

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**  
SEC Accession No. **0000950124-95-001405**

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### FILER

#### **INLAND STEEL INDUSTRIES INC /DE/**

CIK: **790528** | IRS No.: **363425828** | State of Incorpor.: **DE** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **001-09117** | Film No.: **95536072**  
SIC: **3312** Steel works, blast furnaces & rolling mills (coke ovens)

#### Mailing Address

*30 WEST MONROE STREET  
16TH FLOOR  
CHICAGO IL 60603*

#### Business Address

*30 W MONROE ST  
CHICAGO IL 60603  
3128993917*

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934  
For the period ended March 31, 1995

or

Transition Report Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-9117

I.R.S. Employer Identification Number 36-3425828

INLAND STEEL INDUSTRIES, INC.

(a Delaware Corporation)  
30 West Monroe Street  
Chicago, Illinois 60603  
Telephone: (312) 346-0300

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 (or for such shorter period that the  
registrant was required to file such reports), and (2) has been subject to such  
filing requirements for the past 90 days. Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of  
common stock, as of the latest practicable date: 48,621,143 shares of the  
Company's Common Stock (\$1.00 par value) were outstanding as of May 5, 1995.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

INLAND STEEL INDUSTRIES, INC. AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED)

<TABLE>  
<CAPTION>

Dollars in Millions  
(except per share data)  
-----  
Three Months Ended  
March 31  
-----  
1995                      1994  
-----

<S>	<C>	<C>
NET SALES	\$1,257.7	\$1,075.7
	-----	-----
OPERATING COSTS AND EXPENSES		
Cost of goods sold	1,077.8	957.1
Selling, general and administrative expenses	51.7	48.7
Depreciation	36.5	33.7
	-----	-----
Total	1,166.0	1,039.5
	-----	-----
OPERATING PROFIT	91.7	36.2
General corporate expense, net of income items	4.0	3.3
Interest and other expense on debt	15.8	18.3
	-----	-----
INCOME BEFORE INCOME TAXES	71.9	14.6
PROVISION FOR INCOME TAXES	27.9	5.4
	-----	-----
NET INCOME	\$ 44.0	\$ 9.2
	=====	=====
EARNINGS PER SHARE OF COMMON STOCK		
Primary	\$ .84	\$ .03
	=====	=====
Fully Diluted	\$ .79	\$ .03
	=====	=====

</TABLE> See notes to consolidated financial statements

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INLAND STEEL INDUSTRIES, INC. AND SUBSIDIARY COMPANIES  
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

<TABLE>  
<CAPTION>

	Dollars in Millions	
	Three Months Ended March 31	
	1995	1994
	-----	-----
<S>	<C>	<C>
OPERATING ACTIVITIES		
Net income	\$ 44.0	\$ 9.2
	-----	-----
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation	36.7	33.8
Deferred employee benefit cost	1.9	11.0
Deferred income taxes	12.0	3.7
Change in: Receivables	(25.1)	(39.6)
Inventories	(38.0)	(6.2)
Accounts payable	(35.2)	(6.4)
Accrued salaries and wages	(14.9)	(4.2)
Other accrued liabilities	41.7	15.5
Other deferred items	12.7	13.4
	-----	-----
Net adjustments	(8.2)	21.0
	-----	-----
Net cash provided from operating activities	35.8	30.2
	-----	-----
INVESTING ACTIVITIES		

Capital expenditures	(24.6)	(94.7)
Investments in and advances to joint ventures, net	(1.1)	4.7
Proceeds from sales of assets	.5	.3
	-----	-----
Net cash used for investing activities	(25.2)	(89.7)
	-----	-----
FINANCING ACTIVITIES		
Long-term debt retired	(5.4)	(80.0)
Dividends paid	(4.4)	(6.2)
Acquisition of treasury stock	(.2)	(1.2)
	-----	-----
Net cash used for financing activities	(10.0)	(87.4)
	-----	-----
Net increase (decrease) in cash and cash equivalents	.6	(146.9)
Cash and cash equivalents - beginning of year	107.1	250.5
	-----	-----
Cash and cash equivalents - end of period	\$ 107.7	\$ 103.6
	=====	=====
SUPPLEMENTAL DISCLOSURES		
Cash paid during the period for:		
Interest (net of amount capitalized)	\$ 4.5	\$ 7.5
Income tax, net	1.1	.4
Non-cash investing and financing activities:		
Long-term debt acquired in purchase of assets	-	63.3

