

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-26**
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FILER

ACME METALS INC /DE/

CIK: **883702** | IRS No.: **363802419** | State of Incorpor.: **DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-14727** | Film No.: **95536012**
SIC: **3312** Steel works, blast furnaces & rolling mills (coke ovens)

Mailing Address
*13500 SOUTH PERRY AVE
RIVERDALE IL 60627-1182*

Business Address
*13500 S PERRY AVE
RIVERDALE IL 60627-1182
7088492500*

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

- (X) Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 26, 1995 or
() Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number 0-14727

ACME METALS INCORPORATED
(formerly Acme Steel Company)
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

36-3802419
(I.R.S. Employer
Identification No.)

13500 South Perry Ave., Riverdale, Illinois 60627-1182
(Address of principal executive offices) (Zip Code)

(708) 849-2500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes X No
--- ---

Number of shares of Common Stock outstanding as of April 23, 1995, 11,575,684.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ACME METALS INCORPORATED
CONSOLIDATED BALANCE SHEETS
(in thousands)

<TABLE>
<CAPTION>

March 26, December 25,
1995 1994
----- -----

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ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 98,510	\$ 76,639
Short term investments	109,557	76,384
Receivables, less allowances of \$1,375 in 1995 and \$1,301 in 1994	62,135	60,878
Inventories	47,755	44,982
Deferred income taxes	13,354	13,354
Other current assets	1,785	1,605
	-----	-----
Total current assets	333,096	273,842
	-----	-----

INVESTMENTS AND OTHER ASSETS:

Investments in associated companies	14,368	14,358
Restricted cash and investments	154,659	201,397
Other assets	22,877	23,221
Deferred income taxes	20,684	20,683
	-----	-----
Total investments and other assets	212,588	259,659
	-----	-----

PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment, at cost	364,099	363,699
Construction in Progress	90,209	46,605
Accumulated depreciation	(265,573)	(261,475)
	-----	-----
Total property, plant and equipment	188,735	148,829
	-----	-----
	\$ 734,419	\$ 682,330
	-----	-----
	-----	-----

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable	\$ 75,384	\$ 36,732
Accrued expenses	39,560	42,718
Income taxes payable	6,365	1,941
	-----	-----
Total current liabilities	121,309	81,391
	-----	-----

LONG-TERM LIABILITIES

Long-term debt	267,858	265,055
Other long-term liabilities	10,449	10,012
Postretirement benefits other than pensions	84,541	83,867
Retirement benefit plans	18,498	18,727
	-----	-----
Total long-term liabilities	381,346	377,661
	-----	-----

Commitments and contingencies (see note titled
COMMITMENTS AND CONTINGENCIES)

SHAREHOLDERS' EQUITY:

Preferred stock, \$1 par value, 2,000,000 shares authorized, no shares issued		
Common stock, \$1 par value, 20,000,000 shares authorized, 11,581,084 and 11,558,127 shares issued in 1995 and 1994, respectively	11,581	11,558
Additional paid-in capital	165,015	164,599
Retained earnings	75,766	67,719
Minimum pension liability adjustment	(20,598)	(20,598)
	-----	-----
Total shareholders' equity	231,764	223,278
	-----	-----

	\$ 734,419	\$ 682,330
	-----	-----
	-----	-----

</TABLE>

The accompanying notes are an integral part of this financial statement.

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ACME METALS INCORPORATED

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

	For The Three Months Ended	
	March 26, 1995	March 27, 1994
<S>	<C>	<C>
NET SALES	\$ 131,548	\$ 123,560
COSTS AND EXPENSES:		
Cost of products sold	104,449	106,258
Depreciation expense	3,967	3,783
Gross profit	23,132	13,519
Selling and administrative expense	8,822	7,363
Operating income	14,310	6,156
NON-OPERATING INCOME (EXPENSE):		
Interest expense	(7,340)	(1,334)
Interest income	3,841	394
Other - net	1,761	781
Income before income taxes	12,572	5,997
Income tax provision	4,526	2,399
Net income	\$ 8,046	\$ 3,598
PER COMMON SHARE:		
Net Income	\$ 0.69	\$ 0.64

</TABLE>

The accompanying notes are an integral part of this financial statement.

