AVON

Operations Annual Report for 1985

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Annual Meeting
The 1986 Annual Meeting of Shareholders will be held on April 11, 1986. Formal notice of the meeting, proxy statement and proxy are being mailed to shareholders with this annual report.

Form 10-K
Upon written request to Shareholder Relations, Avon Products Inc., 9 West 57th Street, New York, N.Y. 10019, any shareholder may obtain, without charge, a copy of the company's 1985 annual report (Form 10-K) as filed with the Securities and Exchange Commission.

Financial Highlights

Year ended December 31
(in millions, except per share amounts)

	1985	1984	1983
Net Sales	$2,470.1	$2,605.3	$2,607.6
Earnings From Continuing Operations Before Taxes	224.3	274.1	243.2
Taxes on Earnings	96.1	122.2	108.3
Net Earnings From Continuing Operations	128.2	151.9	134.9
Discontinued Operations:			
Earnings, Net of Taxes	34.9	29.8	38.0
Loss on Disposal, Including Taxes	(223.0)	—	—
Net (Loss) Earnings	(59.9)	181.7	172.9
Per Share of Common Stock:			
Continuing Operations	$ 1.61	$ 1.80	$ 1.61
Discontinued Operations:			
Earnings	.44	.36	.45
Loss on Disposal	(2.81)	—	—
Net (Loss) Earnings	$ (.76)	$ 2.16	$ 2.06
Cash Dividends	$ 2.00	$ 2.00	$ 2.00
Average Shares Outstanding	79.35	83.84	83.58
Cash and Short-Term Investments	$ 86.1	$ 118.5	$ 194.7
Inventories	374.5	356.1	349.5
Working Capital	352.3	284.9	365.9
Long-Term Debt	617.8	412.8	301.2

Contents

Avon's annual report for 1985 is presented in two documents. This review of operations is accompanied by a separate report that includes the company's financial statements.

To Our Shareholders

In 1985, we restructured your company into a new and stronger Avon.

Fundamental to this repositioning was the sale of our Mallinckrodt Division. Because of a one-time charge of $223.0 million in connection with the sale – involving the write-off of goodwill and resulting capital gains and other taxes – the company reported a loss of $59.9 million for the year.

With part of the $675.0 million we will receive for Mallinckrodt, we will purchase another health care services company, further transforming Avon.

To develop a full appreciation of the change, compare the Avon of 1984 with the Avon of today. In 1984, Avon had Tiffany & Co., a slow-growth, low-profit, asset-intensive retailer, a business in which we had little expertise.

We also owned Mallinckrodt, a slow-growing specialty chemicals and medical products operation, ill-suited to Avon because of its nonconsumer businesses. We also had a beauty products business with some basic problems and a Direct Response Division with three struggling new businesses.

Today, Avon has a beauty business that has stabilized. The new direct-response ventures have grown rapidly and will become profitable in 1986. Foster Medical was acquired in mid-1984 and its growth in home health care has been phenomenal. We have sold Tiffany, and we are selling Mallinckrodt.

Late in 1985 we acquired a chain of retirement inns, and now we are acquiring a diversified health care services company. In the health care field, we are positioned in six interrelated segments that are growing rapidly. We have become a leader in home health care services.

We have redeployed our assets, trading slow-growth, low-profit businesses for rapid-growth, high-profit businesses. And we have concentrated on consumer businesses that reflect our expertise and our heritage of caring.

Avon Products moves into its second century in a stronger position than it's enjoyed in years. Avon's continuing operations are healthy and profitable. It has clearly defined strategies that are working. Its balance sheet is strong.

We're on the strategy we laid out for ourselves two years ago. We said then that 1984 was to be the year of planning, 1985 the year of execution of the plan, and 1986 the year of Avon's renaissance.

We're on schedule. Although sales of continuing operations declined 5 percent and earnings per share declined 11 percent for the full year, sales increased 10 percent and earnings per share increased 1 percent in the fourth quarter.

Shareholders have already begun to benefit from the company's strategic actions. Total return to Avon shareholders in 1985 outperformed the Standard & Poor's Index of 400 companies.

Let's look at a scorecard of 1985's plans and performance.

As we told you last year, our objective is to increase shareholder value. That has happened. And we believe our strategies will result in the continuing growth of shareholder value.

Last year we established that improving the performance of the U.S. beauty business was "clearly the most important short-term priority of the company." The business rebounded late in the year.

Domestic beauty products sales increased 12 percent and operating profit increased 13 percent during the fourth quarter.

The improvement did not come exactly as we'd planned. We'd expected our domestic beauty business to decline in the first quarter as a result of the restructuring of the sales force. That happened. We expected business to improve in the second quarter. That didn't happen.

Our domestic beauty business began to stabilize in the third quarter and turned up strongly in the fourth quarter.

We don't feel absolutely comfortable yet in asserting a turnaround. Turnarounds are clear only in retrospect. But at the very least, we believe we have stabilized the domestic beauty business.

Further, we were not as adept as we should have been in managing the changes we made. Not only did we restructure the sales force, but we also aggravated that change by simultaneously decentralizing. That was too much, too fast. In hindsight it's clear that we could have done a better job of phasing in the changes and of providing counsel and training.

The sales organization, to its great credit, rose to the challenge with a heroic performance. It has established a momentum that's carrying into 1986.

Our second strategy for 1985 was to expand consumer health care services.

Our Foster Medical home health care operation grew dramatically: Its sales more than doubled and its profit rose commensurately. It became the largest and most profitable home health care company in the nation.

Demand for home health care continues to increase as medical cost-containment programs are moving people from high-cost hospitals to low-cost homes. Helping patients – and the nation – save on medical expenses will be a powerful factor in the future growth of the business.

Foster Medical strengthened its position as the low-cost provider in the industry, even as it acquired 57 companies that had to be integrated into its system. At the same time, Foster Medical also broadened its line.

At the time of the Foster Medical acquisition in May 1984, we were challenged on the price we'd paid.

Some observers objected to the dilution of earnings, which we said would last less than two years. That's the way it turned out. Foster Medical will become a contributor in the first quarter of 1986.

The success of Foster Medical reinforced our conviction that health care services is a growth business of special interest to Avon. Further, the graying of America will ensure a growing market for health care and other services to senior citizens well into the next century. This demographic trend will take on a growing importance in the development of the corporation's strategies in the future.

The company's third strategy was to concentrate its resources—to divest operations that aren't profitable enough or don't fit strategically.

Certainly the sale of Mallinckrodt, negotiated at year-end, is a bold execution of that strategy.

Mallinckrodt had not met our expectations for growth, and its products are far afield from our consumer orientation.

While Mallinckrodt didn't fit our portfolio, it's a fine company, and there were many suitors. The sale of Mallinckrodt for $675.0 million in cash is expected to be consummated in the first quarter of 1986.

With the sale of Mallinckrodt, we will have substantially completed our divestiture program.

The fourth strategy was to acquire health care or consumer businesses that have the potential for rapid growth in sales and profits.

We're doing this, too. Shortly after year-end we completed negotiations to acquire The Mediplex Group Inc., an integrated and diversified provider of health care services.

Mediplex is growing rapidly. Since 1981 its sales have increased at a compound annual rate of 32 percent and its profits have grown at a compound annual rate of 60 percent. Because of its projected growth, it is expected to be virtually nondilutive to Avon in 1986.

Mediplex offers us business platforms in five areas—nursing homes, alcohol/substance abuse treatment, psychiatric treatment, management of retirement facilities, and development of retirement and health care facilities for ourselves or others.

We expect to complete the Mediplex acquisition shortly after the end of the first quarter of 1986. An aggressive three-year expansion program for Mediplex has already been developed.

Late in 1985, Avon acquired Retirement Inns of America, which operates 11 facilities for healthy senior citizens. This, too, is a platform acquisition that we plan to expand nationally.

It complements both Foster Medical and Mediplex, allowing us to offer a range of mutually supporting services to an aging America. All three of these operations fit Avon's culture of caring, which has been a hallmark of the company since its founding in 1886.

Avon also has plans for another acquisition—a portion of itself. We plan to buy up to 10 million shares of Avon common stock. We'll use part of the cash we get from the Mallinckrodt sale to buy our own stock.

Hicks B. Waldron, chairman and chief executive officer (left), and John S. Chamberlin, president and chief operating officer.

As you read through this report, you'll sense that we have a new Avon. It's different. It's stronger. It's been restructured for growth. We hope you sense a feeling of energy and change.

The change has been difficult, but Avon's employees have responded well. They care about the company and are embracing change to assure its growth. They are an outstanding group of people who care about their customers and each other.

A special acknowledgment is also in order for our representatives around the world, the women and men who have made us the world's leading beauty products company. And we thank our customers, whose confidence we continually work to justify.

We want to formally acknowledge the counsel, support and assistance provided by the board of directors. During the year, two new outside directors were added: Stanley C. Gault, chairman and chief executive officer of Rubbermaid Inc., and Ruth Block, executive vice president and chief insurance officer of The Equitable Life Assurance Society of the United States.

For Avon Products Inc., 1985 was a critical year. And it was a successful year. We executed our strategies, and they are working.

As we move through 1986, we should see them pay off at an increasing rate.

Hicks B. Waldron

Hicks B. Waldron
Chairman and Chief Executive Officer

John S. Chamberlin

John S. Chamberlin
President and Chief Operating Officer

February 10, 1986

Beauty Products

Avon Division

James E. Preston
President

Executive Vice President

Paul B. Markovits

Senior Vice President

Robert W. Pratt, Jr.

Group Vice Presidents

Raymond A. Baliatico
Philip C. Crosland
Phyllis B. Davis
Philip B. Evans
Manoel A. Lima
Stuart A. Ochiltree
L. Robert Pfund

Vice Presidents

Gail Blanke
Louis V. Consiglio
Charles H. Googe
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Thomas L. Mutach
Diane F. Perlmutter
Robert J. Pines
Thomas A. Rasmovich
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Gordon D. Skeoch
Andrew J. Sventy
George J. Szybillo
John L. Tefft
David D. Ussery
James C. Willcox
John J. Wojie
F. Kenneth Wolfe
Ronald C. Wolfe
Marc'a L. Worthing

Nineteen eighty-five was a pivotal year for the world's leading beauty company as its consumer-oriented strategies began to work.

In the fourth quarter, new U.S. sales and marketing programs generated a 13 percent increase in operating profit and a 12 percent gain in sales, while positioning the domestic business for improved results in 1986.

For much of 1985, U.S. performance had declined because of a drop in the number of domestic representatives. But the division slashed the representative staff deficit by 80 percent at year-end, as the direct-selling enthusiasm of its sales organization improved markedly.

Domestic Strategies Drive Performance
New sales management approaches, combined with a product line specially designed for Avon's best customers, increased representatives' sales productivity. Meanwhile, management is testing new distribution channels to supplement the Avon direct-selling system and is preparing to start two new ventures.

Overseas, local-currency sales and operating profit increased in 1985. The United Kingdom's outstanding performance led the European region to an 18 percent increase in operating profit when translated into U.S. dollars. International profits in dollars would have risen except for the maxi-devaluation of the Mexican peso last summer.

The smaller number of domestic representatives and the peso's declining value depressed the division's full-year performance. Worldwide net sales were $2.00 billion, down 8 percent from 1984. Operating profit was $234.6 million, down 20 percent.

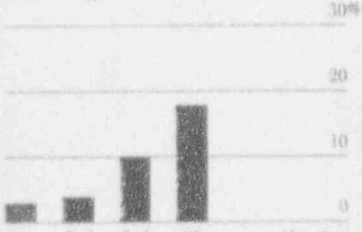
U.S. Performance and Direction
In 1985, the division substantially strengthened its direct-selling system and made important strides in developing new distribution channels that do not compete with representatives.

For the year, however, domestic sales were $1.12 billion, an 8 percent decrease. Operating profit was $95.4 million, down 35 percent largely due to two factors:

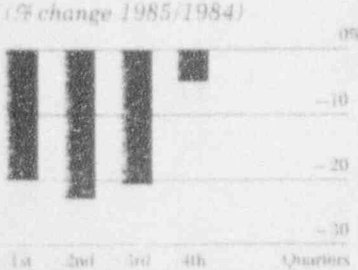
U.S. beauty sales rose in the fourth quarter because of larger orders by representatives and a smaller deficit in the number of representatives.

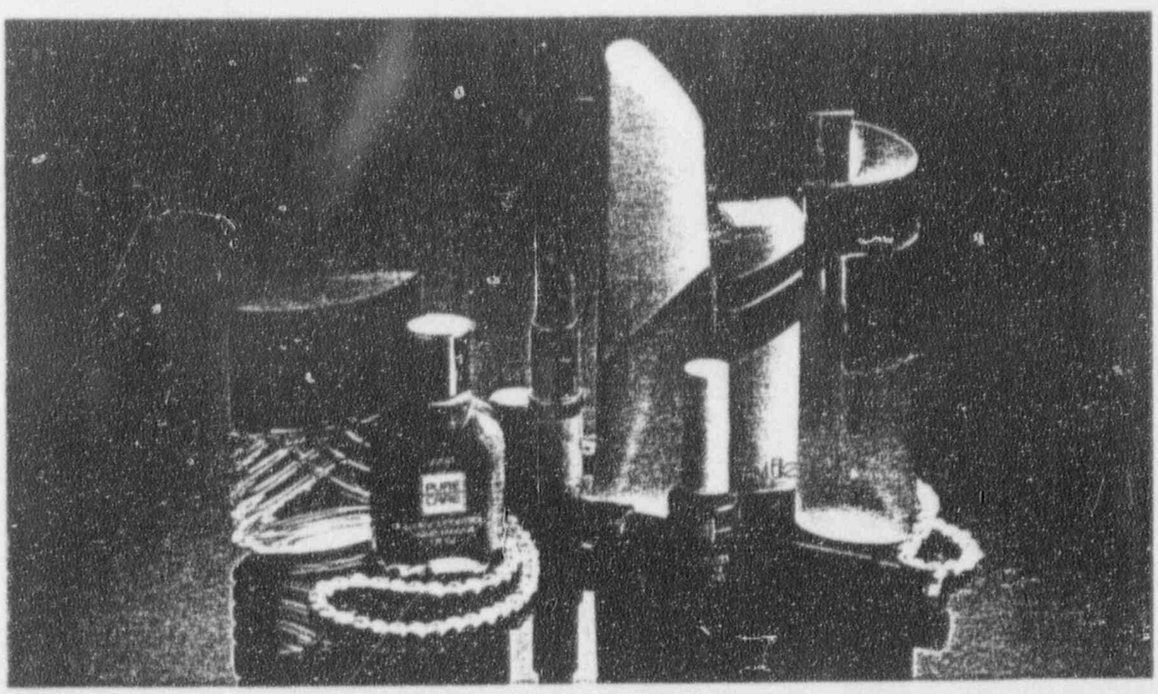
The late-year upturn in the U.S. beauty business was sparked by district managers like Anne Tatnall of Detroit (opposite) and an improved U.S. product line (below), designed for regular Avon customers. During the fourth quarter, the division's domestic operating profit increased 13 percent and sales increased 12 percent.

Average Size of Orders by Domestic Representatives (% change 1985/1984)



Number of Active Domestic Representatives (% change 1985/1984)





• Lower sales, caused by the smaller number of representatives, did not cover overhead costs adequately.
• Expanded marketing and test programs were conducted to strengthen the division's long-term growth opportunities.

Full-year results were below expectations, but the double-digit increases in sales and operating profit during the fourth quarter indicated that the plans are working. Management is executing the following strategies to maintain the momentum:
• Improve marketing effectiveness by tailoring the product line to the needs of major consumer groups.
• Increase representatives' productivity and earnings.
• Develop distribution channels to supplement the traditional direct-selling system.
• And, as an important element of all three strategies, improve profit margins.

Growing Consumer Orientation

In 1985, the division became more "market driven" through a better understanding of its consumers' needs and competitors' strategies. And consumers responded.

Sales of the *Imari* line were higher than those of any other new fragrance in Avon's history – more than $32 million at retail price during the first three months it was on the market. The reason: *Imari* stands out in a competitive marketplace.

Management understands that different consumers have different needs and expectations – that one marketing strategy cannot reach all consumers. Increasingly, the division is targeting specific consumer groups defined by such factors as age, income, lifestyle and geography.

The greatest challenge – as well as the greatest opportunity – for the division is to reach working women, who comprise a majority of all women in the United States. The division is studying "business direct-selling" concepts that will help representatives sell to women where they work. Direct-selling in the workplace is expected to complement Avon's home direct-selling system.

But no consumer group is more important than the division's middle-income, family-oriented "core customers." New marketing approaches will encourage them to make more "cross-category" purchases – buying jewelry, for example, at the same time they buy Avon makeup. Other efforts are expected to strengthen brand loyalty among core customers.

Standing in the Marketplace

Largely because the division increased its advertising by 40 percent, Avon's image among consumers began to stabilize in 1985 after several years of decline. Advertising expenditures will increase substantially in 1986, as the division rebuilds its reputation as a beauty authority and a convenient, personalized source of quality beauty products.

Fragrance sales increased despite the smaller representative staff in 1985,

Sales of Nurtura *skin care products rose 20 percent; the new* Pure Care *line offers customers nonallergenic skin care and makeup.*

To strengthen its position in skin care, the fastest growing beauty category, Avon plans to expand its wide selection of products and regimens. The division has made skin care a research and development priority.

Barbara Nielsen (standing), a leading district manager, teaches representatives in Salt Lake City how to sell more effectively.

and the division maintained its market share in this major category. Although its market shares declined in the other beauty categories, Avon remains the number-one U.S. company in both fragrance and jewelry, and one of the top five in makeup and skin care.

Total sales of cosmetics, fragrances and toiletries decreased 5 percent. Yet several established brands — such as *Soft Musk* women's fragrance products and the *Nurtura* skin care line — achieved strong sales in 1985.

The new *Pure Care* line of makeup and skin care products was well received by Avon customers. It brings them high-technology, nonallergenic products at prices they can afford.

Sales of jewelry and accessories fell 10 percent. But the division's growing emphasis on fashionability was reflected by successful jewelry introductions such as the *Pearlized* and *Summer Sands Collections*.

Sales of the gift-and-decorative category decreased 15 percent for the year. During the important fourth quarter, however, sales rose, compared with 1984, as pricing and design were better targeted at core customers. For example, sales of the *Teddy Bear Ornament Collection* were more than $15 million at retail price, the most ever for an Avon gift-and-decorative product.

Cosmetics, fragrances and toiletries represent about 60 percent of the division's domestic revenue. The jewelry and the gift-and-decorative categories each account for about 20 percent.

Stronger Representative System

In 1985, the sales management organization achieved a dramatic upturn in the size and morale of its representative staff.

In the first half, the number of representatives declined sharply following the reorganization and decentralization of the sales management staff. The new organization better balances the number of managers with the likely number of representatives. Decentralization enables local sales management to respond more quickly to changing market conditions.

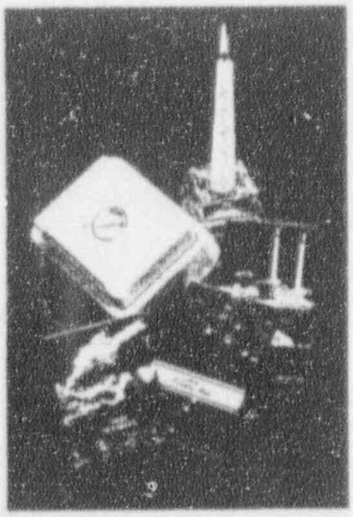
Unfortunately, the abrupt changes in management structure and philosophy caused morale to plummet. By July, the number of active representatives had fallen by 25 percent from 1984.

The sales organization responded quickly and effectively. District and division managers adopted a formal planning process to better manage their grassroots recruiting efforts. Nationwide incentive programs also spurred recruiting. And special communications efforts motivated top-performing representatives.

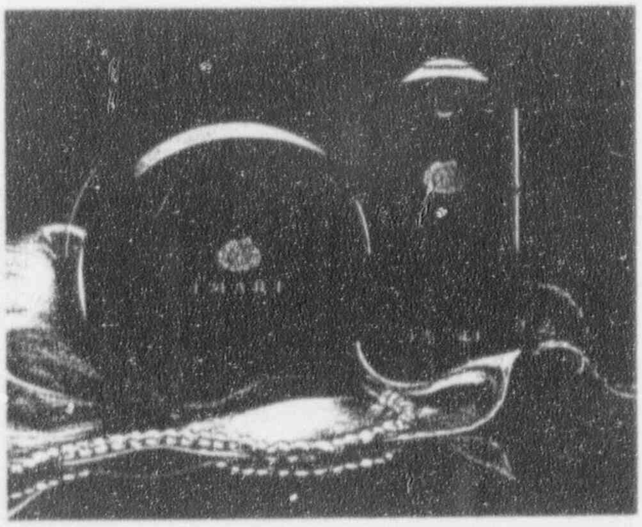
By year-end, the active representative staff had rebounded to 375,000 — 95 percent of the level in 1984. This recruiting momentum continued into 1986.

Sales Productivity

Improving representatives' sales productivity is the most crucial U.S. strategy for the division. Productivity



The Avon Mood Creations *electronic environmental fragrancer produced retail sales of $39 million during 1985.*



Imari, *Avon's most successful women's fragrance introduction ever, generated retail sales of $32 million after it was launched in the fourth quarter.*

Imari *stands out in a crowded marketplace because of its distinctive scent, its elegant packaging and its exciting image.*

Zone Manager Sue White (left) helped Avon/United Kingdom achieve a significant increase in its operating profit.

increased at an accelerating rate throughout the year. In the fourth quarter, it surpassed 1984 levels by more than 15 percent.

Because the number of representatives is expected to rise slowly, future sales growth depends on further productivity improvements.

The productivity gains in 1985 came from several sources. On average, representatives achieved higher sales of major beauty categories, such as fragrances and skin care products. Also, the sales organization included more high-producing representatives. And many representatives who previously covered only one 100-home territory began selling in two or three territories during 1985.

As productivity rose, so did representatives' earnings, which reached the highest level in recent years. Higher earnings help the division retain established representatives and recruit more people with high potential for direct-selling success.

These gains were achieved before the introduction of other approaches to increase productivity. An expanded training program planned for 1985 was delayed because the division needed to focus on recruiting. But training will be a priority in 1986. Meanwhile, the division is testing other ways to increase productivity.

Supplemental Distribution Channels
Management is exploring other distribution channels that reach high-income consumers not served by representatives. Included are two tests of direct-mail catalogs.

Avon and Liz Claiborne Inc. have formed a joint venture to develop and manufacture higher priced fragrances and cosmetics for sale in stores that offer Liz Claiborne fashions. Separately, an Avon subsidiary was established in France to develop a luxury-priced fragrance. The subsidiary will market the fragrance *Deneuve* through direct-response advertising in magazines.

Operating Profit Increase in Europe
The division's operating profit in Europe increased at a double-digit rate, led by a strong performance in the United Kingdom, the region's largest market. Avon also began selling in Austria and Ireland during 1985.

Because management reduced costs and closed unprofitable businesses in Belgium and the Netherlands, operating profit in Europe increased 18 percent in 1985 to $32.8 million. Sales declined 13 percent to $290.7 million, partly because the two operations were closed.

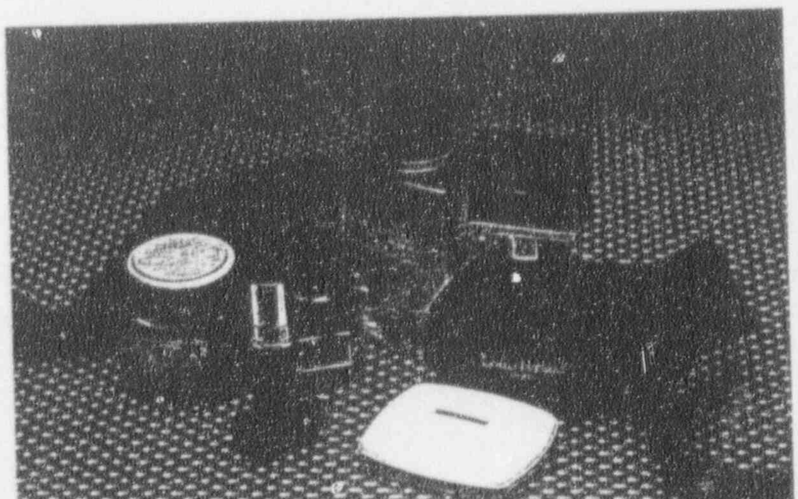
Avon/U.K. improved its profit margins by reducing costs and selectively raising prices. This important subsidiary is executing the following strategies:

- Build brand loyalty and identification by reducing the size of the product line.
- Improve the Avon image with more advertising.
- Develop direct-selling approaches to reach women in the workplace.
- Target marketing and sales strategies to well-defined groups of consumers and representatives.

Most other Avon companies in Europe are pursuing similar strategies in their mature markets.

Major new men's products launched in 1985 were Active Fitness System *body and skin care products and* Aurès *fragrance.*

The Pearlustre *necklace and the* Lapis Blue Reflections Collection *were among Avon's successful jewelry introductions.*



Around the world, Avon offers the widest range of quality beauty products available from any one source. Some are specially designed for consumers in large overseas markets. More often, U.S. concepts are adapted to local needs and expectations.

Avon/Japan Leads the Pacific

The division's largest company in the Pacific, Avon/Japan, reported higher sales and operating profit. Avon/Canada achieved substantially higher operating profit after restructuring its operations. But companies in several other Pacific markets were affected by slowing economic growth rates.

The operating profit of the Pacific region decreased 6 percent in 1985 to $48.2 million. Sales fell 5 percent to $273.0 million.

Avon/Japan's sales rose at a higher rate than the beauty industry as a whole in that major market. The division's key Pacific operation is concentrating on three basic strategies:

- Increase recruiting support to improve representative coverage.
- Sell more effectively to working women.
- Refine its unique two-tier direct-selling structure.

The two-tier structure supports representatives who sell only to their families and friends, as well as aggressive representatives who sell to many people. New training and incentive programs are encouraging more Japanese representatives to sell to people outside their immediate social circles.

Peso Impacts Latin American Results

Avon's earning opportunity, product quality and shopping convenience are distinct competitive advantages in the developing beauty markets of Latin America. Several of these markets reported higher profits in 1985.

But in Mexico, the region's most important market, local-currency sales and operating profit increases were more than offset by the negative impact of the precipitous decline in the peso's value.

The operating profit of Avon/Brazil, the division's second largest market in Latin America, rose substantially in 1985. Avon/Brazil introduced major new product categories, lingerie and apparel.

For the entire Latin American region, operating profit declined 10 percent to $58.4 million. Sales decreased 6 percent to $324.1 million in 1985.

Avon/Mexico's results, translated into dollars, fell in the second half when the peso's value decreased. The peso is expected to decline further in 1986. In this difficult environment, Avon/Mexico is emphasizing two primary strategies:

- Protect the dollar value of its assets and operating profit from future declines in the peso's value.
- Proceed cautiously with plans to generate local-currency profit growth to help offset the peso's negative impact.

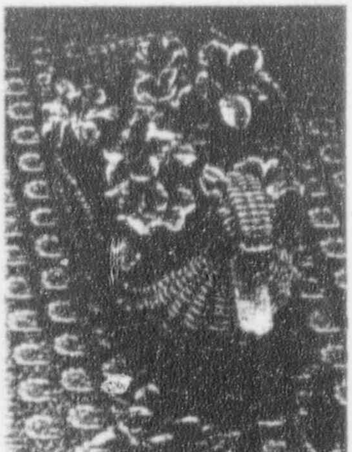
1986 Outlook

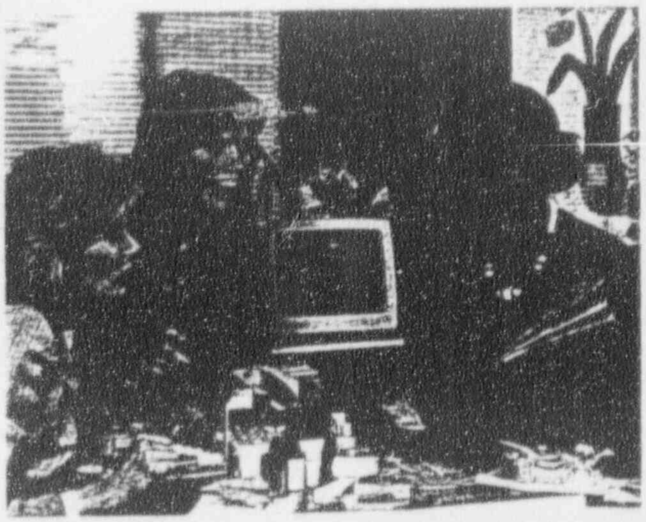
The division expects to move ahead with consumer-oriented strategies tailored to each Avon market worldwide. Domestic sales should increase throughout 1986, although operating profit may rise at a slower rate early in the year. Negative foreign currency fluctuations, particularly in Latin America, could moderate international performance in U.S. dollars.

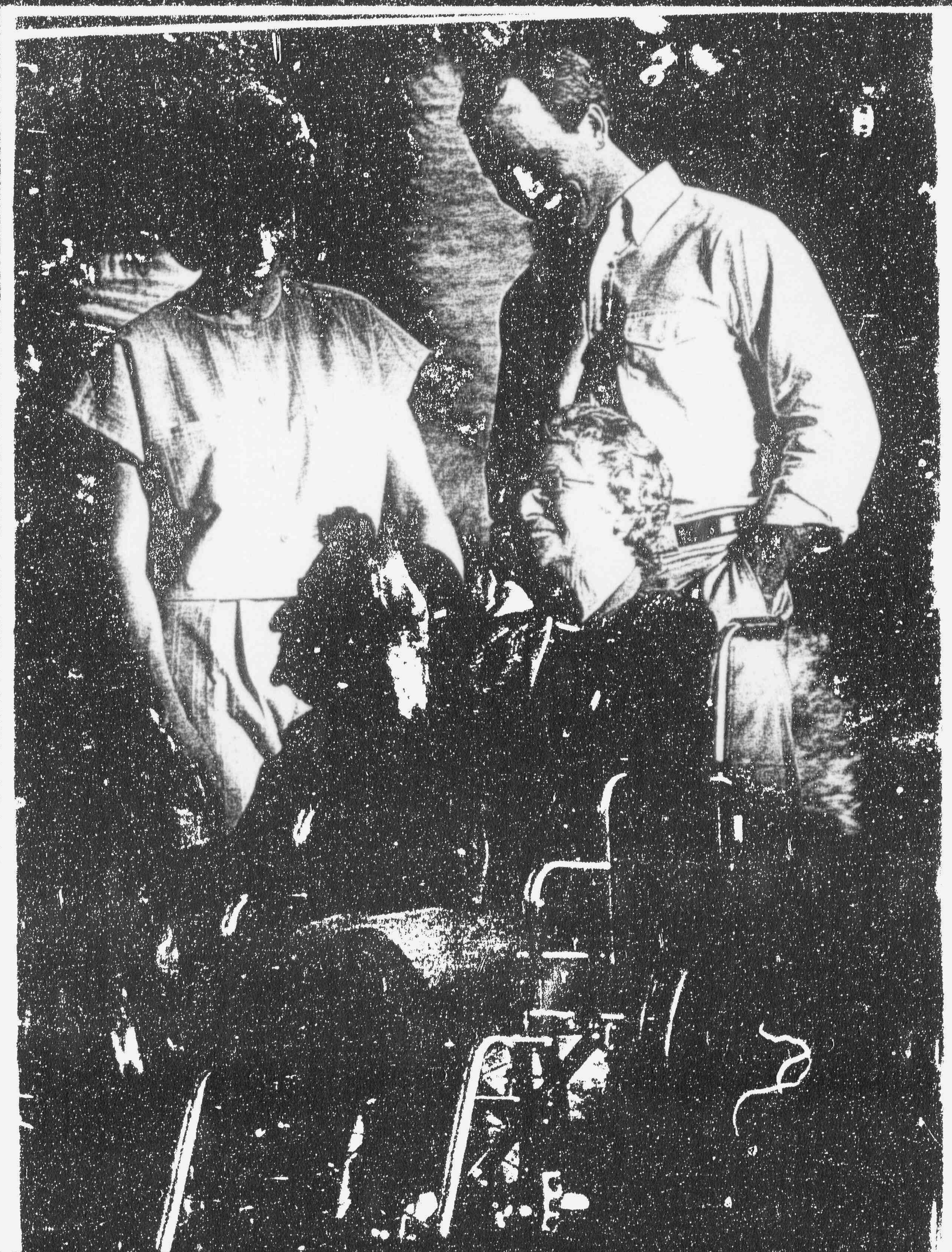
Zone Manager Harumi Udagawa (left) stresses representative recruiting in Japan, where Avon aims to increase its market share.

The Wicker Menagerie was among several successful new products that generated a fourth-quarter sales increase for the U.S. gift-and-decorative category.

More women than ever are employed full time. Avon is studying new ways of selling to this important consumer group. "Business direct-selling" will be tested in 1986. These programs are designed to enhance the Avon direct-selling system.







Health Care

Foster Medical Division

Stephen F. Nagy
President

Jeffrey S. Levitt
President, Home Health Care

Robert L. Cohen
President, Medical Supply

Senior Vice Presidents

Edward D. Arioli
Bruce A. Hazuka

Robert F. Moore
Vice President, Finance

Retirement Inns of America

Jeffrey H. Tamkin
Chairman

In just under two years, Avon has surged into national prominence as a leader in the health care services industry. It has grown by acquiring high-growth, high-return businesses that primarily serve the elderly.

The first step in the company's health care services strategy was the acquisition of Foster Medical Corporation in May 1984. Since then, Foster Medical has become the leading company in the home health care field.

In November 1985, Avon bought Retirement Inns of America Inc., which operates 11 facilities in the western United States with a total of more than 1,000 residential service units for the elderly.

In a larger acquisition announced in early 1986, Avon agreed to acquire The Mediplex Group Inc. Mediplex provides five "platforms" for expansion of Avon's health care services. This newly acquired company operates 11 nursing homes and manages three alcohol and substance abuse centers and a psychiatric care hospital. It also provides marketing and consulting services for retirement living projects and develops health care facilities for its own businesses and for others.

Health Care Services Strategy

Avon brings to its health care services strategy an established tradition of caring about people. For a century, the company has provided its customers with personalized service and quality products.

Avon is pursuing this health care services strategy because the U.S. population of senior citizens is becoming larger and more affluent. The elderly often need living arrangements tailored to their needs. They are the most frequent consumers of health care services. They require more and different kinds of support.

Meanwhile, medical cost-containment and new technologies encourage people in all age groups to leave hospitals quickly and recover at home, often aided by health care services outside the hospital.

Foster Medical

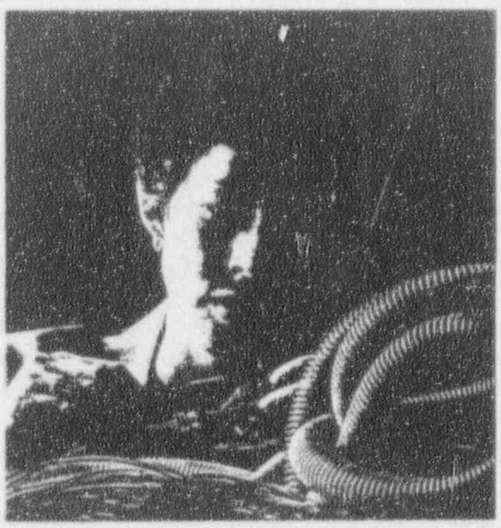
In 1985, Foster Medical consolidated its leadership of the U.S. home health care industry. The sales of its home health care business more than doubled. The division's medical supply operation posted a solid sales increase and was increasingly profitable despite intense competition.

The fast-growing population of senior citizens (opposite) uses health care services more often than other groups.

Demonstrating how to properly clean and maintain home health care equipment is an essential part of Foster Medical's service philosophy.

During a follow-up visit, registered respiratory therapist Michael Callahan (left) counsels a patient and his wife about the use of oxygen equipment. Ongoing personal instruction has been a major factor in Foster Medical's home health care success.

Millions of Americans over 65



For the year, Foster Medical's sales increased 64 percent to $260.3 million. Operating profit increased to $51.2 million from $22.3 million.

Foster Medical maintained the growth of its home health care business by developing its current operations and by acquiring smaller independent companies. The division bought 57 local home health care companies in 1985. It now operates more than 270 service branches in 34 states from coast to coast. Foster Medical's home health care sales rose to $173.9 million in 1985 from $79.5 million.

Foster Medical provides people recuperating at home with medical equipment and supplies, as well as advice on how to use them. Sales in this sector of the home health industry are expected to approach $7.00 billion in 1990, up from $1.50 billion in 1980.

Foster Medical home health care provides four kinds of service:

- Deliver and install medical equipment, usually under a doctor's prescription, and regularly follow up with supplies and maintenance.
- Counsel people on the use of their home-based medical equipment.
- Relieve customers of complicated insurance paperwork by using advanced data-processing systems.
- Communicate with medical professionals and family members to ensure that treatment meets the changing needs of patients, who are often elderly.

Commitment to Service, Quality

Foster Medical is committed to providing the best home health care service possible. The division's professionalism depends on the dedication and training of its employees. But management took another step to ensure top-quality service in 1985 by starting the industry's first formal quality assurance program. Foster Medical's reputation for excellent service is one of its most important assets.

Home health care is helping government and business slow the spiraling growth of health care expenses. Frequently, the cost of home health care is one-third — or even one-tenth, in some cases — of the same treatment in a hospital. In addition, studies show that many people get well more quickly in the familiar surroundings of their own home. And chronically ill patients living at home often have a better quality of life than those in health care institutions.

Growth Strategies

Foster Medical has three primary strategies to extend its leadership in the home health care field:

- Capture a greater share of home health care sales to the elderly.
- Broaden the distribution of "infusion therapies," which provide nutritional and drug treatments to people at home.
- Strengthen its current position as the industry's high-service, low-cost provider.

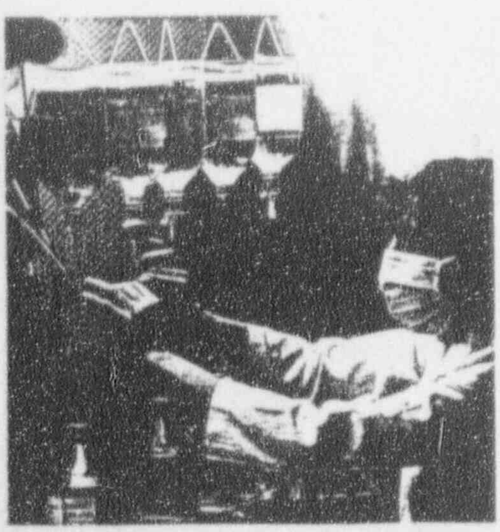
Americans over 65 use medical services at four times the rate of younger people. Consequently, the elderly — the most rapidly growing segment of the U.S. population — are Foster Medical's most frequent home health care customers.

Foster Medical is increasing its market share with this crucial consumer group by concentrating its expansion in the 15 states with the largest

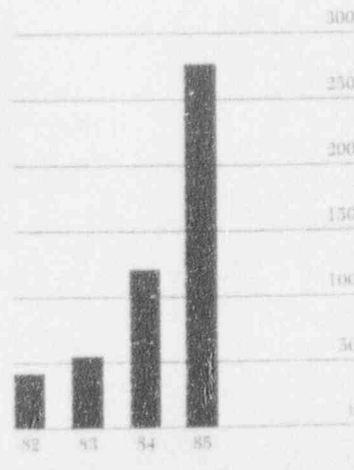
A Foster Medical pharmacist prepares intravenous solutions used in the home.

Service technicians deliver and install medical equipment for home health care customers, and follow up with supplies and maintenance.

Foster Medical's rapidly growing network of 277 service branches in 34 states offers customers a growing range of home health care products.



Foster Medical Division Home Health Care Service Branches



populations of senior citizens. In most cases, the purchase of existing home health care companies is quicker and less costly than starting new businesses.

Diversified Marketing Programs

Foster Medical is targeting sales and marketing programs to specific groups of home health care decision-makers.

Traditionally, the medical professionals who plan hospital discharges have advised patients about home health care services. As the medical industry evolves, however, physicians and Health Maintenance Organization staffs are becoming important sources of customer referrals. Also, many patients and their families are taking a more active role in choosing home health care companies. Foster Medical is developing marketing programs aimed at each of these groups.

To serve more customers and to serve them better, Foster Medical is extending its line of home health care products.

Originally, Foster Medical marketed only durable medical equipment, such as wheelchairs, hospital beds and walkers. Then the division introduced oxygen and respiratory therapy equipment to many of its service branches. Foster Medical more recently added a third product line, infusion therapy, which provides people at home with intravenous nutrition and drug treatments.

Low-Cost Operations

Foster Medical's leadership in the home health care industry largely depends on its ability to control expenses while ensuring high standards of service and product quality. Management is constantly improving computerized systems that streamline many of its operations. For example, Foster Medical processes Medicare and private insurance claims more quickly than its competitors can. Automated inventory and collections systems also help control costs.

Insurance coverage of home health care was under pressure in 1985, as government and business continued to emphasize medical cost-containment.

Foster Medical management had expected these changes. Already buttressed by its low-cost operations, the division revised its marketing strategies to soften the impact of the reimbursement changes on its business.

Stronger Medical Supply Business

In 1985, Foster Medical's medical supply business again stressed profitability rather than sales growth. Management concentrated its marketing on doctors' offices, freestanding clinics and nursing homes. These markets continue to grow, although the demand for medical supplies has remained soft among hospitals, traditionally the industry's most important market.

Foster Medical Outlook

In 1986, Foster Medical expects to maintain the rapid growth of its home health care business, although reimbursement changes could cause profit margins to narrow modestly. The division's medical supply business again should improve its operating profit, as sales increase.

Foster Medical's computerized systems quickly process insurance paperwork for home health care customers.

Area General Manager Lee Rodriguez (left) discusses 1986 goals with Tony Myrell, a district sales manager who previously sold his company to Foster Medical.

Residents of Retirement Inns of America (RIA) enjoy planned activities, like these provided in Oklahoma City. This consumer group is also served by Foster Medical's home health care operation and The Mediplex Group.

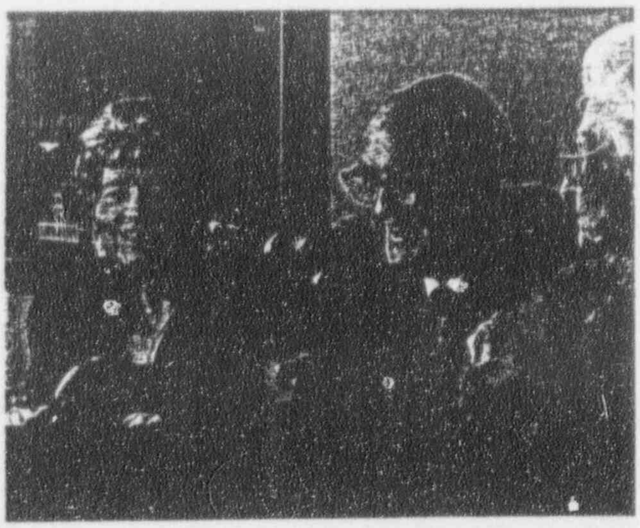


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IMAGE EVALUATION TEST TARGET (MT-3)

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IMAGE EVALUATION TEST TARGET (MT-3)

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IMAGE EVALUATION TEST TARGET (MT-3)

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150mm

6"

Board of Directors

Ruth Block*
Executive Vice President
The Equitable Life Assurance Society of the United States

John S. Chamberlin
President and Chief Operating Officer

Hays Clark
Retired; Former Executive Vice President

Donald S. Fredrickson, M.D.
President and Chief Executive Officer
Howard Hughes Medical Institute

Stanley C. Gault
Chairman of the Board and Chief Executive Officer
Rubbermaid Inc.

David W. Mitchell
Retired; Former Chairman of the Board

Emil Mosbacher, Jr.*
Real Estate Investor and Independent Oil and Gas Producer

Merlin E. Nelson
Investment Consultant; Former Vice Chairman
AMF Inc.
(Leisure-time and industrial products)

James E. Preston
Corporate Executive Vice President and President, Avon Division

Ernesta G. Procope*
President
E. G. Bowman Co., Inc.
(Insurance brokerage)

Joseph A. Rice*
Chairman of the Board and Chief Executive Officer
Irving Trust Co. and Irving Bank Corp.

Cecily Cannan Selby, Ph.D.
Adjunct Professor
Mathematics and Science Education
New York University; Lecturer and Educational Consultant

Hicks B. Waldron
Chairman and Chief Executive Officer

*Audit Committee Member

R. Manning Brown, Jr., a director of Avon Products Inc. for 21 years, died in the fall of 1985. The board, management and employees wish to acknowledge his many contributions to the company during his long tenure on the board. Mr. Brown was an executive of great integrity. We are proud to have been associated with him.

Corporate Officers

Hicks B. Waldron
Chairman and Chief Executive Officer

John S. Chamberlin
President and Chief Operating Officer

Stephen F. Nagy
Executive Vice President

James E. Preston
Executive Vice President

William H. Willett
Executive Vice President

John F. Cox
Group Vice President, Communications

William R. Henn
Group Vice President, Strategic Planning and Development

Cam Hoak
Group Vice President, Human Resources

W. Thomas Knight
Group Vice President, General Counsel and Secretary

Jules Zimmerman
Group Vice President and Chief Financial Officer

Vice Presidents

Philip J. Davis
Helmuth R. Fandl
Robert H. Hansen
Margro R. Long
Paul B. Markovits
Siri S. Marshall
Rainer [illegible]aul
Robert W. Pratt, Jr.
Virginia L. Trump

John E. Donaldson, Jr.
Vice President and Treasurer

Norman H. Werthwein
Vice President and Controller

Management Changes

Avon Products strengthened management during 1985.

John S. Chamberlin was recruited to be the company's president and chief operating officer. He is providing the support needed by the chairman and chief executive officer. His appointment also provides for succession and continuity of top management in the longer term.

Stephen F. Nagy was promoted to executive vice president of the company and president of Foster Medical. He has directed Foster Medical's growth to a position of national leadership in home health care.

The company recruited Cam Hoak to be group vice president of human resources, and William R. Henn was named group vice president of strategic planning and development.

All four officers are members of the corporate management committee.

General management, marketing, planning and operations talent was added in all three divisions.

Independent Accountants

KMG Main Hurdman
Park Avenue Plaza
55 East 52nd Street
New York, N.Y. 10055

Transfer Agent and Registrar

Morgan Guaranty Trust Co.
30 West Broadway
New York, N.Y. 10015

Direct Response

Direct Response Division
William H. Willett
President

Vice Presidents

Michael A. Cavallo	Thomas J. McGurren
Stephen E. Enroth	M. Richard Parisi
George D. Ittner	Stewart W. Tarkington
James H. Lant	Marianne A. Taylor
John J. LoRe	H. Wells Walker III
Michael G. Lutz	Constance K. Waters

In 1985, the Direct Response Division substantially increased its operating profit, even as it continued to invest in promising new businesses.

To strengthen the division's profitability, management significantly improved the efficiency of the operations center that supports four direct-response businesses. As a result, operating profit rose to $8.8 million, compared with the disappointing 1984 results of $2.9 million. Sales increased 10 percent to $205.2 million.

Building on the expertise of its flagship business, Avon Fashions women's apparel, the division is becoming an increasingly diversified direct-response competitor. Direct response is a convenient distribution channel that fits the needs of busy consumers. Because of the industry's convenience, its growth rate, adjusted for inflation, has been almost twice that of retail stores.

Growth Strategies

To take advantage of opportunities in this attractive industry, the division is concentrating on three basic strategies:

- Identify segments within Avon Fashions' customer base and target special marketing programs to them.
- Rapidly develop the customer base of three other businesses—James River Traders, Brights Creek and Great American Magazines—so they quickly become profitable.
- Evaluate other opportunities in the huge direct-response industry, which had total sales of more than $100 billion in 1984.

Avon Fashions reported sharply higher profits on a modest sales increase. Management improved profitability by concentrating marketing programs on established customers, who submit larger orders and buy more often than prospective customers do. This approach restrained the growth of Avon Fashions, whose sales had increased at an average annual rate of 28 percent since 1978.

Impact of Working Women

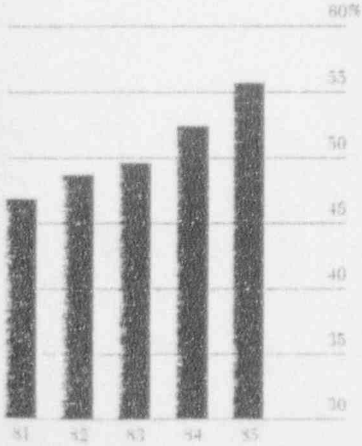
The popularity of direct-response shopping has been driven by the rising number of working women who often have less time to shop but more money to spend than their nonworking peers. Avon Fashions' core customers are a large but clearly defined segment of this consumer group—young, middle-income working women who want a wide selection of fashionable apparel at affordable prices.

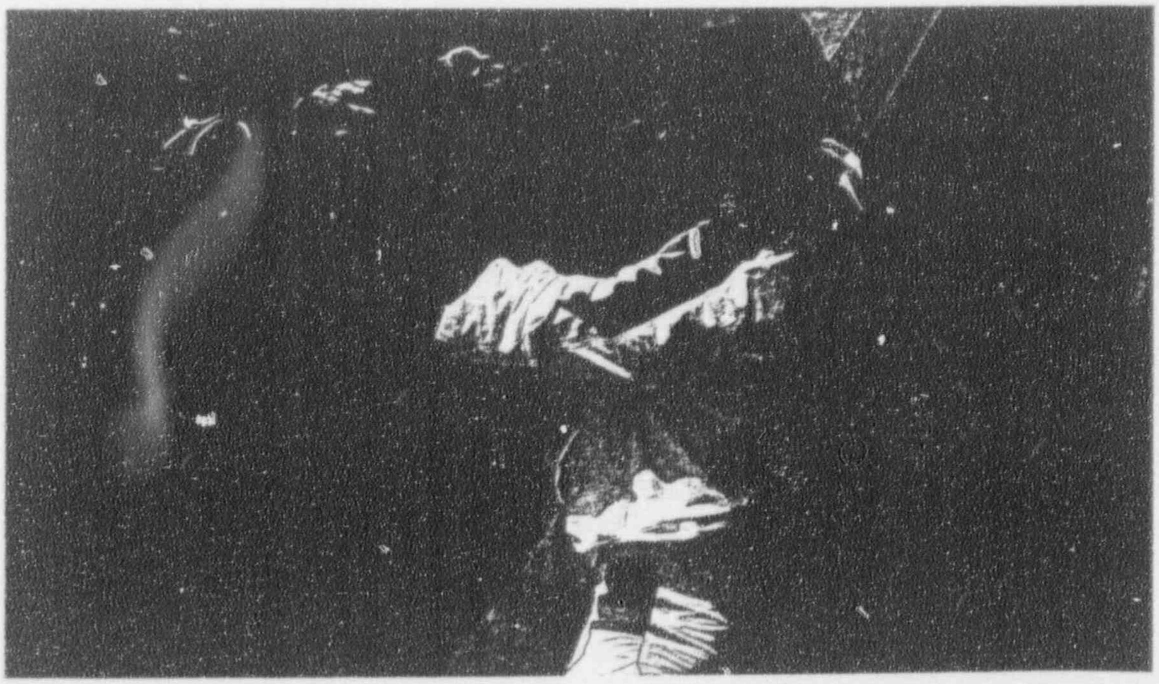
Avon Fashions' merchandise, pricing and catalogs have been designed to attract these high-potential direct-response consumers. As a result, this Direct Response Division business has become the nation's second largest specialty catalog that markets women's ready-to-wear apparel.

The growing role of direct-response marketing is demonstrated by the increasing portion of U.S. households buying from catalogs.

Moderately priced fashions chosen specially for young, middle-class working women have made Avon Fashions (opposite) the number-two catalog in its field. Affluent, well-educated men and women are target customers for the James River Traders (JRT) apparel collection (below). JRT has created a unique fashion statement featuring carefully updated classic designs and superior quality.

Percentage of U.S. Households Purchasing from Catalogs





The growth of Avon Fashions will depend on a better understanding of the buying habits of various segments of its customers. Consequently, management is studying computer records of millions of customer transactions over the years. This analysis is expected to reveal buying patterns that will help improve product selection and pricing.

James River Traders

The division introduced James River Traders (JRT) in 1983. This quarterly catalog features ready-to-wear apparel for affluent, well-educated consumers.

To reach this discriminating consumer group, James River Traders has created a unique fashion statement featuring carefully updated classic designs and superior product quality.

The early JRT catalogs specialized exclusively in men's clothing because many busy men are discovering the convenience of shopping by mail or telephone. But management later introduced complementary women's apparel into James River Traders catalogs. Now 40 percent of JRT's customers are women.

Great American Magazines

Some 70 percent of all U.S. magazine subscriptions are sold through direct-response marketing. The division's Great American Magazines subscription operation entered this attractive field in early 1983.

Great American Magazines solicits subscriptions for most major U.S. publishers of periodicals. Its low introductory prices coupled with sweepstakes drawings for exciting prizes – $1 million, for example, in an early 1986 contest – entice consumers to buy subscriptions.

Brights Creek

In 1983, the division introduced the Brights Creek catalog of clothing and accessories for children up to age 12. Brights Creek targets middle-income consumers – grandparents as well as parents – looking for fashionable, quality apparel at moderate prices.

The U.S. children's wear business is large – estimated annual sales are $18 billion – and growing. The demand for children's products is particularly strong now because of the rising number of first births in the United States. Generally, parents spend twice as much on their first child as on their other children.

Operating Systems

Computerized systems at a centralized operations center support all four Direct Response Division businesses with mailing list, order processing and billing services. In addition, employees at this Hampton, Virginia, facility assemble and mail thousands of orders each week.

In 1985, a new management team improved the efficiency of the operations center. As a result, the division's order turnaround time is quicker than the industry average – a crucial factor in satisfying consumers who prefer direct-response buying because of its convenience. These operating improvements position the division for further profit gains.

Direct Response Division Outlook

In 1986, the division expects to improve its operating profit margins substantially, as sales grow at a higher rate than they did in 1985.

Exciting catalogs help Avon Fashions sell to young working women, who appreciate the convenience of direct-response shopping.

The Great American Magazines subscription business offers attractive prices on periodicals and a chance to win lucrative prizes in sweepstakes drawings.

Brights Creek benefits from the growing demand for children's apparel and accessories in the United States.

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 1986 Commission file number 1-483

INTERNATIONAL MINERALS & CHEMICAL CORPORATION
(Exact name of registrant as specified in its charter)

New York (State or other jurisdiction of incorporation or organization)	36-1263901 (I.R.S. Employer Identification No.)
2315 Sanders Road Northbrook, Illinois (Address of principal executive offices)	60062 (Zip Code)

Registrant's telephone number, including area code: 312-564-8600

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
4% Cumulative Preferred Stock, par value $100 per share	New York Stock Exchange
$3.75 Convertible Exchangeable Preferred Stock, Series A, $1 par value	New York Stock Exchange
Common Stock, par value $5 per share	New York Stock Exchange Midwest Stock Exchange Pacific Stock Exchange
9.35% Sinking Fund Debentures due November 1, 2000	New York Stock Exchange
11.875% Sinking Fund Debentures due May 1, 2005	New York Stock Exchange
4% Convertible Subordinated Debentures due January 1, 1991	New York Stock Exchange
4.5% Subordinated Debentures due July 1, 1991	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

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 preceeding 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__X___. No_______.

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares outstanding of each of the issuer's classes of common stock: 27,250,842 shares as of August 29, 1986.

State the aggregate market value of the voting stock held by non-affiliates of the registrant: $713,471,031 as of August 29, 1986. Market value is based on the August 29, 1985 closing price of Registrant's Common Stock and the closing price for Registrant's 4% Cumulative Preferred Stock on August 28, 1986 (the trade date nearest August 29, 1986).

DOCUMENTS INCORPORATED BY REFERENCE: Information required by Items 10, 11, 12, and 13 of Part III is incorporated by reference from pages 1 through 8, pages 14 through 28, pages 9 through 11, and pages 11 through 14, respectively, of the Registrant's definitive proxy statement for the annual meeting of stockholders to be held on October 15, 1986.

1986 FORM 10-K CONTENTS

Part I.

Item 1. Business

INTRODUCTION

Company Profile

International Minerals & Chemical Corporation was incorporated in New York in 1909. In June, 1986, IMC signed letters of intent to sell its gas and oil segment and substantially all the net assets of its industrial products segment. These transactions are expected to close later in calendar year 1986. Certain smaller operations of the industrial products segment have been retained and combined with the animal products and fertilizers segments; prior year amounts for the latter segments have been restated to reflect this change. The gas and oil segment related principally to the exploration, development and production of natural gas and oil, primarily in Louisiana. The industrial products segment included mining, refining and resale of carbon products, ferroalloys, quar : products and industrial minerals and chemicals. See "Discontinued Operations" in Notes to Consolidated Financial Statements for results of these discontinued operations and the anticipated net losses on their ultimate disposals. The discontinued operations have been excluded from the following discussion of continuing operations.

IMC's principal continuing businesses are the production and sale of (i) fertilizer materials, (ii) through its acquisition in 1986 of the Mallinckrodt Division of Avon Products, Inc. ("Mallinckrodt"), medical products, specialty chemicals, and flavors and fragrances, and (iii) animal products.

Corporate headquarters are at 2315 Sanders Road, Northbrook, Illinois 60062 (telephone number (312) 564-8600).

Three Reminders

In this report:

International Minerals & Chemical Corporation and its subsidiaries are called the "Company," the "Corporation," or "IMC," unless otherwise indicated by the context.

The term "operating earnings (loss)" means the revenues of a business segment, including sales to other IMC business segments, less all operating expenses. Generally, operating expenses do not include interest expense, corporate income and expense, or taxes on income.

Also, unless otherwise noted, years referred to are years ended June 30.

Seasonal Factors

In general, IMC's businesses are affected by seasonal factors primarily in the case of four fertilizer product lines--phosphate chemicals, potash, ammonia, and mixed fertilizers.

Methods of Competition

IMC's fertilizer materials are commodities that are available from other sources, and the marketplaces, both domestic and foreign, are highly competitive. Apart from competitive pricing, IMC's principal method of competition in its fertilizer business is in service to customers. Among other things, this service includes maintaining an extensive North American distribution network, including about 3,000 railroad cars leased and owned. This network also includes the operation of a significant number of in-market storage facilities in key states to meet changing distribution patterns. Competition with foreign and domestic manufacturers in the Mallinckrodt-related businesses and animal products involves price, service, quality, and the development of technology and is intense in all markets served.

Business Segment Information

IMC's principal U.S. plants and properties of continuing operations are located in 24 states in the United States. The Company also has significant operations in Canada in the Province of Saskatchewan.

Individual business segment contributions to IMC's net sales and operating results from continuing operations over the past five years are included in the discussion of each segment's business. See also "Segment Information" in Notes to Consolidated Financial Statements.

Net sales shown in the discussions referred to above include intersegment sales. Intersegment sales are generally at prices approximating those charged to unaffiliated customers. The amounts and related proportion of net sales and operating earnings contributed by the various businesses of IMC have varied from year to year and may continue to do so in the future as the result of changing business, economic, and competitive conditions and technical developments.

FERTILIZERS

The Products

The Company believes that it is the world's largest private-enterprise miner of phosphate rock and potash. These products are two of the three basic raw materials for fertilizer production. The third basic raw material--nitrogen--is produced by IMC in the form of anhydrous ammonia.

Phosphate chemicals, mixed fertilizers, and uranium oxide complete the product lines. Phosphate chemicals are fertilizer materials, and mixed fertilizers are finished goods ready for application by the farmer. Uranium oxide, also called yellow cake, is a raw material that IMC extracts from phosphoric acid and which IMC sells for upgrading into fuel for nuclear power plants. Phosphate rock is IMC's source of uranium, with the uranium content varying from one reserve area to another.

The table below shows fertilizer sales by product line and operating earnings (loss) in millions of dollars for each of the past five years.

	1986	1985	1984	1983	1982
Net sales:					
Phosphate rock	$101.9	$139.3	$147.4	$124.3	$143.2
Phosphate chemicals	340.6	392.2	339.4	326.4	270.1
Potash	140.8	191.6	210.6	182.4	198.6
Ammonia	63.1	72.0	29.1	34.1	74.0
Mixed fertilizers	124.0	159.8	175.8	142.9	141.0
Uranium	80.0	87.0	64.3	77.4	64.3
Other	15.6	19.0	17.6	24.0	25.5
	$866.0	$1,060.9	$984.2	$911.5	$916.7
Operating earnings (loss)	$(61.0)	$136.5	$144.9	$116.5	$135.1

In 1986, the Company changed its method of determining cost for certain domestic inventories. Financial statements for prior years have been restated to reflect this change. See Notes to Consolidated Financial Statements.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 28 for information on nonrecurring items and a change in accounting estimate included in the above results that amounted to a net charge of $66.1 million in 1986 and a net credit of $7.7 million in 1984.

Phosphate Rock

As reported by the U.S. Bureau of Mines, there are 21 miners of phosphate rock in the United States, with production principally going into the manufacture of fertilizer. The major outlets for IMC rock are fertilizer manufacturers in the United States, foreign distributors and manufacturers, and internal use. Most rock is treated with sulphuric acid to produce phosphate chemicals for fertilizers.

Production and Reserves

IMC's phosphate mining operations and production plants are located in Polk and Hillsborough Counties in Central Florida.

The ore is extracted through surface mining after removal of a top layer of earth called overburden. The Company then processes the ore at one of four plants to produce phosphate rock.

IMC's Florida production capacity is approximately 12.5 million tons of product a year (excluding IMC's share of capacity at the IMC/Grace joint venture discussed below). Low demand curtailed production in all years. The following five-year table compares IMC production (including IMC's share of production since January, 1985, at the IMC/Grace joint venture) in millions of tons with total U.S. production, as reported by the U.S. Department of the Interior.

	1986	1985	1984	1983	1982
IMC	9.5	11.8	11.0	9.2	9.6
Total U.S.(1986 preliminary)	49.6	57.2	51.0	40.7	50.2

In fiscal 1986, IMC added about 8 million tons to its Central Florida phosphate rock reserves (acquisitions of about 1 million tons and an upward revaluation of about 7 million tons) and mined 8 million tons. IMC's Central Florida phosphate reserves mineable from present operations are an estimated 102 million tons at June 30, 1986. Central Florida reserves are contained in 20,600 unmined acres that IMC owns or controls through long-term lease or royalty agreements. Reserve grades range from 58 percent to 78 percent BPL (bone phosphate of lime), with an average grade of 68 percent BPL. (Bone phosphate of lime is a standard industry term used to grade phosphate rock.) The rock mined by IMC in the last three years averaged 69 percent BPL.

In addition to the reserves described above, IMC owns or controls about 18,000 acres that contain an estimated 90 million tons of reserves in the southeastern portion of Hillsborough County. Reserve grades range from 58 percent to 78 percent BPL. These reserves could support a new phosphate mine, although a target date for its construction has not been established. The Little Manatee River, which flows through the reserve area, has been designated as an Outstanding Florida Water which could result in increased mining costs for these reserves, although mining operations will not occur for a number of years.

IMC and W.R. Grace & Co. ("Grace") have a 50-50 mining joint venture to produce phosphate rock. IMC's investment in this joint venture was approximately $153 million at June 30, 1986. The mine and related facilities cost approximately $640 million and were completed in December, 1984. Mining operations began in January, 1985. Operations were shut down temporarily in February, 1986 due to market conditions and are expected to resume in early calendar 1988. This mine has an annual capacity of 5 million tons a year. Production in 1986 totaled 2.9 million tons with an average grade of 67 BPL. The joint venture has financed a substantial portion of the total project cost through project financing arrangements secured by long-term take-or-pay contracts with IMC and Grace, each contract covering 50 percent of the facilities' output. Proven reserves for this mine are estimated to be about 98 million tons. Reserve grades range from 58 percent to 74 percent BPL, with an average grade of 66 BPL. (See "Phosphate Chemicals.")

In addition to the reserves discussed above, IMC owns or controls 30,230 acres of phosphate deposits in Manatee, DeSoto, and Hardee Counties, about 40 miles south of current mining operations, which are called the South Florida deposits. (Reserves are ore bodies which are believed to be economically recoverable at current costs and prices. Deposits are ore bodies which require additional economic and mining feasibility studies before they can be classified as reserves.) These deposits differ substantially in physical and chemical characteristics from the reserves now being mined in Polk and Hillsborough Counties. The South Florida deposits contain estimated recoverable phosphate rock of approximately 239 million tons at about 65 percent BPL. The 575 acres and 5 million ton increase over 1985 estimated deposits resulted from a conveyance of certain acreage as a partial payment under a long-term phosphate rock supply contract. Some of these deposits may be located in what may be classified as unmineable wetland areas under standards set forth in a U.S. Environmental Protection Agency environmental impact statement completed in November, 1978.