</TABLE>

See notes to consolidated financial statements

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INLAND STEEL INDUSTRIES, INC. AND SUBSIDIARY COMPANIES  
CONSOLIDATED BALANCE SHEET

<TABLE>  
<CAPTION>

	Dollars in Millions			
	March 31, 1995		December 31, 1994	
	(unaudited)			
<S>	<C>	<C>	<C>	<C>
ASSETS				
-----				
CURRENT ASSETS				
Cash and cash equivalents		\$ 107.7		\$ 107.1
Receivables		528.7		503.6
Inventories - principally at LIFO				
In process and finished products	\$ 411.4		\$ 363.8	
Raw materials and supplies	56.1	467.5	65.7	429.5
	-----		-----	
Deferred income taxes		41.8		41.3
		-----		-----
Total current assets		1,145.7		1,081.5
INVESTMENTS AND ADVANCES		217.5		225.1
PROPERTY, PLANT AND EQUIPMENT				
Valued on basis of cost	4,292.1		4,269.2	
Less: Reserve for depreciation, amortization and depletion	2,594.5		2,558.2	
Allowance for terminated facilities	100.7	1,596.9	100.7	1,610.3
	-----		-----	
DEFERRED INCOME TAXES		366.5		379.0
OTHER ASSETS		57.7		57.5
		-----		-----
Total Assets		\$ 3,384.3		\$ 3,353.4
		=====		=====

LIABILITIES AND STOCKHOLDERS' EQUITY

-----

CURRENT LIABILITIES

Accounts payable	\$ 318.1	\$ 351.2
Accrued liabilities	220.9	194.1
Long-term debt due within one year	19.5	19.5
	-----	-----
Total current liabilities	558.5	564.8

LONG-TERM DEBT	700.5	705.9
DEFERRED EMPLOYEE BENEFITS	1,303.1	1,301.2
OTHER CREDITS	47.3	49.4
	-----	-----
Total liabilities	2,609.4	2,621.3
REDEEMABLE PREFERRED STOCK	185.0	185.0
COMMON STOCK REPURCHASE COMMITMENT	37.9	37.9
STOCKHOLDERS' EQUITY (Schedule A)	552.0	509.2
	-----	-----
Total Liabilities, Redeemable Preferred Stock, and Stockholders' Equity	\$ 3,384.3	\$ 3,353.4
	=====	=====

</TABLE>

See notes to consolidated financial statements

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INLAND STEEL INDUSTRIES, INC. AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1/FINANCIAL STATEMENTS

Results of operations for any interim period are not necessarily indicative of results of any other periods or for the year. The financial statements as of March 31, 1995 and for the three-month periods ended March 31, 1995 and 1994 are unaudited, but in the opinion of management include all adjustments necessary for a fair presentation of results for such periods. These financial statements should be read in conjunction with the financial statements and related notes contained in the Annual Report to Stockholders for the year ended December 31, 1994.

NOTE 2/COMMITMENTS

The total amount of firm commitments of the Company and its subsidiaries to contractors and suppliers, primarily in connection with additions to property, plant and equipment, was \$42 million on March 31, 1995, unchanged from year end 1994.

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ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS - Comparison of First Quarter 1995 to First Quarter 1994

The Company reported first quarter 1995 consolidated net income of \$44.0 million, the Company's best quarter since the second quarter of 1989, compared with net income of \$9.2 million in the comparable year-earlier period. Improved operating results at both the Steel Manufacturing segment and Materials Distribution segment were the principal factors for the improvement. Also contributing to the improvement was lower consolidated interest expense.

Consolidated net sales increased 17 percent to a record \$1.26 billion in the 1995 quarter from \$1.08 billion in the 1994 first quarter, the result of higher volume and improved average selling price.

