



the front flaps before each section in this year's report. You'll find numerous characteristics that give us a competitive edge.

#### **Labor Factor**

The heading on page 32 says: "People move Interlake." Truer words were never written!

This is why we aim for effective labor relations . . . and a low labor factor. In other words, we try to maintain a relatively small, but efficient and effective employee family we can count on. This is the best formula we know for maintaining Interlake's strength and momentum. We intend to maintain our good track record so customers and investors can depend on our consistency.

#### **Control Over Our Destiny**

We want as much control over our destiny as possible. This is difficult, because in these resource-short times, few companies can claim to be independent of materials suppliers.

But we do have more control than many companies . . . because, among other reasons:

- We don't depend on a few key customers. We serve an estimated 100,000.
- We sell to many markets and industries.
- We're involved in many resource-oriented ventures involving essential raw materials.
- We use our own products and enjoy incremental profit advantages.

#### **Integrity/Consumerism**

We try extra hard to conduct our business affairs with integrity. Interlake has never been a major factor in marketing to the general public. But where we are involved—furnishings, gas leisure products, etc.—we compete as fairly as we do effectively.

We do our best to represent our products accurately,

and we give special attention to quality. Our approach to "consumerism" has roots in our industrial businesses. Here we learned long ago about lasting and mutually rewarding business relationships: they must be built on honesty and respect.

#### **Confidence**

We face the future with confidence . . . for five key reasons:

##### **Our track record**

Operating in rather difficult economic conditions, we have achieved growth in sales, earnings, earnings per share, market penetration and other important areas. We finished 1973 a full year ahead of our ambitious profit plan established two years ago.

##### **Diversification/Product**

**Mix** Iron and steel are important beginnings at Interlake, but we're growing in other areas . . . as we point out throughout this year's annual report. Our product mix changes each year, as do earnings contributions from our various businesses. This diversity should provide more flexibility and strength over the longer pull.

##### **A strong financial position**

has always been one of our strong assets. Wise money management is a continuing practice. We try to remain in a good position to finance our own growth.

##### **Our customer orientation**

is a major plus for us. More and more, we're able to serve customers of one division with products of another division.

**Momentum** has a lot to do with continuing progress. We point out many areas of opportunity in the feature sections of this report. Collectively, they say: balance, planned expansion, good potential . . . and optimism.

#### **Employees on Front Cover**

Robert Jordan  
Patcher

Fred Hanhauser  
Plant Superintendent

Gerald S. Jakubowski  
Field Engineer

Craig B. Gamble  
R&D Master Technician

Edgar "Lee" Kegley  
Locomotive Crane Helper

Ted J. Hart  
Maintenance Welder

Vera Marino  
Accounts Payable Clerk

Ellie Juechter  
Technician—Audio Visual Services

George B. Simonelic  
Design Engineer

# Reviewing Interlake Goals

Every major company is constantly asked questions about growth, management goals, return on equity, consumerism, P/E ratios . . . and so forth. Here are brief comments about these and other topics raised recently.

## Growth

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

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

- 53% return on shareholders' equity (from 5.1% to 7.8%).
- 83% in earnings per share
- 57% in net income
- 39% in net sales

Obviously, three years doesn't create a major trend. So we're building further on this momentum with programs explained more completely in this year's report.

## Industry Leadership

Our goal is to lead or share leadership in the industries or sub-industries we serve.

Obviously, we're far from the largest factor in *steel*. We rank 16th among all U. S. producers. In *merchant iron*, though, we're the current U. S. leader, marketing more merchant iron than any other producer.

Accurate industry figures are difficult to come by in *packaging/shipping*, but we are a leading world manufacturer of strapping and machines and tools to apply these products. And we also are a market leader for *stitching* wire and machines

to apply it. And other packaging/shipping products hold varying positions in their particular market areas in the world.

We are a leader in *storage rack* world-wide and our manual and automated storage and retrieval systems compete with the large materials handling equipment manufacturers. Interlake has the most complete line of storage products, including racks, shelving, hoppers, safety decks, gravity flow racks and many other related products.

In *furnishings* we're a leading, high style, quality dinette producer. But we're not among volume leaders in the overall furnishings field.

Our Globe Metallurgical Division is among the top three producers in the fast growing *silicon metal* market. And Hoeganaes, our 80% owned subsidiary, is the Western Hemisphere technology leader in the exciting *powder metallurgy* field.

## Global Perspective

Each year our global perspective grows larger. In 1973, our operations outside the U. S. turned in record performances. In fact, in the past five years these operations have posted a strong 19% sales growth rate! Earnings from International Operations help offset strains on our U. S. businesses at times. We expect our International Operations to continue making increased contributions to the balanced growth and well-being of Interlake.

## P/E Ratio

Our goal is a higher multiple for Interlake, because we're not satisfied with the financial market's uneven response to our performance.

Starting in 1970, per-share earnings have stepped from \$2.42 to \$3.03 to \$3.26 to \$4.42. Dividend payout has averaged 56%. And, at '73 year-end, yield was 9.3% on a \$1.95 per share payout.

Meanwhile our P/E ratio has dropped from 10.1 to 9.2 to 8.8 to 4.8.

This is why we're discussing our corporate make-up and goals so aggressively. Hopefully, more investors will recognize Interlake as a good investment . . . like Robert Stovall did in his Feb. 15th *FORBES* column "Wall Street View."

## Research/Development

The goal of our research and development activity is to create demand . . . through innovation. Our R&D seldom produces dramatic technological breakthroughs that catch the fancy of investors. Generally speaking, our research is less dramatic . . . but no less important.

Ours involves day-to-day striving to:

- improve present products
- develop new products
- find new manufacturing processes
- produce new applications for existing products.

In 1973, we spent about \$1.6 million for these activities.

## Marketing

Our customer-oriented marketing philosophy was expressed on last year's annual report cover: "Our jobs depend on the quality of our products and delivering these products to our customers on time." We're versatile in the way we bring our products to market, because we use our own direct sales groups, sales agents, distributors, etc . . . whatever marketing and distribution method can best serve our customers.

## Uniqueness

Every company is unique . . . in some way. Interlake's various advantages and strengths are reviewed on

# Annual Meeting

# Contents:

Shareholders are invited to attend the Company's 1974 Annual Meeting at 10:00 a.m. (New York time), on Thursday, April 25, 1974, at Bankers Trust Company, 280 Park Avenue, 10th floor of East Building, New York, New York. Proxy statements will be mailed in late March.

### Transfer Agents and Registrars

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

### General Counsel

Jones, Day, Cockley & Reavis, Cleveland, Ohio

### Independent Accountants

Price Waterhouse & Co., Chicago, Illinois

### Common Stock Listed and Traded

New York Stock Exchange  
Midwest Stock Exchange

Stock Symbol: IK

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## How 1973 Revenue was Distributed

Raw materials, supplies and services purchased

58.3%

Depreciation

3.3%

Interest on loans, etc.

1.1%

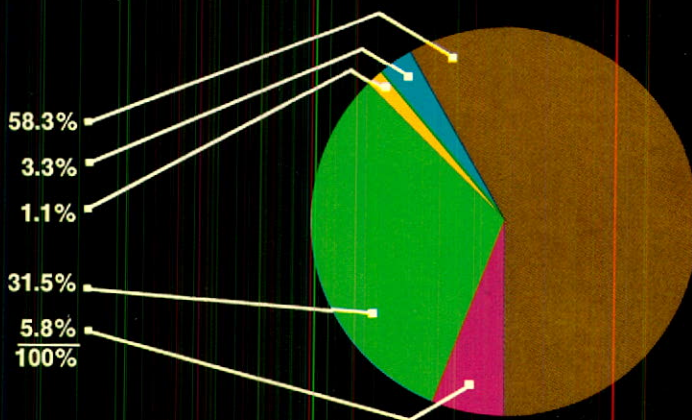
Employees' wages, salaries and fringe benefits

31.5%

Profit before taxes

5.8%

100%



## How 5.8% Before Tax Profit was Distributed

Taxes on income

38%

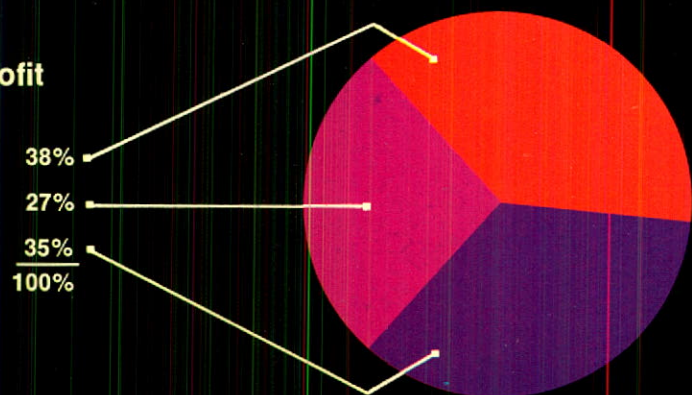
Dividends to shareholders

27%

Reinvested in Interlake

35%

100%



**interlake**.inc.

HIGHLIGHTS OF 1973  
ANNUAL MEETING OF  
SHAREHOLDERS

APRIL 26, 1973  
FIRST QUARTER REPORT

## Business of the Meeting



The 1973 annual meeting of the shareholders of Interlake, Inc. was held in the Auditorium, Republic National Bank Building, Dallas, Texas, on April 26, 1973.

There were represented at the meeting in person, or by proxy, 3,240,202 shares, or 83.5% of the 3,880,130 shares outstanding and entitled to vote. Reynold C. MacDonald, Chairman and Chief Executive Officer, thanked the shareholders for sending in their proxies so such a large percentage of shares were represented.

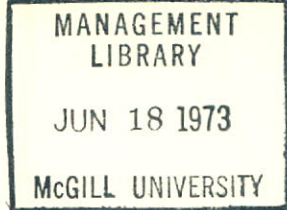
The following business was conducted:

1. Thirteen incumbent directors were nominated and re-elected to serve until the 1974 meeting. Each of the 13 nominated for director received an affirmative vote of 3,225,426 votes for election to office. The newly elected directors are listed at the end of this report.
2. Selection of Price Waterhouse & Co. as the corporation's independent, public accountants for the year 1973 was ratified and approved by the vote of 3,220,790 for and 19,410 votes against.
3. Mr. MacDonald presented management's report to shareholders. The text of his audio-visual presentation is reprinted on the following pages.
4. Following his presentation Mr. MacDonald asked for questions. There were no questions.



*Interlake shareholders sign in for Annual Meeting.*

## Management Report



At this point in our meeting while the ballots are being counted, I would like to review for you the year 1972, discuss our participation in Dallas and Southwestern markets, and conclude with a report on our first quarter performance and our long range plan.

The detailed results of our performance last year, as well as a review of our many activities, have been presented to you in our quarterly and annual reports. So I won't attempt to repeat much of this information . . . except for the highlights.

### Interlake Today

Interlake today operates plants, warehouses, affiliates and licensees in more than 50 locations world-wide. At the beginning of this year we had:

9,440 employees world-wide

25,036 shareholders

We served an estimated 86,000 domestic customers

We were the 30th largest Chicago-based industrial firm, in terms of sales

And, in Fortune Magazine's list of the 500 leading U.S. corporations, Interlake ranked 310th.

1972 was certainly a different kind of year than '71 . . . with all its ups and downs. Inter-

lake people worked throughout the year under the rigid, but highly necessary, disciplines of tight budgets and aggressive marketing plans. It wasn't easy, either, for us to exceed profit plan. We certainly had our share of pluses and minuses.

We were helped during the year by:

Record volume . . . from an expanding economy

Consistent demand, permitting more productive and economical use of facilities

General labor peace, compared to the strife in '71

Cost efficiency programs throughout the company

The cumulative effect of buying about 535,000 Interlake shares in '71 and '72. This improved earnings per share by 20¢.

Our performance was adversely affected by:

A strike and higher-than-expected operating costs in a Canadian iron ore operation

Lower investment credit

A write-off at Hoeganaes resulting from a cancelled expansion project

The cost/price squeeze, including competitive pressures on selling prices.



E/P/S

\$2.42

70

\$3.03

71

\$3.26

72

Chief Executive Officer MacDonald reports to shareholders.

In 1972:

Earnings per share rose 7.6% to \$3.26 compared with \$3.03 in '71 . . . and \$2.42 in '70.

Net income reached \$13.0 million, from \$12.5 million in '71 . . . and \$10.7 million in '70.

Sales climbed to \$387.7 million — up 10% over \$352.1 million in '71. This was the fifth consecutive year Interlake has achieved a sales record.

Here's how we spent our revenue dollars:

34% went for materials used in producing our products

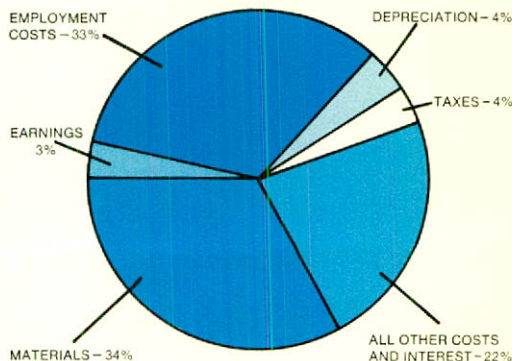
Rising employment costs took 33%

All other costs and interests amounted to 22%

Depreciation amounted to 4% . . . as did taxes on income, real estate, and personal property. This left only 3% for earnings.

An important point to make here is that almost half of Interlake profits go for taxes. Too often people forget a large segment of government funds come from corporate profits.

DISTRIBUTION OF REVENUES





Our return on sales in '72 was 3.3%, and return on shareholders' equity was 6.2%. We aren't satisfied with these levels, and we're working to improve them.

We plan to do this by:

Further cost reductions and efficiency

Tighter expense controls

Improved yields

New ideas

Selective price increases

Capital expenditures last year reached \$9.8 million, compared with \$12.1 million in '71, and including:

Modernization . . . . . \$4.9 million (50%)

Environmental Control . . \$2.8 million (28%)

Expansion . . . . . \$2.1 million (22%)

In 1973, we plan to spend about \$15,000,000 . . including \$2.3 million for environmental

control and about \$7 million of a \$15.1 million modernization project at our Newport, Kentucky plant.

Our financial position is certainly strong. Long term debt was reduced \$5.5 million in '72. We also purchased 132,000 shares of Interlake common stock for \$3.7 million during the year. We have bought 534,877 shares during the last two years.

We also maintained our \$1.80 dividend, and dividends paid in '72 amounted to about \$7.2 million, and equalled 55% of income.

In the employee relations area, four separate contracts were negotiated in '72 . . . there were no significant work stoppages . . . and only one short strike occurred at a small plant. On-the-job safety improved for the 7th consecutive year as disabling injuries dropped 13% below last year.

So much for overall company results.

# THE CINCINNATI ENQUIRER

THURSDAY MORNING, DECEMBER 21, 1972

## *A \$19 Million Mill Project*

# Interlake Will Expand In Ky.

NEWPORT Ky. (AP)—Interlake Inc., Chicago-based steelmaker which is a major employer in Northern Kentucky Wednesday announced plans for a \$19 million hot rolling mill complex here.

The company said in a prepared statement that construction would begin in January and would take two years.

Ernest F. Stebbins, vice president for operations of the compa-

ny's iron and steel division, said \$15 million would be allocated to the hot strip mill and the remaining \$4 million to maintenance, inventory and special related projects.

The project, designed to improve and expand present operations, will enable the company to roll steel with improved surface and formability and add a greater range of gauges and widths of

both sheet and plate," according to Sidney H. Galloway, Newport plant manager.

Galloway said the mill would be equipped with a close-loop water system to assure that emissions into the Licking River would meet pollution control standards.

Kentucky Gov. Wendell Ford issued a statement welcoming the project.

Ford said the project "is a marvelous Christmas gift to the economic growth of Northern Kentucky."

## Interlake in Southwestern Markets

Now, Interlake in Southwestern Markets.

Our activities out this way have grown steadily since our first Western sales offices were opened shortly after the turn of the century. Today, in the Southwest, Interlake has two key sales offices—one in Dallas and one in St. Louis—three warehouses, three plants in Dallas, and 44 distributor outlets which help us market our packaging, shipping, storage, handling and other products.

Interlake came to Dallas in 1968 when we acquired three related furniture companies:

*Falcon Manufacturing Company*, which produces dinette sets, outdoor gas grills, lamps and other patio lighting.

*McNeff Industries*, a leading innovator of library/resource and study furnishings for school systems.

*Plasco*, which made occasional tables for mobile homes and contract apartments.

These companies became part of our Howell division, which in 1972 accounted for 9% of Interlake's total sales.

We've consolidated the lines of these companies into the overall Howell line now, and all products produced by the division—except Falcon grills and lamps—carry the Howell name. This change will greatly benefit Howell's national identity and marketing programs.



*George Patterson, Reynold MacDonald and James Coultrap view Howell furniture displayed in Dallas Home Furnishings Mart.*

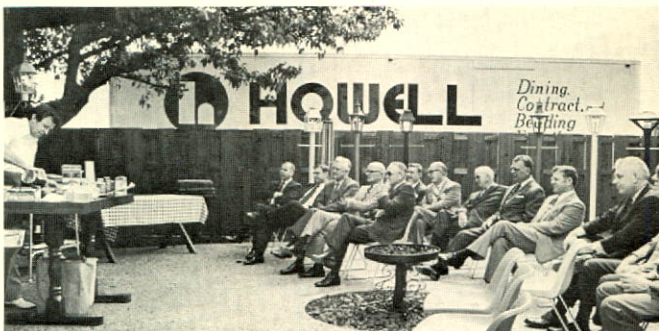


*Keith Benson, left, is briefed on features of Howell dinette by Arnie Booth, Howell director of operations.*

*Interlake directors were given capsule course in cooking-on-a-grill by Dale Bard, Falcon's patio gourmet.*



*Marv Chandler, right, sees first-hand how Falcon gas grills are made as James Wolfe, manager of Dallas operations, explains operation.*



*G. Findley Griffiths, left, is shown new cane back chair by Paul Kerr, Howell president.*



*MacDonald and Herb Spring look over fabric rolls in Howell plant.*

*MacDonald, Benson and Coultrap check Falcon shipping cartons.*



*Benson, Bob Jacobs and Frank Burgert watch seamstress apply upholstery to dinette chair.*

The McNeff line, for example, has been consolidated into the Howell/Contract department. The former McNeff plant is being converted into a manufacturing plant where Falcon outdoor gas grills and gas lighting products will be made.

McNeff's product line includes carrels and learning stations, such as those featured at SMU's School of Technology . . . these in the world's largest study center at Dallas Baptist College . . . this library in Lewisville, Texas . . . this classroom at Tarrant County Junior College . . . and many other installations in the Southwest.

Howell's space in the Dallas Home Furnishings Mart features the full line of products we market in the Southwest. The Dallas markets in June and January are two of our major promotion efforts in the home furnishings field. We maintain similar facilities in Chicago, Los Angeles, San Francisco, Seattle, New York and Minneapolis.

Our Packaging and Shipping business, which accounted for 20% of company sales in '72, is very active out here, too. We have many customers out this way served by our internal sales force and 22 distributor outlets, shown here by the circles. This portion of our company serves a wide spectrum of agriculture and industry . . . and our customers read like a "Who's Who in Business."

The cotton market, for example, is one of the new growth businesses, and we pioneered numerous packaging and shipping products for the industry. Here's an Interlake strapping system on a high performance baler . . . and here's a strapped bale emerging from an Interlake shrink closet at another company in Louisiana.

The brick market is another major user of our strapping, tools, machines, machine systems . . . and inflatable dunnage. This customer is in Henderson, Texas. And A. P. Green in Missouri uses our equipment to package refractory brick.

The cement brick industry has great potential for us because of the type construction used in the South and Southwest. Here's packed cement brick made by Breeko Brick, Tennessee.

Customers in the lumber and plywood industry, particularly in East Texas and Louisiana, use large amounts of our strapping and compression machines for unitizing packages . . . like at Delta Pine Company, Beumont, Mississippi . . . and for protecting shipments against damage in railroad cars like this Interlake disposable dunnage bag being used by Wallace Manufacturing Company in Pittsburg, Kansas.