For a description of litigation involving alleged mineral rights in Central Florida, see "Item 3--Legal Proceedings."

The Market

The Company sells its rock on long-term contracts and in the spot market. It also consumes a significant portion in the production of phosphate chemicals at its New Wales facility.

Shipments in millions of tons for 1986 and 1985 were as follows:

	1986		1985	
	Tons	%	Tons	%
Domestic:				
Major long-term contracts into 2004	2.5	26%	3.2	27%
Other	.8	8	1.6	14
Export	1.2	12	1.6	14
Captive (principally New Wales)	5.2	54	5.3	45
	9.7	100%	11.7	100%

Overall, rock prices averaged about $20 a ton in 1986 and 1985.

Most of IMC's export sales of phosphate rock are made through the Phosphate Rock Export Association, formed under the Webb-Pomerene Act by IMC and certain other Florida rock producers. Under the Act, members of an industry may form associations to negotiate prices and other terms for the export sales of their products and thus compete more effectively in foreign markets. Export markets for phosphate rock are highly competitive, with the nationally controlled mines of Morocco and other governments being significant factors in terms of supply and price.

Unit Production Costs

Unit production costs increased 5 percent in 1986 after a 6 percent increase in 1985. The 1986 increase is primarily attributable to reduced production.

Proposed Acquisition

IMC proposes to acquire the Brewster Phosphate properties from American Cyanamid and Kerr-McGee, consisting principally of two phosphate rock processing plants. IMC also proposes to lease related phosphate rock reserves. The properties are adjacent to IMC reserves and would extend the life of existing mines.

Phosphate Chemicals

IMC produces phosphate chemicals at its New Wales facility near Mulberry, Florida. The estimated annual capacity of this facility is 1.7 million tons of phosphoric acid P_2O_5 equivalent. (P_2O_5 equivalent is an industry term indicating a product's phosphate content measured chemically in units of phosphorous pentoxide.)

These products are sold under highly competitive conditions. IMC believes it and four other large companies accounted for about half of total U.S. capacity. New Wales' 1986 share of total U.S. production capacity amounted to about 14 percent.

New Wales

New Wales produced 1,312,000 tons of phosphoric acid (P_2O_5 equivalent) in 1986, a 5 percent decrease compared with 1985.

IMC sells its phosphate chemicals on long-term contracts and in the spot market. The table below shows 1986 and 1985 shipments in thousands of tons of P_2O_5 equivalent.

	1986		1985	
	Tons	%	Tons	%
Domestic:				
Long-term contracts from 1988 to 1990	323	24%	337	23%
Spot market	499	37	345	23
Captive*	268	20	329	22
	1,090	81	1,011	68
Export	252	19	480	32
	1,342	100%	1,491	100%

*See "Animal Products--Feed Ingredients" on page 18 for a discussion of IMC's use of phosphate chemicals in the production of animal feed ingredients.

The buyers under the long-term contracts furnished contractual support to the initial financing of the New Wales facility in 1975. Sales to these buyers are generally at prices that are sufficient to recover cash production costs and a proportionate share of IMC's capital requirements and debt service.

Phosphate rock, ammonia, and sulfur are the principal raw materials for the production of phosphate chemicals. The New Wales operation receives most of its rock from IMC's nearby Florida mines and, prior to its shutdown, the joint-venture phosphate rock mine with Grace and most of its ammonia from IMC's Louisiana production. Sulfur is obtained primarily from domestic suppliers under long-term contracts.

The Market

IMC's worldwide phosphate chemicals market prices decreased by about 8 percent in 1986 after a decrease of 5 percent in 1985. Virtually all of IMC's export sales are marketed through the Phosphate Chemicals Export Association, a Webb-Pomerene Act organization.

Florida Environmental Matters

As previously reported, the U. S. Environmental Protection Agency (EPA) is in the fifth year of studies to determine whether mine wastes such as overburden, clay slimes, and tailings from phosphate rock mining and waste gypsum from phosphoric acid production should be considered "hazardous wastes." Adequate funding has been approved for EPA to complete its evaluation of the potential hazard. The studies are expected to be completed in late calendar year 1986.

As previously reported, the Florida Environmental Regulation Commission has adopted a groundwater rule which mandates limited monitoring activities to evaluate potential groundwater impacts from potential sources, including phosphate mines and chemical plants. IMC's monitoring plans for its mines and chemical plants have been approved by the Florida Department of Environmental Regulation. Groundwater permits have been issued for IMC's mines, and initial testing of water samples monitored has been satisfactory. A permit has been issued to IMC's New Wales facility, and initial samples have been collected.

Potash

IMC produces potash at three underground mines and three refineries, and the Company believes that its 1986 operations accounted for about 6 percent of world output. Two of these mines and refineries are located near Esterhazy in the Canadian province of Saskatchewan. The third mine and refinery is located near Carlsbad, New Mexico.

The term potash applies generally to the common salts of potassium. Since the amount of potassium in these salts varies, the industry has established a common standard of measurement by defining a product's potassium content in terms of equivalent percentages of potassium oxide (K_2O).

Most of the potash produced by IMC is sold as fertilizer materials and some as animal feed ingredients.

Saskatchewan

IMC's two interconnected Saskatchewan potash mines and refineries at those mines are owned and operated by a wholly owned subsidiary, International Minerals & Chemical Corporation (Canada) Limited ("IMC-Canada"). In December, 1985 water inflow was discovered at one of these mines. Substantial pumping capacity has been installed at this mine and the water inflow is under control. Production at this mine continues uninterrupted. The source of the water inflow has not yet been isolated. The Company has filed insurance claims for costs incurred to control this water inflow and believes that these costs are recoverable from the insurers.

Reserves

IMC-Canada controls the rights to mine 147,700 acres of potash-bearing land in Saskatchewan. This land, of which 20,742 acres have been mined, is in the southeastern portion of the province and consists of 76,200 acres owned in fee, 57,400 acres under lease from the province of Saskatchewan, and 14,100 acres leased from other parties. All the leases are renewable by IMC-Canada for successive terms of 21 years. Royalties are established by regulation of the Saskatchewan government and amounted to $2.3 million in 1986.

The reserves in this acreage are estimated to be about 8 feet thick, containing 1.3 billion tons of recoverable ore at an average grade of 25.0 percent K_2O--enough to support current operations for more than a century. The total estimated yield would be 420 million tons of product with a grade of about 61 percent K_2O.

Government Potash Operations

The Saskatchewan government, through its potash company, Potash Corporation of Saskatchewan (PCS), has several potash-producing properties in the province. The mining operations associated with these properties give PCS control of about 45 percent of Saskatchewan's potash production capacity.

One of the properties consists of reserves that are in the vicinity of IMC-Canada's potash operations. PCS conveyed its rights under a long-term contract with IMC-Canada to Potash Corporation of Saskatchewan Mining Limited (PCS Mining) that obligates IMC-Canada to mine and refine these reserves for PCS Mining for a fee plus a pro rata share of production costs. The specified quantities of potash to be produced for PCS Mining may, at PCS Mining's option, amount to an annual maximum of about one-fourth of the tons produced by IMC (not to exceed 1,050,000 tons).

The third five-year period of the contract commenced July 1, 1986, and, at the option of PCS Mining, the agreement can be renewed on the same terms for seven additional five-year periods.

Production

The total annual production capacity of IMC-Canada's refinery facilities in Saskatchewan is estimated to be 4.2 million tons of product. The table below shows IMC-Canada's ore and product output in thousands of tons for each of the past five years, plus average K_2O content.

	1986	1985	1984	1983	1982
Tons of sylvinite ore mined	8,603	10,685	10,561	9,095	8,306
Average K_2O content of ore mined	25.1%	25.3%	24.8%	25.4%	25.3%
Tons of potash produced:					
IMC	2,617	2,982	2,932	2,569	2,283
PCS	638	1,025	977	821	767
	3,255	4,007	3,909	3,390	3,050
Average K_2O content of product	61.1%	61.0%	61.0%	61.0%	61.3%

Carlsbad

IMC's Carlsbad operations mine and refine potash from 38,600 acres of reserves which the Company controls under long-term leases. These reserves contain an estimated total of 182 million tons of recoverable ore in four mining beds at thicknesses ranging from 5.5 to 8.5 feet.

The ore is of three types: (1) sylvinite, a mixture of potassium chloride and sodium chloride, the same as the ore mined in Saskatchewan; (2) langbeinite, a double salt of potassium and magnesium; and (3) a mixed ore, containing both potassium chloride and langbeinite.

At average refinery recovery rates, these ore reserves are estimated to be sufficient to yield 14.2 million tons of concentrate from sylvinite with an average grade of 60.0 percent K_2O. The yield from langbeinite reserves is estimated at 32.4 million tons of langbeinite concentrate with an average grade of 22.2 percent K_2O.

At current rates of production, IMC's reserves of sylvinite and langbeinite are estimated to be sufficient to support operations for more than 33 years.

Langbeinite ore is used to produce two IMC products. One is a double sulphate of potash magnesia, a fertilizer the Company markets under the brand name Sul-Po-Mag. The other is sulphate of potash, produced by a chemical mixture of langbeinite and potassium chloride, and used primarily as a fertilizer ingredient. IMC believes it is the larger of the two U.S. producers of double sulphate of potash magnesia and the largest of several U.S. producers of sulphate of potash.

The five-year table below shows Carlsbad production figures in thousands of tons.

Years ended June 30	1986	1985	1984	1983	1982
Tons of ore mined	4,823	5,418	5,420	5,154	5,095
Average combined K_2O content of the ore (langbeinite plus sylvinite)	11.8%	10.9%	10.4%	10.4%	9.9%
Tons of potash produced	782	812	826	790	749

Total IMC Potash Production

In addition to IMC, there are eighteen North American potash producers--ten in the United States, of which three are presently closed, and eight in Canada. The following five-year table compares IMC's combined U.S. and Canadian production with total North American production, in thousands of tons, as reported by the Potash and Phosphate Institute.

	1986	1985	1984	1983	1982
Tons of K_2O equivalent					
IMC:					
Carlsbad	304	312	318	310	295
Esterhazy*	1,599	1,819	1,789	1,568	1,399
	1,903	2,131	2,107	1,878	1,694
North America	8,238	9,587	9,507	7,735	8,825
*Tons produced for PCS Mining excluded from Esterhazy production above	390	625	596	501	470

The Market

IMC potash is sold throughout the world, with the largest markets being in United States, China, Japan, India, and Latin America. Potash is also used internally in the manufacture of mixed fertilizers. The Company's exports from Canada, except to the United States, are made through Canpotex Limited, an export association of Saskatchewan potash producers.

The following table summarizes shipments of potash in thousands of tons in 1986 and 1985. In 1986 and 1985, these shipments included 69,000 tons and 87,000 tons, respectively, purchased from others in order to fill commitments to customers.

	1986		1985	
	Tons	%	Tons	%
Domestic (U.S. and Canada)	2,381	68%	2,478	64%
Foreign	800	23	948	25
Captive	333	9	427	11
	3,514	100%	3,853	100%

The average selling price for all IMC potash products was about $43 per ton in 1986, compared with $53 per ton in 1985.

Unit Production Costs

IMC unit production costs in Carlsbad and Saskatchewan, excluding mining payments to the Province of Saskatchewan, increased 1 percent and 3 percent, respectively, from 1985 to 1986. In addition to royalties, mining payments to the Province of Saskatchewan amounted to $3 million in 1986 and $13 million in 1985. These payments are not deductible in determining Canadian federal income taxes.

Ammonia

IMC produces anhydrous ammonia at Sterlington, Louisiana. Output accounted for about 6 percent of U.S. production in 1986 and 5 percent in 1985.

Operations

The Company has two plants at Sterlington. Annual production capacity for these plants is 400,000 tons for the older unit and 550,000 tons for the newer unit. Production from both plants in 1986 totaled 893,000 tons.

The Market

Demand for U.S. product by both domestic and export users of ammonia decreased by 18 percent from the previous year. Imported product increased 11 percent, while exported product decreased 38 percent. Spot market prices for the year realized by IMC decreased 40 percent in 1986 after a slight increase in 1985.

IMC sells ammonia to manufacturers of fertilizers and synthetic fibers, and to other industrial users. A significant amount of ammonia is used in New Wales' production of ammonium phosphate chemicals. Other captive uses are in the manufacture of mixed fertilizers and for retail sales through company-owned outlets.

The table below shows the distribution in 1986 and 1985 of IMC's total ammonia shipments in thousands of tons. In 1986 and 1985, these shipments included 3,000 tons and 24,000 tons, respectively, purchased from others in order to fill commitments to customers.

	1986		1985	
	Tons	%	Tons	%
Long-term contracts	264	30%	343	39%
Other	210	23	80	9
Captive	414	47	460	52
	888	100%	883	100%

Natural Gas Supply

Natural gas is the principal raw material in the production of ammonia. Most of Sterlington's 1987 gas requirements are expected to be supplied by outside contract purchases. Based on current market conditions, IMC does not anticipate any difficulty in obtaining such contracts.

Mixed Fertilizers

IMC makes mixed fertilizers in two ways--through either granulation or bulk-blending. Granulation is a process in which various dry and liquid raw materials are chemically combined and then pelletized. Bulk-blending is a simple physical mixing or blending of suitable fertilizer materials.

During 1986, the Company operated six large granulation plants and 95 smaller facilities for bulk-blending and/or warehousing. Two of the granulation plants were closed effective July 1, 1986. Most of the fertilizer raw materials used by these operations are supplied by IMC mines and plants.

The Products

IMC's shipments of premium brand fertilizers accounted for about 42 percent of the Company's total 1986 mixed fertilizer sales. They are formulated for specific kinds of crops, soils, and soil conditions, and, in addition to the three major plant nutrients, may contain as many as 7 secondary elements and micronutrients.

IMC also sells phosphate rock, phosphate chemicals, potash, and nitrogen products for direct application to the soil.

The Markets

IMC's total mixed fertilizer shipments in 1986 approximated 645,000 tons, a decrease of 17 percent from 1985's 779,000 tons. Weakness in the general agricultural economy and effects of government farm programs were principal factors in this decline.

The Company's mixed fertilizers are marketed in the U.S. and sold principally to independent dealers, distributors, and farmers, with some sales made directly to other fertilizer manufacturers. Sales are largely concentrated in the spring planting season. Weather has some impact on the timing and length of the planting season and can have a significant effect on mixed fertilizer prices.

IMC believes its share of the total domestic market in 1986 was about 3 percent. The competition consists of many relatively small enterprises and other large mixed fertilizer companies.

Uranium Oxide

IMC has four plants in Central Florida to extract and process uranium oxide (U_3O_8) as a by-product from phosphoric acid. Three of these plants are primary recovery units and the fourth is a final processing refinery.

Phosphate rock is a source of uranium, with the uranium content varying from deposit to deposit. When Central Florida rock is converted into phosphoric acid, there is about a pound of uranium oxide in each ton of the acid (P_2O_5 equivalent).

One of the primary recovery units and the final processing refinery adjoin the Company's New Wales phosphate chemicals plant. The primary recovery unit produced 1,149,000 pounds of uranium oxide in 1986, compared with 1,127,000 pounds in 1985. The uranium oxide is extracted from phosphoric acid manufactured at the New Wales plant.

Two other primary recovery units are adjacent to phosphate chemicals plants owned and operated by two subsidiaries of CF Industries ("CF") located at Bartow and Plant City, Florida. These two recovery units have a combined design capacity of 1,250,000 pounds of uranium oxide per year and extract uranium oxide from CF's phosphoric acid production at those plants. The oxide is then transported to IMC's refinery for final processing. IMC extracts and purchases CF's uranium oxide under a contract that runs to fiscal 1993. Production from the Plant City unit totalled 769,000 pounds of uranium oxide in 1986, compared with 733,000 pounds in 1985. In July, 1985, CF shut down its phosphate chemical operation at Bartow for an indefinite period because of, in CF's opinion, poor P_2O_5 market conditions and this, in turn, necessitated the shut-down of the U_3O_8 unit.

Most of the production is sold under eight contracts expiring in fiscal 1992 to supply uranium oxide for nuclear power plants. Prices are generally determined as the higher of (a) the market price less a defined discount or (b) a floor price subject to defined annual cost escalations. Shipments under the contracts were delivered generally at the escalated floor price in 1986.

MALLINCKRODT

The Products

Mallinckrodt, founded in 1867 and acquired by the Company on February 28, 1986, is engaged in the development, manufacture, distribution and marketing of specialty products, which are used principally in the health care, chemical, flavor and fragrance industries.

Mallinckrodt's products require a high degree of technology, are produced and distributed under strict regulation by various government agencies, principally the Food and Drug Administration, and are of a "specialty" nature as opposed to high-volume bulk or commodity products.

The table below shows Mallinckrodt sales by product line in millions of dollars for the four months ended June 30, 1986.

Medical products	$ 99.5
Specialty chemical	84.1
Flavor and fragrance	27.2
	$210.8
Operating loss	$(20.9)

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 28 for information on nonrecurring items that amounted to a charge of $50.6 million included in the above results.

Medical Products

Medical products are those products which are instrumental in the delivery of health care services. These products are sold to hospitals, clinical laboratories, and other customers in the United States and foreign countries. They are related by a high degree of innovation and technology, by common regulation from such agencies as the Food and Drug Administration, and by markets served. They are significantly affected by conditions within the health care industry.

Principal products included in this product line are x-ray contrast media and radiopharmaceuticals for medical diagnostic procedures, and disposable medical devices for use in surgical procedures and critical care.

X-ray contrast media products include formulations of barium sulfate used for visualizing the gastrointestinal tract and iodinated compounds for the visualization of the blood vessels of the head, chest, arms, legs, and urinary tract. Radiopharmaceutical products are used in imaging the brain, bones, and heart and in the evaluation of thyroid gland function.

Radiopharmaceutical products are sold directly or through radiopharmacies to hospitals and clinics by a specialized sales force; x-ray contrast media products are sold both directly and through distributors.

Disposable medical devices include endotracheal tubes, tracheostomy tubes, suction catheters, connective and conductive tubing, esophageal stethoscopes and thoracic and angiographic catheters which are used in hospitals for anesthesia, critical care and respiratory therapy, and for diagnostic purposes. These products are marketed principally through hospital supply distributors.

Laboratory equipment is sold directly and through manufacturers' representatives to laboratories in hospitals, clinics, educational institutions, industrial firms, government agencies, and to physicians.

The medical products domestic production and distribution facilities are located at St. Louis and Maryland Heights, Missouri; Raleigh, North Carolina; Paris, Kentucky; Marietta, Ohio; Argyle and Glens Falls, New York; Angleton, Texas; and Carlsbad and Costa Mesa, California. Foreign facilities are located in Australia, Austria, Belgium, Canada, France, Hong Kong, Ireland, Japan, Mexico, The Netherlands, Puerto Rico, Spain, the United Kingdom, and West Germany.

Specialty Chemical Products

Specialty chemical products are "specialty" products (as opposed to bulk or commodity chemicals) which are processed by Mallinckrodt and sold to a variety of markets. These products are related by a high degree of chemical technology and multi-process manufacturing. Generally they are sold as intermediates which are used by customers in the United States and foreign countries as components, ingredients or reagents, rather than being sold as final consumer products. Many of Mallinckrodt's specialty chemical products are processed in common manufacturing facilities. These products are also subject to government regulation and industry standards, but generally not to the same degree as medical products. They are affected by market conditions within the particular markets served.

Principal products in this product line are high-purity chemicals, industrial chemicals, catalysts, cosmetic chemicals, drug chemicals, and laboratory and electronic chemicals. Products are sold to the pharmaceutical industry for use in the manufacture of dosage form drugs; to plastic, rubber, petrochemical, paper, textile, food and beverage, paint and cosmetic industries; and to hospitals, golf courses, and commercial nurseries. Mallinckrodt sells specialty chemical products through distributors and its sales force.

High-purity chemicals sold to other manufacturers include such products as metallic stearates for use as lubricants in molded and extruded plastics, calcium stearates for coating high-quality printing papers, tannins used in clarifying wines and malt beverages, and potassium chloride used as a sodium substitute in low-sodium diets. Turf fungicides used for control of plant root disease are marketed through distributors.

Catalysts are sold to the petrochemical, textile, and food industries and include such products as maleic anhydride, platinum and palladium on alumina, copper chromite, mercuric chloride on carbon, tableted and flaked nickel, platinum and palladium on carbon, and zinc acetate on carbon. Catalysts are used to manufacture plasticizers, detergents, rubber, insecticides, lubricants, synthetic motor oil, and food products.

Drug chemical products include analgesics such as codeine salts and other opium-based narcotics used to treat pain and cough, and APAP (acetaminophen) used to control pain and reduce fever. Other products include Toleron brand of ferrous fumarate, a hematinic, or agent which stimulates the formation of red blood cells, used in multivitamins with iron, in the iron fortification of foods, and in the treatment of certain anemias. These products are marketed by Mallinckrodt's sales force.

Cosmetic chemical products are sold directly and through agents to the personal care industry and include sunscreens used in tanning lotions, surfactants such as emollients and emulsifiers used in hair care and skin care products, and pigments used in the manufacture of a variety of cosmetic products.

Laboratory chemical products include high-purity specialty chemicals which are sold through distributors and a line of prescription chemicals which are sold to wholesalers. High-purity chemical products consist of hundreds of reagent chemicals which are sold to medical, industrial, educational, and governmental laboratories in small containers.

Electronic chemical products include high-purity acids, solvents, and reagent chemicals which are sold direct and through distributors for use principally in the semiconductor industry.

The specialty chemicals products domestic production and distribution facilities are located at St. Louis, Missouri; Erie, Pennsylvania; Belleville, New Jersey; Raleigh, North Carolina; and Paris, Kentucky. Foreign facilities are located in Switzerland and West Germany.

Flavor and Fragrance Products

Flavor and fragrance products are comprised of ingredients produced for the food, beverage, cosmetic, industrial, and household product industries. Markets include cosmetic and toiletry manufacturers, food, pharmaceutical and tobacco processors, and beverage producers. Production and distribution of these products are subject to regulation by such agencies as the Food and Drug Administration and the Bureau of Alcohol, Tobacco and Firearms. These products require a high level of expertise in the art of formulation and are subject to highly competitive marketing conditions. Distribution of products is accomplished primarily through direct sales and distributors.

Mallinckrodt produces liquid and powdered flavors, which are sold to the food, beverage, pharmaceutical, and tobacco industries. The flavors are used in such items as convenience foods and beverages; dry and liquid beverage mixes; cordials, cocktails, and wines; ice cream, cheese, and other dairy products; pharmaceutical products; cake and cookie mixes and other bakery products.

Mallinckrodt manufactures and distributes formulated fragrances to the cosmetic and toiletry industries and to industrial and household packaged goods manufacturers. Formulated fragrance products include fragrances for perfumes, colognes, shampoos, hair sprays, facial make-ups, cleansing creams, and men's aftershaves, fabric softeners, furniture polishes, household cleaners and paper products, and germicides.

The flavor and fragrance products domestic production facilities are located at Woodside, New York and Cincinnati, Ohio. Foreign facilities are located in Brazil, France, Mexico, Switzerland, the United Kingdom, and West Germany.

Raw Materials

The ability to make timely shipments is an important aspect of Mallinckrodt's business; therefore, most shipments of finished products are made from inventories maintained by Mallinckrodt. The availability of raw materials necessary to maintain adequate inventory levels was generally satisfactory during 1986. Mallinckrodt believes it can continue to obtain sufficient raw materials and supplies to manufacture and supply its product.

Patents, Trademarks and Licenses

Mallinckrodt owns a number of patents and trademarks, has pending a substantial number of patent applications, and is licensed under patents owned by others. Mallinckrodt does not consider any one of its patents to be essential to its business as a whole; however, Mallinckrodt's patents in the aggregate are of material importance to its business.

ANIMAL PRODUCTS

The Products

IMC believes that it is one of the nation's largest producers of three kinds of products for animal health and nutrition: phosphate and potassium feed ingredients and a growth-promoting biochemical implant. The bulk of this segment's business is in these three product areas, but a variety of other animal health and nutrition products are also produced and marketed. These other products include a bacitracin zinc antibiotic feed additive (Baciferm brand) and poultry vaccines.

The following table shows animal products sales and operating earnings in millions of dollars for each of the past five years.

	1986	1985	1984	1983	1982
Net sales:					
Feed ingredients	$110.1	$110.1	$138.5	$156.9	$162.3
Veterinary products and biologicals	41.8	48.5	47.4	44.4	42.2
Other	7.1	7.1	7.9	7.3	9.5
	$159.0	$165.7	$193.8	$208.6	$214.0
Operating earnings	$ 28.1	$ 34.3	$ 47.9	$ 51.6	$ 53.4

In 1986, the Company changed its method of determining cost for certain domestic inventories. Financial statements for prior years have been restated to reflect this change. See Notes to Consolidated Financial Statements.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 28 for information on a change in accounting estimate included in 1986 results.

Feed Ingredients

IMC's feed ingredients consist of various chemical compounds that include phosphorus or potassium to provide the required amounts of these two elements to all classes of livestock and poultry. The products are made from phosphate and potash mined and produced by IMC's fertilizer operations in Florida and New Mexico.

The phosphate feed ingredients, principally calcium and ammonia phosphates, are the most important to IMC. Production is at two Florida plants adjacent to IMC's New Wales phosphate chemicals operation, and they draw phosphoric acid from that operation. Phosphate rock, ammonia, and limestone are the principal raw materials for these feed ingredients.

IMC's Florida feed phosphate plants have the capacity to produce approximately 580,000 tons of product. Total phosphate feed ingredients produced were 495,000 tons in 1986 and 510,000 tons in 1985.

Implants

A substance called zeranol is the active ingredient in IMC's growth-promoting biochemical implant. Zeranol has an anabolic effect--that is, it accelerates the animal's natural growth with the resultant effect of improving total feed conversion.

The implant is marketed in pellet form under the brand name Ralgro. The pellets are used in cow-calf operations and in feedlots for beef cattle and lambs. Production is at an IMC plant in Terre Haute, Indiana. IMC's present research and development efforts include the development of new and improved anabolic agents.

The European Economic Community ("EEC") has issued a Directive, to be effective January 1, 1988, which will have the effect of prohibiting the use of hormonal growth promotants in livestock farming. This Directive also prohibits the importation of meat from animals that have been treated with hormonal growth promotants. Efforts to overturn this Directive are being vigorously pursued by members of the industry and the scientific community. Ralgro shipments which could have been affected by this Directive amounted to approximately 12 percent in 1986.

Biologicals

Sterwin Laboratories Inc., a wholly owned subsidiary acquired by IMC in April, 1984, is a producer and marketer of poultry biologicals (vaccines) and vaccinating equipment. Production is at the company's plant in Millsboro, Delaware. In addition, Sterwin markets a feed grade antibiotic and a line of sanitation products for use in the poultry industry.

The Markets

The markets for feed ingredients, growth promotants, and poultry biologicals are highly competitive. IMC estimates its North American market share to be approximately 40 percent for phosphate-based feed ingredients, 60 percent for its growth-promoting implant, and 16 percent for poultry biologicals. Feed ingredients are sold primarily to animal feed manufacturers and producers of feed supplements. The Ralgro brand implant is purchased by domestic and foreign range and feedlot operators. Biological products are sold directly to the poultry producer.

All of these products are marketed by IMC's own sales organization, which operates through a system of offices and warehouses, and through agents and distributors. Competition comes from similar products at home and abroad.

This business segment is not dependent upon any single customer or group of related or affiliated customers whose loss would have a material effect on the segment's sales and operating results.

INTERNATIONAL OPERATIONS

Foreign operations and investments may be affected by exchange controls, currency fluctuations, and nationalistic laws or policies of particular countries, as well as by laws and policies of the United States affecting foreign trade and investment. For further information concerning fertilizers foreign operations and business, see the following captions in Item 1:

Heading	Matter
Fertilizers--Phosphate Rock	Export sales of phosphate rock.
Fertilizers--Potash	Potash mining operations.

Foreign operations of Mallinckrodt represented 4 percent of sales in 1986. Products are manufactured and marketed through a variety of subsidiaries, affiliates, and joint ventures around the world, none of which is significant to Mallinckrodt.

See also "Operations by Geographic Area" and "Geographic Information" in Notes to Consolidated Financial Statements for additional information.

WORKING CAPITAL

Business Segment Requirements

The working capital requirements for inventory in each of IMC's three business segments are not materially affected by seasonal or other factors except for mixed fertilizers in the fertilizers segment. Sales of that product are largely concentrated in the spring season, requiring in early spring a relatively high level of inventory to meet anticipated customers' demand for the product.

IMC does not extend long-term credit to customers. The Company believes this non-extension of credit as well as its business segment working capital requirements are not materially different from the practices of its competitors.

Consolidated Requirements

From time to time, the Company has entered into short-term borrowing arrangements for the temporary financing of its business segments' working capital requirements and capital expenditures.

OTHER ACTIVITIES

Research and Development

The Company performs applied research directed at development of new products, development of new uses for existing products, and improvement of existing products and processes. Research and development programs include laboratory research as well as product development and product application.

Medical product research is supported by a central research and development division responsible for worldwide coordination of Mallinckrodt's development work on new radiopharmaceutical and diagnostic products and separate research and development programs within other domestic divisions. Mallinckrodt's various development activities are directed toward satisfying both individual customers and widespread marketplace demands.

IMC also performs applied research in various other fields, as follows:

- o Plant nutrition and fertilizer technology.
- o Animal health and nutrition.
- o Mineralogy and uranium processing.
- o Pollution monitoring and control.

See also "Research and Development Expenses" in Notes to Consolidated Financial Statements.

Environmental Matters

IMC is subject to various environmental laws of federal and local governments in the United States, Canada, and other foreign countries in which it has operations. Although significant capital expenditures, noted below, as well as operating costs, have been incurred and will continue to be incurred on account of these laws and regulations, the Company does not believe they hav had or will have a material adverse effect on its business. However, the Company cannot predict the impact of new or changed laws or regulations.

(See also "Fertilizers--Florida Environmental Matters" on page 7 and the last five paragraphs beginning on page 23 under Item 3--Legal Proceedings.)

Most of IMC's environmental capital expenditures are in response to provisions of the U.S. Clean Air Act, the U.S. Water Pollution Control Act, the U.S. Resource Conservation and Recovery Act, and the land use, air, and water protection regulations of the various localities, states, and Canadian provinces in which IMC operates.

The expenditures are primarily for air emission control, wastewater purification, land reclamation, and solid waste disposal. These expenditures amounted to about $11 million in 1986. The Company expects that environmental capital expenditures over the next three years will average about $19 million per year.

Various federal, state, municipal, and foreign laws and regulations, including regulations of the Food and Drug Administration, govern the production, packaging, labeling, and distribution of a number of Mallinckrodt's products. Fungicides and herbicides are regulated under the Federal Insecticide, Fungicide and Rodenticide Act, and similar state and local laws and regulations. Mallinckrodt's medicinal narcotics business is rigidly controlled by regulation at various levels of government. Many other products, intermediates, and by-products are subject to the provisions of the Toxic Substances Control Act.

Employees

IMC had 13,900 employees at June 30, 1986, compared with 8,700 at June 30, 1985. The acquisition of Mallinckrodt accounts for the increase. Approximately 1,500 of the employees are involved in gas and oil and industrial products operations. The workforce at June 30, 1986, was comprised of 6,500 salaried, 6,400 hourly, and 1,000 temporary or other types of employees.

Labor Relations

The Company has 34 collective bargaining agreements with 14 international unions or their affiliated locals. Twelve agreements covering 34 percent of the hourly work force were negotiated during 1986. Resulting wage and benefit increases were consistent with competitive industry and community patterns. Eighteen agreements covering 41 percent of the hourly workers will expire in 1986.

Item 2. Properties

Information regarding the plant and properties of IMC is included in Item 1 - Business.

Item 3. Legal Proceedings

In respect of the previously reported action by Coastal Petroleum Company in the Federal District Court in Tallahassee, Florida, against IMC, seeking $3.5 billion in damages, for allegedly mining phosphate and uranium from lands on which Coastal claims to hold mineral rights under a lease from the State of Florida, the Florida Supreme Court on May 15, 1986, ruled against other phosphate mining companies in appeals from judgments obtained by those companies in quiet title actions against the State and Coastal, holding prior conveyances by the State did not include lands under navigable waters and the Florida Marketable Record Title Act does not apply to the State's claims to these lands. The implications of this ruling are as yet not known in respect of the ultimate outcome of the quiet title actions involved in the appeals as well as in respect of the judgments obtained by IMC in 1983 in similar quiet title actions brought against Coastal in the state court that were not appealed by Coastal and did not involve the State because the State has already determined it has no conversion claims against IMC. Even should the decision of the Florida Supreme Court be interpreted as adversely affecting some of IMC's defenses to Coastal's claims in the Federal case, IMC's outside legal counsel continues to be of the opinion that, on the law and the facts, as presently understood, IMC has other meritorious defenses and is entitled to prevail. Trial has been set to begin February 2, 1987.

As previously reported, in January, 1979, Coastal sued IMC and Mobil Oil Corporation in the aforesaid District Court, claiming that IMC and Mobil violated Sections 1 and 2 of the Sherman Act pursuant to an alleged combination or conspiracy between themselves and with other phosphate companies to allocate the acquisition and use of, and to attempt to monopolize, land areas in Florida for phosphate mining. Coastal seeks to recover three times the value of the unmined phosphate underlying the lands allegedly subject to the lease [illegible]6 when Coastal relinquished its working interest in these lands pursuant to an agreement with the State. This case is also still in the discovery stage. Little of significance has occurred since the last annual report, and IMC is contesting Coastal's claims and has no reason to believe that they have any merit.

<u>Maryland Heights Leasing v. Mallinckrodt, Inc.</u>, and <u>Bennett, et al. v. Mallinckrodt, Inc.</u> were filed in January, 1983, and are still pending, in the St. Louis County Circuit Court by a neighboring property owner and by eight individuals requesting class action status, seeking damages for alleged injury to persons and property due to alleged radiation emissions from Mallinckrodt's radiopharmaceutical facility in Maryland Heights, Missouri. The plaintiffs sought approximately $510 million in compensatory damages, $505 million in punitive damages, an injunction against the alleged activities, and other relief. The trial court dismissed both cases on the grounds that subject matter jurisdiction was lacking and the petitions failed to state claims upon which relief could be granted. Plaintiffs

appealed and the Missouri Court of Appeals reversed the trial court, except the dismissal of the claim for injunctive relief was upheld, and remanded the cases. They are presently back in the trial court in the discovery stage, and the alleged class action status has not yet been resolved. IMC acquired the facility from Avon Products, Inc. on February 28, 1986. Under terms of the acquisition agreement, Avon is obligated to indemnify IMC against liability for defined contingencies to the extent they exceed $5 million, and these cases are within the defined contingencies. In addition, IMC believes there are substantial defenses to the claims.

As previously reported, the EPA has notified IMC that it is a potentially responsible party contributing to the pollution of Fieldbrook, a small tributary stream near IMC's former Ashtabula, Ohio, electrochemical plant. EPA has recently concluded a study of contaminants found in the stream. No suit has yet been filed. Since at least ten other chemical plants in the area could have contributed to any pollution and would likely be required to participate in any cleanup, it is considered unlikely that IMC will be found to have any significant liability. However, the EPA has proposed a cleanup project which may cost as much as $36 million, to be split in some fashion among all responsible parties.

The State of Michigan has filed suit against Great Lakes Container Corporation and all former owners, including IMC, of a drum reconditioning plant at Pontiac, Michigan, alleging damage resulting from pollution at that facility. Columbus Steel Drum Company, which recently purchased the facility from Great Lakes, has brought its own suit against the same former owners, claiming that Columbus did not contribute to the pollution and was unaware of it when it purchased the property. It is too early to estimate the cost of any cleanup and IMC's potential responsibility, if any, to share in that cost. IMC has filed third party complaints against numerous companies which sent drums to the plant for cleaning.

EPA has recently investigated possible pollution problems at IMC's Terre Haute East Plant in Terre Haute, Indiana, particularly as they pertain to benzene hexachloride. IMC has agreed to conduct an environmental study estimated to cost $120,000. Further evaluation must await the outcome of that study.

The Wisconsin Department of Natural Resources has conducted tests which allegedly indicate that the ground and drinking water wells near an IMC Farm Center at Edmund, Wisconsin, have been contaminated by herbicides. No connection between the contamination and the IMC Farm Center has been established, but the DNR has requested IMC to agree to bear the expense of an environmental study estimated to cost $250,000. IMC has notified other nearby property owners that they may be responsible for the contamination and has requested them to participate in the study. The likelihood or magnitude of IMC's liability, if any, has not yet been evaluated.

As previously reported, IMC is a defendant in a suit in the U.S. District Court in Concord, New Hampshire, brought by the United States EPA, the State of New Hampshire, and the Town of Kingston, alleging that there was a release or threatened release of hazardous substances into the environment at the Kingston site of a drum reconditioning plant owned and operated by IMC from May of 1973 to May of 1976. The liability phase of the trial has been concluded, and the court has found IMC liable for contributing to pollution of ground water at the Kingston site. The damages phase of the trial is scheduled to begin February 2, 1987. With consent of the court, IMC has voluntarily cleaned up the surface and subsurface of the site at a cost of approximately $3 million. A feasibility study for the cleanup of the site was completed in August, 1986, and estimated costs range from $500 thousand to $35 million, with the cost to be split in some fashion among the responsible parties.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the three months ended June 30, 1986.

EXECUTIVE OFFICERS OF THE REGISTRANT

The ages and five-year employment history of IMC's officers at June 30, 1986, were as follows:

George D. Kennedy
Age 60. Chairman and Chief Executive Officer since August 1986; Chief Executive Officer since October, 1983; President from May, 1978 to August, 1986; Director since October, 1975.

Billie B. Turner
Age 55. Senior Vice President since April, 1983; Vice President from April, 1976 to March, 1983.

Kenneth J. Burns, Jr.
Age 59. Vice President and General Counsel since March, 1979.

Nicolaus Bruns, Jr.
Age 59. Vice President, Secretary, and Associate General Counsel since March, 1979.

James C. Bryan
Age 59. Vice President since February, 1986; Corporate Staff Vice President from October, 1978 to February, 1986.

Darrell L. Feaker
Age 49. Vice President and Treasurer since March, 1978.

Elizabeth M. Higashi
Age 34. Vice President since February, 1986; Corporate Staff Vice President from August, 1985 to February, 1986; Vice President for SFN Companies, Inc., April, 1984 to August, 1985; Director, Corporate and Investor Communications, Times Mirror Company, August, 1979 to April, 1984.

Morton B. Ingle
Age 44. Vice President since May, 1980.

I. David Paley
Age 46. Vice President since January, 1981.

Donald E. Phillips
Age 54. Vice President since February, 1974.

John F. Sonderegger
Age 55. Vice President and Controller since December, 1974.

John M. Stapleton
Age 47. Vice President since April, 1977.

All of IMC's officers are elected annually, with the terms of the officers listed above to expire in October, 1986. No "family relationships," as that term is defined, exist among any of the listed officers.

Part II.

Item 5. Market for the Registrant's Common Stock and Related Stockholder Matters

Common Stock Prices and Dividends

Quarter	First	Second	Third	Fourth
Fiscal 1986				
Dividends per common share	$ .65	$ .65	$ .25	$ .25
Common stock prices				
High	44	40-3/8	36-1/4	35-1/4
Low	38-1/2	34-1/4	29-3/4	30-1/2
Fiscal 1985				
Dividends per common share	$ .65	$ .65	$ .65	$ .65
Common stock prices				
High	42-5/8	40-7/8	43-3/4	42-1/4
Low	33	34	35-3/4	38

The principal market on which IMC's common stock is traded is the New York Stock Exchange. Common stock prices are from the composite tape for New York Stock Exchange issues as reported in The Wall Street Journal.

As of July 31, 1986, the number of registered holders of common stock as reported by the Company's registrar was 13,761. See "Long-Term Debt" in Notes to Consolidated Financial Statements for information on dividend restrictions.

Item 6. Selected Financial Data

(Dollars in millions except per share amounts)

Summary of Operations Years ended June 30	1986(2)	1985(2)	1984(2)	1983	1982
Revenues	$1,105.7	1,186.7	1,116.0	1,045.3	1,099.1
Earnings (loss) from continuing operations before income taxes	(165.9)	108.4	133.9	97.8	170.2
Provision (credit) for income taxes	(86.3)	16.6	45.0	30.9	63.5
Earnings (loss) from continuing operations	(79.6)	91.8	88.9	66.9	106.7
Discontinued operations(3)	(137.4)	29.5	(8.6)	4.4	38.6
Net earnings (loss)	(217.0)	121.3	80.3	71.3	145.3
Per Common Share Data					
Earnings (loss) from continuing operations	$(2.96)	3.36	3.31	2.50	3.98
Discontinued operations(3)	(5.08)	1.09	(.32)	.17	1.44
Net earnings (loss)	(8.04)	4.45	2.99	2.67	5.42
Common dividends declared	1.80	2.60	2.60	2.60	2.60
Book value	30.94	40.59	39.03	38.74	38.72
Average common shares (in millions)	27.1	27.2	26.7	26.5	26.7

Other Five-Year Data					
Total assets	$2,427.1	1,984.2	1,989.9	1,970.6	1,984.7
Working capital	431.0	327.7	311.8	304.6	347.2
Working capital ratio	2.3:1	2.1:1	2.0:1	2.0:1	2.1:1
Long-term debt, less current maturities	$ 922.6	342.1	388.1	424.6	441.8
Total debt	974.6	364.2	425.7	459.4	485.7
Deferred income taxes	38.2	127.7	122.1	134.6	142.4
Shareholders' equity	994.3	1,108.6	1,054.0	1,040.4	1,035.7
Invested capital	2,007.1	1,600.5	1,601.8	1,634.4	1,663.8
Total debt/invested capital	49%	23%	27%	28%	29%
Number of employees	13,900	8,700	9,000	8,400	8,400

(1) In 1986, the Company changed its method of determining cost for certain domestic inventories. Financial statements for prior years have been restated to reflect this change. See Notes to Consolidated Financial Statements. The effect of this change was to increase (decrease) earnings (loss) from continuing operations and discontinued operations and related per common share amounts, respectively, as follows: 1986 -- $(1.5) million and $1.3 million, $(.05) and $.04 a share; 1985 -- $1.2 million and $.5 million, $.04 and $.02 a share; 1984 -- $(1.5) million and $.1 million, $(.05) a share and no change; 1983 -- $(.8) million and $(8.4) million, $(.03) and $(.32) a share; and 1982 -- $10.1 million and $(2.2) million, $.37 and $(.08) a share.

(2) See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a description of nonrecurring items. The results of operations of Mallinckrodt are included since its acquisition on February 28, 1986. See Notes to Consolidated Financial Statements.

(3) In 1986, included a loss, with no income tax effects, of $128.0 million, or $4.73 a share from planned disposals; in 1984, included an after-tax loss of $25.9 million, or $.97 a share, from disposals; in 1982, included an after-tax gain of $5.1 million, or $.19 a share, from disposals.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Continuing Operations

1986 vs. 1985

In 1986, the Company changed its method of determining cost for certain domestic inventories to a cumulative annual average basis from LIFO. Financial results for prior years have been restated to reflect this change. The effect of this change on 1986 and 1985 operating results was immaterial.

A change in estimated depreciable lives of certain assets decreased 1986 depreciation expense by $18.6 million ($10.9 million after taxes, or $.40 a share). Operating results in 1986 included nonrecurring items that represented a net charge of $82.7 million ($43.6 million after taxes, or $1.61 a share) in the fertilizer segment and a charge of $50.6 million ($29.5 million after taxes, or $1.09 a share) in the Mallinckrodt segment. Earnings in 1985 included $20.9 million, or $.77 a share, from nonrecurring gains (reductions in the provision for income taxes as a result of changes in Federal tax laws regarding Domestic International Sales Corporations, $7.5 million, or $.28 a share, and a U.S. Tax Court ruling that became final, $7.1 million, or $.26 a share, and a nontaxable exchange of common stock and cash for debentures, $6.3 million, or $.23 a share).

Excluding those nonrecurring items from the results of operations for both years and the effect of a change in the estimated depreciable lives of certain assets in 1986, continuing operations produced a net loss of $15.8 million, or $.60 a share, in 1986, compared with net earnings of $70.9 million, or $2.59 a share, in 1985.

The fertilizer segment's operating results declined $131.4 million, excluding nonrecurring items and a $16.6 million decrease in depreciation. The nonrecurring items consisted of settlements of certain contracts, the write-off of an investment, and planned dispositions of facilities and are included in the Consolidated Statement of Operations under "Interest earned and other income (expense), net". That decline resulted from significantly lower selling prices for phosphate chemicals, potash, and ammonia and lower volumes for principal products. This segment's uranium extraction operations' earnings, excluding nonrecurring charges, were relatively flat compared with 1985.

Animal products operating earnings for 1986 decreased $8.2 million, excluding $2.0 million of the decrease in depreciation. That decrease is primarily due to reduced volumes of Ralgro, the Company's growth promotant for cattle and lambs, partially offset by higher selling prices for feed phosphates.

The results of operations of Mallinckrodt are included in the Company's consolidated operating results since its acquisition as of February 28, 1986. Mallinckrodt had operating earnings of $29.7 million, excluding the charge related to nonrecurring restructuring costs and from allocating a portion of the purchase price to inventories that together resulted in a charge of $50.6 million. These operating earnings included $55.1 million of selling, administrative, and general expenses. These expenses included $11.5 million of the aforementioned restructuring costs.

Interest charges increased $35.4 million, principally the result of interest charges associated with the debt incurred to finance the acquisition of Mallinckrodt and lower capitalized interest.

Corporate net expense increased $13.8 million. The increase was $7.5 million, excluding the 1985 gain from the exchange of common stock and cash for debentures mentioned above. The principal factor was lower interest income from lower average investments and interest rates.

See Notes to Consolidated Financial Statements for information on income taxes.

1985 vs. 1984

Earnings from continuing operations increased $2.9 million, or $.05 a share. As discussed above, earnings in 1985 included $20.9 million, or $.77 a share, from nonrecurring gains. Earnings in 1984 included a nonrecurring gain of $8.9 million after taxes, or $.33 a share, from the sale of a small portion of IMC's phosphate reserves. Excluding those nonrecurring gains, earnings from continuing operations were $70.9 million, or $2.59 a share, in 1985, compared with $80.0 million, or $2.98 a share, in 1984.

Operating earnings in the fertilizer segment decreased $8.4 million, or 6 percent. Excluding the aforementioned 1984 reserve sale and a 1984 loss from the shutdown of a small phosphate chemical facility, this segment's 1985 operating earnings were relatively flat compared with 1984. Earnings in 1985 were depressed by lower selling prices for potash and phosphate chemicals. In 1985, this segment's uranium extraction operations' earnings improved $13.5 million from 1984 results that were adversely affected by an interruption in shipments to a contract customer.

Animal products operating earnings declined $13.6 million, or 28 percent. Essentially all of that earnings decline resulted from reduced overseas shipments of Ralgro, higher selling costs for veterinary products, and lower selling prices for animal feed ingredients.

Corporate net expense increased $6.8 million. The principal factors were an increase in research and development expenses, higher accruals related to compensation plans tied to the price of IMC's common stock, lower interest income from lower average investments and interest rates, and a decrease in foreign currency translation gains. Those factors were partly offset by the gain from the exchange of common stock and cash for debentures mentioned above.

The effective tax rate in 1985 was 15.3 percent, compared with 33.6 percent on earnings from continuing operations in 1984. Excluding the nonrecurring gains included in 1985 earnings, the effective tax rate in 1985 was 30.6 percent. Higher investment tax credits and a lower foreign effective tax rate were the principal factors that caused the lower rate.

Discontinued Operations

The Company's 1986 financial results included a net charge of $137.4 million, or $5.08 a share, related to its discontinued gas and oil and industrial products segments. That net charge consisted of a net loss of $9.4 million from 1986 operations and a loss of $128.0 million, with no income tax effects, for the anticipated net loss on the ultimate disposal of these segments.

In 1984, discontinued operations included a provision for an after-tax loss of $25.9 million on the planned disposal of the Company's joint-venture methanol operations.

Capital Resources and Liquidity

IMC's financial condition at June 30, 1986, reflects the effects of the recent acquisition of Mallinckrodt, the anticipated disposals of the gas and oil and industrial products segments, and lower sales volumes and prices for certain of the Company's products. Since June 30, 1985, cash and short-term investments less short-term notes payable decreased $24.7 million (excluding Mallinckrodt's short-term notes payable of $15.8 million at March 1, 1986). Long-term notes payable aggregating approximately $160.0 million are affected by various interest rate swap agreements that result in an average effective interest rate of 8.55 percent at June 30, 1986. The current ratio was 2.3:1, a small improvement from last year. The ratio of cash and short-term investments plus receivables to current liabilities was 1:1 at June 30, 1986, compared with 1.1:1 at June 30, 1985. Total debt as a percentage of invested capital increased to 49 percent from 23 percent at June 30, 1985.

Funds provided by operations amounted to approximately $86 million in fiscal 1986. Those funds were sufficient for most of IMC's capital expenditures in 1986. In March, 1986, the Company issued $150 million of 9-7/8 percent Sinking Fund Debentures due March 15, 2011, and, in June, 1986, issued approximately $140 million of $3.75 Convertible Exchangeable Preferred Stock, Series A. These issuances were part of the Company's financing plan for the Mallinckrodt acquisition. As of June 30, 1986, the balance of the debt initially incurred to finance the Mallinckrodt acquisition consisted of short-term notes backed by long-term lines of credit. Accordingly, such notes are classified as long-term debt as of June 30, 1986.

During the year, the Company obtained commitments under various revolving credit and other similar agreements totaling $800 million with terms up to eight years. There were no borrowings under any of these arrangements. In addition, the Company filed a shelf registration statement covering $150 million of debt securities.

Capital expenditures for fiscal 1987 are estimated to be approximately $80 million before new products and a proposed acquisition of certain properties. The Company expects to finance these capital expenditures and other corporate requirements from internally generated funds, although some short-term borrowings could be necessary to meet seasonal working capital requirements.

Inflation's Impact

See page 57 for information concerning the impact of changing prices on historical cost-based financial reporting.

Item 8. Financial Statements and Supplementary Data

Report of Independent Accountants

To the Shareholders and Directors of
International Minerals & Chemical Corporation

We have examined the accompanying consolidated balance sheets of International Minerals & Chemical Corporation at June 30, 1986 and 1985, and the related consolidated statements of operations, changes in shareholders' equity and changes in financial position for each of the three years in the period ended June 30, 1986. Our examinations 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.

In our opinion, the statements mentioned above present fairly the consolidated financial position of International Minerals & Chemical Corporation at June 30, 1986 and 1985, and the consolidated results of operations and changes in financial position for each of the three years in the period ended June 30, 1986, in conformity with generally accepted accounting principles applied on a consistent basis during the period, after restatement of the financial statements for 1985 and 1984 to give retroactive effect to the change, with which we concur, in the method of accounting for certain domestic product inventories as described in Notes to the Consolidated Financial Statements.

Arthur Young & Company
Chicago, Illinois

August 1, 1986

Consolidated Balance Sheet

Assets (In millions) At June 30	1986	1985
Current assets		
Cash and short-term investments	$ 114.1	$ 140.8
Receivables, net	206.7	176.4
Inventories		
Products (principally finished)	274.0	255.1
Operating materials and supplies	45.0	46.4
	319.0	301.5
Prepaid expenses	10.8	10.9
Net assets of discontinued operations held for sale	117.5	
	768.1	629.6
Investments and long-term receivables, net	205.1	205.2
Property, plant, and equipment	2,170.7	2,144.3
Accumulated depreciation and depletion	918.7	1,022.1
Net property, plant, and equipment	1,252.0	1,122.2
Intangible assets, net	201.9	27.2
	$2,427.1	$1,984.2

Liabilities and Shareholders' Equity (In millions)	1986	1985
Current liabilities		
Notes payable	$ 13.8	
Accounts payable	132.9	$ 154.8
Accrued liabilities	122.3	93.5
Income taxes	29.9	31.5
Current maturities of long-term debt	38.2	22.1
	337.1	301.9
Long-term debt, less current maturities	922.6	342.1
Deferred income taxes	38.2	127.7
Net noncurrent liabilities of discontinued operations	28.7	28.8
Other noncurrent liabilities and deferred credits	106.2	75.1
Shareholders' equity	994.3	1,108.6
	$2,427.1	$1,984.2

(See Notes to Consolidated Financial Statements)

Consolidated Statement of Operations

(In millions except per share amounts) Years ended June 30	1986	1985	1984
Revenues			
Net sales	$ 1,177.7	$ 1,165.7	$ 1,081.4
Interest earned and other income (expense), net	(72.0)	21.0	34.6
	1,105.7	1,186.7	1,116.0
Costs and expenses			
Cost of goods sold	1,047.4	945.8	863.2
Selling, administrative, and general expenses	160.8	104.5	88.0
Interest charges	63.4	28.0	30.9
	1,271.6	1,078.3	982.1
Earnings (loss) from continuing operations before income taxes	(165.9)	108.4	133.9
Provision (credit) for income taxes	(86.3)	16.6	45.0
Earnings (loss) from continuing operations	(79.6)	91.8	88.9
Discontinued operations			
Earnings (loss) from operations, net of income tax effects	(9.4)	29.5	17.3
Provision for loss on disposals, net of income tax effects	(128.0)		(25.9)
	(137.4)	29.5	(8.6)
Net earnings (loss)	$ (217.0)	$ 121.3	$ 80.3
Earnings (loss) per common share			
Continuing operations	$ (2.96)	$ 3.36	$ 3.31
Discontinued operations	(5.08)	1.09	(.32)
Net earnings (loss)	$ (8.04)	$ 4.45	$ 2.99

(See Notes to Consolidated Financial Statements)

Consolidated Statement of Changes in Financial Position

(In millions) Years ended June 30	1986	1985	1984
Funds provided (used) by operations			
Earnings (loss) from continuing operations	$ (79.6)	$ 91.8	$ 88.9
Depreciation and depletion	88.3	98.6	99.8
Deferred income taxes	(91.4)	4.3	10.9
Other (1986, principally fertilizers nonrecurring items)	91.7	16.5	15.0
	9.0	211.2	214.6
Discontinued operations	(68.7)	62.2	31.5
	(59.7)	273.4	246.1
Changes in components of operating working capital			
Receivables	43.6	30.1	(27.0)
Inventories	60.5	(31.1)	9.3
Prepaid expenses	1.9	.8	(5.6)
Accounts payable, accrued liabilities, and income taxes	39.7	(8.8)	16.7
	86.0	264.4	239.5
Funds provided (used) by investing activities			
Net assets of business acquired			
Working capital, excluding cash	(175.7)		
Property, plant, and equipment	(374.3)		
Other noncurrent assets	(202.6)		
Long-term debt	32.0		
Other noncurrent liabilities	8.1		
Liabilities incurred in acquisition	37.5		
Capital expenditures	(93.9)	(116.0)	(104.8)
Sale of property, plant, and equipment	5.4	11.0	7.0
Increase in investments and long-term receivables	(1.1)	(25.1)	(31.7)
Other net changes in financial position	(13.8)	(19.3)	(8.2)
	(778.4)	(149.4)	(137.7)
Funds used for dividends	(49.2)	(71.2)	(69.8)
Funds provided (used) before financing activities	(741.6)	43.8	32.0
Funds provided (used) by financing activities			
Issuance of common stock	6.2	22.4	6.3
Issuance of preferred stock	139.5		
Increase in long-term debt	691.9	.4	1.7
Decrease in long-term debt	(117.3)	(61.9)	(35.4)
Decrease in notes payable	(1.5)		
Purchases of treasury common stock	(7.3)	(13.3)	(1.3)
Sale of treasury common stock	3.4		
	714.9	(52.4)	(28.7)
Increase (decrease) in cash and short-term investments	$ (26.7)	$ (8.6)	$ 3.3

(See Notes to Consolidated Financial Statements)

Consolidated Statement of Changes in Shareholders' Equity

(In millions)	Common Stock	Pre-ferred Stock	Capital in Excess of Par Value	Retained Earnings	Foreign Currency Trans-lation	Marketable Securities Valuation Allowance	Treasury Stock	Total
Balance, June 30, 1983, as previously reported	$137.9	$10.0	$ 17.5	$ 894.9	$(2.1)		$(34.1)	$ 1,024.1
Cumulative effect of change in method of accounting for inventory				16.3				16.3
Balance, June 30, 1983, as restated	137.9	10.0	17.5	911.2	(2.1)		(34.1)	1,040.4
Net earnings				80.3				80.3
Dividends paid				(69.8)				(69.8)
Conversion of 4% debentures			.1					.1
Stock options exercised	.6		3.3					3.9
Contribution to employee stock ownership plan (ESOP)			.1				1.1	1.2
Awards of restricted shares			.1				1.0	1.1
Purchases of shares							(1.3)	(1.3)
Translation adjustment					(1.9)			(1.9)
Balance, June 30, 1984	138.5	10.0	21.1	921.7	(4.0)		(33.3)	1,054.0
Net earnings				121.3				121.3
Dividends paid				(71.2)				(71.2)
Conversion of 4% debentures			.1					.1
Stock options exercised	.5		2.5					3.0
Contribution to ESOP							.5	.5
Awards of restricted shares			.3				1.3	1.6
Purchases of shares							(13.3)	(13.3)
Debenture exchange			(1.6)				18.8	17.2
Translation adjustment					(1.8)			(1.8)
Market value adjustment						$ (2.8)		(2.8)
Balance, June 30, 1985	139.0	10.0	22.4	971.8	(5.8)	(2.8)	(26.0)	1,108.6
Net loss				(217.0)				(217.0)
Dividends paid				(49.2)				(49.2)
Issuance of Series A Preferred Stock		2.9	136.6					139.5
Conversion of 4% debentures			.1					.1
Stock options exercised	.4		1.9					2.3
Contribution to ESOP							.4	.4
Awards of restricted shares			(.1)				3.5	3.4
Sale of shares			(.4)				3.8	3.4
Purchases of shares							(7.3)	(7.3)
Translation adjustment								
Discontinued operations					6.8			6.8
Other					.5			.5
Market value adjustment						2.8		2.8
Balance, June 30, 1986	$139.4	$12.9	$160.5	$ 705.6	$ 1.5	$	$(25.6)	$ 994.3

(See Notes to Consolidated Financial Statements)

Notes to Consolidated Financial Statements
(Dollars in millions except per share amounts)

Accounting Policies

Principles of Consolidation

Financial statements of all significant subsidiaries are consolidated. Investments in partially owned companies and joint ventures in which ownership ranges from 20 to 50 percent are generally carried at cost, adjusted for amortization of intangibles, allowances for losses, and equity in net earnings and losses. The excess of the purchase cost over the fair value of net identifiable assets of acquired businesses is amortized over periods of up to 40 years.

Inventories

Inventories are stated at the lower of cost or market (net realizable value). In the fourth quarter of 1986, the Company changed its method of determining cost of certain domestic product inventories from the last-in, first-out (LIFO) method. Cost for all inventories is now determined on a cumulative annual average or first-in, first-out (FIFO) basis. Financial statements for prior years have been restated to reflect this change.

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost. Provisions for depreciation are based upon estimated useful lives of 17 to 50 years for buildings and of 5 to 20 years for machinery and equipment, using principally straight-line and unit-of-production methods. Provisions for depletion and amortization of mineral properties are based upon estimates of recoverable reserves, using the unit-of-production method.

Pension Plans

IMC has pension plans that cover substantially all employees. Pension expense, consisting of normal and prior service costs, is determined actuarially. Generally, contributions to the plans are made as those costs are accrued. Prior service costs are being amortized principally over a 30-year period.

Income Taxes

Investment tax credits are applied as a reduction of income tax expense in the year the credit is earned. U.S. income and foreign withholding taxes are provided on the earnings of foreign subsidiaries that are expected to be remitted to the extent that taxes on the distribution of such earnings would not be offset by foreign tax credits.

Acquisition

As of February 28, 1986, IMC purchased Mallinckrodt for $675 million in cash plus approximately $37.5 million of acquisition-related liabilities. Mallinckrodt is composed of a number of businesses which operate in three major areas: medical products, specialty chemicals, and flavors and fragrances.

Based on estimated fair values, $531.8 million of the purchase price was allocated to net tangible assets. The remainder of the purchase price, $180.7 million, will be allocated to identifiable intangible assets upon completion of an appraisal during fiscal 1987. Pending completion of that appraisal, the excess attributable to intangible assets is being amortized on a straight-line basis primarily over 15 years.

The results of operations of Mallinckrodt from March 1, 1986, were included in the consolidated financial statements. Unaudited pro forma combined information for continuing operations assuming a July 1, 1984, acquisition is as follows:

	1986	1985
Net sales	$1,568.5	$1,715.9
Earnings (loss) from continuing operations	(65.1)	65.6
Earnings (loss) from continuing operations per common share	$ (2.77)	$ 2.41

This information does not necessarily indicate either what would have occurred had the acquisition been consummated on July 1, 1984, or what future operating results of the combined operations might be.

Discontinued Operations

In June, 1986, IMC signed letters of intent to sell its gas and oil segment and substantially all the net assets of its industrial products segment. These actions resulted in a charge of $128.0 million, or $4.73 a share. The charge had no income tax effects because the Company had a net operating loss carryforward for which no income tax benefits were provided.

In 1984, IMC determined that its investment in a methanol joint venture was permanently impaired and provided for its shutdown and disposal. That provision resulted in a pretax loss of $43.8 million, reduced by income tax benefits (primarily deferred) of $17.9 million, for a net loss of $25.9 million, or $.97 a share.

Results of operations of these discontinued businesses are included in the accompanying Consolidated Statement of Operations under "Discontinued operations." Summarized operating results for each of the three years in the period ended June 30, 1986, for discontinued operations were as follows:

	1986	1985	1984
Revenues	$ 524.9	$ 465.6	$ 466.5
Costs and expenses	534.5	419.6	438.9
Earnings (loss) before income taxes	(9.6)	46.0	27.6
Provision (credit) for income taxes			
Current	4.5	11.4	8.4
Deferred	(4.7)	5.1	1.9
	(.2)	16.5	10.3
Earnings (loss) from discontinued operations	$ (9.4)	$ 29.5	$ 17.3
Earnings (loss) from discontinued operations per common share	$ (.35)	$ 1.09	$ .65

A summary of net assets of discontinued operations held for sale at June 30, 1986, was as follows:

Working capital deficit	$ (22.0)
Property, plant, and equipment, net	142.1
Other assets	10.5
Noncurrent liabilities	(13.1)
Net assets	$ 117.5

A summary of assets and liabilities of discontinued operations of the gas and oil and industrial products segments included in the Consolidated Balance Sheet at June 30, 1985, was as follows:

Current assets	
Receivables, net	$ 68.5
Inventories, net	92.9
Other	(1.7)
	159.7
Property, plant, and equipment, net	180.8
Other assets	11.3
	351.8
Current liabilities	100.7
Noncurrent liabilities	42.9
	143.6
Net assets	$ 208.2

Net noncurrent liabilities of discontinued operations in the Consolidated Balance Sheet at June 30, 1986 and 1985, related to the discontinued methanol joint venture and consisted primarily of accrued lease obligations.

Earnings Per Common Share

Earnings (loss) per common share have been computed by dividing earnings (loss) from continuing operations, discontinued operations, and net earnings (loss), minus preferred stock dividend requirements, by the weighted average number of common shares outstanding. Shares used in the computation were 27,077,649 in 1986; 27,173,296 in 1985; and 26,723,067 in 1984.

Cash and Short-Term Investments

	1986	1985
Cash and time deposits	$ 103.1	$ 90.8
Certificates of deposit	2.5	9.4
Bankers' acceptances	5.4	5.0
Other short-term investments	3.1	35.6
	$ 114.1	$ 140.8

Current Receivables

	1986	1985
Trade accounts	$ 185.5	$ 170.3
Nontrade receivables	26.2	10.9
	211.7	181.2
Less allowances	5.0	4.8
	$ 206.7	$ 176.4

Product Inventories

In the fourth quarter of 1986, IMC changed its method of determining cost of certain domestic product inventories from the LIFO cost method to a cumulative annual average cost method. Management believes this cost method will result in a fairer presentation of inventories while maintaining an appropriate matching of costs with revenues.