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ACME METALS INCORPORATED

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

<TABLE>
<CAPTION>

	For The Three Months Ended	
	March 26, 1995	March 27, 1994
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 8,046	\$ 3,598
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	4,114	3,930
Accretion of Senior Discount Note	2,803	
CHANGE IN CURRENT ASSETS AND LIABILITIES:		
Receivables	(1,257)	(609)
Inventories	(2,773)	3,326
Accounts payable	(1,621)	(3,529)
Other current accounts	1,116	2,124
Other, net	1,292	1,331
Net cash provided by operating activities	11,720	10,171
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(135,240)	
Sales and/or maturities of investments	108,607	
Release of restricted cash	40,198	
Capital expenditure	(1,845)	(1,842)
Capital expenditure - modernization project	(2,008)	
Net cash provided by (used for) investing activities	9,712	(1,842)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Other	439	(94)
Proceeds from the exercise of stock options		2,258
Net cash provided by financing activities	439	2,164
Net increase in cash and cash equivalents	21,871	10,493
Cash and cash equivalents at beginning of period	76,639	50,444
Cash and cash equivalents at end of period	\$98,510	\$60,937

</TABLE>

The accompanying notes are an integral part of this financial statement.

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ACME METALS INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PRESENTATION:

The accompanying financial statements for the periods ended March 26, 1995 and March 27, 1994 are unaudited. In the opinion of management, all adjustments necessary for a fair presentation of such financial statements have been included. The financial statements have been subjected to a limited review by Price Waterhouse LLP, the Company's independent accountants, whose report appears on page 10 of this filing. Such report is not a "report" or "part of the Registration Statement" within the meaning of Sections 7 and 11 of the Securities Act of 1933 and the liability provisions of Section 11 of such Act do not apply.

The Company's fiscal year ends on the last Sunday in December 1995 which will end on December 31, 1995 will contain 53 weeks. First quarter results for 1995 and 1994 cover 13-week periods.

SEGMENT INFORMATION:

The Company presents its operations in two segments, Steel Making and Steel Fabricating.

Steel Making operations include the manufacture of sheet, strip and semifinished steel in low-, mid-, and high-carbon alloy and special grades. Principal markets include agricultural, automotive, industrial equipment, industrial fasteners, welded steel tubing, processor and tool manufacturing industries.

The Steel Fabricating Segment processes and distributes steel strapping, strapping tools and industrial packaging (Acme Packaging Corporation), welded steel tube (Alpha Tube Corporation) and auto and light truck jacks (Universal Tool & Stamping). The Steel Fabricating Segment sells to a number of markets.

All sales between Segments are recorded at current market prices. Income from operations consists of total sales less operating expenses. Operating expenses include an allocation of expenses incurred at the Corporate Office that are considered by the Company to be operating expenses of the Segments rather than general corporate expenses. Income from operations does not include other non-operating income or expense, interest income or expense, or income taxes.

The products and services of the Steel Making and Steel Fabricating Segments are distributed through their own respective sales organizations which have sales offices at various locations in the United States. Export sales are insignificant.

ACME METALS INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

<TABLE>
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	March 26, 1995	March 27, 1994
	-----	-----
	(in thousands)	
<S>	<C>	<C>
Net Sales		
Steel Making:		
Sales to unaffiliated customers	\$ 60,274	\$ 53,765
Intersegment sales	29,559	30,503
	-----	-----
	89,833	84,268
Steel Fabricating:		
Sales to unaffiliated customers	71,302	69,795
Intersegment sales	430	497
	-----	-----
	71,732	70,292
Eliminations:	(30,017)	(31,000)
	-----	-----

Total	\$131,548	\$123,560
	-----	-----
	-----	-----
Income from Operations		
Steel Making	\$ 7,904	\$ 2,313
Steel Fabricating	6,406	3,843
	-----	-----
Total	\$ 14,310	\$ 6,156
	-----	-----
	-----	-----
Depreciation		
Steel Making	\$ 3,132	\$ 2,926
Steel Fabricating	953	979
Corporate	29	25
	-----	-----
Total	\$ 4,114	\$ 3,930
	-----	-----
	-----	-----
Capital Expenditures		
Steel Making	\$43,566	\$1,506
Steel Fabricating	402	332
Corporate	68	4
	-----	-----
Total	\$ 44,036	\$ 1,842
	-----	-----
	-----	-----
Steel Shipments (in tons)	170,741	170,965
	-----	-----
	-----	-----

</TABLE>

PER SHARE DATA:

Per share amounts for 1995 and 1994 are based on the weighted average number of common and dilutive common equivalent shares outstanding during the three-month period (11,643,406 in 1995 and 5,662,670 in 1994).