The paper industry in Southwestern markets is important to us, and Interlake has long been a major factor in this industry with large specialized equipment like this end-roll packager being used by International Paper at Bastrop, Louisiana and by Olin Mathieson, Monroe, Louisiana.

The corrugated box industry has plants in many major cities to supply local needs . . . and we supply a full range of strapping and stitching products like this versatizer strapping system . . . this new machine for closing small boxes . . . this large equipment that stitches a seam in long corrugated containers . . . this gasoline powered unit used in the field on trucks to stitch boxes in the fields of the Rio Grande Valley.

Bottle and can producers and users throughout the U.S. use our products to package large numbers of containers. Here's a pallet of bottles bundled together in a package 4' x 5' x 9' high by Owens-Illinois Glass Company at Waco, Texas.

And we're asked to solve many, many special packaging problems like this relatively simple one in New Orleans—packaging mail bags for the postal service.

Our Storage/Handling business which accounted for 11% of overall '72 sales last year, is quite active in the Southwest, too. Our customers in the Southwest Region are served by our own internal sales and engineering specialists, plus by 22 distributor outlets, located on this map by the triangles.

Recent and major installations of Interlake storage systems are at work trimming storage and handling costs for:

Western Electric—Oklahoma City

OTASCO, a major auto supply firm —  
Tulsa

Avondale Shipyards—Westego, Louisiana

Haggar Slacks — Dallas

Grocer's Supply — Houston

Southland Corporation—Owntown,  
Texas

Mobile Chemical — Temple, Texas

Litton Industries Shipyards — Pasca-  
goula, Mississippi

Here's an installation . . . at Ingalls Ship-  
yards, Pascagoula

Boeing, at Wichita, uses our slotted angle to package jet engines . . . and

Richdale Manufacturing in Dallas makes tables out of it . . . and

Bob Smith in Galveston stores boats at his Marina on our racks.

And here's our gravity flow rack . . . a new product with excellent potential.

Our steel sales team also includes the Southwest as one of its important markets . . . Our steel pipe is used throughout the Southwest for gas transmissions. And, of course, products from our Globe and Hoeganaes operations touch the lives of most people out here in some way every day.

Enough, then, for Interlake's involvement in Southwestern markets.

## 1st Quarter Report

Now, for the final part of our presentation today, let me review how we're doing so far in '73 . . . and something about our long range plan.

Our first quarter results this year reflect a continuation of a recovery begun late in '71. Our per share results are about on plan.

First quarter sales this year reached \$111,-326,000, up 20.6% from sales of \$92,310,000 in the first quarter of 1972.

First quarter net income this year was \$2,947,000, slightly above the \$2,882,000 reported for the first quarter last year. First quarter earnings per common share reached 76¢,

up 5.6% from the 72¢ reported a year ago at this time.

### CONSOLIDATED SUMMARY OF SALES AND INCOME

RESULTS FOR THE FIRST QUARTER 1973 AND 1972  
(000 omitted)

	Quarter Ended		Increase in 1973
	April 1, 1973	March 31, 1972	
Net sales	\$111,326	\$92,310	20.6%
Income before U. S. and foreign income taxes	\$ 4,929	\$ 4,538	
Less taxes on income	1,982	1,656	
Net income	\$ 2,947	\$ 2,882	2.3%
Net income per share	\$ .76	\$ .72	5.6%

**NOTES:**

Results shown for 1973 are subject to audit.  
Income per share is based on average of shares  
outstanding: 3,880,127 shares in 1973 and  
4,011,421 shares in 1972.

Looking ahead, we expect the strong order demand we've experienced so far this year will continue pushing volume to record levels.

We'll have another record sales year in '73. And our internal efficiency and other programs should enable us to maintain profit performance at present levels during the first half.

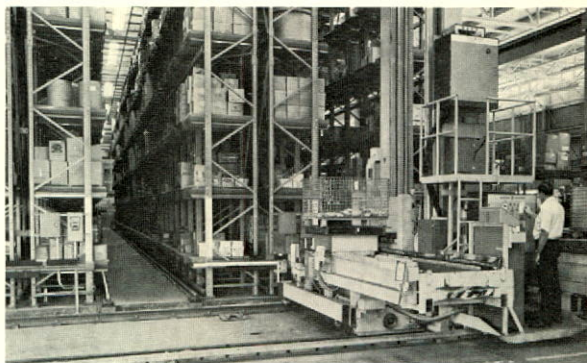
But price and cost adjustments will be necessary if we're to improve much on our '72 profit results. As a matter of fact, we're concerned about the massive impact of the inflation that grips the American economy . . . and the "cost-push" pressure that's spiraling prices higher in response to rapidly rising expenses. It's getting more and more difficult for business to earn an equitable profit these days. And in many sectors of industry, margins are getting smaller, despite record sales. At Interlake, stringent cost control and profit improvement programs have become a way of life.

What's needed, overall, is the painful, yet steadfast application of fiscal and monetary restraint in our nation.

Now, I want to conclude with a few comments about how we're preparing for the future and our long range plan. Last year, Interlake prepared a new long range plan that outlines who we are and where we're going.

Our research showed us that there are many ways we could grow . . . and that we have a long way to go in reaching our primary long range goal: namely, consistent above average earnings performance. Our long range plan calls for us to focus on two key areas:

The broad field of *materials movement* . . . products, services, and distribution activities in the overall materials han-



*Interlake Courier System*

dling warehouse/storage, industrial packaging and shipping businesses.

The other key area is that of *metals fabrication* . . . or in other words, the manufacture of industrial products for growing markets utilizing our basic raw materials and output.

## THE WALL STREET JOURNAL,

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We're pursuing these objectives vigorously, and I have personally assumed the implementation of our program.

The plans we have of maintaining our present businesses all hinge on satisfying their customers . . . and selectively pruning our product lines which don't meet our profitability standards.

The accelerated attention we're now giving to new product development . . . and our acquisition search program . . . is all aimed at doing a better job of trying to meet present and future customer needs.

Interlake, of course, is in reality a *metals . . . plus* company . . . with iron, steel, metal powders, silicon metal, and ferroalloys forming our metals businesses.

To extend and strengthen the metals area of our interest, about a month ago, we purchased all outstanding capital shares of Alabama Metallurgical Corporation located in Selma, Alabama. Alamet — with '72 sales of about \$5 million—produces ferrosilicon.

And we have several plans for this operation, which is strategically located to power, raw materials, manpower and markets. We're now underway to convert the plant to production of silicon metal, and we're also studying the possibility of a second furnace for producing silicon. This is an important ingredient for the chemical, aluminum, steel and iron foundry industries. The demand for silicon metal in the future will be very strong, and our acquisition adds a good plant to Globe's present business . . . and it's certainly a natural extension of Interlake's metals businesses.

## Interlake Forms European Unit

CHICAGO — Interlake Inc. said it has formed Interlake-Europe Inc. Through its subsidiaries, the new company will produce and sell metallic and nonmetallic strapping, tools, semi and fully automatic strapping machines used in packaging various materials, and as industrial racking and shelving systems in the United Kingdom and Europe.

Interlake owns 80% of the new European company and British Steel Corp. owns 20%. Interlake-Europe will be composed of several overseas companies in which Interlake currently holds an interest, including Gerrard Industries Ltd., which is equally owned by Interlake and British Steel. "This move brings together the individual interests of Interlake and British Steel in the packaging and storage products business in Europe," Reynold C. MacDonald, Interlake chairman, said.

## THE WALL STREET JOURNAL,

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## Interlake Agrees to Acquire Alabama Ferrosilicon Maker

CHICAGO—Interlake Inc. said it agreed to purchase all outstanding shares of Alabama Metallurgical Corp. for an undisclosed sum from Leckenby Co., a metal fabricator based in Seattle.

Alabama Metallurgical, which had 1972 sales of about \$5 million, produces ferrosilicon, a crude alloy of iron and silicon used by the iron and steel industry. Included in the acquisition is a dolomite quarry, 60 miles north of Selma, Ala. Dolomite is a type of limestone.

Interlake, a diversified industrial company, said the transaction is due to be completed in late April.



In another recent move, to strengthen our materials movement business worldwide, on April 12th, we formed Interlake Europe, Inc. Through its five subsidiaries—located in England, Germany and Belgium—the new company will produce and sell metallic and non-metallic strapping, tools, semi and fully automatic strapping machines used in packaging, as well as industrial racks and shelving systems in the United Kingdom and continental Europe.

We formerly shared equal ownership of Gerard Industries Limited in England with British Steel Corporation. We acquired BSC's 50% in exchange for a 20% interest in the new holding company.

This new venture enables us to more systematically approach and develop our markets in Europe and enhances our capabilities to serve customers there.

Now, in summary, what are some of the things you can expect of your management team at Interlake?

You can be certain we'll be watching our earnings closely.

We'll not lose sight of what underlies a consistently high P/E ratio, namely a consistently high return on your investment.

New product development will be emphasized.

You probably won't see many frills. You will, however, see a very tight ship . . . because that's our way.

We won't play games with creative accounting. Our business is running our business . . . and it will remain just that . . . in a fully credible way.

There are fads today in the business world. Today it's the growth cult. Five years ago it was the conglomerate era. And before that, something else. These fads come and go. As you can see from our long range plan, we don't intend to build our future on a fad.

Our vision for the future centers on a good, sound, solid business. We aren't out to balloon our sales just for the sake of moving up from our current 310th place in *Fortune's* 500 top corporations. Instead, we're after a much more prominent place in *Forbes* annual review of the nation's leading profit performers.

You'll always see a continuing emphasis on the customer.

Unless each of us invests and works toward satisfying customers, there will be no sales, no jobs, no earnings, no dividends . . . nothing.

As we look out ahead there are many things that will have a massive impact on our ability to satisfy customers. We will be confronted with many ways to approach our problems . . . and many challenges . . . including increased government involvement with business.

Nevertheless, our business is solving problems. Therefore, we approach the future aggressively . . . and with confidence.

Thank you.

## DIRECTORS — 1973

- \* KEITH S. BENSON  
*Partner in the law firm of Arter & Hadden*
- EUGENE P. BERG  
*Chairman, President, Director, Bucyrus-Erie Company*
- \* FRANK J. BURGERT  
*President and Chief Operating Officer*
- \* MARVIN CHANDLER  
*Chairman of the Executive Committee, Director  
Northern Illinois Gas Company*
- \* JAMES W. COULTRAP  
*Director, Rockwell International Corporation*
- \* G. FINDLEY GRIFFITHS  
*Retired Chairman of the Board*
- ROBERT JACOBS  
*Executive Vice President—Finance and Administration*
- \* REYNOLD C. MacDONALD  
*Chairman and Chief Executive Officer*
- GEORGE S. PATTERSON  
*Consultant, Vickers Energy Corporation*
- LOUIS PUTZE  
*Vice President, Director  
Rockwell International Corporation*
- LEE C. SHAW  
*Partner in the law firm of Seyfarth, Shaw,  
Fairweather & Geraldson*
- EDWARD J. WILLIAMS  
*President, Chief Executive Officer, Director,  
McGraw-Edison Co.*
- \* MORRIS H. WRIGHT  
*General Partner, Kuhn Loeb & Co.*
- \* Member of Executive Committee

## OFFICERS — 1973

- Following the meeting of shareholders, the newly-elected Board of Directors met and the following officers of the corporation were then elected:*
- REYNOLD C. MacDONALD  
*Chairman and Chief Executive Officer*
- FRANK J. BURGERT  
*President and Chief Operating Officer*
- ROBERT JACOBS  
*Executive Vice President—Finance and Administration*
- FRANK K. ARMOUR  
*Vice President—Engineering and Research*
- DAVID G. BOWSER  
*Vice President—Interlake Metallurgical Division*
- RALPH K. FREW  
*Vice President—Employee Relations*
- ROBERT M. GILASON  
*Vice President—Marketing*
- H. HARRY HENDERSON  
*Vice President—Public Affairs and Public Relations*
- ALBERT K. ZEITELL  
*Vice President—Packaging and Storage  
Products Division, International and Domestic*
- RAYMOND T. ANDERSON  
*Controller*
- GEORGE L. FAULSTICH, JR.  
*Treasurer*
- GRANT L. JOHNSON  
*Corporate Counsel and Assistant Secretary*
- WILLIAM R. STEAD  
*Secretary*



**310 South Michigan Avenue - Chicago, Illinois - 60604**

# 1973 Highlights

Earnings per share reach \$4.42—second highest in history

Sales rose to \$460.1 million—sixth consecutive record year

Special 15¢ year-end dividend declared—bringing total payout in 1973 to \$1.95

Interlake-Europe formed

Alabama Metallurgical Corporation acquired

For The Year (In thousands)	1973	1972	Percent Change
	Net sales	\$460,111	
Net income	16,784	12,972	29.4
Cash flow	31,012	27,267	13.7
Capital expenditures	12,773	9,818	30.1
Common stock dividends	7,373	7,158	3.0
<b>At Year-End (In thousands)</b>			
Working capital	\$ 98,021	\$ 90,040	8.9
Current ratio	2.5 to 1	2.5 to 1	—
Property, plant and equipment—net	\$155,265	\$153,697	1.0
Long-term debt, less current maturities	60,367	62,923	(4.1)
Shareholders' equity	214,056	208,295	2.8
Shares outstanding	3,731	3,880	(3.8)
<b>Per Share Statistics</b>			
Net income	\$ 4.42	\$ 3.26	35.6
Cash dividends paid	1.95	1.80	8.3
Shareholders' equity at year-end	57.37	53.68	6.9

## Quarterly Results—1973 and 1972 (In millions—except per share statistics)

	Sales		Income			
	1973	1972	Amount		Per Share	
			1973	1972	1973	1972
1st Quarter	\$111.3	\$ 92.3	\$ 2.9	\$ 2.9	\$ .76	\$ .72
2nd Quarter	116.0	99.9	5.4	4.1	1.39	1.01
3rd Quarter	111.6	93.3	3.3	2.7	.89	.68
4th Quarter	121.2	102.2	5.2	3.3	1.38	.85
	\$460.1	\$387.7	\$16.8	\$13.0	\$4.42	\$3.26

## Sales and Earnings by Business

	Sales		Earnings*	
	Amount	Percentage	Amount	Percentage
Iron	\$ 78,560,000	17%	\$16,613,000	52%
Steel	142,406,000	31%		
Packaging/Shipping	95,552,000	21%	13,444,000	42%
Storage/Handling	50,031,000	11%		
Furnishings	34,112,000	7%	(1,817,000)	(6%)
Silicon Metal/Ferroalloys	32,927,000	7%	2,124,000	7%
Metal Powders	26,523,000	6%	1,524,000	5%
	\$460,111,000	100%	\$31,888,000	100%

\*Before unallocated corporate items and income taxes.

# To Our Shareholders and Employees



Frank J. Burgert    Reynold C. MacDonald    Robert Jacobs

*Profit is vital for everyone! More Americans must learn this basic economic fact.*

*Interlake's results this and every year are made possible by profit . . . our incentive and reward for performing the entrepreneurial function.*

*We've provided revenue and earnings statistics inside the front cover. These are for review by everyone . . . particularly critics of private enterprise who spread the myth that profits are high . . . and that business owners receive more than employees.*

*After our 1973 expenses and taxes were paid, 90% of all monies left went to our employees, with the balance going to shareholders or for reinvestment in Interlake.*

*Income taxes are only a part of the story. Interlake's total tax bill amounts to approximately 2½ times the amount paid as dividends to shareholders. Our shareholders are, of course, responsible themselves for income taxes on dividends received.*

*We proudly promote the many advantages of a free market . . . with its incentive and reward for all Americans.*

In modern terminology: 1973 was something else again—a real mixed year of pluses and minuses. But we ended strong and continued upward trends reported after 1970.

**Earnings per share** rose 35.6% to \$4.42 compared to:

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

1973 results were improved 15¢ a share by buying Interlake stock in 1972 and 1973.

**Net earnings** rose 29.4% to \$16.8 million, helped by several non-operating transactions. Sales of land in Canada, a London office building and an unneeded iron ore interest added \$2.1 million to net earnings.

**Sales** grew 18.7% to \$460.1 million, our sixth consecutive record sales year. Increases came from:

- Volume and mix (65%)
- Price increases (24%)
- Acquisitions (11%)

All major businesses posted increases except furnishings, which declined less than 1%. Largest gainers:

- Metal Powders, up 54%
- Packaging/Storage—International, up 51%
- Silicon Metal/Ferroalloys, up 47%

**Dividend payout** rose to \$1.95, boosted by a 15¢ special year-end payment—the maximum allowed by government guidelines—and equal to 44% of net income. Dividend yield at year-end grew to 9.3%.

## Good 4th Quarter

We had a good fourth quarter. Per share income rose 62.4% to \$1.38 from \$.85 a year earlier. Net earnings

were up 57.6% to \$5.2 million from \$3.3 million. Sales reached \$121.2 million—18.6% over \$102.2 million in 1972's fourth quarter.

**Interlake people** had a work-out all through 1973 as demand remained high and most plants operated flat-out. We did better than our profit plan because, on balance, there were more pluses than minuses.

## Pluses:

- 4 of 5 businesses posted higher sales.
- 3 generated higher earnings.
- Numerous production and shipping records were set, and we sold off finished inventories of pig iron, ferroalloys and metal powders.
- International operations contributed another strong performance.
- Several new products from research and development went to market. (see pp. 4-17)
- We launched our long range plan announced last year. As part of it:

1. We acquired Alabama Metallurgical Corp.
2. We increased our ownership in Gerrard Industries, Ltd. in England.
3. We formed Interlake-Europe.
4. We eliminated two unprofitable businesses in Dallas.

## Minuses:

- We labored under government price controls all year and this sandbagged efforts to recover increased costs soon enough to materially help 1973 earnings.
- The cost/price crunch continued. We suffered with everyone, watched raw material and other costs escalate beyond projections. For example, uncontrolled scrap prices jumped 69% in 1973 . . . forcing our Newport plant into production cutbacks, some layoffs and an operating loss.
- Economic uncertainties forced us to indefinitely

defer the Newport, Ky. plant expansion project and take a \$2.4 million pre-tax write-off.

□ We also absorbed a \$.7 million goodwill write-off after discontinuing two unprofitable furniture businesses.

#### **Return Too Low**

Obviously, all minuses affected our return on equity, which improved from 6.2% in 1972 to 7.8%. This is still too low. We're constantly working to improve our return.

#### **Goals Outlined**

Speaking about goals, we've briefly reviewed Interlake's basic goals and philosophies in this year's report. We'd be interested in your reaction.

#### **Capital Expenditures—\$12.8 Million**

Capital expenditures rose about \$3 million to \$12.8 million from 1972 levels. Spending included:

□ Expansion projects \$4.0 million (32%)

□ Modernization and Improvements \$6.6 million (51%)

□ Environmental Control \$2.2 million (17%)

Depreciation exceeded capital expenditures by \$2 million.

In 1974, we've authorized \$25 million for capital spending. Expansion projects equal 39%. Replacement/improvement spending should account for half, with environmental projects charted for the remaining 11%.

#### **Shareholders' Equity Improves**

Long-term debt was lowered

by \$2.6 million in 1973 and shareholders' equity improved by \$5.8 million.

#### **Employee Relations Active**

Nine new labor agreements were negotiated in 1973—six in packaging and storage plants, three in Howell plants. Two strikes took place, including one in Canada, and both ended with reasonable, long-term settlements.

But in 1974 labor agreements affecting all divisions and many hourly employees must be renegotiated. Federal regulations, steel industry pre-negotiating agreements and cost/price factors will all play a role in the outcome.

Occupational Safety and Health Administration (OSHA) inspections have been held at many Interlake plants with reasonable overall results. On-the-job safety improved for the eighth year in a row as disabling injury frequency dropped another 4%. Our severity rate (days lost to work-related injuries) dropped to an all-time low, a testimony to employees' safety consciousness.

#### **This Year's Report**

This year's report is dedicated to Interlake people everywhere. They deserve recognition, because they make possible our year-in, year-out results. We hope shareholders enjoy seeing on these pages a few of our 10,272 employees.

This year's report also has been expanded to include more facts from our Form 10-K filed annually with the SEC. The flaps preceding each section include detailed information about our many businesses. Also discussed: promising market opportunities, new products and energy.

#### **1974 Outlook**

1974 has already given notice that it'll be more of 1973, and then some. Rather than present a forecast wrapped in yards of qualification, we'll

repeat what we said in our February preliminary report: "Our 1974 profit plan projection is to generate better results this year than in 1973."