Financial statements of prior years have been restated to reflect this change. As a result, retained earnings have been increased by $16.3 million as of July 1, 1984. The effect of the restatement was to increase (decrease) operating results and per common share amounts as follows:

	1986		1985		1984	
	Adjustment	Per Common Share	Adjustment	Per Common Share	Adjustment	Per Common Share
Continuing operations	$ 1.5	$ .05	$ 1.2	$ .04	$(1.5)	$(.05)
Discontinued operations	(1.3)	(.04)	.5	.02	.1	
	$ .2	$ .01	$ 1.7	$ .06	$(1.4)	$(.05)

Product inventories consisted of the following:

	1986	1985
Animal products	$ 21.2	$ 24.1
Fertilizers	130.8	144.0
Mallinckrodt	122.2	
Discontinued operations		87.2
Intergroup eliminations	(.2)	(.2)
	$ 274.0	$ 255.1

Investments and Long-Term Receivables

	1986	1985
Investments in and advances to partially owned companies and joint ventures	$ 177.9	$ 165.7
Long-term receivables and other investments	30.9	32.9
Marketable equity securities, at cost		13.5
	208.8	212.1
Less allowances	3.7	6.9
	$ 205.1	$ 205.2

Marketable equity securities held as long-term investments were stated at the lower of cost or market. Allowances include $2.8 million established by reducing shareholders' equity for the excess of cost over market value of these securities at June 30, 1985. Such securities were sold in the year ended June 30, 1986, for a small gain based on cost.

Property, Plant, and Equipment

	1986	1985
Land	$ 69.5	$ 32.9
Mineral, gas, and oil properties and rights	214.7	416.7
Buildings and leasehold improvements	384.5	300.6
Machinery and equipment	1,428.5	1,345.6
Construction in progress	73.5	48.5
	2,170.7	2,144.3
Accumulated depreciation	887.5	869.5
Accumulated depletion	31.2	152.6
	918.7	1,022.1
Net property, plant, and equipment	$1,252.0	$1,122.2

In 1986, the Company extended the estimated useful lives of certain assets, primarily in the fertilizer segment, because a study indicated that most of these assets continue in service significantly beyond previously estimated depreciable lives. As a result of extending these lives, depreciation expense decreased approximately $18.6 million ($10.9 million after taxes, or $.40 a share).

In 1984, IMC sold a small portion of its phosphate reserves for a gain of $16.0 million ($8.9 million after taxes, or $.33 a share) included in the Consolidated Statement of Operations under "Interest earned and other income (expense), net."

Income Taxes

At June 30, 1986, the Company had a net operating loss carryforward of approximately $50 million and investment tax credits of $10 million available to offset future taxable income for financial reporting purposes. For Federal income tax purposes, the net operating loss carryforward, expiring in 2001, was approximately $140 million and the investment tax credit carryforward, expiring in 1998 through 2001, was $20 million. The net operating loss and investment tax credit carryforwards for financial reporting purposes are less than those for Federal income tax purposes because a portion of them have already been given benefit to in the financial statements, primarily through a reversal of deferred income taxes.

The provision (credit) for income taxes on earnings (loss) from continuing operations consisted of the following:

	1986	1985	1984
Current			
Federal	$ (11.7)	$ (11.1)	$ (.6)
State and local	4.2	3.2	1.8
Foreign	12.6	20.2	32.9
	5.1	12.3	34.1
Deferred			
Federal	(85.9)	1.1	10.9
State and local	(5.4)	1.0	.9
Foreign	(.1)	2.2	(.9)
	(91.4)	4.3	10.9
	$ (86.3)	$ 16.6	$ 45.0

The components of earnings (loss) from continuing operations before income taxes were as follows:

	1986	1985	1984
Domestic	$ (187.4)	$ 65.5	$ 79.8
Foreign	21.5	42.9	54.1
	$ (165.9)	$ 108.4	$ 133.9

In July, 1984, the Tax Reform Act of 1984 was enacted. Among its provisions, the act provided that untaxed income previously earned by Domestic International Sales Corporations (DISC) was not subject to Federal income taxes. Accordingly, the 1985 provision for income taxes was reduced by a reversal of $7.5 million, or $.28 a share, of deferred income taxes previously provided. The 1985 provision was also reduced by $7.1 million, or $.26 a share, as a result of a U.S. Tax Court ruling that became final.

Deferred income tax provisions (credits) result from timing differences in the recognition of income and expenses for financial reporting and tax purposes. The following summarizes principal components of the provision (credit) for deferred income taxes from continuing operations:

	1986	1985	1984
Adjustment of net deferred tax credits through application of net operating losses	$ (91.3)		
Depreciation differences		$ 7.2	$ 2.3
Capitalized interest		8.4	8.2
Investment tax credits		(1.8)	7.2
DISC deferred tax reversal		(7.5)	
Other	(.1)	(2.0)	(6.8)
	$ (91.4)	$ 4.3	$ 10.9

A reconciliation of taxes computed at the Federal statutory rate and the consolidated effective tax rate for earnings (loss) from continuing operations follows:

	1986		1985		1984	
Computed tax at Federal statutory rate	$(76.3)	46.0%	$ 49.9	46.0%	$ 61.6	46.0%
Investment tax credits	(9.3)	5.6	(5.1)	(4.7)	(4.3)	(3.2)
Percentage depletion	(3.9)	2.3	(17.6)	(16.2)	(20.4)	(15.2)
Foreign income and withholding taxes	3.4	(2.0)	1.5	1.4	1.7	1.3
Minimum tax	2.0	(1.2)	5.5	5.1	6.2	4.6
DISC deferred tax reversal			(7.5)	(6.9)		
Favorable Tax Court ruling			(7.1)	(6.6)		
Other items (none in excess of 5% of computed tax)	(2.2)	1.3	(3.0)	(2.8)	.2	.1
Consolidated effective tax	$(86.3)	52.0%	$ 16.6	15.3%	$ 45.0	33.6%

Accrued Liabilities

	1986	1985
Salaries, wages, and bonuses	$ 15.2	$ 11.2
Taxes other than income taxes	17.3	17.1
Interest	18.9	10.4
Other	70.9	54.8
	$ 122.3	$ 93.5

Research and Development Expenses

Research and development expenses for continuing operations amounted to $33.2 million in 1986, $23.0 million in 1985, and $18.0 million in 1984.

Long-Term Debt

	1986	1985
Notes payable, with interest rates averaging 6.98%	$453.1	
9.875% debentures due in 2011 in annual installments of $15.0 million, beginning in 2002	147.6	
8.75% promissory notes due in 2000 in annual installments of $10.3 million, with final payment of $10.7 million in 2000	144.0	$ 154.2
11.875% debentures due in 2005 in annual installments of $6.0 million, beginning in 1990, with final payment of $10.0 million in 2005	67.4	72.4
9.35% debentures due in 2001 in annual installments of $6.5 million, beginning in 1991, with final payment of $6.7 million in 2001	52.9	52.9
8.25% promissory notes due in 1989, with quarterly payments averaging $2.3 million	16.3	23.8
4% convertible subordinated debentures due in 1991	.9	1.0
4.5% subordinated debentures due in 1992	2.5	2.5
Other (5% to 12%) due in 1986 to 2013	76.1	57.4
	960.8	364.2
Less current maturities	38.2	22.1
	$ 922.6	$ 342.1

During 1985, IMC reacquired $27.6 million of its 11.875 percent debentures and $12.3 million of its 9.35 percent debentures upon issuance of 539,582 shares of IMC common stock and a principal payment of $15.8 million. The exchange resulted in a nontaxable gain of $6.3 million, or $.23 a share, included in the Consolidated Statement of Operations under "Interest earned and other income (expense), net." IMC intends to utilize these debentures for sinking fund requirements.

Notes payable outstanding at June 30, 1986, consist of short-term notes backed by long-term lines of credit. See "Lines of Credit." Accordingly, such notes have been classified as long-term debt. Notes payable aggregating $160.0 million are affected by various interest rate swap agreements that extend from 1989 to 1996 and that result in an effective average interest rate for these notes of 8.55 percent at June 30, 1986.

The 9.875 percent debentures were sold in March, 1986. The debentures are redeemable at the option of IMC at 100 percent in 2001 and thereafter.

The 11.875 percent debentures are redeemable at the option of IMC at prices ranging from 107.613 percent at June 30, 1986, to 100 percent in 2000 and thereafter.

The 9.35 percent debentures are redeemable at the option of IMC at prices ranging from 104.675 percent at June 30, 1986, to 100 percent in 1995 and thereafter.

The 4 percent convertible subordinated debentures are currently convertible into common stock at $25.32 a share and are redeemable at 100 percent.

The 4.5 percent subordinated debentures may be exchanged for cash at any time at the rate of $662 per $1,000 principal amount of debentures.

Maturities of long-term debt for the next five years, assuming application of acquired debentures to the earliest sinking fund requirements, are (in millions of dollars): 1987--$38.2; 1988--$24.6; 1989--$13.5; 1990--$12.4; 1991--$11.6. Short-term notes backed by long-term lines of credit are excluded from these amounts because a sufficient amount of lines expire after 1991.

Certain debt agreements require maintenance of $175 million of consolidated working capital and restrict the payment of dividends and purchase, retirement, or redemption of capital stock. Consolidated retained earnings not restricted under these provisions amounted to $28.2 million at June 30, 1986.

Interest Charges

	1986	1985	1984
Total interest charges	$ 65.6	$ 40.1	$ 43.9
Less interest capitalized	2.2	12.1	13.0
	$ 63.4	$ 28.0	$ 30.9

Lines of Credit

IMC had unused commitments from groups of banks under revolving credit and similar agreements totaling $525.0 million with an eight-year term extending to September 30, 1993, and $275.0 million with a five-year term extending to November 8, 1990. Interest rates on borrowings under these agreements may, in general, be the banks' prime rate, various LIBOR and certificate of deposit rates, or combinations thereof. Commitment fees averaging .19 percent are payable on the unused portions.

IMC also had unused short-term domestic and foreign bank lines of credit at June 30, 1986, totaling $159.3 million. Borrowings under these lines bear interest rates generally extended to prime borrowers. The lines are cancellable at any time.

Pension Plans

Pension expense for continuing operations was $10.6 million for 1986, $4.4 million for 1985, and $6.2 million for 1984, including amortization of unfunded prior service costs. The increase in pension expense in 1986 resulted from the acquisition of Mallinckrodt and an early-retirement program. Annual expense for the principal retirement plans has been calculated using actuarial methods which essentially spread the cost of future benefits over the service lives of active employees.

The actuarial present value of accumulated benefits to participants of U.S. and Canadian plans and the net assets available for those benefits at the actuarial valuation dates for fiscal 1986 and 1985 (principally January 1, 1985 and 1984, respectively) were as follows:

	1986	1985
Actuarial present value of accumulated plan benefits		
Vested	$ 195.1	$ 99.3
Nonvested	19.5	10.5
	$ 214.6	$ 109.8
Net assets available for benefits	$ 279.6	$ 161.7

Most of the increase in the actuarial present value of accumulated plan benefits and net assets available for benefits was attributable to the acquisition of Mallinckrodt.

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was approximately 10 percent in 1986 and 11 percent in 1985. The method used to calculate the actuarial present value of accumulated plan benefits does not anticipate future salary increases. Net assets available for benefits, however, reflect funding based on an actuarial method that does anticipate such future increases. Any comparison of these two amounts should take into account this difference in method.

Present-value information was not available for certain foreign pension plans and is not included in the above table. Pension expense for those foreign plans was about 5 percent or less of each year's pension expense.

In December, 1985, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 87 relating to accounting and disclosure for pension plans. The Company has not determined the impact on its accounting for pension costs under this new standard. Application of the new standard is permitted but not required prior to fiscal years beginning after December 15, 1986.

Postretirement Health Care Benefits

IMC provides certain health care benefits for U.S. salaried and hourly retired employees. Employees may become eligible for health care benefits if they retire after attaining specified age and service requirements while they worked for the Company.

Health care benefits are paid directly by IMC and the cost of providing these benefits to retirees is recognized as an expense when claims are paid. The cost to IMC of such health care benefits for continuing operations amounted to approximately $2.4 million for 1986, $2.0 million for 1985, and $1.6 million for 1984.

Capital Stock

The Company has authorized and issued 100,000 shares of 4 Percent Cumulative Preferred Stock with a par value of $100 and redeemable at $110 a share.

The Company also has authorized 3,000,000 shares of Series Preferred Stock, with a $1 par value. In June, 1986, 2,875,000 of these shares were issued as $3.75 Convertible Exchangeable Preferred Stock, Series A (Series A Preferred Stock). All of the issued shares were outstanding at June 30, 1986.

The Series A Preferred Stock is entitled to receive preferential and cumulative quarterly dividends at an annual rate of $3.75 a share, has a liquidation preference of $50 a share, and ranks as to dividends and liquidation prior to the Company's common stock, but junior to the 4 Percent Cumulative Preferred Stock. Series A Preferred Stock has no preemptive rights nor, except in the occurrence of certain specified events, voting rights.

Series A Preferred Stock is initially convertible at the holder's option into 1.218 shares of common stock at any time, and is redeemable in whole or in part, at the Company's option, on or after June 30, 1989, at $53.75 a share. Redemption prices decline annually thereafter to $50 a share after June 30, 1996, plus accrued but unpaid dividends to the redemption date.

Series A Preferred Stock is exchangeable in whole but not in part, at the Company's option, on any dividend payment date on or after June 30, 1989, for the Company's 7-1/2 Percent Convertible Subordinated Debentures due 2016 at a rate of $50 principal amount of 7-1/2 Percent Debentures for each share of Series A Preferred Stock.

Authorized common stock of the Company is 50,000,000 shares, with a $5 par value.

At June 30, 1986, 20,455,295 common shares were reserved: 3,501,750 for conversion of Series A Preferred Stock, 1,043,806 for exercise of stock options and granting of stock awards, 34,360 for conversion of the 4 percent debentures, and 15,875,379 for exercise of common stock purchase rights.

Cash dividends paid in each of the last three years were $4.00 a share for the 4 Percent Cumulative Preferred Stock and $1.80 a share in 1986 and $2.60 a share in 1985 and 1984 for common stock.

In March, 1986, the Company declared a special dividend of one non-voting common stock purchase right for each outstanding common share. The dividend was distributed on April 7, 1986. Under certain conditions, each right may be exercised to purchase one-half share of common stock at a price of $50. The rights become exercisable and transferable apart from the common stock only if someone acquires, or obtains the right to acquire, 20 percent or more of the common stock or makes a tender offer for 30 percent or more of the common stock. After the rights become exercisable, if the Company becomes a party to a merger or other combination or transfers 50 percent or more of its assets or earnings power to a person or group, each right can be used to purchase the common stock of the surviving company at 50 percent below the market price. The rights may be redeemed at a price of $.05 per right under certain conditions prior to their expiration on March 31, 1996.

During the three years ended June 30, 1986, there were no changes in the number of issued shares of IMC's 4 Percent Cumulative Preferred Stock or the number of shares of preferred stock held in the treasury (1,670 shares). Changes in the number of shares of common stock issued and in treasury during that period were as follows:

	1986	1985	1984
Common stock issued			
Balance, beginning of year	27,797,602	27,705,289	27,586,342
Stock options exercised	67,700	86,725	112,764
Conversion of 4% debentures	4,571	5,588	6,183
Balance, end of year	27,869,873	27,797,602	27,705,289
Treasury common stock			
Balance, beginning of year	726,687	949,688	980,105
Contribution to ESOP	(12,872)	(13,649)	(29,087)
Purchases of shares	187,541	366,530	27,741
Awards of restricted shares	(98,075)	(36,300)	(29,071)
Sale of shares	(104,250)		
Debenture exchange		(539,582)	
Balance, end of year	699,031	726,687	949,688

Operations by Geographic Area (See table on page 51.)

Net earnings of consolidated foreign subsidiaries, excluding discontinued operations and before consolidation eliminations, amounted to $2.6 million in 1986, $27.1 million in 1985, and $24.0 million in 1984. Net assets of such subsidiaries were $143.8 million at June 30, 1986 ($141.5 million at June 30, 1985), including retained earnings of $129.3 million at June 30, 1986, a substantial portion of which is considered to be permanently invested.

Sales from continuing operations from the United States to unaffiliated customers in other geographic areas were as follows:

	1986	1985	1984
Latin America	$ 33.0	$ 42.0	$ 43.6
Europe	27.4	40.4	26.3
Far East	64.2	125.1	111.4
Other	4.6	2.2	2.5
	$ 129.2	$ 209.7	$ 183.8

Transfers of product between geographic areas are at prices approximating those charged to unaffiliated customers.

Segment Information (See table on page 52.)

IMC's continuing worldwide operations are organized in three segments as follows:

Business Segment	Operations
Animal products	Production and sale of feed ingredients from phosphate and potash, Ralgro, a growth-promoting implant for livestock, and poultry vaccines.
Fertilizers	Mining, processing, production, and sale of phosphate rock, phosphate chemicals, potash, and ammonia for inorganic fertilizers; production and sale of mixed fertilizers; production and sale of uranium oxide.
Mallinckrodt	Production and sale of: medical products used by hospitals, laboratories, and pharmaceutical companies; specialty chemical products used by industrial companies as catalysts, components, and ingredients; and products for processed food, beverage, perfume, and personal care industries.

In 1986, IMC signed letters of intent to sell its gas and oil segment and substantially all the net assets of its industrial products segment (see "Discontinued Operations" on page 38).

Certain smaller operations of the industrial products segment have been retained and combined with the animal products and fertilizers segments; prior year amounts for the latter segments have been restated to reflect this change.

Geographic Information

Sales	Total Sales 1986	1985	1984	Transfers Between Geographic Areas 1986	1985	1984	Net Sales 1986	1985	1984
United States	$1,085.2	$1,096.9	$1,018.6	$ 10.0	$ 12.5	$ 19.3	$1,075.2	$1,084.4	$ 999.3
Canada	113.9	143.1	169.4	49.5	62.8	88.1	64.4	80.3	81.3
Europe	31.0			2.5			28.5		
Other	10.9	2.1	1.6	1.3	1.1	.8	9.6	1.0	.8
Consolidated	$1,241.0	$1,242.1	$1,189.6	$ 63.3	$ 76.4	$108.2	$1,177.7	$1,165.7	$1,081.4

Earnings and Assets	Earnings (Loss) From Continuing Operations Before Income Taxes 1986	1985	1984	Identifiable Assets 1986	1985	1984
United States	$ (74.1)	$ 137.0	$ 129.9	$ 1,895.7	$ 1,285.4	$ 1,325.3
Canada	12.7	33.3	63.0	104.9	127.0	119.7
Europe	(1.3)			93.8		
Other	1.2	1.2		36.9	8.2	1.6
Eliminations	7.7	(.2)		(4.4)	(16.5)	(10.5)
Operating earnings (loss)	(53.8)	171.3	192.9			
Corporate	(48.7)	(34.9)	(28.1)	182.7	228.3	210.2
Interest charges	(63.4)	(28.0)	(30.9)			
Discontinued operations				117.5	351.8	343.6
Consolidated	$(165.9)	$ 108.4	$ 133.9	$ 2,427.1	$ 1,984.2	$ 1,989.9

Foreign currency translation gains (losses) included in earnings (loss) from continuing operations amounted to $(1.9) million in 1986 and $1.8 million in 1984.

Segment Information

Sales	Total Sales 1986	Total Sales 1985	Total Sales 1984	Intersegment Sales 1986	Intersegment Sales 1985	Intersegment Sales 1984	Net Sales 1986	Net Sales 1985	Net Sales 1984
Animal products	$ 159.0	$ 165.7	$ 193.8	$ 1.3	$ 3.1	$ 20.7	$ 157.7	$ 162.6	$ 173.1
Fertilizers									
Phosphate chemicals	340.6	392.2	339.4	47.9	48.1	67.7	292.7	344.1	271.7
Phosphate rock	101.9	139.3	147.4	1.6	1.5	1.8	100.3	137.8	145.6
Potash	140.8	191.6	210.6	5.5	7.0	5.9	135.3	184.6	204.7
Mixed fertilizers	124.0	159.8	175.8				124.0	159.8	175.8
Other	158.7	178.0	111.0	1.8	1.2	.5	156.9	176.8	110.5
Mallinckrodt	210.8						210.8		
Consolidated	$1,235.8	$1,226.6	$1,178.0	$ 58.1	$ 60.9	$ 96.6	$1,177.7	$1,165.7	$1,081.4

Earnings and Assets	Earnings (Loss) From Continuing Operations Before Income Taxes 1986	1985	1984	Identifiable Assets 1986	1985	1984
Animal products	$ 28.1	$ 34.3	$ 47.9	$ 85.5	$ 93.2	$ 90.7
Fertilizers	(61.0)	136.5	144.9	1,229.8	1,310.0	1,346.9
Mallinckrodt	(20.9)			812.5		
Eliminations		.5	.1	(.9)	.9	(1.5)
Operating earnings (loss)	(53.8)	171.3	192.9			
Corporate	(48.7)	(34.9)	(28.1)	182.7	228.3	210.2
Interest charges	(63.4)	(28.0)	(30.9)			
Discontinued operations				117.5	351.8	343.6
Consolidated	$(165.9)	$ 108.4	$ 133.9	$ 2,427.1	$ 1,984.2	$ 1,989.9

Property, Plant, and Equipment	Capital Expenditures 1986	1985	1984	Depreciation and Depletion 1986	1985	1984
Animal products	$ 3.2	$ 3.5	$ 1.7	$ 4.1	$ 5.6	$ 5.5
Fertilizers	52.0	63.1	80.6	68.7	90.0	91.6
Mallinckrodt	7.0			12.2		
Corporate	3.8	6.8	6.2	3.3	3.0	2.7
Discontinued operations	27.9	42.6	16.3	57.4	26.1	24.8
Consolidated	$ 93.9	$116.0	$104.8	$145.7	$124.7	$124.6

Intersegment sales are generally at prices approximating those charged to unaffiliated customers. Corporate assets consist primarily of cash and short-term investments.

1986

A change in estimated depreciable lives of certain assets improved animal products operating earnings $2.0 million and fertilizers operating results $16.6 million.

Fertilizers operating results included nonrecurring items which produced a net charge of $82.7 million. These nonrecurring items included settlements of certain contracts, the write-off of an investment, and planned dispositions of facilities.

Mallinckrodt operating results included nonrecurring restructuring costs of $20.4 million and a charge of $30.2 million from allocating a portion of the purchase price to inventories.

1984

Fertilizers operating earnings included a $16.0 million gain from the sale of a small portion of its phosphate reserves. That segment's operating earnings also included an $8.3 million loss from the shutdown of a small phosphate chemical manufacturing facility.

Stock Plans

A non-qualified stock option and award plan adopted in 1973, as amended, provides for granting options to purchase up to 1,800,000 shares of common stock at prices not less than 100 percent of market price at the date of grant. A second plan was adopted in October, 1982, for granting options for up to 500,000 shares intended to qualify as "incentive stock options" under provisions of the Internal Revenue Code. Options under both plans are exercisable over 10 years beginning one year after the date of grant and are limited to 50 percent during the second year. A total of 1,953,161 shares was granted under these plans through June 30, 1986. The plans permit employees to tender shares to IMC in lieu of cash for the exercise of stock options. During 1986, 1985, and 1984, 58,800, 55,500, and 51,193 options with an aggregate market value of $2.4 million, $2.2 million, and $2.4 million were exercised by the tendering of 42,554, 37,186, and 27,741 shares with a market value of $1.7 million, $1.5 million, and $1.3 million, respectively. These tendered shares have been accounted for as a purchase of treasury shares at market value.

The plans also provide for granting stock appreciation rights in conjunction with options granted. Upon exercise of a stock appreciation right, the holder is entitled to receive the excess of the fair market value of the shares for which the right is exercised over the option price under the related option. IMC may elect to pay such amounts in cash, IMC common stock, or a combination thereof. The stock appreciation right is exercisable only to the extent the related stock option is exercisable. Upon exercise of the right, the related stock option must be surrendered and the related common shares are not available for future option grants.

Information on options and rights follows:

Number of Options	Price Range	1986	1985	1984
Outstanding at beginning of year	$15-42	920,725	900,700	773,052
Granted	31-42	144,300	157,000	315,400
Cancelled	27-42	83,750	50,250	74,988
Exercised	15-37	67,700	86,725	112,764
Outstanding at end of year	26-42	913,575	920,725	900,700
At June 30				
Exercisable		708,425	608,775	545,950
Reserved for future option grants		130,231	329,256	520,306

Number of Rights				
Outstanding at beginning of year	$19-34	79,400	132,400	200,288
Cancelled	19-27		5,000	800
Exercised	19-34	40,400	48,000	67,088
Outstanding at end of year	26-34	39,000	79,400	132,400

The average purchase price of outstanding stock options at June 30, 1986, was $36.04 a share, based on an aggregate purchase price of $32.9 million. Outstanding stock options and appreciation rights will expire over a period from no later than February 2, 1987, to no later than June 18, 1996.

The non-qualified stock option and award plan provides for the award of restricted shares of IMC's common stock. Under the plan, the grantee makes no cash payment for the award, the shares are held in escrow until vested, and the grantee cannot dispose of the restricted shares until vested. Upon forfeiture of any share of restricted stock in accordance with the stock option and award plan, or the terms and conditions of the award, the shares would automatically be transferred to and reacquired by IMC at no cost. In 1986, 1985, and 1984, IMC issued from its treasury 98,075, 36,300, and 29,071 restricted shares, respectively, in connection with incentive compensation plans. Awards in 1984, 1985, and 1986 become vested generally on June 30, 1987, 1988, and 1989, respectively.

Commitments

IMC leases railroad cars, office space, data processing equipment, and machinery and equipment. Some, principally railroad car leases, have been classified as capital leases. Rent expense for continuing operations in 1986, 1985, and 1984 related to operating leases was $20.7 million, $18.0 million, and $16.3 million, respectively (net of related mileage credits of $2.2 million in 1986, $1.8 million in 1985, and $1.6 million in 1984).

Minimum rent commitments for continuing operations at June 30, 1986, under operating leases with a remaining noncancellable period exceeding one year are set forth below. These commitments have not been reduced for potential mileage credits.

Years ending June 30	
1987	$ 16.0
1988	13.9
1989	11.4
1990	10.4
1991	8.9
Later years	73.5
	$134.1

IMC is committed under a service agreement with Potash Corporation of Saskatchewan Mining Limited (PCS Mining) to produce annually from mineral reserves specified quantities of potash for a fixed fee and a pro rata share of production costs. The term of the agreement presently extends through June 30, 1987, and is renewable (on the same terms) at the option of PCS Mining for eight additional five-year periods. Potash produced for PCS Mining may, at PCS Mining's option, amount to an annual maximum of about one-fourth of the tons produced. During 1986, production of potash for PCS Mining amounted to 638,000 tons, or 20 percent of tons produced.

IMC and W. R. Grace & Co. have entered into a 50-50 mining joint venture to produce phosphate rock from reserves contributed to the venture by Grace. IMC's investment in this joint venture was approximately $153 million at June 30, 1986. The mine and related facilities cost approximately $640 million and were completed in December, 1984. Mining operations began in January, 1985. Operations were shutdown temporarily in February, 1986 due to market conditions and are expected to resume in early calendar 1988. The joint venture has financed a substantial portion of the total project cost through project financing arrangements secured by long-term take-or-pay contracts with IMC and Grace. Each contract covers 50 percent of the facility's output. IMC's share of borrowings by this joint venture amounted to $148 million at June 30, 1986, payable in eighteen semi-annual installments of approximately $8 million. At the option of IMC and Grace, the interest rate on this debt may be the bank's prime rate, various LIBOR and certificate of deposit rates, or combinations thereof. Approximately 44 percent of IMC's share of the joint venture's borrowings is covered by interest rate swap and cap agreements that result in an average effective interest rate of about 10-1/4 percent.

Quarterly Earnings Information (Unaudited)

(In millions of dollars except per share amounts)

Quarter	First	Second	Third	Fourth
Fiscal 1986				
Net sales	$219.0	$216.9	$298.6	$ 443.2
Gross margins	33.3	35.8	35.8	25.4
Earnings (loss) from continuing operations before income taxes	13.7	5.4	(39.2)	(145.8)
Earnings (loss) from continuing operations	7.2	6.1	(15.7)	(77.2)
Discontinued operations	4.7	5.1	(6.2)	(141.0)
Net earnings (loss)	$ 11.9	$ 11.2	$(21.9)	$(218.2)
Earnings (loss) per common share				
Continuing operations	$ .27	$ .22	$ (.59)	$ (2.86)
Discontinued operations	.17	.19	(.23)	(5.21)
Net earnings (loss)	$ .44	$ .41	$ (.82)	$ (8.07)
Fiscal 1985				
Net sales	$262.7	$258.6	$312.0	$ 332.4
Gross margins	51.0	63.8	55.3	49.8
Earnings from continuing operations before income taxes	33.4	41.3	19.7	14.0
Earnings from continuing operations	30.8	27.0	23.0	11.0
Discontinued operations	6.9	7.9	8.1	6.6
Net earnings	$ 37.7	$ 34.9	$ 31.1	$ 17.6
Earnings per common share				
Continuing operations	$ 1.12	$ .99	$ .84	$ .41
Discontinued operations	.25	.29	.31	.24
Net earnings	$ 1.37	$ 1.26	$ 1.15	$ .65

In the fourth quarter of 1986, the Company changed its method of determining cost of certain domestic inventories from the last-in, first-out (LIFO) method. Prior quarter and prior year results have been restated accordingly. This restatement increased (decreased) net operating results and the corresponding per common share amounts for 1986's quarters as follows: first quarter -- $1.5 million, $.05 a share; second quarter -- $1.5 million, $.05 a share; and third quarter -- $(1.3) million, $(.04) a share. Net earnings in each of 1985's quarters was increased approximately $.4 million, or $.01 a share.

In 1986, results from continuing operations included lower depreciation expense as a result of changing the estimated depreciable lives of certain assets. This change, which was effective in the first quarter, increased net operating results and the corresponding per common share amounts for 1986's quarters as follows: first quarter -- $2.2 million, $.08 a share; second quarter -- $3.6 million, $.13 a share; third quarter -- $1.4 million, $.06 a share; and fourth quarter -- $3.7 million, $.13 a share.

First quarter earnings from continuing operations in 1986 included an after-tax gain of $4.7 million, or $.17 a share, from a contract settlement. The second quarter's provision for income taxes from continuing operations included a decrease of $2.5 million, or $.09 a share, from a change in the estimated provision for income taxes on the first-quarter contract settlement gain. The third quarter's loss from continuing operations included an after-tax loss of $12.8 million, or $.47 a share, from the write-off of an investment and the settlement of a contract. That quarter also included an after-tax charge of $4.6 million, or $.17 a share, that resulted from an allocation of a portion of the purchase price for Mallinckrodt to its inventories. The fourth quarter's loss from continuing operations included nonrecurring items which amounted to a net after-tax charge of $62.9 million, or $2.32 a share. The fourth quarter of 1986 also included a loss, with no income tax effects, of $128.0 million, or $4.73 a share, for the planned disposals of the gas and oil and industrial products segments.

Results of operations of Mallinckrodt since March 1, 1986, are included in the Company's quarterly consolidated operating results. Those results included after-tax charges of $29.5 million, or $1.09 a share, related to nonrecurring restructuring costs and from allocating a portion of the purchase price to inventories.

In 1985, first quarter earnings included a nontaxable gain of $6.3 million, or $.23 a share, from an exchange of common stock and cash for certain previously issued debentures. That quarter's provision for income taxes was reduced by a reversal of deferred taxes that amounted to $7.5 million, or $.28 a share, resulting from provisions in the 1984 Tax Reform Act involving Domestic International Sales Corporations. Third quarter results included a reduction in the provision for income taxes of $7.1 million, or $.26 a share, that resulted from a U.S. Tax Court ruling that became final.

Inflation-Adjusted Data (Unaudited)

Supplementary Information on Financial Reporting and Changing Prices

Financial accounting standards require disclosure of financial information about effects of changing prices on historical cost-based financial statements. These disclosures attempt to portray some of the effects of inflation on financial statements.

The supplemental information provided reflects the effect of changes in specific prices (current cost) on property, plant, and equipment, inventories, depreciation and depletion, and cost of goods sold by application of specific indexes to historical cost-based assets and expenses. This information also includes the effect of general price changes on monetary assets and liabilities. Assets of IMC's discontinued operations have been excluded from these calculations.

Purchasing power gains are based on IMC's net monetary liabilities at the beginning and end of each year, restated into average 1986 dollars. Although those gains have not been included in the determination of current cost loss from continuing operations, they should be considered in the evaluation of the effect of inflation on IMC. If the 1986 gain had been included in that determination, the loss from continuing operations would have been $109 million on a current cost basis.

Although restated costs and expenses are higher on the current cost basis compared with historical cost-based amounts, there is no related increase in the income tax credit because income tax laws require deductions to be based on historical costs. As a result, the historical cost-effective tax rate of 52.0 percent in 1986 decreases to 41.3 percent on the current cost basis.

Inflation-Adjusted Supplemental Statement of Operations

(In millions of dollars except per share amounts) Year ended June 30, 1986	As Reported (Historical Cost)	Specific Prices (Current Cost)
Revenues		
Net sales	$1,178	$1,178
Interest earned and other income (expense), net	(72)	(72)
	1,106	1,106
Costs and expenses		
Cost of goods sold*	963	963
Selling, administrative, and general expenses*	158	158
Depreciation and depletion	88	130
Interest charges	63	63
	1,272	1,314
Loss from continuing operations before income taxes	(166)	(208)
Income tax credit	(86)	(86)
Loss from continuing operations	$ (80)	$ (122)
Loss from continuing operations per common share	$(2.96)	$(4.53)
Purchasing power gain on net amounts owed		$ 13
Effect of increase in general inflation on inventories and property, plant, and equipment held during the year		$ 56
Increase in specific prices (current cost) **		58
Excess of increase in specific prices over general inflation		$ (2)

*Exclusive of depreciation and depletion.

**At June 30, 1986, current cost of inventories was $322 million and current cost of property, plant, and equipment, net of accumulated depreciation and depletion, was $1,787 million.

Five-Year Comparison of Selected Supplementary Financial Data
(In millions of dollars except per share amounts)

Years ended June 30	1986	1985	1984	1983	1982
Net sales					
Historical dollars	$1,178	1,166	1,081	1,027	1,033
Average 1986 dollars	1,178	1,199	1,155	1,137	1,194
Earnings (loss) from continuing operations					
Historical dollars	$ (80)	92	89	67	107
Current cost*	(122)	33	30	22	66
Net assets					
Historical dollars	$ 994	1,109	1,054	1,040	1,036
Current cost*	1,540	1,777	1,688	1,790	1,874
General inflation over (under) specific prices	$ (2)	36	32	1	28
Purchasing power gain on net amounts owed	$ 13	30	22	7	43
Earnings (loss) from continuing operations per common share					
Historical dollars	$(2.96)	3.36	3.31	2.50	3.98
Current cost*	(4.53)	1.20	1.11	.81	2.46
Dividends per common share					
Historical dollars	$ 1.80	2.60	2.60	2.60	2.60
Average 1986 dollars	1.80	2.67	2.78	2.88	3.00
Market price per common share (at year end)					
Historical dollars	$33.13	40.75	36.00	40.13	26.50
Average 1986 dollars	33.17	41.89	38.46	44.44	30.62
Average Consumer Price Index	325.7	316.8	304.9	294.1	281.9

*Stated in average 1986 dollars.

Mineral Reserves and Operating Statistics

Information relating to the Company's major proved mineral reserves, mining production, and representative product prices follows:

(Millions of tons)	1986	1985	1984	1983	1982
Phosphate (Florida)					
Reserves at year end	192	192	194	20[illegible]	188
Bone phosphate of lime	68%	68%	68%	6[illegible]	69%
Reserves acquired	1		12	17	12
Reserves sold			4		
Reserve revaluation	7	9	(5)	6	
Phosphate rock mined	8	11	11	9	10
Bone phosphate of lime	69%	69%	69%	69%	69%
Potash (Canada)					
Reserves at year end	1,331	1,338	1,346	1,354	1,361
Average K_2O content	25%	25%	25%	25%	25%
Ore mined	7	8	8	7	6
Average K_2O content	25%	25%	25%	25%	25%
Muriate of potash produced	3	3	3	3	2
Potash (New Mexico)					
Reserves at year end	182	187	192	198	203
Average combined K_2O content	10%	10%	10%	11%	11%
Ore mined	5	5	6	5	5
Average combined K_2O content	12%	11%	10%	10%	10%
Potash produced	1	1	1	1	1
Average Realized Prices					
Phosphate rock per ton	$20	20	19	20	23
Potash per ton	43	53	58	60	70

In addition to the phosphate reserves shown in the table, IMC's share of the IMC/Grace joint venture's phosphate reserves in west central Florida at June 30, 1986, amounted to about 49 million tons, with estimated bone phosphate of lime content of 66 percent. During 1986 and 1985, reserve revaluations produced a net increase in IMC's share of estimated reserves of 7 million tons. IMC's share of production that began in 1985 amounted to approximately 1 million tons in both 1986 and 1985.

IMC also owns or controls phosphate deposits about 40 miles from current mining operations. These deposits are estimated to contain approximately 239 million tons with bone phosphate of lime content about 65 percent. Changes in these deposits during the five years ended June 30, 1986, consist of acquisitions of about 11 million tons during the three years ended June 30, 1986. (Deposits are ore bodies which require additional economic and mining feasibility studies before they can be classified as reserves.)

Item 9. Disagreements on Accounting and Financial Disclosure

Not applicable.

Part III.

Item 10. Directors and Executive Officers of the Registrant

For information concerning directors of the Registrant, see pages 4 through 8, incorporated herein by reference, of IMC's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on October 15, 1986. Information concerning executive officers of the Registrant is included in Part I of this report.

Item 11. Executive Compensation

For information concerning management remuneration, see pages 14 through 28, incorporated herein by reference, of IMC's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on October 15, 1986.

Item 12. Security Ownership of Certain Beneficial Owners and Management

For information concerning security ownership of certain beneficial owners and management, see pages 9 through 11, incorporated herein by reference, of IMC's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on October 15, 1986.

Item 13. Certain Relationships and Related Transactions

For information concerning certain relationships and related transactions, see pages 11 through 14, incorporated herein by reference, of IMC's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on October 15, 1986.

Part IV.

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) FINANCIAL STATEMENTS

(1) See index on page 31 for a listing of financial statements and schedules filed with this report.

(2) Exhibits

Exhibit No.	Description	Incorporated Herein by Reference to	Filed Herewith
2.1	Amendment to June 7, 1984, Exchange Agreement between Lazard Freres & Co. and IMC.	Exhibit 2.1 to 1984 10-K.	
2.2	Purchase Agreement dated as of December 19, 1985, between Avon Products, Inc., et al and IMC.	Exhibit 2.3 to Form 8-K filed February 28, 1986.	
3.1	Restated Certificate of Incorporation of IMC.	Exhibit 3.1 to 1981 10-K.	
3.2	Amendment to Certificate of Incorporation of IMC dated September 9, 1982.	Exhibit 3.2 to 1985 10-K.	
3.3	Amendment to Certificate of Incorporation of IMC dated January 8, 1985.	Exhibit 3.3 to 1985 10-K.	
3.4	Amendment to Certificate of Incorporation of IMC dated October 23, 1985.		X(1)
3.5	Amendment to Certificate of Incorporation of IMC, dated June 11, 1986.		X(1)
3.6	By-Laws of IMC as amended through February 20, 1985.	Exhibit 3.4 to 1985 10-K.	
3.7	Amendments to By-Laws of IMC dated August 20, 1986.		X(1)

Exhibit No.	Description	Incorporated Herein by Reference to	Filed Herewith
4.1	Indenture dated as of January 1, 1966, between IMC and The First National Bank of Chicago for 4% convertible subordinated debentures due January 1, 1999.	Exhibit 4(a)(1) to Amendment No. 3, Form S-1 Registration Statement No. 2-24261.	
4.2	Indenture dated as of November 1, 1975, between IMC and Morgan Guaranty Trust Company of New York ("Morgan") for $100 million 9.35% Sinking Fund Debentures due November 1, 2000.	Exhibit 2.2 to Amendment No. 1, Form S-7 Registration Statement No. 2-54834.	
4.3	Indenture dated as of July 1, 1966, between Commercial Solvents Corporation and The Chase Manhattan Bank for 4.5% convertible subordinated debentures due July 1, 1999 ("CSC Indenture").	Exhibit 4(c)(1) to Amendment No. 1, Form S-1 Registration Statement No. 2-25045 filed by Commercial Solvents Corporation.	
4.4	First Supplemental Indenture dated as of May 12, 1975, under CSC Indenture.	Exhibit 3, Item 4, to Form 8-K Current Report for May, 1975, filed by Commercial Solvents Corporation.	
4.5	Second Supplemental Indenture dated as of June 30, 1978, under CSC Indenture.	Exhibit A to Form 10-Q for quarter ended December 31, 1978.	
4.6	Indenture dated as of May 1, 1980, between IMC and The First National Bank of Chicago for $100 million 11.875% Sinking Fund Debentures due May 1, 2005.	Exhibit 8 to 1980 10-K.	
4.7	Instrument defining the rights of holders of IMC's 4% Cumulative Preferred Stock and Common Stock.	Form 8-A Registration Statement under Section 12 of the Securities Exchange Act of 1934, dated February 25, 1942.	
4.8	Instrument describing a dividend distribution of one non-voting common stock purchase right for each outstanding common share to holders of IMC's Common Stock.	Form 8-A Registration Statement under Section 12 of the Securities Exchange Act of 1934, filed March 21, 1986.	

Exhibit No.	Description	Incorporated Herein by Reference to	Filed Herewith
4.1	Indenture dated as of January 1, 1966, between IMC and The First National Bank of Chicago for 4% convertible subordinated debentures due January 1, 1999.	Exhibit 4(a)(1) to Amendment No. 3, Form S-1 Registration Statement No. 2-24261.	
4.2	Indenture dated as of November 1, 1975, between IMC and Morgan Guaranty Trust Company of New York ("Morgan") for $100 million 9.35% Sinking Fund Debentures due November 1, 2000.	Exhibit 2.2 to Amendment No. 1, Form S-7 Registration Statement No. 2-54834.	
4.3	Indenture dated as of July 1, 1966, between Commercial Solvents Corporation and The Chase Manhattan Bank for 4.5% convertible subordinated debentures due July 1, 1999 ("CSC Indenture").	Exhibit 4(c)(1) to Amendment No. 1, Form S-1 Registration Statement No. 2-25045 filed by Commercial Solvents Corporation.	
4.4	First Supplemental Indenture dated as of May 12, 1975, under CSC Indenture.	Exhibit 3, Item 4, to Form 8-K Current Report for May, 1975, filed by Commercial Solvents Corporation.	
4.5	Second Supplemental Indenture dated as of June 30, 1978, under CSC Indenture.	Exhibit A to Form 10-Q for quarter ended December 31, 1978.	
4.6	Indenture dated as of May 1, 1980, between IMC and The First National Bank of Chicago for $100 million 11.875% Sinking Fund Debentures due May 1, 2005.	Exhibit 8 to 1980 10-K.	
4.7	Instrument defining the rights of holders of IMC's 4% Cumulative Preferred Stock and Common Stock.	Form 8-A Registration Statement under Section 12 of the Securities Exchange Act of 1934, dated February 25, 1942.	
4.8	Instrument describing a dividend distribution of one non-voting common stock purchase right for each outstanding common share to holders of IMC's Common Stock.	Form 8-A Registration Statement under Section 12 of the Securities Exchange Act of 1934, filed March 21, 1986.	

Exhibit No.	Description	Incorporated Herein by Reference to	Filed Herewith
4.9	Instrument describing IMC's $3.75 convertible exchangeable preferred stock, Series A and the 7-1/2% convertible subordinated debentures due June 30, 2016, for which said preferred stock is exchangeable beginning June, 1989.	Form 8-A Registration Statement under Section 12 of the Securities Exchange Act of 1934, filed June 19, 1986.	
4.10	Indenture dated as of March 15, 1985, between IMC and Morgan pursuant to which $150 million 9-7/8% Sinking Fund Debentures due March 15, 2011 were issued.	Exhibit 4 to Form S-3 Registration Statement No. 2-96566.	
4.11	Indenture dated as of June 15, 1986, between IMC and Morgan for 7-1/2% convertible subordinated debentures due June 30, 2016, for which $3.75 convertible exchangeable preferred stock, Series A may be exchangeable beginning June, 1989.	Exhibit 4(a) to Form S-3 Registration Statement No. 33-6140.	
10.1b&d	Employment agreements with two of the five most highly compensated executive officers of IMC dated May 19, 1982.	Exhibit 10.1(b & d) to 1982 10-K.	
10.1f&g	Employment agreements with two of the five most highly compensated executive officers of IMC dated May 19, 1982.	Exhibit 10.1(f & g) to 1985 10-K.	
10.1h	Employment agreement with one of the five most highly compensated executive officers of IMC dated May 19, 1982.		X(1)
10.2	Consulting Agreement dated September 21, 1983, with Richard A. Lenon and amendment thereto dated August 21, 1985.	Exhibit 10.2 to 1985 10-K.	
10.3	IMC Executive Life Insurance Program effective January 1, 1983.	Exhibit 10.3 to 1985 10-K.	
10.4	IMC Executive Long-Term Disability Plan effective May 16, 1984.	Exhibit 10.4 to 1985 10-K.	
10.5	Employment Agreement with George D. Kennedy dated February 2, 1979.	Exhibit 6 to 1979 10-K.	

Exhibit No.	Description	Incorporated Herein by Reference to	Filed Herewith
10.6	Amendment dated May 19, 1982, to Employment Agreement with George D. Kennedy.	Exhibit 10.6 to 1983 10-K.	
10.6a	Amendment dated September 19, 1984, to Employment Agreement with George D. Kennedy.	Exhibit 10.6a to 1985 10-K.	
10.6b	Amendment dated July 24, 1986, to Employment Agreement with George D. Kennedy.		X(1)
10.7	Deferred Compensation Plan for Directors as amended through August 17, 1983.	Exhibit 10.7 to 1983 10-K.	
10.7a	Amendment dated September 18, 1985, to Deferred Compensation Plan for Directors.	Exhibit 10.7a to 1985 10-K.	
10.8	Supplemental Benefit Plan for Participants in the Retirement Plan for Salaried Employees of IMC as amended and restated effective January 1, 1980.	Exhibit 10.8 to 1983 10-K.	
10.9	IMC Supplemental Executive Retirement Plan as amended through December 1, 1983.	Exhibit 10.9 to 1984 10-K.	
10.9a	Amendment No.3 dated January 23, 1984, to Supplemental Executive Retirement Plan.	Exhibit 10.9a to 1985 10-K.	
10.9b	Amendment No.4 dated February 27, 1985, to Supplemental Executive Retirement Plan.	Exhibit 10.9b to to 1985 10-K.	
10.9c	Amendment No.5 dated December 18, 1985, to Supplemental Executive Retirement Plan.		X(1)
10.9d	Supplement No. 1 dated February 21, 1986, to Supplemental Executive Retirement Plan.		X(1)
10.10	IMC Long-Term Performance Incentive Plan as amended March 17, 1982, and May 19, 1982.	Exhibit 10.10 to 1983 10-K.	

Exhibit No.	Description	Incorporated Herein by Reference to	Filed Herewith
10.11	IMC Management Incentive Compensation Program as amended effective January 1, 1984.	Exhibit 10.11 to 1983 10-K	
10.12	IMC 1973 Stock Option and Award Plan as amended through October 19, 1983.	Exhibit 10.12 to 1984 10-K.	
10.13	IMC Directors Retirement Services Plan effective July 1, 1984.	Exhibit 10.13 to 1984 10-K.	
10.14	IMC 1981 Incentive Stock Option Plan as amended through October 19, 1983.	Exhibit 10.14 to 1984 10-K.	
10.16	Agreement dated June 27, 1985, supplementing, amending and continuing Potash Resource Payment Agreement dated October 15, 1979, between IMC and the Province of Saskatchewan.	Exhibit 10.16 to 1984 10-K.	
10.18	Restated Articles of Partnership made and adopted as of September 15, 1981, between IMC and Ridgewood Phosphate Corporation, a wholly owned subsidiary of W.R. Grace & Co., with Amendment made as of July 26, 1984.	Exhibit 10.18 to 1984 10-K.	
10.19	Amended and Restated Credit Agreement dated as of November 28, 1983, among Four Corners Mine, the listed banks and Morgan as agent for the banks.	Exhibit 10.19 to 1984 10-K.	
10.20	Security Agreement dated as of January 15, 1981, between Four Corners Mine and Morgan.	Exhibit 10.3 to 1981 10-K.	
10.21	First Amendment dated as of November 28, 1983, to Security Agreement between Four Corners Mine and Morgan.	Exhibit 10.21 to 1984 10-K.	
10.22	Support Agreement dated as of January 15, 1981, between IMC and Morgan.	Exhibit 10.4 to 1981 10-K.	
10.23	First Amendment dated as of November 28, 1983, to Support Agreement between IMC and Morgan.	Exhibit 10.23 to 1984 10-K.	

Exhibit No.	Description	Incorporated Herein by Reference to	Filed Herewith
10.24	Note Agreement with The Prudential Insurance Company of America dated as of February 1, 1980.	Exhibit 6 to 1980 10-K.	
10.25	Agreement dated June 3, 1981, consolidating obligation in Loan Agreement dated April 18, 1973, (Exhibit 7 to 1973 10-K) under Note Agreement dated as of February 1, 1980, (Exhibit 6 to 1980 10-K).	Exhibit 10.21 to 1983 10-K.	
10.26	Credit Agreement dated as of October 15, 1985, among IMC, the signatory banks and Citibank, N.A., individually and as agent for the banks.		X(1)
10.27	Amendment dated as of February 28, 1986, to Credit Agreement dated as of October 15, 1985.		X(1)
10.28	Second Amendment dated June 3, 1986, to Credit Agreement dated as of October 15, 1985.		X(1)
10.29	Facility Agreement dated as of November 8, 1985, among IMC, the signatory banks and Morgan Guaranty Trust Company of New York, London Branch, as agent for the banks.		X(1)
10.30	Amendment dated as of February 21, 1986, to Facility Agreement dated as of November 8, 1985.		X(1)
10.31	Amendment dated as of June 3, 1986, to Facility Agreement dated as of November 8, 1985.		X(1)
10.32	Credit Agreement dated as of February 28, 1986, among IMC, the signatory banks and Bank of Montreal, individually and as agent for the banks.		X(1)
10.33	Amendment dated as of June 10, 1986, to Credit Agreement dated as of February 28, 1986.		X(1)

Exhibit No.	Description	Incorporated Herein by Reference to	Filed Herewith
18	Letter from Arthur Young & Company to IMC dated August 1, 1986, concerning a change in accounting principles.		X(2)
22	Subsidiaries of the Registrant.		X(2)
24.1	Consent of Arthur Young & Company.		X(2)
24.2	Consent of Holland & Knight.		X(2)
28.1	Registrant's definitive proxy statement for the annual meeting of stockholders on October 15, 1986.		X(1)

(1) Exhibit filed with Form SE incorporated herein by reference.
(2) Exhibit filed with electronic submission.

(b) REPORTS ON FORM 8-K

The following reports on Form 8-K were filed during the three months ended June 30, 1986:

- A report under Item 5 dated April 15, 1986;
- A report under Item 5 dated June 5, 1986; and
- A report under Item 5 dated June 9, 1986.

INDEX TO FINANCIAL STATEMENTS, SUPPLEMENTARY DATA,
AND FINANCIAL STATEMENT SCHEDULES

All other schedules are omitted as the required information is not present in sufficient amounts or the required information is included in the consolidated financial statements or notes thereto.

Financial statements and schedules and summarized financial information of the nonconsolidated subsidiaries and 50 percent or less owned persons are omitted as none of such subsidiaries or persons are individually or in the aggregate significant under the tests specified in Regulation S-X under Article 3.09 of general instructions to the financial statements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

INTERNATIONAL MINERALS & CHEMICAL CORPORATION
(Registrant)

By JOHN F. SONDEREGGER
John F. Sonderegger
Vice President and Controller

Date: September 17, 1986

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
GEORGE D. KENNEDY George D. Kennedy	Chairman (Chief Executive Officer)	September 17, 1986
JOHN F. SONDEREGGER John F. Sonderegger	Vice President and Controller (Principal Accounting Officer)	September 17, 1986
WARREN L. BATTS Warren L. Batts	Director	September 17, 1986
FRANK W. CONSIDINE Frank W. Considine	Director	September 17, 1986

Signature	Title	Date
LOUIS FERNANDEZ Louis Fernandez	Director	September 17, 1986
ROWLAND C. FRAZEE Rowland C. Frazee	Director	September 17, 1986
JAMES W. GLANVILLE James W. Glanville	Director	September 17, 1986
PAUL R. JUDY Paul R. Judy	Director	September 17, 1986
ROBERTA S. KARMEL Roberta S. Karmel	Director	September 17, 1986
RICHARD A. LENON Richard A. Lenon	Director	September 17, 1986
JEREMIAH MILBANK Jeremiah Milbank	Director	September 17, 1986
MORTON MOSKIN Morton Moskin	Director	September 17, 1986
HERVE M. PINET Herve M. Pinet	Director	September 17, 1986
THOMAS H. ROBERTS, JR. Thomas H. Roberts, Jr.	Director	September 17, 1986
VERNON F. TAYLOR, JR. Vernon F. Taylor, Jr.	Director	September 17, 1986
DANIEL R. TOLL Daniel R. Toll	Director	September 17, 1986

Schedule II

AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES AND PRINCIPAL HOLDERS (OTHER THAN AFFILIATES)
Years Ended June 30, 1984, 1985, and 1986
($ in thousands)

Name of Debtor	Balance at Beginning of Period	Additions (D)	Deductions: Amounts Collected	Balance at End of Period: Current	Balance at End of Period: Not Current
1984:					
U.S. employee relocation loans(A)	$239	$658	$552	$345	
Number of loans	13	24	22	15	
Canadian employee housing loans(B)	757		87	22	$648
Number of loans	36		1	35	35
1985:					
U.S. employee relocation loans(A)	$345	$435	$498	$282	
Number of loans	15	20	22	13	
Canadian employee housing loans(B)	670	95	151	24	$590
Number of loans	35	2	2	35	35
1986:					
U.S. employee relocation loans(A)	$282	$681	$678	$285	
Number of loans	13	31	28	16	
Canadian employee housing loans(B)	614		67	26	$521
Number of loans	35		4	31	31
Other employee loans(C)		152	36	51	$ 65
Number of loans		102	12	90	11

(A) Generally non-interest bearing and repayable upon the sale of the employee's former residence.

(B) Interest at rates ranging from 6 percent to 15 percent per annum and repayable over 8 to 25 years.

(C) Generally interest at a rate of approximately 6 percent per annum and repayable over 1 to 11 years.

(D) In 1986, includes Mallinckrodt amounts receivable as of date of acquisition by the Company.

Schedule V
(Page 1 of 2)

PROPERTY, PLANT, AND EQUIPMENT

Years Ended June 30, 1984, 1985, and 1986
($ in millions)

	Balance at Beginning of Period	Additions at Cost	Retirements	Other Changes-- Add (Deduct)	Balance at End of Period
1984:					
Land	$ 32.6	$ .8	$ 1.1	$ (.1) (A)	$ 32.4
				.2 (C)	
Mineral, oil, and gas properties and rights	327.8	71.9	1.7	.4 (A)	396.8
				(1.4) (E)	
				(.2) (D)	
Buildings and leasehold improvements	288.2	14.6	3.7	1.1 (C)	
				(1.0) (D)	299.2
Machinery and equipment	1,264.9	35.9	16.5	(.4) (A)	
				(.4) (D)	
				1.9 (C)	1,285.4
Construction in progress	70.2	(18.4)	2.1	(2.3) (E)	
				.1 (C)	
				.1 (A)	47.6
	$1,983.7	$104.8	$ 25.1	$ (2.0)	$2,061.4
1985:					
Land	$ 32.4	$ .5	$ .3	$ .3 (A)	$ 32.9
Mineral, oil, and gas properties and rights				(.4) (A)	
				(.3) (D)	
	396.8	20.4	1.1	1.3 (F)	416.7
Buildings and leasehold improvements	299.2	6.6	4.0	(1.2) (D)	300.6
Machinery and equipment	1,285.4	83.7	22.9	(.6) (D)	1,345.6
Construction in progress	47.6	4.8	3.9		48.5
	$2,061.4	$116.0	$ 32.2	$ (.9)	$2,144.3

Schedule V
(Page 2 of 2)

PROPERTY, PLANT, AND EQUIPMENT

Years Ended June 30, 1984, 1985, and 1986
($ in millions)

	Balance at Beginning of Period	Additions at Cost	Retirements	Other Changes-- Add (Deduct)	Balance at End of Period
1986:					
Land	$ 32.9	$ 1.7	$ 1.8	$ 40.6 (C) (3.9) (G)	$ 69.5
Mineral, oil, and gas properties and rights	416.7	23.1	20.4	.2 (A) (.1) (D) (204.8) (G)	214.7
Buildings and leasehold improvements	300.6	7.3	3.3	106.0 (C) (.3) (D) (25.8) (G)	384.5
Machinery and equipment	1,345.6	51.6	20.1	(.5) (A) 204.2 (C) .2 (D) (1.9) (E) (150.6) (G)	1,428.5
Construction in progress	48.5	10.2	8.1	.3 (A) 23.5 (C) (.9) (G)	73.5
	$2,144.3	$ 93.9	$ 53.7	$ (13.8)	$2,170.7

Notes:
(A) Transfers between accounts.
(B) Amortization of excess consideration.
(C) Acquisition of a subsidiary.
(D) Foreign currency adjustment.
(E) Reclassification from other balance sheet accounts.
(F) Property exchange.
(G) Reclassification of property, plant, and equipment of discontinued operations held for sale to current assets.

ACCUMULATED DEPRECIATION, DEPLETION, AND AMORTIZATION OF PROPERTY, PLANT, AND EQUIPMENT

Years Ended June 30, 1984, 1985, and 1986
($ in millions)

	Balance at Beginning of Period	Additions Charged to Cost and Expenses	Retirements	Other Changes--Add (Deduct)	Balance at End of Period
1984:					
Mineral, oil, and gas properties and rights	$ 113.9	$ 22.3	$ (.6)	$ .1 (B) (.7) (F)	$ 136.2
Buildings and leasehold improvements	132.0	15.0	.4	.5 (C) (.3) (D)	146.8
Machinery and equipment	552.0	87.1	10.5	(.1) (B) 1.1 (C) (.2) (D)	629.4
Allowance for plant closings (A)	3.0	.2	.8	3.1 (E)	5.5
	$ 800.9	$124.6	$ 11.1	$ 3.5	$ 917.9
1985:					
Mineral, oil, and gas properties and rights	$ 136.2	$ 17.0	$ (.1)	$ (.7) (F)	$ 152.6
Buildings and leasehold improvements	146.8	17.1	1.6	(.3) (D)	162.0
Machinery and equipment	629.4	89.5	16.4	(.4) (D)	702.1
Allowance for plant closings (A)	5.5	1.1	1.0	(.2) (E)	5.4
	$ 917.9	$124.7	$ 18.9	$ (1.6)	$1,022.1

ACCUMULATED DEPRECIATION, DEPLETION, AND AMORTIZATION
OF PROPERTY, PLANT, AND EQUIPMENT

Years Ended June 30, 1984, 1985, and 1986
($ in millions)

	Balance at Beginning of Period	Additions Charged to Cost and Expenses	Retirements	Other Changes-- Add (Deduct)	Balance at End of Period
1986:					
Mineral, oil, and gas properties and rights	$ 152.6	$ 19.1	$ 18.2	$ .1 (B) (.3) (F) (122.1) (G)	$ 31.2
Buildings and leasehold improvements	162.0	17.6	2.5	(.1) (D) (13.2) (G)	163.8
Machinery and equipment	702.1	81.3	17.4	(.1) (B) (76.5) (G)	689.4
Allowance for plant closings (A)	5.4	61.7 (H)	.7	(32.1) (G)	34.3
	$1,022.1	$179.7	$ 38.8	$(244.3)	$ 918.7

Notes:

(A) This account is used to provide for losses on disposals of property, plant, and equipment. Charges to the account consist of losses, net of gains, on such disposals .

(B) Transfers between accounts.

(C) Acquisition of a subsidiary.

(D) Foreign currency adjustment.

(E) Reclassification from other balance sheet accounts.

(F) Difference between average and actual depletion rates on certain Florida phosphate ore reserves which has been offset against deferred charges in the consolidated balance sheet.

(G) Reclassification of property, plant, and equipment of discontinued operations held for sale to current assets.

(H) Includes $34.0 million classified in the Statement of Operations under "Interest earned and other income (expense), net".

Schedule IX

SHORT-TERM BORROWINGS
Years ended June 30, 1986, 1985, and 1984
($ in millions)

	Balance at End of Period	Weighted Average Interest Rate	Maximum Amount Outstanding During the Period	Average Amount Outstanding During the Period	Weighted Average Interest Rate During the Period
Notes payable to banks (A):					
1986	$ 13.8	7.1%	$ 22.7	$ 7.9	7.3%
1985	None	--	$ 3.1	$ 2.4	6.5%
1984	None	--	$ 4.2	$ 3.1	5.9%
Commercial paper:					
1986	$453.1 (B)	7.5%(C)	$895.8	$240.5	6.9%(C)
1985	None	--	$ 25.5	$ 1.8	8.7%
1984	None	--	$ 61.9	$ 13.1	10.4%

The average amount outstanding for each period was computed by averaging the daily balances during the year. The weighted average interest rate for each period was computed by dividing interest on short-term borrowings by the average amount outstanding during the year.

(A) All from overseas banks.
(B) Backed by long-term lines of credit and, accordingly, classified as long-term debt.
(C) Includes the effect of various interest rate swap agreements.

Schedule X

SUPPLEMENTARY INCOME STATEMENT INFORMATION

Years ended June 30, 1986, 1985, and 1984
($ in millions)

	Charged to Costs and Expenses of Continuing Operations		
	1986	1985	1984
Maintenance and repairs	$ 97.0	$ 98.1	$ 97.9
Taxes, other than income taxes:			
Severance taxes	$ 21.4	$ 39.1	$ 38.9
Other taxes and fees	31.9	29.9	27.7
	$ 53.3	$ 69.0	$ 66.6

9a

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

_X_ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For the fiscal year ended June 30, 1990

_____ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from ________ to ________________

Commission file number 1-483

IMCERA GROUP INC.

(Formerly International Minerals & Chemical Corporation)

(Exact name of registrant as specified in its charter)

NEW YORK (State or other jurisdiction of incorporation or organization)	**36-1263901** (I.R.S. Employer Identification No.)
2315 Sanders Road **Northbrook, Illinois** (Address of principal executive offices)	**60062-6198** (Zip Code)

Registrant's telephone number, including area code: 708-564-8600

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
4% Cumulative Preferred Stock, par value $100 per share	New York Stock Exchange
Common Stock, par value $5 per share	New York Stock Exchange Midwest Stock Exchange Pacific Stock Exchange
9.35% Sinking Fund Debentures due November 1, 2000	New York Stock Exchange
4% Convertible Subordinated Debentures due January 1, 1991	New York Stock Exchange
4.5% Subordinated Debentures due July 1, 1991	New York Stock Exchange
Liquid Yield Option Notes due November 14, 2005 (Zero Coupon-Subordinated)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

9⅞% Sinking Fund Debentures due March 15, 2011.

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 _X_. No ___.

State the aggregate market value of the voting stock held by non-affiliates of the registrant: $1,228,626,421 as of August 31, 1990. Market value is based on the August 31, 1990, closing prices of Registrant's Common Stock and 4% Cumulative Preferred Stock.

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares outstanding of each of the issuer's classes of common stock: 22,669,489 shares as of August 31, 1990.

DOCUMENTS INCORPORATED BY REFERENCE: Information required by Items 10, 11, 12, and 13 of Part III is incorporated by reference from pages 1 through 7, pages 18 through 32, pages 7 through 9, and pages 9 through 12, respectively, of the Registrant's definitive proxy statement for the annual meeting of stockholders to be held on October 17, 1990, Item 1. Business, Item 2. Properties, and Item 3. Legal Proceedings in IMC Fertilizer Group Inc.'s Annual Report on Form 10-K for the year ended June 30, 1990, and pages 2, 10, and 11 of IMC Fertilizer Group, Inc.'s definitive proxy statement dated September 14, 1990.

