $16,093,000 available in 1992).

NOTE 11—ENVIRONMENTAL MATTERS

Some of the Company's past and present operations involve activities which are subject to extensive and changing federal and state environmental regulations and can give rise to environmental issues. As a result, the Company is from time to time involved in administrative and judicial proceedings and administrative inquiries related to environmental matters.

The Company has been identified by the United States Environmental Protection Agency as a potentially responsible party in connection with an ongoing investigation of a site on the St. Louis River in Duluth, Minnesota, where a predecessor of the Company had owned and operated a facility. The facility related to the predecessor's iron and steel division and was shut down in 1961 and is unrelated to the ongoing business of the Company. The site has been placed on the national priorities list (also known as the "Superfund" list) of the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980. In March 1991, the Minnesota Pollution Control Agency ("MPCA") issued a Request for Response Action ("RFRA")

to the Company and two other corporations identifying each of them as a "responsible person" with respect to specific portions of the Duluth site. Under the RFRA, the Company believes it will be responsible for only small tar seep areas and contiguous soil areas located at that portion of the Duluth site for which it has been designated responsible by the MPCA. The RFRA does not cover underwater sediments in areas adjacent to the Duluth site. No governmental agency has made any determination as to whether any remediation of underwater sediments will be required. Based on investigations and studies completed during 1991, the Company's present estimate of potential costs related to that portion of the Duluth site for which it believes it will have liability is $4,500,000. In making this estimate, the Company has not assumed any recoveries from insurance or third parties. During 1991, the Company also reviewed several other environmental matters involving nonoperating locations and estimated total costs of $1,500,000 related to these matters. As a result, the Company made a special charge of $6,000,000 to nonoperating expenses to provide for all these matters.

Based on information available as of December 29, 1991, including an evaluation of all locations where the Company may have environmental liability, including without limitation, the evaluation relating to the Duluth site referred to above, the Company believes that the costs of known environmental matters either have been fully provided for or are unlikely to have a material adverse effect on the Company's business or consolidated financial condition.

NOTE 12—COMMITMENTS AND CONTINGENCIES

The Company is engaged in certain routine litigation arising in the ordinary course of business. Based upon its evaluation of available information, management does not believe that any such matters are likely, individually or in the aggregate, to have a material adverse effect upon the Company's business or consolidated financial condition.

NOTE 13—SUBSEQUENT EVENT

Recessionary conditions over the last two years have significantly and adversely affected the Company's financial condition. As a result, the Company is presently pursuing a financing plan which is designed to enhance the strategic, operating and financial flexibility of the Company by fixing the interest rate paid and extending the maturity of a significant portion of the Company's indebtedness, increasing the equity base of the Company and amending the terms of its existing Credit Agreement. Under the financing plan, as approved by the Board of Directors of the Company, the Company proposes to raise at least $75,000,000 of equity capital through the issuance of common stock in a public offering and the private placement of convertible preferred stock and to issue $200,000,000 of new senior subordinated debentures in a public offering. In addition, the Company proposes to amend the terms of the existing Credit Agreement with senior lenders to extend certain term loan maturities and to revise financial covenants and other matters. Proceeds of the securities offerings are expected to be used to retire the Company's $200,000,000 of increasing rate notes, to repay certain revolving loans under the Credit Agreement, for general corporate purposes and to pay related fees and expenses. The Company and institutional investors have executed a definitive agreement for the purchase of $35,000,000 of convertible preferred stock and substantially all of the senior lenders have agreed in principle to the proposed terms of amendments to the Credit Agreement, but required formal agreements between the Company and all of the senior lenders have not been executed. A managing underwriter for a proposed firm underwriting of the public debt and equity offerings has been selected. Registration statements relating to the public offerings are expected to be filed in the near future. Generally, each element of the financing plan is contingent upon the successful completion of each other element and upon the satisfaction of other conditions. In addition, certain aspects of the financing plan will be subject to the approval of the Company's shareholders.