We see no reason at this time to alter our projection because:

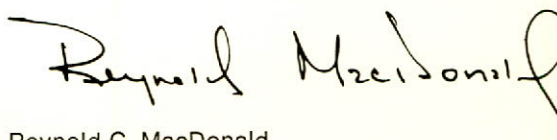
□ Overall, 1974 should be a good year, stronger in the first half than the second. We should exceed the half-billion sales mark this year.

□ Price controls should be lifted, permitting us to recover certain increased costs.

□ Backlogs extend well into 1974, though demand has softened for a few products.

□ Most plants should continue operating at or near capacity.

Obviously, we still have legitimate concerns about the cost/price squeeze. Raw material and energy shortages will have some impact, but we've provided for most needs. Anyway, almost everyone in America faces similar problems. Our challenge is to meet any adversity head-on and create our own style of positive performance and progress.



Reynold C. MacDonald  
Chairman and Chief  
Executive Officer

February 15, 1974





# 1973 Profile

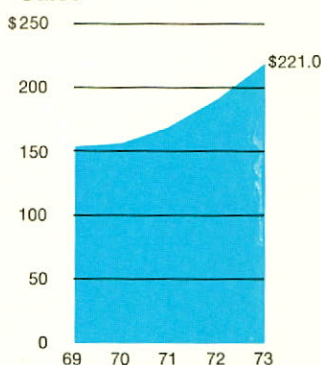
Iron sales increased to \$78,560,000 in 1973, reflecting the strong demand for pig iron and molten iron. Our total iron

shipments increased 22% over 1972, reflecting another very strong market.

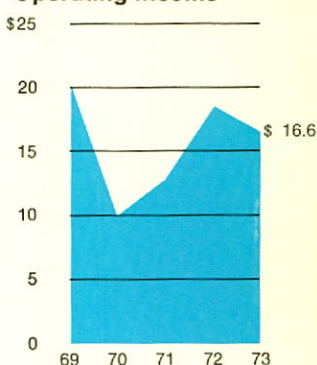
## Iron and Steel (% of Interlake total)

(in millions)	1973	%	1972	%
Sales	\$221.0	48%	\$194.0	50%
Operating Income*	16.6	52%	18.5	67%

### Sales



### Operating Income\*



\*Before unallocated corporate items and income taxes.

### Iron Production:

1,557,037 tons

### Iron Shipments:

1,640,156 tons

### Capital Expenditures, \$2,210,000

- Began relining Toledo's "B" Blast Furnace
- Completed closed recirculating water pollution control system on Chicago plant's blast furnace and sinter plant
- Began work on air pollution control of sinter plant's main stack at Chicago plant
- Improved unloader hopper at Chicago plant

### 1974 Spending, \$8,170,000

- We'll begin phase one of a six phase program to replace stoves on "A" furnace at Chicago plant.
- Air pollution control at Chicago and Toledo
- Rehabilitate Toledo's "B" blast furnace, docks, coke ovens
- Locomotive, tractor, other repair and replacement projects.

### Backlog

Future demand is so strong, we're on an

allocation program for customers . . . well into 1974.

### Erie Plant Leased in 1974

We have leased our Erie, Pa. coke plant and related facilities to Koppers Company, Inc. of Pittsburgh. Effective March 1, 1974, they'll assume total responsibility and keep all facilities in good operating condition. All coke production has been purchased by Koppers since we reopened the facility in 1971. The blast furnace there has not been operated since 1966.

### 1974 Outlook

Very good! 1974 should be another strong year. Steel production is expected to reach 147 million tons. Iron casting shipments should reach 13.5 million tons. This means we'll be called on again to operate at capacity. Our newly rehabilitated "B" furnace at Toledo will provide 30% additional tonnage compared to "A" furnace now on stream. Some of the increased tonnage will be available for 1974 sale.

# Iron

## fundamental to our economy

### What We Do

Interlake currently sends more merchant iron to market than any other U.S. producer. Merchant iron (iron for use by foundries) is basic to our economy.

### Plants

- Chicago, Ill.
- Toledo, Ohio

Capacity: 1,600,000 tons annually

### Products

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

### Markets

- Ingot mold producer
- Foundry Industry
- Interlake (about 45% of total production)

End products include steel and steel products plus an almost endless list of iron castings. For more information on these, see page 5.

Iron-making creates coal chemical by-products which we sell. Customers use them in road tar, solvents, thinners, perfumes, fertilizer, drugs, aviation gas, and plastics . . . to name a few items.

### Largest Competitors

- Hanna Furnace Corp.
- U.S. Steel Corp.
- U.S. Pipe and Foundry Co.
- Quebec Iron & Titanium Co.

### Market Position

We're the leading domestic merchant iron producer in the U.S.

### Distribution

We market through Pickands Mather & Co., a leading sales agent for basic materials.

### Our Strengths

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

### Raw Material Reserves

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

In addition to some ore shipped direct from the Mesabi Range, Interlake owns 10% of the vast Erie Mining Company at Hoyt Lakes, Minnesota. We receive about 1,100,000 gross tons of high grade ore pellets from Erie annually. Each year we also have the right to receive an additional 600,000 gross tons of pellets from our 10.2% ownership in Wabush mine operations in Newfoundland and near Point Noire, Quebec.

In addition, Interlake holds 37% of a low volatile coal mine in West Virginia, plus long-term coal purchase contracts with suppliers in Illinois and Kentucky. Nevertheless, the coal situation is a difficult one throughout industry.

It's essential that metallurgical coal for iron-making be price decontrolled, so that our industry will have continued access to domestic coal supplies. Otherwise, this coal will be diverted to export markets.

We have joined the iron and steel industry in strongly recommending that the Department of Commerce immediately initiate a licensing program on coal exports as a first step in preventing the excessive flow of this vital material to foreign markets.

Joe Alther Harris, 39, General Foreman—Batteries,  
21 years service, Toledo, Ohio

*"Making coke is very important. A lot of people depend on my job. Interlake has been our livelihood since 1942, when my father started here at Toledo. It's hard work moving up through the ranks. But it's worth it. I felt terrific when they made me general foreman January 1st."*

There's good reason for Iron's remarkable performance in 1973. Foundries melt iron to make iron castings, and they couldn't buy all they needed. Steelmakers refine iron into steel, and they had trouble finding enough iron, too.

There's no way merchant iron producers can meet heavy market demands already on this year's order books. Interlake is the only company planning on increasing output for marketplace customers in 1974.

We produce iron for our own use (about 45% of what we make goes into our own steel). The rest is sold in molten and in pig form. We ship molten iron to one Chicago customer who makes ingot molds and stools for steel producers.

#### Great Lakes Market

Our remaining output helps feed a hungry Great Lakes market.

The major U.S. market for merchant iron lies generally within those states bordering the Great Lakes. Here half the nation's iron foundries produce gray, nodular and malleable iron castings in huge variety.

#### Iron: Everywhere

Most Americans don't realize it, but iron is everywhere around them . . . and is the most fundamental metal to America's economy.

Here are only a few uses: motor blocks, and other key auto components, such as crank shafts, connecting rods and steering knuckles; gears; machine tool bases, sections, assemblies and slideways; aircraft pumps and jet engine frames; giant water turbine housings and rotors; large and small electric power components; industrial pumps; housings and fittings; air brake

cylinders; furnace and burner parts; tiny castings for business machines; and thousands of other sizes and shapes for new casting designs in expanding markets.

#### Iron Technology Improving

Iron-making methods have changed to meet growing needs. Changes in melting practice, melting equipment and other improved technology have all had their impact.

Foundry industry sources forecast continuing growth for iron castings. The most spectacular growth should come in ductile iron.

#### Energy Action

How is the energy crunch affecting us, and what are we doing about it? Good questions, and we plan a special report to shareholders in the future with many details.

In the meantime, energy is no stranger to us. We've been dealing with it as long as we've been making iron and steel. Energy, of course, is a basic raw material for our processes.

Energy for iron-making comes from coking and non-coking coal, natural gas, fuel oil and electric power. In fact, about one-third to one-half of the energy used in iron-making is from gas produced in the smelting and coking processes.

#### New Conservation Steps

In addition to many, many small steps taken in offices,

buildings, etc., here are several projects now underway for 1974 which will improve energy conservation in our iron-making plants:

#### 1. "A" blast furnace, Chicago

Our stove replacement program will generate more heat, reduce coke use and make furnace gas more efficient.

#### 2. "B" blast furnace, Toledo

We'll inject tar into the furnace, instead of fuel oil which is more expensive and in shorter supply. We produce tar in our own coking operation.

#### 3. "A" blast furnace, Toledo

We've increased tar injection rate because of an advance tar purchasing plan. Coke consumption has gone down, too.

#### 4. At Chicago, we're

charging coal directly into a blast furnace, replacing some coke with low volatile coal. Savings: coke and money.

#### 5. At Chicago, experiments

with anthracite as a furnace charge will be expanded

in 1974. Goal: coke and money savings.

#### 6. At Toledo, we'll expand

the program to use small coke fines. Coke fines are half the cost of regular coke. We'll charge fines into the furnace in layers.

#### 7. At Toledo we've stopped

generating our own power with fuel oil. Now we'll buy it from Toledo Edison at less cost. This saves energy and money.

#### 8. At Chicago we'll gain

increased productivity, energy savings and additional hot metal in 1974 by injecting oxygen to enrich the blast.

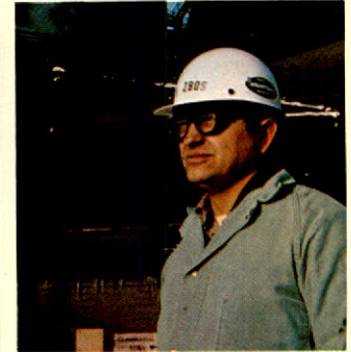
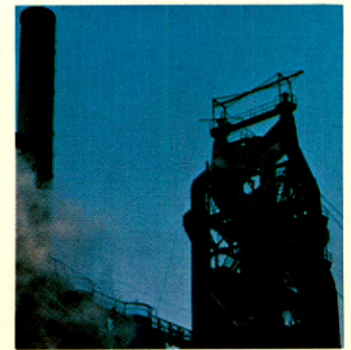
Joan D. Johnston  
Secretary, Employee Relations

Carlyle E. Tillman  
Rigger—Ore Docks

John James  
General Foreman—Sinter Plant

Ed Rice  
Sinter Machine Operator

John Zbos  
Assistant Blast Furnace  
Superintendent





# 1973 Profile

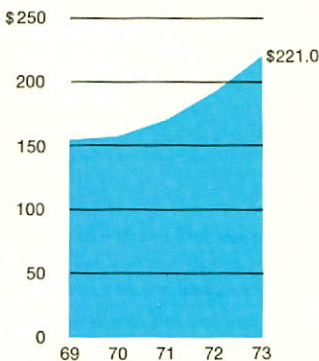
We operated at capacity as '73 steel sales reached \$142.4 million due to strong demand. Earnings, however, dropped due to price controls, the unavailability

and skyrocketing cost of scrap metal and the indefinite deferral and write-off of a Newport, Ky. expansion project.

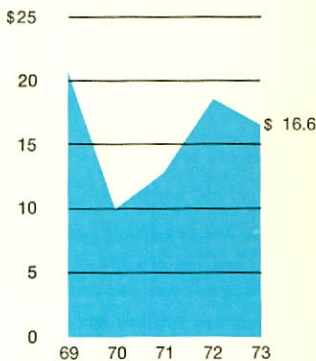
## Iron and Steel (% of Interlake total)

(In millions)	1973	%	1972	%
Sales	\$221.0	48%	\$194.0	50%
Operating Income*	16.6	52%	18.5	67%

### Sales



### Operating Income\*



\*Before unallocated corporate items and income taxes

**Steel Production:** 1,255,737 tons

**Steel Shipments:** 977,398 tons to customers

### Capital Expenditures, \$4,165,000

- Completed sand filtration system on Riverdale's #4 Hot Strip Mill
- Installed 30" wide slitter and generator on #4 Hot Strip Mill at Riverdale
- Installed hydraulic gauge and shape controls at Newport
- Upgraded coil cut-up line at Newport

### Newport Project Deferred

We've indefinitely suspended construction work on the hot rolling mill replacement at our Newport, Kentucky works. However, engineering and other basic work was completed.

Higher than anticipated costs and new uncertainties posed by recent government actions led us to re-evaluate the timing and payback on this project.

### 1974 Spending, \$4,330,000

- Phases III and IV of total water recycle system at Riverdale
- Begin installing 125-ton #4 Hot Strip Mill slab re-heating furnace
- Replace coilers for pickler at Riverdale
- Replace soaking pit recuperators at Riverdale
- Augment auxiliary fuel storage facilities at Newport

Environmental Control, \$518,000

Expansion, \$259,000

Replacement and Improvement, \$3,553,000

### Backlog

Our order books are full and most customers are on an assigned tonnage basis.

### 1974 Outlook

We won't have quite as good a year in 1974 as we did in 1973. Demand for steel was extremely high. We don't expect sales volume to grow much beyond record 1973 levels, because of capacity limitations and our current low inventory.

# Steel

## basic and versatile

### What We Do

We produce steel to meet specific customer requirements. Our specialties include expertise in hot rolled high carbon products at our Riverdale, Ill., plant and aircraft alloy at our Newport, Ky., works.

We're a fully-integrated steel producer with interests in ore mines, pelletizing facilities, coal, and other raw material resources.

### Plants

Riverdale, Ill.

Blue Island, Ill.

Newport, Ky.

Wilder, Ky.

Capacity: 1,347,000 tons annually

### Products

Hot and cold rolled carbon sheet and strip

Hot rolled plates and bars

Alloy sheet, strip, plates and bars

Electric weld line pipe

Spiral weld pipe

### Markets

Our key steel market is the nation's metalworking companies. Industries receiving the bulk of our shipments are:

automotive—21%

machinery, equipment, tools—16%

oil and gas supply—12%

agriculture—11%

service centers—10%

electrical equipment—8%

construction—6%

other—16%

About 20% of our steel is used internally and fabricated into other products.

### Customers' End Products

*Automotive*—energy absorbing bumpers, door hinges, spring parts, wheels, rims, all types of brackets, frames, seat slides, pedals, starter motors, clutches, brakes, etc.

*Light and heavy machinery*—power tools, motor laminations, cables, belts, drives, covers, safety guards.

*Farm implements*—tractors, combines, discs, wheels, plows, chains, conveyors, and other farm machinery parts.

*Recreation equipment*—mobile homes, campers, ice and roller skates, bicycles, wagons, boats, and wheels.

*Steel fabrication*—appliance parts, housings, furniture, cabinets, hardware, tools, shelving, rack, aircraft parts.

### Competitors

America's steel producers

### Market Position

In terms of raw steel production, Interlake is 16th among the nation's steel-makers. However, we have an important position in the market for quality ranges within our rolling capabilities.

### Distribution

Marketed by company sales force

### Our Strengths

Flexible production capabilities

Personal attention to customer requirements

Service

### Growth Areas

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

The market demands success in maintaining or increasing strength requirements without adding weight. Additional weight would, in the case of automobiles and trucks, increase fuel consumption.

Mike Batka, 44, Division Superintendent—Steel Production, 15 years service, Riverdale, Illinois

*"I feel steel-making is an exciting and rewarding profession, because steel is basic to America's economy. We're good at it here. Interlake is pragmatic and efficient . . . one of the best run companies."*

Steel is the most basic and versatile product in the world. In 1973, for the first time ever, the world found steel supply falling short of demand.

Interlake, like most steel producers, saw sales grow to new highs. But earnings dropped as government regulations held average prices well below those required for an adequate return on investment.

Many raw materials and other costs are not under price control. We cannot sustain the impact of run-away costs without price relief.

#### **Steel: A Vital Asset**

Despite competition from other materials, steel is still applicable for more uses, at less cost, than any other. For that reason, steel will remain a vital asset not only for world progress, but also for Interlake.

We're a versatile and specialized steel producer. The flexibility of our production scheduling is a valuable asset to our customers and, under normal circumstances, gives them good leeway in operating with modest inventories.

#### **Steel's Needs**

Within the next decade the United States will face a steel crisis similar to the energy crisis if measures aren't taken immediately to encourage investment in steelmaking facilities. Tax reform that promotes

capital formation and investment is needed to enable steelmakers to construct the additional 25 million tons of raw steel capacity the U.S. will require by 1980.

#### **Scrap Problem**

An immediate concern to Interlake is the current cost and shortage of ferrous scrap . . . a situation directly affecting production at our Newport, Ky. mill. This facility relies entirely on purchased scrap as its primary furnace feed. Sufficient scrap is virtually unobtainable . . . and what is available rose 69% in average price from January through December.

Interlake has met with government and community officials many times to discuss this dilemma.

We've joined the industry in urging the Commerce Department to impose a temporary embargo on ferrous scrap exports, which increased more than 60% during 1973.

#### **Energy Action**

The energy crisis will place extra pressure on some markets, because more steel will be required in rigs, pipelines, tankers, refineries, and coal-gasification plants needed to increase supplies of fossil fuels. Our line pipe, made at Newport, is primarily for fuel transmission.

Interlake, along with the entire steel industry, is doing whatever it can to help ease the energy crisis so the present situation doesn't have a disastrous impact on our economy.

At our Riverdale plant, we've organized an Energy Crisis Committee which meets weekly and initiates various conservation activities.

In Newport, a Fuel Allocation Committee was formed, and is headed by a project engineer, whose primary responsibility is energy conservation.

The Company's Corporate Engineering Department

has organized an energy inspection team who attends important energy seminars to keep us abreast of latest developments. The department is also coordinating the company's energy conservation programs. We, of course, are also adhering to suggestions to "dial down" and to reduce power consumption whenever and wherever possible.

Raymond Lloyd  
First Casting Man, Melt Shop

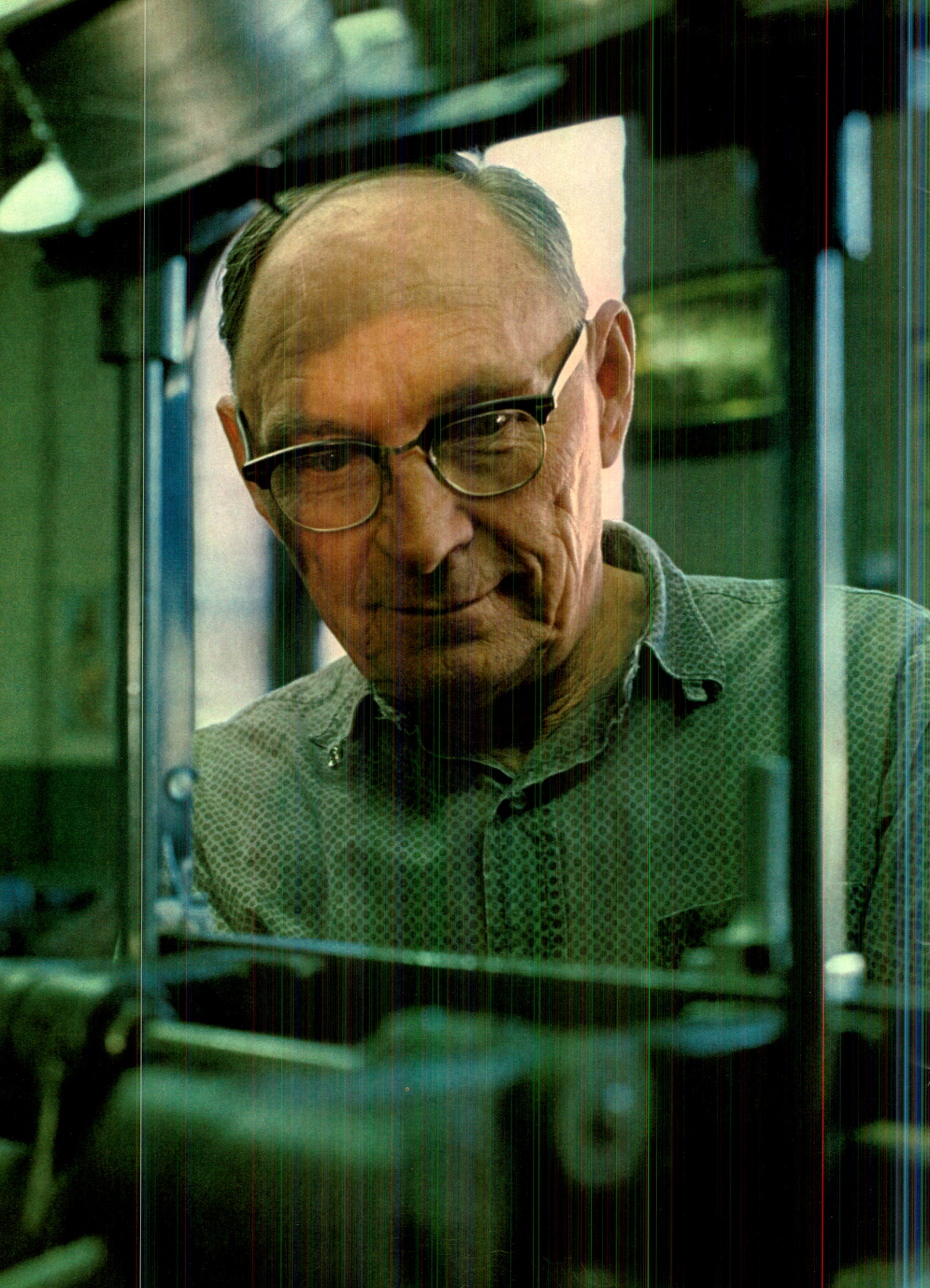
Bill McDonald  
Foreman—Cold Mill

Steve Oker  
General Sales Manager—Steel Products Marketing

Bill Scott  
Product Manager—Steel Products Marketing

Robert Whitehead  
Scarfing







# 1973 Profile

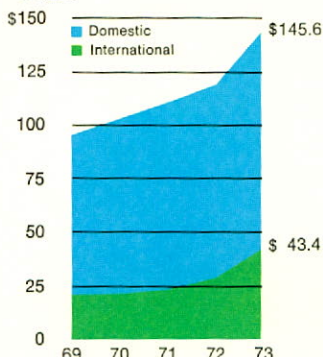
Our Packaging/Shipping business reported a record year in '73. Sales increased 22.9% to \$95.6 million.