1990 FORM 10-K CONTENTS

Part I.

Item 1. Business

INTRODUCTION

Company Profile

IMCERA Group Inc. (IMCERA, the Company, or the Corporation) consists of three businesses: Mallinckrodt Medical, Mallinckrodt Specialty Chemicals, and Pitman-Moore. IMCERA also owns Mallinckrodt Inc. and approximately 38 percent of the common stock of IMC Fertilizer Group, Inc.

The Company was incorporated in New York in 1909. The corporate headquarters is located at 2315 Sanders Road, Northbrook, Illinois 60062-6198, and the telephone number is (708) 564-8600.

The Transition of the Company

During the past several years the Company has taken significant steps to develop its current composition of businesses and to change its capital structure as follows:

. In February 1986, the Company purchased Mallinckrodt, Inc. for $675 million in cash.

. In October 1986, the Company sold its gas and oil segment and substantially all the net assets of its industrial products segment for $162 million.

. In February 1988, IMC Fertilizer Group, Inc. (IMC Fertilizer), then a wholly owned subsidiary, completed an initial public offering (IPO) of shares of common stock. Since the IPO, IMCERA has owned 10 million shares of IMC Fertilizer common stock, less than a majority voting interest in IMC Fertilizer, and has accounted for its investment in IMC Fertilizer by the equity method.

. In July 1988, a second public offering of common stock by IMC Fertilizer reduced the Company's 10 million share interest in IMC Fertilizer to approximately 38 percent of its outstanding common stock.

. In September 1988, the Company's holdings of IMC Fertilizer's Preferred Stock, Series A, were redeemed by IMC Fertilizer for $200 million.

. In November 1988, the Company issued $1.4 billion of zero coupon subordinated debentures which provide that, among other things, the holders have the option to exchange each debenture for shares of IMC Fertilizer common stock held by the Company. See Note J-Debt in Notes to Consolidated Financial Statements for additional information.

If such exchange were to occur the Company's holdings of IMC Fertilizer common stock would be reduced to approximately 8 percent (based on that company's presently outstanding common stock). See IMC Fertilizer Group, Inc. discussion at pages 11 through 13.

. In July 1989, the Company acquired Coopers Animal Health (Coopers) for $218 million in cash plus the assumption of liabilities.

. In July 1989, IMCERA redeemed 1,236,077 shares of its $3.75 Series A preferred stock for cash of $65 million. The balance of 1,302,123 shares was converted into approximately 1,586,000 shares of IMCERA common stock.

. In April 1990, all of the 1,398,000 outstanding shares of Series B preferred stock were converted into approximately 1,770,000 shares of IMCERA common stock.

. In June 1990, shareholders approved changing the Company's name from International Minerals & Chemical Corporation to IMCERA Group Inc.

. From August 1987 through June 30, 1990, the Company repurchased 9,191,957 shares of its outstanding common stock (including the common stock equivalency of its Series A and B Preferred) for an aggregate cost of $384.6 million, or an average cost of $41.84 per share.

Other recent acquisitions and divestitures are described in the discussions of the business segments.

Four Reminders

In this report:

IMCERA Group Inc. and its subsidiaries, collectively, are called the "Company," the "Corporation," or "IMCERA," unless otherwise indicated by the context. The Company has three business segments: Mallinckrodt Medical, Mallinckrodt Specialty Chemicals, and Pitman-Moore.

The term "operating earnings" of a business segment represents that business segment's revenues, including sales to other IMCERA business segments, less all operating expenses. Operating expenses of a business segment do not include interest expense, corporate income and expense, or taxes on income.

Also, unless otherwise noted, the reference to years is fiscal years ended June 30.

Registered trademarks are indicated by an asterisk.

MALLINCKRODT MEDICAL

Mallinckrodt Medical sales in millions of dollars were:

(In millions) Years ended June 30	1990[1]	1989[1]	1988[1]
Net sales			
Ongoing operations			
Radiology & Cardiology	$ 163.4	$ 110.2	$ 95.4
Nuclear Medicine	101.8	91.2	81.0
Anesthesia Products,			
Critical Care and Other	134.6	119.2	105.3
	399.8	320.6	281.7
Divested operations			32.8
	$ 399.8	$ 320.6	$ 314.5

1 Reflects the reclassification of certain Mallinckrodt Specialty Chemicals foreign operations previously included under Mallinckrodt Medical.

Mallinckrodt Medical products are instrumental in the delivery of health care services and are sold to hospitals, clinical laboratories, and other customers in the United States and foreign countries. They are related by a high degree of innovation and technology, by regulation from agencies such as the U.S. Food and Drug Administration (FDA), and by markets served. They are significantly affected by conditions within the health care industry. An aging population and demand for technologically superior products to improve the quality of life and lower the cost of care are two major factors fueling growth within the industry.

Principal products of this industry segment are x-ray contrast media and radiopharmaceuticals for medical diagnostic procedures, and disposable medical devices and instruments and systems for use in surgical procedures and critical care.

The Mallinckrodt Medical business focuses on five specialty businesses providing advanced, innovative products for radiology, cardiology, nuclear medicine, anesthesiology, and critical care. Specialized sales, marketing and general management resources have been established to service these markets.

Radiology & Cardiology

Radiology products include iodinated contrast media (ionic and nonionic) and catheters for use in studies of the brain, abdominal organs, renal system, peripheral vascular system and other areas of the body to aid in diagnosis and therapy. These products are marketed principally by two direct sales forces. In June 1989, Optiray*, one of the new generation of nonionic contrast media which contribute to better patient tolerance and comfort, was introduced in the United States. Acceptance of the product in the marketplace is proceeding as expected. Optiray* is expected to be introduced internationally in fiscal 1991, and, to meet growing demand, a $42 million capacity expansion is underway. Under a 10-year exclusive agreement, Yamanouchi Pharmaceutical Co., Ltd., will distribute Optiray* in Japan. In fiscal 1990, Mallinckrodt Medical introduced Ultraject*, a patented innovation in contrast media agent administration. The prefilled, plastic syringe gives radiologists a more efficient, convenient and safer method of delivering contrast agents. Mallinckrodt is the only company supplying this unique product.

The cardiology business is dedicated exclusively to helping cardiologists to visualize the coronary arteries and chambers of the heart to diagnose heart disease or to aid in performing therapy. The business offers both ionic and nonionic x-ray contrast media, along with interventional cardiology catheters. These products are sold directly to hospitals. During 1989, Mallinckrodt Medical acquired a minority equity position in Molecular Biosystems, Inc. of San Diego, California, and obtained exclusive marketing rights in the Western Hemisphere for Albunex*, a new ultrasound image-enhancing agent. The pre-market approval filing with the FDA is expected in the fall of 1990.

Nuclear Medicine

Nuclear medicine includes radiopharmaceuticals used to provide images of numerous body organs and diagnose and treat diseases. Consulting services are also provided. In 1990, Mallinckrodt Medical introduced Technescan* MAG3* to the U.S. market for improved imaging of kidneys and renal system. Unlike x-rays, a nuclear medicine scan utilizing MAG3* can accurately assess renal tubular function. Additionally, the Company has an agreement with NeoRx of Seattle to develop radiopharmaceuticals with monoclonal antibodies for detection of cancer. Two diagnostic products for melanoma and small-cell lung cancer are awaiting FDA approval Nuclear medicine products are sold directly or through a nationwide network of nuclear pharmacies to hospitals and clinics in the U.S., and internationally through direct-sales forces and distributors.

Anesthesia Products, Critical Care and Other

Anesthesia products include continuous core temperature monitoring systems, tracheal tubes, and other airway management products. Continuous core temperature monitoring systems are utilized in surgical procedures and are marketed directly and through distributors in the U.S. Airway management products consist of basic and specialty tracheal tubes used in hospitals for maintaining a secure airway during anesthesia. Airway products are marketed principally through hospital supply distributors in the U.S. Internationally, airway and temperature monitoring systems are marketed directly and through distributors.

In critical care, Mallinckrodt Medical provides instruments and systems to monitor blood gases and electrolytes in the operating room and intensive care unit. Mallinckrodt Medical also markets the world's first bedside blood gas and electrolyte monitors, GEM-STAT*, for use in intensive care units, emergency rooms and operating suites and GEM-6*, for use in open heart surgery. These products are sold directly to hospitals in the U.S. and through direct sales forces and distributors in international markets.

The Mallinckrodt Medical domestic production and distribution facilities are located in St. Louis, Maryland Heights, and New Haven, Missouri; Raleigh, North Carolina; Argyle and Glens Falls, New York; Angleton, Texas; Carlsbad and Santa Ana, California; New Athens, Illinois; and Ann Arbor, Michigan. Twenty-six radiopharmacies are located in large metropolitan markets throughout the U.S. for dosage form distribution of radiopharmaceuticals to hospitals and clinics. Facilities outside the U.S. are located in Europe, the Far East, Canada, Australia, and Latin America.

MALLINCKRODT SPECIALTY CHEMICALS

Mallinckrodt Specialty Chemicals sales in millions of dollars were:

Years ended June 30 (In millions)	1990[1]	1989[1]	1988[1]
Net sales			
Ongoing operations			
Drug & Cosmetic Chemicals	$ 185.5	$ 158.1	$ 144.3
Catalyst & Performance Chemicals	132.0	119.2	101.7
Science Products	50.6	45.1	46.8
Flavors	59.0	47.7	48.2
	427.1	370.1	341.0
Divested operations	17.3	29.6	32.0
	$ 444.4	$ 399.7	$ 373.0

1 Reflects the reclassification of certain Mallinckrodt Specialty Chemicals foreign operations previously included under Mallinckrodt Medical.

Mallinckrodt Specialty Chemicals products are sold to a variety of markets. These products possess a higher degree of technology and service than is required by commodity chemicals. Generally, they are sold as intermediates which are used by customers in the United States and foreign countries as components, ingredients, or reagents, rather than being sold as final consumer products. Many of Mallinckrodt Specialty Chemicals products are processed in multi-purpose manufacturing equipment facilities. These products are also subject to government regulation and industry standards, including FDA-mandated "Good Manufacturing Practice."

Principal products in this industry segment are drug chemicals, cosmetic chemicals, high-purity performance chemicals, catalysts, laboratory chemicals, electronic chemicals, and flavors.

Drug & Cosmetic Chemicals

Drug chemical products include analgesics such as codeine salts and other opium-based narcotics used to treat pain and cough, and acetaminophen (APAP) used to control pain and reduce fever. Expansion of the Raleigh, North Carolina, plant and acquisition of the Staveley plant in Derbyshire, England, increased p-aminophenol (PAP)/APAP production capacity in 1990. Other drug chemical products include narcotic/acetaminophen combination products; Toleron* brand of ferrous fumarate which stimulates the formation of red blood cells; and various salts and excipients. These products are marketed by Mallinckrodt Specialty Chemicals drug sales force. They are sold to the pharmaceutical industry for use in the manufacture of dosage-form drugs. Tannins used in clarifying wines and malt beverages are also produced and sold.

Cosmetic chemical products are sold directly and through agents to the personal care industry. These products include sunscreens used in tanning lotions, surfactants used as emollients and emulsifiers in hair care and skin care products, and pearlescent pigments used in the manufacture of a variety of cosmetic products.

Catalyst & Performance Chemicals

High-purity performance chemicals sold to industrial consumers include such products as calcium stearates and other metal soaps for use as lubricants in molded and extruded plastics; high performance monomers and several plastic additives for use as processing aids in the production of polymers; and potassium chloride used as a "salt substitute" in low-sodium diets. Mallinckrodt Specialty Chemicals sells these products through distributors and its sales force.

Catalysts produced in Erie, Pennsylvania, are sold to the petrochemical and food industries. They include such products as platinum and palladium on carbon or alumina substrates; copper chromite; tableted, flaked, and droplet shapes of nickel catalyst; and a variety of custom catalysts. Catalysts are used to manufacture plasticizers, detergents, rubber products, insecticides, synthetic motor oil, and edible fats and oils. Catalysts are marketed by Mallinckrodt Specialty Chemicals sales force under the registered trademark Calsicat.

During 1990, Mallinckrodt Specialty Chemicals has developed a leading position in aromatic fluorine intermediate chemicals, exceeding the rated capacity of its state-of-the-art manufacturing facility in St. Louis. The plant produces basic aromatic fluorine intermediates for use in the manufacture of pharmaceuticals, pesticides, and engineering plastics. These products are marketed by Mallinckrodt Specialty Chemicals sales forces. Additionally, during 1990 Mallinckrodt Specialty Chemicals broke ground on an $11 million development center which will provide facilities needed to support the development of more advanced fluoroaromatic chemical compounds.

Science Products

Laboratory chemical products include high-purity reagent chemicals used in research and development and analytical laboratories. These high-purity products consist of hundreds of reagent chemicals sold through distributors to medical, industrial, educational, and governmental laboratories. Also included are a line of prescription chemicals, largely narcotic-based, which are sold to drug wholesalers.

Electronic chemical products include high-purity acids, solvents, and reagent chemicals which are sold directly and through distributors principally for use in the semiconductor industry for processing integrated circuits.

Flavors

The flavors business headquartered in Cincinnati, Ohio, is known as Fries & Fries. Products include liquid and powdered flavors, which are sold to the food, beverage, pharmaceutical, and tobacco industries. The flavors are used in such items as convenience foods and beverages; dry and liquid beverage mixes; cordials, cocktails, and wines; ice cream, cheese, and other dairy products; pharmaceutical products; and cake and cookie mixes, snacks and other bakery products. Production and distribution of these products are subject to regulation by such agencies as the FDA and the Bureau of Alcohol, Tobacco and Firearms. These products require a high level of expertise in the art of formulation and are subject to highly competitive marketing conditions. Distribution of products is accomplished primarily through direct sales and distributors. In July 1989, a $9 million expansion of research and development and production facilities in Cincinnati, Ohio, was completed.

The Creations Aromatiques fragrance business was sold in 1990.

The Mallinckrodt Specialty Chemicals U.S. production and distribution facilities are located in St. Louis, Missouri; Erie, Pennsylvania; Belleville, New Jersey; Raleigh, North Carolina; Cincinnati, Ohio; and Paris, Kentucky. Operations outside the U.S. are located in Europe, Mexico, Canada, the Far East, and Australia.

PITMAN-MOORE

In July 1989, Pitman-Moore acquired Coopers Animal Health Group (Coopers). With the acquisition of Coopers, Pitman-Moore believes that it is one of the world's largest producers of animal health and nutritional products. The acquisition more than doubled Pitman-Moore's net sales, while ongoing operating earnings increased more than five times from 1989 results.

Operations are now located in 27 countries with distribution networks in an additional 80 nations and market development activity in the Soviet Union and China.

Pitman-Moore commands a significant presence in 23 of the top 25 animal health markets in the free world, with more than 50 percent of its net sales outside the U.S.

Coopers' vaccines, anthelmintics, antiprotozoals, antibacterials and a variety of therapeutic preparations greatly enhanced Pitman-Moore's product lines.

In addition, Coopers' new product development efforts combined with Pitman-Moore's to create an impressive research and development organization that will lead the industry into the 21st century.

Following the integration of Coopers, Pitman-Moore set up its operations by geographic region. Organizations in North America, Asia, Europe, Australia/New Zealand and Latin America are aligned for increased market focus and customer responsiveness. Pitman-Moore is able to sell directly to the consumer, veterinarian, distributor, dealer or agent, depending on the maximum market opportunity.

The worldwide animal health market served is currently estimated at about $6 billion, and is expanding at a rate of about 2 to 4 percent per year. Pitman-Moore's growth should be accomplished through increased leverage of a worldwide structure, development of new products from internally generated research, and access to technology from organizations such as Janssen Pharmaceutica, Synbiotics Corporation, Johnson & Johnson, Glaxo, Du Pont and other major companies.

Pitman-Moore divides the world market into six strategic business units: animal productivity, antimicrobials, biologicals, parasiticides, veterinary specialties and feed ingredients.

Pitman-Moore sales in millions of dollars were:

(In millions) Years ended June 30	1990[1]	1989	1988
Net sales			
Ongoing operations			
Animal Productivity	$ 49.4	$ 33.9	$ 37.3
Antimicrobials	62.0	12.5	5.9
Biologicals	100.3	24.2	21.3
Parasiticides	132.9	21.7	19.7
Veterinary Specialties and Other	69.7	30.9	24.9
Total Animal Health	414.3	123.2	109.1
Feed Ingredients	166.1	131.2	126.2
	580.4	254.4	235.3
Divested operations		8.2	9.2
	$ 580.4	$ 262.6	$ 244.5

1 Coopers Animal Health was acquired on July 5, 1989, and its results were consolidated after that date.

Animal Productivity

Two of Pitman-Moore's most consistent performers are Ralgro, the leading growth promotant for cattle and feedlot sheep, and Baciferm*, a feed additive for poultry. Growth potential beyond North American markets for these established products exists in Eastern Europe, the Soviet Union and Third World countries.

In March 1990, Pitman-Moore filed a New Animal Drug Application (NADA) with the Food and Drug Administration (FDA) for Grolene*, a product that improves average daily gain, feed efficiency and carcass leanness of hogs. Grolene, a brand of porcine somatotropin (PST), is a protein produced by biotechnology. Clinical trials and published reports on the effectiveness of the product show that pork from PST-treated hogs is 25 percent leaner than pork from hogs without PST. The market is estimated to be approximately $550 million worldwide.

Clinacox*, a new pharmaceutical developed by Janssen Pharmaceutica, is an anticoccidial for chickens and turkeys. It is the most active compound known at this time with virtually no toxicity. NADA filings should be completed by December 1990. The U.S. market potential is estimated to be $120 million.

Pitman-Moore is in the unique position of having two major products under development in a market segment estimated at $100 million worldwide. Lysocellin and tetronasin, discovered by Kaken, a Japanese health care company, and Coopers, respectively, are products that improve the average daily gain and feed efficiency of feedlot and pasture cattle. Both await FDA approval.

Antimicrobials

These antibacterial and antifungal products are designed for cattle, swine, sheep, poultry and companion animals. The combined markets total $1.4 billion worldwide.

Clinafarm*, an antifungal, was introduced this year. The product contains a unique Janssen compound to control the Aspergillus fungus in U.S. hatcheries.

Diprinovet*, a broad-spectrum, therapeutic antibacterial for food and companion animals, is in advanced stages of development. The global market potential is greater than $50 million.

Biologicals

Biologicals consist of vaccines and diagnostics. The worldwide market is estimated to be $500 million.

Coopers' cattle and sheep vaccines have been recognized internationally for high quality and dependability. Pitman-Moore launched several new vaccines in 1990.

Turkadin* was introduced this year in the United Kingdom to protect turkeys from rhinotracheitis. A vaccine for protecting horses from equine influenza, Equi-Flu* EWT, also was introduced this year in the U.S. Paracox*, a poultry vaccine already approved in the U.K., is expected to be introduced in the U.S. in late 1990. It prevents coccidiosis naturally by stimulating the bird's immune system.

In December 1989, Pitman-Moore signed an agreement with Virbac SA of France to market a feline leukemia virus vaccine in the U.S. and Canada. The product is undergoing registration with the U.S. Department of Agriculture.

In Australia, a total biological wool harvesting management system is under development in collaboration with the Australian Wool Corporation and an Australian government research institute. The system is designed to allow wool removal at a designated time.

Three new diagnostic kits were launched in the U.S. in fiscal 1990 - one for the detection of feline leukemia, the second for detecting heartworms in dogs, and the third a diagnostic kit for Lyme disease in dogs. The first two are licensed from Synbiotics, the third from Medical Diagnostic Labs.

Parasiticides

The worldwide market for parasiticides is greater than $500 million. Pitman-Moore has several products in development or recently registered. Autoworm is a patented, pulsed-release system for deworming cattle. Flubenol, a chewable tablet for deworming cats and dogs, is in development.

In North America, a new insecticide eartag for cattle, Saber*, was launched in January 1990.

Several new products which have been introduced in the Australian and New Zealand market are Scanda*, a combination anthelmintic for sheep; Strike* insecticide and Blitz* insecticide for blowfly control in sheep; and Stampede* insecticide for control of cattle lice.

Veterinary Specialties

Veterinary specialties is a large world market characterized by many products, each with annual sales of $5 to $10 million. Pitman-Moore's extensive marketing system enables it to sell products developed by Janssen, Johnson & Johnson, Imperial Chemical Industries, the Wellcome Group and other major companies into animal health channels.

Pitman-Moore has a respected line of Ethicon* brand surgical products licensed from Johnson & Johnson. Anesthetics, such as Metofane* are also U.S. leaders.

Another product is Rapinovet*, a short-acting intravenous anesthetic for dogs and cats. It has been approved in the U.K., Ireland and France. Registration is progressing in other regions.

Feed Ingredients

The largest sales of the six units are feed ingredients. Pitman-Moore is the world's largest supplier of feed-grade phosphate and potassium products. The acquisition of Coopers gave Pitman-Moore the opportunity to expand its worldwide feed ingredients distribution channels.

These products are derived from basic phosphate and potassium. Leading Pitman-Moore brand feed ingredients include Monofos*, Biofos*, Dynafos*, Multifos*, Dyna-K* and Dynamate*. These feed ingredients are safe, effective and economical for livestock, including dairy and beef cattle, sheep, swine, poultry, and horses.

These products are made from phosphoric acid and potash purchased from IMC Fertilizer. The phosphate feed ingredients, principally calcium phosphates, are the most important to Pitman-Moore. These phosphate products are produced at Pitman-Moore's two Florida plants adjacent to IMC Fertilizer's New Wales phosphate chemicals operation, and phosphoric acid needs are purchased from that operation. Phosphoric acid, phosphate rock, ammonia, and limestone are the principal raw materials for these feed ingredients.

Under an agreement, IMC Fertilizer operates the Pitman-Moore feed phosphate plants at IMC Fertilizer's New Wales phosphate chemical complex, and supplies utilities for the operation of such facilities. Under the agreement the conversion of the raw materials described above into finished products, as well as supplying the utilities, is made at cost.

Under year-to-year contracts, IMC Fertilizer also supplies Pitman-Moore with the annual requirements of phosphoric acid and anhydrous ammonia as raw materials at prices based on market prices. IMC Fertilizer also supplies Pitman-Moore's requirements of animal feed-grade potassium products at prices based on a combination of production costs and market prices, as well as specified quantities of phosphate rock. In the event these supply agreements are terminated, the Company believes there are adequate sources of supply from other producers.

GENERAL FACTORS RELATED TO BUSINESS SEGMENTS

None of IMCERA's business segments is dependent upon any single customer or group of related or affiliated customers whose loss would have a material effect on its sales and operating results.

In general, IMCERA's business segments, including related working capital requirements, are not materially affected by seasonal factors.

IMCERA's business segments do not extend long-term credit to customers. The Company believes this non-extension of credit as well as its working capital requirements are not materially different from the credit policies and working capital requirements of its competitors.

Competition with foreign and domestic manufacturers in IMCERA's business segments involves price, service, quality, and the development of technology and is strong in all markets served.

IMC FERTILIZER GROUP, INC.

As noted, the Company owns approximately 38 percent of the outstanding common stock of IMC Fertilizer Group Inc. IMC Fertilizer's business was for many years the principal business of the Company. In 1987, IMC Fertilizer was incorporated in Delaware as a wholly owned subsidiary of IMCERA, and as a result of public offerings of IMC Fertilizer common stock in February and July 1988, the ownership by IMCERA has been reduced to the above 38 percent of the outstanding common stock. This percentage could be reduced further in the future because of the zero coupon subordinated debentures issued by the Company in November 1988, as noted above under The Transition of the Company at page 1 and in Note J-Debt in Notes to Consolidated Financial Statements.

IMC Fertilizer, which operates in a single industry segment, believes it is the world's largest private-enterprise miner of phosphate rock and potash and one of the world's largest producers of phosphate chemical fertilizers. It owns or operates approximately 11 percent of world phosphate rock capacity, approximately 4 percent of world phosphate chemical capacity, and approximately 7 percent of world potash capacity. IMC Fertilizer believes that it is also one of the lower cost North American producers of phosphate rock, potash and phosphate chemicals. IMC Fertilizer produces nitrogen, another primary soil nutrient for agriculture, in the form of anhydrous ammonia.

IMC Fertilizer upgrades phosphate rock into a variety of phosphate chemical products, some of which contain ammonia. Phosphate rock, phosphate chemicals, potash and ammonia are typically called fertilizer materials. IMC Fertilizer also produces and markets, principally in the southeastern United States, combinations of these materials called mixed fertilizers which are ready for use by farmers.

Uranium oxide, also called yellow cake, is a raw material that the Company extracts from phosphoric acid during the phosphate chemical manufacturing process and sells for upgrading into fuel for nuclear power plants. Phosphate rock is IMC Fertilizer's source of uranium, with uranium content varying from one reserve area to another.

Since the IPO in February 1988, IMCERA's share of operating results (based upon the percentage of outstanding common stock owned) has been accounted for by the equity method. IMC Fertilizer's sales for fiscal 1988 prior to the IPO were $573.3 million, including phosphate chemicals sales of $257.5 million.

A detailed discussion of IMC Fertilizer's business and properties is incorporated herein by reference to Item 1. Business in IMC Fertilizer Group, Inc.'s Annual Report on Form 10-K for the fiscal year ended June 30, 1990.

During fiscal 1990, two of the seven directors of IMC Fertilizer were officers of the Company, and this is expected to change to three of eight directors in October 1990. As previously publicly stated, unless and until the above-mentioned reduction in ownership occurs to a significant extent, on account of exchanges of zero coupon exchangeable subordinated debentures for IMC Fertilizer common stock or otherwise, the Company will likely continue to be able to elect directors (subject to IMC Fertilizer's classified board provisions) and otherwise to influence or control IMC Fertilizer. IMCERA has advised IMC Fertilizer that it desires to explore the possible disposition of some or all of its 38 percent interest in the company's common stock as part of its exploring various alternatives regarding the zero coupon exchangeable subordinated debentures. On September 12, 1990, the two companies entered into an agreement providing, among other things, for amendments to IMC Fertilizer's By-Laws whereby the Company has at least proportionate representation on the IMC Fertilizer board of directors so long as its current ownership interest continues and the right, so long as it owns at least 9 million shares of IMC Fertilizer common stock, to call special meetings of stockholders of IMC Fertilizer (except for certain excluded purposes), and whereby amendments to the By-Laws of IMC Fertilizer require an affirmative vote of 80 percent of the entire board (including amendments changing the size of the board). The more complete description of the agreement set forth on pages 2, 10, and 11 of IMC Fertilizer's definitive proxy statement dated September 14, 1990, is incorporated herein by reference, being the same proxy statement incorporated by reference in IMC Fertilizer's Annual Report on Form 10-K for fiscal 1990.

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The following discussions of IMCERA's international operations, research and development, environmental matters, employees, labor relations, and legal proceedings do not include consideration of IMC Fertilizer's operations. Such discussion relative to IMC Fertilizer is also incorporated herein by reference to Item 1. Business, Item 2. Properties, and Item 3. Legal Proceedings in IMC Fertilizer Group, Inc.'s Annual Report on Form 10-K for the fiscal year ended June 30, 1990.

See also Note E-Investment in IMC Fertilizer in the Company's Notes to Consolidated Financial Statements and Note 9-Insurance Claim Receivable in IMC Fertilizer's Notes to Consolidated Financial Statements for additional information.

INTERNATIONAL OPERATIONS

Foreign operations and investments are subject to risks customarily encountered in such operations and investments, including fluctuations in currency exchange rates and controls, expropriation, and other economic, political, and regulatory policies of local governments and laws and policies of the United States affecting foreign trade and investment.

IMCERA sales outside the U.S. represented 34 percent of consolidated net sales in 1990 versus 23 percent in 1989. The July 1989 acquisition of Coopers was primarily responsible for the increased percentage of foreign sales.

Products are manufactured and marketed through a variety of subsidiaries, affiliates, and joint ventures around the world. See discussions of individual business segments included under Item 1, Management's Discussion and Analysis of Financial Condition and Results of Operations at pages 21-29 and Note O-International Operations in Notes to Consolidated Financial Statements for additional information.

OTHER ACTIVITIES

Research and Development

The Company performs applied research directed at development of new products, development of new uses for existing products, and improvement of existing products and processes. Research and development programs include laboratory research as well as product development and application.

Mallinckrodt Medical product research and development efforts are coordinated on a worldwide basis by a senior scientist. Research and development of imaging and therapeutic products are carried on by a centralized organization. Research and development for anesthesia and critical care are performed within these businesses. Mallinckrodt Medical's various development activities are focused on market place need.

Mallinckrodt Specialty Chemicals research and development are organized within the segment's operating divisions to focus technical resources on the development of new and improved products meeting defined market and customer needs. Additionally, Mallinckrodt Specialty Chemicals maintains a core group of technical personnel to provide key skills to the operating divisions and develop technologies that reach out across multiple businesses or provide access to new business areas. Technical personnel for process support are located at each manufacturing location.

Pitman-Moore research and development programs focus on four areas: animal nutrition (such as mineral feed supplements and vitamins); disease prevention; diagnosis and treatment of disease; and growth promotion. To supplement its own research, Pitman-Moore has technical agreements with companies involved in the health care and biotechnology industries.

IMCERA's businesses also perform applied research in pollution monitoring and control.

Patents, Trademarks, and Licenses

IMCERA owns a number of patents and trademarks, has pending a substantial number of patent applications, and is licensed under patents owned by others. No single patent is considered to be essential to the businesses as a whole, but in the aggregate, the patents are of material importance to its business.

Environmental Matters

IMCERA is subject to various environmental laws and regulations in the United States and foreign countries in which it operates. IMCERA has handled, and will continue to handle, materials and wastes classified as hazardous or toxic by one or more regulatory agencies. Although significant capital expenditures, as well as operating costs, have been incurred and will continue to be incurred on account of the laws and regulations governing the handling of these materials, and although there are inherent and unquantifiable risks in mishandling, or potential accidents involving, hazardous or toxic materials and wastes, IMCERA does not believe they have had or will have a material adverse effect. However, IMCERA cannot predict the impact of new or changed laws or regulations. (See also Item 3. Legal Proceedings.)

Most of the Company's environmental capital expenditures are in response to provisions of the U.S. Clean Air Act, the U.S. Water Pollution Control Act, the U.S. Resource Conservation and Recovery Act, the Comprehensive Environmental Response Compensation and Liability Act, and the land use, air, and water protection regulations of the various localities and states.

Capital expenditures worldwide related to air emission control, wastewater purification, land reclamation, and solid waste disposal totaled approximately $6 million in 1990. IMCERA expects that environmental capital expenditures over the next two years will average about $10 million per year.

Various U.S. Federal, state, municipal, and foreign laws and regulations, including regulations of the FDA, govern the production, packaging, labeling, and distribution of a number of Mallinckrodt's and Pitman-Moore's products. Mallinckrodt's medicinal narcotics business is rigidly controlled by government regulations. Many other products, intermediates, and by-products are subject to the provisions of the Toxic Substances Control Act.

See also Note R-Contingencies in Notes to Consolidated Financial Statements for additional information.

Employees

IMCERA had 9,600 employees at June 30, 1990. The workforce at June 30, 1990, consisted of 5,600 domestic and 4,000 foreign employees. Employees by business segment are: Mallinckrodt Medical -- 3,500; Mallinckrodt Specialty Chemicals -- 2,300; and Pitman-Moore -- 3,600.

Labor Relations

Including the newly acquired Coopers organization, the Company has six collective bargaining agreements within the U.S. with six U.S. international unions or their affiliated locals covering about 600 employees. Two agreements covering less than 4 percent of the hourly work force were negotiated during 1988 and 1989 and four agreements covering 15 percent of the hourly work force were negotiated during 1990, all with no work stoppages. One agreement covering 10 employees will expire in 1991. Five Mallinckrodt Medical and Mallinckrodt Specialty Chemical operating locations outside the U.S. have collective bargaining agreements and/or work counsel agreements covering about 800 employees. Most of the Pitman-Moore operating locations outside the U.S. have collective bargaining agreements and/or work counsel agreements covering approximately 1,000 employees. Resulting wage and benefit increases were consistent with competitive industry and community patterns.

Item 2. Properties

Information regarding the plant and properties of IMCERA is included in Item 1. Business.

Item 3. Legal Proceedings

IMCERA is a defendant in a number of lawsuits. Management believes that these suits will not have a material effect on the Company's financial condition or the conduct of any of its businesses. Except in respect of matters not as yet fully evaluated, as stated below, this conclusion applies also to pending and threatened environmental matters described below.

IMCERA is named as a potentially responsible party (PRP) in connection with a number of waste disposal sites and with several allegedly polluted former plant operations of now-discontinued operations. These have been previously reported as matters in which IMCERA has not yet been involved in litigation and have been identified at a Newark, New Jersey, site; the Midco sites and Ninth Avenue Dump in Gary, Indiana; a Carpentersville, Illinois, site; and a U.S. Scrap site in Chicago, Illinois. Mallinckrodt's businesses have also been named PRPs at the Maxey Flats Nuclear Disposal Site at Moorehead, Kentucky. Both IMCERA and Mallinckrodt have been named PRPs at the American Chemical Services site in Griffin, Indiana.

As previously reported, Hanlin Group, Inc. (formerly LCP Chemical) filed suit against IMCERA in the U.S. District Court in Bangor, Maine, in April 1989, alleging breach of contract and other claims, all in respect of alleged environmental matters at IMCERA's former chlor-alkali plants located in Orrington, Maine, and Ashtabula, Ohio, which IMCERA sold to LCP in 1982. The allegations by Hanlin relating to the Ashtabula plant have recently been transferred to the U.S. District Court in Cleveland, Ohio. Hanlin is asking for damages and an order for IMCERA to clean up the sites. It is too early to estimate the cost of any cleanup or liability, if any.

In the previously reported litigation brought by the State of Michigan in the U.S. District Court in Detroit involving environmental matters at a drum reconditioning plant at Pontiac, Michigan, which IMCERA sold in 1976, there has been no significant change.

In the previously reported appeal to the U.S. Court of Appeals for the First Circuit from the U.S. District Court in Concord, New Hampshire, concerning a drum reconditioning plant in Kingston, New Hampshire, which the Company sold in 1976, the appellate court issued an opinion affirming the opinion of the District Court except for the issues of cleanup of volatile organic compounds in the soil and the denial of all of the Environmental Protection Agency's (EPA) indirect costs as a sanction, which issues were remanded to the District Court for further proceedings. IMCERA cannot predict the outcome upon remand but continues to believe that the outcome will not be material.

As previously reported, in March 1989, the California Department of Health Services issued an Order to IMCERA and other parties to remediate a chemically contaminated site near San Jose, California, sold by the Company in 1980. The remediation is being undertaken by the present owners, Lick Mill Creek Apts. and Prometheus Development Co., who have filed suit against IMCERA and other parties in the United States District Court, Northern District of California, to recover all of their remediation costs. A related action by the Plaintiffs against Kimball Small, to whom IMCERA sold the property, was filed in the California Superior Court in Santa Clara, California and Kimball Small has brought IMCERA into the State court action. Although IMCERA cannot predict the outcome of this litigation, the costs to IMCERA should not be material.

IMCERA and other companies have been named as PRPs by the United States EPA concerning alleged pollution of a stream near Ashtabula, Ohio designated as "Fields Brook." On September 29, 1989, the United States of America filed suit in the U.S. District Court for the Northern District of Ohio against IMCERA and ten other PRPs to recover approximately $1 million dollars that the U.S. EPA has spent in investigating contamination. EPA has also issued an Order for these PRPs to perform a Remedial Design/Remedial Action study estimated to cost about $80 million. IMCERA and other defendants have filed answers and counterclaims against the U.S. EPA and claims for contribution against approximately 20 other PRPs who were not named in the U.S. complaint. It is too early to determine potential costs or liability.

As previously reported, the Department of Interior, Office of Surface Mining, notified the Company that certain of the coal-mining areas near Pikeville, Kentucky, which IMCERA mined in coal operations that were sold in 1981, require reclamation. IMCERA is proceeding with the required reclamation at costs that are not expected to be material, and this matter will not be further reported.

Item 4. Submission of Matters to a Vote of Security Holders

(a) A Special Meeting of Shareholders was held June 14, 1990.

(c) Matters voted upon at the Special Meeting of Shareholders were:

(1) An amendment to the Corporation's Restated Certificate of Incorporation to change the Corporation's name to IMCERA Group Inc. was ratified by the affirmative vote of an aggregate of 18,305,075 shares of Common and 4% Cumulative Preferred Stock. A total of 185,394 shares of Common and 4% Cumulative Preferred Stock was voted against the amendment. Holders of 100,178 shares of Common and 4% Cumulative Preferred Stock abstained from voting.

(2) Amendments of the 1973 Stock Option and Award Plan to enlarge the eligibility to participate under the Plan by including all employees of the Corporation or its subsidiaries and to eliminate the concept that grants and awards will be limited to "key" employees or managers were ratified by the affirmative vote of an aggregate 17,884,847 shares of Common and 4% Cumulative Preferred Stock. A total of 613,662 shares of Common and 4% Cumulative Preferred Stock was voted against the amendment. Holders of 92,138 shares of Common and 4% Cumulative Preferred Stock abstained from voting.

EXECUTIVE OFFICERS OF THE REGISTRANT

The ages and five-year employment history of IMCERA's executive officers at June 30, 1990, were as follows:

George D. Kennedy
Age 64. Chairman and Chief Executive Officer since August 1986; Chief Executive Officer since October 1983; President from May 1978 to August 1986; Director since October 1975.

M. Blakeman Ingle
Age 48. President and Chief Operating Officer since July 1990; Executive Vice President from March 1989; President of Pitman-Moore, Inc. from July 1988 to August 1990; Senior Vice President and Chief Administrative and Technical Officer from July 1987 to March 1989; Vice President from May 1980 to July 1987.

Raymond F. Bentele
Age 53. Executive Vice President since March 1989; Senior Vice President from October 1986 to March 1989; Chief Executive Officer of Mallinckrodt, Inc. since 1981; President of Mallinckrodt, Inc. since December 1978.

James C. Bryan
Age 63. Vice President since February 1986; Corporate Staff Vice President from October 1978 to February 1986.

Kenneth J. Burns, Jr.
Age 63. Vice President and General Counsel since March 1979. Secretary since March 1988.

Elizabeth M. Higashi
Age 38. Vice President since February 1986; Corporate Staff Vice President from August 1985 to February 1986; Vice President for SFN Companies, Inc., April 1984 to August 1985.

John F. Sonderegger
Age 59. Vice President and Controller since December 1974.

John M. Stapleton
Age 51. Vice President since April 1977.

A. Jacqueline Dout
Age 35. Acting Treasurer since June 1990; Assistant Treasurer and Corporate Staff Vice President since June 1988; Assistant Treasurer for Koppers Company, Inc., April 1981 to June 1988.

John A. Edwardson (Resigned effective July 6, 1990.)
Age 41. Executive Vice President and Chief Financial and Administrative Officer since March 1989; Senior Vice President and Chief Financial and Administrative Officer since October 1988; Executive Vice President and Chief Financial Officer, Northwest Airlines from August 1986 to October 1988; Vice President, Finance and Chief Financial Officer, Northwest Airlines from February 1985 to August 1986; Senior Vice President Financial Services Group and Director, Ferrell Companies, Inc., prior thereto.

All of IMCERA's officers are elected annually, with the terms of the officers listed above to expire in October 1990. No "family relationships," as that term is defined, exist among any of the listed officers.

Part II.

Item 5. Market for the Registrant's Common Stock and Related Stockholder Matters

COMMON STOCK PRICES AND DIVIDENDS

Quarter	First	Second	Third	Fourth
Fiscal 1990				
Dividends per common share	$ .25	$ .25	$ .25	$ .25
Common stock prices				
High	55-1/2	53-1/8	59-1/2	62-1/8
Low	42-3/8	46-1/8	52	55-3/8
Fiscal 1989				
Dividends per common share	$ .25	$ .25	$ .25	$ .25
Common stock prices				
High	47-3/8	45-1/8	42-1/2	43-1/2
Low	38-1/2	37-1/4	38	39-1/2

The principal market on which IMCERA's common stock is traded is the New York Stock Exchange. Common stock prices are from the composite tape for New York Stock Exchange issues as reported in The Wall Street Journal.

As of August 31, 1990, the number of registered holders of common stock, as reported by the Company's registrar, was 10,582.

Item 6. Selected Financial Data
(Dollars in millions except per share amounts)

Years ended June 30	1990[1]	1989[1]	1988[1]	1987[2]	1986[3]
SUMMARY OF OPERATIONS					
Net sales	$1,424.6	$ 982.9	$1,470.6	$1,637.5	$1,177.7
Earnings (loss) from continuing operations	$ 58.9	$ 110.3	$ 103.9	$ 14.6	$ (79.6)
Discontinued operations[4]	(2.4)	6.7	(5.0)	11.3	(137.4)
Extraordinary items			14.6	(4.8)	
Net earnings (loss)	56.5	117.0	113.5	21.1	(217.0)
Preferred stock dividends	4.2	14.4	16.2	12.5	.8
Available for common shareholders	$ 52.3	$ 102.6	$ 97.3	$ 8.6	$ (217.8)
Per Common Share Data[5]					
Earnings (loss) from continuing operations	$ 2.53	$ 4.20	$ 3.30	$ .08	$ (2.96)
Net earnings (loss)	2.42	4.49	3.66	.31	(8.04)
Dividends declared	1.00	1.00	1.00	1.00	1.80
Book value	35.92	33.69	32.24	30.35	30.94
Average common shares (in millions)	21.7	22.8	26.6	27.3	27.1
OTHER DATA					
(Dollars in millions)					
Total assets	$2,130.9	$1,971.6	$1,793.8	$2,434.2	$2,427.1
Working capital	311.1	594.6	507.8	205.9	431.0
Current ratio	1.8:1	3.3:1	2.7:1	1.4:1	2.3:1
Total debt	$ 837.4	$ 773.7	$ 407.7	$ 857.3	$ 974.6
Deferred income taxes	52.9	42.8	29.4	24.9	31.1
Shareholders' equity	824.8	888.2	1,027.7	1,069.0	994.3
Invested capital	1,715.1	1,704.7	1,464.8	1,951.2	2,000.0
Total debt/invested capital	49%	45%	28%	44%	49%
Capital expenditures (including IMC Fertilizer prior to IPO)	$ 85.7	$ 82.2	$ 81.2	$ 62.5	$ 93.9
Total dividends declared	25.8	36.9	42.6	40.4	49.2
Common shares outstanding (in millions)	22.7	20.2	25.5	27.3	27.2
Number of employees	9,600	6,900	6,900	12,900	13,900

1 See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a description of nonrecurring items. Before the IMC Fertilizer IPO in February 1988, IMC Fertilizer's accounts were included in the Company's consolidated financial statements. After the IPO, the Company's investment in IMC Fertilizer has been accounted for by the equity method.

2 Results for 1987 include a $9.0 million gain, with no income tax effects, or $.33 a share, from a contract settlement and an extraordinary charge of $4.8 million, net of income tax benefit of $.9 million, or $.18 a share, for the Company's redemption of its 11.875 percent debentures.

3 Results of operations of Mallinckrodt are included from its acquisition on February 28, 1986. Includes nonrecurring items aggregating to a net charge of $133.3 million, $103.0 million after taxes, or $3.80 a share.

4 See Note A of Notes to Consolidated Financial Statements for information on discontinued operations in 1990, 1989, and 1988. During 1987, IMCERA sold its gas and oil segment and substantially all of its industrial products segment. Those sales resulted in income from discontinued operations in 1987 of $11.3 million, with no income tax effect, or $.41 a share, representing adjustments of losses of $128.0 million, with no income tax effects, or $5.08 a share, provided in 1986 in anticipation of these transactions.

5 Presented on a primary per common share basis.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

IMCERA recorded significant increases in sales and operating earnings for the year ended June 30, 1990. Net sales for 1990 were $1,424.6 million, compared with $982.9 million in 1989. Operating earnings were $112.6 million in 1990, more than double the $55.7 million in 1989.

Net earnings for 1990 were $56.5 million, or $2.42 a share, compared with $117.0 million, or $4.49 a share, from 1989 results. These results included IMCERA's after-tax equity in the net earnings of IMC Fertilizer Group, Inc. (IMC Fertilizer) that amounted to $22.8 million, or $1.05 a share, in 1990, compared with $48.9 million, or $2.14 a share, in 1989.

The comparisons of 1990 vs. 1989 and 1989 vs. 1988 were affected by a number of unusual and nonrecurring items.

In 1990, earnings from continuing operations included favorable adjustments from the conclusion of income tax audits that amounted to $11.9 million, or $.55 a share, from lower income taxes and higher interest income. That benefit was almost entirely offset by (1) the dividend received deduction benefits no longer expected to be realized on the Company's equity in the unremitted earnings of IMC Fertilizer that caused an increase in income taxes of $6.1 million, or $.28 a share, (2) restructuring charges of $3.0 million, or $.14 a share, and (3) charges for compensation plans tied to the price of IMCERA's common stock that amounted to $2.4 million, or $.11 a share.

In 1989, earnings from continuing operations included favorable adjustments from the conclusion of income tax audits that amounted to $16.6 million, or $.73 a share, from lower income taxes and related interest charges. Such earnings also included a gain from IMC Fertilizer's public stock offering in July 1988 that amounted to $21.5 million, or $.89 a share, as well as a gain from the sale of a business, $2.4 million, or $.10 a share.

In 1988, earnings from continuing operations included the following unusual or nonrecurring items:

	$ In Millions	Per Share
Gains from disposals of businesses	$ 34.2	$ 1.27
IMC Fertilizer IPO loss	(32.5)	(1.22)
Restructuring costs	(12.6)	(.47)
Loss on settlement of litigation	(3.1)	(.12)

Such earnings in that year also included 100 percent of the earnings of IMC Fertilizer prior to the initial public offering (IPO) in February 1988.

Fiscal 1989 and 1988 sales and operating earnings have been restated to reflect the reclassification of certain Mallinckrodt Specialty Chemicals foreign operations previously included under Mallinckrodt Medical.

In the following discussions of operating results reference is made to ongoing operations, divested operations, and nonrecurring gains and losses. Except for the 1990 gain from the sale of a fragrance business, these elements of operating results are included in results from continuing operations in the Consolidated Statement of Earnings.

MALLINCKRODT MEDICAL

Years ended June 30 (In millions)	1990[1]	1989[1]	1988[1]
Net sales			
Ongoing operations			
Radiology & Cardiology	$ 163.4	$ 110.2	$ 95.4
Nuclear Medicine	101.8	91.2	81.0
Anesthesia Products, Critical Care and Other	134.6	119.2	105.3
	399.8	320.6	281.7
Divested operations			32.8
	$ 399.8	$ 320.6	$ 314.5
Operating earnings			
Ongoing operations	$ 50.3	$ 39.2	$ 35.0
Divested operations			9.6
Nonrecurring gains, net			44.3
	$ 50.3	$ 39.2	$ 88.9

1 Reflects the reclassification of certain Mallinckrodt Specialty Chemicals foreign operations previously included under Mallinckrodt Medical.

1990 vs. 1989

Ongoing operating results in 1990 improved significantly over those of the prior year. Sales increased 25 percent to $399.8 million, primarily due to volume growth.

Sales of radiology and cardiology products increased 48 percent to $163.4 million. Most of the growth came in the U.S. The significantly higher sales were mainly attributable to the first full year of sales of the nonionic x-ray contrast media agent, Optiray. A $42 million manufacturing plant expansion is underway which is expected to double capacity when completed in late calendar year 1991.

Nuclear medicine product sales increased 12 percent to $101.8 million in 1990 from $91.2 million in 1989. Sales growth, primarily in the U.S. and Europe, was attributable to U.S. radiopharmacies and strong European volume. The performance of nuclear medicine was impaired during the first half of 1990 by production problems in the U.S., subsequently corrected.

Sales of anesthesia, critical care and other products increased 13 percent, from $119.2 million in 1989 to $134.6 million in 1990. The sales growth was due to volume increases, shared equally between the U.S. and Europe.

Operating earnings increased 28 percent to $50.3 million in 1990. The higher operating earnings were mainly attributable to the significant improvement in sales performance. Costs associated with selling and marketing organizations increased in 1990 to support new and existing product lines. Additionally, higher levels of spending were devoted to development of new products.

1989 vs. 1988

Results from ongoing operations in 1989 improved over those in 1988. Sales for such operations increased 14 percent to $320.6 million.

Sales of radiology and cardiology products increased to $110.2 million in 1989 from $95.4 million in 1988, or 16 percent. The growth was mainly due to U.S. sales of the low osmolar ionic contrast media agent, Hexabrix.

Nuclear medicine product sales increased to $91.2 million in 1989 from $81.0 million in 1988, or 13 percent. The sales growth was attributable to stronger U.S. and European volume.

Sales of anesthesia, critical care and other products increased $13.9 million, or 13 percent, from $105.3 million in 1988 to $119.2 million in 1989. Sales of these products were higher on the strength of excellent performance in the U.S., Europe and the Far East.

Ongoing operating earnings increased to $39.2 million in 1989 from $35.0 million in 1988, or 12 percent. The increase in ongoing operating earnings was at a slightly lower rate than the sales rate gain mainly due to the absorption of business development and launch costs associated with Optiray, and acceleration of the U.S. radiopharmacy expansion program.

Divested operations represented the operating results of businesses sold in 1988. The gains on such divestitures were included in nonrecurring gains, net, along with the loss on settlement of a patent claim and restructuring charges in 1988.

MALLINCKRODT SPECIALTY CHEMICALS

Years ended June 30 (In millions)	1990[1]	1989[1]	1988[1]
Net sales			
Ongoing operations			
Drug & Cosmetic Chemicals	$ 185.5	$ 158.1	$ 144.3
Catalyst & Performance Chemicals	132.0	119.2	101.7
Science Products	50.6	45.1	46.8
Flavors	59.0	47.7	48.2
	427.1	370.1	341.0
Divested operations	17.3	29.6	32.0
	$ 444.4	$ 399.7	$ 373.0
Operating earnings			
Ongoing operations	$ 48.3	$ 36.4	$ 33.9
Divested operations	.3	.7	.4
Nonrecurring loss			(5.2)
	$ 48.6	$ 37.1	$ 29.1

1 Reflects the reclassification of certain Mallinckrodt Specialty Chemicals foreign operations previously included under Mallinckrodt Medical.

1990 vs. 1989

Ongoing sales and operating earnings improved 15 percent and 33 percent, respectively, with all major businesses contributing to these results.

Drug and cosmetic chemicals sales and operating earnings improvement reflects higher volumes and prices for analgesic products in worldwide markets served. Production and sale of PAP/APAP increased in 1990 through expansion of the Raleigh, North Carolina, plant and acquisition of a plant in England. Partially offsetting these gains were losses covering the expected exit from the tannin business and lower margins on a changing mix of sunscreen product sales.

Catalyst and performance chemicals operating earnings gained principally from higher sales and continued improvement in plant production performance for fluoroaromatics. Last year's results reflected approximately $8 million of business development and start-up costs for fluoroaromatics, compared with $3 million in this year's results.

For science products, the operating earnings growth largely was attributable to higher sales volumes and prices for prescription chemicals.

Sales and operating earnings for the flavors business improved significantly in 1990 due to strong U.S. sales of new sweet goods, savory, and beverage products. The new products were the result of higher current and prior-year development expenses.

In 1990, the fragrance business was sold and its results prior to the sale are included in divested operations. The related gain is included in the Consolidated Statement of Earnings under "Discontinued operations."

1989 vs. 1988

Ongoing sales and operating earnings in 1989 were higher than in 1988 by 9 percent and 7 percent, respectively.

This segment's higher sales and earnings in 1989 were primarily due to excellent performance by catalyst and performance chemicals. Volumes for catalysts were up significantly over virtually all product lines. Major performance chemical lines also recorded substantial sales and earnings improvements. Sales of aromatic fluorine intermediates commenced in late 1989, and earnings were negatively impacted by business development and plant start-up costs of approximately $8 million. This charge compares with similar costs of about $3 million in 1988.

For drug and cosmetic chemicals, sales increased on the strength of improved drug chemical sales volume. Earnings declined slightly due to price pressures in cosmetic chemicals, higher raw material costs and a drug chemical plant shutdown to add capacity.

Sales of science products were off slightly, but earnings fell by a larger percentage because the sales shortfall was registered in the relatively higher margin laboratory chemicals business.

Plant performance was significantly improved over poor results experienced in the U.S. and Europe in 1988. Costs associated with 1988 production problems were about $4 million.

Sales in 1989 for flavors declined slightly and operating earnings fell by a larger percentage. Most of the earnings shortfall occurred in the U.S. from industry consolidation, delayed product introductions, and increased development and selling expenses.

The nonrecurring loss resulted from restructuring charges in 1988.

PITMAN-MOORE

Years ended June 30 (In millions)	1990[1]	1989	1988
Net sales			
Ongoing operations			
Animal Productivity	$ 49.4	$ 33.9	$ 37.3
Antimicrobials	62.0	12.5	5.9
Biologicals	100.3	24.2	21.3
Parasiticides	132.9	21.7	19.7
Veterinary Specialties and Other	69.7	30.9	24.9
Total Animal Health	414.3	123.2	109.1
Feed Ingredients	166.1	131.2	126.2
	580.4	254.4	235.3
Divested operations		8.2	9.2
	$ 580.4	$ 262.6	$ 244.5
Operating earnings (loss)			
Ongoing operations	$ 55.6	$ 9.8	$ 6.5
Divested operations		1.5	1.4
Nonrecurring gain (loss)		3.9	(9.1)
	$ 55.6	$ 15.2	$ (1.2)

1 Coopers Animal Health was acquired on July 5, 1989, and its results were consolidated after that date.

1990 vs. 1989

The Coopers Animal Health acquisition in July 1989 is largely responsible for the dramatic increases in Pitman-Moore's sales and operating earnings. This new business approximately doubled total sales and margins for the Pitman-Moore segment. Parasiticides sales were over six times greater and biological sales more than doubled from the acquisition. Both of these product lines contributed significantly to operating earnings. Operating earnings also benefited from the synergies resulting from the combined Coopers and Pitman-Moore businesses.

With the Coopers acquisition, Pitman-Moore greatly expanded its worldwide operations. In 1990, 75 percent of the segment's operating earnings came from international locations, with Europe the largest contributor. In addition, Latin America contributed significantly to earnings despite difficult economic conditions in that region.

Worldwide sales and operating earnings for feed ingredients also contributed substantially to the improved results. Increased poultry numbers and higher animal protein prices stimulated demand for Pitman-Moore's inorganic feed products. The worldwide distribution opportunities available through the Coopers acquisition also helped to improve the international feed business.

1989 vs. 1988

Operating earnings from ongoing operations increased $3.3 million from 1988. The increase was principally due to three factors: higher sales and lower production costs for animal feed ingredients; production efficiencies that more than offset slightly lower sales for companion animal products; and reduced administrative expenses. The earnings gain was partially offset by the effect on sales from the drought and heat in the summer of 1988, which essentially affected all major areas of Pitman-Moore's U.S. business. The drought resulted in larger than normal cattle slaughter; heat resulted in declines of chicken flocks.

The nonrecurring gain in 1989 resulted from the divestiture of a business, while the nonrecurring loss in 1988 was due to restructuring charges.

IMC FERTILIZER

IMCERA's pretax equity in the net earnings of IMC Fertilizer for 1990 was down $21.5 million from $52.9 million reported in fiscal 1989. The most significant factor was depressed pricing for most major fertilizer products. For 1988, the pretax equity in the net earnings of IMC Fertilizer was $26.2 million, which included only the last five months following the IPO.

IMC Fertilizer's consolidated statement of earnings for each of the three years in the period ended June 30, 1990, is summarized in Note E of Notes to Consolidated Financial Statements. The following discussion is based on those statements and reflects 100 percent of IMC Fertilizer's operating results.

1990 vs. 1989

Net earnings in 1990 totaled $83 million. This was $54 million lower than 1989 net earnings of $137 million.

Net sales were $1.106 billion in 1990, down from $1.222 billion in 1989. Depressed prices for most of the Company's major products, beginning in the spring of 1989, contributed to this decline.

Included in operating results for 1990 was a pretax gain of $6 million representing a first installment payment from the sale of certain potash reserve interests, and a pretax charge of $5 million resulting from an increase in a plant decommissioning reserve. In 1989, operating results included a nonrecurring pretax charge of $7 million to reserve for the shutdown of a production facility.

Gross margins decreased $106 million in 1990 when compared to 1989, mostly from lower prices.

Interest costs declined as a direct result of the Company's reduction in debt. Lower cash balances led to lower interest earned from short-term investments when compared to last year.

IMC Fertilizer's effective tax rate in 1990 was 35 percent, compared with 36 percent in 1989.

1989 vs. 1988

Gross margins from product sales increased 28 percent. Most of the margin improvement came from potash, phosphate rock, and phosphate chemicals. Margin improvements for those products resulted primarily from higher average selling prices. Those improvements were partially offset by higher production costs, mainly for phosphate chemicals.

Operating results in 1989 included a nonrecurring after-tax charge of $4 million from the announced shutdown of a production facility. In 1988, operating results included an after-tax gain of $5 million from the disposition of assets.

Interest charges increased $17 million, mainly from borrowings related to IMC Fertilizer's acquisition of its former partner's interest in a phosphate rock mining joint venture.

IMC Fertilizer's effective tax rate in 1989 was 36 percent, compared with 41 percent in 1988. A significantly higher percentage depletion deduction and a decrease in the Canadian federal statutory tax rate were the major factors that caused the lower rate.

In 1988, the sales and operating results of IMC Fertilizer were included in IMCERA's Consolidated Statement of Earnings for the first seven months of the year through the date of the IPO. Net sales and operating earnings for this period were $573.3 million and $130.3 million, respectively.

CORPORATE MATTERS

Corporate expenses were $41.9 million in 1990 compared with $35.8 million in 1989 and $45.5 million in 1988. Higher 1990 expenses came from a nonrecurring charge of $4.9 million for restructuring and charges of $3.9 million for compensation plans tied to the price of IMCERA's common stock. Otherwise, expenses decreased $2.7 million. Lower expenses of $9.7 million in 1989 versus 1988 were attributable to a reduction in staff size and a decrease in certain incentive compensation costs.

Interest and other nonoperating income declined $17.7 million because of cash outlays for the Coopers acquisition, repurchases of common stock and the redemption of part of the Series A preferred stock. The decrease was partially offset by interest income from income tax refunds. For 1989 versus 1988, interest and other nonoperating income improved $21.4 million, principally from the short-term investment of proceeds of the IMC Fertilizer IPO, IMC Fertilizer's redemption in 1989 of its Series A preferred stock held by IMCERA, and the issuance in 1989 of zero coupon exchangeable subordinated debentures.

Interest charges for 1990 were $33.8 million higher than 1989. Contributing to the increase were the full-year impact of interest charges for the zero coupon debentures issued in November 1988; higher international interest expense, principally from the expanded operations resulting from the Coopers acquisition; and the year-to-year effect of the benefit recorded in 1989 from the reversal of previously provided interest that resulted from the conclusion of income tax audits that spanned a number of years. That reversal and lower short-term borrowings were the sources of lower 1989 interest charges as compared with 1988.

See Notes to Consolidated Financial Statements for information on gains and losses on IMC Fertilizer stock offerings in 1989 and 1988, the factors that caused the increase in the Company's reported effective tax rate to 32.4 percent in 1990 from 16.3 percent in 1989, discontinued operations in each of the three years presented, and the extraordinary tax credit in 1988.

FINANCIAL CONDITION

Since June 30, 1989, cash and short-term investments decreased $312.5 million. The acquisition of Coopers was the most significant cause of that decrease, with $218.2 million paid at the time of acquisition. Also contributing to the decrease in cash were the $65.1 million used to redeem a part of Series A preferred stock and the $56.0 million used to repurchase 1,100,255 shares of common stock during fiscal 1990. The sale of the Company's fragrance business for net proceeds of $29.1 million was a partial offset. These changes are reflected in a current ratio of 1.8:1 compared with 3.3:1 a year ago and a quick ratio of 1.0:1 compared with 2.4:1 last year.

Total debt was 49 percent of invested capital at June 30, 1990, versus 45 percent a year ago, reflecting the increase in debt primarily from the accrual of interest on the zero coupon debentures and debt related to the Coopers acquisition, the decrease in equity from the repurchase of common shares, and the redemption for cash of a part of the Company's Series A preferred stock. The Company is committed to remaining financially sound, balancing its leverage ratios with its strategic growth objectives. Accordingly, the Company is authorized to buy up to an additional 4.8 million common shares under its authorization from its Board of Directors, and will weigh the merits of future common stock purchases among various investment alternatives.

The estimate of capital spending for the fiscal year ending June 30, 1991, is $152 million. The Company believes that its present liquidity position, and cash flow from operations should be sufficient to meet its working capital needs, the expansion of operations, and the payment of dividends.

OTHER MATTERS

See "Accounting Policies" in Notes to Consolidated Financial Statements for information concerning Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes."

IMCERA does not consider the present rate of inflation to have a significant impact on the businesses in which it operates except for the hyperinflationary effects on the Latin American businesses of Pitman-Moore which are discussed in Note O to the Consolidated Financial Statements and in the Pitman-Moore discussion on page 25.

See Note R to the Consolidated Financial Statements for a discussion of environmental matters.

Item 8. Financial Statements and Supplementary Data

Report of Independent Auditors

To the Shareholders and Board of Directors of IMCERA Group Inc.

We have audited the accompanying consolidated balance sheet of IMCERA Group Inc. as of June 30, 1990 and 1989, and the related consolidated statements of earnings, changes in shareholders' equity and cash flows for each of the three years in the period ended June 30, 1990, appearing on pages 31 through 53. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of IMCERA Group Inc. at June 30, 1990 and 1989, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 1990 in conformity with generally accepted accounting principles.