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ACME METALS INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

INVENTORIES:

Inventories are summarized as follows:

<TABLE>

<CAPTION>

	March 26, 1995	December 25, 1994
	-----	-----
	(in thousands)	
<S>	<C>	<C>
Raw materials	\$ 5,088	\$ 5,200
Semi-finished and finished products	33,937	31,434
Supplies	8,730	8,348
	-----	-----
	\$ 47,755	\$ 44,982
	-----	-----
	-----	-----

</TABLE>

PROPERTY, PLANT AND EQUIPMENT:

The Company capitalized expenditures related to the construction of the Modernization and Expansion Project ("the Project") totaling \$86.9 million at March 26, 1995. The capitalized expenditures are comprised of \$82.2 million of cash and accrued payments to Raytheon Engineers & Constructors Inc., the general contractor, \$3.5 million of related capitalized interest, and \$1.2 million of other costs related directly to the construction of the Project.

CASH FLOWS:

Cash payments for interest expense were \$8.6 million in the first quarter of 1995, as compared to sixty-four thousand in 1994 for the same period. Cash flows from investing activities were increased by a release of \$40.2 million of non-current restricted cash to cash and cash equivalents in the first quarter of 1995. The restricted cash was reclassified to recognize an amount currently owed to the general contractor. Due to the non-cash nature of this capital expenditure it has been excluded from cash flow statement.

COMMITMENTS AND CONTINGENCIES:

The Company's interest in an iron ore mining joint venture requires payment of its proportionate share of all fixed operating costs, regardless of the quantity of ore received, plus the variable operating costs of minimum ore production for the Company's account. Normally, the Company reimburses the joint venture for these costs through its purchase of ore at the higher of cost or market prices.

The Company is subject to various Federal, state and local environmental statutes and regulations which provide a comprehensive program for controlling the release of materials into the environment and require responsible parties to remediate certain waste disposal sites. In addition, various health and safety statutes and regulations apply to the work-place environment. Administrative, civil and criminal penalties may be applicable for failure to comply with these laws. These environmental laws and regulations are subject to periodic revision and modification. The United States Congress, for

ACME METALS INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

example, has recently completed a major overhaul of the Federal Clean Air Act which is a major component of the Federal environmental statutes affecting the Company's operations.

From time to time, the Company is also involved in administrative proceedings involving the issuance, or renewal, of environmental permits relating to the conduct of its business. The final issuance of these permits have been resolved on terms satisfactory to the Company; and, in the future, the Company expects such permits will similarly be resolved on satisfactory terms.

Although management believes it will be required to make further substantial expenditures for pollution abatement facilities in future years, because of the continuous revision of these regulatory and statutory requirements, the Company is not able to reasonably estimate the specific pollution abatement requirements, the amount or timing of such expenditures to maintain compliance with these environmental laws. While such expenditures in future years may be substantial, management does not presently expect they will have a material adverse effect on the Company's future ability to compete within its markets.

In those cases where the Company has been identified as a Potentially Responsible party ("PRP") or is otherwise made aware of a possible exposure to incur costs associated with an environmental matter, management determines (i) whether, in fact, the Company has been properly named or is otherwise obligated, (ii) the extent to which the Company may be responsible for costs associated with the site in question, (iii) an assessment as to whether another party may

be responsible under various indemnification agreements or insurance policies the Company is a part to, and (iv) an estimate, if one can be made, of the costs associated with the clean-up efforts or settlement costs. It is the Company's policy to make provisions for environmental clean-up at the time that a reasonable estimate can be made. At March 26, 1995, the Company had recorded reserves for environmental clean-up matters which were not material. While it is not possible to predict the ultimate costs of resolving environmental related issues facing the Company, based upon information currently available, they are not expected to have a material effect on the consolidated financial condition or results of operations of the Company.

In connection with the Spin-Off from The Interlake Corporation ("Interlake") on May 29, 1986, Acme Steel Company (a subsidiary of the Company) entered into certain indemnification agreements with Interlake. Pursuant to the terms of the indemnification agreements, Interlake undertook to defend, indemnify and hold Acme Steel Company harmless from any claims, as defined, relating to Acme Steel Company operations or predecessor operations occurring before May 29, 1986, the inception of Acme Steel Company. The indemnification agreements cover certain environmental matters including certain litigation and Superfund sites in Duluth, Minnesota and Gary, Indiana for which either Interlake or Acme Steel Company's predecessor operations have been named as defendants or PRP's, as applicable. To date, Interlake has met its obligations under the indemnification agreements and has provided the defense and paid all costs related to these environmental matters. The Company does not have sufficient information to determine the potential liability, if any, for the matters covered by the indemnification agreements in the event Interlake fails to meet its obligations thereunder in the future.