We're particularly gratified with the continued growth and performance of international operations.

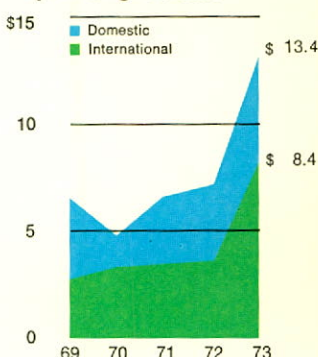
## Packaging and Storage (% of Interlake total)

(In millions)	1973	%	1972	%
Sales	\$145.6	32%	\$120.0	31%
Operating Income*	13.4	42%	7.2	26%

### Sales



### Operating Income\*



\*Before unallocated corporate items and income taxes.

### Capital Expenditures, \$3,713,000

- Completed new facility for heat treating steel at Riverdale
- Began constructing new office facilities and refurbished the plant at Gerrard Industries in Kilnhurst, England

### 1974 Spending, \$1,047,000

- Expansion of strapping capacity at Acme Steel Company of Canada, Ltd.
- Various expansion, environmental control and replacement/improvement projects.

### New Products from R & D

- Marketed improved seal-less automatic polypropylene strapping machine, which is faster, more dependable, easier and less costly to maintain than its predecessor.
- Introduced lightweight portable hand-held shrink gun that shrinks pallet loads in three to five minutes.
- Developed "Edgeboard," a tough laminated paper-board that provides excellent packaging protection.

- Marketed high-speed Silverstitcher to speed assembly of containers for field packing produce. (See p. 9)
- Introduced Heavy Duty Stitcher with rigid fabricated frames instead of cast iron frames.
- Developed new Airpack wrapper and tunnel for producers of synthetic fibers. System provides automatic packaging of synthetic fibers without danger of contamination.

### 1974 Outlook/Backlog

We expect our packaging/shipping business to maintain high levels set in 1973. Market demand for metallic strapping and stitching products probably will approximate the growth in GNP. We expect our dunnage, plastic strapping, edge-board and Shrink Film products, however, to grow at least 20% over '73 levels.

# Packaging/Shipping

## saving production/distribution costs

### What We Do

We're a leading world producer of packaging/shipping products . . . which save customers time, labor and materials.

### Plants

- Riverdale, Ill.
- Pittsburg, Calif.
- Racine, Wisc.
- Ottawa, Ill.
- Scarborough, Ontario, Canada
- Welwyn and Kilnhurst, England
- Mexico City, Mexico
- Letmathe, West Germany

### Products

- Strapping—steel, nylon and polypropylene
- Tools, machines and systems for strapping applications
- Stitching wire
- Stitching machines
- Shrink film packaging systems
- Dunnage bags

### Markets

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

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

### Largest Competitors

Our many products serve varied markets and space doesn't permit listing competitors, except for the largest portions of our packaging/shipping business: steel strapping, stitching wire, and associated application tools and machines.

### Steel Strapping

Signode  
Stanley Strapping Systems  
Brainard Division of Sharon Steel  
A. J. Gerrard Manufacturing Company  
U. S. Steel Supply  
Delta Strapping Industries

### Stitching Wire and Machines

Bostitch  
Chicago Steel and Wire

### Market Position

We're among the leading domestic producers of steel strapping . . . and a market leader for stitching wire and machines.

### Distribution

- Dual distribution by nationwide company sales force and distributors
- Our international markets are served by company sales forces and licensee/distributors.

### Our Strengths

Our most important asset is our ability to help with a customer's total production/distribution system. We analyze how materials are bought, packaged, handled, produced, controlled in inventory, warehoused, processed as orders, shipped and transported. Then from our extensive product line we pick a system, several products . . . or only one . . . whichever will do the job.

### Raw Material Reserves

Our internal raw material supply is another unique strength. Many of our products use large tonnages of steel—Interlake steel. As an integrated producer, we carefully monitor every quality and production step from the mine to the customer. We also achieve, of course, the incremental benefits generated by converting raw materials to finished products.

Henry Kraning, 61, Assembler/Tester of Champion Line Stitchers, 18 years service, Racine, Wisconsin

*"My job is to assemble and test the "Champion" line of wire stitching heads at the Racine plant. I assembled 4,000 last year. The head is the heart of the machine, and in my 18 years here I've learned how important quality is to customers. I think it's a pretty nice company to work for."*

We're excited about our packaging and shipping businesses, because we know our customers continuously search for ways to move goods more easily, at less cost, with minimum damage throughout their production/distribution systems. Our markets will grow at better-than-average rates because of examples like these:

#### Products In Action

□ A Chicago bicycle manufacturer switched to our heavy duty stitching equipment to keep shipments in pace with soaring demands for its products.

□ An Indiana tool and die maker installed a new semi-automatic Interlake Silverstitcher and reduced his stitching costs 75% in a plant that makes more than 1,000 different trim and molding products.

□ Using our semi-automatic strapping equipment, a major can manufacturing firm in Massachusetts achieved tighter pallet loads and substantial strap and labor savings.

□ A new Interlake FA-74 automatic strapping machine cut labor costs 50% for a plywood maker in South Carolina. Our equipment saves one man per shift and provides better control of strapped tensioning.

□ An Interlake Airpack system offers superior product protection and operates so fast it outpaces production at the largest manufacturer of waste disposal units in the world.

□ Interlake's new concept in shrink wrapping pallet loads is being successfully used to expedite overseas shipments aboard ship. Our products protect cargo, eliminate pilferage and enable our customers to extend deliveries to areas with limited dock facilities.

□ A Michigan firm, which ships truck/bus wheels and rims, reduced loading time 90% in its plant, cut customer unloading time substantially, and improved inventory control and shipping counts, with our heavy-shrink wrap system. Our method also slashed pilferage and in-transit damage.

#### Taking Customers to School

We held a series of seminars for plywood mill shipping supervisors, mill managers and wholesalers in the Pacific Northwest last year. We showed our customers how to use disposable inflatable dunnage to brace plywood in box cars. Results: excellent.

#### Bright Outlook

Our long-range outlook is bright because customers come to us and our distributors for complete systems like the foregoing . . . or for isolated products to meet a specific need. Our overall growth should continue for three basic reasons:

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

#### International Developments

In April, Interlake formed a

new company, Interlake-Europe, Inc. Through its subsidiaries, Interlake-Europe produces and sells in the United Kingdom and continental Europe metallic and non-metallic strapping, tools, semi and fully automatic strapping machines used in packaging various materials, and industrial racking and shelving systems.

#### Another '73 Development

To better support our continuing participation in the North American demand for polypropylene strapping, Interlake developed a cooperative venture with Dynaric, Inc.

#### Distributor Network Growing

Interlake continues to broaden its marketing base each year as we increase our distributor network nationally. In the U.S. alone, over 300 distributor locations helped serve our growing markets in 1973.

Donald Hughes  
Marketing Manager  
Strapping Products

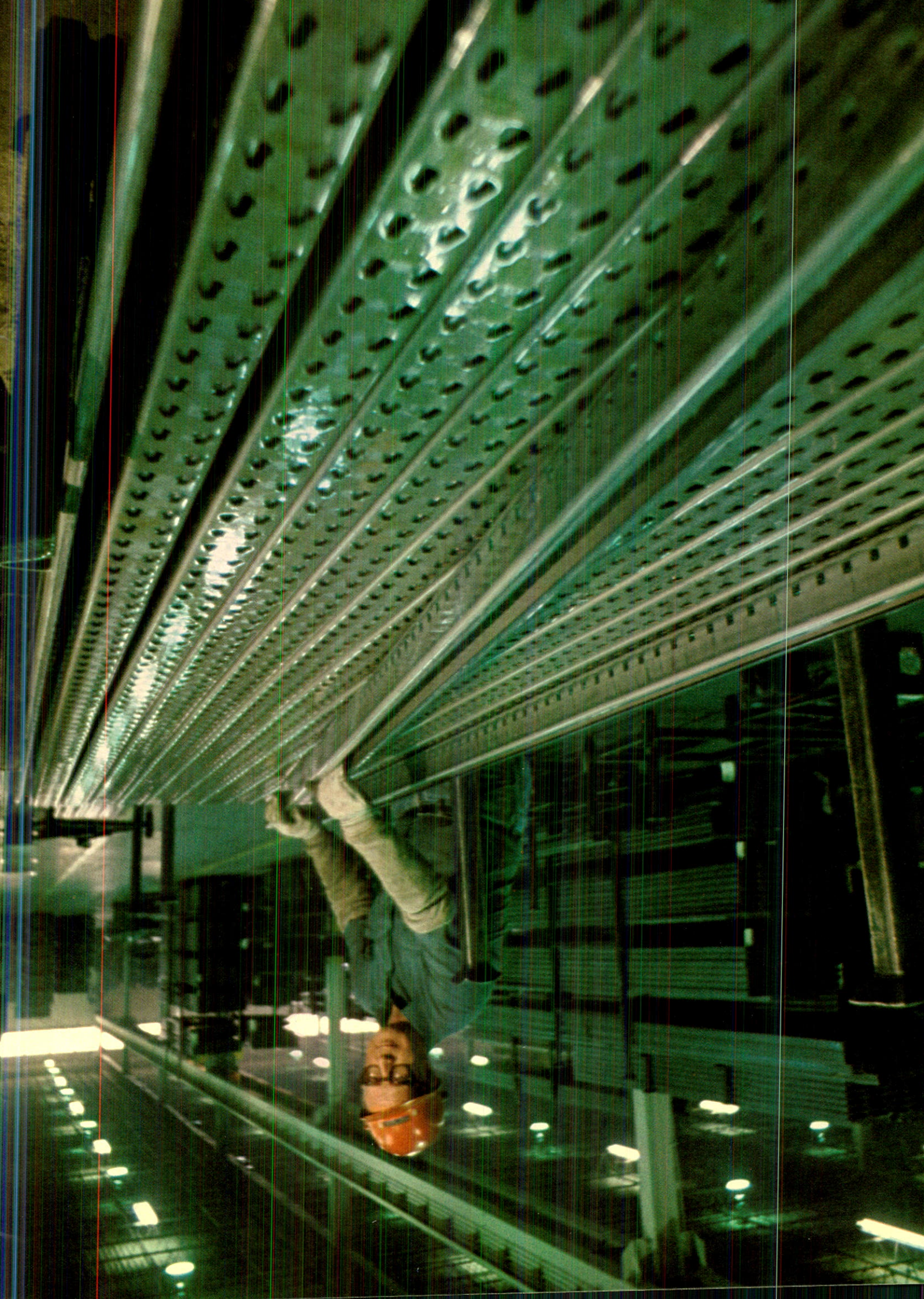
Harry Flynn  
Plant Superintendent

Willard Milligan  
Plant Foreman

Peter LeGrand  
Manager  
Airpack and Dunnage Products

Paul Landis  
Vice President  
Packaging and Storage Products





# 1973 Profile

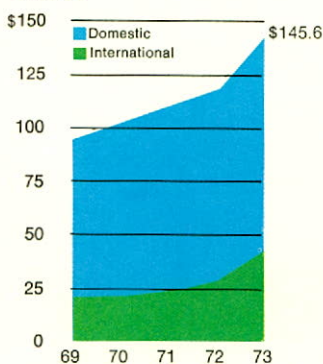
Our plants here and in international markets ran flat-out in 1973 as sales of \$50 million and earnings rose to record levels. This

reflects the rapidly growing market for storage products and our leadership around the world.

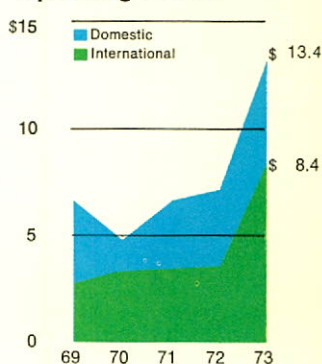
## Packaging and Storage (% of Interlake total)

(In millions)	1973	%	1972	%
Sales	\$145.6	32%	\$120.0	31%
Operating Income*	13.4	42%	7.2	26%

### Sales



### Operating Income\*



\*Before unallocated corporate items and income taxes.

### Capital Expenditures, \$1,252,000

- Installed new equipment to produce Latch-On, angle, shelves and beams at Pontiac plant
- Installed facilities to produce Lodi Cantilever Rack at Pontiac
- Installing roll form line at Lodi
- Doubled pallet rack plant production facilities at Redirack Industries in Canada

### 1974 Spending, \$3.2 million

- Expansion, Pontiac, Ill., \$1.9 million
- Expansion, Lodi, Calif., \$0.7 million
- Expansion, International, \$0.6 million plus \$0.9 million to install storage rack manufacturing at Gerrard Industries, England

### Latch-on Introduced

In mid-1973, we introduced Latch-On, an innovative storage and framing system with almost limitless applications.

This new product, which obsoletes ordinary slotted angle and provides the

fastest shelf assembly available today, offers a great growth area for the storage and handling division.

Latch-On can be used to make shelving, wide span racks, carts, workbenches, packing frames, tables, mezzanines, even tire racks.

Installation is so simple that a do-it-yourselfer can assemble it, as was the case in Seattle, where an apartment owner color-coordinated book cases he made from Latch-On for use in his rental units.

### 1974 Outlook/Backlog

We agree with *Modern Materials Handling* magazine's Jan. 1974 statement, "... the year will be one of consolidation, with new orders slowing down and production continuing all-out."

We'll be at peak production in all U.S. and international markets. Both sales and earnings should improve since our overall production capacity will improve.

# Storage/Handling

## winning the race for inner space

### What We Do

Interlake is a world leader in rapidly growing storage/handling markets. Our products are aimed at solving industry's massive storage problems resulting from the mounting volume of industrial and consumer goods, the profit squeeze and new earthquake and OSHA requirements.

### Plants

- Pontiac, Ill.
- Lodi, Calif.
- Ottawa, Ill.
- Riverdale Ill.
- Weston, Ontario, Canada
- Nivelles, Belgium
- Licensees in South America, Africa, Australia

### Products

- Steel storage rack and systems
- Gravity flow racks
- High density rack
- Cantilever rack
- Automated and manual storage and retrieval systems
- Shelving, framing
- Hoppers
- Safety decking
- Slotted decking

### Markets

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

- Lumber
- Furniture
- Textile
- Automotive parts
- Food

### Largest Competitors

Major competitors of our rack products are:

- Speedrack
- Sturdi Bilt (UNARCO)
- Control Flow Systems

Major competitors of our Courier retrievers are:

- Clark Equipment
- Conco
- Kenway Systems
- Triax

### Market Position

We're one of the nation's largest producers of storage racks.

### Distribution

- Marketed by company sales force, distributors and foreign licensees.

### Our Strengths

- Our broad product line and technical expertise makes us a key single-source supplier.
- We handle entire systems, from initial research, through design and concept formulation, equipment selection and installation.
- We provide a wide rack selection, in addition to storage equipment.
- Our California and Illinois plants produce complete product lines at each location.
- Significant coverage of Canadian and European markets.



Evert C. Taylor, 60, Stacker, 6 years service,  
Pontiac, Illinois

*"We're a very busy plant . . . trying to keep up with demand. My partner and I have to work with accuracy and dexterity, because our storage rack begins in our department. Customers use it to store just about everything I can think of. Interlake is a wonderful place to work. I wouldn't want to change jobs."*

Interlake is a world leader in the rapidly growing storage/handling business. Our job could be called "the race for inner space," since we help our customers make the best possible use of their storage space.

In addition to customers from manufacturing industries, we have a ready market for our products in non-manufacturing areas, such as: warehousing, distribution, cold storage, retailing, bottling, colleges and universities. It's easy to see why the markets for high density automated warehouse systems have grown at an annual rate of 35% since 1966.

#### Storage Pluses

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

1. Increased productivity—this can be done in two ways:

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

2. Inventory control—an automated warehouse is more responsive to changing inventories than a conventional operation. It can slow up or increase all or part of a line in direct response to orders received. This flexibility permits the user to reduce the amount of inventory he must have on hand.

3. Reduced labor costs—automated handling reduces the incidence of damage and theft.

#### High Growth Industries

High growth industries, such as frozen food, did not have a warehousing problem, because their products were usually sold immediately. However,

competition has increased resulting in the need to provide a better product and better service. These industries have recently recognized that warehousing is the answer to many of their competitive problems.

In 1973, a Pennsylvania wholesaler of frozen foods and produce, installed one of our Courier/gravity flow rack systems. He estimates savings of up to \$140,000 per year, including faster inventory turnover. Vastly improved customer service, also was achieved in this high-rise storage and order-picking installation.

A similar installation in an Ohio frozen food warehouse increased shipments 55% and reduced overtime 53%.

One man operates a Distributor/Courier system which gained dramatic cost savings and increased production substantially in a Wisconsin compressor assembly plant.

In addition to the advantages of automatic storage and flow-thru conveyor

feeding of assembly lines, the system provides excellent inventory control, and material production scheduling has been greatly improved.

Planned with the customer's future in mind, the system includes a binary logic control system and can be interfaced with a computer at any time.

#### West Coast Growth

The west coast continues to offer big potential for our products. During the past year, we made major rack installations in California including a giant parts warehouse for an automotive firm; parts depot for the nation's largest tractor company; and an assembly plant for a major furniture manufacturer.

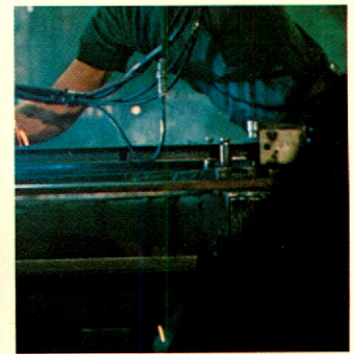
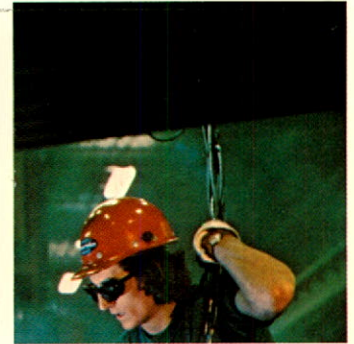
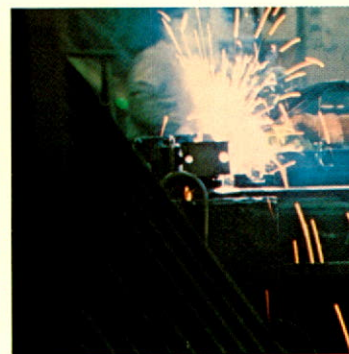
These were special installations because each includes seismic rack designed to withstand earthquake tremors, even in areas with the highest Richter readings. We are pioneers in this type installation.