ERNST & YOUNG
Ernst & Young
Chicago, Illinois
August 6, 1990

Information by Business Segment
(In millions)

Net sales	1990	1989	1988
Mallinckrodt Medical	$ 399.8	$ 320.6	$ 314.5
Mallinckrodt Specialty Chemicals	444.4	399.7	373.0
Pitman-Moore	580.4	262.6	244.5
Fertilizer			573.3
Intersegment sales			(34.7)
Consolidated	$1,424.6	$ 982.9	$1,470.6

Earnings and Assets	Earnings (Loss) From Continuing Operations Before Income Taxes 1990	1989	1988	Identifiable Assets 1990	1989	1988
Mallinckrodt Medical	$ 50.3	$ 39.2	$ 88.9	$ 494.4	$ 416.5	$ 385.0
Mallinckrodt Specialty Chemicals	48.6	37.1	29.1	457.1	460.4	450.4
Pitman-Moore	55.6	15.2	(1.2)	632.8	218.5	214.5
Fertilizer			130.3			
Corporate	(41.9)	(35.8)	(45.5)	546.7	878.4	744.2
Eliminations			(.1)	(.1)	(2.2)	(.3)
Operating earnings	112.6	55.7	201.5			
Equity in earnings of IMC Fertilizer	31.4	52.9	26.2			
Gain (loss) on IMC Fertilizer public stock offerings		28.6	(11.9)			
Interest and other nonoperating income, net	19.2	36.9	15.5			
Interest charges	(76.1)	(42.3)	(63.0)			
Consolidated	$ 87.1	$ 131.8	$ 168.3	$2,130.9	$1,971.6	$1,793.8

Property, Plant, and Equipment	Capital Expenditures 1990	1989	1988	Depreciation and Amortization 1990	1989	1988
Mallinckrodt Medical	$ 26.4	$ 18.2	$ 26.3	$ 25.7	$ 23.1	$ 21.3
Mallinckrodt Specialty Chemicals	29.3	42.4	28.2	29.1	27.5	31.1
Pitman-Moore	29.7	20.2	13.8	25.3	9.7	10.5
Fertilizer			11.7			42.6
Corporate	.3	1.4	1.2	2.4	2.0	1.2
Consolidated	$ 85.7	$ 82.2	$ 81.2	$ 82.5	$ 62.3	$ 106.7

(See Note P of Notes to Consolidated Financial Statements)

Consolidated Statement of Earnings
(In millions except per share amounts)

Years ended June 30	1990	1989	1988
Net sales	$1,424.6	$ 982.9	$1,470.6
Operating costs and expenses			
Cost of goods sold	818.1	593.3	946.8
Selling, administrative, and general expenses	419.7	280.3	302.4
Research and development expenses	75.5	65.0	64.8
Other operating income, net	(1.3)	(11.4)	(44.9)
	1,312.0	927.2	1,269.1
Operating earnings	112.6	55.7	201.5
Equity in earnings of IMC Fertilizer - Note E	31.4	52.9	26.2
Gain (loss) on IMC Fertilizer public stock offerings - Note A		28.6	(11.9)
Interest and other nonoperating income, net - Note H	19.2	36.9	15.5
Interest charges - Note H	(76.1)	(42.3)	(63.0)
Earnings from continuing operations before income taxes	87.1	131.8	168.3
Income taxes - Note H	28.2	21.5	64.4
Earnings from continuing operations	58.9	110.3	103.9
Discontinued operations - Note A	(2.4)	6.7	(5.0)
Earnings before extraordinary items	56.5	117.0	98.9
Extraordinary items - Note H			14.6
Net earnings	56.5	117.0	113.5
Preferred stock dividends	4.2	14.4	16.2
Available for common shareholders	$ 52.3	$ 102.6	$ 97.3
Earnings Per Common Share - Note B			
Primary			
Continuing operations	$ 2.53	$ 4.20	$ 3.30
Discontinued operations	(.11)	.29	(.19)
Earnings before extraordinary items	2.42	4.49	3.11
Extraordinary items			.55
Net earnings	$ 2.42	$ 4.49	$ 3.66
Fully diluted			
Continuing operations		$ 3.97	$ 3.23
Net earnings		4.21	3.53

(See Notes to Consolidated Financial Statements)

Consolidated Balance Sheet
(In millions except per share amounts)

At June 30	1990	1989
ASSETS		
Current assets		
Cash and cash equivalents	$ 100.0	$ 389.1
Short-term investments, at cost which approximates market	31.8	55.2
Trade receivables, less allowances of $9.9 in 1990 and $4.1 in 1989	252.2	158.6
Inventories - Note D	294.6	209.4
Other current assets	46.5	40.4
	725.1	852.7
Investment in IMC Fertilizer - Notes A and E	365.8	345.2
Other investments and long-term receivables, less allowances of $5.0 in 1990 and 1989	74.1	74.9
Property, plant, and equipment	846.7	691.2
Accumulated depreciation	(260.9)	(211.0)
Net property, plant, and equipment - Note F	585.8	480.2
Intangible assets - Note G	380.1	218.6
	$2,130.9	$1,971.6

	1990	1989
LIABILITIES		
Current liabilities		
Short-term debt - Note J	$ 83.6	$ 61.9
Accounts payable	115.0	76.6
Accrued liabilities - Note I	199.6	97.5
Income taxes - Note H	15.8	22.1
	414.0	258.1
Long-term debt, less current maturities - Note J	753.8	711.8
Deferred income taxes - Note H	52.9	42.8
Other noncurrent liabilities and deferred credits	85.4	70.7
Commitments and contingencies - Notes Q and R		
SHAREHOLDERS' EQUITY - Notes B, M, and N		
Preferred stock	10.0	14.6
Common stock, par value $5, authorized 100,000,000 shares; issued 28,798,352 shares in 1990 and 28,404,579 shares in 1989	144.0	142.0
Capital in excess of par value	56.0	259.3
Reinvested earnings	851.4	837.3
Marketable securities valuation allowance	(4.0)	(1.1)
Foreign currency translation	22.2	.2
Treasury stock	(254.8)	(364.1)
	824.8	888.2
	$2,130.9	$1,971.6

(See Notes to Consolidated Financial Statements)

Consolidated Statement of Cash Flows

(In millions) Years ended June 30	1990	1989	1988
Cash provided (used) by operations			
Net earnings	$ 56.5	$ 117.0	$ 113.5
Adjustments to reconcile net earnings to net cash provided by operations			
Depreciation and amortization	82.5	62.3	106.7
Gains on disposals of assets	(8.3)	(17.4)	(61.5)
(Gain) loss on IMC Fertilizer public stock offerings		(28.6)	11.9
Equity in earnings of IMC Fertilizer	(31.4)	(52.9)	(26.2)
Common and (in 1989) preferred stock dividends from IMC Fertilizer	10.8	24.5	3.7
Interest on zero coupon exchangeable subordinated debentures	30.9	18.3	
Deferred income taxes	13.2	15.3	21.2
Other, net	14.9	(11.9)	(18.8)
	169.1	126.6	150.5
Changes in working capital			
Receivables	(35.4)	(10.1)	37.0
Inventories	(9.5)	(23.5)	133.5
Accounts payable, accrued liabilities, and income taxes	13.0	(49.3)	(87.2)
Effect of disposals and the deconsolidation of IMC Fertilizer		(9.3)	(130.3)
Other, net	5.2	(7.4)	1.0
	142.4	27.0	104.5
Cash provided (used) by investing activities			
Businesses acquired	(257.6)	(11.7)	(71.4)
Capital expenditures	(85.7)	(82.2)	(69.1)
Short-term investments	23.4	(55.2)	
Proceeds from IMC Fertilizer public stock offerings and related transactions, net		200.0	558.9
Proceeds from disposals of assets	35.6	32.0	150.3
IMC Fertilizer investing activity			(49.5)
Other, net	13.3	(22.9)	(8.6)
	(271.0)	60.0	510.6
Cash provided (used) by financing activities			
Preferred stock redemption	(65.1)		
Proceeds from long-term debt	30.6	359.5	8.2
Payments on long-term debt	(38.6)	(35.3)	(273.8)
Increase (decrease) in short-term debt	(11.9)	15.6	(75.6)
Purchase of IMCERA stock	(56.0)	(215.8)	(112.8)
Dividends paid	(25.8)	(36.9)	(42.6)
Issuance of common stock	6.3	.3	.7
	(160.5)	87.4	(495.9)
Increase (decrease) in cash and cash equivalents	(289.1)	174.4	119.2
Cash and cash equivalents at beginning of year	389.1	214.7	95.5
Cash and cash equivalents at end of year	$ 100.0	$ 389.1	$ 214.7

(See Notes to Consolidated Financial Statements)

Consolidated Statement of Changes in Shareholders' Equity

(In millions except per share amounts)	Preferred Stock	Common Stock	Capital in Excess of Par Value	Reinvested Earnings	Other	Treasury Stock
Balance, June 30, 1987	$14.6	$139.8	$244.6	$686.3	$ 7.3	$ (23.6)
Net earnings				113.5		
Dividends						
4 percent preferred stock ($4.00 a share)				(.4)		
Series A preferred stock ($3.75 a share)				(10.5)		
Series B preferred stock ($3.25 a share)				(5.3)		
Common stock ($1.00 a share)				(26.4)		
Purchase of shares						(121.5)
Translation adjustment					(2.8)	
Other		1.6	10.5			
Balance, June 30, 1988	14.6	141.4	255.1	757.2	4.5	(145.1)
Net earnings				117.0		
Dividends						
4 percent preferred stock ($4.00 a share)				(.4)		
Series A preferred stock ($3.75 a share)				(9.4)		
Series B preferred stock ($3.25 a share)				(4.6)		
Common stock ($1.00 a share)				(22.5)		
Purchase of shares						(219.4)
Marketable securities valuation adjustment					(1.1)	
Translation adjustment					(4.3)	
Other		.6	4.2			.4
Balance, June 30, 1989	14.6	142.0	259.3	837.3	(.9)	(364.1)
Net earnings				56.5		
Dividends						
4 percent preferred stock ($4.00 a share)				(.4)		
Series A preferred stock ($.3125 a share)				(.4)		
Series B preferred stock ($2.4375 a share)				(3.4)		
Common stock ($1.00 a share)				(21.6)		
Redemption, conversion, and retirement of Series A and B preferred stock	(4.6)		(218.8)	(16.6)		175.0
Purchase of shares						(56.0)
Marketable securities valuation adjustment					(2.9)	
Translation adjustment					22.0	
Other		2.0	15.5			(9.7)
Balance, June 30, 1990	$10.0	$144.0	$ 56.0	$851.4	$18.2	$(254.8)

(See Notes to Consolidated Financial Statements)

Notes to Consolidated Financial Statements
(In millions except per share amounts)

Accounting Policies

Principles of Consolidation

Financial statements of all subsidiaries are consolidated. On February 2, 1988, IMC Fertilizer Group, Inc. (IMC Fertilizer), then a wholly owned subsidiary, completed an initial public offering (IPO) of shares of common stock. After the IPO, IMCERA Group Inc. (IMCERA or the Company) owned less than a majority voting interest in IMC Fertilizer, and the Company's investment in IMC Fertilizer has been accounted for by the equity method.

Foreign Currency Translation

The financial statements of most of the Company's international affiliates are translated into U.S. dollars using current exchange rates. Unrealized translation adjustments are included in shareholders' equity in the Consolidated Balance Sheet. The financial statements of international affiliates that operate in hyperinflationary economies, principally Brazil and Argentina, are translated at either current or historical exchange rates, as appropriate. Unrealized translation adjustments are included in operating results for these affiliates.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of certificates of deposit, time deposits, and other short-term securities with maturities of three months or less from the date of purchase.

Inventories

Inventories are stated at the lower of cost or market. Cost for inventories is determined on either an average or first-in, first-out basis.

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost. Depreciation is based upon estimated useful lives of 15 to 45 years for buildings and 4 to 15 years for machinery and equipment, using principally the straight-line method.

Income Taxes

All undistributed earnings of foreign subsidiaries are considered to be permanently invested. Accordingly, no provision for income taxes was made for undistributed earnings of such subsidiaries.

The Company has not adopted the Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes" which is being reviewed by the Financial Accounting Standards Board (FASB). The Company is not required to adopt this standard until fiscal 1993. Because the uncertainty created by the FASB's No. 96, reconsideration of the requirements of the new standard and the choice of implementation alternatives, the effects of the new standard on the Company's financial position cannot be estimated.

Reclassifications

The 1989 and 1988 Consolidated Statement of Earnings has been restated to reflect the reclassification of distribution expense from "Cost of goods sold" to "Selling, administrative, and general expenses."

Fiscal 1989 and 1988 have also been restated to reflect the reclassification of certain Mallinckrodt Specialty Chemicals foreign operations previously included under Mallinckrodt Medical.

Note A
Changes in Business

Coopers Acquisition

Coopers Animal Health (Coopers) was acquired on July 5, 1989, for $218 million in cash plus the assumption of liabilities and its results were consolidated after that date.

Coopers produces animal parasiticides, vaccines, anthelmintics, and antibacterials as well as a variety of therapeutic preparations. Its principal customers are in the veterinary and animal husbandry markets. The company has operations in 27 countries with major operations in the U.K., the U.S., West Germany, Brazil, Argentina, Australia and New Zealand.

Based upon estimated fair values, $162 million of the purchase price was allocated to net tangible assets. The remainder, $178 million, was allocated to goodwill and is being amortized over 40 years.

Unaudited pro forma combined information for results of operations, assuming a July 1, 1988, acquisition is as follows:

Year ended June 30	1989
Net sales	$1,273.5
Earnings from continuing operations	$ 91.1
Net earnings	$ 97.8
Earnings from continuing operations per common share	$ 3.36
Net earnings per common share	$ 3.65

This information does not necessarily indicate either what would have occurred had the acquisition been consummated on July 1, 1988, or what future operating results of the combined operations might be.

IMC Fertilizer Public Stock Offerings

In 1988, the Company received net proceeds of $229.2 million from the IPO of IMC Fertilizer stock. This transaction was accounted for as if the Company had sold 53 percent of its common stock investment in IMC Fertilizer. The IPO resulted in a pretax loss to the Company of $11.9 million, $32.5 million after taxes (as a result of a taxable gain), or $1.22 a share. In addition to the proceeds of the offering, IMC Fertilizer paid to the Company dividends of $386 million in 1988 prior to the IPO and the Company paid an amount owed to IMC Fertilizer of $56.3 million.

In July 1988, a second public stock offering of 5 million IMC Fertilizer common shares reduced IMCERA's common stock ownership in IMC Fertilizer to 38 percent. The offering was at a price in excess of the carrying amount of the Company's investment in IMC Fertilizer. In September 1988, the Company received $200 million from IMC Fertilizer in redemption of the Company's holdings of IMC Fertilizer's Preferred Stock, Series A, representing the proceeds of the July 1988 public offering plus internally generated funds. As a result of both of these transactions, the Company recognized a gain of $28.6 million, $21.5 million after taxes, or $.89 a share.

Other Acquisitions

In 1988, IMCERA acquired animal health businesses in Europe and New Zealand, a manufacturer of instruments to monitor blood gases and other vital signs, and a manufacturer of core body temperature monitoring systems. The cost of these acquisitions totaled $66.4 million. The results of operations of these acquisitions were included in the consolidated financial statements from their respective acquisition dates. Results of operations for periods prior to acquisition were not material to IMCERA.

Divestitures and Discontinued Operations

In 1990, the sale of the Company's fragrance business produced an after-tax gain of $5.2 million, or $.25 a share. Results of operations of this business were not material to IMCERA. In 1989, the sale of the Company's investment in a previously discontinued methanol joint venture produced an after-tax gain of $8.4 million, or $.35 a share. These gains were reported in the Consolidated Statement of Earnings under the caption "Discontinued operations."

During 1989, the Company sold a Pitman-Moore business for a gain of $3.9 million, $2.4 million after taxes, or $.10 a share. In 1988, IMCERA sold certain interests in its Mallinckrodt Medical business in four separate transactions. These divestitures resulted in an aggregate gain of $53.8 million, $34.2 million after taxes, or $1.27 a share. The gains were included in the Consolidated Statement of Earnings under the caption "Other operating income, net."

Results for 1990, 1989, and 1988 included charges for environmental and litigation costs related to operations previously sold, as follows:

	1990	1989	1988
Pretax	$ 12.2	$ 2.7	$ 8.0
Net	$ 7.6	$ 1.7	$ 5.0
Per Share	$ .36	$ .06	$ .19

These charges were reported in the Consolidated Statement of Earnings under the caption "Discontinued operations."

Note B
Earnings Per Common Share

Primary earnings per common share amounts were computed on the basis of the weighted average number of common shares outstanding. Shares used in the computations were 21,651,824 in 1990; 22,813,716 in 1989; and 26,592,623 in 1988.

Fully diluted earnings per common share amounts were computed on the basis of the weighted average number of common shares outstanding and the dilutive effect of the assumed conversion of convertible preferred stock and convertible debentures and exercise of stock options. Shares used in the computation in 1990, 1989, and 1988 were 23,237,235, 27,714,942, and 32,199,005, respectively. In 1990, the dilutive effect was not material.

Note C
Supplemental Cash Flow Information

	1990	1989	1988
Interest paid	$ 44.7	$ 29.5	$ 63.4
Income taxes paid	$ 12.3	$ 8.3	$ 8.9
Noncash investing and financing activities:			
Conversion of Series A and B preferred stock for IMCERA common stock	$ 137.0		
Issuance of common stock from exercise of stock options	$ 11.2	$ 4.4	$ 10.2
Purchase of IMCERA stock from exercise of stock options	$ 9.7	$ 3.6	$ 8.7
Issuance of IMCERA shares for restricted stock awards		$ .5	
Noncash proceeds from certain divestitures			$ 3.3
Assumption of liabilities related to acquisitions	$ 44.8		$ 3.5

Note D
Inventories

At June 30	1990	1989
Product		
Mallinckrodt Medical	$ 79.7	$ 61.7
Mallinckrodt Specialty Chemicals	88.9	88.5
Pitman-Moore	114.1	49.8
Intersegment eliminations	(.1)	(.4)
	282.6	199.6
Operating materials and supplies	12.0	9.8
	$ 294.6	$ 209.4

Note E
Investment in IMC Fertilizer

At June 30, 1990, the Company's investment in IMC Fertilizer consisted of 10 million shares which represented a 38 percent interest in the common share equity of IMC Fertilizer. The Company's carrying value of its investment was $313.9 million compared with a market value of $351.3 million based on the closing stock price of IMC Fertilizer common stock. In addition, the

Company's investment included a dividend receivable from IMC Fertilizer in an amount equal to the proceeds (but not in excess of $51.9 million) which IMC Fertilizer expects to receive from an insurance claim related to Canadian potash operations. The Company's equity in the unremitted earnings of IMC Fertilizer was $58.1 million at June 30, 1990.

IMC Fertilizer's operating results are derived from the mining, processing, production, and sale of phosphate rock, phosphate chemicals, potash, and ammonia for inorganic fertilizers; production and sale of mixed fertilizers; and production and sale of uranium oxide.

The Company's principal transactions with IMC Fertilizer after the IPO were purchases of certain materials and products and plant management services. Such purchases and charges for services totaled $93.7 million, $96.2 million, and $36.4 million in 1990, 1989, and 1988, respectively.

Summarized financial information of IMC Fertilizer was as follows:

Years ended June 30	1990	1989	1988
Net sales	$1,105.7	$1,221.7	$1,085.6
Costs and expenses, including provision for income taxes	1,023.1	1,084.4	973.9
Net earnings	$ 82.6	$ 137.3	$ 111.7

At June 30	1990	1989
Current assets	$ 245.5	$ 394.5
Noncurrent assets	1,339.2	1,283.4
Total assets	$1,584.7	$1,677.9
Current liabilities	$ 211.6	$ 270.3
Noncurrent liabilities	553.4	642.3
Shareholders' equity	819.7	765.3
Total liabilities and shareholders' equity	$1,584.7	$1,677.9

Subsequent to the IPO, IMC Fertilizer net sales in fiscal 1988 were $512.3 million and net earnings were $39.6 million.

Note F
Property, Plant, and Equipment

At June 30	1990	1989
Land	$ 63.7	$ 53.5
Buildings and leasehold improvements	217.2	164.9
Machinery and equipment	507.7	421.2
Construction in progress	58.1	51.6
	846.7	691.2
Accumulated depreciation	(260.9)	(211.0)
Net property, plant, and equipment	$ 585.8	$ 480.2

Note G
Intangible Assets

At June 30	1990	1989
Patents and formulas	$ 54.8	$ 59.9
Contracts	20.8	21.2
Goodwill and other intangibles	343.2	135.1
	418.8	216.2
Accumulated amortization	(57.6)	(41.8)
	361.2	174.4
Deferred charges	18.9	44.2
	$ 380.1	$ 218.6

Identifiable intangible assets are amortized over estimated useful lives of up to 5 years for contracts, 17 years for patents, and 18 years for formulas. Goodwill and other intangibles are amortized on a straight-line basis, primarily 20 to 40 years.

Note H
Income Taxes

Income taxes included in the Consolidated Statement of Earnings were as follows:

	1990	1989	1988
Continuing operations	$ 28.2	$ 21.5	$ 64.4
Discontinued operations	(1.2)	4.1	(3.0)
Extraordinary tax credit (utilization of net operating loss carryforward)			(14.6)
	$ 27.0	$ 25.6	$ 46.8

The components of earnings from continuing operations before income taxes and the related income tax effects of tax credits and other items were as follows:

	1990	1989	1988
Domestic	$ 35.8	$ 115.0	$ 125.9
Foreign	51.3	16.8	42.4
	$ 87.1	$ 131.8	$ 168.3
Computed tax at the Federal statutory rate	$ 29.6	$ 44.8	$ 57.2
Dividend exclusion on equity in earnings of IMC Fertilizer	(2.9)	(14.4)	(7.1)
Adjustments to income tax accruals	(7.1)	(8.4)	
State income taxes, net of Federal income tax benefits	.7	1.8	5.9
Foreign income taxes rate differential	(1.7)	(.3)	5.8
Foreign losses with no tax benefit	4.7		
Goodwill amortization	3.1	1.5	2.7
Book and tax basis difference relative to IMC Fertilizer stock		(3.3)	28.1
Investment tax credits			(13.5)
Utilization of capital loss carryforward			(8.4)
Percentage depletion			(5.1)
Other items (none in excess of 5% of computed tax)	1.8	(.2)	(1.2)
Provision for income taxes	$ 28.2	$ 21.5	$ 64.4
Effective tax rate	32.4%	16.3%	38.3%

The favorable adjustments to income tax accruals of $7.1 million, or $.33 a share, in 1990 and $8.4 million, or $.37 a share, in 1989 included in the preceding table resulted from the conclusion of income tax audits that spanned a number of years. "Interest and other nonoperating income, net" in the Consolidated Statement of Earnings included $7.7 million ($4.8 million after taxes, or $.22 a share) from the 1990 adjustment, and "Interest charges" were reduced by $12.4 million ($8.2 million after taxes, or $.36 a share) from the 1989 adjustments.

In 1990, the benefit was partially offset ($6.1 million, or $.28 a share) from higher taxes on the Company's 1990 equity in unremitted earnings of IMC Fertilizer resulting from the dividend received deduction benefits no longer expected to be realized.

The provision for income taxes on earnings from continuing operations consisted of the following:

	1990	1989	1988
Current			
Federal	$ (6.0)	$ 1.2	$ 3.3
State and local	.8	1.2	2.8
Foreign	18.8	8.0	19.5
	13.6	10.4	25.6
Charge in lieu of taxes			14.6
Deferred			
Federal	12.6	10.2	17.6
State and local	.3	1.5	6.2
Foreign	1.7	(.6)	.4
	14.6	11.1	24.2
	$ 28.2	$ 21.5	$ 64.4

Deferred income tax provisions result from timing differences in the recognition of income and expenses for financial reporting and tax purposes. The principal components of the Federal and state and local provision for deferred income taxes from continuing operations for each of three years in the period ended June 30, 1990, were adjustments of net deferred tax credits through utilization of net operating losses in 1988 and 1989 and, in 1990, various timing differences, primarily IMC Fertilizer equity.

At June 30, 1990, IMCERA had net operating loss carryforwards for U.S. regular tax and alternative minimum tax of $211 million and $39 million, respectively, expiring in 2001 through 2002, available to reduce future taxable income for Federal income tax purposes. Additionally, the Company had investment and other general business tax credit carryforwards of $11.4 million, expiring in 1999 through 2005, available to offset future Federal income taxes.

The Company also had net operating loss carryforwards of $36 million from its international operations, primarily in the United Kingdom ($26 million with no expiration date). To the extent such losses relate to Coopers' operations and the losses pre-date the acquisition of those operations, their utilization will reduce the goodwill associated with that acquisition.

Undistributed earnings of certain foreign subsidiaries aggregated $57 million at June 30, 1990, all of which are considered to be permanently invested.

Note I
Accrued Liabilities

At June 30	1990	1989
Discontinued operations	$ 28.1	$ 19.8
Salaries, wages, and bonuses	27.8	14.0
Restructuring accruals	25.8	8.9
Contract settlements	13.8	
Interest	10.6	10.5
Taxes other than income taxes	7.2	6.2
Pension	3.3	3.7
Other	83.0	34.4
	$ 199.6	$ 97.5

Note J
Debt

The components of short-term debt were:

At June 30	1990	1989
Notes payable	$ 63.8	$ 43.6
Current maturities of long-term debt	19.8	18.3
	$ 83.6	$ 61.9

The components of long-term debt were:

At June 30	1990	1989
Zero coupon exchangeable subordinated debentures (aggregate principal amount at maturity $1.4 billion)	$ 409.9	$ 379.0
9.875% debentures due in annual installments of $15.0 million, beginning in 2002, with final payment of $12.8 million in 2011	134.3	134.1
8.75% promissory notes due in annual installments of $10.3 million, with final payment of $10.7 million in 2000	103.0	113.3
9.35% debentures due in annual installments of $6.5 million, beginning in 1993, with final payment of $7.4 million in 2000	51.7	51.7
Other	74.7	52.0
	773.6	730.1
Less current maturities	19.8	18.3
	$ 753.8	$ 711.8

The principal amount of each zero coupon exchangeable subordinated debenture at maturity on November 14, 2005, is $1,000 which represents an 8 percent yield to maturity from the issuance date. No periodic interest payments are made.

Holders have the option to exchange each debenture for 5.864 shares of IMC Fertilizer common stock owned by the Company at any time before November 14, 2005. If a holder elects to exchange the debentures for IMC Fertilizer common stock, the related debt, including accrued interest, is cancelled. The Company has reserved 8,024,907 of its IMC Fertilizer shares to cover this option.

Additionally, the holders can require IMCERA to purchase the debentures on November 14, 1991, at a price equal to the original issue price plus accrued interest at that date. At IMCERA's option the purchase price may be paid in cash, shares of IMCERA common stock, shares of IMC Fertilizer common stock, subordinated extension notes of IMCERA maturing in 2001, or certain combinations of these items.

The zero coupon debentures are redeemable for cash at any time on or after November 14, 1990, at IMCERA's option, or earlier under certain circumstances, in an amount equal to the original issue price plus accrued interest to the date of redemption.

The 9.875 percent debentures are redeemable at the option of IMCERA at 100 percent in 2001 and thereafter.

The 9.35 percent debentures are redeemable at the option of IMCERA at prices ranging from 102.805 percent at June 30, 1990, to 100 percent in 1995 and thereafter.

Maturities of long-term debt for the next five years are: 1991 -- $19.8; 1992 -- $16.7; 1993 -- $13.2; 1994 -- $29.3; and 1995 -- $18.5.

Note K
Pension Plans

The Company's pension plans provide for retirement benefits based on years of service and level of compensation for the highest three to five years occurring generally within a period of up to 10 years prior to retirement. Contributions to the domestic plans meet ERISA minimum funding requirements.

Effective July 1, 1989, the Company adopted the provisions of Statement of Financial Accounting Standards No. 87 "Employers' Accounting for Pensions" in accounting for its foreign pension plans. The effect of this adoption was not material.

Pension expense for continuing operations was as follows:

	1990	1989	1988
U.S. and (for 1990) foreign pension plans			
Service cost	$ 12.8	$ 7.4	$ 10.5
Interest cost on projected benefit obligations	25.7	22.4	24.9
Actual return on plan assets	(34.0)	(20.6)	(12.0)
Net amortization of initial unrecognized asset and deferral of subsequent unrecognized net gains and losses	9.8	1.8	(9.0)
Foreign pension plans		2.9	2.6
	$ 14.3	$ 13.9	$ 17.0

Assumptions used in determining U.S. pension expense ($9.5 million in 1990) were:

	1990	1989	1988
Discount rate	9%	9%	8%
Long-term rate of return on assets	10%	9%	8%
Compensation increase rate	6%	6%	5.5%

The funding status of IMCERA's U.S. and (for 1990) foreign pension plans and amounts recognized in the balance sheet were as follows:

	1990		1989	
	Plans With Assets in Excess of Accumulated Benefits	Plans With Accumulated Benefits in Excess of Assets	Plans With Assets in Excess of Accumulated Benefits	Plans With Accumulated Benefits in Excess of Assets
Assets at fair value	$ 272.4	$ 7.1	$ 234.4	$ 6.0
Actuarial present value of benefit obligations				
Vested benefits	209.4	23.3	190.7	23.7
Nonvested benefits	5.7	3.6	1.6	
Accumulated benefit obligations	215.1	26.9	192.3	23.7
Projected future salary increases	46.6	12.0	40.7	6.7
Projected benefit obligations	261.7	38.9	233.0	30.4
Projected benefit obligations (more) less than assets	10.7	(31.8)	1.4	(24.4)
Items not yet recognized in earnings				
Unrecognized net (gain) loss	(13.3)	1.1	(6.6)	(1.0)
Unamortized transition (asset) liability	(1.6)	20.3	(4.5)	19.5
Accrued pension liability	$ (4.2)	$ (10.4)	$ (9.7)	$ (5.9)

The plans' assets consist primarily of corporate equity and U.S. government debt securities, and units of participation in a collective short-term investment fund.

For 1989, the actuarial present value of accumulated benefits of certain foreign pension plans was $10.9 million. The net assets available for those benefits at the actuarial valuation dates were $10.2 million.

Note L
Postretirement Health Care Benefits

IMCERA provides certain health care benefits for U.S. salaried and hourly retired employees. Employees may become eligible for health care benefits if they retire after attaining specified age and service requirements while they worked for the Company.

Health care benefits are paid directly by IMCERA and the cost of providing these benefits to retirees is recognized as an expense when claims are paid. The cost to IMCERA of such health care benefits amounted to approximately $5.2 million for 1990, $5.0 million for 1989, and $4.5 million for 1988, all of which was included in results of continuing operations.

Note M
Capital Stock

The Company has authorized and issued 100,000 shares, 98,330 outstanding at June 30, 1990, par value $100, 4 Percent Cumulative preferred stock. This stock, with voting rights, is redeemable at IMCERA's option at $110 a share. During the three years ended June 30, 1990, the number of issued and outstanding shares did not change.

In July 1989, 1,236,077 shares of Series A preferred stock were redeemed for cash of $65.1 million and 1,302,123 shares were converted into approximately 1,586,000 shares of IMCERA common stock.

In April 1990, all of the 1,398,000 outstanding shares of Series B preferred stock were converted into approximately 1,770,000 shares of IMCERA common stock.

Subsequent to each of these transactions, all of the previously issued Series A and B shares were retired. At June 30, 1990, the Company has authorized 1,400,000 shares, par value $1, of Series preferred stock, none of which is outstanding.

Each outstanding common share includes a non-voting common stock purchase right. The rights become exercisable and transferable apart from the common stock only if a person or group acquires, or obtains the right to acquire, 20 percent or more of the common stock or makes a tender offer for 30 percent or more of the common stock. After the rights become exercisable, if the Company becomes a party to a merger or other combination or transfers 50 percent or more of its assets or earnings power to such person or group, each right, except those held by such person or group, can be exercised to purchase $200 worth of common stock of the surviving company for $100. The rights may be redeemed at a price of $.05 per right under certain conditions prior to their expiration on March 31, 1996.

Common shares reserved at June 30, 1990, consisted of the following:

Exercise of common stock purchase rights	25,548,933
Exercise of stock options and granting of stock awards	2,840,431
Conversion of 4 percent debentures	18,522
	28,407,886

Changes in the number of shares of common stock issued and in treasury were as follows:

	1990	1989	1988
Common stock issued			
Balance, beginning of year	28,404,579	28,281,793	27,964,860
Stock options exercised	391,257	118,762	312,556
Conversion of 4% debentures	2,516	4,024	4,377
Balance, end of year	28,798,352	28,404,579	28,281,793
Treasury common stock			
Balance, beginning of year	8,171,037	2,813,798	646,675
Purchases	1,292,712	5,369,239	2,167,123
Conversion of Series A and B preferred stock	(3,355,377)		
Awards of restricted shares		(12,000)	
Balance, end of year	6,108,372	8,171,037	2,813,798
Common stock outstanding, end of year	22,689,980	20,233,542	25,467,995

Note N
Stock Plans

Two non-qualified stock option and award plans adopted in 1973 and 1981, as amended, provide for granting options to purchase up to 5,200,000 shares of common stock at prices not less than 100 percent of market price (as defined) at the date of grant. Options under both plans are exercisable over 10 years beginning one year after the date of grant and are limited to 50 percent during the second year. A total of 3,592,263 shares was granted under these plans through June 30, 1990. The plans permit employees to tender shares to IMCERA in lieu of cash for the exercise of stock options. Information on options exercised and shares tendered follows:

	1990	1989	1988
Options exercised	265,606	111,662	258,569
Market value	$13.4	$4.6	$12.4
Shares tendered	192,457	85,746	179,583
Market value	$9.7	$3.6	$8.6

For options granted prior to 1985, these tendered shares have been accounted for as a purchase of treasury shares at market value. For the exercise of options issued subsequent to 1984, the Company's operating results included charges of $1.4 million, $.6 million, and $1.5 million in 1990, 1989, and 1988, respectively, relative to these tendered shares.

Information on options follows:

Number of Options	Price Range	1990	1989
Outstanding, beginning of year	$29-48	1,071,132	785,269
Granted	39-61	788,202	424,650
Cancelled	29-61	(13,645)	(20,025)
Exercised	29-48	(391,257)	(118,762)
Outstanding, end of year	29-61	1,454,432	1,071,132
At June 30			
Exercisable		479,475	597,194
Reserved for future option grants		1,385,999	660,556

The average purchase price of outstanding stock options at June 30, 1990, was $48.15 a share, based on an aggregate purchase price of $70.0 million. Outstanding stock options will expire over a period ending no later than June 14, 2000.

The 1973 non-qualified stock option and award plan also provides for the award of restricted shares of IMCERA's common stock. Under the plan, the grantee makes no cash payment for the award, the shares are held in escrow until vested, which is generally four years from the date of award, and the grantee cannot dispose of the restricted shares until vested. Upon forfeiture of any share of restricted stock in accordance with the stock option and award plan, or the terms and conditions of the award, the shares would automatically be transferred to and reacquired by IMCERA at no cost. In 1989, IMCERA issued from its treasury 12,000 restricted shares.

Note O
International Operations

Sales from continuing operations from the United States to unaffiliated customers in other geographic areas were as follows:

	1990	1989	1988
Latin America	$ 10.3	$ 14.7	$ 39.6
Europe	1.6	7.5	34.7
Far East	20.2	14.1	101.4
Other	2.2	4.8	19.4
	$ 34.3	$ 41.1	$ 195.1

Net sales, earnings from continuing operations before income taxes, and identifiable assets by geographic areas were as follows:

Net Sales to Unaffiliated Customers	1990	1989	1988
United States	$ 934.5	$ 753.9	$1,240.4
Europe	285.5	142.5	135.0
Latin America	71.3	19.6	12.2
Australia/New Zealand	66.1	11.8	7.5
Canada	32.4	37.2	67.5
Other	34.8	17.9	8.0
Consolidated	$1,424.6	$ 982.9	$1,470.6

Earnings	1990	1989	1988
United States	$ 101.0	$ 72.2	$ 195.1
Europe	38.2	15.5	19.3
Latin America	7.5	2.5	3.3
Australia/New Zealand	9.6	(.3)	.1
Canada	1.2	1.8	21.6
Other	.1	.6	12.7
Corporate	(41.9)	(35.8)	(45.5)
Eliminations	(3.1)	(.8)	(5.1)
Operating earnings	112.6	55.7	201.5
Equity in earnings of IMC Fertilizer	31.4	52.9	26.2
Gain (loss) on IMC Fertilizer public stock offerings		28.6	(11.9)
Interest charges, net	(56.9)	(5.4)	(47.5)
Consolidated	$ 87.1	$ 131.8	$ 168.3

Assets	1990	1989	1988
United States	$1,005.0	$ 890.1	$ 791.3
Europe	383.2	152.3	134.1
Latin America	54.3	12.0	10.1
Australia/New Zealand	96.6	9.5	8.9
Canada	29.5	23.5	30.2
Other	18.7	8.3	76.5
Corporate	546.7	878.4	744.2
Eliminations	(3.1)	(2.5)	(1.5)
Consolidated	$2,130.9	$1,971.6	$1,793.8

Transfers of product between geographic areas are at prices approximating those charged to unaffiliated customers. The amount of such transfers was not material.

Translation gains related to local currency debt for subsidiaries in hyperinflationary economies have been classified as a reduction of interest expense. Net translation losses from other net assets of such businesses aggregating $5.5 million in 1990 have been included in "Other operating income, net." These translation effects are primarily from the newly acquired Coopers business of Pitman-Moore. Translation effects in 1989 and 1988 were not material.

Note P
Business Segments

The tables on page 31 show IMCERA's continuing worldwide operations, which are organized in three industry segments, as follows:

Mallinckrodt Medical

Production and sale of products used primarily in hospitals, including x-ray contrast media, interventional products, airway catheters, temperature monitoring products, diagnostic and therapeutic radiopharmaceuticals, and blood gas and vital sign monitoring systems.

Mallinckrodt Specialty Chemicals

Production and sale of analgesics and medicinal narcotics used by pharmaceutical companies; catalysts, specialty organics and inorganics, stearates, photochemicals, aromatic fluorine intermediates, and electronic and laboratory chemicals used by industry and research organizations; and products for processed food, beverage, and the personal care industries.

Pitman-Moore

Production and sale of mineral feed supplements and animal productivity, antimicrobials, biologicals, parasiticides, veterinary specialties, and other health-related products for companion and food animals.

Corporate assets consist primarily of cash and short-term investments and the investment in IMC Fertilizer of $365.8 million, $345.2 million, and $480.5 million in 1990, 1989, and 1988, respectively.

In 1990, corporate expense included restructuring charges of $4.9 million reported in the Consolidated Statement of Earnings under "Selling, administrative, and general expenses."

In 1989, Pitman-Moore operating earnings included a gain of $3.9 million from the sale of a business reported in the Consolidated Statement of Earnings under "Other operating income, net."

Results in 1988 included restructuring charges totaling $20.4 million as follows: Mallinckrodt Medical -- $4.5 million; Mallinckrodt Specialty Chemicals -- $6.8 million; and Pitman-Moore -- $9.1 million.

Mallinckrodt Medical operating earnings in 1988 included net nonrecurring gains of $48.8 million principally from the sale of various operations. These nonrecurring items were included in the Consolidated Statement of Earnings under "Other operating income, net."

Note Q
Commitments

IMCERA leases office space, data processing equipment, buildings, and machinery and equipment. Rent expense for continuing operations in 1990, 1989, and 1988 related to operating leases was $18.9 million, $16.2 million, and $20.6 million, respectively.

Minimum rent commitments for continuing operations at June 30, 1990, under operating leases with a remaining non-cancellable period exceeding one year are set forth below.

Years ending June 30	
1991	$ 19.1
1992	15.5
1993	11.6
1994	9.5
1995	8.5
Later years	107.8
	$172.0

IMC Fertilizer has assumed the Company's obligations under certain leases and industrial revenue and pollution control bonds. The Company remains primary lessee under leases which had future minimum rentals of approximately $209 million at June 30, 1990. However, IMC Fertilizer has indemnified the Company with respect to any obligation that might arise.

In connection with the initial public offering of IMC Fertilizer in February 1988, the Company entered into an agreement with IMC Fertilizer that extends to March 30, 1993, or earlier under certain circumstances, including a decrease in the Company's common stock ownership in IMC Fertilizer to less than 10 percent. The agreement provides for the making of cash advances to IMC Fertilizer to pay for certain costs incurred by IMC Fertilizer, but only if IMC Fertilizer is unable to pay when due all of its debts and obligations without giving effect to the Company's cash advances. Borrowings under this agreement may not exceed $150 million (Canadian). To date, no advances have been made under this agreement.

The Company periodically uses forward foreign exchange contracts and interest rate futures contracts to hedge inventory purchase commitments, debt denominated in a foreign currency, and interest rate exposures. Gains and losses on hedge contracts are reported as a component of the related transaction. At June 30, 1990, forward foreign exchange contracts with an aggregate contract value of $125.1 million were outstanding. The difference in the value of the contracts and the June 30, 1990, market value was not material. The Company is exposed to credit loss on $57.9 million of such contracts in the event of nonperformance by the counterparties to the contracts that have expiration dates on or before June 30, 1991. However, the Company does not anticipate nonperformance by the counterparties.

Note R
Contingencies

The Company is subject to various investigations, claims, and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. In addition, the Company is a party to several environmental remediation investigations and clean-ups and, along with other companies, has been named a "potentially responsible party" for certain waste disposal sites. Each of these matters is subject to various uncertainties, and it is possible that some of these matters may be decided unfavorably against the Company. The Company has established accruals for matters that are probable and reasonably estimable. Based on information presently available, management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial position of the Company.

Quarterly Results (Unaudited)
(In millions except per share amounts)

Quarter	First	Second	Third	Fourth	Fiscal Year
FISCAL 1990					
Net sales	$315.2	$334.9	$371.7	$402.8	$1,424.6
Gross margins	128.6	135.5	163.8	178.6	606.5
Earnings from continuing operat[illegible]	7.5	9.8	18.7	22.9	58.9
Discontinued operat[illegible]		(.3)	.5	(2.6)	(2.4)
Net earnings	7.5	9.5	19.2	20.3	56.5
Preferred stock dividends	1.6	1.2	1.3	.1	4.2
Available for common shareholders	$ 5.9	$ 8.3	$ 17.9	$ 20.2	$ 52.3
Primary earnings (loss) per common share					
Continuing operations	$ [illegible]	$ .40	$ .83	$ .99	2.53
Discontinued operations		(.01)	.02	(.11)	(.11)
Net earn[illegible]ngs	$ .27	$ .39	$ .85	$ .88	$ 2.42
FISCAL 1989					
Net sales	[illegible].6	$241.0	$258.4	$265.9	$ 982.9
Gross margins	[illegible].5	88.9	101.5	114.7	389.6
Earnings from continuing operations	28.8	15.0	23.9	42.6	110.3
Discontinued operations		8.4	(.4)	(1.3)	6.7
Net earnings	28.8	23.4	23.5	41.3	117.0
Preferred stock dividends	3.6	3.6	3.6	3.6	14.4
Available for common shareholders	$ 25.2	$ 19.8	$ 19.9	$ 37.7	$ 102.6
Primary earnings (loss) per common share					
Continuing operations	$ 1.03	$ .48	$ .91	$ 1.88	$ 4.20
Discontinued operations		.35	(.01)	(.06)	.29
Net earnings	$ 1.03	$ .83	$ .90	$ 1.82	$ 4.49

Fiscal 1990

Second quarter results included favorable adjustments from the conclusion of income tax audits that amounted to an after-tax gain of $1.9 million, or $.09 a share.

Discontinued operations for the third quarter included an after-tax gain of \$5.2 million, or \$.25 a share, from the sale of the Company's fragrance business, and after-tax provisions of \$4.7 million, or \$.23 a share, for environmental and litigation costs associated with other discontinued operations.

Fourth quarter results benefitted from income tax and related interest income adjustments aggregating \$6.1 million, \$10.0 million after taxes, or \$.46 a share. This benefit was partially offset by the elimination of the tax benefit of the dividend received deduction for IMC Fertilizer 1990 unremitted earnings (\$6.1 million, or \$.28 a share). Also included in the fourth quarter results were restructuring charges totaling \$4.9 million, \$3.0 million after taxes, or \$.14 a share. Additional provisions for environmental and litigation costs associated with previously reported discontinued operations of \$2.6 million, or \$.11 a share, were also recorded.

Additionally, net sales for the first and second quarter have been restated to reflect a reclassification of certain costs previously netted against sales.

Primary earnings per share for the four quarters of 1990 are less than full year per share results by \$.03 from an increase in common shares outstanding.

Fiscal 1989

First quarter earnings included a gain of \$28.6 million, \$17.5 million after taxes, or \$.72 a share, from the IMC Fertilizer July 1988 public stock offering which was at a price in excess of the per share carrying amount of the Company's investment in IMC Fertilizer.

Results from discontinued operations in the second quarter included an after-tax gain of \$8.4 million, or \$.35 a share, from the sale of the Company's investment in a previously discontinued methanol joint venture.

Third quarter earnings included a \$3.9 million gain, \$2.4 million after taxes, or \$.10 a share, from the sale of a Pitman-Moore business.

Fourth quarter earnings benefitted from income tax and related interest accrual adjustments aggregating \$16.6 million after taxes, or \$.73 a share on an annual basis, and also included a reduction of \$4.0 million, or \$.17 a share, on an annual basis related to income taxes of IMC Fertilizer's July 1988 stock offering.

Primary earnings per share for the four quarters of 1989 are more than full year per share results by \$.09 from a decrease in common shares outstanding.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Part III.

Item 10. Directors and Executive Officers of the Registrant

For information concerning directors of the Registrant, see pages 1 through 7, incorporated herein by reference, of IMCERA's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on October 17, 1990. Information concerning executive officers of the Registrant is included in Part I of this report.

Item 11. Executive Compensation

For information concerning management remuneration, see pages 18 through 32, incorporated herein by reference, of IMCERA's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on October 17, 1990.

Item 12. Security Ownership of Certain Beneficial Owners and Management

For information concerning security ownership of certain beneficial owners and management, see pages 7 through 9, incorporated herein by reference, of IMCERA's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on October 17, 1990.

Item 13. Certain Relationships and Related Transactions

For information concerning certain relationships and related transactions, see pages 9 through 12, incorporated herein by reference, of IMCERA's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on October 17, 1990.

Part IV.

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) FINANCIAL STATEMENTS

(1) See index on page 64 for a listing of financial statements and schedules filed with this report.

(2) Exhibits

Exhibit No.	Description	Incorporated Herein by Reference to	Filed Herewith
3.1	Restated Certificate of Incorporation of IMCERA, dated July 9, 1990.		(1)
3.2	Certificate of amendment of the certificate of incorporation of IMCERA dated June 4, 1990.		(1)
3.3	By-Laws of IMCERA as amended through April 18, 1990.		(1)
4.1	Indenture dated as of January 1, 1966, between IMCERA and The First National Bank of Chicago for 4% convertible subordinated debentures due January 1, 1999.	Exhibit 4.1 to 1987 10-K.	
4.2	Indenture dated as of November 1, 1975, between IMCERA and Morgan Guaranty Trust Company of New York ("Morgan") for $100 million 9.35% Sinking Fund Debentures due November 1, 2000.	Exhibit 4.2 to 1987 10-K.	
4.3	Indenture dated as of July 1, 1966, between Commercial Solvents Corporation and The Chase Manhattan Bank for 4.5% convertible subordinated debentures due July 1, 1999 ("CSC Indenture").	Exhibit 4.3 to 1987 10-K.	
4.4	First Supplemental Indenture dated as of May 12, 1975, under CSC Indenture.	Exhibit 4.4 to 1987 10-K.	
4.5	Second Supplemental Indenture dated as of June 30, 1978, under CSC Indenture.	Exhibit 4.5 to 1987 10-K.	

Exhibit No.	Description	Incorporated Herein by Reference to	Filed Herewith
4.6	Form 8-A Registration Statement under Section 12 of the Securities Exchange Act of 1934, dated April 10, 1987 defining the rights of holders of IMCERA's 4% Cumulative Preferred Stock and Common Stock.	Exhibit 4.6 to 1989 10-K.	
4.7	Amended and restated common stock purchase rights agreement dated March 10, 1989.	Exhibit 4(b) to Form 8-K dated March 10, 1989.	
4.8	Indenture dated as of March 15, 1985, between IMCERA and Morgan pursuant to which $150 million 9-7/8% Sinking Fund Debentures due March 15, 2011 were issued.	Exhibit 4 to Form S-3 Registration Statement No. 2-96566.	
4.9	Indenture dated as of November 1, 1988, between IMCERA and Continental Illinois National Bank and Trust Company of Chicago, Trustee, for IMCERA's Liquid Yield Option Notes, zero coupon exchangeable subordinated debentures due November 14, 2005.	Exhibit 4(a) to Form S-3 Registration Statement No. 33-25017.	
10.1(a&b)	Employment agreements with George D. Kennedy dated May 19, 1982.	Exhibit 10.1(b) and (d) to 1988 10-K.	
10.1(c)	Employment agreement with M. Blakeman Ingle dated May 19, 1982.	Exhibit 10.1(f) to 1987 10-K.	
10.1(d)	Employment agreement with Kenneth J. Burns, Jr. dated May 19, 1982.	Exhibit 10.1(e) to 1988 10-K.	
10.1(e)	Employment agreement with Raymond F. Bentele dated April 1, 1987.	Exhibit 10.1(h) to 1987 10-K.	
10.1(f)	Employment agreement with John A. Edwardson dated October 19, 1988.	Exhibit 10.1(i) to 1989 10-K.	
10.2	IMCERA Executive Life Insurance Program adopted May 20, 1987.	Exhibit 10.2 to 1989 10-K.	
10.3	Restated IMCERA Executive Long-Term Disability Plan effective January 1, 1987.	Exhibit 10.3 to 1989 10-K.	

Exhibit No.	Description	Incorporated Herein by Reference to	Filed Herewith
10.4	Employment Agreement with George D. Kennedy dated February 2, 1979.	Exhibit 10.5 to 1988 10-K.	
10.5	Amendment dated May 19, 1982, to Employment Agreement with George D. Kennedy.	Exhibit 10.5 to 1989 10-K.	
10.5(a)	Amendment dated September 19, 1984, to Employment Agreement with George D. Kennedy.		(1)
10.5(b)	Amendment dated July 24, 1986, to Employment Agreement with George D. Kennedy.	Exhibit 10.6(b) to 1986 10-K.	
10.5(c)	Amendment dated October 10, 1988, to Employment Agreement with George D. Kennedy.	Exhibit 10.5(c) to 1989 10-K.	
10.6(a)	Supplemental Benefit Plan for Participants in the IMCERA Retirement Plan as amended and restated effective January 1, 1980.	Exhibit 10.6(a) to 1989 10-K.	
10.6(b)	Amendment No. 1 dated June 20, 1989 to Supplemental Benefit Plan for Participants in the Retirement Plan for Salaried Employees of IMCERA.	Exhibit 10.6(b) to 1989 10-K.	
10.6(c)	Amendment No. 2 dated April 20, 1990 to Supplemental Benefit Plan for Participants in the IMCERA Retirement Plan.		(1)
10.7(a)	IMCERA Supplemental Executive Retirement Plan restated effective April 19, 1988.	Exhibit 10.7(a) to 1989 10-K.	
10.7(b)	Supplement No. 1 dated February 21, 1986, to Supplemental Executive Retirement Plan.	Exhibit 10.9(d) to 1986 10-K.	
10.7(c)	Amendment No. 1 effective December 6, 1989, to Supplemental Executive Retirement Plan.		(1)
10.8	IMCERA Long-Term Performance Incentive Plan as amended March 17, 1982, May 19, 1982, and April 19, 1988.	Exhibit 10.8 to 1989 10-K.	

Exhibit No.	Description	Incorporated Herein by Reference to	Filed Herewith
10.9	IMCERA Management Incentive Compensation Program as amended effective January 1, 1984.	Exhibit 10.9 to 1989 10-K.	
10.10(a)	IMCERA 1973 Stock Option and Award Plan as amended effective February 21, 1990.	Post-Effective Amendment No. 1 to Form S-8 Registration Statement No. 33-32109.	
10.11	IMCERA Directors Retirement Services Plan effective July 1, 1984, as amended February 15, 1989.	Exhibit 10.11 to 1989 10-K.	
10.12(a)	IMCERA 1981 Stock Option Plan as amended through April 19, 1988.	Post-Effective Amendment No. 3 to Form S-8 Registration Statement No. 2-80553	
10.12(b)	Amendment to the 1981 Stock Option Plan effective February 15, 1989.	Exhibit 10.12(b) to 1989 10-K.	
10.13(a)	Intercorporate Agreement dated as of July 1, 1987 by and between IMCERA and IMC Fertilizer, Inc. with Exhibits, including the Restated Certificate of Incorporation of IMC Fertilizer Group, Inc., as amended; By-Laws of IMC Fertilizer Group, Inc.; Preliminary Agreement for K-2 Advances; Registration Rights Agreement; Services Agreement, Management Services Agreement; Agreement regarding Pollution Control and Industrial Revenue Bonds; License Agreement; office lease and sublease; management agreements; supply agreements; and transportation service agreements.	Exhibit 10.1 to IMC Fertilizer Group, Inc.'s Form S-1 Registration Statement No. 33-17091.	
10.13(b)	Agreement dated September 12, 1990, among IMCERA Group Inc. and IMC Fertilizer Group, Inc.		(2)

Exhibit No.	Description	Incorporated Herein by Reference to	Filed Herewith
10.14(a)	Note Agreement with The Prudential Insurance Company of America dated as of February 1, 1980.	Exhibit 10.24 to 1987 10-K.	
10.14(b)	Agreement dated June 3, 1981, consolidating obligation in Loan Agreement dated April 18, 1973, (Exhibit 7 to 1973 10-K) under Note Agreement dated as of February 1, 1980, (Exhibit 6 to 1980 10-K).		(1)
10.14(c)	Amendments dated October 31, 1986, February 26, 1987, August 14, 1987, and September 14, 1987 to Note Agreement with Prudential Insurance Company of America dated as of February 1, 1980.	Exhibit 10.31 to 1987 10-K.	
10.14(d)	Amendment dated June 15, 1989, to Note Agreement with Prudential Insurance Company of America dated as of February 1, 1980.	Exhibit 10.14(d) to 1989 10-K.	
10.15	Management Compensation and Benefit Assurance Program.	Exhibit 10.30 to 1988 10-K.	
10.16	Form of Trust Agreement dated June 7, 1988, between IMCERA and Wachovia Bank & Trust, N.A., incident to the program in Exhibit 10.30, for IMCERA's 1973 Stock Option and Award Plan, 1981 Stock Option Plan, Long-Term Performance Incentive Plan, Supplemental Executive Retirement Plan, Contingent Employment Agreements, Gross-Up of Excise Tax Agreement, and Management Incentive Compensation Plan.	Exhibit 10.31 to 1988 10-K.	
10.17	Letter of Credit Agreement dated May 31, 1988, between IMCERA and a group of banks providing the means of funding the trusts described in Exhibit 10.31.	Exhibit 10.32 to 1988 10-K.	

Exhibit No.	Description	Incorporated Herein by Reference to	Filed Herewith
10.18(a)	Corporate Staff Employee Severance and Benefit Assurance Policy.	Exhibit 10.33 to 1988 10-K.	
10.18(b)	Form of letter sent to participants in IMCERA's Corporate Staff Employee Severance and Benefit Assurance Program.	Exhibit 10.18(b) 1989 10-K.	
10.19(a)	IMCERA Strategic Incentive Plan effective July 1, 1988.	Exhibit 10.19 to 1989 10-K.	
10.19(b)	Amendment to IMCERA Strategic Incentive Plan effective April 18, 1990.		(1)
10.20	Supplemental Life Plan of Mallinckrodt, Inc. effective July 15, 1984.	Exhibit 10.20 to 1989 10-K.	
10.21	Mallinckrodt, Inc. Management Incentive Compensation Plan effective July 1, 1988.	Exhibit 10.21 to 1989 10-K.	
10.22	Agreements related to the Coopers acquisition between The Wellcome Foundation Limited, Imperial Chemical Industries Plc, et al., and IMCERA dated June 16, 1989: Framework Agreement; United Kingdom Sale and Purchase Agreement; Australia Sale and Purchase Agreement; and New Zealand Sale and Purchase Agreement.	Exhibits 2(a) through (d) to Form 8-K dated July 5, 1989.	
11.1	Primary earnings per share computation for the three years ended June 30, 1990.		(2)
11.2	Fully diluted earnings per share for the three years ended June 30, 1990.		(2)
22	Subsidiaries of the Registrant.		(2)
24.1	Consent of Ernst & Young.		(2)
28.1	Items 1., 2. and 3. of Annual Report on Form 10-K of IMC Fertilizer Group, Inc. for the year ended June 30, 1990.		(2)

Exhibit No.	Description	Incorporated Herein by Reference to	Filed Herewith
28.2	IMC Fertilizer Group, Inc. definitive proxy statement dated September 14, 1990.		(1)

(1) Exhibit filed with Form SE incorporated herein by reference.
(2) Exhibit filed with electronic submission.

(b) REPORTS ON FORM 8-K

During the fourth quarter and through the date of this filing the following reports were filed:

Report dated April 18, 1990, under Item 5, regarding the call for redemption of IMCERA's $3.25 Convertible Exchangeable Preferred Stock, Series B.

Report dated April 21, 1990, under Item 5, regarding resolutions adopted by the IMCERA Board of Directors increasing the size of the Board from eleven to twelve members, electing an additional director, and amending the Corporation's By-Laws to require at least thirty-days' notice of Stockholder nomination or other proposal.

Report dated June 15, 1990, under Item 5, regarding International Minerals & Chemical Corporation's name change to IMCERA Group Inc.

Report dated June 20, 1990, under Item 5, regarding resolution adopted by the IMCERA Board of Directors increasing the size of the Board from twelve to thirteen members and listing management changes: Dr. M. Blakeman Ingle elected President and Chief Operating Officer; John A. Edwardson resignation; Darrell L. Feaker resignation; and A. Jacqueline Dout named Acting Treasurer.

Report on Form 8 dated July 10, 1990, amending the report dated June 20, 1990.

INDEX TO FINANCIAL STATEMENTS, SUPPLEMENTARY DATA, AND FINANCIAL STATEMENT SCHEDULES

All other schedules are omitted as the required information is not present in sufficient amounts or the required information is included in the consolidated financial statements or notes thereto.

Except for the consolidated statements of IMC Fertilizer Group, Inc. noted above, financial statements and schedules and summarized financial information of 50 percent or less owned persons are omitted, as none of such persons are individually or in the aggregate significant under the tests specified in Regulation S-X under Article 3.09 of general instructions to the financial statements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

IMCERA Group Inc.
(Registrant)

JOHN F. SONDEREGGER
John F. Sonderegger

Vice President and Controller

Date: September 26, 1990

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
GEORGE D. KENNEDY George D. Kennedy	Chairman (Chief Executive Officer)	September 26, 1990
JOHN F. SONDEREGGER John F. Sonderegger	Vice President and Controller (Chief Accounting Officer)	September 26, 1990
KEITH D. BUNNEL Keith D. Bunnel	Director	September 26, 1990
RONALD G. EVENS Ronald G. Evens	Director	September 26, 1990
LOUIS FERNANDEZ Louis Fernandez	Director	September 26, 1990
ALEC FLAMM Alec Flamm	Director	September 26, 1990

Signature	Title	Date
JAMES W. GLANVILLE James W. Glanville	Director	September 26, 1990
PAUL R. JUDY Paul R. Judy	Director	September 26, 1990
ROBERTA S. KARMEL Roberta S. Karmel	Director	September 26, 1990
JEREMIAH MILBANK Jeremiah Milbank	Director	September 26, 1990
MORTON MOSKIN Morton Moskin	Director	September 26, 1990
HERVE M. PINET Herve M. Pinet	Director	September 26, 1990
DANIEL R. TOLL Daniel R. Toll	Director	September 26, 1990

MARKETABLE SECURITIES -- OTHER SECURITY INVESTMENTS

At June 30, 1990
($ in millions)

IMC Fertilizer Group, Inc. Issue	Number of Shares	Cost	Market Value	Balance Sheet Amounts	
Common Stock	10,000,000	$206.2	$351.3	$313.9	
Other				51.9	(A)
				$365.8	

(A) Represents a dividend receivable in an amount equal to the proceeds (but not in excess of $51.9 million) which IMC Fertilizer's wholly owned subsidiary, International Minerals & Chemical Corporation (Canada) Limited, expects to receive from an insurance claim related to Canadian potash operations.

AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES
Years Ended June 30, 1988, 1989, and 1990
($ in thousands)

Name of Debtor	Balance at Beginning of Period	Additions	Deductions: Amounts Collected	Balance at End of Period: Current	Balance at End of Period: Not Current
1988:					
U.S. employee relocation loans(A)	$218	$1,099	$643	$674	
Number of loans	8	30	17	21	
Canadian employee housing loans(B)	$488				
Number of loans	29				
1989:					
U.S. employee relocation loans(A)	$674	$2,213	$2,579	$308	
Number of loans	21	31	47	5	
1990:					
U.S. employee relocation loans(A)	$308	$140	$126	$322	
Number of loans	5	6	2	9	
U.K. employee relocation loans(A)		$1,700		$1,700	
Number of loans		11		11	

(A) Generally non-interest bearing and repayable upon the sale of the employee's former residence.
(B) Interest at rates ranging from 6 percent to 15 percent per annum and repayable over 8 to 25 years. These loans were transferred to IMC Fertilizer in conjunction with the IPO.

PROPERTY, PLANT, AND EQUIPMENT
Years Ended June 30, 1988, 1989, and 1990
($ in millions)

	Balance at Beginning of Period	Additions at Cost	Retirements	Other Changes-- Add (Deduct)	Effect of IMC Fertilizer IPO (E)	Balance at End of Period
1988:						
Land	$ 70.0	$ .8	$ 1.8	$ .2 (A)		
				.2 (B)		
				.1 (C)		
				(.2) (F)	$ (26.3)	$ 43.0
Mineral properties and rights	211.4	1.4	1.1	.4 (F)	(212.1)	
Buildings and leasehold improvements	420.1	10.0	12.0	8.9 (A)		
				4.2 (B)		
				.4 (C)		
				3.4 (F)	(281.9)	153.1
Machinery and equipment	1,543.0	34.0	19.9	(10.0) (A)		
				7.5 (B)		
				.3 (C)		
				(1.3) (D)		
				(2.7) (F)	(1,174.3)	376.6
Construction in progress	48.0	35.0	11.9	.9 (A)		
				.2 (B)		
				.1 (C)		
				2.2 (D)	(19.8)	54.7
	$2,292.5	$ 81.2	$ 46.7	$ 14.8	$(1,714.4)	$ 627.4
1989:						
Land	$ 43.0	$ 2.8	$ .2	$ 7.9 (B)		
				(.1) (C)		
				.1 (D)		$ 53.5
Buildings and leasehold improvements	153.1	17.5	2.0	1.3 (B)		
				(1.6) (C)		
				(3.4) (D)		164.9
Machinery and equipment	376.6	64.3	14.1	.2 (B)		
				(2.4) (C)		
				(3.4) (D)		421.2
Construction in progress	54.7	(2.4)		(.7) (C)		51.6
	$ 627.4	$ 82.2	$ 16.3	$ (2.1)		$ 691.2

Schedule V
(Page 2 of 2)

PROPERTY, PLANT, AND EQUIPMENT
Years Ended June 30, 1988, 1989, and 1990
($ in millions)

	Balance at Beginning of Period	Additions at Cost	Retirements	Other Changes-- Add (Deduct)	Balance at End of Period
1990:					
Land	$ 53.5	$ .5	$ 1.2	$ (.2) (A)	
				9.9 (B)	$ 63.7
				1.2 (C)	
Buildings and leasehold improvements	164.9	20.7	7.2	.8 (A)	
				33.3 (B)	
				5.2 (C)	
				(.5) (D)	217.2
Machinery and equipment	421.2	58.0	22.9	2.5 (A)	
				41.8 (B)	
				6.8 (C)	
				.3 (D)	507.7
Construction in progress	51.6	6.5	1.0	(3.1) (A)	
				2.6 (B)	
				1.6 (C)	
				(.1) (D)	58.1
	$ 691.2	$ 85.7	$ 32.3	$ 102.1	$ 846.7

Notes:
(A) Transfers between accounts.
(B) Purchases of businesses.
(C) Foreign currency adjustment.
(D) Reclassification from other balance sheet accounts.
(E) Deconsolidation of IMC Fertilizer in conjunction with the IPO.
(F) Miscellaneous related to IMC Fertilizer.

ACCUMULATED DEPRECIATION, DEPLETION, AND AMORTIZATION
OF PROPERTY, PLANT, AND EQUIPMENT

Years Ended June 30, 1988, 1989, and 1990
($ in millions)

	Balance at Beginning of Period	Additions Charged to Cost and Expenses	Retirements	Other Changes-- Add (Deduct)	Effect of IMC Fertilizer IPO (F)	Balance at End of Period
1988:						
Mineral properties and rights	$ 36.2	$ 3.4		$ .2 (G)	$ (39.8)	
Buildings and leasehold improvements	188.8	16.3	$ 2.7	2.9 (B) .2 (C) 1.6 (G)	(175.2)	$ 31.9
Machinery and equipment	789.2	69.2	13.4	(2.9) (B) 1.5 (C) (1.5) (D) (.2) (G)	(692.2)	149.7
Allowance for plant closings (A)	1.1				(1.1)	
	$1,015.3	$ 88.9	$ 16.1	$ 1.8	$ (908.3)	$ 181.6
1989:						
Buildings and leasehold improvements	$ 31.9	$ 8.0	$ .9	$ (.2) (D)		$ 38.8
Machinery and equipment	149.7	39.1	9.5	(6.6) (D) (.5) (E)		172.2
	$ 181.6	$ 47.1	$ 10.4	$ (7.3)		$ 211.0

ACCUMULATED DEPRECIATION, DEPLETION, AND AMORTIZATION
OF PROPERTY, PLANT, AND EQUIPMENT

Years Ended June 30, 1988, 1989, and 1990
($ in millions)

	Balance at Beginning of Period	Additions Charged to Cost and Expenses	Retirements	Other Changes-- Add (Deduct)	Balance at End of Period
1990:					
Buildings and leasehold improvements	$ 38.8	$ 9.9	$ 2.5	$ 1.2 (E)	$ 47.4
Machinery and equipment	172.2	51.9	13.7	.4 (D) 2.7 (E)	213.5
	$ 211.0	$ 61.8	$ 16.2	$ 4.3	$ 260.9

Notes:

(A) This account is used to provide for losses on disposals of property, plant, and equipment. Charges to the account consist of losses, net of gains, on such disposals.

(B) Transfers between accounts.

(C) Purchases of businesses.

(D) Reclassification from (to) other balance sheet accounts.

(E) Foreign currency adjustment.

(F) Deconsolidation of IMC Fertilizer in conjunction with IPO.

(G) Miscellaneous related to IMC Fertilizer.