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ACME METALS INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

In the event that Interlake, for any reason, was unable to fulfill its obligations under the indemnification agreements, the Company could have increased future obligations which could be significant.

Also in connection with the Spin-Off from Interlake, Acme Steel Company entered into a Tax Indemnification Agreement ("TIA") which generally provided for Interlake to indemnify Acme Steel Company for certain tax matters. While certain issues have been negotiated and settled between the Company, Interlake and the Internal Revenue Service, certain significant issues for the tax years beginning in 1982 through 1986 remain unresolved.

On March 17, 1994, Acme Steel Company received a Statutory Notice of Deficiency ("Notice") in the amount of \$16.9 million in tax as a result of the Internal Revenue Service's examination of the 1982-1984 tax years. The Company is contesting the unresolved issues and the Notice. Should the government sustain its position as proposed for those unresolved issues and those contained in the Notice, substantial interest would also be due (potentially in an amount greater than the tax claimed). The taxes claimed relate principally to adjustments for which Acme Steel Company is indemnified by Interlake pursuant to the TIA. The Company has adequate reserves to cover that portion for which it believes it may be responsible per the TIA. To date, Interlake has met its obligations under the TIA with respect to all covered matters. In the event that Interlake, for any reason, were unable to fulfill its obligations under the TIA, the Company could have increased future obligations.

The Company's subsidiaries also have various litigation matters pending which arise out of the ordinary course of their businesses. In the opinion of management, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the Company.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
and Shareholders of
Acme Metals Incorporated

We have reviewed the accompanying consolidated balance sheet as of March 26, 1995 and the consolidated statements of income and cash flows for the three-month periods ended March 26, 1995 and March 27, 1994 (the "consolidated financial information") of Acme Metals Incorporated and its subsidiaries. These financial statements are the responsibility of the company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial information for it to be in conformity with generally accepted accounting principles.

We previously audited in accordance with generally accepted auditing standards, the consolidated balance sheet as of December 25, 1994, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended (not presented herein), and in our report dated March 17, 1995 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 25, 1994, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ Price Waterhouse LLP

Price Waterhouse LLP
April 26, 1995
Chicago, Illinois

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

RESULTS OF OPERATIONS

<TABLE>
<CAPTION>

	For the Three Months Ended		For the Years Ended		
	March 26, 1995	March 27, 1994	December 25, 1994	December 26 1993	December 27, 1992
<S>	<C>	<C>	<C>	<C>	<C>
NET SALES	100.0%	100.0%	100.0%	100.0%	100.0%
COSTS AND EXPENSES:					
Cost of products sold	79.4	86.0	82.5	86.9	88.8

Depreciation expense	3.0	3.0	2.9	3.2	3.0
Gross profit	17.6	11.0	14.6	9.9	7.5
Selling and administrative expense	6.7	6.0	6.4	6.7	7.4
Restructuring/Nonrecurring charge			1.8	0.4	0.6
Operating income (loss)	10.9	5.0	6.4	2.8	(0.5)
Interest expense, net	(5.6)	(1.1)	(1.2)	(0.9)	(1.0)
Other non-operating income, net	4.2	0.9	0.3	0.1	0.1
Unusual income items			0.0	0.3	0.3
Income tax provision (credit)	3.4	1.9	1.9	0.9	(0.4)
Net income (loss) before extraordinary item and cumulative effect of accounting changes	6.1	2.9	3.6	1.4	(0.7)
Cumulative effect of changes in accounting principles, net of taxes					(12.9)
Net income (loss) before extraordinary item	6.1	2.9	3.6	1.4	(13.6)
Extraordinary item, net of taxes	0.0	0.0	(0.3)	0.0	0.0
Net income (loss)	6.1%	2.9%	3.3%	1.4%	(13.6)%

</TABLE>

FIRST QUARTER 1995 COMPARED WITH FIRST QUARTER 1994

NET SALES. Consolidated net sales of \$131.5 million in the first quarter of 1995 were \$7.9 million, or 6 percent higher than the first quarter 1994 net sales. A 7 percent increase in average selling prices contributed \$9.1 million to the favorable comparison but was somewhat reduced by lower shipments for the Steel Fabricating Segment and changes in sales mix which decreased sales by \$1.2 million. The favorable results were largely related to a continued strong economy and increased average selling prices, as compared to 1994. Although economic conditions have remained strong, there is some indication of an expected softening in future quarters.