The Steel Manufacturing segment's net sales of \$651.7 million in the first quarter of 1995 represented a 10 percent improvement from the year-ago period. The average selling price of steel mill products shipped rose 8 percent from the year-ago period reflecting, in part, the continued overall strength of the market, while steel mill shipments increased 2 percent to 1,282,000 tons. In spite of interruptions caused by unscheduled equipment outages, operating profit in the quarter jumped to \$51.3 million from \$13.6 million in the comparable 1994 quarter. The sales improvement was the primary factor leading to the increase.

The Materials Distribution segment reported record operating profit in the quarter of \$42.1 million, up from \$21.4 million a year earlier. The improvement was due in large part to an increase in net sales, which rose 21 percent to \$652.3 million from \$538.6 million in the 1994 quarter, reflecting continued strong business conditions. The net sales increase was due to a 14 percent increase in average selling price, reflecting in part the recovery of higher materials costs from suppliers, and a 7 percent increase in volume.

#### Liquidity and Financing

The Company's cash and cash equivalents of \$107.7 million at March 31, 1995 was virtually unchanged from the \$107.1 million reported at year-end 1994. There was no short-term borrowing at either date.

Final documentation has been completed on the new Ryerson unsecured revolving credit facility. The new agreement extends the maturity of the credit facility for five years and increases the amount to \$200 million from \$100 million. This increases the Company's subsidiaries total committed credit facilities to \$325 million.

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In March, the Company announced the following three actions taken by the Board of Directors. Payment of a common stock dividend was reinstated with an initial quarterly declaration of \$.05 per share. Authorization was given for the contribution of \$100 million of Company common stock to the Company's pension trust, subject to a cap of 4.4 million shares. The contribution will strengthen the plan's funded status and reduce required cash contributions over the next few years. Authorization was also given for the repurchase of all outstanding shares of Series F Exchangeable Preferred Stock, a voting preferred stock with an outstanding stated value of \$185 million and an annual dividend rate of 9.48 percent. While there will be a "breakage fee" of approximately \$10 million associated with the repurchase, the action will reduce the Company's annual preferred dividend payments by \$17.5 million.

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## PART II. OTHER INFORMATION

### ITEM 5. OTHER INFORMATION

Consolidated financial statements of Inland Materials Distribution Group, Inc. are set forth in Appendix A to this Quarterly Report on Form 10-Q. Separate consolidated financial statements for Inland Steel Company are set forth in Inland Steel Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995.

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

3.(i) Copy of Certificate of Incorporation, as amended, of the

Company. (Filed as Exhibit 3.(i) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1994, and incorporated by reference herein.)

- 3.(ii) Copy of By-laws, as amended, of the Company. (Filed as Exhibit 3.(ii) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, and incorporated by reference herein.)
- 4.A Copy of Certificate of Designations, Preferences and Rights of Series A \$2.40 Cumulative Convertible Preferred Stock of the Company. (Filed as part of Exhibit B to the definitive Proxy Statement of Inland Steel Company dated March 21, 1986 that was furnished to stockholders in connection with the annual meeting held April 23, 1986, and incorporated by reference herein.)
- 4.B Copy of Certificate of Designation, Preferences and Rights of Series D Junior Participating Preferred Stock of the Company. (Filed as Exhibit 4-D to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1987, and incorporated by reference herein.)
- 4.C Copy of Rights Agreement, dated as of November 25, 1987, as amended and restated as of May 24, 1989, between the Company and The First National Bank of Chicago, as Rights Agent (Harris Trust and Savings Bank, as successor Rights Agent). (Filed as Exhibit 1 to the Company's Current Report on Form 8-K filed on May 24, 1989, and incorporated by reference herein.)
- 4.D Copy of Certificate of Designations, Preferences and Rights of Series E ESOP Convertible Preferred Stock of the Company. (Filed as Exhibit 4-F to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1989, and incorporated by reference herein.)
- 4.E Copy of Certificate of Designations, Preferences and Rights of Series F Exchangeable Preferred Stock of the Company. (Filed as Exhibit 4(b) to the Company's Current Report on Form 8-K filed on December 18, 1989, and incorporated by reference herein.)
- 4.F Copy of Indenture dated as of December 15, 1992, between the Company and Harris Trust and Savings Bank, as Trustee, respecting the Company's \$150,000,000 12-3/4% Notes due December 15, 2002. (Filed as Exhibit 4-G to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1992, and incorporated by reference herein.)