#### Foreign Competition: Slight

There is good reason for optimism in the field of storage/handling. Because of specialized engineering input required, storage rack systems enjoy advantages. Storage systems are not mass produced, and it is standardization and volume production that leads to foreign penetration of domestic markets.

Carl J. Griffith  
Stockman

Arnold D. Spandet  
Pallet Rack Assembler





# Furnishings

quality, style, design

Interlake's Howell division is a leading producer of prestige furniture, institutional furniture and leisure products.

## Plants

- St. Charles, Ill.
- Lynwood, Calif.
- Azusa, Calif.
- Stanley, Wisc.
- Dallas, Texas
- Carrollton, Texas

## Products

- Metal, plastic and glass dining groups
- Institutional seating and tables
- Educational seating and tables
- Carrells
- Bed frames
- Day bed ensembles
- Bunk and roll-away beds
- Gas grills
- Gas lamps

## Markets

Our furnishings division serves a broad customer base, including:

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

## % of Shipments

- Dinettes, 55%
- Bedding, 16%
- Contract, 15%
- Gas Products, 8%
- Stanley (Wood and Plastic furniture components), 6%

## Largest Competitors

- Dining Groups*  
Chromcraft  
Daystrom
- Contract*  
Steelcase  
Krueger
- Bedding*  
Bedline
- Gas Grills*  
Charmglow

## Market Position

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

## Distribution

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

## Our Strengths

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

Consumers are looking for three major ingredients when buying dining ensembles these days: style, quality, and well-thought-out design. Price is not the all-important factor. While consumers aren't as loose with their dollars, they will spend wisely to get quality merchandise.

# 1973 Profile

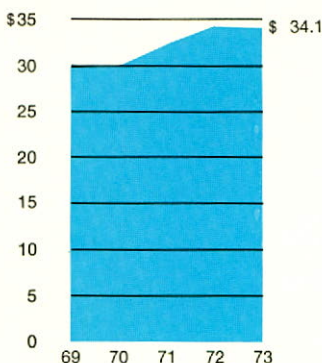
Our Howell furnishings division posted sales about even with those of 1972, even though we sold our Plasco table business and dropped our McNeff educational furniture line. Dinette sales increased 8%, and contract furniture volume rose 30%. The division, however,

operated at a loss for several reasons. We weren't satisfied with past earnings, so we discontinued two businesses, shut down several operations, absorbed a \$.7 million write-off and took other measures to improve Howell's long-term future and performance.

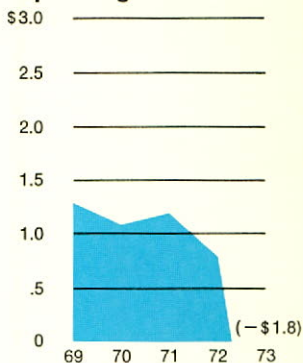
## Furnishings (% of Interlake total)

(In millions)	1973	%	1972	%
Sales	\$34.1	7%	\$34.2	9%
Operating Income*	(1.8)	(6%)	.8	3%

### Sales



### Operating Income\*



\*Before unallocated corporate items and income taxes.

## Capital Expenditures, \$207,000

1974 Spending, \$470,000

### New Products

#### Dining Groups:

During the winter months, Howell introduced a lineup of new products tailored to America's changing lifestyle.

Heading the list was a family room grouping in the new Town and Country series. The set, pictured on p. 13 has gained quick acceptance and has even caught the fancy of furniture magazine editors, who have given it cover treatment and hailed it as "designed-for-the-times."

Balancing out the new product introductions was a high-style dining group, The Regency, and an Early American set, in keeping with the upcoming centennial of our country, along with more than a

dozen other groupings, to suit almost every budget and homemaker's dream.

#### Contract Line:

- Multi-use side chair
- Carrell
- Folding table

#### Bedding Line:

- Quick-Set bed frames

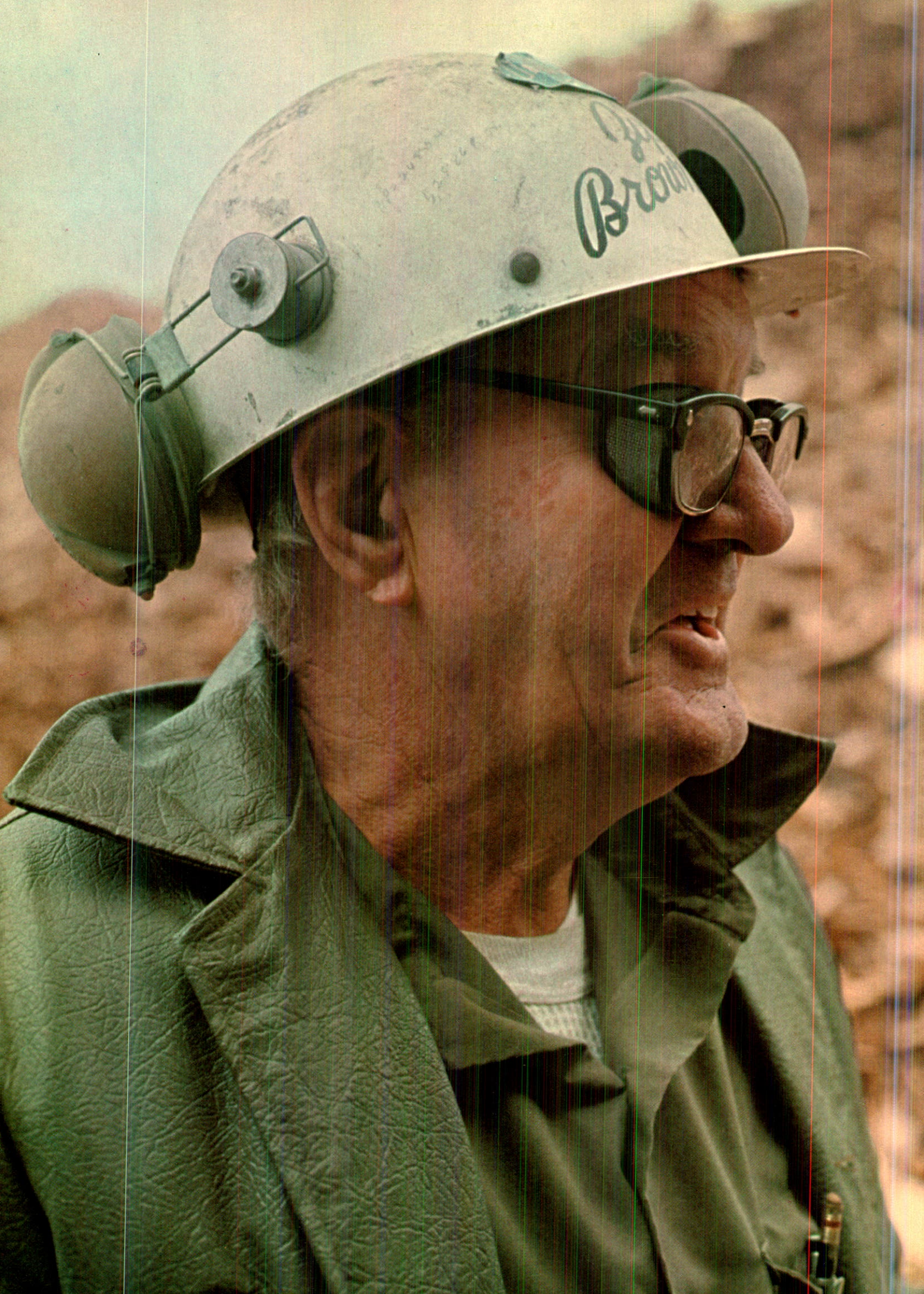
A new series of bed frames, unique in performance and installation was introduced in 1973.

Our Quick-Set units adjust quickly and easily to various mattress widths and provide firm non-slip support.

Two new day beds, in Colonial and Mediterranean styles, also were added to the Howell product line the past year.

### 1974 Outlook

We expect 1974 results to improve with a greater demand for leisure products.



Melba Millard, 31, Foam Cutter, 1 year service  
The Howell Company, St. Charles, Illinois

*"I cut foam for chairs. It's one of the small, important things. Without my output, we wouldn't have proper backs and seats. I've been here just a short time, but they've treated me fair. Howell furniture is in great demand, because we really make nice things."*

Interlake's Howell furnishings division went national in mid-1973. All product lines were consolidated under the Howell name for the first time, and marketing emphasis was placed on full-service furniture dealers.

All products marketed by this division, with the exception of Falcon gas grills and lamps, now carry the Howell name. This change will benefit Howell's national identity and marketing/advertising programs.

#### **New Growth for Furnishings**

America's new lifestyle, brought on partly by the energy crisis, offers promising growth potential for our furnishings division. More and more people are staying at home . . . unable to take weekend trips and Sunday sojourns. More time is being spent with family, friends, and neighbors. And home decorating projects, previously put off for other activities, are now being undertaken.

A recent Harris Poll indicated that, despite overall pessimism about the economy, families expressing intentions to buy new furniture rose from 19 per cent last September to 26 per cent in January.

The focal point of at-home living is now the dining and family rooms. Howell manufactures a wide range of dinettes and game sets. Our new lines reflect the fresh and lively living styles in vogue today.

#### **Contract Line Expanded**

Howell's contract line, which accounts for 15% of the division's sales, was expanded in 1973. A multi-use chair, versatile folding table, and a new carrell for high schools, colleges and universities, were added.

The new contract carrell is the result of our long range plan to prune out unprofitable business. Due to cutbacks in school budgets and expansion program funding, Howell discontinued its entire McNeff educational furniture line, which was directed at the primary school market.

Educational furniture accounts for 30% to 50% of our contract sales, so, we retained seating and tables in this line, along with the newly designed carrell.

#### **New Warehouse Outlets**

During 1973, Howell also established warehouse outlets in Atlanta, Ga., and Orlando, Fla., to serve dealers in Georgia, Alabama and Florida. A new showroom was also opened in Atlanta to be followed by a similar exhibition space in High Point, N.C.

#### **Gas Grill Market Steady**

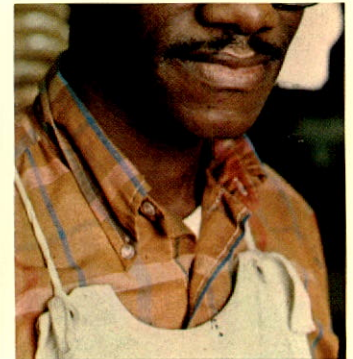
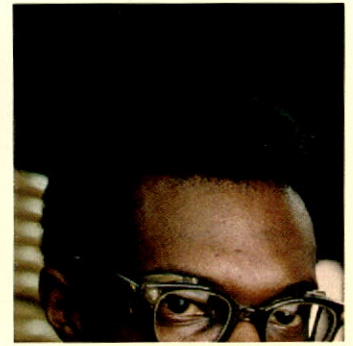
Howell's Falcon line has taken over the 45,000 square feet formerly used to manufacture educational

furniture, and turned it into a highly efficient production/warehouse facility for gas grills.

Cooking seminars with gas grills, along with high school home economics classes, women's clubs, and demonstrations on television talk shows, continue to be our most effective way to support distributors selling these products.

During the past year, Interlake introduced a new service for furniture dealers on the west coast. The educational program was designed to help independent furniture retailers reduce warehousing and material handling costs.

Paul Kerr  
President, The Howell Company  
Norma Michel  
Executive Secretary  
Warren Peterson  
Director of Design  
Robert (and Mrs.) Bernard  
Marketing Manager, Home  
Furnishings Division  
Joseph Waldrop  
Assembler—Dinette Chairs



# Silicon Metal/Ferroalloys

## -serving a lively, growing market

### What We Do

Our Globe Metallurgical Division produces basic ingredients for countless items used daily throughout industry, homes, schools, farms, etc.

### Plants

- Beverly, Ohio
- Selma, Alabama

### Products

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

### Markets

Our key silicon metal markets include:

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

Our ferroalloy markets include:

- Steel
- Iron Foundry
- Aluminum
- Stainless Steel
- Alloy Steel

### Largest Competitors

- Union Carbide
- Airco Alloys
- Ohio Ferro-Alloys

### Market Position

Our Globe Metallurgical Division is a leading domestic producer of silicon metal.

### Distribution

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

### Strengths

We have an excellent reputation because of:

- Reliability
- Careful attention given to customers' quality and operating needs
- Our research and analytical capabilities unique to this industry

### The Promise of Silicon Metal

The two major users of silicon metal are the aluminum and chemical industries.

Silicon metal is a vital ingredient in the aluminum casting industry, particularly for automotive castings. Here high strength and lightweight are key goals of automotive manufacturers. As an additive ingredient, silicon improves casting properties and greatly enhances product quality.

In the chemical industry, silicon metal is source material for manufacturing silicone chemicals. Here's just a list of end uses which should give further insight as to why silicon metal is such a promising growth area for us:

Those products using silicones are generally classified as fluids, elastomers and resins.

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

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

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

# 1973 Profile

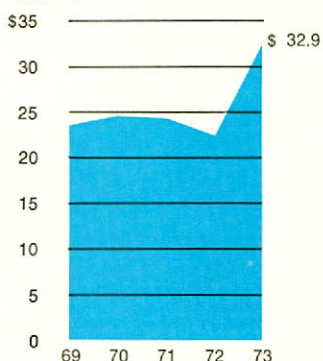
We operated at near-capacity. 1973 sales of ferroalloys and silicon metal increased 47% to new highs, pushed up by previously unequalled

demand. And operating income rose from \$1.3 million in 1972 to \$2.1 million. One-fourth of the sales gain was due to our Alamet acquisition.

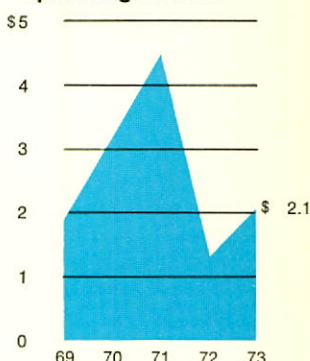
## Silicon Metal/Ferroalloys (% of Interlake total)

(In millions)	1973	%	1972	%
Sales	\$32.9	7%	\$22.4	6%
Operating Income*	2.1	7%	1.3	5%

### Sales



### Operating Income\*



\*Before unallocated corporate items and income taxes.

**Production:** 87,900 tons

**Shipments:** 100,817 tons

### Capital Expenditures, \$420,000

- Completed fume Control on Beverly's #7 Furnace
- Fume Control begun on Beverly's #5 furnace
- Reconditioned Alamet's furnace and converted to silicon metal production

### 1974 Spending, \$6.1 million

- We're installing an additional furnace at Alamet to meet our customers'

demands for silicon metal. Capacity will grow 112%.

- We're installing a modern air pollution control facility on Alamet's No. 1 electric furnace.
- We're installing higher capacity transformer on Beverly's #5 furnace.

### 1974 Backlog/Outlook

Our production facilities should run at near capacity because of current demand and expected future demand.



Sidney A. "Zip" Browning, 59, Foreman of Yard and Service Department, 19 years service, Beverly, Ohio

*"There are never two days alike for me. I help a lot of people. Our Beverly plant will keep growing, because we're the best in silicon metal. That's the coming thing for us. I've been here 19 years, so you can see I like my job."*

The most conservative projection we've seen for silicon metal is "onward and upward." The industries we serve have all forecast continuing high-level operations, despite present economic uncertainties. We expect to participate in continuing silicon metal growth and the strong demand for other ferroalloys.

#### **Exceptionally High Growth Rates**

Three years ago we forecast the use of silicon metal would double in the next five years. Now we believe that's a conservative view.

Our major customers are anxious to see us expand our operations to help provide the increased output they say will be needed. And we did just that in 1973 . . . and are continuing our plans in 1974.

#### **Acquire Alamet**

In April, Interlake acquired Alabama Metallurgical Corporation (Alamet). It is now part of our Globe Metallurgical Division, headquartered in Cleveland, and is a natural extension of our metals business in general—and our silicon metal/ferroalloys business in particular.

Alamet's plant is along the Alabama river, three miles from Selma and 45 miles from Montgomery. When we bought Alamet they were producing ferrosilicon, but we've subsequently converted production to silicon metal.

#### **Alamet Capacity to Double**

And since we need additional silicon metal capacity, we're installing an additional furnace, which will boost plant capacity 112%, when completed in 1975.

The new furnace is part of an overall \$10 million expansion program, which also includes modern new

air pollution control facilities that will enable us to operate in compliance with current Alabama industrial air pollution laws.

At our Beverly plant, we're adding more transformer capacity in 1974 to our large #5 furnace. This will also increase our silicon metal capacity. In addition, we've allocated \$2.3 million at Beverly for additional air pollution control facilities to be completed in 1974 and 1975.

#### **Ferrochrome Demand High**

The demand for ferrochromium in all grades is at a high level.

We've converted our No. 1 shop at Beverly, Ohio, to produce more ferrochromes to satisfy the unprecedented demand for this valuable product.

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

#### **A Vital Product**

Ferrochrome promotes hardness, improves steel's

resistance to abrasion and wear, helps prevent corrosion, and helps make steel relatively stable at high temperatures. Thus, chrome is absolutely essential to stainless steel. And stainless steel is essential to hardware in our defense system, clean air programs, air and ground transport, including mass transit, the generation of energy and processing of vital foods and chemicals.

#### **Use Computer Analyzer**

Our metallurgical division has achieved a significant cost and time savings by replacing normal chemical wet analysis with a computer controlled x-ray spectrometer analyzer.

This has enabled Globe to achieve a significant improvement in its quality control capability.

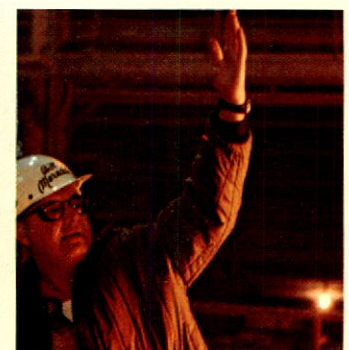
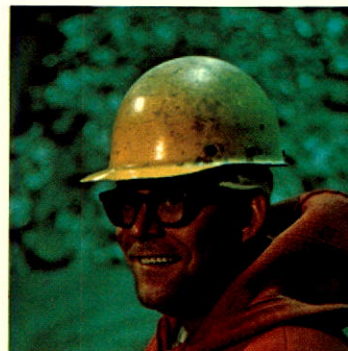
Analyses for determination of iron, calcium, and aluminum, in silicon metals and ferrosilicon is performed in seconds, compared to hours previously required with the conventional wet chemical method.

Linwood Thomas Smith  
Payload Operator, Shipping Department

Charlotte Ruth Tullius  
Data Processing Clerk

William R. Meredith  
Plant Superintendent

George W. Ponchak  
Superintendent of Electric Furnaces in #1 Shop





# Metal Powders

## involved in extraordinary growth

### What We Do

Hoeganaes is Western Hemisphere leader in powder metallurgy technology (P/M) and ferrous metal powder production. Interlake owns 80% interest, with Hoganas Aktiebolag, AB of Sweden holding the other 20%.

### Plant

- Riverton, N.J.

Capacity: Our annual capacity at the end of 1974 will be 135,000 tons of iron, steel and high alloy steel powders.

### Products

- Iron, low alloy, stainless steel and other high alloy powders for powder metallurgy
- Iron, stainless steel and other high alloy powders for welding electrodes
- Hardfacing alloy powders
- Flame cutting powders
- Magnetic particle inspection powders
- Powders for chemical and medical uses

### Markets

- Automotive
- Agricultural
- Appliance
- Construction Equipment
- Business Machine

### % of Shipments For:

- Powder Metal Parts, 75%
- Welding, 20%
- Miscellaneous, 5%

### Largest Competitors

- Quebec Metal Powders
- A. O. Smith-Inland
- Domtar Chemicals, Metal Powder Division
- Glidden Metals Division, SCM Corporation

### Market Position

Hoeganaes is the recognized Western Hemisphere technology leader for iron, steel and other powders.