NOTE 14—QUARTERLY RESULTS (UNAUDITED)

Quarterly results of operations for 1991 and 1990 were as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(in millions except per share data)			
1991				
Net sales of continuing operations	$179.2	$178.5	$178.3	$178.7
Gross profit	46.5	47.3	46.2	52.9
Operating income	12.9	14.2	15.5	18.9
Interest expense	15.6	14.7	14.3	14.0
Provision for income taxes	2.1	2.7	2.9	2.8
Net income (loss)	(5.0)	(2.8)	(1.2)	(4.7)
Net income (loss) per common share	(.48)	(.27)	(.11)	(.45)
1990				
Net sales of continuing operations	$198.6	$204.3	$196.2	$187.2
Gross profit	53.0	56.2	50.2	48.7
Operating income	15.9	18.4	10.1	14.3
Interest expense	17.3	16.3	16.1	16.0
Provision for income taxes	.7	3.0	.9	3.9
Income (Loss) from continuing operations	(.9)	(1.0)	(7.3)	(3.6)
Income (Loss) from discontinued operations	(1.4)	(7.5)	—	—
Net income (loss)	(2.3)	(8.5)	(7.3)	(3.6)
Income (Loss) per common share:				
Continuing operations	(.07)	(.10)	(.70)	(.35)
Discontinued operations	(.15)	(.70)	—	—
Net income (loss)	(.22)	(.80)	(.70)	(.35)

Results in 1991 and 1990 were significantly affected by the Company's restructuring program (see Note 2) and by the results of a discontinued operation (see Note 3). Unusual items in 1991 consisted of the results of the non-core businesses designated to be divested totalling $1.7 and $1.6 million in the second and fourth quarters, respectively. Unusual items in 1990 consisted of the results of the non-core businesses designated to be divested, net disposal gains on such businesses divested, settlement of a lawsuit, and adjustment of estimated recapitalization and restructuring costs totalling $3.5, $3.6, and $6.4 million, respectively, in the first three quarters with a breakeven in the fourth quarter.

In the second and fourth quarters of 1991, LIFO inventories were reduced which created benefits to pretax income from core businesses by $1.0 and $3.6 million, respectively, and from non-core businesses by $.3 million in the fourth quarter. In the third and fourth quarters of 1990, similar benefits increased pretax income from core businesses by $.3 and $5.3 million, respectively, and from non-core businesses by $3.3 million in the fourth quarter.

In the fourth quarter of 1991, the Company completed preliminary environmental studies for certain of its closed plant facilities. Based on these studies, a special charge of $6.0 million was made to nonoperating expenses for environmental matters.

The increase in interest expense related to the Company's restructuring program resulted in U.S. domestic losses in 1991 and 1990, which did not generate a mitigating income tax benefit, while foreign earnings generated a foreign income tax liability.

SELECTED FINANCIAL DATA

	1991	1990	1989	1988	1987
	(dollars in thousands except per share data)				
For the Year					
Net sales of continuing operations	$714,742	$786,279	$827,739	$795,783	$723,015
Income (loss) from continuing operations	$ (13,744)[(1)(2)]	$(12,843)[(2)]	$ 2,397	$ 35,400	$ 60,894[(4)]
Income (loss) from continuing operations per common share	$ (1.31)[(1)(2)]	$ (1.22)[(2)]	$ .23[(2)]	$ 3.36	$ 5.25[(4)]
Cash dividends per common share	—	—	45.75[(3)]	1.45	1.35
At Year End					
Working capital					
—amount	$ 61,347	$ 70,020	$116,676	$153,170	$191,297
—current ratio	1.4 to 1	1.4 to 1	1.6 to 1	1.7 to 1	1.8 to 1
Total assets	$478,067	$518,997	$594,509	$660,473	$693,800
Long-term debt, less current maturities	449,636	460,000	523,702[(3)]	76,651	82,212
Common shareholders' equity	(239,465)	(226,808)	(202,971)[(3)]	269,950	281,312