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- 4.G Copy of First Mortgage Indenture, dated April 1, 1928, between Inland Steel Company (the "Steel Company") and First Trust and Savings Bank and Melvin A. Traylor, as Trustees, and of supplemental indentures thereto, to and including the Thirty-Second Supplemental Indenture, incorporated by reference from the following Exhibits: (i) Exhibits B-1(a), B-1(b), B-1(c), B-1(d) and B-1(e), filed with Steel Company's Registration Statement on Form A-2 (No. 2-1855); (ii) Exhibits D-1(f) and D-1(g), filed with Steel Company's Registration Statement on Form E-1 (No. 2-2182); (iii) Exhibit B-1(h), filed with Steel Company's Current Report on Form 8-K dated January 18, 1937; (iv) Exhibit B-1(i), filed with Steel Company's Current Report on Form 8-K, dated February 8, 1937; (v) Exhibits B-1(j) and B-1(k), filed with Steel Company's Current Report on Form 8-K for the month of April, 1940; (vi) Exhibit B-2, filed with Steel Company's Registration Statement on Form A-2 (No. 2-4357); (vii) Exhibit B-1(l), filed with Steel Company's Current Report on Form 8-K for the month of January, 1945; (viii) Exhibit 1, filed with Steel Company's Current Report on Form 8-K for the month of November, 1946; (ix) Exhibit 1, filed with Steel Company's Current Report on Form 8-K for the months of July and August, 1948; (x) Exhibits B and C, filed with Steel Company's Current Report on Form 8-K for the month of March, 1952; (xi) Exhibit A, filed with Steel Company's Current Report on Form 8-K for the month of July,

1956; (xii) Exhibit A, filed with Steel Company's Current Report on Form 8-K for the month of July, 1957; (xiii) Exhibit B, filed with Steel Company's Current Report on Form 8-K for the month of January, 1959; (xiv) the Exhibit filed with Steel Company's Current Report on Form 8-K for the month of December, 1967; (xv) the Exhibit filed with Steel Company's Current Report on Form 8-K for the month of April, 1969; (xvi) the Exhibit filed with Steel Company's Current Report on Form 8-K for the month of July, 1970; (xvii) the Exhibit filed with the amendment on Form 8 to Steel Company's Current Report on Form 8-K for the month of April, 1974; (xviii) Exhibit B, filed with Steel Company's Current Report on Form 8-K for the month of September, 1975; (xix) Exhibit B, filed with Steel Company's Current Report on Form 8-K for the month of January, 1977; (xx) Exhibit C, filed with Steel Company's Current Report on Form 8-K for the month of February, 1977; (xxi) Exhibit B, filed with Steel Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1978; (xxii) Exhibit B, filed with Steel Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1980; (xxiii) Exhibit 4-D, filed with Steel Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1980; (xxiv) Exhibit 4-D, filed with Steel Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1982; (xxv) Exhibit 4-E, filed with Steel Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1983; (xxvi) Exhibit 4(i) filed with the Steel Company's Registration Statement on Form S-2 (No. 33-43393); and (xxvii) Exhibit 4 filed with Steel Company's Current Report on Form 8-K dated June 23, 1993.

- 4.H Copy of consolidated reprint of First Mortgage Indenture, dated April 1, 1928, between Inland Steel Company and First Trust and Savings Bank and Melvin A. Traylor, as Trustees, as amended and supplemented by all supplemental indentures thereto, to and including the Thirteenth Supplemental Indenture. (Filed as Exhibit 4-E to Form S-1 Registration Statement No. 2-9443, and incorporated by reference herein.)
- 11 Statement of Earnings per Share of Common Stock.
- 27 Financial Data Schedule
- (b) Reports on Form 8-K.

The Company did not file any reports on Form 8-K during the quarter ended March 31, 1995.

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SIGNATURE

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

INLAND STEEL INDUSTRIES, INC.