### Distribution

- Marketed to contract fabricators and mass production P/M parts manufacturers.

- Marketed domestically and overseas by company sales force and agents in all countries of the Western Hemisphere.

- Atomweld 525 powders marketed to major welding electrode manufacturers.
- High alloy powders are sold throughout the world.

### Our Strengths

- We're industry pioneers and leaders in materials research, product development and powder applications.
- We're leaders in technical customer service activities.
- We have new and unique research facilities, which regularly generate new data as a service to customers and users developing designs and procedures for successfully applying P/M techniques.
- We're strong in developing welding techniques and applying powders to upgrade welding operations.

### Raw Material Reserves

We have long term reserves of high quality ore from Sweden through our Hoeganaes partner, Hoganas, AB.

# 1973 Profile

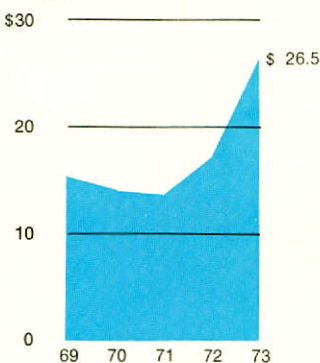
1973 saw record sales (up 54%), record production, and a constant scrambling to meet accelerating and unprecedented demand. Earnings showed good

improvement, but were lower than they should have been. On balance, 1973 was a reasonably satisfactory year. And it was Hoeganaes' 20th anniversary, too.

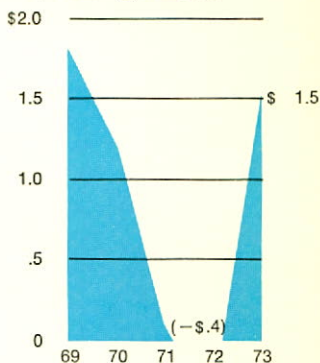
## Metal Powders (% of Interlake total)

(In millions)	1973	%	1972	%
Sales	\$26.5	6%	\$17.2	4%
Operating Income*	1.5	5%	(.4)	(1%)

### Sales



### Operating Income\*



\*Before unallocated corporate items and income taxes.

**P/M Production:** 102,919 tons  
**P/M Shipments:** 110,735 tons

### Capital Expenditures, \$667,000

- Designed two new annealing furnaces and supporting equipment that will increase atomized steel powder capacity 25,000 tons late in 1974.
- Expanded scrap storage and handling facilities to keep pace with increased production
- Improved pollution control equipment in sponge iron plant
- Expanded high alloy plant capacity

### 1974 Spending, \$2,000,000

Projects include \$1.2 million to install two annealing furnaces, and supporting equipment.

### New Products from R & D

- Introduced Atomweld 525 powder filler metal for one side welding of heavy plates. Provides a high quality weldment and drastically reduces production time for our customers. (See page 17.)

- Expanded low alloy powder line
- Introduced atomized high density welding powders
- Introduced atomized flame cutting powder called Atomflame.

### Backlog

We're booked to capacity through the first quarter of 1974 with prospects of continuing at that rate.

### 1974 Outlook/Energy

Fuel and raw material shortages aren't expected to affect production levels in '74, but we'll be kept hustling to fill our needs. We have obtained a propane supply, but the price is more than triple that of a year ago. Scrap prices (p.7) have skyrocketed to ridiculous proportions, thrust upward by mounting exports from the U.S. We'll depend on government permitted "pass-through" surcharges to customers to help offset these cost increases.

Ernie Hess, 25, Helper, 2 years, 7 months service,  
Hoeganaes, Riverton, New Jersey

"... I have a good job here. It's important because the powder manufacturing process begins in my kiln department. I'm impressed with our company. It's well organized. I like the way we're growing. That's because we're No. 1, I guess."

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

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

1. it saves vital material by producing more pieces per pound of metal,
2. increases productivity,
3. saves costs,
4. improves quality

Here are a few exciting growth areas.

#### **P/M and Steel Parts**

Many steel parts are candidates for metal powder. This is why production executives predict use of P/M parts will grow larger and larger each year. P/M parts not only help answer the need for weight savings, but the production process requires little machining, produces hardly any scrap, and helps answer an awesome productivity and efficiency challenge now facing America's production men.

**Automotive** uses include: ring gears and side gears, prelubricated bushings, hinge pins, pinions and other parts. P/M uses have increased rapidly in heavy trucks, farm equipment and construction vehicles.

**In transportation**, P/M parts are used in motors, planes, bicycles, etc.

Parts are in **pollution control equipment** pumps and air exhaust silencers.

Makers of **office copy equipment** are either using or experimenting with powdered metal parts.

**Other diverse uses** include furniture casters, air support systems and filters in rockets and space vehicles, and electrical terminal clamps. Hoeganaes powder is also found in oxygen candles, burned to give off oxygen in submarines during emergencies.

#### **Hot Forming**

The newest P/M production process is hot forming. Hot forming techniques permit customers to gain increased high-density, high-strength parts. These are often less expensive than conventionally forged parts.

This new technique has opened up new applications in appliances, transmission gears, drive gears for power tools and lawn mowers, connecting rods for outdoor appliance gasoline engines and heads for socket wrenches, to mention only a few.

#### **A Major Welding Accomplishment**

Hoeganaes introduced a new product called Atomweld 525 in 1973 . . . and most successfully!

The new product makes possible high current, one-pass welding on steel beams and plates. One use of this new product during the year was on a 55-story California building, which depended upon 480 box columns fabricated from steel plates.

Each column is made up of 48-foot-long fabricated box column sections. The sections were made by filling a 1½" x 48' groove between the plates. Formerly, every section required 16 hours of welding. With Atomweld 525, a section was completed in 2 hours—in ⅛ the time formerly required.

#### **Other uses in 1973 :**

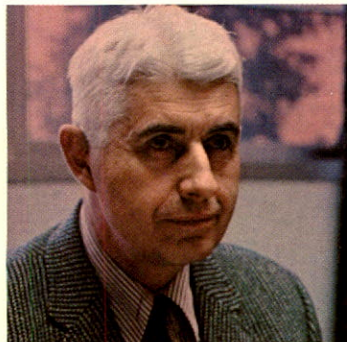
welding huge sections of tractor frames, and fabrication of turbines. A customer in New York is welding multiple links of 2" tubing parallel to each other. These joined tubes will eventually wrap nuclear reactors, and coolant will run through them. And in Indiana, Atomweld has accomplished dramatic results for a company that fabricates steel barges.

Our new product is the most significant welding development in many years. We also have great hopes for our new cutting powder which has already shown itself to be better than any such powder now available.

R. Russell Fayles  
President, Hoeganaes  
Corporation

Edna M. Brinning  
Coordinator, Office Services

William R. Bentcliff  
Chemical Analyst



# Operating/Financial Review

Interlake, Inc. established another new sales record in 1973, and earnings per share increased 36%. Strong demand for most Interlake products plus several non-operating items helped increase earnings from a year ago.

1973 financial and operating highlights include:

- **Net sales** reached \$460,111,000, up \$72,362,000 or 19% from 1972. This is the sixth year in a row Interlake has reported record sales.
- **Net income** rose to \$16,784,000 in 1973, equal to \$4.42 per common share. This represented an income gain of \$3,812,000, or \$1.16 per share from the prior year. Compared with 1972, earnings per share increased 36% from \$3.26.
- **Earnings** were increased \$2,065,000 or \$.54 a share because of several non-operating transactions which occurred in 1973.
- **European operations** were strengthened in 1973 when we acquired an additional interest in Gerrard Industries Limited, held by British Steel Corporation, London, in exchange for a 20% interest in Interlake-Europe, which was formed to manage all Interlake's operations in Europe.
- **Alabama Metallurgical Corporation** in Selma, Alabama was acquired in April, 1973. Alamet, which previously produced ferrosilicon, has been converted to manufacturing silicon metal.
- **Capital expenditures** were \$12,773,000 in 1973, up \$2,955,000 from a year earlier. 1973 capital spending was primarily for expansion and replacement programs. Environmental control expenditures were at their lowest level in recent years, reflecting prior spending and the progress we've made in pollution abatement.

In 1973 selling prices of flat rolled steel products and steel strapping (our two principal products) were partially held in check by Phase IV price regulations. It wasn't until the fourth quarter that our selling prices could be raised on these two key product lines. As a consequence, our divisions had to absorb 1972 and 1973 wage and other cost increases without being able to obtain adequate price relief.

## Operating Results

Record sales in 1973 were created by increases in all except one Interlake business. The increase of \$72,362,000 came primarily from volume and mix (65%), price increases (24%) and acquisitions, net of discontinued operations, (11%).

Here's how 1973 net sales of our businesses compared with those in 1972:

(In thousands)	1973		1972	
	Amount	%	Amount	%
Iron and steel	\$220,966	48%	\$194,010	50%
Packaging, storage products	145,583	32	119,966	31
Home and institutional furnishings	34,112	7	34,197	9
Silicon metal and ferroalloys	32,927	7	22,360	6
Metal powders	26,523	6	17,216	4
	\$460,111	100%	\$387,749	100%

Iron and steel sales were up \$26,956,000 or 14% in 1973; sales of packaging and storage products (aided by the acquisition of Gerrard Industries Limited in 1973) increased \$25,617,000 or 21%. The sales decline in furnishings was less than 1%. Ferroalloys and silicon metal sales increased 47%. Metal powder sales increased 54%.

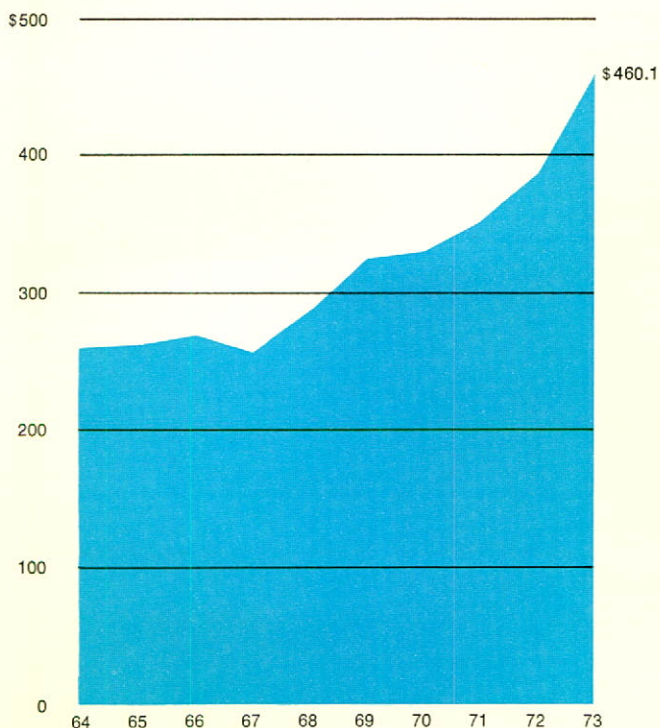
**Iron and Steel** sales were \$220,966,000 and accounted for 48% of Interlake's total sales. Sales moved upward because of strong demand for pig iron and steel mill products. Here's a two-year summary:

(In thousands)	1973	1972
Pig iron, molten iron, coke and coal chemicals	\$ 78,560	\$ 62,700
Flat rolled steel products	125,014	113,082
Tubular steel products	17,392	18,228
	\$220,966	\$194,010

Because of strong demand during most of 1973 for pig iron, sales late in the year were limited only by our ability to produce required grades and tonnages of iron. Combined with shipments of molten iron, total iron shipments rose 22% from 1972 to 1,640,156 tons.

### Net Sales

(in millions)



Shipments of molten iron were up 35% from 1972. This increase reflected strong demand by steel producers for ingot molds. A Chicago customer uses our molten iron to manufacture ingot molds and stools. We were able to secure additional sales because our customer's plant was expanded in 1971 with Interlake's financial help.

Pig iron sales reached their highest level since 1966. Interlake had substantial pig iron inventory at the beginning of 1973, enabling us to ship at an annual rate greater than our ability to produce the iron. As a consequence, pig iron inventories at the end of 1973 were at less than desired levels. Future shipments, therefore, will be limited to current pig iron production at Chicago and Toledo.

We have plans underway now to reline the "B" furnace at Toledo which has been out of service since 1971. When we blow "B" furnace in later this year, we'll have pig iron capacity 30% greater than that of the "A" furnace now in operation at Toledo. The "A" furnace needs substantial repair, so current plans call for it to be taken out of service after the "B" furnace is on stream.

As far as steel is concerned, demand improved as the year progressed. In 1973, flat rolled steel product shipments increased 6% from 1972. We didn't have a large inventory of steel on hand at the beginning of the year, as we had in pig iron. Steel shipments, therefore, were generally limited by our production capacity.

The scrap situation created many problems for us during the year. Unavailability of scrap metal combined with its skyrocketing price forced us to restrict Newport production for the year. Tubular steel product sales were particularly hard hit because of limitations placed upon production.

Price controls also had a severe restrictive impact on steel prices in 1973. Prices of bars, plates and pipe were raised early in the year. However, these price increases did not recover all increased manufacturing costs and furthermore covered less than 25% of our annual steel shipments. Prices of flat rolled steel products were not increased until October 1, 1973 and again recovered only a portion of the increased costs incurred.

**Packaging and Storage Products** sales were at a record high in 1973, climbing to \$145,583,000. This represents an increase of \$25,617,000 or 21% from 1972. A third of this improvement resulted from acquisition of an additional interest in Gerrard Industries Limited in April 1973, and inclusion of Gerrard's sales for the last nine months in Interlake's sales.

Packaging product sales (which includes Gerrard Industries) in 1973 were \$95,552,000, up \$17,702,000 from a year earlier. Steel strapping shipments were at a record high in 1973 with gains both domestically and overseas. In addition, sales of non-metallic strapping continued their year-to-year increase. Sales of tools and machines used to apply strapping products also improved. Selling prices of steel strapping were increased in November of 1973 by approximately 5% across the board. This was the first real strapping price increase since 1970, and it afforded us only partial relief from upward cost pressures in recent years.

Storage product sales were also at a record high. Both the Pontiac, Ill. plant and the Lodi, Calif. plant (despite a 3½ week strike at Lodi) established new production and shipping records in 1973. The sales increase reflects Interlake's position as a leader in storage rack production and, more importantly, in design and installation of entire storage systems. We are now completing plans to increase Interlake's production capacity of pallet rack at the Pontiac plant. This should help ensure Interlake's continued leadership in the field. Sales of storage rack in Europe—through S. A. Redirack Manufacturing and sales in Canada by Redirack Industries Limited—also increased more than 25% and 50%, respectively, over 1972.

During 1973, a new subsidiary, Interlake-Europe, was formed to coordinate all Interlake's interests in Europe. This new operation is geared toward increasing sales of all of Interlake's packaging and storage products in Common Market countries and other areas of Europe as well. Plans are currently underway to manufacture storage rack in England, where Interlake began distributing this product in 1973.

**Home and Institutional Furnishings** sales were about even with last year. Dinette furniture sales increased 8% from 1972 while institutional and commercial furniture sales, after falling off in 1972, recovered and posted a 30% increase. Offsetting these increases, however, were sales reductions in other areas. In 1973, we decided to get out of the extremely competitive low-end occasional table market and to discontinue our educational furniture line. When we discontinued these businesses, we gained needed space in Dallas for production facilities. The move also gave us improved facilities for producing gas grills and lamps. Sales of other furniture, gas products, bed frames and plywood were at about the same level as 1972.

**Silicon Metal and Ferroalloys** sales climbed in 1973 to \$32,927,000, up \$10,567,000 or 47% from 1972. Sales from Alabama Metallurgical Corporation acquired in April 1973 accounted for about 25% of the sales increase.

Silicon metal sales in 1973 were largely on an allocation basis. Shipments were limited by our production capacity. Alamet was producing ferrosilicon when we acquired it. Shortly thereafter, we converted this plant's furnace to silicon metal production, and increased our annual silicon metal production capacity by more than 50%.

Sales of high and low carbon ferrochrome, low carbon chrome silicon and other ferroalloys were on an allocation basis at year-end because of strong demand. Ample inventories of these products at the start of 1973 helped support sales levels which were higher than annual production levels.

**Metal Powders** sales, aided by a strong automotive demand, increased \$9,307,000 or 54% from 1972. Although part of the gain came from several price increases in 1973, shipments increased over 35%. The sales increases came primarily from regular grades of metal powder and premixes. Our Riverton, N. J. plant is presently operating at full capacity and is allocating production. We expect to complete two new annealing furnaces later this year, and this additional capacity should increase metal powder output significantly.

## Income From Interlake's Businesses

Income excluding interest expense, unallocated corporate items and income taxes amounted to \$31,888,000 in 1973, and represents an increase of 16% from 1972.

Income in 1973 was materially helped by the net effect of several non-operating items. These included gains on sales of real estate and iron ore reserves for which no future need is anticipated. The positive effect of these transactions was reduced by:

- a provision for estimated unrecoverable costs resulting from the indefinite deferral of our expansion project at the Newport plant.
- a goodwill write-off taken when the two Dallas furniture operations were discontinued.

Here's the 1973 and 1972 contribution to income by each of our businesses:

(In thousands)	1973		1972	
	Amount	%	Amount	%
Iron and steel	\$16,613	52%	\$18,457	67%
Packaging, storage products	13,444	42	7,242	26
Home and institutional furnishings	(1,817)	(6)	775	3
Silicon metal and ferroalloys	2,124	7	1,298	5
Metal powders	1,524	5	( 383)	(1)
	\$31,888	100%	\$27,389	100%

**Iron and Steel** operating income declined in 1973 for the first time in three years. Operations were at maximum levels all year long. However, in June the Phase IV freeze forced us to roll back announced industry-wide price increases for flat rolled steel products. When the freeze expired, steel prices were held in check by the Cost of Living Council during special hearings and review. When price relief was finally granted to steel producers, the CLC forced a further delay, by deferring a portion of the cost justified price increase until January 1, 1974. The result: Interlake was forced to absorb a significant amount of the increased manufacturing costs (including uncontrolled scrap cost) instead of passing them along to steel users.

In 1972 we announced plans to expand our Newport, Kentucky steel plant. Because of current economic conditions, government controls and a much higher cost of completing this installation than previously anticipated, we decided late in 1973 to defer this project. Our deferral resulted in a \$2,350,000 write-off of estimated unrecoverable costs incurred.

**Packaging and Storage Products** operating income in 1973 rose to \$13,444,000, an increase of \$6,202,000 from 1972. Included in the operating income for packaging and storage products in 1973, however, is approximately \$3,500,000 in gains from sale of land in Canada and an office building in England.

The lack of selling price increases for the largest portion of the packaging products line (steel strapping) held the earnings of the domestic portion of the packaging business to a small gain in 1973. The operating profit of the packaging products operations was further increased, however, by higher profits on export sales and improvement in earnings of Acme Flejes in Mexico City.

Storage products operating income increased over 50%, compared with 1972. Record domestic sales of storage products contributed an increase of more than 20% in operating profits. Foreign operations, S. A. Redirack in Belgium and Redirack Industries Limited in Toronto, Canada both posted earnings increases of over 50%.

**Home and Institutional Furnishings** operated at a loss in 1973, due to several factors. As we've already mentioned, a decision was made in 1973 to discontinue two Dallas-based companies manufacturing occasional tables and educational furniture. This action resulted in a write-off of inventories, goodwill applicable to the purchase of these companies, and other costs. The manufacturing facilities for dinette products and for gas products at Dallas were revised to take advantage of the manufacturing space vacated by the discontinued businesses. Increases in manufacturing costs, which were not fully passed along in terms of price increases, and production problems at the St. Charles plant all contributed to the loss.

**Silicon Metal and Ferroalloys** operating income in 1973 of \$2,124,000 increased 64% from the \$1,298,000 earned last year. Most of the increase in profits relates to the Beverly plant operation which, as mentioned earlier, was allocating much of its production during the year. Shipments from Beverly were up approximately 30% from 1972 with silicon metal and chrome products responsible for the gain. The Selma, Alabama plant which was purchased earlier in the year was shut down in 1973 for 45 days for conversion to silicon metal, complete repair and rehabilitation.