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STEEL MAKING SEGMENT. Net sales for the Steel Making Segment were \$89.8 million in the first quarter of 1995, a \$5.5 million, or 7 percent, improvement over last year's comparable period. Sales to unaffiliated customers increased 12 percent to \$60.3 million while intersegment sales of \$29.6 million were 3 percent lower than in the first quarter of 1994. The increase in the Steel Making Segment's net sales was the result of a 4 percent increase in average selling prices and a 3 percent increase in shipments.

STEEL FABRICATING SEGMENT. The Steel Fabricating Segment net sales of \$71.7 million in the first quarter of 1995 were \$1.4 million, or 2 percent higher than the comparable period in the prior year. A 7 percent increase in average selling prices accounted for the sales improvement but was reduced by a 5 percent decrease in shipments as compared to 1994's first quarter. Shipments were affected by increased 1994 fourth quarter activity in anticipation of price increases.

GROSS PROFIT. The gross profit margin for the first quarter of 1995 of \$23.1 million was \$9.6 million higher than the margin recorded during last year's comparable period. The increase in margin was due to higher average selling prices for the Company's products. Operating costs, however, were lower in the first quarter of 1995 due to the lower costs relating to natural gas, scrap, and iron ore in the Steel Making Segment. The gross profit, as a percentage of sales, was 17.6 percent in the first quarter of 1995 versus 11.0 percent in last year's comparable period.

SELLING AND ADMINISTRATIVE EXPENSE. Selling and administrative expense totaled \$8.8 million and \$7.3 million for the first quarters of 1995 and

1994, respectively. Selling and administrative expenses represented 6.7 percent of net sales in 1995 compared to 6.0 percent in 1994. The increase was generated by higher salaries, and expenses associated with on-going efforts to implement new information technology systems and business processes within the Company.

OPERATING INCOME. Operating income for the Company for the first quarter of 1995 was \$14.3 million as compared to operating income of \$6.2 million in the first quarter of 1994.

STEEL MAKING SEGMENT. The Steel Making Segment earned \$7.9 million from operations. The earnings improvement was driven by a 4 percent increase in average selling prices and increased shipments of 4,500 tons. Shipments to external customers were 8 percent over last year's comparable period while shipments to the Steel Fabricating Segment were 4,900 tons, or 7 percent, lower than in the first quarter of 1994. Approximately 65 percent of shipments and gross profit in 1995 was attributable to external customers while the remainder was generated by sales to the Steel Fabricating Segment. In total, the increased selling prices generated \$4.9 million in increased revenue while the lower operating cost contributed to the remainder of the improvement over the first quarter of 1994.

STEEL FABRICATING SEGMENT. The Steel Fabricating Segment's operating income of \$6.4 million for the first quarter of 1995 was \$2.6 million higher than in last year's comparable period with all of the increase derived from a 7 percent increase in average selling prices. Acme Packaging's operating income for the first quarter of 1995 was higher than last year's comparable period due principally to an increase in average selling prices. Alpha Tube's results in the first quarter of 1995 were up substantially as a result of a 14 percent increase in average selling prices for welded tubing, and Universal's operating income was slightly lower than the prior year for the same period due to decreased sales volume related to its auto customers. The majority of the price increases for the Steel Fabricating Segment in the first quarter of 1995 was the result of price hikes initiated in 1994. Partially offsetting the effect of the Steel Fabricating Segment's sales related gains were increased raw material costs in the form of higher flat-rolled prices from the Steel Making Segment and external suppliers.

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INTEREST INCOME / EXPENSE. Interest income for the first quarter of 1995 totaled \$3.8 million, exceeding the first quarter of 1994 by \$3.4 million. The increase is due primarily to higher investment levels in connection with the Project resulting from the issuance of debt and equity in the third quarter of 1994. Interest expense of \$7.3 million for the first quarter of 1995 surpassed the same period for the prior year by \$6.0 million arising from the issuance of \$255.0 million of long term debt in the third quarter of 1994. In the first quarter of 1995, interest expense of \$1.5 million was capitalized as part of the Project.

NON-OPERATING INCOME. Non-operating income in the first quarter of 1995 was \$1.8 million, \$1.0 million higher than the \$0.8 million income recorded in last year's comparable period. Non-operating income in the first quarter of 1995 included a \$1.6 million gain on the sale related to the sale of the Company's interest in a West Virginia coal producing property. The first quarter of 1994 included \$0.7 million refund of prior year utility costs from Commonwealth Edison.