By James M. Hemphill  
\_\_\_\_\_  
James M. Hemphill  
Controller and  
Principal Accounting Officer

Date: May 10, 1995



Part I -- Schedule A

INLAND STEEL INDUSTRIES, INC. AND SUBSIDIARY COMPANIES  
SUMMARY OF STOCKHOLDERS' EQUITY

<TABLE>  
<CAPTION>

	Dollars in Millions			
	March 31, 1995		December 31, 1994	
	(unaudited)			
<S>	<C>	<C>	<C>	<C>
<b>STOCKHOLDERS' EQUITY</b>				
Series A preferred stock (\$1 par value)				
- 94,701 shares issued and outstanding as of March 31, 1995 and December 31, 1994		\$ .1		\$ .1
Series E preferred stock (\$1 par value)				
- 3,098,628 shares and 3,102,553 shares issued and outstanding as of March 31, 1995 and December 31, 1994, respectively		3.1		3.1
Common stock (\$1 par value)				
- 50,556,350 shares issued as of March 31, 1995 and December 31, 1994		50.6		50.6
Capital in excess of par value		1,092.7		1,095.5
Accumulated deficit				
Balance beginning of year	\$ (292.4)		\$ (371.9)	
Net income	44.0		107.4	
Dividends				
Series A preferred stock - \$ .60 per share in 1995 and \$2.40 per share in 1994	-		(.2)	
Series E preferred stock - \$3.523 per share in 1994	-		(11.0)	
Income tax benefit - Series E dividend	-		2.5	
Series F preferred stock - \$23.70 per share in 1995 and \$94.80 per share in 1994	(4.4)		(17.5)	
Series G preferred stock - \$1.54165 per share in 1994	-		(1.7)	
Common stock - \$.05 per share in 1995	(2.2)	(255.0)	-	(292.4)
Unearned compensation related to ESOP		(98.1)		(100.5)
Common stock repurchase commitment		(37.9)		(37.9)
Investment valuation allowance		(3.4)		(3.5)
Unearned restricted stock award compensation		(3.5)		(4.0)
Treasury stock, at cost				
- 5,885,650 shares and 6,006,122 shares as of March 31, 1995 and December 31, 1994, respectively		(195.0)		(200.9)
Cumulative translation adjustment		(1.6)		(.9)
<b>Total Stockholders' Equity</b>		<b>\$ 552.0</b>		<b>\$ 509.2</b>

</TABLE>

Part I -- Schedule B

INLAND STEEL INDUSTRIES, INC. AND SUBSIDIARY COMPANIES

SUMMARY FINANCIAL INFORMATION FOR BUSINESS SEGMENTS (UNAUDITED)

<TABLE>  
<CAPTION>

	Dollars in Millions	
	Three Months Ended March 31	
	1995	1994
	-----	-----
<S>	<C>	<C>
NET SALES		
-----		
Steel Manufacturing Operations	\$651.7	\$590.9
Materials Distribution Operations	652.3	538.6
Eliminations and adjustments	(46.3)	(53.8)
	-----	-----
Total Net Sales	\$1,257.7	\$1,075.7
	=====	=====
OPERATING PROFIT		
-----		
Steel Manufacturing Operations	\$ 51.3	\$ 13.6
Materials Distribution Operations	42.1	21.4
Eliminations and adjustments	(1.7)	1.2
	-----	-----
Total Operating Profit	\$ 91.7	\$ 36.2
	=====	=====

</TABLE>

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Exhibit 11

INLAND STEEL INDUSTRIES, INC. AND SUBSIDIARY COMPANIES  
Statement of Earnings Per Share of Common Stock

<TABLE>  
<CAPTION>

	Dollars and Shares in Millions (except per share data)	
	Three Months Ended March 31	
	1995	1994
	-----	-----
<S>	<C>	<C>
PRIMARY EARNINGS PER SHARE OF COMMON STOCK		
Shares of common stock		
Average shares outstanding	44.6	41.2
Dilutive effect of stock options	.1	.4
	-----	-----
	44.7	41.6
	=====	=====
Net income	\$ 44.0	\$ 9.2
Dividends on preferred stock, net of tax benefit on dividends applicable to leveraged Series E Preferred Stock held by the ESOP	6.5	8.0
	-----	-----