**Metal Powders** posted operating income in 1973 of \$1,524,000 compared with a small loss in 1972 when certain equipment was written-off. A strong demand for almost all grades of metal powders plus several price increases helped improve results. In addition, tighter cost and operating controls were established at Hoeganaes to identify costs and to reduce or hold them in line where possible.

### Net Income

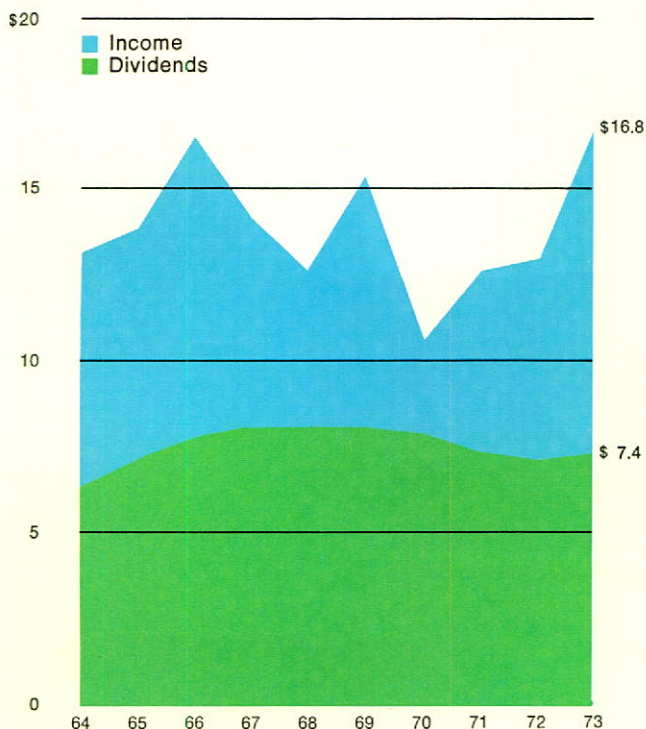
Net income in 1973 amounted to \$16,784,000 or \$4.42 per share. This represents an increase of \$3,812,000, or \$1.16 per share from the \$3.26 earned in 1972. Income per share of common stock in 1973 was enhanced by Interlake's purchases of Interlake common stock in 1972 and 1973. The reduction in average number of common shares outstanding in 1973 increased net income per share approximately \$.15.

Other items of income and expense not reflected in the operating earnings of Interlake's businesses were, in the aggregate, slightly favorable. This resulted from additional funds during 1973 invested in marketable securities and certificates of deposit. In 1973, interest income increased almost \$1,000,000. This increase, however, was offset by increases in other costs and expenses during the year.

The provision for U. S. and foreign income taxes in 1973 was at an effective rate of 38%, compared with a rate of 42% in 1972. The reason for the decline of the effective tax rate in 1973 was the two real estate sales discussed previously. The pre-tax gain on these two sales was approximately \$3,500,000. Under applicable foreign tax provisions, such gains are subject to relatively nominal capital gains taxes, or—in England—no tax on proceeds re-invested in the business.

There were no other unusual items which affected income taxes in 1973. Investment tax credit amounted to \$482,000 in 1973 compared with \$550,000 in 1972. Other items which lowered the effective tax rate in both years include percentage depletion allowances and income subject to capital gains tax rates.

**Income Before Extraordinary Items and Common Dividends**  
(in millions)



## Capital Expenditures

Capital expenditures in 1973 were \$12,773,000. This was up \$2,955,000 from 1972, when capital spending was at its lowest level since 1962.

Capital spending in 1973 was distributed this way:

(In thousands)	Amount	%
Expansion projects	\$ 4,055	32%
Modernization and improvements	6,559	51
Environmental control	2,159	17
	\$12,773	100%

Total capital spending of the iron and steel business represented approximately half of total corporate spending for the year. Projects undertaken during the year included new hydraulic gauge and shape controls on the Hot Rolling Mill and upgrade of the coil cut-up line at Newport, a new 30" wide slitter and generator for the No. 4 hot strip mill at Riverdale, and improvements to an unloader hopper at the Chicago iron plant. Environmental control expenditures in 1973 were largely for projects begun in earlier years.

Several major expansion projects were undertaken in the packaging and storage products business, which account for most of the other capital spending in 1973. At Riverdale, a new facility for heat treating steel strapping was completed. This added over 40% to Riverdale's heat treating capacity. Redirack Industries in Canada doubled its capacity by completing an expansion of its pallet rack production facilities. And in England, new office facilities were constructed at the Kilnhurst plant of Gerrard Industries, to replace the London property which was sold.

## Financial Condition and Capital Structure

The financial condition of the company continued to show strength in 1973. Working capital provided during the year from operations amounted to \$32,540,000. This, plus a reduction in our investment in a condominium joint venture and several other items, provided \$34,015,000 of funds for operating needs.

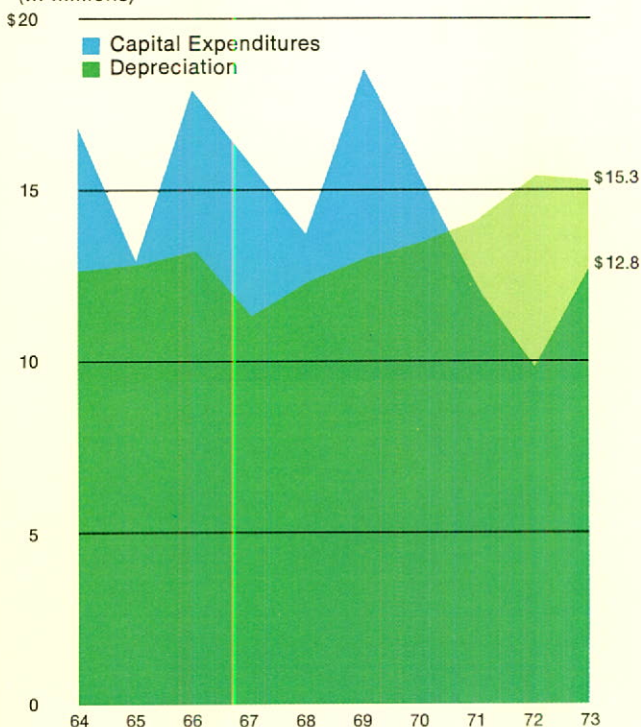
Financial requirements for capital spending, dividends etc. were \$26,034,000. This permitted an increase in working capital of \$7,981,000 during the year. In this connection, current liabilities increased \$6,343,000, while cash and accounts receivable increased \$20,017,000 compared with the end of 1972. Inventories and other current assets, however, fell from a year ago.

We didn't have to seek temporary financing in 1973. On the contrary, average daily investment of excess funds was over \$17,000,000 during the year. In 1973, the company also purchased \$1,119,000 of its 4 $\frac{7}{8}$ % debentures and \$78,000 of its 5% debentures. The debentures acquired will be used to meet future sinking fund requirements or future calls for retirement as needed.

Because of our strong financial condition at year-end and improved earnings, the Board of Directors declared a special year-end dividend of \$.15 per share. This made the year's total \$1.95. The 1973 dividend represented a payout of 44% of net income and was the maximum permitted by government guidelines.

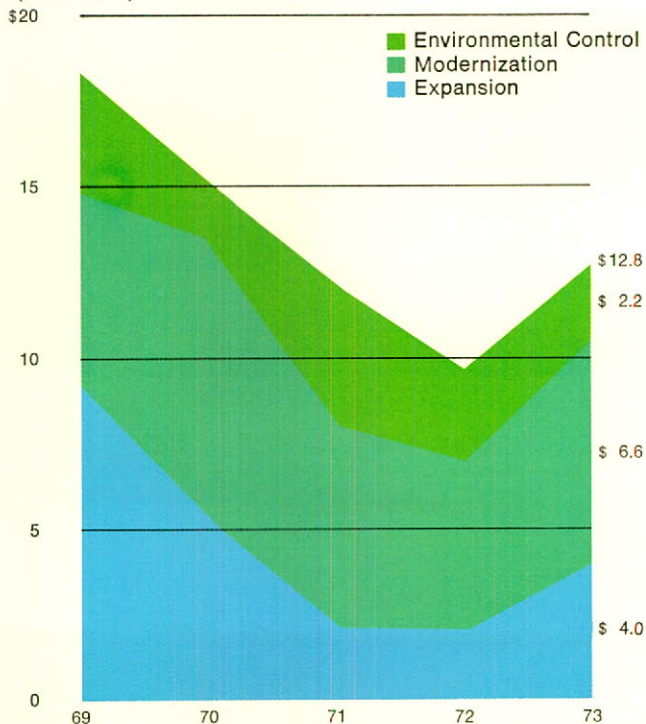
## Capital Expenditures and Depreciation

(In millions)



## Capital Expenditures - By Type

(In millions)





# Report of Independent Accountants

In 1973 Interlake purchased 149,165 shares of its common stock for \$3,668,000 cash. In 1972, 132,000 common shares were acquired for \$3,716,000. These shares are being held in the treasury. At the end of 1973 there were 525,731 common shares of treasury stock; 149,900 shares are being held in connection with the qualified stock option plan of the company, 1,442 shares are being held for distribution under a deferred compensation plan and the remainder, 374,389 shares, are unreserved.

## Form 10-K Available

Each year Interlake files an Annual Report (Form 10-K) with the Securities and Exchange Commission, which includes much of the information in this report plus other financial summaries. We've incorporated more facts from our 10-K in this year's annual report than ever before. Any shareholder desiring a copy of our 10-K may obtain one by writing the company's Public Affairs Department at the general office. And we'll be pleased to respond to any questions you have about the company or its products.

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

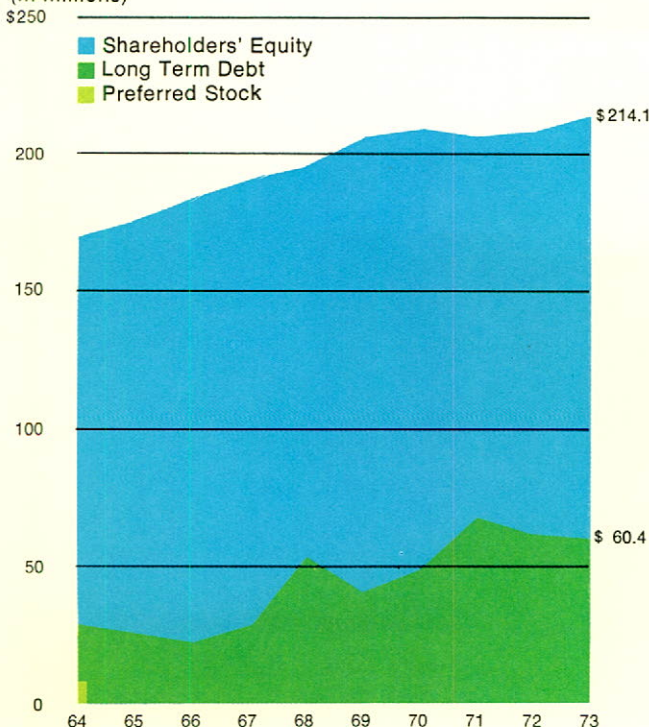
In our opinion, the accompanying consolidated balance sheets and the related statements of consolidated income and retained earnings and the statements of changes in consolidated financial position present fairly the financial position of Interlake, Inc. and its subsidiaries at December 30, 1973 and December 31, 1972, the results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

## Price Waterhouse & Co.

Chicago, Illinois  
January 31, 1974

## Capitalization

(In millions)



# Changes In Consolidated Financial Position

For the Years Ended December 30, 1973 and December 31, 1972

	1973	1972
<b>Financial Resources Were Provided By:</b>		
Net income	\$16,783,750	\$12,972,080
Depreciation, depletion and amortization	15,340,838	15,362,342
Future income taxes	(1,113,000)	(1,067,074)
Goodwill write-off	693,000	—
Increase in other long-term liabilities	835,229	589,801
Working capital provided from operations	32,539,817	27,857,149
Long-term borrowings	—	312,200
Reduction of investment in joint venture	1,623,507	—
Other	(148,715)	156,998
	34,014,609	28,326,347
<b>Financial Resources Were Used For:</b>		
Capital expenditures less net book value of retirements and sales of \$694,801 in 1973 and \$1,071,402 in 1972	12,078,287	8,747,065
Reduction of long-term debt	2,556,274	5,503,559
Cash dividends	7,372,591	7,157,646
Purchase of Company common stock	3,667,821	3,716,350
Acquisitions, net of working capital acquired	358,608	—
	26,033,581	25,124,620
Increase in working capital	\$ 7,981,028	\$ 3,201,727
<b>Increase in Working Capital Comprises:</b>		
Cash	\$ 1,513,056	\$ 3,505,462
Certificates of deposit	5,907,076	(1,557,012)
Marketable securities	2,932,590	159,376
Receivables	9,664,100	10,106,756
Inventories	(4,693,544)	(2,699,159)
Other current assets	(999,352)	425,469
Accounts payable and salaries and wages	(8,149,016)	(4,155,872)
Taxes payable	2,015,007	(2,417,767)
Current maturities of long-term debt	(208,889)	(165,526)
	7,981,028	3,201,727
Working capital at beginning of year	90,040,437	86,838,710
Working capital at end of year	\$98,021,465	\$90,040,437

(See notes to consolidated financial statements)

**Consolidated Income and Retained Earnings**

For the Years Ended December 30, 1973 and December 31, 1972

	1973	1972
<b>Sales and Revenues:</b>		
Net sales	\$460,110,994	\$387,748,883
Other revenues (Note 5)	7,038,258	1,544,268
	467,149,252	389,293,151
<b>Costs and Expenses:</b>		
Cost of products sold (Note 5)	363,113,019	296,353,361
Depreciation, depletion and amortization (Note 1)	15,340,838	15,362,342
Selling and administrative expenses	42,670,509	38,050,838
State, local and miscellaneous taxes	13,756,649	11,659,622
Interest expense	5,322,487	5,496,908
	440,203,502	366,923,071
<b>Income before Taxes on Income</b>	26,945,750	22,370,080
<b>Provision for Income Taxes</b> (Note 7)	10,162,000	9,398,000
<b>Net Income for the Year</b>	16,783,750	12,972,080
<b>Retained Earnings at Beginning of the Year</b>	120,180,122	114,365,688
	136,963,872	127,337,768
<b>Deduct Cash Dividends Paid</b> (\$1.95 per share in 1973 and \$1.80 per share in 1972)	7,372,591	7,157,646
<b>Retained Earnings at End of the Year</b>	\$129,591,281	\$120,180,122
<b>Net Income Per Share of Common Stock</b>	\$4.42	\$3.26

(See notes to consolidated financial statements)

# Consolidated Balance Sheet

December 30, 1973 and December 31, 1972

Assets	1973	1972
<b>Current Assets:</b>		
Cash	\$ 4,036,038	\$ 2,522,982
Certificates of deposit	6,920,869	1,013,793
Marketable securities, at lower of cost or market	8,291,422	5,358,832
Receivables, less allowance for doubtful accounts of \$950,000 in 1973 and \$706,000 in 1972	62,017,934	52,353,834
Inventories (Note 1)— Raw materials and supplies	35,050,208	34,041,663
Semi-finished and finished products	42,347,359	48,049,448
Other current assets	5,334,614	6,333,966
Total current assets	163,998,444	149,674,518
<b>Investments and Other Assets:</b>		
Affiliated and associated companies (Note 1)	3,110,207	5,910,386
Iron ore interests (Notes 1 and 8)	21,293,476	21,367,454
Other investments and deferred charges	7,829,037	8,659,055
	32,232,720	35,936,895
<b>Property, Plant and Equipment, at cost (Note 1):</b>		
Land and mineral properties, less depletion	12,473,371	11,891,062
Plant and equipment	385,357,254	370,389,099
	397,830,625	382,280,161
Less—Depreciation and amortization	242,565,594	228,582,724
	155,265,031	153,697,437
<b>Goodwill (Notes 1 and 5)</b>	10,781,829	12,608,340
	\$362,278,024	\$351,917,190

(See notes to consolidated financial statements)

<b>Liabilities and Shareholders' Equity</b>	1973	1972
<b>Current Liabilities:</b>		
Accounts payable	\$ 38,647,572	\$ 33,230,469
Salaries and wages	13,270,370	10,538,457
Taxes other than income taxes	6,332,749	5,709,307
U. S. and foreign income taxes (Note 7)	5,885,741	8,524,190
Current maturities of long-term debt (Note 2)	1,840,547	1,631,658
Total current liabilities	65,976,979	59,634,081
<b>Long-Term Debt (Note 2)</b>	60,367,069	62,923,343
<b>Other Long-Term Liabilities</b>	5,730,872	4,895,643
<b>Future Income Taxes (Note 1)</b>	13,973,763	15,815,826
<b>Minority Interests in Subsidiaries</b>	2,172,944	352,881
<b>Shareholders' Equity:</b>		
Serial preferred stock, par value \$1 a share; authorized 1,000,000 shares; none issued	—	—
Common stock, par value \$1 a share; authorized 10,000,000 shares; issued 4,257,128 shares (Note 4)	98,433,467	98,433,467
Retained earnings (Note 3)	129,591,281	120,180,122
	228,024,748	218,613,589
Less—Cost of common stock held in treasury (525,731 shares in 1973 and 377,142 shares in 1972) (Note 4)	13,968,351	10,318,173
	214,056,397	208,295,416
	\$362,278,024	\$351,917,190

# Notes to Consolidated Financial Statements

For the Years Ended December 30, 1973 and December 31, 1972

## NOTE 1—Summary of Significant Accounting Policies:

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

**Foreign subsidiaries**, located principally in Canada and Europe, represent approximately 10% of consolidated net assets at December 30, 1973. The accounts of foreign subsidiaries are translated into U. S. dollars at rates of exchange in effect at the balance sheet date, except for properties and related depreciation which are translated at historical rates and revenues and expenses (except for depreciation) which are translated at average rates.

Exchange adjustments of insignificant amounts have been reflected in earnings. No provision for U. S. income taxes on unremitted earnings of foreign subsidiaries has been made as it is anticipated that any U. S. taxes on dividend distributions will be offset by foreign tax credits.

**Inventories** are stated at the lower of cost, determined principally by the last-in first-out method, or market value.

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

**Goodwill** of \$10,729,400 at December 30, 1973, representing the difference between purchase price and the Company's equity in the underlying net assets of companies acquired prior to November 1, 1970, is not being amortized (See Note 5).

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

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

## NOTE 2—Long-term Debt:

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

	December 30, 1973	December 31, 1972
8.80% debentures, due annually \$2,500,000 1978 to 1995, and \$5,000,000 in 1996	\$50,000,000	\$50,000,000
4 $\frac{7}{8}$ % debentures, due annually \$1,500,000 1974 to 1976, and \$2,495,000 in 1977	4,104,000	5,223,000
Obligations under long-term lease agreements	5,200,000	5,200,000
5 $\frac{1}{8}$ % insurance company loan, due in 1974	900,000	1,600,000
5% debentures, due annually \$375,000 1974 to 1977	929,000	1,239,000
Other	1,074,616	1,293,001
	62,207,616	64,555,001
Less—Current maturities	1,840,547	1,631,658
	\$60,367,069	\$62,923,343

At December 30, 1973, 4 $\frac{7}{8}$ % debentures with a face value of \$2,891,000 were held in the treasury by the Company. Of these, \$1,500,000 may be used to meet the 1974 sinking fund requirement and have been applied as a reduction of current maturities of long-term debt. The balance may be used to meet future sinking fund requirements and has been applied as a reduction of long-term debt. Further, 5% debentures with a face value of \$571,000 were held in the treasury by the Company. These debentures will be subject to call for retirement on January 1, 1975, or later, and have been applied as a reduction of long-term debt.

The long-term lease obligations relate to pollution control facilities which have been accounted for as purchased plant and equipment. The interest rates on these obligations vary from 6.00% to 6.75%. Principal payments begin in 1981 (\$500,000) and continue in varying annual amounts through 1996.

## NOTE 3—Retained Earnings:

Under the most restrictive terms of the various loan agreements, the Company may not as of December 30, 1973 pay cash dividends or repurchase the Company's capital stock in amounts aggregating more than \$27,493,193.

## NOTE 4—Common Stock:

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

annually, on a cumulative basis, beginning one year from date of grant. The options outstanding expire at varying dates until 1978.