(1) includes a special nonoperating charge of $6.0 million for environmental matters (see Note 11 of Notes to Consolidated Financial Statements)

(2) includes unusual items of expense of $3.3 million, $13.5 million and $26.1 million in 1991, 1990 and 1989, respectively, and increased interest expense due to the 1989 restructuring program (see Note 2 of Notes to Consolidated Financial Statements)

(3) includes a special cash dividend of $45 per share paid in connection with the 1989 restructuring of the Company and related increases in long-term debt (see Note 2 of Notes to Consolidated Financial Statements)

(4) includes income from unusual items and exceptional charges of $17 million, equivalent to $1.47 per common share

1989 was a 53-week year while all other periods were 52-week years

MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The principal market for Interlake's common stock is the New York Stock Exchange (ticker symbol IK). Such 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.

Interlake has not paid a dividend or made a distribution with respect to its common stock since the third quarter of 1989. Under the restrictions of the existing Credit Agreement (see Note 10 of Notes to Consolidated Financial Statements) and of the proposed Financing Plan, Interlake does not expect to pay any cash dividends in 1992 or in the foreseeable future.

On December 29, 1991 there were approximately 8,921 holders of record of Interlake's common stock.

High and low prices of Interlake's common stock during each of the eight calendar quarters ending on December 31, 1991 were:

	1991		1990	
	Price		Price	
	High	Low	High	Low
Calendar Quarter Ended				
March 31	$5	$2¾	$14⅜	$6¼
June 30	4⅞	3⅜	14	7⅜
September 30	4⅜	3	8½	5⅝
December 31	6⅛	3	6⅜	3⅛

THE INTERLAKE CORPORATION

DIRECTORS

James C. Cotting,
Chairman and Chief Executive Officer, Navistar International Corporation (manufacturer of medium and heavy duty trucks) [1989]

Arthur G. Hansen,
Higher Education Consultant [1984]

John E. Jones,
Chairman of the Board, President and Chief Executive Officer, CBI Industries, Inc. (industrial gases, construction services and investments) [1988]

Frederick C. Langenberg,
Retired Chairman of the Board, The Interlake Corporation [1979]

Edward A. Loeser,
Retired Senior Vice President—Operations, Rockwell International Corporation (manufacturer of products for the automotive, electronic, aerospace and general industries businesses) [1985]

Quentin C. McKenna,
Chairman of the Board, Kennametal, Inc. (manufacturer of metal cutting tools, machining systems, and materials for applications requiring wear resistance) [1986]

William G. Mitchell,
Retired Vice Chairman, Centel Corporation (communications and electric services) [1984]

W. Robert Reum,
Chairman of the Board, President and Chief Executive Officer, The Interlake Corporation [1987]

Erwin E. Schulze,
Retired Chairman of the Board, President and Chief Executive Officer, The Ceco Corporation (manufacturer of building products and provider of concrete forming services for the construction industry) [1981]

Edward J. Williams,
Consultant and Director [1964]

[] Brackets indicate the year when an individual became a director of The Interlake Corporation or a predecessor company. Directors serve on one or more of the following committees: Audit Review, Compensation, Executive, Finance and Nominating.

OFFICERS

W. Robert Reum,
Chairman of the Board, President and Chief Executive Officer

Raymond T. Anderson,
Treasurer

Craig A. Grant,
Vice President—Human Resources

Ian R. MacLeod,
Secretary

Richard I. Polanek,
Vice President—Finance and Chief Financial Officer

Stephen R. Smith,
Vice President and General Counsel

OPERATING EXECUTIVES

Stephen Gregory,
President, Interlake Material Handling Division

John J. Greisch,
Managing Director, Dexion Group plc

James Legler,
President, Chem-tronics, Inc.

Robert A. Pedersen,
President, Interlake Packaging Corporation

Ian A. White,
President, Hoeganaes Corporation

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