Net income applicable	\$ 37.5	\$ 1.2
	=====	=====
Primary earnings per share of common stock	\$ .84	\$ .03
	=====	=====
FULLY DILUTED EARNINGS PER SHARE OF COMMON STOCK		
Shares of common stock		
Average shares outstanding	44.6	41.2
Assumed conversion of Series A and leveraged Series E Preferred Stock	3.1	3.0
Dilutive effect of stock options	.1	.4
	-----	-----
	47.8	44.6
	=====	=====
Net income	\$ 44.0	\$ 9.2
Dividends on antidilutive preferred stock	4.5	6.3
Additional ESOP funding required on conversion of leveraged Series E Preferred Stock, net of tax	1.8	1.7
	-----	-----
Net income applicable	\$ 37.7	\$ 1.2
	=====	=====
Fully diluted earnings per share of common stock	\$ .79	\$ .03
	=====	=====

</TABLE>

NOTE: Series G Preferred Stock was converted to common stock as the result of a redemption call in May 1994.

In the three months ended March 31, 1995, the assumed conversion of non-leveraged Series E Preferred Stock was antidilutive. In the three months ended March 31, 1994, the assumed conversion of Series A, non-leveraged Series E, and Series G Preferred Stock were antidilutive.

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APPENDIX A  
INLAND MATERIALS DISTRIBUTION GROUP, INC.  
AND SUBSIDIARY COMPANIES  
(A wholly owned subsidiary of Inland Steel Industries, Inc.)  
CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED)

	Dollars in Millions	
	Three Months Ended March 31	
	1995	1994
	-----	-----
<S>	<C>	<C>
NET SALES	\$652.3	\$538.6
	-----	-----
OPERATING COSTS AND EXPENSES		
Cost of goods sold	565.0	473.9
Selling, general and administrative expenses	39.8	38.3
Depreciation and amortization	5.4	5.0
	-----	-----
Total	610.2	517.2
	-----	-----
OPERATING PROFIT	42.1	21.4
General corporate expense	(1.8)	(1.8)
Interest income (expense), net	.7	(.8)
	-----	-----
INCOME BEFORE INCOME TAXES	41.0	18.8

PROVISION FOR INCOME TAXES	16.5	6.0
	-----	-----
NET INCOME	\$24.5	\$12.8
	=====	=====

</TABLE>

See notes to consolidated financial statements

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INLAND MATERIALS DISTRIBUTION GROUP, INC.  
AND SUBSIDIARY COMPANIES  
(A wholly owned subsidiary of Inland Steel Industries, Inc.)  
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Dollars in Millions	
	Three Months Ended March 31	
	1995	1994
	-----	-----
<S>	<C>	<C>
OPERATING ACTIVITIES		
Net income	\$ 24.5	\$ 12.8
	-----	-----
Adjustments to reconcile net income to net cash used for operating activities:		
Depreciation and amortization	5.4	5.0
Deferred employee benefit cost	(1.1)	(.8)
Deferred income taxes	1.1	(.2)
Change in:		
Receivables	(63.7)	(48.6)
Inventories	(12.0)	(14.3)
Other assets	(.6)	-
Accounts payable	13.0	35.0
Payables to related companies	13.8	8.9
Accrued liabilities	(4.7)	(4.6)
	-----	-----
Net adjustments	(48.8)	(19.6)
	-----	-----
Net cash used for operating activities	(24.3)	(6.8)
	-----	-----
INVESTING ACTIVITIES		
Capital expenditures	(3.0)	(2.3)
Proceeds from sales of assets	.3	.3
	-----	-----
Net cash used for investing activities	(2.7)	(2.0)
	-----	-----
FINANCING ACTIVITIES		
Long-term debt retired	(.6)	(.4)
Change in notes receivable from related companies	41.9	(2.0)
	-----	-----
Net cash provided from (used for) financing activities	41.3	(2.4)
	-----	-----
Net increase (decrease) in cash and cash equivalents	14.3	(11.2)
Cash and cash equivalents - beginning of year	2.5	29.5
	-----	-----
Cash and cash equivalents - end of period	\$ 16.8	\$ 18.3
	=====	=====
SUPPLEMENTAL DISCLOSURES		
Cash paid during the period for:		
Interest (net of amount capitalized)	\$ .8	\$ 1.1
Income taxes, net	9.4	5.2