SHORT-TERM BORROWINGS
Years ended June 30, 1990, 1989, and 1988
($ in millions)

	Balance at End of Period	Weighted Average Interest Rate	Maximum Amount Outstanding During the Period	Average Amount Outstanding During the Period	Weighted Average Interest Rate During the Period
Notes payable to banks (A):					
1990	$ 63.8	10.7%	$ 72.0	$ 68.1	17.3%
1989	43.6	8.6	46.0	33.6	8.1
1988	33.2	5.6	46.8	36.6	5.6
Commercial paper:					
1990					
1989					
1988			$295.7	$153.3	8.2%(B)

The average amount outstanding for each period was computed by averaging the daily balances during the year. The weighted average interest rate for each period was computed by dividing interest on short-term borrowings by the average amount outstanding during the year.

(A) Primarily foreign banks.
(B) Includes the effect of various interest rate swap agreements.

Schedule X

SUPPLEMENTARY INCOME STATEMENT INFORMATION

Years ended June 30
($ in millions)

	Charged to Costs and Expenses of Continuing Operations		
	1990	1989	1988
Maintenance and repairs	$ 44.6	$ 28.1	$ 82.8
Amortization of intangible assets	$ 20.7	$ 15.2	$ 17.9
Taxes, other than payroll and income taxes:			
Severance taxes			$ 18.1
Other taxes and fees	$ 26.9	$ 19.3	15.7
	$ 26.9	$ 19.3	$ 33.8
Advertising	$ 36.9	$ 21.9	$ 20.8

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders
of IMC Fertilizer Group, Inc.

We have audited the accompanying consolidated balance sheet of IMC Fertilizer Group, Inc. as of June 30, 1990 and 1989, and the related consolidated statements of earnings (before 1988 pro forma adjustments), cash flows, and changes in shareholders' equity for each of the three years in the period ended June 30, 1990. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of IMC Fertilizer Group, Inc. at June 30, 1990 and 1989, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 1990 in conformity with generally accepted accounting principles.

ERNST & YOUNG
Ernst & Young

Chicago, Illinois
July 27, 1990

Consolidated Statement of Earnings of IMC Fertilizer Group, Inc.
(In millions except per share amounts)

	Years ended June 30, 1990	1989	1988
Net sales (including sales to IMCERA of $59.8, $66.3 and $59.9 in 1990, 1989 and 1988, respectively)	$1,105.7	$1,221.7	$1,085.6
Cost of goods sold	875.7	886.0	823.1
Gross margins	230.0	335.7	262.5
Selling, administrative and general expenses (including charges from IMCERA of $3.3, $9.3 and $6.3 in 1990, 1989 and 1988, respectively)	61.7	69.8	54.3
Other operating (income) and expense, net	(2.7)	8.7	(10.4)
Operating earnings	171.0	257.2	218.6
Interest earned and other non-operating income	(3.9)	(11.0)	(8.5)
Interest charges (including charges from IMCERA of $1.1 and $11.2 in 1989 and 1988, respectively)	47.3	53.3	36.2
Earnings from operations before income taxes	127.6	214.9	190.9
Provision for income taxes	45.0	77.6	79.2
Net earnings	82.6	137.3	111.7
Preferred stock adjustment			(14.3)
Net earnings available for common shareholders	$ 82.6	$ 137.3	$ 97.4
Earnings per common share	$ 3.13	$ 5.27	
Pro forma data (unaudited)			
Net earnings, as reported			$ 111.7
Pro forma adjustments			(5.0)
Pro forma net earnings			106.7
Pro forma preferred stock adjustment			(24.0)
Pro forma net earnings applicable to common stock			$ 82.7
Pro forma earnings per common share			$ 3.88

(See Notes to Consolidated Financial Statements of IMC Fertilizer Group, Inc.)

Consolidated Balance Sheet of IMC Fertilizer Group, Inc.
(Dollars in millions except per share amounts)

Assets	At June 30, 1990	1989
Current assets:		
Cash and cash equivalents	$ 29.6	$ 91.5
Receivables, net	54.9	116.5
Inventories		
Products (principally finished)	106.4	133.0
Operating materials and supplies	48.5	46.4
	154.9	179.4
Prepaid expenses	6.1	7.1
Total current assets	245.5	394.5
Insurance claim receivable, net	140.0	118.5
Property, plant and equipment	2,203.3	2,142.5
Accumulated depreciation and depletion	(1,059.2)	(998.4)
Net property, plant and equipment	1,144.1	1,144.1
Other assets	55.1	20.8
	$1,584.7	$1,677.9

Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 90.1	$ 110.1
Income taxes	22.2	17.9
Accrued liabilities	77.8	82.0
Current maturities of long-term debt	21.5	60.3
Total current liabilities	211.6	270.3
Long-term debt, less current maturities	385.0	501.5
Accrued reclamation costs	36.5	33.1
Deferred income taxes	29.3	20.2
Dividend payable to IMCERA	51.9	51.9
Other noncurrent liabilities	50.7	35.6
Shareholders' equity:		
Common stock, $1 par value, authorized 50,000,000 shares; issued 26,398,410 and 26,364,030 shares in 1990 and 1989, respectively	26.4	26.4
Capital in excess of par value	558.0	557.0
Retained earnings	238.0	183.9
Treasury stock, at cost, 63,429 and 49,191 shares of common stock in 1990 and 1989, respectively	(2.7)	(2.0)
Total shareholders' equity	819.7	765.3
	$1,584.7	$1,677.9

(See Notes to Consolidated Financial Statements
of IMC Fertilizer Group, Inc.)

Consolidated Statement of Cash Flows of IMC Fertilizer Group, Inc.
(In millions)

	Years ended June 30, 1990	1989	1988
Cash Flows from Operating Activities			
Net earnings	$ 82.6	$ 137.3	$ 111.7
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and depletion	92.5	99.7	78.5
Deferred income taxes	9.1	9.5	2.2
Reserve for insurance claim receivable	19.7		
Other non-cash charges and credits, net	16.7	23.4	2.6
Changes in:			
Receivables	61.6	(26.0)	(2.2)
Inventories	24.5	(43.1)	13.4
Prepaid expenses	1.0	(.3)	(2.7)
Accounts payable	(20.0)	14.2	1.0
Accrued liabilities	(4.2)	21.0	18.4
Income taxes	4.3	(14.1)	27.7
Net cash provided by operating activities	287.8	221.6	250.6
Cash Flows from Investing Activities			
Capital expenditures	(94.3)	(55.3)	(26.3)
Sales of property, plant and equipment	7.8	2.0	17.3
Water inflow expenditures, represented by an insurance claim receivable	(41.2)	(28.4)	(38.2)
Investment in oil and gas joint venture	(38.2)		
Purchase of Four Corners Mine partnership interest		(105.2)	
Other, net		(2.0)	(27.5)
Net cash used by investing activities	(165.9)	(188.9)	(74.7)
Net cash provided before financing activities	121.9	32.7	175.9

(continued on following page)

Consolidated Statement of Cash Flows of IMC Fertilizer Group, Inc. (cont'd)
(In millions)

	Years ended June 30, 1990	1989	1988
Cash Flows from Financing Activities			
Proceeds from issuance of long-term debt	$ 188.8	$ 220.0	$ 370.0
Payments of long-term debt	(344.1)	(259.3)	(11.4)
Proceeds from issuance of IMCERA notes payable		110.0	370.0
Payment of IMCERA notes payable		(110.0)	(370.0)
Proceeds from issuance of common stock		192.0	229.2
Redemption of preferred stock		(200.0)	
Cash dividends paid:			
Preferred stock dividend to IMCERA		(14.3)	(229.2)
Common stock dividend to IMCERA prior to initial public offering			(386.0)
Common stock dividends after initial public offering	(28.5)	(26.9)	(7.9)
Net cash used by financing activities	(183.8)	(88.5)	(35.3)
Net increase (decrease) in cash and cash equivalents	(61.9)	(55.8)	140.6
Cash and cash equivalents-beginning of year	91.5	147.3	6.7
Cash and cash equivalents-end of year	$ 29.6	$ 91.5	$ 147.3
Supplemental cash flow disclosures:			
Interest paid	$ 40.6	$ 38.5	$ 25.8
Income taxes paid	$ 32.5	$ 87.8	$ 52.8
Supplemental schedule of non-cash investing and financing activities:			
Dividend declared to IMCERA			$ 51.9
Issuances of common stock for compensation awards		$ .2	$ 6.0

(See Notes to Consolidated Financial Statements of IMC Fertilizer Group, Inc.)

Consolidated Statement of Changes in Shareholders' Equity
of IMC Fertilizer Group, Inc.
(In millions except per share amounts)

	Preferred Stock	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock
Balance at June 30, 1987	$ 200.0	$ 10.0	$ 794.3		
Net earnings				$ 111.7	
Sale of common stock		11.0	218.2		
Dividends					
Exchangeable Preferred Stock, Series A (to IMCERA)			(229.2)		
Common stock					
Prior to initial public offering (to IMCERA)			(421.9)	(16.0)	
After initial public offering ($.37 a share)				(7.9)	
Restricted stock awards		.3	5.7		
Acquisition of shares					$ (.1)
Balance at June 30, 1988	200.0	21.3	367.1	87.8	(.1)
Net earnings				137.3	
Sale of common stock		5.0	187.0		
Dividends					
Exchangeable Preferred Stock, Series A (to IMCERA)				(14.3)	
Common stock ($1.02 a share)				(26.9)	
Stock options exercised		.1	2.7		
Restricted stock awards			.2		
Redemption of shares	(200.0)				
Acquisition of shares					(1.9)
Balance at June 30, 1989		26.4	557.0	183.9	(2.0)
Net earnings				82.6	
Dividends					
Common stock ($1.08 a share)				(28.5)	
Stock options exercised			.8		
Restricted stock awards			.2		
Acquisition of shares					(.7)
Balance at June 30, 1990	-	$ 26.4	$ 558.0	$ 238.0	$ (2.7)

(See Notes to Consolidated Financial Statements
of IMC Fertilizer Group, Inc.)

Notes to Consolidated Financial Statements
of IMC Fertilizer Group, Inc.
(Dollars in millions except as otherwise indicated)

Note 1 Organization, Recapitalization and Business of the Company

Through June 30, 1987, the Company's business was operated as the fertilizer business group ("Fertilizer Business") of International Minerals & Chemical Corporation ("IMC"). As of July 1, 1987, IMC contributed substantially all of the net assets of the Fertilizer Business to the Company in exchange for 1,000 shares of common stock and the Company's assumption of IMC's liabilities and obligations attributable to the Fertilizer Business. In September 1987, the Company adopted a recapitalization plan whereby it issued to IMC ten million shares of its $1 par value common stock and four million shares of its Exchangeable Preferred Stock, Series A, in exchange for 1,000 shares of the Company's common stock then owned by IMC. In February 1988, the Company completed an initial public offering of 11 million shares of common stock. Net proceeds from this initial public offering were used to pay a special dividend on the Exchangeable Preferred Stock, Series A, all of which was owned by IMC. See Note 17 - Capital Stock for information concerning an additional common stock offering in July 1988, and the subsequent redemption of all of the outstanding shares of Exchangeable Preferred Stock, Series A. As a result of these transactions, IMC's ownership of the Company's common stock was reduced to approximately 38 percent. On June 14, 1990 at a special shareholders' meeting, IMC changed its name to IMCERA Group Inc. As used in these financial statements, unless otherwise indicated, "Company" refers to IMC Fertilizer Group, Inc., its subsidiaries and its predecessors, and "IMCERA" refers to IMCERA Group Inc.

The Company, which operates in a single industry segment, is engaged in the mining, processing, production, and sale of phosphate rock, phosphate chemicals, potash, and ammonia for inorganic fertilizers; the production and sale of mixed fertilizers; and the production and sale of uranium oxide.

Note 2 Accounting Policies

Principles of Consolidation

Financial statements of all subsidiaries controlled by the Company are consolidated. The Company also consolidates its proportionate share of the assets and liabilities of the Company's new sulphur venture, while its 25 percent investment in its recent oil and gas venture is being accounted for using the equity method. Intercompany transactions are eliminated.

Cash Flow Information

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The effect of foreign currency exchange rate fluctuations on the total cash and cash equivalents balance was not significant.

Inventories

Inventories are valued at the lower of cost or market (net realizable value). Cost for substantially all inventories is determined on a cumulative annual average basis.

Notes to Consolidated Financial Statements
of IMC Fertilizer Group, Inc. (Continued)

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Provisions for depreciation are based upon estimated useful lives of 17 to 50 years for buildings and 5 to 20 years for machinery and equipment, using principally straight-line and unit-of-production methods. Provisions for depletion of mineral properties are based upon estimates of recoverable reserves, using the unit-of-production method.

Pension Plans

The Company has pension plans that cover substantially all employees. Generally, contributions to the U.S. plans are made to meet ERISA minimum funding requirements, while contributions to Canadian plans are made in accordance with Pension Benefits Acts instituted by the provinces of Saskatchewan and Ontario.

Income Taxes

U.S. income and foreign withholding taxes are provided on the earnings of foreign subsidiaries that are expected to be remitted to the extent that taxes on the distribution of such earnings would not be offset by foreign tax credits.

In December 1987, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 96 that established new accounting and reporting standards for the effects of income taxes. In December 1989, the FASB issued SFAS No. 103, which deferred the effective date of SFAS No. 96 to fiscal 1993. When SFAS No. 96 is adopted, the Company will be required to reflect a one-time charge of approximately $141 million, which relates primarily to recording the deferred tax effects of the basis differences of certain net assets. However, the FASB is currently reconsidering a fundamental aspect of SFAS No. 96, the effects of which cannot be reasonably estimated at this time since the effect may be substantially influenced by future developments, including any amendment to the standard.

Note 3 Pro Forma Data (Unaudited)

Pro forma data is presented assuming the Company's recapitalization and initial public offering had been completed on July 1, 1987. Pro forma adjustments in 1988 consist of:

Interest charges	$ 6.1
General and administrative expenses	1.5
Credit for income taxes	(2.6)
	$ 5.0

Pro forma interest charges are based on additional debt of $370 million (See Note 18 - Dividends) outstanding from July 1, 1987 through September 8, 1987 at an annual interest rate of 8.5 percent. Pro forma general and administrative expenses are additional expenses from July 1, 1987 through the date of the initial public offering, primarily for shareholder relations, board of director costs, and additional financial services which management estimates would have been incurred if the Company had been a publicly held corporation. A pro forma credit for income taxes of $2.6 million for the effect of these pro forma adjustments is provided at a federal statutory rate of 34 percent.

Note 4 Earnings Per Common Share and Pro Forma Earnings Per Share

Earnings per common share were based on the weighted average number of common and common equivalent shares outstanding. Shares used in the calculations were 26,388,378 and 26,047,007 shares for the years ended June 30, 1990 and 1989, respectively.

In 1988, pro forma earnings per common share (unaudited) were based on 21,272,454 common shares outstanding, assuming the initial public offering had been completed on July 1, 1987, a restricted common stock award granted January 29, 1988 to participants of the Company's long-term incentive compensation plan, and after recognition of the pro forma preferred stock adjustment provided on pro forma net earnings.

Note 5 Related Party Transactions

The Company, in the ordinary course of business, sold to IMCERA certain materials and products. These sales and purchases were generally at prices approximating those charged to unaffiliated customers.

Prior to March 1989, IMCERA provided certain financial and administrative services to the Company. Beginning in March 1989, IMC Fertilizer assumed the administration of certain functions, including payroll and other administrative services, and now provides such services, at cost, to IMCERA. The Company, through its operating agreement with IMCERA, also provided certain management and overhead functions at certain IMCERA plant locations. Such services were charged at actual cost. These charges are included in the accompanying financial statements in receivables, net as shown in the following summary of transactions:

	Years ended June 30,		
	1990	1989	1988
Balance at beginning of year	$ (7.9)	$ (3.7)	
Charges from IMCERA:			
Financial, administrative and other services	3.3	8.6	$ 6.3
Interest charges on short-term borrowings		1.1	11.2
Payroll and associated costs		.7	56.3
Income taxes paid			25.7
	3.3	10.4	99.5
Charges to IMCERA:			
Sales of product	(59.8)	(66.3)	(59.9)
Management and overhead services	(34.6)	(26.4)	(26.2)
	(94.4)	(92.7)	(86.1)
Net cash transferred from (to) IMCERA	92.0	78.1	(17.1)
Balance at end of year	$ (7.0)	$ (7.9)	$ (3.7)

Note 6 Other Operating (Income) and Expense, Net

Other operating (income) and expense, net in 1990 included a gain of $6.1 million which represented the first installment payment from the sale of certain potash reserve interests to the U.S. government for $24 million. The book value of the reserve interests was negligible. The balance of the sales price, amounting to $17.9 million, is contingent upon the availability of appropriated funding by Congress over the next year. 1990 also included a charge of $4.6 million resulting from an increase in a plant decommissioning reserve. In 1989, Other operating (income) and expense, net included a charge of $7.1 million from the announced shutdown of a production facility and in 1988 included a gain of $8.3 million from the disposition of certain assets.

Note 7 Current Receivables

	1990	1989
Trade accounts	$ 84.7	$ 99.9
Non-trade receivables	15.4	11.0
Due from IMCERA	7.0	7.9
	107.1	118.8
Less:		
Allowances	2.2	2.3
Receivable interests sold	50.0	
	$ 54.9	$ 116.5

In January 1990, the Company entered into a five-year agreement with a financial institution whereby the Company sold an undivided interest in designated receivables, up to a maximum of $50 million, on an ongoing basis, subject to limited recourse provisions. Related costs for the year ended June 30, 1990, charged to interest earned and other non-operating income totaled $1.9 million. Proceeds from the sale of receivable interests were used to reduce outstanding borrowings under the Company's revolving credit agreement.

Note 8 Four Corners Mine Purchase

In January 1989, the Company purchased an additional 50 percent partnership interest in the Four Corners Mine and related properties in west central Florida from a subsidiary of W. R. Grace & Co. for $112 million. The purchase price and the Company's share of Four Corners debt totaling $107 million were refinanced with a $220 million note discussed in Note 12 - Long-Term Debt. The Four Corners Mine resumed operations in January 1989, following a three-year shutdown brought about by unfavorable market conditions for phosphate rock. Operating results of the partnership interest purchased in 1989 were not material to the Consolidated Statement of Earnings for the periods prior to the acquisition.

The Company's approximately 50 percent equity interest in the partnership's loss prior to January 1989 was included in the Consolidated Statement of Earnings in "Cost of goods sold" and amounted to $8.7 million and $13.0 million in 1989 and 1988, respectively.

Note 9 Insurance Claim Receivable

A water inflow in one of the Company's two inter-connected potash mines in Saskatchewan, Canada, has continued in greater or lesser degree since December 1985. Efforts to correct the problem are ongoing with $251.3 million (Canadian) having been expended through June 30, 1990. Expenditures are estimated to be approximately $54 million (Canadian) in 1991. The Company has filed a Proof of Loss in this matter with its insurers. Material aspects of the Company's claim are disputed by the insurance carriers and are being litigated in Regina, Saskatchewan. The Company, after discussion with legal counsel, believes it should prevail in this litigation, at least up to the stated policy limits of $250 million (Canadian). The Company contends that its recovery under certain provisions of its insurance policies is not limited to the stated policy limits and has filed claims exceeding this amount against the insurers.

Recently, the primary insurers have amended their case and now allege that the Company committed fraud, and thereby forfeited its rights to any insurance recovery, by inflating its claims and by making a claim for property that has not been lost. The Company vigorously disputes this allegation and believes it to be without merit.

At June 30, 1990, the insurance claim receivable, net, converted into U.S. funds using a U.S. dollar equivalent of $.86, totaled $140 million, and was classified as long term because the litigation is not expected to be resolved within one year. On January 1, 1990, the Company began to reserve against increases in the insurance claim receivable resulting from remedial water inflow expenditures incurred subsequent to that date. For the year ended June 30, 1990, net earnings included a related charge of $9.7 million (U.S.), or $.37 per share, from the recording of this reserve.

In September 1987, the Company, as part of its recapitalization, declared a dividend on its common stock in the amount of $51.9 million, which was equal to the amount of the insurance claim receivable on the Company's books at June 30, 1987. This dividend is payable to IMCERA from insurance proceeds recovered by the Company.

IMCERA has entered into an agreement to provide cash advances to the Company to pay for, or to reimburse the Company for the payment for, remedial efforts at the mines during the period commencing March 31, 1988 and ending on the earlier of January 1, 1993 or the date on which all of the commitments are terminated under various credit agreements described in Note 12 - Long-Term Debt and the Company's obligations thereunder have been paid, but only if the Company is unable to pay when due all of its debts and obligations without giving effect to such cash advances from IMCERA. Borrowings under this line of credit may be not more than $150 million

(Canadian) in the aggregate. At IMCERA's option, annual borrowings may be limited based on remedial costs and the amount of advances in each fiscal year. Such advances bear interest at a rate equal to the Company's lowest cost of borrowing at the time. To date, no advances have been made under the agreement.

Note 10 Property, Plant and Equipment

	1990	1989
Land	$ 18.4	$ 17.6
Mineral properties and rights	311.5	304.9
Buildings and leasehold improvements	329.0	329.4
Machinery and equipment	1,477.6	1,451.7
Construction in progress	66.8	38.9
	2,203.3	2,142.5
Accumulated depreciation	995.9	944.8
Accumulated depletion	63.3	53.6
	1,059.2	998.4
Net property, plant and equipment	$1,144.1	$1,144.1
Amounts related to capital leases included above:		
Gross assets	$ 107.3	$ 112.6
Net assets	$ 53.4	$ 61.5

In 1990, the Company reduced the estimated useful lives of its New Wales uranium plant assets because of the uncertainty whether sales contracts, covering most of the production, will be renewed when they expire in 1992, and whether the market price of uranium oxide will be favorable enough to warrant continued operation of the plant beyond that date. As a result, 1990 depreciation expense increased $4.3 million because of this change.

Note 11 Accrued Liabilities

	1990	1989
Salaries, wages and bonuses	$ 28.3	$ 26.3
Taxes other than income taxes	10.7	20.4
Interest	21.6	13.5
Other	17.2	21.8
	$ 77.8	$ 82.0

Note 12 Long-Term Debt

	1990	1989
Notes payable, with interest at 11.25%, due in installments from 1995 to 2004	$ 220.0	$ 220.0
Notes payable, unsecured, with interest rates averaging 9.1%, due in 1996	70.0	
Notes payable, with interest rates averaging 10.3%, due in variable installments through 1998		224.4
Notes payable, unsecured, with interest rates averaging 9.7%, due in installments through 2002	33.0	33.0
Capital lease obligations, with interest rates averaging 9.25%	62.2	63.0
Pollution control, industrial revenue and special purpose revenue bonds, with interest at 6.75% to 11.625%, due in varying installments from 1997 to 2013	21.3	21.3
Other, due in 1991		.1
	406.5	561.8
Less current maturities	21.5	60.3
	$ 385.0	$ 501.5

In December 1987, the Company entered into term loan agreements and a revolving credit agreement under which the Company could borrow up to $370 million and $130 million, respectively, for 10 years. In December 1989, the Company completed a restructuring of these credit facilities. The new revolving credit agreement, totaling $300 million, is unsecured and matures in 1996. Borrowings under this agreement bear interest at the Company's option at rates based on the bank's base rate, a certificate of deposit rate, or a Eurodollar rate. At June 30, 1990, $70 million of notes payable were outstanding under this revolving credit agreement. Commitment fees of 1/8 and 1/4 percent are required on the used and unused portion of the total commitment, respectively.

The revolving credit agreement requires, among other things, the maintenance of a working capital ratio of not less than 1.1 to 1.0, a ratio of available cash flow to debt service of not less than 2.0 to 1.0, and restrictions on increases in funded debt and the payment of dividends. At June 30, 1990, $138.6 million of retained earnings were available for dividends under the agreement.

In February 1989, the Company entered into a $220 million loan agreement, proceeds of which were used to finance the purchase of the Four Corners Mine partnership interest and related properties, and to repay the Company's portion of previous Four Corners debt. These notes are due in annual installments of $22 million beginning in 1995.

Scheduled maturities of long-term debt for the next five years, excluding capital lease obligations, are as follows:

1991	$ 5.1
1992	2.5
1993	2.5
1994	2.5
1995	24.5

Note 13 Commitments

The Company has a number of lease agreements primarily involving buildings, rail cars, data processing equipment, and machinery and equipment. The present value of future minimum capital lease payments and the future minimum lease payments under non-cancellable operating leases at June 30, 1990 were as follows:

	Capital Lease Payments	Operating Lease Payments
1991	$ 27.0	$ 13.3
1992	14.0	13.7
1993	13.0	12.5
1994	8.2	9.9
1995	8.2	7.8
Subsequent years	16.4	55.7
Future minimum lease payments	86.8	$ 112.9
Less equivalent interest	(24.6)	
Present value of future minimum lease payments	$ 62.2	

Rent expense in 1990, 1989 and 1988 related to operating leases was $17.1 million, $15.7 million, and $13.8 million, respectively.

The Company's Canadian subsidiary is committed under a service agreement with Potash Corporation of Saskatchewan Inc. ("PCS") to produce annually from mineral reserves specified quantities of potash for a fixed fee and a pro rata share of production and capital costs. The term of the agreement extends through June 30, 1991, and is renewable on the same terms at the option of PCS for seven additional five-year periods. Potash produced for PCS may, at PCS's option, amount to an annual maximum of approximately one-fourth of the Canadian subsidiary's production capacity. During 1990, production of potash for PCS amounted to 525,000 tons, or approximately 19 percent of tons produced.

The Company is committed through a joint venture agreement with Freeport and Felmont Oil Corporation to contribute its share of costs incurred in exploration and development of 11 sulphur leases located offshore Louisiana. In connection with this agreement, IMC Fertilizer executed and delivered to

Freeport Collateral Mortgage Notes totaling $595.8 million which will become effective only if the Company fails to meet its obligations required under the Joint Operating Agreement covering each lease. At June 30, 1990, drilling had been completed on six of the leases, one of which resulted in a major sulphur discovery at Main Pass Block 299.

In addition, the Company is committed through a Joint Operating Agreement with Freeport and Felmont Oil Corporation to contribute its share of costs to build offshore mining facilities to extract oil and gas deposits which were also discovered at Main Pass Block 299. In June 1990, the Company executed and delivered to Freeport a lien and security interest totaling $28.3 million covering its obligations under the agreement.

The Company is also committed, under a management compensation and benefit assurance program, to fund various deferred management compensation and benefit plans in the event of a change in control of the Company. Under this program, standby letters of credit, totaling $60 million, have been established to ensure that officers and key management personnel receive the compensation and benefits expected by them under unfunded benefit plans, including severance and benefits, in the event of termination after a change in control of the Company.

Note 14 Pension Plans

The Company has several defined benefit pension plans covering most U.S. and Canadian employees. Retirement benefits are based on a combination of years of service and the level of compensation for the highest five consecutive salary years occurring generally within a period of time up to 10 years prior to retirement, depending on the plan.

Effective July 1, 1988, IMC Fertilizer changed its method of accounting for pension costs by adopting the provisions of SFAS No. 87, "Employers' Accounting for Pensions," for its Canadian pension plans. Pension expense for Canadian plans for 1988 was determined under the provisions of previous accounting principles. The effect on pension expense of the adoption of SFAS No. 87 was immaterial.

The components of pension expense, computed actuarially, were as follows:

	U.S. Plans			Canadian Plans	
	1990	1989	1988	1990	1989
Service cost	$ 4.8	$ 4.2	$ 4.6	$ .7	$ .6
Interest cost on projected benefit obligation	9.0	7.7	6.6	1.6	1.3
Return on plan assets	(11.6)	(7.5)	(2.4)	(1.9)	(1.5)
Net amortization and deferral	4.0	.2	(3.4)	.1	(.1)
	$ 6.2	$ 4.6	$ 5.4	$ .5	$ .3

Pension expense in 1988 for Canadian plans was $.3 million.

The funding status of the Company's pension plans, including Canadian plans, and amounts recognized in the Consolidated Balance Sheet were as follows:

	1990		1989	
	Plans With Assets in Excess of Accumulated Benefits	Plans With Accumulated Benefits in Excess of Assets	Plans With Assets in Excess of Accumulated Benefits	Plans With Accumulated Benefits in Excess of Assets
Plans' assets at fair value	$ 112.4	$ 5.7	$ 100.2	$ 4.0
Actuarial present value of benefit obligations:				
Vested benefits	78.4	10.2	71.7	7.2
Non-vested benefits	1.3	.9	2.6	.6
Accumulated benefit obligations	79.7	11.1	74.3	7.8
Projected future salary increases	35.9	5.2	30.2	4.6
Projected benefit obligations	115.6	16.3	104.5	12.4
Projected benefit obligations in excess of assets	(3.3)	(10.6)	(4.3)	(8.4)
Items not yet recognized in earnings:				
Unrecognized net (gain) loss	(2.0)	2.2	2.0	1.1
Unrecognized transition (asset) liability	(4.2)	2.9	(4.7)	3.2
Unrecognized prior service cost	4.4	1.1	.8	.6
Additional minimum liability		(1.8)		
Accrued pension liability	$ (5.1)	$ (6.2)	$ (6.2)	$ (3.5)

	1990	1989	1988
Rates used in determining the actuarial present value of the projected benefit obligation:			
Discount rate	8.6%	8.6%	8.0%
Long-term rate of return on assets	9.2%	9.1%	8.0%
Rate of increase in compensation levels	6.1%	6.0%	5.5%

The plans' assets consist mainly of corporate equity and U.S. government debt securities, and units of participation in a collective short-term investment fund.

Notes to Consolidated Financial Statements
of IMC Fertilizer Group, Inc. (Continued)

Note 15 Postretirement Health Care Benefits

The Company provides certain health care benefits for U.S. salaried and hourly retired employees. Employees may become eligible for health care benefits if they retire after attaining specified age and service requirements while they worked for the Company.

Health care benefits are paid directly by the Company to individuals who retired from the Company after January 31, 1988 and are recognized as an expense when claims are paid. For those individuals who retired prior to February 1, 1988, health care benefits will be paid by IMCERA, and the Company will be charged for one-half of such costs, not exceeding $.8 million in any fiscal year. The cost to the Company of such health care benefits was insignificant.

Note 16 Income Taxes

Prior to February 3, 1988, the Company was included in the consolidated income tax returns of IMCERA and the Company's current federal and state income tax provisions were governed by a tax-sharing arrangement. Under this arrangement, such provisions were based on taxable income calculated on a separate tax-return basis for the period July 1, 1987 through February 2, 1988.

The components of earnings before income taxes and the income tax effects of significant tax credits and other items were as follows:

	1990	1989	1988
Domestic	$ 87.9	$ 161.2	$ 155.1
Foreign	39.7	53.7	35.8
Earnings before income taxes	$ 127.6	$ 214.9	$ 190.9
Computed tax at the federal statutory rate of 34%	$ 43.4	$ 73.1	$ 64.9
Foreign income and withholding taxes	6.7	9.8	18.7
Percentage depletion	(6.9)	(11.5)	(8.6)
Federal taxes on undistributed foreign earnings	2.5	1.7	3.2
State income taxes, net of federal income tax benefit	1.5	4.7	4.7
Basis difference reversal	(2.0)	(2.5)	(4.2)
Other items (none in excess of 5% of computed tax)	(.2)	2.3	.5
Provision for income taxes	$ 45.0	$ 77.6	$ 79.2
Effective tax rate	35.3%	36.1%	41.5%

The provision for income taxes consisted of the following:

	1990	1989	1988
Current			
Federal	$ 19.0	$ 36.5	$ 41.6
State and local	1.0	6.3	7.5
Foreign	15.9	25.3	27.9
	35.9	68.1	77.0
Deferred			
Federal	3.4	6.3	.8
State and local	1.3	.8	(.4)
Foreign	4.4	2.4	1.8
	9.1	9.5	2.2
	$ 45.0	$ 77.6	$ 79.2

Deferred income tax provisions (credits) result from timing differences, principally depreciation, in the recognition of income and expenses for financial reporting and tax purposes.

The Company has no present intention of remitting undistributed earnings of foreign subsidiaries aggregating $125 million at June 30, 1990, and accordingly, no deferred tax liability has been established relative to these earnings.

At June 30, 1990, the Company's buildings and leasehold improvements, machinery and equipment, and certain liabilities, primarily accrued reclamation costs, have tax bases which, in the aggregate, are approximately $383 million less than their book bases. These differences, which will result in expenses for financial reporting purposes in subsequent years in excess of related tax deductions, are accounted for as permanent differences under the Company's current method of accounting for income taxes.

Note 17 Capital Stock

In July 1988, the Company completed a public offering of 5,000,000 shares of common stock at $40 per share. The net proceeds from this stock offering of $192 million plus $8 million of internally generated funds were used by the Company to redeem all of the outstanding shares of Exchangeable Preferred Stock, Series A, at the stated redemption price of $50 per share or $200 million in the aggregate.

Notes to Consolidated Financial Statements
of IMC Fertilizer Group, Inc. (Continued)

Changes in the number of shares of common stock issued and in treasury were as follows:

	1990	1989	1988
Common stock issued			
Balance, beginning of year	26,364,030	21,277,800	10,000,000
Common stock sold		5,000,000	11,000,000
Stock options exercised	31,300	81,400	
Award of restricted shares	3,080	4,830	277,800
Balance, end of year	26,398,410	26,364,030	21,277,800
Treasury common stock			
Balance, beginning of year	49,191	5,346	
Additions	14,238	43,845	5,346
Balance, end of year	63,429	49,191	5,346
Common stock outstanding, end of year	26,334,981	26,314,839	21,272,454

Pursuant to a Shareholders Rights Plan adopted by the Company in June 1989, a dividend of one preferred stock purchase right ("Right") for each outstanding share of common stock of the Company was issued on July 12, 1989 to shareholders of record on that date. Under certain conditions, each Right may be exercised to purchase one one-hundredth of a share of a new series of participating preferred stock at a price of $150. This preferred stock is designed to participate in dividends and vote on essentially equivalent terms with a whole share of common stock. The Rights become exercisable apart from the common stock only if a person or group acquires 20 percent or more of the common stock or makes a tender offer for 20 percent or more of the outstanding common stock. In addition, upon the acquisition by a person or group of 20 percent or more of the common stock, each Right will entitle the holder to purchase, at the then-current exercise price of the Right, a number of shares of common stock having a market value at that time of twice the exercise price. The Rights may be redeemed at a price of $.01 per Right under certain circumstances prior to their expiration on June 21, 1999.

Note 18 Dividends

The amount available for the payment of dividends is subject to restrictions under the Company's credit agreements (See Note 12 - Long-Term Debt).

In September 1988, pursuant to the special dividend right of the Company's Exchangeable Preferred Stock, Series A, the Company paid a dividend of $14.3 million to IMCERA equal to 40 percent of the Company's annual net earnings which exceeded $20 million for the six-month period ended June 30, 1988.

In September 1987, the Company declared and paid a dividend of $370 million to IMCERA, financed through bank borrowings, and declared a dividend of $51.9 million to IMCERA payable only out of funds collected on an insurance claim (See Note 9 - Insurance Claim Receivable). In January 1988, a $16 million dividend was declared on the common stock and paid to IMCERA. In February 1988, pursuant to the special dividend right of the Company's

Exchangeable Preferred Stock, Series A, the Company declared and paid a dividend of $229.2 million to IMCERA equal to the net proceeds (after underwriting discount) from the initial public offering (See Note 1 - Organization, Recapitalization and Business of the Company).

Note 19 Stock Plans

A non-qualified stock option plan ("Plan") adopted in 1988 provides for the granting of options to purchase up to one million shares of common stock at prices not less than 100 percent of market price at the date of the grant. Options are exercisable over 10 years beginning one year after the date of the grant and are limited to 50 percent during the second year. For awards issued prior to December 7, 1989, the Plan permits employees to tender shares to the Company in lieu of cash for the exercise of stock options. During 1990 and 1989, 31,300 and 81,400 options with an aggregate market value of $1.1 million and $3.9 million were exercised by the tendering of 14,238 and 40,275 shares with a market value of $.5 million and $1.9 million, respectively. In 1990 and 1989, operating results included charges of $.1 million and $.9 million relative to these tendered shares. There were no such charges in 1988. For stock options awarded on or after December 7, 1989, only officers or other employees restricted by Section 16(b) of the Securities Exchange Act of 1934 are permitted to tender shares to the Company in lieu of cash for the exercise of stock options.

Information on options follows:

	1990	1989	1988
Outstanding, beginning of year	180,700	271,200	
Granted	279,840		271,200
Exercised	(31,300)	(81,400)	
Cancelled	(8,100)	(9,100)	
Outstanding, end of year	421,140	180,700	271,200
Price range	$22 to $32	$22	$22
At June 30			
Exercisable	148,750	51,575	
Available for future grants	189,366	464,186	456,346

The average purchase price of outstanding stock options at June 30, 1990 was $28.47 a share, based on an aggregate purchase price of $12 million. Outstanding stock options will expire over a period ending no later than December 7, 1999.

The Plan also provides for the granting of stock appreciation rights ("SARs") in conjunction with options granted. Upon exercise of a SAR, the holder is entitled to receive the excess of the fair market value of the shares for which the right is exercised over the option price under the related option. The Company may elect to pay such amounts in cash, common stock, or a combination thereof. The SAR is exercisable only to the extent the related stock option is exercisable. Upon exercise of the right, the related stock option must be surrendered and the related common shares are not available for future option grants. At June 30, 1990, no SARs had been granted.

The Company also adopted a long-term performance incentive plan in 1988 under which officers and key managers are awarded shares of restricted common stock of the Company and contingent stock units. Under the plan, these shares and units vest in whole or in part during and at the end of the performance period. A total of 285,710 shares of restricted common stock of the Company were awarded under this plan through June 30, 1990, of which 83,412 shares were vested. The remaining shares will vest at June 30, 1991 provided established performance goals are met. At June 30, 1990, no additional shares were reserved for issuance under this plan. A total of 8,916 restricted shares of common stock have been cancelled and reacquired at no cost by the Company at June 30, 1990.

Note 20 Operations by Geographic Area

Net earnings of consolidated foreign subsidiaries, before consolidation eliminations, amounted to $26.6 million in 1990, $27.8 million in 1989, and $12.4 million in 1988. Net assets of such subsidiaries were $200.2 million and $179.7 million at June 30, 1990 and 1989, respectively.

Financial information relating to the Company's operations in various geographic areas was as follows:

	Net Sales		
	1990	1989	1988
United States	$1,072.6	$1,176.6	$1,051.6
Canada	154.8	173.8	144.8
Other	9.2	1.9	1.3
Transfers between geographic areas (principally from Canada)	(130.9)	(130.6)	(112.1)
Consolidated	$1,105.7	$1,221.7	$1,085.6

	Earnings Before Income Taxes			Identifiable Assets		
	1990	1989	1988	1990	1989	1988
United States	$ 131.9	$ 205.2	$ 187.7	$1,319.3	$1,433.9	$1,266.6
Canada	35.8	50.8	38.9	254.5	244.3	209.5
Other	7.5	1.0	.7	16.6	8.7	6.9
Eliminations	(4.2)	.2	(8.7)	(5.7)	(9.0)	(10.9)
Operating earnings	171.0	257.2	218.6			
Interest earned and other non-operating income	3.9	11.0	8.5			
Interest charges	(47.3)	(53.3)	(36.2)			
Consolidated	$ 127.6	$ 214.9	$ 190.9	$1,584.7	$1,677.9	$1,472.1

Transfers of product between geographic areas were at prices approximating those charged to unaffiliated customers.

Sales from the United States, as shown in the preceding table, included sales to unaffiliated customers in other geographic areas as follows:

	1990	1989	1988
Far East	$ 159.1	$ 182.6	$ 151.8
Europe	61.8	57.7	47.5
Latin America	56.4	60.9	46.8
	$ 277.3	$ 301.2	$ 246.1

Schedule II

IMC FERTILIZER GROUP, INC.

AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES
Years Ended June 30, 1988, 1989, and 1990
($ in thousands)

Name of Debtor	Balance at Beginning of Period	Additions	Deductions: Amounts Collected	Balance at End of Period: Current	Balance at End of Period: Not Current
1988:					
U.S. employee relocation loans(A)		$230	$220	$ 10	
Number of loans		3	2	1	
Canadian employee housing loans(B)	$488		30	43	$415
Number of loans	29		4	25	25
1989:					
U.S. employee relocation loans(A)	$ 10	$ 53	$ 42	$ 21	
Number of loans	1	2	2	1	
Canadian employee housing loans(B)	$458	$ 10	$ 2	$ 41	$425
Number of loans	25	1		26	26
1990:					
U.S. employee relocation loans(A)	$ 21	$ 33	$ 54		
Number of loans	1	2	3		
Canadian employee housing loans(B)	$466		$ 84	$ 44	$338
Number of loans	26		6	20	20

(A) Generally non-interest bearing and repayable upon the sale of the employee's former residence.

(B) Interest at rates ranging from 6 percent to 15 percent per annum and repayable over 8 to 25 years.

IMC FERTILIZER GROUP, INC.

PROPERTY, PLANT, AND EQUIPMENT

Years Ended June 30, 1988, 1989, and 1990
($ in millions)

	Balance at Beginning of Period	Additions at Cost	Retirements	Other Changes-- Add (Deduct)	Balance at End of Period
1988:					
Land	$ 26.5	$ .6	$ 1.6	$ (7.7) (A)	$ 17.8
Mineral properties and rights	211.5	2.0	1.2	7.7 (A)	220.0
Buildings and leasehold improvements	270.7	2.8	4.3	8.3 (A)	277.5
Machinery and equipment	1,186.8	20.8	18.6	(8.3) (A)	1,180.7
Construction in progress	22.5	.1			22.6
	$1,718.0	$ 26.3	$ 25.7		$1,718.6
1989:					
Land	$ 17.8	$ .5	$ .1	$ (.6) (A)	$ 17.6
Mineral properties and rights	220.0	12.0	.1	.3 (A) 72.7 (B)	304.9
Buildings and leasehold improvements	277.5	27.2	12.5	37.2 (B)	329.4
Machinery and equipment	1,180.7	107.0	42.5	.3 (A) 206.2 (B)	1,451.7
Construction in progress	22.6	16.3			38.9
	$1,718.6	$ 163.0	$ 55.2	$ 316.1	$2,142.5

IMC FERTILIZER GROUP, INC.

PROPERTY, PLANT, AND EQUIPMENT

Years Ended June 30, 1988, 1989, and 1990
($ in millions)

	Balance at Beginning of Period	Additions at Cost	Retirements	Other Changes--Add (Deduct)	Balance at End of Period
1990:					
Land	$ 17.6	$ .9	$ .1		$ 18.4
Mineral properties and rights	304.9	6.6			311.5
Buildings and leasehold improvements	329.4	19.1	21.7	$ 2.2 (A)	329.0
Machinery and equipment	1,451.7	39.8	11.7	(2.2) (A)	1,477.6
Construction in progress	38.9	27.9			66.8
	$2,142.5	$ 94.3	$ 33.5		$2,203.3

Notes:

(A) Transfers between accounts.

(B) Reclassification from other balance sheet accounts.

IMC FERTILIZER GROUP, INC.

ACCUMULATED DEPRECIATION, DEPLETION, AND AMORTIZATION
OF PROPERTY, PLANT, AND EQUIPMENT

Years Ended June 30, 1988, 1989, and 1990
($ in millions)

	Balance at Beginning of Period	Additions Charged to Cost and Expenses	Retirements	Other Changes-- Add (Deduct)	Balance at End of Period
1988:					
Mineral properties and rights	$ 36.2	$ 5.9		$ .6 (C)	$ 42.7
Buildings and leasehold improvements	163.7	12.3	$ 2.6	3.0 (A)	176.4
Machinery and equipment	675.6	58.8	14.5	(3.0) (A)	716.9
Allowance for plant closings (E)	1.1	1.5			2.6
	$ 876.6	$ 78.5	$ 17.1	$ .6	$ 938.6
1989:					
Mineral properties and rights	$ 42.7	$ 9.8	$ .2	$ 1.3 (C)	$ 53.6
Buildings and leasehold improvements	176.4	16.6	10.4	.4 (B)	183.0
Machinery and equipment	716.9	73.3	42.0	11.9 (B)	760.1
Allowance for plant closings (E)	2.6			(.9)	1.7
	$ 938.6	$ 99.7	$ 52.6	$ 12.7	$ 998.4

IMC FERTILIZER GROUP, INC.

ACCUMULATED DEPRECIATION, DEPLETION, AND AMORTIZATION
OF PROPERTY, PLANT, AND EQUIPMENT

Years Ended June 30, 1988, 1988, and 1990
($ in millions)

	Balance at Beginning of Period	Additions Charged to Cost and Expenses	Retirements	Other Changes-- Add (Deduct)	Balance at End of Period
1990:					
Mineral properties and rights	$ 53.6	$ 9.0		$ .7 (C)	$ 63.3
Buildings and leasehold improvements	183.0	15.3	$ 21.5	3.0 (A) .3 (D)	180.1
Machinery and equipment	760.1	67.5	11.2	(3.0) (A)	813.4
Allowance for plant closings (E)	1.7	.7			2.4
	$ 998.4	$ 92.5	$ 32.7	$ 1.0	$1,059.2

Notes:

(A) Transfers between accounts.

(B) Reclassification from other balance sheet accounts.

(C) Difference between average and actual depletion rates on certain Florida phosphate ore reserves which has been offset against deferred charges in the consolidated balance sheet.

(D) Amortization of pre-operating plant expenses.

(E) This account is used to provide for losses on disposals of property, plant and equipment. Charges to the account consist of losses, net of gains, on such disposals.

Schedule IX

IMC FERTILIZER GROUP, INC.

SHORT-TERM BORROWINGS
Years ended June 30, 1990, 1989, and 1988
($ in millions)

	Balance at End of Period	Weighted Average Interest Rate	Maximum Amount Outstanding During the Period	Average Amount Outstanding During the Period	Weighted Average Interest Rate During the Period
Notes payable to banks:					
1990	None	--	--	--	--
1989	None	--	--	--	--
1988	None	--	$370.0	$ 65.9	8.0%
Note payable to IMCERA:					
1990	None	--	--	--	--
1989	None	--	$110.0	$ 11.2	10.1%
1988	None	--	370.0	135.2	8.3

The average amount outstanding for each period was computed by averaging the daily balances during the year. The weighted average interest rate for each period was computed by dividing interest on short-term borrowings by the average amount outstanding during the year.

Schedule X

IMC FERTILIZER GROUP, INC.

SUPPLEMENTARY INCOME STATEMENT INFORMATION

Years ended June 30
($ in millions)

	Charged to Costs and Expenses of Operations		
	1990	1989	1988
Maintenance and repairs	$121.1	$121.0	$105.3
Taxes, other than payroll and income taxes:			
Severance taxes	$ 29.9	$ 47.9	$ 44.2
Other taxes and fees	23.9	19.7	17.0
	$ 53.8	$ 67.6	$ 61.2

Amounts for amortization of intangible assets, advertising and royalties are not presented as such amounts are less than 1 percent of total sales.

(9b)

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For the fiscal year ended June 30, 1991

_____ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from ________ to ________________

Commission file number 1-483

IMCERA Group Inc.

(Exact name of registrant as specified in its charter)

New York	**36-1263901**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2315 Sanders Road Northbrook, Illinois	**60062-6198**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 708-564-8600

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
4% Cumulative Preferred Stock, par value $100 per share	New York Stock Exchange
Common Stock, par value $5 per share	New York Stock Exchange Midwest Stock Exchange Pacific Stock Exchange
9.35% Sinking Fund Debentures due November 1, 2000	New York Stock Exchange
4.5% Subordinated Debentures due July 1, 1991*	New York Stock Exchange
Liquid Yield Option Notes due November 14, 2005 (Zero Coupon-Subordinated)*	New York Stock Exchange

* Redeemed on July 1, 1991.

Securities registered pursuant to Section 12(g) of the Act:

9⅞% Sinking Fund Debentures due March 15, 2011.

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 X . No ___.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

State the aggregate market value of the voting stock held by non-affiliates of the registrant: $2,752,479,506 as of August 31, 1991. Market value is based on the August 31, 1991, closing prices of Registrant's Common Stock and 4% Cumulative Preferred Stock.

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares outstanding of each of the issuer's classes of common stock: 25,206,549 shares as of August 31, 1991.

DOCUMENTS INCORPORATED BY REFERENCE: Information required by Items 10, 11, 12, and 13 of Part III is incorporated by reference from pages 1 through 8, pages 19 through 31, pages 8 through 10, and pages 10 through 13, respectively, of the Registrant's definitive proxy statement for the annual meeting of stockholders to be held on October 16, 1991, Item 1. Business, Item 2. Properties, and Item 3. Legal Proceedings in IMC Fertilizer Group Inc.'s Annual Report on Form 10-K for the year ended June 30, 1991.

1991 FORM 10-K CONTENTS

Part I.

Item 1. Business

INTRODUCTION

Company Profile

IMCERA Group Inc. (IMCERA, the Company, or the Corporation) provides human and animal health care products and specialty chemicals worldwide through its three technology-based businesses: Mallinckrodt Medical, Mallinckrodt Specialty Chemicals, and Pitman-Moore. IMCERA also owns Mallinckrodt, Inc. and at June 30, 1991, the Company had a 16 percent interest in IMC Fertilizer Group, Inc. (IFL) all of which was sold to IFL in July 1991.

The Company was incorporated in New York in 1909. The corporate headquarters is located at 2315 Sanders Road, Northbrook, Illinois 60062-6198, and the telephone number is (708) 564-8600.

The Transition of the Company

During the past several years the Company has taken significant steps to develop its current composition of businesses and to change its capital structure as follows:

. In February 1986, the Company purchased Mallinckrodt, Inc. for $675 million in cash.

. In October 1986, the Company sold its gas and oil segment and its industrial products segment for $162 million.

. In February 1988, IFL, then a wholly owned subsidiary, completed an initial public offering (IPO) of shares of common stock. Until March of 1991, IMCERA owned 10 million shares of IFL common stock, less than a majority voting interest in IFL, and accounted for its investment in IFL by the equity method.

. In July 1988, a second public offering of common stock by IFL reduced the Company's 10 million share interest in IFL from 47 percent to 38 percent.

. In September 1988, the Company's holdings of IFL's Preferred Stock, Series A, were redeemed by IFL for $200 million.

. In November 1988, the Company issued $1.4 billion of zero coupon subordinated debentures which provided that, among other things, the holders had the option to exchange each debenture for shares of IFL common stock held by the Company. In conjunction with the sale and option agreement with IFL discussed below, as of July 1991 all of these debentures have been redeemed. See Note J-Debt in Notes to Consolidated Financial Statements for additional information.

- In July 1989, the Company acquired Coopers Animal Health for $218 million in cash plus the assumption of liabilities.

- In July 1989, IMCERA redeemed 1,236,077 shares of its $3.75 Series A preferred stock for cash of $65 million. The balance of 1,302,123 shares was converted into approximately 1,586,000 shares of IMCERA common stock.

- In April 1990, following IMCERA's call for redemption for cash, all of the 1,398,000 outstanding shares of Series B preferred stock were converted into approximately 1,770,000 shares of IMCERA common stock.

- In June 1990, shareholders approved changing the Company's name from International Minerals & Chemical Corporation to IMCERA Group Inc.

- From August 1987 through October 1990, under authorization from the Company's Board of Directors, the Company repurchased 9,223,557 shares of its outstanding common stock (including the common stock equivalency of its Series A and B Preferred) for an aggregate cost of $386.2 million, or an average cost of $41.87 per share. In April 1991, this continuing authorization was suspended by the Board of Directors incident to the authorization of the equity offering discussed below. (However, with Board approval, purchases may resume pursuant to this program.)

- In March 1991, the Company entered into a sale and option agreement with IFL under which IFL purchased, between March and July 1991, the 10 million shares of IFL common stock owned by IMCERA for total net proceeds to IMCERA of $384.6 million. As of July 1991, IMCERA no longer owned any IFL shares. See Note A-Changes in Business in Notes to Consolidated Financial Statements for additional information.

- In April 1991, the Company paid $217.4 million to redeem one-half of the zero coupon exchangeable subordinated debentures and in July 1991, paid $221.7 million for the redemption of the remainder.

- In April 1991, the Company completed a public offering of 2 million shares of IMCERA common stock for net proceeds of $189.9 million to be used for general corporate purposes.

Other recent acquisitions and divestitures are described in the discussions of the business segments.

Four Reminders

In this report:

IMCERA Group Inc. and its subsidiaries, collectively, are called the "Company," the "Corporation," or "IMCERA," unless otherwise indicated by the context. The Company has three business segments: Mallinckrodt Medical, Mallinckrodt Specialty Chemicals, and Pitman-Moore.

The term "operating earnings" of a business segment represents that business segment's revenues, including sales to other IMCERA business segments, less all operating expenses. Operating expenses of a business segment do not include interest expense, corporate income and expense, and taxes on income.

Also, unless otherwise noted, the reference to years is fiscal years ended June 30.

Registered trademarks are indicated by an asterisk.

MALLINCKRODT MEDICAL

Mallinckrodt Medical sales in millions of dollars were:

(in millions) Years ended June 30	1991	1990	1989
Net sales			
Radiology & Cardiology	$ 232.0	$ 163.4	$ 110.2
Nuclear Medicine	129.5	101.8	91.2
Anesthesiology & Critical Care	151.0	134.6	119.2
	$ 512.5	$ 399.8	$ 320.6

Mallinckrodt Medical products are instrumental in the delivery of health care services and are sold to hospitals, clinical laboratories, and other customers on a worldwide basis. They are related by a high degree of innovation and technology, by regulation from agencies such as the U.S. Food and Drug Administration (FDA), and by markets served. They are significantly affected by conditions within the health care industry. An aging population and demand for technologically superior products to improve the quality of life and lower the cost of care are two major factors fueling growth within the industry.

Principal products of this industry segment are x-ray contrast media and radiopharmaceuticals for medical diagnostic procedures and disposable medical devices and instruments and systems for use in surgical procedures and critical care.

Mallinckrodt Medical focuses on five specialty businesses providing advanced, innovative products for radiology, cardiology, nuclear medicine, anesthesiology, and critical care. Specialized sales, marketing and general management resources have been established to service these markets.

Radiology & Cardiology

Radiology products include iodinated contrast media (ionic and nonionic) and catheters for use in studies of the brain, abdominal organs, renal system, peripheral vascular system and other areas of the body to aid in diagnosis and therapy. These products are marketed principally by a direct sales force. In June 1989, Optiray*, one of the new generation of nonionic contrast media which contributes to better patient tolerance and comfort, was introduced in the United States. Acceptance of the product in the marketplace is exceeding expectations. Optiray* was introduced internationally in fiscal 1991, and to meet growing demand, a major increase in production capacity will be completed in the fall of 1991 to support international expansion and continued U.S. growth. Under a 10-year exclusive agreement, Yamanouchi Pharmaceutical Co., Ltd., will distribute Optiray* in Japan beginning in calendar 1992. In fiscal 1990, Mallinckrodt Medical introduced Ultraject*, a patented innovation in contrast media agent administration. Mallinckrodt Medical is the only company supplying this unique prefilled, plastic syringe which gives radiologists a more efficient, convenient and safer method of delivering contrast agents.

The cardiology business is dedicated exclusively to helping cardiologists visualize the coronary arteries and chambers of the heart to diagnose heart disease or to aid in performing therapy. The business offers both ionic and nonionic x-ray contrast media, along with interventional cardiology catheters. These products are sold directly to hospitals, principally by a dedicated sales force. During 1989, Mallinckrodt Medical acquired a minority equity position in Molecular Biosystems, Inc. of San Diego, California, and obtained exclusive marketing rights in the Western Hemisphere for Albunex*, a new ultrasound image-enhancing agent. The pre-market approval filing with the FDA occurred in May 1991. Molecular Biosystems, Inc. estimates Albunex* will be approved by the FDA before the end of 1991 and launched in the U.S. during calendar 1992.

The company's largest developmental effort is directed at products for magnetic resonance imaging (MRI), primarily in neurology, oncology and cardiovascular applications. Mallinckrodt Medical has already obtained U.S. and Canadian marketing rights from Advanced Magnetics to an MRI medium for upper gastrointestinal tract imaging which is expected to be filed with the FDA in 1992.

Nuclear Medicine

Nuclear medicine includes radiopharmaceuticals used to provide images of numerous body organs and diagnose and treat diseases. Consulting services are also provided. In 1990, Mallinckrodt Medical introduced Technescan* MAG3* to the U.S. market for improved imaging of kidneys and the renal system. Unlike x-rays, a nuclear medicine scan utilizing MAG3* can accurately assess renal tubular function. Additionally, the company entered into a research and licensing agreement with Biogen, Inc. in July 1991 to develop nuclear imaging products for blood clots and has an agreement with NeoRx of Seattle to develop radiopharmaceuticals with monoclonal antibodies for detection of cancer. Two diagnostic products for melanoma and small-cell lung cancer are awaiting FDA approval. Nuclear medicine products are sold directly or through a nationwide network of nuclear pharmacies to hospitals and clinics in the U.S., and internationally through direct sales forces and distributors.

Anesthesiology & Critical Care

Anesthesiology products include continuous core temperature monitoring systems, tracheal tubes, and other airway management products. Continuous core temperature monitoring systems are utilized in surgical procedures and are marketed directly and through distributors in the U.S. Airway management products consist of basic and specialty tracheal tubes used in hospitals for maintaining a secure airway during anesthesia. Airway products are marketed principally through hospital supply distributors in the U.S. Internationally, airway and temperature monitoring systems are marketed directly and through distributors. In addition, the company is capitalizing on the rapid conversion to disposable tracheal tubes in Europe by expanding its anesthesiology products plant in Athlone, Ireland.

In critical care, Mallinckrodt Medical provides instruments and systems to monitor blood gases and electrolytes in the operating room and intensive care unit. Mallinckrodt Medical also markets the world's first bedside blood gas and electrolyte monitors, GEM-STAT*, for use in intensive care units, emergency rooms and operating suites and GEM-6*, for use in open heart surgery. The company's newest analyzer -- the GEM Premier -- was introduced in the summer of 1991 and is user friendly, high capacity, and more cost-effective than any whole-blood analyzer that preceded it. The GEM Premier will be utilized in intensive care units as well as in hospital stat and central laboratories. These products are sold directly to hospitals in the U.S. and through direct sales forces and distributors in international markets.

Mallinckrodt Medical's U.S. production and distribution facilities are located in Missouri, North Carolina, New York, Texas, California, Illinois, and Michigan. Twenty-six radiopharmacies are located in large metropolitan markets throughout the U.S. for dosage form distribution of radiopharmaceuticals to hospitals and clinics. Facilities outside the U.S. are located in Europe, the Far East, Canada, Australia, and Latin America.

MALLINCKRODT SPECIALTY CHEMICALS

Mallinckrodt Specialty Chemicals sales in millions of dollars were:

(in millions) Years ended June 30	1991	1990	1989
Net sales			
Ongoing operations			
Drug & Cosmetic Chemicals	$ 223.8	$ 185.5	$ 158.1
Catalysts & Performance Chemicals	156.6	132.0	119.2
Flavors	70.0	59.0	47.7
Science Products	53.7	50.6	45.1
	504.1	427.1	370.1
Divested operations		17.3	29.6
	$ 504.1	$ 444.4	$ 399.7

Mallinckrodt Specialty Chemicals products are sold to a variety of markets. These products possess a higher degree of technology and service than is required by commodity chemicals. Generally, they are sold as intermediates which are used by customers worldwide as components, ingredients, or reagents, rather than as final consumer products. Many of Mallinckrodt Specialty Chemicals products are processed in multi-purpose manufacturing facilities. These products are also subject to government regulation and industry standards, including FDA-mandated "Good Manufacturing Practice."

Principal products in this industry segment are drug chemicals, cosmetic chemicals, high-purity performance chemicals, catalysts, flavors, laboratory chemicals, and electronic chemicals.

Drug & Cosmetic Chemicals

Drug chemical products include analgesics such as codeine salts and other opium-based narcotics used to treat pain and cough, and acetaminophen (APAP) used to control pain and reduce fever. In 1991, productivity improvements increased capacity at the company's APAP facility in Raleigh, North Carolina. The Derbyshire, England facility is being expanded and modernized at a cost of $10 million. When completed in 1992, capacity at Derbyshire will nearly double and unit costs will be reduced. Other drug chemical products include narcotic/acetaminophen combination products; Toleron* brand of ferrous fumarate which stimulates the formation of red blood cells; and various salts and excipients. These products are marketed by Mallinckrodt Specialty Chemicals drug sales force. They are sold to the pharmaceutical industry for use in the manufacture of dosage-form drugs. Tannins used in clarifying wines and malt beverages were also produced and sold; the company exited this product line at year end. In 1991, Mallinckrodt Specialty Chemicals entered into a cooperative agreement with Star Biochemicals for production of pharmaceutical peptides and peptide building blocks at its St. Louis plant.

Cosmetic chemical products are sold directly and through agents to the personal care industry. These products include sunscreens used in tanning lotions, surfactants used as emollients and emulsifiers in hair care and skin care products, and pearlescent pigments used in the manufacture of a variety of cosmetic products.

Catalysts & Performance Chemicals

High-purity performance chemicals sold to industrial consumers include such products as calcium stearates and other metal soaps for use as lubricants in molded and extruded plastics; high performance monomers and several plastic additives for use as processing aids in the production of polymers; and potassium chloride for use as a "salt substitute" in low-sodium diets. Mallinckrodt Specialty Chemicals sells these products through distributors and its sales force.

Catalysts produced in Erie, Pennsylvania, are sold to the petrochemical and food industries. They include such products as platinum and palladium on carbon or alumina substrates; copper chromite; tableted, flaked, and droplet shapes of nickel catalyst; and a variety of custom catalysts. Catalysts are used to manufacture plasticizers, detergents, rubber products, insecticides, synthetic motor oil, and edible fats and oils. Catalysts are marketed by Mallinckrodt Specialty Chemicals sales force under the registered trademark Calsicat.

The company also produces basic aromatic fluorine intermediates for use in the manufacture of pharmaceuticals, pesticides, and engineering plastics. It is the world's number-one supplier of fluorobenzene. These products are marketed by Mallinckrodt Specialty Chemicals sales forces. Additionally, during 1991 Mallinckrodt Specialty Chemicals opened a new development center which will provide facilities needed to support the development of more advanced fluoroaromatic chemical compounds.

Flavors

The flavors business headquartered in Cincinnati, Ohio, is known as Fries & Fries. Products include liquid and powdered flavors, which are sold to the food, beverage, pharmaceutical, and tobacco industries. The flavors are used in such items as convenience foods and beverages; dry and liquid beverage mixes; cordials, cocktails, and wines; ice cream, cheese, and other dairy products; pharmaceutical products; cake and cookie mixes, snacks and other bakery products; and main meals and entrees. Production and distribution of these products are subject to regulation by such agencies as the FDA and the Bureau of Alcohol, Tobacco and Firearms. These products require a high level of expertise in the art of formulation and are subject to highly competitive marketing conditions. Distribution of products is accomplished primarily through direct sales and distributors. Fries & Fries supplies nearly every major food and beverage company in the U.S.

Science Products

Laboratory chemical products include high-purity reagent chemicals used in research and development and analytical laboratories. These high-purity products consist of hundreds of reagent chemicals sold through distributors to medical, industrial, educational, and governmental laboratories. Also included are a line of prescription chemicals, largely narcotic-based, which are sold to drug wholesalers.

Electronic chemical products include high-purity acids, solvents, and reagent chemicals which are sold directly and through distributors principally for use in the semiconductor industry for processing integrated circuits.

The Creations Aromatiques fragrance business was sold in 1990.

Mallinckrodt Specialty Chemicals' U.S. production and distribution facilities are located in Missouri, Pennsylvania, New Jersey, North Carolina, Ohio, and Kentucky. Operations outside the U.S. are located in Europe, Mexico, Canada, the Far East, and Australia.

PITMAN-MOORE

Pitman-Moore is one of the world's largest providers of products for improving the health and growth of animals. The company's global capabilities in distribution, marketing and manufacturing provide it with a significant competitive position in the market.

Pitman-Moore's operations support a product line of more than 1,000 products, one of the largest in the industry. Operations are located in 30 countries with distribution networks in an additional 90 nations and market development activity in the Soviet Union and China.

Pitman-Moore commands a significant presence in 23 of the top 25 animal health markets, with approximately 50 percent of its net sales outside the U.S.

The worldwide animal health market served is currently estimated at about $10.2 billion. Pitman-Moore participates in the fastest-growing segments of the market. These total more than $7.5 billion, and are growing at a rate of 4 to 6 percent annually. Pitman-Moore's growth is expected to be accomplished through increased leverage of a worldwide structure, development of new products from internally generated research, and access to technology from various pharmaceutical and biotechnology companies.