Changes in the number of shares of common stock under option during the years ended December 30, 1973 and December 31, 1972 were as follows:

	1973	1972
Options outstanding at beginning of year	109,482	99,800
Options granted— Per share—\$23.69 in 1973 and \$28.13 in 1972	27,000	21,000
Options exercised— Per share—\$23.13	—	(100)
Options cancelled	(13,582)	(11,218)
Options outstanding at end of year	122,900	109,482
Per share	(\$23.13-\$30.57)	(\$23.13-\$30.57)
Options exercisable at end of year	73,713	55,703

During 1973 the Company purchased 149,165 shares of its common stock for \$3,667,821 and in 1972 purchased 132,000 shares for \$3,716,350. Shares purchased in both years are being held in the treasury.

At December 30, 1973, 149,900 treasury shares of common stock were reserved for stock options, 1,442 for distribution under a deferred compensation plan, and 374,389 were unreserved. During 1973 and 1972, respectively, 576 and 737 treasury shares were distributed under the deferred compensation plan.

#### NOTE 5—Significant Transactions:

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

In April, 1973 the Company acquired an additional interest in Gerrard Industries, Limited, increasing its ownership in the outstanding common stock of that subsidiary to 80%, and acquired 100% of the outstanding common stock of Alabama Metallurgical Corporation in transactions accounted for by the purchase method. Results of operations of the two subsidiaries, which are not material, have been included in the consolidated financial statements from their respective dates of acquisition. Prior to April, 1973 the 50% interest in Gerrard Industries, Limited was carried as an investment and accounted for by the equity method. Previously recorded goodwill of \$1,186,000 applicable to Gerrard Industries, Limited has been offset by negative goodwill resulting from the acquisition of the additional interest in Gerrard.

#### NOTE 6—Pension Plans:

Pension costs were \$10,655,763 in 1973 and \$9,074,045 in 1972. The actuarially computed value of vested benefits per the latest actuarial reports exceeded the market value of the pension fund assets by approximately \$40,000,000 and \$36,000,000 as of December 30, 1973 and December 31, 1972, respectively.

#### NOTE 7—Income Taxes:

The provision for income taxes consists of:

	1973	1972
U. S. Federal— Currently payable (less investment credits of \$482,000 in 1973 and \$550,000 in 1972)	\$ 8,098,000	\$7,974,000
Deferred	(1,225,000)	(781,000)
	6,873,000	7,193,000
State and foreign	3,289,000	2,205,000
	\$10,162,000	\$9,398,000

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

As of December 30, 1973 Federal income tax returns for the years 1965 through 1969 have been examined and returns for the years 1970 and 1971 were in process of examination. A number of adjustments have been proposed, one of which involves the determination of the cost of ore from one of the Company's iron ore interests and could result in certain of these costs being disallowed as a current tax deduction. The Company believes that its position on this issue has merit and should not result in any significant adjustment. In the opinion of management, adequate provision has been made for possible tax assessments.

#### NOTE 8—Commitments:

With respect to the Company's interest in two mining joint ventures, the Company is required to take its ownership proportion of production for which it is committed to pay its proportionate share of the operating costs of these projects, either directly or as a part of the product price. Such costs include, as a minimum and regardless of the quantity of ore received, annual interest and sinking fund requirements of the funded debt of these projects of approximately \$3,500,000 through 1983, and lesser amounts thereafter through 1991.

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

#### NOTE 9—Fiscal Year:

Effective January 1, 1973 the Company adopted a 52-53 week fiscal year.

# Ten Year Financial Summary of Operations

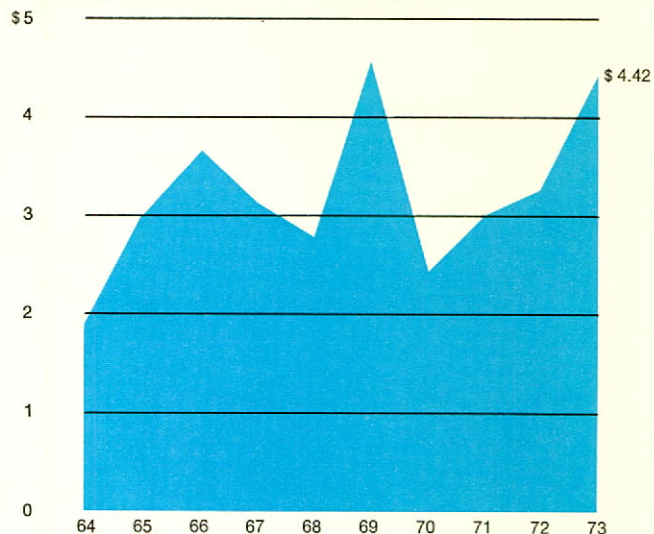
(Amounts in thousands—except per share statistics)

<b>For The Year</b>		1973	1972	1971	1970	1969
Net Sales		\$460,111	\$387,749	\$352,085	\$329,954	\$324,848
Income Before Extraordinary Items		16,784	12,972	12,524	10,666	15,337
Extraordinary Items (less applicable income tax)		—	—	—	—	5,052
Net Income	Amount	16,784	12,972	12,524	10,666	20,389
	% of Net Sales	3.6%	3.3%	3.6%	3.2%	6.3%
	% of Shareholders' Equity	7.8%	6.2%	6.1%	5.1%	9.9%
Income Per Common Share <small>(based on average common shares outstanding after recognizing dividend requirements on preferred stock )</small>	Before Extraordinary Items	4.42	3.26	3.03	2.42	3.43
	Extraordinary Items	—	—	—	—	1.13
	Net Income	4.42	3.26	3.03	2.42	4.56
Cash Flow (income before extraordinary items, depreciation and future income taxes, less preferred stock dividends )		31,012	27,267	25,643	23,374	29,144
Dividends Paid	Common	7,373	7,158	7,400	7,941	8,046
	Preferred	—	—	—	—	—
	% of Income Before Extraordinary Items	43.9%	55.2%	59.1%	74.4%	52.5%
Capital Expenditures (excluding assets of acquired businesses)		12,773	9,818	12,146	15,187	18,423
Depreciation		15,341	15,362	14,212	13,615	13,042
Interest Expense		5,322	5,497	4,721	3,611	3,593
Taxes on Income Before Extraordinary Items	Amount	10,162	9,398	8,319	6,917	13,530
	% of Pre-Tax Income	37.7%	42.0%	39.9%	39.3%	46.9%
<b>At Year End</b>						
Working Capital	Amount	\$ 98,021	\$ 90,040	\$ 86,839	\$ 77,277	\$ 71,846
	Current Ratio	2.5 to 1	2.5 to 1	2.6 to 1	2.3 to 1	2.2 to 1
Property (Net)		155,265	153,697	159,304	161,305	159,593
Long-Term Debt, less current maturities		60,367	62,923	68,115	49,071	40,987
Future Income Taxes		13,974	15,816	16,883	17,765	18,633
Preferred Stock		—	—	—	—	—
Common Shareholders' Equity	Amount	214,056	208,295	206,171	209,299	206,514
	Outstanding Shares—thousands	3,731	3,880	4,011	4,412	4,411
	Per Share	57.37	53.68	51.40	47.44	46.82
Common Stock Price Range		29—19½	32¼—26½	30¾—24¼	30—21¾	40¾—25
Price Earnings Ratio (before extraordinary items and based on year-end stock price )		4.75	8.82	9.24	10.07	7.43
Number of Shareholders		24,898	25,036	25,919	26,917	26,966
Number of Employees		10,272	9,440	9,224	9,616	9,718

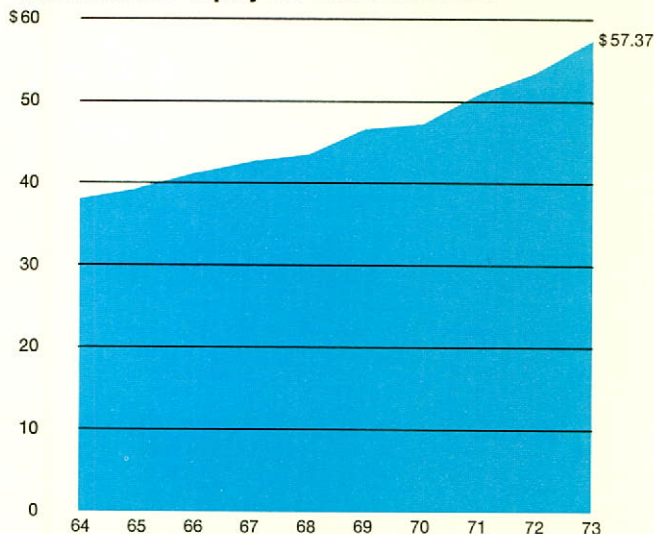


1968	1967	1966	1965	1964
\$285,571	\$256,411	\$268,804	\$262,363	\$259,580
12,556	14,133	16,481	13,861	13,147
—	—	—	—	(3,714)
12,556	14,133	16,481	13,861	9,433
4.4%	5.5%	6.1%	5.3%	3.6%
6.4%	7.4%	8.9%	7.9%	5.3%
2.80	3.15	3.68	3.02	2.78
—	—	—	—	(.83)
2.80	3.15	3.68	3.02	1.95
24,199	25,355	29,448	28,778	24,846
8,078	8,072	7,842	7,160	6,295
—	—	—	436	730
64.3%	57.1%	47.6%	54.8%	53.4%
13,752	15,739	17,905	12,988	16,955
12,273	11,269	13,232	12,871	12,730
2,465	1,559	1,296	1,547	1,898
10,013	9,221	12,126	8,176	5,772
44.4%	39.5%	42.4%	37.1%	30.5%
\$ 74,365	\$ 69,170	\$ 63,621	\$ 64,756	\$ 58,009
2.7 to 1	2.8 to 1	2.6 to 1	2.9 to 1	2.5 to 1
153,965	142,039	137,590	131,603	146,880
53,047	28,268	23,431	25,925	29,375
18,618	19,407	19,454	19,719	17,303
—	—	—	—	8,650
196,122	191,546	185,358	176,552	170,353
4,489	4,487	4,483	4,477	4,466
43.69	42.69	41.35	39.43	38.15
37¼—28½	34%—26%	41¼—26%	44¾—32%	33%—24%
13.30	9.09	7.17	12.83	11.83
27,952	29,327	29,810	30,243	21,946
9,229	8,991	8,899	8,571	8,918

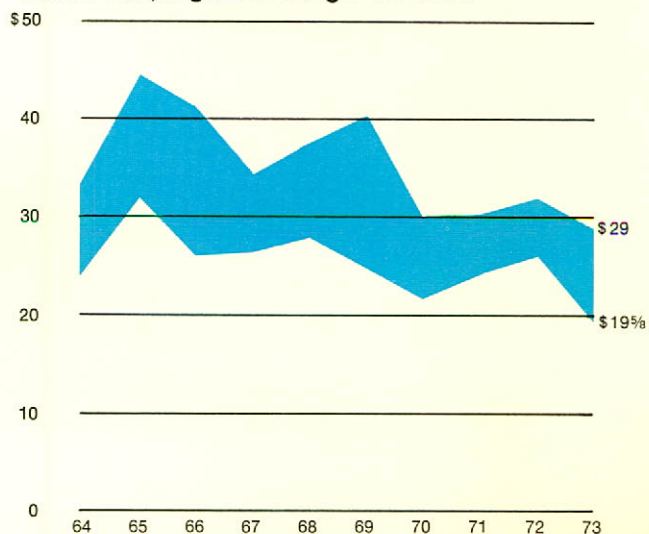
### Earnings Per Share of Common Stock



### Shareholders' Equity Per Common Share



### Stock Price, High-Low Range—10 Years



# People Move Interlake

## Employees on Inside

### Back Cover

Alvin Fauche  
Environmental Control  
Technician

John Unger  
Computer Operator

Odessa Cooper  
Accounts Payable Clerk

John Brady  
Security Guard

Evelyn Woods  
Plant Nurse

Frank Powers  
Chemist

Norman E. Andersen  
Senior Design Engineer

Donna Huskey  
Junior Technician

John McEvoy  
Training Administrator

David Locker  
Director/Purchases

Mary Edmonds  
Paint Sprayer

## Employees on Back Cover

Hollie Michael, Jr.  
Maintenance Welder

Ernest Brooks  
Turn Foreman

Faith Yvonne Mate  
Order Clerk

Dean Pantjeris  
Computer Operator

Ken "Red" Johnson  
Product Engineer

Lucille Wright  
Executive Secretary

Thomas F. Murphy  
Senior Metallographic  
Technician

Ulyses D. Lockhart, Jr.  
Engineering Clerk

Irma Williams  
Sewing Machine Operator

Joe Paurazas  
Machinist

This year's report is dedicated to our most important resource, Interlake's people. Their effectiveness determines our profitability and future.

Interlake strives to provide a "People Oriented Environment" because we know this is the only way we'll attract and retain employees possessing integrity, talent and successful attitudes. Our programs are very straightforward. We provide an environment for personal development and advancement that encourages employee contribution toward, and involvement with, company goals.

In 1973, for example:

□ We developed a supervisory program at our

Chicago plant which encouraged hourly employees to become candidates for production foreman. Over 40 applied.

□ We improved minority representation in the salaried force and skilled production jobs while maintaining our high ratio of 25% minority group employment.

□ We provided 80 employees with financial assistance to further their education. These employees have completed many training courses and some programs which combined classroom and structured work.

□ We cooperated with such schools as Wilberforce University and local community high schools to enable black college and high school students to receive on-the-job training in accounting functions. During the past five years, over 20 students have participated.

□ We regularly conduct sales training courses and seminars to acquaint salesmen with changing customer needs, market conditions, product improvements . . . and to discuss new opportunities and sales strategies.

## High Pay/Benefits

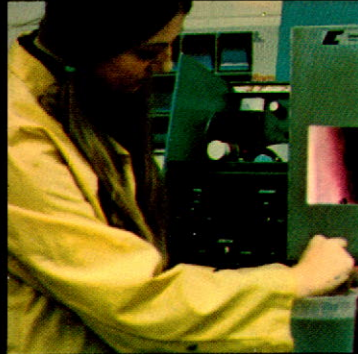
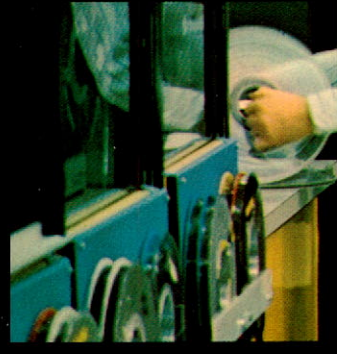
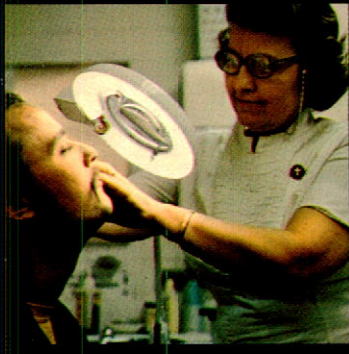
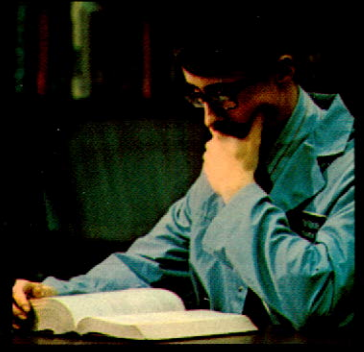
Interlake people are paid well. In fact, our employees enjoy one of industry's best over-all pay/benefit packages.

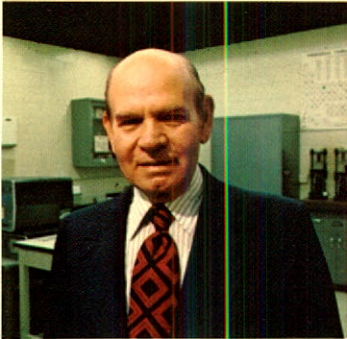
Interlake also provides superior fringe benefits for its employees. Company contributions to health and life insurance, pensions and social security, paid sick leave, vacation and savings plans, unemployment assistance, and paid holidays all total to approximately 27% of salaries and wages. In terms of dollars, our 1973 bill for employee fringe benefits was about \$31 million.

## Officers/Directors

On the inside back cover we present Interlake's officers and directors. They represent 100 other top managers who have an average age of 49.

Design/Production:  
Graphics International, Inc.  
Photography: Interlake Audio  
Visual Services  
Printing: Sleepeck Printing Co.





**Frank K. Armour, 56**  
Vice President  
Engineering and Research



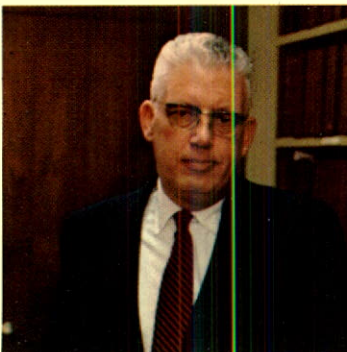
**H. Harry Henderson, 47**  
Vice President  
Public Affairs  
and Public Relations

**Ralph K. Frew, 46**  
Vice President  
Employee Relations

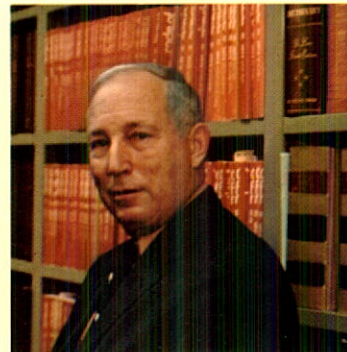


**Robert M. Gilason, 49**  
Vice President Marketing

**Grant L. Johnson, 44**  
Vice President Law



**David G. Bowser, 62**  
Vice President  
Globe Metallurgical  
Division



**William R. Stead, 58**  
Secretary

## Directors

**\*Keith S. Benson**  
Executive Vice President  
Administration & Finance,  
Director  
Oglebay Norton Co.

**Eugene P. Berg**  
Chairman, President,  
Director  
Bucyrus-Erie Company

**\*Frank J. Burgert**  
President,  
Chief Operating Officer  
Interlake, Inc.

**\*Marvin Chandler**  
Chairman of Executive  
Committee, Director  
Northern Illinois  
Gas Company

**\*James W. Coultrap**  
Director  
Rockwell International  
Corporation

**\*G. Findley Griffiths**  
Retired Chairman of the  
Board  
Interlake, Inc.

**Robert Jacobs**  
Executive Vice President  
Finance & Administration  
Interlake, Inc.

**\*Reynold C. MacDonald**  
Chairman of the Board,  
Chief Executive Officer  
Interlake, Inc.

**George S. Patterson**  
Consultant, Director  
Vickers Energy Corporation

**Louis Putze**  
Vice President, Director  
Rockwell International  
Corporation

**Lee C. Shaw**  
Partner  
Seyfarth, Shaw, Fairweather  
& Geraldson

**Edward J. Williams**  
President, Chief Executive  
Officer, Director  
McGraw-Edison Company

**\*Morris H. Wright**  
General Partner  
Kuhn, Loeb & Co.

\*Member of Executive  
Committee

# Officers/Directors

## Executive Changes

Four executive changes occurred during the year:

**Frank J. Burgert**, who became Vice President-Operations in 1969, was elected President and Chief Operating Officer.

**Robert Jacobs** was elected Executive Vice President Finance and Administration. He was formerly Vice President—Finance and Administration.

**Grant L. Johnson** was elected Vice President Law. Mr. Johnson joined Interlake in 1971 as Corporate Counsel.

**Paul S. Landis** was named Vice President Packaging and Storage Products. He replaced Albert K. Zeitell, who retired.

**Robert Jacobs, 55**  
Executive Vice President  
Finance and Administration



**Reynold C. MacDonald, 55**  
Chairman of the Board and  
Chief Executive Officer

**Frank J. Burgert, 53**  
President and  
Chief Operating Officer



**G. Findley Griffiths**, former Interlake chairman, will retire from our board this year.

He joined Acme Steel Company in 1950, was elected president in 1960, became chief executive officer in 1961, and chairman of the board and chief executive officer when Acme merged with Interlake Iron in 1964. He retired in 1971. Mr. Griffiths' direction has contributed greatly to Interlake's growth.

His leadership and service will continue to inspire those who follow him.



**Raymond T. Anderson, 41**  
Controller

**George L. Faulstich, Jr., 34**  
Treasurer