INLAND MATERIALS DISTRIBUTION GROUP, INC.  
AND SUBSIDIARY COMPANIES  
(A wholly owned subsidiary of Inland Steel Industries, Inc.)  
CONSOLIDATED BALANCE SHEET

<TABLE>  
<CAPTION>

	Dollars in Millions			
ASSETS	March 31, 1995		December 31, 1994	
<S>	(unaudited)		<C>	<C>
	<C>	<C>	<C>	<C>
CURRENT ASSETS				
Cash and cash equivalents		\$ 16.8		\$ 2.5
Receivables		290.8		227.1
Inventories - principally at LIFO		285.2		273.2
Notes receivable from related companies		15.7		57.6
Deferred income taxes		13.1		13.0
		-----		-----
Total current assets		621.6		573.4
PROPERTY, PLANT AND EQUIPMENT				
Valued on basis of cost	\$463.9		\$461.6	
Less accumulated depreciation	213.8	250.1	209.1	252.5
		-----		-----
DEFERRED INCOME TAXES		25.4		26.6
EXCESS OF COST OVER NET ASSETS ACQUIRED		24.7		25.0
OTHER ASSETS		2.2		1.6
		-----		-----
Total Assets		\$ 924.0		\$ 879.1
		=====		=====
LIABILITIES AND STOCKHOLDER'S EQUITY				
CURRENT LIABILITIES				
Accounts payable		\$ 112.8		\$ 99.8
Payables to related companies - trade and other		28.6		14.8
Accrued liabilities		23.6		28.3
Long-term debt due within one year		4.7		4.7
		-----		-----
Total current liabilities		169.7		147.6
LONG-TERM DEBT		23.0		23.6
DEFERRED EMPLOYEE BENEFITS AND OTHER		126.8		127.9
		-----		-----
Total liabilities		319.5		299.1
STOCKHOLDER'S EQUITY		604.5		580.0
		=====		=====
Total Liabilities and Stockholder's Equity		\$ 924.0		\$ 879.1
		=====		=====

&lt;/TABLE&gt;

INLAND MATERIALS DISTRIBUTION GROUP, INC.  
AND SUBSIDIARY COMPANIES  
(A wholly owned subsidiary of Inland Steel Industries, Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1/FINANCIAL STATEMENTS

Results of operations for any interim period are not necessarily indicative of results of any other periods or for the year. The financial statements as of March 31, 1995 and for the three-month periods ended March 31, 1995 and 1994 are unaudited, but in the opinion of management include all adjustments necessary for a fair presentation of results for such periods. These financial statements should be read in conjunction with the financial statements and related notes contained in Appendix A of Inland Steel Industries, Inc. Annual Report on Form 10-K for the year ended December 31, 1994.

NOTE 2/RELATED PARTY TRANSACTIONS

Inland Materials Distribution Group, Inc. ("Distribution") has agreed to procedures established by Inland Steel Industries, Inc. ("Industries") for charging Industries' administrative expenses to the operating companies owned by it. Pursuant to these procedures, Distribution was charged \$1.8 million by Industries for each of the first quarters of 1995 and 1994, for management, financial and legal services provided to Distribution.

Procedures also have been established to charge interest on all intercompany loans within the Industries group of companies. Such loans currently bear interest at the prime rate. Distribution's net intercompany interest income for the first three months of 1995 totaled \$.9 million as compared to \$.1 million of interest expense for the first quarter of 1994.

Distribution sells to and purchases products from other companies within the Industries group of companies. Such transactions are made at prevailing market prices. These transactions are summarized as follows:

<TABLE>  
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	Dollars in Millions	
	Three Months Ended March 31	
	1995	1994
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Net Product Sales	\$ 3.4	\$ 2.6
Net Product Purchases	44.5	52.8

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED STATEMENT OF OPERATIONS, THE CONSOLIDATED BALANCE SHEET, AND THE SUMMARY OF STOCKHOLDERS' EQUITY CONTAINED IN THE QUARTERLY REPORT ON FORM 10-Q TO WHICH THIS EXHIBIT IS ATTACHED AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL SCHEDULES

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