Cross-registration, or filing for approval of products already marketed in other regions of the world, is a key component of Pitman-Moore's geographic expansion efforts. Seventy-six new products have resulted from cross-registration to date. An additional 280 approvals are expected over the next three to five years.

Penetrating new markets, such as Japan and Spain, will add to the company's already considerable global presence.

Pitman-Moore's current position in the industry was significantly enhanced with the acquisition of Coopers Animal Health Group (Coopers) in July, 1989.

Coopers' vaccines, anthelmintics, antiprotozoals, antibacterials and a variety of therapeutic preparations greatly expanded Pitman-Moore's product lines.

Following the integration of Coopers, Pitman-Moore set up its operations by geographic region. Organizations in North America, Asia, Europe, Australia/New Zealand and Latin America are aligned for increased market focus and customer responsiveness. Pitman-Moore is able to sell directly to the consumer, veterinarian, distributor, dealer or agent, depending on the maximum market opportunity.

Pitman-Moore divides the world market into six strategic business units: animal productivity, antimicrobials, biologicals, parasiticides, veterinary specialties and feed ingredients.

Pitman-Moore sales in millions of dollars were:

(in millions) Years ended June 30	1991	1990(1)	1989
Net sales			
Ongoing operations			
Animal Productivity	$ 51.9	$ 49.4	$ 33.9
Antimicrobials	68.8	62.0	12.5
Biologicals	106.4	100.3	24.2
Parasiticides	145.9	132.9	21.7
Veterinary Specialties and Other	72.4	69.7	30.9
Total Animal Health	445.4	414.3	123.2
Feed Ingredients	177.5	166.1	131.2
	622.9	580.4	254.4
Divested operations			8.2
	$ 622.9	$ 580.4	$ 262.6

(1) Coopers Animal Health was acquired on July 5, 1989, and its results were consolidated after that date.

Animal Productivity

The worldwide animal productivity market, currently estimated at a size of $1.8 billion, should expand at a considerably faster rate than the rest of the animal health market. Pitman-Moore's most consistent performer in this market is Ralgro*, the leading growth promotant for cattle and feedlot sheep. Growth potential beyond North American markets for this product exists in Middle Europe, the Soviet Union and Third World countries.

Pitman-Moore has several major products in development.

Grolene* (porcine somatotropin), a swine carcass modifier, is currently under review by the FDA and regulatory agencies in Australia and New Zealand. Published studies have shown that porcine somatotropin reduced fat content, increased muscle growth, improved feed efficiency and enhanced growth rate. The annual world market for Grolene* could be in excess of $550 million. Pitman-Moore believes it could be the first to market this new product.

Pitman-Moore also is developing products for cattle. Lysocellin and tetronasin, two novel, second-generation rumen modifiers, are currently under review by the FDA. Studies have demonstrated that these products improved average daily gain and feed efficiency in cattle. These products will compete in a worldwide annual market of approximately $100 million.

Clinacox*, an anticoccidial for chickens and turkeys, was introduced in Mexico, Argentina and Ecuador during 1991. A New Animal Drug Application (NADA) has been submitted in the U.S. The world market is estimated to be $350 million annually.

Paracox*, which prevents poultry coccidiosis, was launched in the U.K. during 1991. The vaccine works by stimulating the immune system. Paracox* registrations have been filed in other European countries. The worldwide annual market is expected to be approximately $40 to $50 million.

Pitman-Moore continues to develop a biological wool harvesting system in collaboration with the Australian Wool Corporation and an Australian government research institute. A natural protein, epidurmal growth factor, makes it possible to detach wool by hand, instead of shearing, after an injection. The product is expected to be filed for approval in the mid-1990's.

Antimicrobials

Pitman-Moore is a leader in the $1.6 billion global antimicrobials market, which includes antibacterials and antifungals. Led by well-known brands and new product introductions, sales are expected to exceed market growth rates.

Two broad-spectrum antibacterials, Zaquilan* and Diprinovet*, are being introduced in 1992 for food and companion animals. They were developed at Pitman-Moore's research and development center in Harefield, U.K. The combined world market for these products is approximately $300 million annually.

In its first full year of sales, Clinafarm*, an antifungal for poultry hatcheries, performed well. Clinafarm* is used to control the fungus, Aspergillus. In the U.S., it competes in a $25 million market.

Butalex*, a unique treatment for theileriosis in cattle, was launched in April 1991. A highly effective product, Butalex* helps control this tick-transmitted disease which costs equatorial nations more than $8 billion annually.

Biologicals

While the $1.3 billion biologicals market is growing at just 1 percent annually, Pitman-Moore's sales are expected to exceed that rate based on its strong market presence and geographic expansion of poultry products.

In 1991, Pitman-Moore launched a feline leukemia vaccine, GenetiVac* FeLV, in the U.S., which has a cat population of approximately 55 million. It is the first recombinant vaccine for this fatal disease. Cats must have an annual booster shot for complete protection.

A variety of vaccines based on new technology are being developed along with new delivery systems. To meet Pitman-Moore's global vaccine requirements, $37 million is being invested to construct two world class facilities, one in New Zealand and the other in Germany.

Parasiticides

With a global presence unmatched by its competition, Pitman-Moore's growth rates are expected to exceed growth rates projected for the $1.6 billion parasiticides market. This is the company's second largest segment in sales, and new branded products will drive growth.

EXspot*, a canine topical flea control product that also protects against deer ticks (carriers of organisms that cause Lyme disease), was successfully introduced in the U.S. in June 1991. Marketed through veterinarians, the product is applied in one or two spots on a dog's back. Ease of application and long-term protection are making EXspot* extremely popular. The world veterinary market for this product is estimated to be $125 million, with $80 million in the U.S. EXspot* is awaiting regulatory approval in Europe and Australia.

In August 1990, Pitman-Moore acquired the U.S. marketing rights to Tramisol* from American Cyanamid Company in exchange for the North American marketing rights to Baciferm*, a brand of zinc bacitracin.

The addition of Tramisol* gives Pitman-Moore a strong position in the levamisole market, one of the broadest spectrum anthelmintics available. The company markets levamisole under the trade names Levasole* and Totalon* for use in swine, cattle and sheep.

In June 1991, Pitman-Moore acquired manufacturing technology and worldwide marketing rights to Warbex* from American Cyanamid in exchange for manufacturing technology rights to Baciferm*. Warbex*, a pour-on insecticide used to control grubs and lice infestations in cattle, provides Pitman-Moore with an established, effective product that broadens its existing global cattle parasiticide business.

Veterinary Specialties

In the $800 million worldwide veterinary specialties market, Pitman-Moore is a leading supplier of companion animal pharmaceuticals and surgical products. Sales are expected to increase at rates greater than the market's 3 to 4 percent annual rate as the company continues to concentrate on maintaining premier brand positions in profitable segments.

The company has two fast-acting, injectable anesthetic products for companion animals, Rapinovet* and Saffan*, as well as an inhalation anesthestic Metofane*. The world market for these products is approximately $30 million.

Estrumate*, a prostaglandin that regulates the estros cycle in cattle and horses, is a major product in its market.

Pitman-Moore's extensive veterinary marketing system enables it to sell products from other companies. It is a leading veterinary distributor of Johnson & Johnson surgical products.

Feed Ingredients

A nearly $950 million worldwide market, feed ingredients is the largest segment of Pitman-Moore's sales. The company has the largest share of the North American market and a sizeable position worldwide. By capitalizing on its low-cost producer status and continued geographic expansion, sales are expected to exceed the market's annual growth rate.

Pitman-Moore has a strong brand position in this market with feed supplements such as Monofos*, Biofos*, Dynafos*, Multifos*, Dyna-K* and Dynamate*.

As a result of the Coopers acquisition, the company has expanded its distribution of feed ingredients into new markets, including Latin America and the Pacific Rim.

Pitman-Moore owns a feed phosphate plant adjacent to the IFL New Wales phosphate chemical complex. Under an agreement, IFL supplies utilities and operates the Pitman-Moore feed plant at cost.

Pitman-Moore also contracts with IFL for key raw materials including phosphoric acid, phosphate rock, and anhydrous ammonia, at prices based on a market-related formula. IFL also supplies Pitman-Moore's requirements of animal feed-grade potassium products. In the event these supply agreements are terminated, the company believes there are adequate sources of supply from other producers.

GENERAL FACTORS RELATED TO BUSINESS SEGMENTS

None of IMCERA's business segments is dependent upon any single customer or group of related or affiliated customers whose loss would have a material effect on its sales and operating results.

In general, IMCERA's business segments, including related working capital requirements, are not materially affected by seasonal factors.

IMCERA's business segments do not extend long-term credit to customers. The Company believes this non-extension of credit as well as its working capital requirements are not materially different from the credit policies and working capital requirements of its competitors.

Competition with foreign and domestic manufacturers in IMCERA's business segments involves price, service, quality, and the development of technology and is strong in all markets served.

IMC FERTILIZER GROUP, INC. (IFL)

IFL's business was for many years the principal business of the Company. In 1987, IFL was incorporated in Delaware as a wholly owned subsidiary of IMCERA, and as a result of public offerings of IFL common stock in February and July 1988, the ownership by IMCERA decreased from 100 percent to about 38 percent of the outstanding common stock. At June 30, 1991, the Company had a 16 percent interest in IFL all of which was sold in July 1991. Additionally, IMCERA no longer has representation on IFL's Board of Directors. These changes occurred in conjunction with the March 1991 sale and option agreement with IFL noted above under "The Transition of the Company" on page 1 and in Note A-Changes in Business in Notes to Consolidated Financial Statements.

A detailed discussion of IFL's business and properties is incorporated herein by reference to Item 1. Business in IFL's Annual Report on Form 10-K for the fiscal year ended June 30, 1991.

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The following discussions of IMCERA's international operations, research and development, environmental matters, employees, labor relations, and legal proceedings do not include consideration of IFL's operations. Such discussion relative to IFL is also incorporated herein by reference to Item 1. Business, Item 2. Properties, and Item 3. Legal Proceedings in IFL's Annual Report on Form 10-K for the fiscal year ended June 30, 1991.

See also Note E-Investment in IFL in the Company's Notes to Consolidated Financial Statements and Note 6-Insurance Claim Receivable in IMC Fertilizer's Notes to Consolidated Financial Statements for additional information.

INTERNATIONAL OPERATIONS

Foreign operations and investments are subject to risks customarily encountered in such operations and investments, including fluctuations in currency exchange rates and controls, expropriation, and other economic, political, and regulatory policies of local governments and laws and policies of the United States affecting foreign trade and investment.

IMCERA sales outside the U.S. represented 34 percent of consolidated net sales in both 1991 and 1990. Products are manufactured and marketed through a variety of subsidiaries, affiliates, and joint ventures around the world. See discussions of individual business segments included under Item 1, Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 21-29 and Note P-International Operations in Notes to Consolidated Financial Statements for additional information.

OTHER ACTIVITIES

Research and Development

The Company performs applied research directed at development of new products, development of new uses for existing products, and improvement of existing products and processes. Research and development programs include laboratory research as well as product development and application.

Mallinckrodt Medical research and development efforts are coordinated on a worldwide basis by a senior scientist. Research and development of imaging and therapeutic products are carried on by a centralized organization. Research and development for anesthesia and critical care are performed within these businesses. Mallinckrodt Medical's various development activities are focused on market place need.

Mallinckrodt Specialty Chemicals research and development are organized within its operating divisions to focus technical resources on the development of new and improved products meeting defined market and customer needs. Technical personnel for process support are located at each manufacturing location. Internal research effort is supplemented with third party and university technical agreements.

Pitman-Moore currently has more than 35 products under development through a global network of research and development centers. These products include vaccines, growth enhancers, and parasiticides for livestock, poultry and companion animals. To supplement its own research, Pitman-Moore has technical agreements with various pharmaceutical and biotechnology companies.

IMCERA's businesses also perform applied research in pollution monitoring and control.

Patents, Trademarks, and Licenses

IMCERA owns a number of patents and trademarks, has pending a substantial number of patent applications, and is licensed under patents owned by others. No single patent is considered to be essential to the businesses as a whole, but in the aggregate, the patents are of material importance to the Company's business.

Environmental Matters

IMCERA is subject to various environmental laws and regulations in the United States and foreign countries in which it operates. IMCERA has handled, and will continue to handle, materials and wastes classified as hazardous or toxic by one or more regulatory agencies. Although significant capital expenditures, as well as operating costs, have been incurred and will continue to be incurred on account of the laws and regulations governing the handling of these materials, and although there are inherent and unquantifiable risks in mishandling, or potential accidents involving, hazardous or toxic materials and wastes, IMCERA does not believe they have had or will have a material adverse effect. However, IMCERA cannot predict the impact of new or changed laws or regulations. (See also Item 3. Legal Proceedings.)

Most of the Company's environmental capital expenditures are in response to provisions of the U.S. Clean Air Act, the U.S. Water Pollution Control Act, the U.S. Resource Conservation and Recovery Act, the Comprehensive Environmental Response Compensation and Liability Act, and the land use, air, and water protection regulations of the various localities and states.

Capital expenditures worldwide related to air emission control, wastewater purification, land reclamation, and solid waste disposal totaled approximately $11 million in 1991. IMCERA expects that environmental capital expenditures over the next two years will average about $15 million per year.

Various U.S. Federal, state, municipal, and foreign laws and regulations, govern the production, packaging, labeling, and distribution of a number of the Company's products.

See also Note S-Contingencies in Notes to Consolidated Financial Statements for additional information.

Employees

IMCERA had 9,800 employees at June 30, 1991. The workforce at June 30, 1991, consisted of 5,900 U.S. and 3,900 employees outside the U.S. Employees by business segment are: Mallinckrodt Medical -- 3,600; Mallinckrodt Specialty Chemicals -- 2,500; and Pitman-Moore -- 3,500.

Labor Relations

The Company has seven collective bargaining agreements within the U.S. with seven U.S. international unions or their affiliated locals covering about 600 employees. One agreement covering less than 5 percent of the hourly work force was negotiated during 1990 and five agreements covering 23 percent of the hourly work force were negotiated during 1991, all with no work stoppages. One agreement covering 45 employees will expire in 1992. Five Mallinckrodt Medical and Mallinckrodt Specialty Chemical operating locations outside the U.S. have collective bargaining agreements and/or work counsel agreements covering about 800 employees. Most of the Pitman-Moore operating locations outside the U.S. have collective bargaining agreements and/or work counsel agreements covering approximately 1,000 employees. Resulting wage and benefit increases were consistent with competitive industry and community patterns.

Item 2. Properties

Information regarding the plant and properties of IMCERA is included in Item 1. Business.

Item 3. Legal Proceedings

IMCERA is a defendant in a number of lawsuits. Management believes that these suits will not have a material effect on the Company's financial condition or the conduct of any of its businesses. Except in respect of matters not as yet fully evaluated, as stated below, this conclusion applies also to pending and threatened environmental matters described below.

The previously reported Lick Mill Creek Apartments and Prometheus Development Co. versus IMCERA litigation in the U.S. District Court in San Francisco, California, has been settled. The Company is undertaking the remediation ordered by the California Department of Health Services at this site (which had been sold in 1980) at an estimated cost which will have no material effect on the Company's financial condition.

In the previously reported litigation brought by the State of Michigan in the U.S. District Court in Detroit involving environmental matters at a drum reconditioning facility in Pontiac, Michigan, which the Company sold in 1976, IMCERA has reached a settlement in principle with the State. The Company cannot predict the outcome until the negotiation of the final settlement is completed, but believes the result will not be material.

In the previously reported remand by the U.S. Court of Appeals for the First Circuit to the U.S. District Court in Concord, New Hampshire, the Company and the U.S. Environmental Protection Agency (EPA) continue to negotiate terms of a settlement regarding soil and groundwater remediation at the Kingston, New Hampshire, site (sold in 1976). IMCERA cannot predict the outcome of the negotiations but continues to believe that the result will not be material.

In the previously reported litigation by the U.S. EPA against the Company and other companies concerning alleged pollution of a stream near Ashtabula, Ohio, designated as "Fields Brook", where the Company once operated a plant, there have been no significant developments.

IMCERA recently reported settlement of the Hanlin Group, Inc. versus IMCERA litigation in Bangor, Maine. Hanlin has subsequently filed for Chapter 11 bankruptcy. The trustee in bankruptcy has the option of rejecting the settlement agreement but, as yet, the Company has no indication one way or another on this matter. The Company previously reported the transfer of the Hanlin versus IMCERA claims involving the Company's former Ashtabula, Ohio, plant from Bangor, Maine, to the U.S. District Court in Cleveland, Ohio. There have been no significant developments in this private litigation.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the three months ended June 30, 1991.

EXECUTIVE OFFICERS OF THE REGISTRANT

The ages and five-year employment history of IMCERA's executive officers at June 30, 1991, were as follows:

George D. Kennedy
Age 65. Chairman and Chief Executive Officer since August 1986; Chief Executive Officer since October 1983; President from May 1978 to August 1986; Director since October 1975.

M. Blakeman Ingle
Age 49. President and Chief Operating Officer since July 1990 and a director since October 1990; Executive Vice President from March 1989 to July 1990; President of Pitman-Moore, Inc. from July 1988 to August 1990; Senior Vice President and Chief Administrative and Technical Officer from July 1987 to March 1989; Vice President from May 1980 to July 1987.

Raymond F. Bentele
Age 54. Executive Vice President since March 1989 and Vice Chairman of the Board since October 1990; Senior Vice President from October 1986 to March 1989; Chief Executive Officer of Mallinckrodt, Inc. since 1981; President of Mallinckrodt, Inc. since December 1978.

James C. Bryan
Age 64. Vice President since February 1986; Corporate Staff Vice President from October 1978 to February 1986. Retired from the Company August 1, 1991.

Kenneth J. Burns, Jr.
Age 64. Vice President and General Counsel since March 1979. Secretary since March 1988.

Ashok Chawla
Age 42. Vice President, Strategic Management since July 1991; Vice President Strategic Planning and Business Development of Pitman-Moore, Inc. from August 1990 to July 1991; Division Director, Finance and Administration for Mallinckrodt, Inc. - Europe from August 1988 to August 1990; Executive Assistant, Office of the President for Mallinckrodt, Inc. from April 1986 to August 1988.

A. Jacqueline Dout
Age 36. Vice President and Treasurer since February 1991; Acting Treasurer from June 1990 to February 1991; Assistant Treasurer and Corporate Staff Vice President from June 1988 to May 1990; Assistant Treasurer for Koppers Company, Inc. from April 1981 to June 1988.

Beverley L. Hayes
Age 52. Vice President, Organization and Human Resources since November 1990; Senior Vice President, Human Resources of Pitman-Moore, Inc. from September 1990 to November 1990; Vice President Human Resources of Pitman-Moore, Inc. from July 1989 to September 1990; Director Compensation and Benefits of IMCERA from October 1985 to July 1989.

Elizabeth M. Higashi
Age 39. Vice President, Corporate Communications since February 1986; Corporate Staff Vice President from August 1985 to February 1986; Vice President for SFN Companies, Inc. from April 1984 to August 1985. Scheduled to leave the Company on October 1, 1991.

C.R. (Ray) Holman
Age 48. Vice President, IMCERA since October 1990 and President and Chief Executive Officer, Mallinckrodt Medical, Inc. since January 1989; Group Vice President of the Medical Products Group, Mallinckrodt, Inc. from September 1985 to January 1989.

Mack G. Nichols
Age 53. Vice President, IMCERA since October 1990 and President and Chief Executive Officer of Mallinckrodt Specialty Chemicals Company since January 1989; Vice President of the Chemical Group, Mallinckrodt, Inc. from April 1982 to January 1989.

John F. Sonderegger
Age 60. Vice President, Financial Management since November 1990; Vice President and Controller from December 1974 to November 1990.

William B. Stone
Age 48. Vice President and Controller since November 1990 and Vice President for Mallinckrodt, Inc. since April, 1983; Assistant Controller and Corporate Staff Vice President from October 1989 to November 1990.

Boyd D. Wainscott
Age 47. Vice President, IMCERA since October 1990 and President and Chief Executive Officer, Pitman-Moore, Inc. since August 1990; Executive Vice President, Pitman-Moore, Inc. from July 1989 to August 1990; Senior Vice President, Marketing for Pitman Moore, Inc. from April 1987 to July 1989; Executive Director, Sales and Marketing, Agricultural Products, Stauffer Chemical Corporation until April 1987.

All of IMCERA's officers are elected annually, with the terms of the officers listed above to expire in October 1991. No "family relationships," as that term is defined, exist among any of the listed officers.

Part II.

Item 5. Market for the Registrant's Common Stock and Related Stockholder Matters

COMMON STOCK PRICES AND DIVIDENDS

Quarter	First	Second	Third	Fourth
Fiscal 1991				
Dividends per common share	$ .25	$ .25	$ .25	$ .25
Common stock prices				
High	61-5/8	75	100-1/2	110-1/2
Low	48	52-1/4	67-1/4	89-3/4
Fiscal 1990				
Dividends per common share	$ .25	$ .25	$ .25	$ .25
Common stock prices				
High	55-1/2	53-1/8	59-1/2	62-1/8
Low	42-3/8	46-1/8	52	55-3/8

The principal market on which IMCERA's common stock is traded is the New York Stock Exchange. Common stock prices are from the composite tape for New York Stock Exchange issues as reported in The Wall Street Journal.

As of August 31, 1991, the number of registered holders of common stock, as reported by the Company's registrar, was 9,843.

Item 6. Selected Financial Data
(Dollars in millions except per share amounts)

Years ended June 30	1991(2)	1990(2)	1989(2)	1988(3)	1987(4)
Net sales	$1,633.9	$1,424.6	$ 982.9	$ 932.0	$ 817.5
Earnings from continuing operations	$ 97.2	$ 55.3	$ 53.4	$ 46.3	$ 2.5
Income (loss) from discontinued operations(5)	(9.0)	1.2	63.6	52.6	23.4
Extraordinary items				14.6	(4.8)
Net earnings	88.2	56.5	117.0	113.5	21.1
Preferred stock dividends	.4	4.2	14.4	16.2	12.5
Available for common shareholders	$ 87.8	$ 52.3	$ 102.6	$ 97.3	$ 8.6
Per Common Share Data(6)					
Earnings (loss) from continuing operations	$ 4.11	$ 2.36	$ 1.70	$ 1.13	$ (.36)
Net earnings	3.73	2.42	4.49	3.66	.31
Dividends declared	1.00	1.00	1.00	1.00	1.00
Book value	43.25	35.92	33.69	32.24	30.35
Average common shares (in millions)	23.5	21.7	22.8	26.6	27.3

OTHER DATA (Dollars in millions)					
Total assets	$2,250.2	$2,130.9	$1,971.6	$1,793.8	$2,434.2
Working capital	409.0	311.1	594.6	507.8	205.9
Current ratio	1.6:1	1.8:1	3.3:1	2.7:1	1.4:1
Total debt	$ 643.4	$ 837.4	$ 773.7	$ 407.7	$ 857.3
Deferred income taxes	48.0	52.9	42.8	29.4	24.9
Shareholders' equity	1,084.2	824.8	888.2	1,027.7	1,069.0
Invested capital	1,775.6	1,715.1	1,704.7	1,464.8	1,951.2
Total debt/invested capital	36%	49%	45%	28%	44%
Capital expenditures	$ 123.4	$ 85.7	$ 82.2	$ 81.2	$ 62.5
Total dividends declared	23.7	25.8	36.9	42.6	40.4
Common shares outstanding (in millions)	25.1	22.7	20.2	25.5	27.3
Number of employees	9,800	9,600	6,900	6,900	12,900

(1) All years have been restated to reflect IFL results and related interest charges on a discontinued basis. See Note A of Notes to Consolidated Financial Statements.

(2) See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a description of nonrecurring items.

(3) Included restructuring charges totaling $20.4 million, $12.6 million after taxes, or $.47 a share, net nonrecurring gains of $48.8 million, $31.1 million after taxes, or $1.15 a share, principally from the sale of various operations and an extraordinary gain of $14.6 million, or $.55 a share, from the utilization of a net operating loss carryforward.

(4) Included an extraordinary charge of $4.8 million, net of income tax benefit of $.9 million, or $.18 a share, from the Company's redemption of its 11.875 percent debentures.

(5) See Note A of Notes to Consolidated Financial Statements for information on discontinued operations in 1991, 1990, and 1989. The restatement of IFL results to discontinued operations in 1988 and 1987 reduced earnings from continuing operations by $57.6 million, or $2.17 a share, and $12.1 million, or $.44 a share, respectively. Restatements included a 1988 nonrecurring loss of $32.5 million, or $1.22 a share from the IFL IPO, and a 1987 gain of $9.0 million, or $.33 a share, from a contract settlement. The IFL restatment reduced sales for 1988 and 1987 by $538.6 million and $820.0 million, respectively. Discontinued operations for 1988 also included after-tax charges of $5.0 million, or $.19 a share, for environmental and litigation costs related to operations previously sold. The disposal of IMCERA's gas and oil and industrial products segments resulted in income from discontinued operations in 1987 of $11.3 million, or $.41 a share, from adjustments of losses provided in 1986 in anticipation of these transactions.

(6) Primary per common share basis.

Item 7. Management's Discussion and Analysis of
Financial Condition and Results of Operations

OVERVIEW

IMCERA's fiscal 1991 earnings from continuing operations increased 76 percent over last year to $97.2 million, or $4.11 a share. Corresponding earnings in 1990 were $55.3 million, or $2.36 a share. Net earnings were up 56 percent to $88.2 million.

Net sales and operating earnings for the Company's three businesses were significantly higher than last year. Net sales for 1991 were $1,633.9 million, compared with $1,424.6 million in 1990, a 15 percent increase. Operating earnings were $184.6 million in 1991, a 64 percent increase from 1990 results.

In March 1991, the Company entered into a sale and option agreement with IMC Fertilizer Group, Inc. (IFL) regarding the 10 million shares of IFL common stock which IMCERA owned. As a consequence of such agreement, the Company's financial statements have been restated for all periods presented to reflect the results of IFL on a discontinued basis and the Company changed from the equity to the cost method of accounting for this investment effective April 1, 1991. The agreement and the effects of this restatement are discussed in Note A of Notes to Consolidated Financial Statements.

Certain unusual and nonrecurring items in 1990 and 1989 affect year-to-year comparisons.

In 1990, earnings from continuing operations included favorable adjustments from the conclusion of income tax audits that amounted to $11.9 million after taxes, or $.55 a share, from lower income taxes and higher interest income. That benefit was partially offset by after-tax restructuring charges of $3.0 million, or $.14 a share, and charges for compensation plans tied to the price of IMCERA's common stock that amounted to $2.4 million after taxes, or $.11 a share.

In 1989, earnings from continuing operations included favorable adjustments from the conclusion of income tax audits that amounted to $16.6 million after taxes, or $.73 a share, from lower income taxes and related interest charges. Such earnings also included an after-tax gain from the sale of a business, $2.4 million, or $.10 a share.

In the following discussions of operating results reference is made to ongoing operations and divested operations. Except for the 1990 gain of $5.2 million after taxes from the sale of a fragrance business, these elements of operating results are included in results from continuing operations in the Consolidated Statement of Earnings.

MALLINCKRODT MEDICAL

(in millions) Years ended June 30	1991	1990	1989
Net sales			
Radiology & Cardiology	$ 232.0	$ 163.4	$ 110.2
Nuclear Medicine	129.5	101.8	91.2
Anesthesiology & Critical Care	151.0	134.6	119.2
	$ 512.5	$ 399.8	$ 320.6

1991 vs. 1990

Results in 1991 showed strong improvement from 1990. Operating earnings increased 73 percent to $86.9 million on net sales of $512.5 million, up 28 percent.

Net sales of radiology and cardiology products increased 42 percent. Optiray, the company's nonionic x-ray contrast medium introduced in June 1989, was the most significant contributor to the net sales and earnings improvements. Optiray sales growth continued strong in the U.S., while international introduction began in the latter part of the year. The $42 million Optiray manufacturing plant expansion, to be completed in the fall of 1991, will double production capacity to support the international expansion and U.S. growth. U.S. sales of Hexabrix also increased substantially.

Nuclear medicine product net sales increased 27 percent from last year. Higher net sales and improved earnings were attributable, in part, to the introduction of Technescan MAG3, a product for imaging of the kidneys and the renal system. Other major factors were utilization of double injections of thallium by physicians for improved imaging of organ and tissue function, increased thallium sales associated with a new pharmacology stress test utilized by physicians, and improved manufacturing performance in the U.S. Higher European sales volume and favorable exchange rates were additional factors.

Net sales of anesthesiology and critical care products increased 12 percent. Strong sales of critical care products from higher instrument and disposable cartridge volume were partially offset by increased selling and marketing costs associated with the launch of the GEM Premier blood gas analyzer. Higher anesthesiology sales volume, principally Europe, and favorable exchange rates also contributed to the growth.

1990 vs. 1989

Operating results in 1990 increased significantly over those of the prior year. Net sales increased 25 percent to $399.8 million, due primarily to volume growth.

Operating earnings increased 28 percent to $50.3 million in 1990. The higher operating earnings were mainly attributable to the improvement in sales performance which was partially offset by increased costs associated with selling and marketing organizations to support new and existing product lines and higher levels of spending which were devoted to development of new products.

Net sales of radiology and cardiology products increased 48 percent to $163.4 million. Most of the growth came in the U.S. The significantly higher sales were mainly attributable to the first full year of sales of the nonionic x-ray contrast media agent, Optiray.

Nuclear medicine product net sales increased 12 percent to $101.8 million in 1990 from $91.2 million in 1989. Sales growth, primarily in the U.S. and Europe, was attributable to U.S. radiopharmacies and strong European volume. The performance of nuclear medicine was impaired during the first half of 1990 by production problems in the U.S., subsequently corrected.

Net sales of anesthesiology and critical care products increased 13 percent from $119.2 million in 1989 to $134.6 million in 1990. The sales growth was due to volume increases, shared equally between the U.S. and Europe.

MALLINCKRODT SPECIALTY CHEMICALS

(in millions) Years ended June 30	1991	1990	1989
Net sales			
Ongoing operations			
Drug & Cosmetic Chemicals	$ 223.8	$ 185.5	$ 158.1
Catalysts & Performance Chemicals	156.6	132.0	119.2
Flavors	70.0	59.0	47.7
Science Products	53.7	50.6	45.1
	504.1	427.1	370.1
Divested operations		17.3	29.6
	$ 504.1	$ 444.4	$ 399.7

1991 vs. 1990

Ongoing net sales and operating earnings improved over last year by 18 and 25 percent, respectively, excluding the fiscal 1990 results of the fragrance business which was sold in January 1990. All major businesses contributed to the improvement.

Drug and cosmetic chemicals sales increased 21 percent. The business' net sales and earnings benefited from higher sales of PAP/APAP resulting from strong worldwide demand. An expansion is underway in Europe which will nearly double manufacturing capacity for PAP in that region upon completion in fiscal 1992. Higher medicinal narcotics sales in the U.S., along with improved plant performance, also contributed significantly.

Net sales for catalysts and performance chemicals were up 19 percent. Stronger net sales and earnings resulted from price and volume improvements in specialty organics. The year benefited from higher catalyst sales and margins; however, growth slowed, as expected, in the second half of this year as a result of recessionary pressures. The company continued significant investment in the development of AFIs.

The flavors business recorded a 19 percent net sales increase for the year. Sales of flavors for sweet goods and beverage products in the U.S. were major factors in the improved performance. Europe's growth in beverage product sales also contributed. The company continues to invest substantially in new product development.

Net sales of science products increased 6 percent on higher sales of laboratory and electronic chemicals partially offset by lower prescription chemicals sales.

1990 vs. 1989

Ongoing net sales and operating earnings improved 15 percent and 33 percent, respectively, with all major businesses contributing to these results.

Drug and cosmetic chemicals net sales and operating earnings improvements reflect higher volumes and prices for analgesic products in worldwide markets. Production and sales of PAP/APAP increased in 1990 through expansion of the Raleigh, North Carolina, plant and acquisition of a plant in England. Partially offsetting these gains were losses related to the expected exit from the tannin business and lower margins on a changing mix of sunscreen product sales.

Catalysts and performance chemicals operating earnings gained principally from higher sales and continued improvement in plant production performance for AFIs. Results in 1989 reflected approximately $8 million of business development and start-up costs for AFIs, compared with $3 million in 1990's results.

Net sales and operating earnings for the flavors business improved significantly in 1990 due to strong U.S. sales of new sweet goods, savory, and beverage products. The new products were the result of higher current and prior-year development expenses.

For science products, the operating earnings growth was largely attributable to higher sales volumes and prices for prescription chemicals.

In 1990, the fragrance business was sold and its results prior to the sale are included in divested operations. The related gain is included in the Consolidated Statement of Earnings under "Income (loss) from discontinued operations."

PITMAN-MOORE

(in millions) Years ended June 30	1991	1990(1)	1989
Net sales			
Ongoing operations			
Animal Productivity	$ 51.9	$ 49.4	$ 33.9
Antimicrobials	68.8	62.0	12.5
Biologicals	106.4	100.3	24.2
Parasiticides	145.9	132.9	21.7
Veterinary Specialties and Other	72.4	69.7	30.9
Total Animal Health	445.4	414.3	123.2
Feed Ingredients	177.5	166.1	131.2
	622.9	580.4	254.4
Divested operations			8.2
	$ 622.9	$ 580.4	$ 262.6

(1) Coopers Animal Health was acquired on July 5, 1989, and its results were consolidated after that date.

1991 vs.1990

Pitman-Moore's 1991 operating earnings increased 33 percent. Net sales were up 7 percent. All major product lines contributed to the increase. Annual net sales were derived about equally from U.S. and international operations. The year's results benefited from global efficiencies in manufacturing and distribution. Expense containment also favorably affected the results. The downturn in the sheep and wool market in Australia unfavorably impacted the business, particularly in respect to biological and parasiticides sales. Also, economic problems in Brazil continue to unfavorably affect the business.

Animal productivity net sales increased 5 percent principally from higher Ralgro sales volumes in North and Latin America.

Net sales of antimicrobial products were up 11 percent. Product launches for new products and product cross-registration in Europe and Asia contributed favorably to the year's results.

Biological products net sales grew 6 percent. Poultry product sales in Europe and Asia showed significant gains.

Parasiticide products net sales increased 10 percent. North American results were favorably affected by a product trade that better balanced the company's business. European and Latin American regions both experienced sales volume growth.

Feed ingredients sales improved 7 percent. International sales volume improved, while downward movement in U.S. pricing, which began late in the fourth quarter and is expected to continue into fiscal 1992, had an unfavorable impact.

1990 vs. 1989

The Coopers Animal Health acquisition in July 1989 greatly expanded Pitman-Moore's worldwide operations and is largely responsible for the dramatic increases in net sales and operating earnings. This new business approximately doubled total sales and margins for the Pitman-Moore segment. Parasiticides sales were over six times greater and biological sales were four times greater. Both of these product lines contributed significantly to operating earnings. Operating earnings also benefited from the synergies resulting from the combined Coopers and Pitman-Moore businesses.

In 1990, 50 percent of worldwide sales were achieved outside of the U.S. Prior to the Coopers acquisition, U.S. sales were 76 percent of total Pitman-Moore sales. In addition, Latin America contributed significantly to earnings despite difficult economic conditions in that region.

Worldwide sales and operating earnings for feed ingredients also contributed substantially to the improved results. Increased poultry numbers and higher animal protein prices stimulated demand for Pitman-Moore's inorganic feed products. The Coopers acquisition also helped to improve the international feed business, and contributed to the improved results.

CORPORATE MATTERS

Corporate expenses were $36.5 million in 1991 compared with $41.9 million in 1990 and $35.8 million in 1989. Higher 1990 expenses came from a nonrecurring charge of $4.9 million for restructuring and charges of $3.9 million for compensation plans tied to the price of IMCERA's common stock. Expenses for such compensation plans were $1.0 million in 1991.

Interest and other nonoperating income for 1991 was down $7.8 million from the prior year. Higher interest income in 1990 on income tax refunds was the major reason for the year-to-year decrease. For 1990 versus 1989, interest and other nonoperating income declined $17.7 million because of cash outlays for the Coopers acquisition, repurchases of common stock, and the redemption of part of the Series A preferred stock. The decrease was partially offset by interest income from income tax refunds.

Interest charges for continuing operations in 1991 versus 1990 decreased by, $2.5 million or 6 percent. Interest charges for 1990 were $24.2 million higher than 1989. Contributing to the increase were higher international interest expense, principally from the expanded operations resulting from the Coopers acquisition, and the year-to-year effect of the benefit recorded in 1989 from the reversal of previously accrued interest that resulted from the conclusion of income tax audits that spanned a number of years.

See Notes to Consolidated Financial Statements for information on the factors impacting the Company's reported effective tax rates of 36.6 percent, 36.1 percent, and 25.4 percent in 1991, 1990, and 1989, respectively, and for discussion of discontinued operations in each of the three years presented.

IMC Fertilizer Group, Inc. (IFL)

IFL's consolidated statement of earnings for each of the last three years ended June 30, 1991, is summarized in Note E of Notes to Consolidated Financial Statements. The following discussion is based on those statements and reflects 100 percent of IFL's operating results.

IFL 1991 vs. 1990

IFL's 1991 net earnings were $96 million, or $3.85 per share, compared with $83 million, or $3.13 per share in 1990.

Net sales for 1991 were $1.131 billion, a two percent increase over 1990 when sales amounted to $1.106 billion. Increased prices in several product lines were a key factor in IFL's improved performance.

Included in IFL's operating results for 1991 was a pretax gain of $18 million which represented the completion of the sale of certain potash reserve interests to the U.S. government. In 1990, operating results included a pretax gain of $6 million from the sale of such reserve interests, and a charge of $5 million resulting from an increase in a plant decommissioning reserve.

Gross margins increased $11 million in 1991. Principal product lines contributing to this increase were phosphate chemicals, $23 million, and ammonia, $15 million. This increase was partially offset by lower margins in phosphate rock, $15 million, potash, $10 million, and uranium, $3 million, when compared to 1990.

Administrative costs increased $3 million primarily from the write-off of a customer receivable balance.

Interest earned and other non-operating income and expense decreased $6 million as a result of costs incurred in the sale of receivables and the write-off of unamortized debt issuance costs in connection with the restructuring of IFL's revolving credit facility.

Interest charges were $6 million lower than last year as a result of lower interest rates and the increased capitalized interest related to the development of IFL's sulphur and oil and gas reserves.

IFL's effective tax rate in 1991 was 37 percent, compared with 35 percent in 1990.

IFL 1990 vs. 1989

IFL's net earnings in 1990 totaled $83 million. This was $54 million lower than 1989 net earnings of $137 million.

Net sales were $1.106 billion in 1990, down from $1.222 billion in 1989. Depressed prices for most of IFL's major products, beginning in the spring of 1989, contributed to this decline.

Included in operating results for 1990 was a pretax gain of $6 million representing a first installment payment from the sale of certain potash reserve interests, and a pretax charge of $5 million resulting from an increase in a plant decommissioning reserve. In 1989, operating results included a nonrecurring pretax charge of $7 million to reserve for the shutdown of a production facility.

Gross margins decreased $106 million in 1990 when compared to 1989, mostly from lower prices.

Interest costs declined as a direct result of IFL's reduction in debt. Lower cash balances led to lower interest earned from short-term investments when compared to 1989.

IFL's effective tax rate in 1990 was 35 percent, compared with 36 percent in 1989.

FINANCIAL CONDITION

Since June 30, 1990, cash and short-term investments increased $229.8 million. Net proceeds of $189.9 million from the Company's April 1991 public stock offering of 2 million IMCERA common shares accounts for most of the increase. Additionally, IFL stock sales and the related option generated net cash proceeds of $245.4 million which were used to redeem $217.4 million of zero coupon debentures. This year's current ratio of 1.6:1 compares with 1.8:1 a year ago and a quick ratio of 1.0:1 in both years.

Total debt was 36 percent of invested capital at June 30, 1991, versus 49 percent a year ago, reflecting a decrease in debt, primarily from the redemption of $217.4 million of zero coupon debentures, and an increase in equity from IMCERA's common stock offering. After the redemption of the remaining $221.7 million of zero coupon debentures in July 1991, total debt was reduced to about 27 percent of invested capital (based on June 30, 1991 amounts). Under authorization from the Company's Board of Directors, the Company repurchased 31,600 IMCERA common shares through March 31, 1991, for $1.6 million. In April 1991, this continuing authorization was suspended by the Board of Directors incident to the authorization of the equity offering discussed above. However, with Board approval, purchases may resume pursuant to this program.

The Company has a $150.0 million bank line of credit available until April 1994 and another $189.1 million of international lines of credit. Such international credit lines are cancellable at any time. IMCERA also has an agreement, expiring in 1994, under which up to $50 million of subsidiary trade receivables could be sold without recourse. There have been no borrowings under the committed credit line and no receivables have been sold as of June 30, 1991. Borrowings under the cancellable lines of credit amounted to $77.5 million at June 30, 1991.

Capital spending for the fiscal year ending June 30, 1992, is estimated to be $185 million. The Company believes that its present liquidity position and cash flow from operations will be sufficient to meet its needs for working capital, expansion of operations, and payment of dividends.

OTHER MATTERS

See Notes H and M in Notes to Consolidated Financial Statements for information concerning Statement of Financial Accounting Standards (FAS) No. 96, "Accounting for Income Taxes" and FAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions".

The Company does not consider the present rate of inflation to have a significant impact on the businesses in which it operates except for the hyperinflationary effects on the Latin American businesses of Pitman-Moore which are discussed in Note P in Notes to Consolidated Financial Statements and in the Pitman-Moore discussion on page 25.

See Note S in Notes to Consolidated Financial Statements for a discussion of environmental matters.

Item 8. Financial Statements and Supplementary Data

Report of Independent Auditors

To the Shareholders and Board of Directors of IMCERA Group Inc.

We have audited the accompanying consolidated balance sheet of IMCERA Group Inc. as of June 30, 1991 and 1990, and the related consolidated statements of earnings, changes in shareholders' equity and cash flows for each of the three years in the period ended June 30, 1991, appearing on pages 31 through 53. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of IMCERA Group Inc. at June 30, 1991 and 1990, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 1991 in conformity with generally accepted accounting principles.

Ernst & Young
Chicago, Illinois
August 6, 1991

Information by Business Segment

NET SALES

(In millions)	1991	1990	1989
Mallinckrodt Medical	$ 512.5	$ 399.8	$ 320.6
Mallinckrodt Specialty Chemicals	504.1	444.4	399.7
Pitman-Moore	622.9	580.4	262.6
Intersegment sales	(5.6)		
Consolidated	$1,633.9	$1,424.6	$ 982.9

EARNINGS AND ASSETS

(In millions)	Earnings From Continuing Operations Before Income Taxes 1991	1990	1989	Identifiable Assets 1991	1990	1989
Mallinckrodt Medical	$ 86.9	$ 50.3	$ 39.2	$ 528.7	$ 494.4	$ 416.5
Mallinckrodt Specialty Chemicals	60.5	48.6	37.1	463.3	457.1	460.4
Pitman-Moore	74.0	55.6	15.2	660.6	632.8	218.5
Corporate	(36.5)	(41.9)	(35.8)	480.0	232.8	585.1
Eliminations	(.3)			(.3)	(.1)	(2.2)
Discontinued operations				117.9	313.9	293.3
Operating earnings	184.6	112.6	55.7			
Interest and other nonoperating income, net	11.4	19.2	36.9			
Interest charges	(42.7)	(45.2)	(21.0)			
Consolidated	$ 153.3	$ 86.6	$ 71.6	$2,250.2	$2,130.9	$1,971.6

PROPERTY, PLANT, AND EQUIPMENT

(In millions)	Capital Expenditures 1991	1990	1989	Depreciation and Amortization 1991	1990	1989
Mallinckrodt Medical	$ 52.8	$ 26.4	$ 18.2	$ 25.5	$ 25.7	$ 23.1
Mallinckrodt Specialty Chemicals	39.2	29.3	42.4	31.5	29.1	27.5
Pitman-Moore	30.4	29.7	20.2	28.2	25.3	9.7
Corporate	1.0	.3	1.4	1.4	2.4	2.0
Consolidated	$ 123.4	$ 85.7	$ 82.2	$ 86.6	$ 82.5	$ 62.3

(See Note Q of Notes to Consolidated Financial Statements)

Consolidated Statement of Earnings
(In millions except per share amounts)

Years ended June 30	1991	1990	1989
Net sales	$1,633.9	$1,424.6	$ 982.9
Operating costs and expenses			
Cost of goods sold	910.0	818.1	593.3
Selling, administrative, and general expenses	457.4	419.7	280.3
Research and development expenses	80.8	75.5	65.0
Other operating (income) expense, net	1.1	(1.3)	(11.4)
	1,449.3	1,312.0	927.2
Operating earnings	184.6	112.6	55.7
Interest and other nonoperating income, net - Note H	11.4	19.2	36.9
Interest charges - Note H	(42.7)	(45.2)	(21.0)
Earnings from continuing operations before income taxes	153.3	86.6	71.6
Income taxes - Note H	56.1	31.3	18.2
Earnings from continuing operations	97.2	55.3	53.4
Income (loss) from discontinued operations - Note A	(9.0)	1.2	63.6
Net earnings	88.2	56.5	117.0
Preferred stock dividends	.4	4.2	14.4
Available for common shareholders	$ 87.8	$ 52.3	$ 102.6
Earnings per common share - Note B			
Primary			
Continuing operations	$ 4.11	$ 2.36	$ 1.70
Discontinued operations	(.38)	.06	2.79
Net earnings	$ 3.73	$ 2.42	$ 4.49
Fully diluted			
Continuing operations			$ 1.91
Net earnings			4.21

(See Notes to Consolidated Financial Statements)

Consolidated Balance Sheet
(In millions)

ASSETS At June 30	1991	1990
Current assets		
Cash and cash equivalents	$ 213.8	$ 100.0
Short-term investments, at cost which approximates market	147.8	31.8
Trade receivables, less allowances of $12.8 in 1991 and $9.9 in 1990	272.5	252.2
Inventories - Note D	314.4	294.6
Other current assets	65.3	46.5
Net assets of discontinued operations - Notes A and E	117.9	
	1,131.7	725.1
Investments and long-term receivables, less allowances of $5.0 in 1991 and 1990 - Note E	122.5	126.0
Property, plant, and equipment	944.5	846.7
Accumulated depreciation	(314.3)	(260.9)
Net property, plant, and equipment - Note F	630.2	585.8
Intangible assets - Note G	365.8	380.1
Net assets of discontinued operations - Notes A and E		313.9
	$2,250.2	$2,130.9

LIABILITIES		
Current liabilities		
Short-term debt - Notes A, J, and K	$ 315.9	$ 83.6
Accounts payable	125.4	115.0
Accrued liabilities - Note I	235.3	199.6
Income taxes - Note H	46.1	15.8
	722.7	414.0
Long-term debt, less current maturities - Notes A, J, and K	327.5	753.8
Deferred income taxes - Note H	48.0	52.9
Other noncurrent liabilities and deferred credits	67.8	85.4
Commitments and contingencies - Notes R and S		
SHAREHOLDERS' EQUITY - NOTES B, N, and O (In millions except per share amounts)		
Preferred stock	10.0	10.0
Common stock, par value $5, authorized 100,000,000 shares; issued 29,038,763 shares in 1991 and 28,798,352 shares in 1990	145.2	144.0
Capital in excess of par value	179.1	56.0
Reinvested earnings	915.9	851.4
Marketable securities valuation allowance	(1.1)	(4.0)
Foreign currency translation	1.5	22.2
Treasury stock	(166.4)	(254.8)
	1,084.2	824.8
	$2,250.2	$2,130.9

(See Notes to Consolidated Financial Statements)

Consolidated Statement of Cash Flows
(In millions)

Years ended June 30	1991	1990	1989
CASH PROVIDED (USED) BY OPERATIONS			
Net earnings	$ 88.2	$ 56.5	$ 117.0
Adjustments to reconcile net earnings to net cash provided by operations			
Depreciation and amortization	86.6	82.5	62.3
(Gains) losses on disposals of assets	3.3	(8.3)	(17.4)
Deferred income taxes	(3.4)	13.2	15.3
Discontinued operations	(3.5)	10.3	(38.7)
Other, net	(23.6)	14.9	(11.9)
	147.6	169.1	126.6
Changes in working capital			
Receivables	(35.7)	(35.4)	(10.1)
Inventories	(28.4)	(9.5)	(23.5)
Accounts payable, accrued liabilities, and income taxes	88.8	13.0	(49.3)
Other, net	(7.2)	5.2	(16.7)
	165.1	142.4	27.0
CASH PROVIDED (USED) BY INVESTING ACTIVITIES			
Acquisition spending	(22.1)	(257.6)	(11.7)
Capital expenditures	(123.4)	(85.7)	(82.2)
Short-term investments	(116.0)	23.4	(55.2)
IFL stock sales	245.4		
Redemption of IFL preferred stock			200.0
Proceeds from disposals of other assets	2.9	35.6	32.0
Other, net	(10.9)	13.3	(22.9)
	(24.1)	(271.0)	60.0
CASH PROVIDED (USED) BY FINANCING ACTIVITIES			
Issuance of common stock, including $189.9 from the IMCERA public stock offering in 1991	213.8	6.3	.3
Preferred stock redemption		(65.1)	
Proceeds from long-term debt	4.2	30.6	359.5
Payments on long-term debt, including $217.4 for the partial redemption of the zero coupon exchangeable subordinated debentures in 1991	(232.6)	(38.6)	(35.3)
Increase (decrease) in short-term debt	12.7	(11.9)	15.6
Purchase of IMCERA stock	(1.6)	(56.0)	(215.8)
Dividends paid	(23.7)	(25.8)	(36.9)
	(27.2)	(160.5)	87.4
Increase (decrease) in cash and cash equivalents	113.8	(289.1)	174.4
Cash and cash equivalents at beginning of year	100.0	389.1	214.7
Cash and cash equivalents at end of year	$ 213.8	$ 100.0	$ 389.1

(See Notes to Consolidated Financial Statements)

Consolidated Statement of Changes in Shareholders' Equity
(in million except per share amounts)

	Preferred Stock	Common Stock	Capital in Excess of Par Value	Reinvested Earnings	Other	Treasury Stock
Balance, June 30, 1988	$14.6	$141.4	$255.1	$ 757.2	$ 4.5	$(145.1)
Net earnings				117.0		
Dividends						
4 percent preferred stock ($4.00 a share)				(.4)		
Series A preferred stock ($3.75 a share)				(9.4)		
Series B preferred stock ($3.25 a share)				(4.6)		
Common stock ($1.00 a share)				(22.5)		
Stock option exercises		.6	4.0			(3.6)
Purchase of shares						(215.8)
Marketable securities valuation adjustment					(1.1)	
Translation adjustment					(4.3)	
Other			.2			.4
Balance, June 30, 1989	14.6	142.0	259.3	837.3	(.9)	(364.1)
Net earnings				56.5		
Dividends						
4 percent preferred stock ($4.00 a share)				(.4)		
Series A preferred stock ($.3125 a share)				(.4)		
Series B preferred stock ($2.4375 a share)				(3.4)		
Common stock ($1.00 a share)				(21.6)		
Redemption, conversion, and retirement of Series A and Series B preferred stock	(4.6)		(218.8)	(16.6)		175.0
Stock option exercises		2.0	13.8			(9.7)
Purchase of shares						(56.0)
Marketable securities valuation adjustment					(2.9)	
Translation adjustment					22.0	
Other			1.7			
Balance, June 30, 1990	10.0	144.0	56.0	851.4	18.2	(254.8)
Net earnings				88.2		
Dividends						
4 percent preferred stock ($4.00 a share)				(.4)		
Common stock ($1.00 a share)				(23.3)		
Issuance of common stock in public offering			106.2			83.7
Stock option exercises		1.2	10.2			6.6
Purchase of shares						(1.6)
Marketable securities valuation adjustment					2.9	
Translation adjustment					(20.7)	
Other			5.7			(.3)
Balance, June 30, 1991	$10.0	$145.2	$179.1	$ 915.9	$ .4	$(166.4)

(See Notes to Consolidated Financial Statements)

Notes to Consolidated Financial Statements
(In millions except per share amounts)

ACCOUNTING POLICIES

Principles of Consolidation

Financial statements of all subsidiaries are consolidated. On February 2, 1988, IMC Fertilizer Group, Inc. (IFL), then a wholly owned subsidiary, completed an initial public offering (IPO) of shares of common stock. After the IPO, IMCERA Group Inc. (IMCERA or the Company) owned less than a majority voting interest in IFL, and the Company's investment in IFL was accounted for by the equity method through March 31, 1991.

In March 1991, IMCERA entered into a sale and option agreement with IFL regarding the 10 million IFL shares which IMCERA owned (see Note A-Changes in Business). As a consequence of this agreement, IMCERA's results have been restated to reflect the investment in IFL and interest charges on the related debt as a discontinued operation and the Company changed from the equity to the cost method of accounting for this investment effective April 1, 1991.

Foreign Currency Translation

The financial statements of most of the Company's international affiliates are translated into U.S. dollars using current exchange rates. Unrealized translation adjustments are included in shareholders' equity in the Consolidated Balance Sheet. The financial statements of international affiliates that operate in hyperinflationary economies, principally Brazil and Argentina, are translated at either current or historical exchange rates, as appropriate. Unrealized translation adjustments are included in operating results for these affiliates.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of certificates of deposit, time deposits, and other short-term securities with maturities of three months or less from the date of purchase.

Inventories

Inventories are stated at the lower of cost or market. Cost for inventories is determined on either an average or first-in, first-out basis.

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost. Depreciation is based upon estimated useful lives of 15 to 45 years for buildings and 4 to 15 years for machinery and equipment, using principally the straight-line method.

Income Taxes

All undistributed earnings of international subsidiaries are considered to be permanently invested. Accordingly, no provision for income taxes was made for undistributed earnings of such subsidiaries.

NOTE A
Changes in Business

IFL Stock Transactions

In March 1991, the Company entered into a sale and option agreement with IFL under which IFL would purchase up to 10 million shares of IFL common stock which IMCERA owned. As of July 1991, IMCERA no longer owns any IFL shares.

Under the agreement, the Company completed the sale of nearly 6 million shares prior to June 30, 1991, for a pretax gain of $32.1 million, $7.6 million after taxes, or $.31 a share. In addition to this gain, discontinued operations includes charges of $17.3 million, $10.7 million after taxes, or $.43 a share, for unamortized debt issuance costs and other costs associated with the transaction. In July 1991, the remaining approximately 4 million shares were sold for a pretax gain of $21.4 million, $5.7 million after taxes, or $.23 a share, less associated costs of $11.7 million, $7.3 million after taxes, or $.29 a share.

Approximately 8 million of the IFL shares held by IMCERA were subject to the exchange rights of the holders of IMCERA zero coupon exchangeable subordinated debentures. Accordingly, the Company called these debentures for redemption for cash in connection with the IFL stock sales. On April 23, 1991, the Company paid $217.4 million to redeem one-half of the debt and on July 1, 1991, paid $221.7 million for redemption of the remainder.

As a consequence of the agreement with IFL, the IMCERA financial statements and related notes for all periods presented have been restated to show the results of IFL on a discontinued basis. Interest charges relate to the zero coupon exchangeable subordinated debentures which were directly associated with the investment in IFL, and, prior to the issuance of these debentures, a prorated amount of total interest charges. Discontinued operations included the following IFL operating results for each of the three years ended June 30:

	1991	1990	1989
Equity in earnings	$ 25.1	$ 31.4	$ 52.9
Gain on IFL stock sales	32.1		
Gain on IFL stock offering			28.6
Dividend income	1.1		
Debenture issuance costs	(6.0)		
IFL retiree medical costs	(11.3)		
Interest charges	(30.2)	(30.9)	(21.3)
Earnings before income taxes	10.8	.5	60.2
Provision (credit) for income taxes	13.6	(3.1)	3.3
Earnings (loss) from discontinued operations	$ (2.8)	$ 3.6	$ 56.9
Earnings (loss) from discontinued operations per common share	$ (.12)	$ .17	$ 2.50

In July 1988, IFL made a public stock offering of 5 million IFL common shares that reduced IMCERA's common stock ownership in IFL from 47 to 38 percent. The offering was at a price in excess of the carrying amount of the Company's investment in IFL. In September 1988, the Company received $200 million from IFL in redemption of the Company's holdings of IFL's Preferred Stock, Series A, representing the proceeds of the July 1988 public offering plus internally generated funds. As a result of both of these transactions, the Company recognized a gain of $28.6 million, $21.5 million after taxes, or $.89 a share.

Coopers Acquisition

Coopers Animal Health (Coopers) was acquired on July 5, 1989, for $218 million in cash plus the assumption of liabilities and its results were consolidated after that date.

Based upon estimated fair values, $162 million of the purchase price was allocated to net tangible assets. The remainder, $178 million, was allocated to goodwill and is being amortized over 40 years.

Unaudited pro forma combined information for results of operations, assuming a July 1, 1988, acquisition is as follows:

Year ended June 30	1989
Net sales	$1,273.5
Earnings from continuing operations	$ 34.2
Net earnings	$ 97.8
Earnings from continuing operations per common share	$ .86
Net earnings per common share	$ 3.65

This information does not necessarily indicate either what would have occurred had the acquisition been consummated on July 1, 1988, or what future operating results of the combined operations might be.

Divestitures and Other Discontinued Operations

In 1990, the Company sold its fragrance business for an after-tax gain of $5.2 million, or $.25 a share. Results of operations of this business were not material to IMCERA. In 1989, the sale of the Company's investment in a previously discontinued methanol joint venture produced an after-tax gain of $8.4 million, or $.35 a share. These gains were reported in the Consolidated Statement of Earnings under the caption "Income (loss) from discontinued operations."

During 1989, the Company sold a Pitman-Moore business for a gain of $2.4 million after taxes, or $.10 a share. This gain was included in the Consolidated Statement of Earnings under the caption "Other operating (income) expense, net."

Results for 1991, 1990, and 1989 included charges for environmental and litigation costs related to operations previously sold, as follows:

	1991	1990	1989
Net of taxes	$ 6.2	$ 7.6	$ 1.7
Per share	$ .26	$ .36	$ .06

These charges were reported in the Consolidated Statement of Earnings under the caption "Income (loss) from discontinued operations."

NOTE B
Earnings Per Common Share

Primary earnings per common share amounts were computed on the basis of the weighted average number of common shares outstanding. Shares used in the computations were 23,544,586 in 1991; 21,651,824 in 1990; and 22,813,716 in 1989.

Fully diluted earnings per common share amounts were computed on the basis of the weighted average number of common shares outstanding and the dilutive effect of the assumed conversion of convertible preferred stock and 4% Convertible Debentures and exercise of stock options. Shares used in the computation in 1991, 1990, and 1989 were 23,959,155, 23,237,235, and 27,714,942, respectively. In 1991 and 1990, the dilutive effect was not material.

NOTE C
Supplemental Cash Flow Information

	1991	1990	1989
Interest paid	$ 42.2	$ 44.7	$ 29.5
Income taxes paid	$ 17.1	$ 12.3	$ 8.3
Noncash investing and financing activities:			
Conversion of Series A and Series B preferred stock for IMCERA common stock		$ 137.0	
Issuance of IMCERA common stock from exercise of stock options	$ 2.4	$ 11.2	$ 4.4
Purchase of IMCERA common stock from exercise of stock options	$ 1.7	$ 9.7	$ 3.6
Issuance of IMCERA common stock for restricted stock awards			$ .5
Assumption of liabilities related to acquisitions		$ 44.8	

NOTE D
Inventories

At June 30	1991	1990
Product		
Mallinckrodt Medical	$ 84.1	$ 79.7
Mallinckrodt Specialty Chemicals	80.8	88.9
Pitman-Moore	132.9	114.1
Intersegment eliminations	(.3)	(.1)
	297.5	282.6
Operating materials and supplies	16.9	12.0
	$ 314.4	$ 294.6

NOTE E
Investment in IFL

The carrying value of the Company's investment in IFL common stock is included in "Net assets of discontinued operations" at June 30, 1991 and 1990. A dividend receivable from IFL in an amount equal to the proceeds (but not in excess of $51.9 million) which IFL expects to receive from an insurance claim related to Canadian potash operations is included in "Investments and long-term receivables" at June 30, 1991 and 1990.

The Company's principal transactions with IFL were purchases of certain materials and products and plant management services totaling $102.0 million, $93.7 million, and $96.2 million in 1991, 1990, and 1989, respectively.

Summarized financial information of IFL follows:

Years ended June 30	1991	1990	1989
Net sales	$1,131.2	$1,105.7	$1,221.7
Costs and expenses, including provision for income taxes	1,035.4	1,023.1	1,084.4
Net earnings	$ 95.8	$ 82.6	$ 137.3

At June 30	1991	1990
Current assets	$ 295.6	$ 245.5
Noncurrent assets	$1,443.7	$1,339.2
Current liabilities	$ 247.5	$ 211.6
Noncurrent liabilities	$ 793.2	$ 553.4

NOTE F
Property, Plant, and Equipment

At June 30	1991	1990
Land	$ 64.1	$ 63.7
Buildings and leasehold improvements	229.8	217.2
Machinery and equipment	591.0	507.7
Construction in progress	59.6	58.1
	944.5	846.7
Accumulated depreciation	(314.3)	(260.9)
Net property, plant, and equipment	$ 630.2	$ 585.8

NOTE G
Intangible Assets

At June 30	1991	1990
Patents and formulas	$ 55.0	$ 54.8
Contracts	18.8	20.8
Goodwill and other intangibles	362.4	343.2
	436.2	418.8
Accumulated amortization	(77.4)	(57.6)
	358.8	361.2
Deferred charges	7.0	18.9
	$ 365.8	$ 380.1

Identifiable intangible assets are amortized over estimated useful lives of up to 5 years for contracts, 17 years for patents and formulas. Goodwill and other intangibles are amortized on a straight-line basis, primarily 20 to 40 years.

NOTE H
Income Taxes

Income taxes included in the Consolidated Statement of Earnings follow:

	1991	1990	1989
Continuing operations	$ 56.1	$ 31.3	$ 18.2
Discontinued operations	9.5	(4.3)	7.4
	$ 65.6	$ 27.0	$ 25.6

The geographical source of earnings from continuing operations before income taxes and significant items affecting the effective income tax rate follow:

	1991	1990	1989
Domestic	$ 89.2	$ 35.3	$ 54.8
Foreign	64.1	51.3	16.8
	$ 153.3	$ 86.6	$ 71.6
Computed tax at the Federal statutory rate	$ 52.1	$ 29.4	$ 24.3
Adjustments to income tax accruals	(5.0)	(7.1)	(8.4)
State income taxes, net of Federal income tax benefits	3.3	1.6	1.3
Foreign income taxes rate differential	(.5)	(1.7)	(.3)
Foreign losses with no tax benefit	2.2	4.7	
Goodwill amortization	2.9	3.1	1.5
Other items (none in excess of 5% of computed tax)	1.1	1.3	(.2)
Provision for income taxes	$ 56.1	$ 31.3	$ 18.2
Effective tax rate	36.6%	36.1%	25.4%

The favorable adjustments to income tax accruals of $5.0 million, or $.21 a share in 1991; $7.1 million, or $.33 a share in 1990; and $8.4 million, or $.37 a share, in 1989 included in the preceding table resulted from the conclusion of income tax audits that spanned a number of years. "Interest and other nonoperating income, net" in the Consolidated Statement of Earnings included $7.7 million ($4.8 million after taxes, or $.22 a share) from the 1990 adjustments, and "Interest charges" were reduced by $12.4 million ($8.2 million after taxes, or $.36 a share) from the 1989 adjustments.

The income tax provisions for discontinued operations related to the Company's equity in IFL earnings reflect a benefit of $2.4 million, $2.9 million, and $14.4 million, respectively, from the dividend received deduction. Additionally, these provisions reflect a charge (benefit) for book and tax basis differences relative to the Company's investment in IFL stock in 1991 and 1989, of $14.5 million and $(3.3) million, respectively.

The provision for income taxes on earnings from continuing operations consisted of the following:

	1991	1990	1989
Current			
Federal	$ 10.7	$ (6.0)	$ 1.2
State and local	3.2	2.2	2.2
Foreign	20.1	18.8	8.0
	34.0	15.0	11.4
Deferred			
Federal	17.0	15.3	7.5
State and local	1.7	(.7)	(.1)
Foreign	3.4	1.7	(.6)
	22.1	16.3	6.8
	$ 56.1	$ 31.3	$ 18.2

Deferred income tax provisions result from timing differences in the recognition of income and expenses for financial reporting and tax purposes. The principal components of the Federal and state and local provision for deferred income taxes from continuing operations for each of three years ended June 30 were adjustments of net deferred tax credits through utilization of net operating losses. In 1991, there were also deferred tax provisions for various timing differences, primarily depreciation, employee compensation and benefit plan related items, and acquisition liabilities.