NET INCOME. The Company recorded earnings of \$8.0 million, or \$0.69 per share in the first quarter of 1995 versus income of \$3.6 million, or \$0.64 cents per share, recorded in the first quarter of 1994. Per share amounts for 1995 and 1994 are based on weighted average number of shares common and dilutive common equivalent shares outstanding during the three month period (11,643,406 in 1995 and 5,662,670 in 1994).

LIQUIDITY AND CAPITAL RESOURCES. At the end of the first quarter, the Company's cash and cash equivalents balance was \$98.5 million, up \$21.9 million from the December 1994 balance. Operating activities generated \$11.7 million of cash in the quarter due to a combination of net income, and add-back of \$4.1

million of non-cash depreciation and \$2.8 million of non-cash accretion of the Senior Discount Notes, and a decrease of \$3.3 million from changes in working capital and other non-current accounts. Investing activities increased cash \$9.7 million resulting from the release of \$40.2 million of restricted cash and investments to make funds available for amounts owing the general contractor. A purchase of short-term investments reduced cash from investing activities by \$26.6 million. Working capital stood at \$211.8 million at the end of the first quarter, up \$9.3 million over last December's ending amount.

As of March 26, 1995, the Company's long term indebtedness was \$267.9 million. Long term debt increased \$2.8 million in the first quarter of 1995 due to the accretion of Senior Secured Discount Notes. The Company also currently has unused \$80.0 million working capital facility all of which, remained available. At March 26, 1995, the Company's ratio of debt to capitalization was .54 to 1.

Capital expenditures totaled \$44.0 million for the first quarter 1995, \$42.2 million, of which related to current amounts owing the general contractor, capitalized interest, and other costs related to the Project. The remainder of capital expenditures were for normal, expected replacement and rehabilitation of production facilities throughout the Company.

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PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibit 15 - Letter Regarding Unaudited Interim Financial Information
Exhibit 27 - Financial Data Schedule
- (b) Reports on Form 8-K

On March 17, 1995 the Company issued a press release announcing that its Acme Steel Company Subsidiary ("Acme Steel"), now engaged in a major modernization and expansion of its steel making operations, has signed a Joint Development Program Agreement with SMS Schloemann Siemag AG, Dusseldorf ("SMS").

SMS is the primary equipment supplier for Acme Steel's Modernization and Expansion Project, which includes installation of a continuous thin slab caster/hot strip mill at Acme Steel's Riverdale, IL plant.

The report on Form 8-K discussing the above matter was filed on March 23, 1995.

On May 5, 1995 the Company issued a press release announcing that its Acme Steel Company Subsidiary ("Acme Steel") and National Material L.P., an affiliate of Tang Industries, Inc., have signed a letter of intent to form a joint venture to construct and operate a facility to pickle, oil and slit (process) wide steel coils from Acme Steel's new continuous thin-slab caster/hot strip mill modernization project under construction in Riverdale, Illinois. The location for the proposed joint venture facility has not been finalized.

Under the terms of the letter of intent, Acme Steel would be a minority equity participant and the processing facility would be constructed and managed by National Material L.P.

Consummation of the joint venture agreement will, among other conditions, be subject to the execution of a mutually satisfactory definitive joint venture agreement between the parties and final approval of the Board of Directors of the respective parties.

The report on Form 8-K discussing the above was filed on May 8, 1995.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ACME METALS INCORPORATED

Date: May 9, 1995

By: /s/ J. F. Williams

Jerry F. Williams
Vice President - Finance
and Administration
(Principal Financial Officer)

By: /s/ G. J. Pritz

Gregory J. Pritz
Controller
(Principal Accounting Officer)

Exhibit 15

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, DC 20549

Dear Sirs:

We are aware that Acme Metals Incorporated has included our report dated April 26, 1995 (issued pursuant to the provisions of Statement on Auditing Standards No. 71) in the Prospectuses constituting part of its Registration Statements on Form S-8 (Nos. 33-17235, 33-19437, 33-38747 and 33-30841). We are also aware of our responsibilities under the Securities Act of 1933.

/s/ Price Waterhouse LLP

PRICE WATERHOUSE LLP

May 9, 1995
Chicago, Illinois

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This schedule contains summary financial information extracted from the Company's Unaudited Consolidated Balance Sheets at March 26, 1995 and Unaudited Consolidated Statements of Operations for the Three Months Ended March 26, 1995 and is qualified in its entirety by reference to such financial statements.

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