At June 30, 1991, IMCERA had alternative minimum tax and general business tax credit carryforwards of $42.3 million and $3.5 million, respectively, available to reduce future Federal taxes payable. The alternative minimum tax credit has an unlimited carryforward period. The general business credits expire in 1999 through 2005.

The Company also had net operating loss carryforwards of $29 million from its international operations, primarily in the Unitec Kingdom ($20 million with no expiration date). Utilization of carryforward losses related to Coopers that pre-date the acquisition will reduce the goodwill associated with the acquisition.

Undistributed earnings of certain foreign subsidiaries aggregating $93 million at June 30, 1991, are considered to be permanently invested.

The Company has not adopted the Statement of Financial Accounting Standards "Accounting for Income Taxes" which is being reviewed by the Financial Accounting Standards Board (FASB). Adoption is not required until fiscal 1993. Because of the uncertainty created by the FASB's reconsideration of the requirements of the new standard and the choice of implementation alternatives, the effects of the new standard on the Company's financial position cannot be estimated.

NOTE I
Accrued Liabilities

At June 30	1991	1990
Salaries, wages, and bonuses	$ 59.9	$ 27.8
Former operations	24.5	28.1
Restructuring accruals	19.3	25.8
Contract settlements	9.8	13.8
Interest	9.9	10.6
Taxes other than income taxes	8.8	7.2
Pension	9.5	3.3
Other	93.6	83.0
	$ 235.3	$ 199.6

NOTE J
Debt

The components of short-term debt were:

At June 30	1991	1990
Notes payable	$ 77.5	$ 63.8
Current maturities of long-term debt	238.4	19.8
	$ 315.9	$ 83.6

The components of long-term debt were:

At June 30	1991	1990
Zero coupon exchangeable subordinated debentures	$ 221.7	$ 409.9
9.875% debentures due in annual installments of $15.0 million, beginning in 2002, with final payment of $12.8 million in 2011	134.3	134.3
8.75% promissory notes due in annual installments of $10.3 million, with final payment of $10.7 million in 2000	92.8	103.0
9.35% debentures due in annual installments of $6.5 million, beginning in 1993, with final payment of $7.4 million in 2000	51.7	51.7
Other	65.4	74.7
	565.9	773.6
Less current maturities	238.4	19.8
	$ 327.5	$ 753.8

The zero coupon debentures were directly associated with the Company's investment in IFL common stock. Pursuant to an agreement with IFL, IMCERA completed the redemption in April 1991, of one-half of the zero coupon debentures for cash of $217.4 million and in May 1991 called for redemption the remaining debentures. At June 30, 1991, $221.7 million related to such debentures has been classified as a current liability. In July 1991, these debentures were redeemed for cash.

The 9.875 percent debentures are redeemable at the option of IMCERA at 100 percent in 2001 and thereafter.

The 9.35 percent debentures are redeemable at the option of IMCERA at prices ranging from 102.337 percent at June 30, 1991, to 100 percent in 1995 and thereafter.

Maturities of long-term debt for the next five years are: 1992 -- $238.4 million; 1993 -- $19.2 million; 1994 -- $34.3 million; 1995 -- $24.5 million; and 1996 -- $17.2 million.

NOTE K
Lines of Credit

In April 1991, IMCERA entered into a $150 million revolving credit agreement with a number of banks which expires in April of 1994. Under the terms of the agreement, interest rates are determined at the time of borrowing and are based on London Interbank Offered Rates (LIBOR) plus .40 percent, or other alternative rates. There have been no borrowings under the facility through June 30, 1991. In April 1991 IMCERA also established a facility expiring in April 1994 whereby up to $50 million of subsidiary trade accounts receivable could be sold without recourse for cash proceeds less a discount based on prime commercial paper rates plus .30 percent. No receivables have been sold through June 30, 1991. The company also maintains various working capital credit lines for its international subsidiaries which totaled $189.1 million at June 30, 1991. Borrowings outstanding at June 30, 1991, amounted to $77.5 million. These international credit lines are cancellable at any time.

NOTE L
Pension Plans

The Company's pension plans provide for retirement benefits based on years of service and level of compensation for the highest three to five years occurring generally within a period of up to 10 years prior to retirement. Contributions to the U.S. plans meet ERISA minimum funding requirements.

Effective July 1, 1989, the Company adopted the provisions of Statement of Financial Accounting Standards No. 87 "Employers' Accounting for Pensions" in accounting for its foreign pension plans. The effect of this adoption was not material.

Pension expense for continuing operations follows:

	1991	1990	1989
U.S.and (for 1991 and 1990) foreign pension plans			
Service cost	$ 15.1	$ 12.8	$ 7.4
Interest cost on projected benefit obligations	26.8	25.7	22.4
Actual return on plan assets	(29.7)	(34.0)	(20.6)
Net amortization of initial unrecognized asset and deferral of subsequent unrecognized net gains and losses	5.5	9.8	1.8
Foreign pension plans			2.9
	$ 17.7	$ 14.3	$ 13.9

Assumptions used in determining U.S. pension expense ($11.3 million and $9.5 million in 1991 and 1990, respectively) follow:

	1991	1990	1989
Discount rate	9%	9%	9%
Long-term rate of return on assets	10%	10%	9%
Compensation increase rate	6%	6%	6%

Plans' assets mostly relate to U.S. plans and consist primarily of corporate equity and U.S. government debt securities, and units of participation in a collective short-term investment fund.

The funding status of IMCERA's U.S. and foreign pension plans and amounts recognized in the balance sheet follow:

	1991		1990	
	Plans With Assets in Excess of Accumulated Benefits	Plans With Accumulated Benefits in Excess of Assets	Plans With Assets In Excess of Accumulated Benefits	Plans With Accumulated Benefits in Excess of Assets
Assets at fair value	$ 264.5	$ 27.9	$ 272.4	$ 7.1
Actuarial present value of benefit obligations				
Vested benefits	195.0	52.8	209.4	23.3
Nonvested benefits	4.7	2.9	5.7	3.6
Accumulated benefit obligations	199.7	55.7	215.1	26.9
Projected future salary increases	57.6	9.8	46.6	12.0
Projected benefit obligations	257.3	65.5	261.7	38.9
Projected benefit obligations (more) less than assets	7.2	(37.6)	10.7	(31.8)
Items not yet recognized in earnings				
Unrecognized net (gain) loss	(8.9)	(1.1)	(13.3)	1.1
Unamortized transition (asset) liability	(2.7)	19.0	(1.6)	20.3
Accrued pension liability	$ (4.4)	$ (19.7)	$ (4.2)	$ (10.4)

NOTE M
Postretirement Health Care Benefits

IMCERA provides certain health care benefits for U.S. salaried and hourly retired employees. Employees may become eligible for health care benefits if they retire after attaining specified age and service requirements while they worked for the Company.

Health care benefits are paid directly by IMCERA and the cost of providing these benefits to retirees is recognized as an expense when claims are paid. The cost to IMCERA of such health care benefits amounted to approximately $5.0 million for 1991, $6.3 million for 1990, and $5.4 million for 1989, all of which were included in results of continuing operations. Additionally, 1991 results from discontinued operations included $1.4 million for payments to IFL retirees who retired prior to the IPO.

In December 1990, the FASB issued Statement No. 106 (FAS 106), "Employers' Accounting for Postretirement Benefits Other Than Pensions," which requires companies to accrue the cost of postretirement benefits during the service lives of employees. Such costs are currently recognized on a pay-as-you-go basis. When IMCERA adopts FAS 106 (no later than fiscal 1994) the unrecognized liability may be recognized immediately, or recognized over a period not to exceed the greater of the average remaining service period of plan participants or 20 years. The impact of adoption of this Statement on IMCERA's results of operations has not been determined and will depend upon several factors, including assumptions as to future health care cost trends, the general level of interest rates, funding decisions and the level of benefits provided at the date of adoption of the Statement.

NOTE N
Capital Stock

The Company has authorized and issued 100,000 shares, 98,330 outstanding at June 30, 1991, par value $100, 4 Percent Cumulative preferred stock. This stock, with voting rights, is redeemable at IMCERA's option at $110 a share. During the three years ended June 30, 1991, the number of issued and outstanding shares did not change.

In July 1989, 1,236,077 shares of Series A preferred stock were redeemed for cash of $65.1 million and 1,302,123 shares were converted into approximately 1,586,000 shares of IMCERA common stock. In April 1990, all of the 1,398,000 outstanding shares of Series B preferred stock were converted into approximately 1,770,000 shares of IMCERA common stock. Subsequent to these transactions, all of the previously issued Series A and B shares were retired. At June 30, 1991, the Company has authorized 1,400,000 shares, par value $1, of series preferred stock, none of which is outstanding.

Each outstanding common share includes a non-voting common stock purchase right. If a person or group acquires or has the right to acquire 20 percent or more of the common stock or commences a tender offer for 30 percent or more of the common stock, the rights become exercisable by the holder who may then purchase $500 worth of common stock for $250 unless, in lieu thereof, the Board of Directors causes the exchange of each outstanding right for one share of common stock (in either case exclusive of the rights held by the acquiring person or group which are voided). In the event of a merger or sale of 50 percent or more of the Company's assets, the rights may in certain circumstance entitle the holder to purchase $500 worth of stock in the surviving entity for $250. The rights may be redeemed by the Board at a price of $.05 per right at any time before they become exercisable and unless they become exercisable, they will expire March 31, 1996.

Common shares reserved at June 30, 1991, consisted of the following:

Exercise of common stock purchase rights	27,549,724
Exercise of stock options and granting of stock awards	2,478,701
	30,028,425

Changes in the number of shares of common stock issued and in treasury were as follows:

	1991	1990	1989
Common stock issued			
Balance, beginning of year	28,798,352	28,404,579	28,281,793
Stock options exercised	232,264	391,257	118,762
Conversion of 4% debentures	8,147	2,516	4,024
Balance, end of year	29,038,763	28,798,352	28,404,579
Treasury common stock			
Balance, beginning of year	6,108,372	8,171,037	2,813,798
Common stock offering	(2,000,000)		
Stock options exercised	(204,466)		
Purchases	56,834	1,292,712	5,369,239
Conversion of Series A and B preferred stock		(3,355,377)	
(Awards) cancellation of restricted shares	7,000		(12,000)
Balance, end of year	3,967,740	6,108,372	8,171,037
Common stock outstanding, end of year	25,071,023	22,689,980	20,233,542

NOTE O
Stock Plans

Three non-qualified stock option plans adopted in 1973, 1981, and 1990, as amended, provide for granting options to purchase up to 5,275,000 shares of common stock at prices not less than 100 percent of market price (as defined) at the date of grant. The plan adopted in 1990 relates to the Company's Board of Directors and was approved by the shareholders at IMCERA's 1990 annual meeting. Options under these plans are exercisable over 10 years beginning one year after the date of grant and are limited to 50 percent during the second year. A total of 4,293,083 shares was granted under these plans through June 30, 1991. Prior to May 1, 1991, the plans permitted certain employees the successive, contemporaneous delivery to IMCERA of common shares acquired in the exercise of such options in series in lieu of cash for the exercise of stock options. Information on options exercised and shares so delivered and related market values on the date of exercise and delivery follows:

	1991	1990	1989
Options exercised	42,200	265,606	111,662
Market value	$ 3.3	$13.4	$4.6
Shares tendered	21,528	192,457	85,746
Market value	$1.7	$9.7	$3.6

Information on options follows:

Number of Options	Price Range	1991	1990
Outstanding, beginning of year	$29-61	1,454,432	1,071,132
Granted	47-101	700,820	788,202
Cancelled	37-61	(65,918)	(13,645)
Exercised	29-61	(436,730)	(391,257)
Outstanding, end of year	29-101	1,652,604	1,454,432
At June 30			
Exercisable		655,052	479,475
Reserved for future option grants		826,097	1,385,999

The average exercise price of outstanding stock options at June 30, 1991, was $58.47 a share, based on an aggregate exercise price of $96.6 million. Outstanding stock options will expire over a period ending no later than June 18, 2001.

The 1973 non-qualified stock option and award plan also provides for the award of restricted shares of IMCERA's common stock. Under the plan, the grantee makes no cash payment for the award, the shares are held in escrow until vested, which is generally three years from date of award, and the grantee cannot dispose of the restricted shares until vested. Upon forfeiture of any share of restricted stock in accordance with the stock option and award plan, or the terms and conditions of the award, the shares would automatically be transferred to and reacquired by IMCERA at no cost.

NOTE P

International Operations

Sales from continuing operations from the United States to unaffiliated customers in other geographic areas were as follows:

	1991	1990	1989
Latin America	$ 16.4	$ 10.3	$ 14.7
Europe	6.0	1.6	7.5
Far East	27.5	20.2	14.1
Other	4.7	2.2	4.8
	$ 54.6	$ 34.3	$ 41.1

Net sales, earnings from continuing operations before income taxes, and identifiable assets by geographic areas follow:

Net sales to Unaffiliated Customers	1991	1990	1989
United States	$1,073.1	$ 934.5	$ 753.9
Europe	322.5	285.5	142.5
Latin America	83.9	71.3	19.6
Australia/New Zealand	61.3	66.1	11.8
Canada	57.0	32.4	37.2
Other	36.1	34.8	17.9
Consolidated	$1,633.9	$1,424.6	$ 982.9

Earnings	1991	1990	1989
United States	$ 146.8	$ 101.0	$ 72.2
Europe	51.4	38.2	15.5
Latin America	7.1	7.5	2.5
Australia/New Zealand	9.9	9.6	(.3)
Canada	2.2	1.2	1.8
Other	3.4	.1	.6
Corporate	(36.5)	(41.9)	(35.8)
Eliminations	.3	(3.1)	(.8)
Operating earnings	184.6	112.6	55.7
Interest income (charges), net	(31.3)	(26.0)	15.9
Consolidated	$ 153.3	$ 86.6	$ 71.6

Assets	1991	1990	1989
United States	$1,088.2	$1,005.0	$ 890.1
Europe	358.6	383.2	152.3
Latin America	60.5	54.3	12.0
Australia/New Zealand	99.1	96.6	9.5
Canada	30.0	29.5	23.5
Other	20.9	18.7	8.3
Corporate	480.0	232.8	585.1
Eliminations	(5.0)	(3.1)	(2.5)
Discontinued operations	117.9	313.9	293.3
Consolidated	$2,250.2	$2,130.9	$1,971.6

Transfers of product between geographic areas are at prices approximating those charged to unaffiliated customers. The amount of such transfers was not material.

Net foreign exchange translation losses from businesses in hyperinflationary economies aggregated $5.6 million and $5.5 million in 1991 and 1990, respectively, and have been included in "Other operating (income) expense, net." These translation effects were primarily from Pitman-Moore. Translation effects in 1989 were not material. Transaction effects for all IMCERA's businesses were not material in the periods presented.

NOTE Q
Business Segments

The tables at page 31 show IMCERA's continuing worldwide operations which are organized in three industry segments as follows:

Mallinckrodt Medical

Production and sale of products used primarily in hospitals, including x-ray contrast media, interventional products, airway catheters, temperature monitoring products, diagnostic and therapeutic radiopharmaceuticals, and blood gas and vital sign monitoring systems.

Mallinckrodt Specialty Chemicals

Production and sale of analgesics and medicinal narcotics used by pharmaceutical companies; catalysts, specialty organics and inorganics, stearates, photochemicals, aromatic fluorine intermediates, and electronic and laboratory chemicals used by industry and research organizations; and products for processed food, beverage, and personal care industries.

Pitman-Moore

Production and sale of animal productivity, antimicrobials, biologicals, parasiticides, veterinary specialties, mineral feed supplements, and other health related products for companion and food animals.

Corporate assets consist primarily of cash and short-term investments.

In 1990, corporate expense included restructuring charges of $4.9 million reported in the Consolidated Statement of Earnings under "Selling, administrative, and general expenses."

In 1989, Pitman-Moore operating earnings included a gain of $3.9 million from the sale of a business reported in the Consolidated Statement of Earnings under "Other operating (income) expense, net."

NOTE R
Commitments

IMCERA leases office space, data processing equipment, buildings, and machinery and equipment. Rent expense for continuing operations in 1991, 1990, and 1989 related to operating leases was $20.3 million, $18.9 million, and $16.2 million, respectively.

Minimum rent commitments for continuing operations at June 30, 1991, under operating leases with a remaining non-cancellable period exceeding one year follow:

Years ending June 30	
1992	$ 22.9
1993	19.0
1994	16.6
1995	13.8
1996	12.5
Later years	114.9
	$199.7

The Company remains primary lessee under certain leases and is the primary obligor under certain industrial revenue and pollution control bonds that relate to the business of IFL which amounted to approximately $155 million at June 30, 1991. However, IFL has indemnified the Company with respect to any liability that might arise.

The Company periodically uses foreign exchange forward contracts and swaps to hedge inventory purchase commitments, debt denominated in a foreign currency, and interest rate exposures. Gains and losses on hedge contracts are reported as a component of the related transaction. At June 30, 1991, forward exchange contracts with an aggregate contract value of $57.0 million were outstanding. The difference in the value of the contracts and the June 30, 1991, market value was not material.

NOTE S
<u>Contingencies</u>

The Company is subject to various investigations, claims, and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. In addition, the Company is a party to several environmental remediation investigations and clean-ups and, along with other companies, has been named a "potentially responsible party" for certain waste disposal sites. Each of these matters is subject to various uncertainties, and it is possible that some of these matters may be decided unfavorably against the Company. The Company has established accruals for matters that are probable and reasonably estimable. Based on information presently available, management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial position of the Company.

Quarterly Results (Unaudited)
(In millions except per share amounts)

Quarter	First	Second	Third	Fourth	Fiscal Year
FISCAL 1991					
Net sales	$375.7	$396.2	$408.8	$453.2	$1,633.9
Gross margins	162.0	172.1	179.5	210.3	723.9
Earnings from continuing operations	16.8	19.2	27.2	34.0	97.2
Discontinued operations	1.2	.6	(.2)	(10.6)	(9.0)
Net earnings	18.0	19.8	27.0	23.4	88.2
Preferred stock dividends	.1	.1	.1	.1	.4
Available for common shareholders	$ 17.9	$ 19.7	$ 26.9	$ 23.3	$ 87.8
Primary earnings (loss) per common share					
Continuing operations	$ .73	$ .83	$ 1.15	$ 1.35	$ 4.11
Discontinued operations	.05	.02	(.01)	(.42)	(.38)
Net earnings	$ .78	$ .85	$ 1.14	$ .93	$ 3.73
FISCAL 1990					
Net sales	$315.2	$334.9	$371.7	$402.8	$1,424.6
Gross margins	128.6	135.5	163.8	178.6	606.5
Earnings from continuing operations	5.1	6.9	17.7	25.6	55.3
Discontinued operations	2.4	2.6	1.5	(5.3)	1.2
Net earnings	7.5	9.5	19.2	20.3	56.5
Preferred stock dividends	1.6	1.2	1.3	.1	4.2
Available for common shareholders	$ 5.9	$ 8.3	$ 17.9	$ 20.2	$ 52.3
Primary earnings (loss) per common share					
Continuing operations	$ .16	$ .26	$ .78	$ 1.11	$ 2.36
Discontinued operations	.11	.13	.07	(.23)	.06
Net earnings	$ .27	$ .39	$ .85	$ .88	$ 2.42

Fiscal 1991

Fourth quarter continuing operations included an after-tax gain of $2.0 million, or $.08 a share, from the Pitman-Moore sale of intangibles.

See Note A-Changes in Business, for discussion of restatements to reflect IFL as a discontinued operation.

Discontinued operations included the following:

Quarter	First	Second	Third	Fourth	Fiscal Year
AFTER-TAX EFFECTS					
Environmental costs		$ (1.1)	$ (1.0)	$ (4.1)	$ (6.2)
IFL equity, net of interest charges	$ 1.2	1.7	(.4)	(3.2)	(.7)
IFL stock sales			1.2	6.4	7.6
Dividend income				1.0	1.0
Write-off debenture issuance costs				(3.7)	(3.7)
IFL retiree medical costs				(7.0)	(7.0)
	$ 1.2	$ .6	$ (.2)	$(10.6)	$ (9.0)

Primary earnings per share for the four quarters of 1991 are less than full year per share results by $.03 from an increase in common shares outstanding.

Fiscal 1990

Net sales for the first and second quarter have been restated to reflect a reclassification of certain costs previously netted against sales.

Second quarter continuing operations included favorable adjustments from the conclusion of income tax audits that amounted to an after-tax gain of $1.9 million, or $.09 a share.

Discontinued operations for the third quarter included an after-tax gain of $5.2 million, or $.25 a share, from the sale of the Company's fragrance business, and after-tax provisions of $4.7 million, or $.23 a share, for environmental and litigation costs associated with other discontinued operations.

Fourth quarter continuing operations benefited from income tax and related interest income adjustments aggregating $6.1 million, $10.0 million after taxes, or $.46 a share. Also included in the fourth quarter results were restructuring charges totaling $4.9 million, $3.0 million after taxes, or $.14 a share. Additional provisions for environmental and litigation costs associated with previously reported discontinued operations of $2.6 million, or $.11 a share, were also recorded in discontinued operations.

The fourth quarter provision for income taxes on discontinued operations reflects the elimination of the tax benefit of the dividend received deduction for IFL 1990 unremitted earnings ($6.1 million, or $.28 a share).

Primary earnings per share for the four quarters of 1990 are less than full year per share results by $.03 from an increase in common shares outstanding.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Part III.

Item 10. Directors and Executive Officers of the Registrant

For information concerning directors of the Registrant, see pages 1 through 8, incorporated herein by reference, of IMCERA's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on October 16, 1991. Information concerning executive officers of the Registrant is included in Part I of this report.

Item 11. Executive Compensation

For information concerning management remuneration, see pages 19 through 31, incorporated herein by reference, of IMCERA's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on October 16, 1991.

Item 12. Security Ownership of Certain Beneficial Owners and Management

For information concerning security ownership of certain beneficial owners and management, see pages 8 through 10, incorporated herein by reference, of IMCERA's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on October 16, 1991.

Item 13. Certain Relationships and Related Transactions

For information concerning certain relationships and related transactions, see pages 10 through 13, incorporated herein by reference, of IMCERA's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on October 16, 1991.

Part IV.

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) FINANCIAL STATEMENTS

(1) See index on page 66 for a listing of financial statements and schedules filed with this report.

(2) Exhibits

Exhibit No.	Description	Incorporated Herein by Reference to	Filed Herewith
3.1	Restated Certificate of Incorporation of IMCERA, dated July 9, 1990.	Exhibit 3.1 to 1990 10-K.	
3.2	Certificate of amendment of the certificate of incorporation of IMCERA dated June 4, 1990.	Exhibit 3.2 to 1990 10-K.	
3.3	By-Laws of IMCERA as amended through April 18, 1990.	Exhibit 3.3 to 1990 10-K.	
4.1	Indenture dated as of November 1, 1975, between IMCERA and Morgan Guaranty Trust Company of New York ("Morgan") for $100 million 9.35% Sinking Fund Debentures due November 1, 2000.	Exhibit 4.2 to 1987 10-K.	
4.2	Indenture dated as of July 1, 1966, between Commercial Solvents Corporation and The Chase Manhattan Bank for 4.5% convertible subordinated debentures due July 1, 1999 ("CSC Indenture").	Exhibit 4.3 to 1987 10-K.	
4.3	First Supplemental Indenture dated as of May 12, 1975, under CSC Indenture.	Exhibit 4.4 to 1987 10-K.	
4.4	Second Supplemental Indenture dated as of June 30, 1978, under CSC Indenture.	Exhibit 4.5 to 1987 10-K.	

Exhibit No.	Description	Incorporated Herein by Reference to	Filed Herewith
4.5	Form 8-A Registration Statement under Section 12 of the Securities Exchange Act of 1934, dated April 10, 1987 defining the rights of holders of IMCERA's 4% Cumulative Preferred Stock and Common Stock.	Exhibit 4.6 to 1989 10-K.	
4.6	Amended and restated common stock purchase rights agreement dated March 10, 1989.	Exhibit 4(b) to Form 8-K dated March 10, 1989.	
4.7	Second amendment to the common stock purchase rights agreement dated April 17, 1991.	Exhibit 6 to Form 8 dated April 18, 1991.	
4.8	Indenture dated as of March 15, 1985, between IMCERA and Morgan pursuant to which $150 million 9-7/8% Sinking Fund Debentures due March 15, 2011 were issued.	Exhibit 4 to Form S-3 Registration Statement No. 2-96566.	
4.9	Indenture dated as of November 1, 1988, between IMCERA and Continental Illinois National Bank and Trust Company of Chicago, Trustee, for IMCERA's Liquid Yield Option Notes, zero coupon exchangeable subordinated debentures due November 14, 2005.	Exhibit 4(a) to Form S-3 Registration Statement No. 33-25017.	
10.1(a)	Contingent Employment Agreement with George D. Kennedy dated May 19, 1982.	Exhibit 10.1(b) to 1988 10-K.	
10.1(b)	Contingent Employment Agreement with M. Blakeman Ingle dated May 19, 1982.	Exhibit 10.1(f) to 1987 10-K.	
10.1(c)	Contingent Employment Agreement with C. Ray Holman dated April 1, 1987.		(1)
10.1(d)	Contingent Employment Agreement with Raymond F. Bentele dated April 1, 1987.	Exhibit 10.1(h) to 1987 10-K.	
10.1(e)	Contingent Employment Agreement with Boyd D. Wainscott dated April 1, 1987.		(1)

Exhibit No.	Description	Incorporated Herein by Reference to	Filed Herewith
10.1(f)	Contingent Employment Agreement with Mack G. Nichols dated April 1, 1987.		(1)
10.2	IMCERA Executive Life Insurance Program adopted May 20, 1987.	Exhibit 10.2 to 1989 10-K.	
10.3	Restated IMCERA Executive Long-Term Disability Plan effective January 1, 1987.	Exhibit 10.3 to 1989 10-K.	
10.4	Employment Agreement with George D. Kennedy dated February 2, 1979.	Exhibit 10.5 to 1988 10-K.	
10.4(a)	Employment Agreement with George D. Kennedy dated December 17, 1990.		(1)
10.5	Amendment dated May 19, 1982, to Employment Agreement with George D. Kennedy.	Exhibit 10.5 to 1989 10-K.	
10.5(a)	Amendment dated September 19, 1984, to Employment Agreement with George D. Kennedy.	Exhibit 10.5(a) to 1990 10-K.	
10.5(b)	Amendment dated July 24, 1986, to Employment Agreement with George D. Kennedy.		(1)
10.5(c)	Amendment dated October 10, 1988, to Employment Agreement with George D. Kennedy.	Exhibit 10.5(c) to 1989 10-K.	
10.5(d)	Amendment dated December 17, 1990, to Employment Agreement with George D. Kennedy.		(1)
10.6(a)	Supplemental Benefit Plan for Participants in the IMCERA Retirement Plan as amended and restated effective January 1, 1980.	Exhibit 10.6(a) to 1989 10-K.	
10.6(b)	Amendment No. 1 dated June 20, 1989 to Supplemental Benefit Plan for Participants in the Retirement Plan for Salaried Employees of IMCERA.	Exhibit 10.6(b) to 1989 10-K.	
10.6(c)	Amendment No. 2 dated April 20, 1990 to Supplemental Benefit Plan for Participants in the IMCERA Retirement Plan.	Exhibit 10.6(c) to 1990 10-K.	

Exhibit No.	Description	Incorporated Herein by Reference to	Filed Herewith
10.7(a)	IMCERA Supplemental Executive Retirement Plan restated effective April 19, 1988.	Exhibit 10.7(a) to 1989 10-K.	
10.7(b)	Amendment No. 1 effective December 6, 1989, to Supplemental Executive Retirement Plan.	Exhibit 10.7(c) to 1990 10-K.	
10.8(a)	Gross-Up Agreement for George D. Kennedy dated July 27, 1989.		(1)
10.8(b)	Gross-Up Agreement for M. Blakeman Ingle dated July 27, 1989.		(1)
10.8(c)	Gross-Up Agreement for Raymond F. Bentele dated July 27, 1989.		(1)
10.8(d)	Gross-Up Agreement for C. Ray Holman dated July 27, 1989.		(1)
10.8(e)	Gross-Up Agreement for Boyd D. Wainscott dated July 27, 1989.		(1)
10.8(f)	Gross-Up Agreement for Mack G. Nichols dated July 27, 1989.		(1)
10.9(a)	IMCERA Management Incentive Compensation Program as amended effective January 1, 1984.	Exhibit 10.9 to 1989 10-K.	
10.9(b)	IMCERA Management Incentive Compensation Program as amended and restated effective July 1, 1991.		(1)
10.10(a)	IMCERA 1973 Stock Option and Award Plan as amended effective February 21, 1990.	Post-Effective Amendment No. 1 to Form S-8 Registration Statement No. 33-32109.	
10.10(b)	Amendment No. 1 to the IMCERA 1973 Stock Option and Award Plan dated June 19, 1991.		(1)

Exhibit No.	Description	Incorporated Herein by Reference to	Filed herewith
10.11	IMCERA Directors Retirement Services Plan effective July 1, 1984, as amended and restated June 19, 1991.		(1)
10.12(a)	IMCERA 1981 Stock Option Plan as amended through April 19, 1988.	Post-Effective Amendment No. 3 to Form S-8 Registration Statement No. 2-80553.	
10.12(b)	Amendment to the 1981 Stock Option Plan effective February 15, 1989.	Exhibit 10.12(b) to 1989 10-K.	
10.12(c)	Amendment to the 1981 Stock Option Plan effective June 19, 1991.		(1)
10.13(a)	Intercorporate Agreement dated as of July 1, 1987 by and between IMCERA and IMC Fertilizer Group, Inc. with Exhibits, including the Restated Certificate of Incorporation of IMC Fertilizer Group, Inc., as amended; By-Laws of IMC Fertilizer Group, Inc.; Preliminary Agreement for K-2 Advances; Registration Rights Agreement; Services Agreement; Management Services Agreement; Agreement regarding Pollution Control and Industrial Revenue Bonds; License Agreement; office lease and sublease; management agreements; supply agreements; and transportation service agreements.	Exhibit 10.1 to IMC Fertilizer Group, Inc.'s Form S-1 Registration Statement No. 33-17091.	
10.13(b)	Agreement dated September 12, 1990, among IMCERA Group Inc. and IMC Fertilizer Group, Inc.	Exhibit 10.13(b) to 1990 10-K.	
10.13(c)	Agreement dated March 7, 1991 between IMCERA Group Inc. and IMC Fertilizer Group, Inc. concerning a purchase of IMC Fertilizer shares.	Exhibit 10 to Form 8-K dated March 7, 1991.	
10.14(a)	Note Agreement with The Prudential Insurance Company of America dated as of February 1, 1980.	Exhibit 10.24 to 1987 10-K.	

Exhibit No.	Description	Incorporated Herein by Reference to	Filed Herewith
10.14(b)	Agreement dated June 3, 1981, consolidating obligation in Loan Agreement dated April 18, 1973, (Exhibit 7 to 1973 10-K) under Note Agreement dated as of February 1, 1980, (Exhibit 6 to 1980 10-K).	Exhibit 10.14(b) to 1990 10-K.	
10.14(c)	Amendments dated October 31, 1986, February 26, 1987, August 14, 1987, and September 14, 1987 to Note Agreement with Prudential Insurance Company of America dated as of February 1, 1980.	Exhibit 10.31 to 1987 10-K.	
10.14(d)	Amendment dated June 15, 1989, to Note Agreement with Prudential Insurance Company of America dated as of February 1, 1980.	Exhibit 10.14(d) to 1989 10-K.	
10.14(e)	Amendment dated April 18, 1991 to Note Agreement dated as of February 1, 1980 as amended.		(1)
10.15	Management Compensation and Benefit Assurance Program.	Exhibit 10.30 to 1988 10-K.	
10.16(a)	Form of Trust Agreement dated June 7, 1988, between IMCERA and Wachovia Bank & Trust of North Carolina, N.A., incident to the program in Exhibit 10.15, for IMCERA's 1973 Stock Option and Award Plan, 1981 Stock Option Plan, Long-Term Performance Incentive Plan, Supplemental Executive Retirement Plan, Contingent Employment Agreements, Gross-Up of Excise Tax Agreement, and Management Incentive Compensation Plan.	Exhibit 10.31 to 1988 10-K.	
10.16(b)	Trust Agreement dated August 22, 1990, between IMCERA and Wachovia Bank & Trust of North Carolina, N.A., incident to the program in Exhibit 10.15, for IMCERA's Strategic Incentive Plan.		(1)

Exhibit No.	Description	Incorporated Herein by Reference to	Filed Herewith
10.17(a)	Letter of Credit Agreement dated May 31, 1988, between IMCERA and a group of banks providing the means of funding the trusts described in Exhibit 10.16(a).	Exhibit 10.32 to 1988 10-K.	
10.17(b)	Letter of Credit Agreement dated December 10, 1990, between IMCERA and The Chase Manhattan Bank providing the means of funding the trust described in Exhibit 10.16(b).		(1)
10.17(c)	Amendment and Assumption Agreements to the Letter of Credit Agreement described in Exhibit 10.17(a) dated June 22, 1991.		(1)
10.18(a)	Corporate Staff Employee Severance and Benefit Assurance Policy.	Exhibit 10.33 to 1988 10-K.	
10.18(b)	Form of letter sent to participants in IMCERA's Corporate Staff Employee Severance and Benefit Assurance Program.	Exhibit 10.18(b) 1989 10-K.	
10.19(a)	IMCERA Strategic Incentive Plan effective July 1, 1988.	Exhibit 10.19 to 1989 10-K.	
10.19(b)	Amendment to IMCERA Strategic Incentive Plan effective April 18, 1990.	Exhibit 10.19(b) to 1990 10-K.	
10.20	Supplemental Life Plan of Mallinckrodt, Inc. effective July 15, 1984.	Exhibit 10.20 to 1989 10-K.	
10.21	Employment Agreement with M. Blakeman Ingle dated July 1, 1990.		(1)
10.22	Employment Agreement with Raymond F. Bentele dated July 1, 1990.		(1)
10.23	IMCERA Directors' Stock Option Plan effective October 17, 1990.	Exhibit 4(a) to Form S-8 Registration Statement No. 33-40246.	

Exhibit No.	Description	Incorporated Herein by Reference to	Filed Herewith
10.24	IMCERA Long-Term Incentive Plan for Senior Management effective July 1, 1991.		(1)
10.25	IMCERA Long-Term Incentive Plan for Key Middle Managers effective June 18, 1991.		(1)
10.26	Agreements related to the Coopers acquisition between The Wellcome Foundation Limited, Imperial Chemical Industries Plc, et al., and IMCERA dated June 16, 1989: Framework Agreement; United Kingdom Sale and Purchase Agreement; Australia Sale and Purchase Agreement; and New Zealand Sale and Purchase Agreement.	Exhibits 2(a) through (d) to Form 8-K dated July 5, 1989.	
10.27	Credit Agreement dated April 4, 1991, among IMCERA, the signatory banks and Citibank, N.A., individually and as agent for the banks.		(1)
10.28	Receivables Transfer Agreement dated April 5, 1991, between Preferred Receivables Funding Corporation, Mallinckrodt Medical, Inc. and IMCERA Group Inc.		(1)
11.1	Primary earnings per share computation for the three years ended June 30, 1991.		(2)
11.2	Fully diluted earnings per share for the three years ended June 30, 1991.		(2)
22	Subsidiaries of the Registrant.		(2)
24.1	Consent of Ernst & Young.		(2)
28.1	Items 1., 2. and 3. of Annual Report on Form 10-K of IMC Fertilizer Group, Inc. for the year ended June 30, 1991.		(2)

(1) Exhibit filed with Form SE incorporated herein by reference.
(2) Exhibit filed with electronic submission.

(b) REPORTS ON FORM 8-K

During the fourth quarter and through the date of this filing the following reports were filed:

Report dated April 10, 1991, under item 5 regarding the filing of a Registration Statement with the Securities and Exchange Commission for the offering of 2,000,000 shares of IMCERA Common Stock.

Report dated May 9, 1991, under item 5 regarding management's comments on earnings estimates for fiscal 1991 made at the Alex. Brown & Sons Health Care Seminar in Baltimore.

Report dated May 20, 1991, under item 5 regarding completion of the sale to IFL of 987,546 shares of IFL common stock at $35.00 per share, the exercise by IFL of its option to purchase the remaining shares, and the IMCERA call for redemption of the remaining outstanding LYONS, on July 1, 1991.

Report dated July 2, 1991, under item 5 regarding completion of a transaction in which IFL purchased the 10 million shares of its outstanding common stock formerly owned by IMCERA thereby eliminating IMCERA's ownership in IFL and IMCERA's completion of the redemption of the remaining outstanding LYONS, on July 1, 1991.

INDEX TO FINANCIAL STATEMENTS, SUPPLEMENTARY DATA, AND FINANCIAL STATEMENT SCHEDULES

All other schedules are omitted as the required information is not present in sufficient amounts or the required information is included in the consolidated financial statements or notes thereto.

Except for the consolidated statements of IMC Fertilizer Group, Inc. noted above, financial statements and schedules and summarized financial information of 50 percent or less owned persons are omitted, as none of such persons are individually or in the aggregate significant under the tests specified in Regulation S-X under Article 3.09 of general instructions to the financial statements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

IMCERA Group Inc.
(Registrant)

WILLIAM B. STONE
William B. Stone

Vice President and Controller

Date: September 25, 1991

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
GEORGE D. KENNEDY George D. Kennedy	Chairman (Chief Executive Officer)	September 25, 1991
WILLIAM B. STONE William B. Stone	Vice President and Controller (Chief Accounting Officer)	September 25, 1991
RAYMOND F. BENTELE Raymond F. Bentele	Director	September 25, 1991
KEITH D. BUNNEL Keith D. Bunnel	Director	September 25, 1991
RONALD G. EVENS Ronald G. Evens	Director	September 25, 1991
LOUIS FERNANDEZ Louis Fernandez	Director	September 25, 1991

Signature	Title	Date
ALEC FLAMM Alec Flamm	Director	September 25, 1991
JAMES W. GLANVILLE James W. Glanville	Director	September 25, 1991
M. BLAKEMAN INGLE M. Blakeman Ingle	Director	September 25, 1991
PAUL R. JUDY Paul R. Judy	Director	September 25, 1991
ROBERTA S. KARMEL Roberta S. Karmel	Director	September 25, 1991
MORTON MOSKIN Morton Moskin	Director	September 25, 1991
HERVE M. PINET Herve M. Pinet	Director	September 25, 1991
DANIEL R. TOLL Daniel R. Toll	Director	September 25, 1991

MARKETABLE SECURITIES -- OTHER SECURITY INVESTMENTS

At June 30, 1991
($ in millions)

IMC Fertilizer Group, Inc. Issue	Number of Shares	Cost	Market Value	Balance Sheet Amounts
Common Stock	4,012,454	$132.9	(A)	$132.9 (A)
Deferred income option				(15.0) (B)

(A) Included in "Net assets of discontinued operations". All of the IFL shares owned by IMCERA were sold to IFL in July 1991.

(B) Included in "Net assets of discontinued operations". Represents deferred income on option sold to IFL which relates to IFL shares sold in July 1991. See (A) above.

Schedule II

AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES
Years Ended June 30, 1989, 1990, and 1991
($ in thousands)

Name of Debtor	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period	
			Amounts Collected	Current	Not Current
1989:					
U.S. employee relocation loans(A)	$674	$2,213	$2,579	$308	
Number of loans	21	31	47	5	
1990:					
U.S. employee relocation loans(A)	$308	$140	$126	$322	
Number of loans	5	18	2	21	
U.K. employee relocation loans(A)		$1,700		$1,700	
Number of loans		11		11	
1991:					
U.S. employee relocation loans(A)	$322	$1,576	$646	$907	$345
Number of loans	21	50	40	30	1
U.K. employee relocation loans(A)	1,700		469	1,231	
Number of loans	11		2	9	

(A) Generally non-interest bearing and repayable upon the sale of the employee's former residence.

Schedule V
(Page 1 of 2)

PROPERTY, PLANT, AND EQUIPMENT
Years Ended June 30, 1989, 1990, and 1991
($ in millions)

	Balance at Beginning of Period	Additions at Cost	Retirements	Other Changes-- Add (Deduct)	Balance at End of Period
1989:					
Land	$ 43.0	$ 2.8	$ .2	$ 7.9 (B)	
				(.1) (C)	
				.1 (D)	$ 53.5
Buildings and leasehold improvements	153.1	17.5	2.0	1.3 (B)	
				(1.6) (C)	
				(3.4) (D)	164.9
Machinery and equipment	376.6	64.3	14.1	.2 (B)	
				(2.4) (C)	
				(3.4) (D)	421.2
Construction in progress	54.7	(2.4)		(.7) (C)	51.6
	$ 627.4	$ 82.2	$ 16.3	$ (2.1)	$ 691.2
1990:					
Land	$ 53.5	$ .5	$ 1.2	$ (.2) (A)	
				9.9 (B)	$ 63.7
				1.2 (C)	
Buildings and leasehold improvements	164.9	20.7	7.2	.8 (A)	
				33.3 (B)	
				5.2 (C)	
				(.5) (D)	217.2
Machinery and equipment	421.2	58.0	22.9	2.5 (A)	
				41.8 (B)	
				6.8 (C)	
				.3 (D)	507.7
Construction in progress	51.6	6.5	1.0	(3.1) (A)	
				2.6 (B)	
				1.6 (C)	
				(.1) (D)	58.1
	$ 691.2	$ 85.7	$ 32.3	$ 102.1	$ 846.7

PROPERTY, PLANT, AND EQUIPMENT
Years Ended June 30, 1989, 1990, and 1991
($ in millions)

	Balance at Beginning of Period	Additions at Cost	Retirements	Other Changes-- Add (Deduct)	Balance at End of Period
1991:					
Land	$ 63.7	$ .5	$ .3	$ .6 (A)	
				(.7) (C)	
				.3 (D)	$ 64.1
Buildings and leasehold improvements	217.2	18.6	.7	(.8) (A)	
				(4.3) (C)	
				(.2) (D)	229.8
Machinery and equipment	507.7	93.4	11.7	6.5 (A)	
				(4.8) (C)	
				(.1) (D)	591.0
Construction in progress	58.1	10.9	.8	(6.7) (A)	
				(1.7) (C)	
				(.2) (D)	59.6
	$ 846.7	$123.4	$ 13.5	$ (12.1)	$ 944.5

Notes:
(A) Transfers between accounts.
(B) Purchases of businesses.
(C) Foreign currency adjustment.
(D) Reclassification from other balance sheet accounts.

ACCUMULATED DEPRECIATION, DEPLETION, AND AMORTIZATION OF PROPERTY, PLANT, AND EQUIPMENT

Years Ended June 30, 1989, 1990, and 1991
($ in millions)

	Balance at Beginning of Period	Additions Charged to Cost and Expenses	Retirements	Other Changes-- Add (Deduct)	Balance at End of Period
1989:					
Buildings and leasehold improvements	$ 31.9	$ 8.0	$ .9	$ (.2) (B)	$ 38.8
Machinery and equipment	149.7	39.1	9.5	(6.6) (B) (.5) (C)	172.2
	$ 181.6	$ 47.1	$ 10.4	$ (7.3)	$ 211.0
1990:					
Buildings and leasehold improvements	$ 38.8	$ 9.9	$ 2.5	$ 1.2 (C)	$ 47.4
Machinery and equipment	172.2	51.9	13.7	.4 (B) 2.7 (C)	213.5
	$ 211.0	$ 61.8	$ 16.2	$ 4.3	$ 260.9
1991:					
Buildings and leasehold improvements	$ 47.4	$ 10.8	$ .8	$ (1.5) (C) .3 (A) (.4) (B)	$ 55.8
Machinery and equipment	213.5	56.3	10.2	.5 (B) (2.1) (C) .5 (A)	258.5
	$ 260.9	$ 67.1	$ 11.0	$ (2.7)	$ 314.3

Notes:
(A) Transfers between accounts.
(B) Reclassification from (to) other balance sheet accounts.
(C) Foreign currency adjustment.

SHORT-TERM BORROWINGS
Years ended June 30, 1991, 1990, and 1989
($ in millions)

	Balance at End of Period	Weighted Average Interest Rate	Maximum Amount Outstanding During the Period	Average Amount Outstanding During the Period	Weighted Average Interest Rate During the Period
Notes payable to banks (A):					
1991	$ 77.5	11.4%	$ 98.3	$ 83.2	12.2%
1990	63.8	10.7	72.0	68.1	17.3
1989	43.6	8.6	46.0	33.6	8.1

The average amount outstanding for each period was computed by averaging the daily balances during the year. The weighted average interest rate for each period was computed by dividing interest on short-term borrowings by the average amount outstanding during the year.

(A) Primarily foreign banks.

Schedule X

SUPPLEMENTARY INCOME STATEMENT INFORMATION

Years ended June 30
($ in millions)

	Charged to Costs and Expenses of Continuing Operations		
	1991	1990	1989
Maintenance and repairs	$ 47.8	$ 44.6	$ 28.1
Amortization of intangible assets	$ 19.6	$ 20.7	$ 15.2
Taxes, other than payroll and income taxes	$ 20.4	$ 26.9	$ 19.3
Advertising	$ 37.9	$ 36.9	$ 21.9

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders
of IMC Fertilizer Group, Inc.

We have audited the accompanying consolidated balance sheet of IMC Fertilizer Group, Inc. as of June 30, 1991 and 1990, and the related consolidated statements of earnings, cash flows, and changes in shareholders' equity for each of the three years in the period ended June 30, 1991. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of IMC Fertilizer Group, Inc. at June 30, 1991 and 1990, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 1991 in conformity with generally accepted accounting principles.

ERNST & YOUNG
Ernst & Young

Chicago, Illinois
August 7, 1991

Consolidated Statement of Earnings of IMC Fertilizer Group, Inc.
(In millions except per share amounts)

	Years ended June 30, 1991	1990	1989
Net sales	$1,131.2	$1,105.7	$1,221.7
Cost of goods sold	890.3	875.7	886.0
Gross margins	240.9	230.0	335.7
Selling, administrative and general expenses	65.1	61.7	69.8
Other operating (income) and expense, net	(20.2)	(2.7)	8.7
Operating earnings	196.0	171.0	257.2
Interest earned and other non-operating (income) and expense, net	2.1	(3.9)	(11.0)
Interest charges	41.1	47.3	53.3
Earnings from operations before income taxes	152.8	127.6	214.9
Provision for income taxes	57.0	45.0	77.6
Net earnings	$ 95.8	$ 82.6	$ 137.3
Earnings per share	$ 3.85	$ 3.13	$ 5.27

(See Notes to Consolidated Financial Statements of IMC Fertilizer Group, Inc.)

Consolidated Balance Sheet of IMC Fertilizer Group, Inc.
(Dollars in millions except per share amounts)

	At June 30, 1991	1990
Assets		
Current assets:		
Cash and cash equivalents	$ 38.8	$ 29.6
Receivables, net	72.8	54.9
Inventories		
Products (principally finished)	125.8	106.4
Operating materials and supplies	50.8	48.5
	176.6	154.9
Prepaid expenses	7.4	6.1
Total current assets	295.6	245.5
Insurance claim receivable, net	145.2	140.0
Investment in oil and gas joint venture	58.5	38.2
Property, plant and equipment	2,358.3	2,203.3
Accumulated depreciation and depletion	(1,137.4)	(1,059.2)
Net property, plant and equipment	1,220.9	1,144.1
Other assets	19.1	16.9
	$1,739.3	$1,584.7
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 108.1	$ 90.1
Income taxes	25.1	22.2
Accrued liabilities	91.4	77.8
Current maturities of long-term debt	22.9	21.5
Total current liabilities	247.5	211.6
Long-term debt, less current maturities	607.7	385.0
Dividend payable to IMCERA	51.9	51.9
Deferred income taxes	43.0	29.3
Accrued reclamation costs	40.9	36.5
Other noncurrent liabilities	49.7	50.7
Shareholders' equity		
Common stock, $1 par value, authorized 50,000,000 shares; issued 31,734,930 and 26,398,410 shares in 1991 and 1990, respectively	31.7	26.4
Capital in excess of par value	751.8	558.0
Retained earnings	305.8	238.0
Treasury stock, at cost, 10,063,465 and 63,429 shares in 1991 and 1990, respectively	(390.7)	(2.7)
Total shareholders' equity	698.6	819.7
	$1,739.3	$1,584.7

(See Notes to Consolidated Financial Statements of IMC Fertilizer Group, Inc.)

Consolidated Statement of Cash Flows of IMC Fertilizer Group, Inc.
(In millions)

Cash Flows from Operating Activities	Years ended June 30, 1991	1990	1989
Net earnings	$ 95.8	$ 82.6	$ 137.3
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and depletion	90.2	92.5	99.7
Reserve for insurance claim receivable	30.1	19.7	
Deferred income taxes	13.7	9.1	9.5
Other non-cash charges and credits, net	(13.7)	16.7	23.4
Changes in:			
Receivables	(17.9)	61.6	(26.0)
Inventories	(21.7)	24.5	(43.1)
Prepaid expenses	(1.3)	1.0	(.3)
Accounts payable	18.0	(20.0)	14.2
Accrued liabilities	13.6	(4.2)	21.0
Income taxes	2.9	4.3	(14.1)
Net cash provided by operating activities	209.7	287.8	221.6
Cash Flows from Investing Activities			
Capital expenditures	(168.5)	(94.3)	(55.3)
Water inflow expenditures, represented by an insurance claim receivable	(35.3)	(41.2)	(28.4)
Investment in oil and gas joint venture	(20.3)	(38.2)	
Purchase of Four Corners Mine partnership interest			(105.2)
Sale of mineral reserve interests	17.9	6.1	
Other	1.0	1.7	
Net cash used by investing activities	(205.2)	(165.9)	(188.9)
Net cash provided before financing activities	4.5	121.9	32.7
Cash Flows from Financing Activities			
Proceeds from issuance of long-term debt	315.0	188.8	220.0
Payments of long-term debt	(90.9)	(344.1)	(259.3)
Purchase of common stock	(388.0)		
Proceeds from issuance of common stock	196.6		192.0
Proceeds from issuance of notes payable			110.0
Payment of notes payable			(110.0)
Redemption of preferred stock			(200.0)
Cash dividends paid:			
Common stock dividends	(28.0)	(28.5)	(26.9)
Preferred stock dividend			(14.3)
Net cash (used) provided by financing activities	4.7	(183.8)	(88.5)
Net increase (decrease) in cash and cash equivalents	9.2	(61.9)	(55.8)
Cash and cash equivalents-beginning of year	29.6	91.5	147.3
Cash and cash equivalents-end of year	$ 38.8	$ 29.6	$ 91.5
Supplemental cash flow disclosures:			
Interest paid	$ 49.4	$ 40.6	$ 38.5
Income taxes paid	$ 39.8	$ 32.5	$ 87.8

(See Notes to Consolidated Financial Statements of IMC Fertilizer Group, Inc.)

Consolidated Statement of Changes in Shareholders' Equity
of IMC Fertilizer Group, Inc.
(In millions except per share amounts)

	Preferred Stock	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock
Balance at June 30, 1988	$ 200.0	$ 21.3	$ 367.1	$ 87.8	$ (.1)
Net earnings				137.3	
Sale of common stock		5.0	187.0		
Dividends					
Exchangeable Preferred Stock, Series A				(14.3)	
Common stock ($1.02 a share)				(26.9)	
Stock options exercised		.1	2.7		
Restricted stock awards			.2		
Redemption of shares	(200.0)				
Acquisition of shares					(1.9)
Balance at June 30, 1989		26.4	557.0	183.9	(2.0)
Net earnings				82.6	
Dividends ($1.08 a share)				(28.5)	
Stock options exercised			.8		
Restricted stock awards			.2		
Acquisition of shares					(.7)
Balance at June 30, 1990		26.4	558.0	238.0	(2.7)
Net earnings				95.8	
Sale of common stock		5.3	191.3		
Dividends ($1.08 a share)				(28.0)	
Stock options exercised			2.5		
Acquisition of shares					(388.0)
Balance at June 30, 1991	$ -	$ 31.7	$ 751.8	$ 305.8	$(390.7)

(See Notes to Consolidated Financial Statements of IMC Fertilizer Group, Inc.)

Notes to Consolidated Financial Statements
of IMC Fertilizer Group, Inc.
(Dollars in millions except as otherwise indicated)

1. BUSINESS OF THE COMPANY

As used in these financial statements, unless otherwise indicated, "Company" refers to IMC Fertilizer Group, Inc., its subsidiaries and its predecessors, and "IMCERA" refers to IMCERA Group Inc.

The Company, which operates in a single industry segment, is engaged in the mining, processing, production and sale of phosphate rock, phosphate chemicals, potash and ammonia for inorganic fertilizers; the production and sale of mixed fertilizers; and the production and sale of uranium oxide.

2. ACCOUNTING POLICIES

Principles of Consolidation
The consolidated financial statements include the accounts of IMC Fertilizer Group, Inc. and all subsidiaries which are more than 50 percent owned and controlled. The Company also consolidates its proportionate share of the assets and liabilities of the Company's sulphur venture, while its 25 percent investment in its oil and natural gas venture is being accounted for using the equity method. Intercompany transactions are eliminated.

Cash Equivalents
The Company considers all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents. The effect of foreign currency exchange rate fluctuations on the total cash and cash equivalents balance was not significant.

Inventories
Inventories are valued at the lower of cost or market (net realizable value). Cost for substantially all inventories is determined on a cumulative annual average basis.

Property, Plant and Equipment
Property, plant and equipment are carried at cost. Cost of significant assets includes capitalized interest incurred during the construction and development period. Expenditures for replacements and improvements are capitalized; maintenance and repair expenditures are charged to operations when incurred.

The principal depreciation methods used are the units-of-production method for mining and production operations and the straight-line method for specific asset classes or groups, based upon estimated useful lives of 17 to 50 years for buildings and five to 20 years for machinery and equipment. Assets held under capital leases are generally amortized over the terms of the leases. Provisions for depletion of mineral properties are based upon estimates of recoverable reserves, using the units-of-production method.

Pension Plans
The Company has non-contributory pension plans that cover substantially all of its employees. Benefits are based on a combination of years of service and compensation levels, depending on the plan. Generally, contributions to the U.S. plans are made to meet minimum funding requirements of the Employee Retirement Income Security Act of 1974 ("ERISA"), while contributions to Canadian plans are made in accordance with Pension Benefits Acts, instituted by the provinces of Saskatchewan and Ontario.

Income Taxes
Income taxes are determined under Accounting Principles Board Opinion 11 whereby the income tax provision is calculated under the deferred method. Generally, the deferred method recognizes income taxes on earnings, and the tax effect of differences with taxable income are deferred at tax rates in effect during the period.

In December 1987, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 96 that provides for income tax accounting under the liability method. However, due to amendments deferring implementation, the Company will not be required to adopt SFAS No. 96 until its 1993 fiscal year, at which time it will be required to reflect a one-time charge, currently estimated to be approximately $144 million, relating primarily to recording the deferred tax effects of the basis differences of certain net assets.

U.S. income and foreign withholding taxes are provided on the earnings of foreign subsidiaries that are expected to be remitted to the extent that taxes on the distribution of such earnings would not be offset by foreign tax credits.

Earnings Per Share
Earnings per share are based on the weighted average number of shares and equivalent shares outstanding. Shares used in the calculations were 24,906,517, 26,388,378 and 26,047,007 shares for the years ended June 30, 1991, 1990 and 1989, respectively.

3. OTHER OPERATING (INCOME) AND EXPENSE, NET

Other operating (income) and expense, net in 1991 included a gain of $17.9 million which represented the final payment from the installment sale of certain potash reserve interests to the U.S. government. The book value of the reserve interests was negligible. In 1990, Other operating (income) and expense, net included $6.1 million from the sale of such reserves and also included a charge of $4.6 million resulting from an increase in a plant decommissioning reserve. In 1989, Other operating (income) and expense, net included a charge of $7.1 million from the announced shutdown of a production facility.

Notes to Consolidated Financial Statements
of IMC Fertilizer Group, Inc. (Continued)

4. FLORIDA POWER AND LIGHT DISPUTE

In December 1990, the Company was notified by Florida Power and Light Company ("FPL"), a major contract customer for uranium oxide, that it had taken two of its nuclear power plants out of operation for major modifications estimated to take about a year and therefore should be excused from taking product under its related uranium supply contracts with the Company.

The Company does not consider FPL's position to be legitimate under the terms of the supply agreements and vigorously opposes any attempt by FPL to avoid the terms of the agreements.

While the Company has recently attempted to resolve its dispute with FPL, on August 7, 1991, the Company received two additional demands from FPL. The first called for the Company to pay $56 million for alleged damages resulting from alleged overpayments by FPL in prior periods under the supply agreements. The second sought to have the Company suspend future shipments of uranium concentrates to FPL until this matter is resolved.

The Company believes that FPL's claim is contrary to the terms of the supply agreements and that FPL is making new demands to discourage the Company from pursuing its original claim for damages under the supply agreements. The Company will continue to pursue its original claim for damages under the supply agreements and will oppose the new FPL demands. The Company believes that the resolution of this matter will not have any material adverse impact on the Company's financial condition.

5. CURRENT RECEIVABLES, NET

	1991	1990
Trade accounts	$ 100.4	$ 91.7
Non-trade receivables	24.3	15.4
	124.7	107.1
Less:		
Allowances	1.9	2.2
Receivable interests sold	50.0	50.0
	$ 72.8	$ 54.9

In 1990, the Company entered into a five-year agreement with a financial institution whereby the Company sold an undivided interest in designated receivables up to a maximum of $50 million, on an ongoing basis, subject to limited recourse provisions. Related costs, charged to interest earned and other non-operating income, totaled $4.1 and $1.9 million in 1991 and 1990, respectively. Proceeds from the sale of receivable interests were used to reduce outstanding borrowings under the Company's revolving credit agreement.

6. INSURANCE CLAIM RECEIVABLE

A water inflow in one of the Company's two inter-connected potash mines in Saskatchewan, Canada, has continued in greater or lesser degree since December 1985. As a result, the Company has suffered property damage and business interruption losses and has been forced to install substantial pumping capacity and to undertake other substantial remedial efforts to stop the flooding and save the mine. Efforts to correct the problem are ongoing with $298.3 million (Canadian) having been expended through June 30, 1991. Expenditures are estimated to be approximately $47 million (Canadian) in 1992. The Company has filed a Proof of Loss in this matter with its insurers for property damage and loss, business interruption losses, and expenditures for remedial efforts and replacement facilities, should they become necessary. Material aspects of the Company's claim have been disputed by the insurance carriers and are being litigated in Regina, Saskatchewan. The Company, after discussion with legal counsel, believes it is entitled to prevail in this litigation, at least up to the stated policy limits of $250 million (Canadian). The Company contends that its recovery under certain provisions of its insurance policies is not limited to the stated policy limits and has filed claims exceeding this amount against the insurers.

The primary insurers have alleged that the Company inflated its claims and made a claim for property that has not been lost, thereby committing fraud and forfeiting its rights to any insurance recovery. The Company vigorously disputes this allegation and, after discussion with legal counsel, believes it to be without merit.

At June 30, 1991, the insurance claim receivable, net, converted into U.S. funds using a U.S. dollar equivalent of $.88, totaled $145.2 million, and was classified as long term because the litigation is not expected to be resolved within one year. On January 1, 1990, the Company began to reserve against increases in the insurance claim receivable resulting from remedial water inflow expenditures incurred subsequent to that date. At June 30, 1991, the balance of this reserve was $49.8 million.

In September 1987, the Company, as part of its recapitalization plan with IMCERA, declared a dividend on its common stock in the amount of $51.9 million, which was equal to the amount of the insurance claim receivable on the Company's books at June 30, 1987. This dividend is payable to IMCERA solely from insurance proceeds recovered by the Company.

7. PROPERTY, PLANT AND EQUIPMENT

	1991	1990
Land	$ 19.1	$ 18.4
Mineral properties and rights	318.6	311.5
Buildings and leasehold improvements	355.5	329.0
Machinery and equipment	1,506.5	1,477.6
Construction in progress	158.6	66.8
	2,358.3	2,203.3
Accumulated depreciation	1,064.8	995.9
Accumulated depletion	72.5	63.3
	1,137.3	1,059.2
Net property, plant and equipment	$1,221.0	$1,144.1
Amounts related to capital leases included above:		
Gross assets	$ 107.3	$ 107.3
Net assets	$ 49.9	$ 53.4

8. ACCRUED LIABILITIES

	1991	1990
Salaries, wages and bonuses	$ 34.8	$ 28.3
Interest	21.5	21.6
Taxes other than income taxes	11.7	10.7
Other	23.4	17.2
	$ 91.4	$ 77.8

9. LONG-TERM DEBT

	1991	1990
Notes payable, with interest rates averaging 7.9%, due in variable installments through 1996	$ 305.0	
Notes payable, with interest at 11.25%, due in annual installments from 1995 to 2004	220.0	$ 220.0
Notes payable, unsecured, with interest rates averaging 9.1%		70.0
Notes payable, unsecured, with interest rates averaging 9.7%, due in installments through 2002	30.4	33.0
Capital lease obligations, with interest rates averaging 9.25%	53.9	62.2
Pollution control, industrial revenue and special purpose revenue bonds, with interest rates at 6.75% to 11.625%, due in varying installments from 1997 to 2013	21.3	21.3
	630.6	406.5
Less current maturities	22.9	21.5
	$ 607.7	$ 385.0

In March 1991, the Company completed a restructuring of its $300 million revolving credit agreement which had previously been refinanced in December 1989. The new credit facilities, consisting of a $275 million term loan and a $150 million revolving credit facility, are secured by the stock of the Company's major U.S. and Canadian subsidiaries, and expire in 1996. Borrowings under the new credit facilities bear interest, at the Company's option, at rates based on LIBOR or a base rate. Notes payable outstanding under the revolving credit agreement were $30 million and $70 million at June 30, 1991 and 1990, respectively. Commitment fees of 1/4 to 1/2 percent are required on the unused portion of the total commitment.

The credit facilities contain certain covenants which require the Company, among other things, to maintain a minimum current ratio and to maintain minimum ratios for tangible net worth, cash flow, and interest coverage. At June 30, 1991, $58 million of retained earnings were available for dividends under the agreement.

In 1989, the Company entered into a $220 million loan agreement, proceeds of which were used to finance the purchase of the Four Corners Mine partnership interest and related properties, and to repay the Company's portion of previous Four Corners debt.

Scheduled maturities of long-term debt for the next five years, excluding capital lease obligations, are as follows:

1992	$ 5.1
1993	37.5
1994	82.5
1995	104.5
1996	134.5

10. INTEREST CHARGES

	1991	1990	1989
Total interest charges	$ 51.5	$ 49.5	$ 53.8
Less interest capitalized	(10.4)	(2.2)	(.5)
	$ 41.1	$ 47.3	$ 53.3

11. COMMITMENTS

The Company has a number of lease agreements primarily involving buildings, rail cars, data processing equipment, and machinery and equipment. The present value of future minimum capital lease payments and the future minimum lease payments under non-cancellable operating leases at June 30, 1991 were as follows:

	Capital Lease Payments	Operating Lease Payments
1992	$ 27.0	$ 17.7
1993	13.0	18.6
1994	8.2	16.2
1995	8.2	11.0
1996	8.2	10.4
Subsequent years	8.2	46.2
Future minimum lease payments	72.8	$ 120.1
Less equivalent interest	(18.9)	
Present value of future minimum lease payments	$ 53.9	

Rent expense in 1991, 1990 and 1989 related to operating leases was $20.2 million, $17.1 million, and $15.7 million, respectively.

The Company's Canadian subsidiary is committed under a service agreement with Potash Corporation of Saskatchewan Inc. ("PCS") to produce annually from mineral reserves specified quantities of potash for a fixed fee and a pro rata share of production and capital costs. The term of the agreement extends through June 30, 1996 and is renewable on the same terms at the option of PCS for six additional five-year periods. Potash produced for PCS may, at PCS's option, amount to an annual maximum of approximately one-fourth of the Canadian subsidiary's production capacity. During 1991, production of potash for PCS amounted to 525,000 tons, or approximately 18 percent of tons produced.

The Company participated in a consortium that won bids in March 1988 on 11 federal off-shore sulphur leases in the Gulf of Mexico. In January 1989, a major sulphur discovery at Main Pass Block 299 was announced. Development of this sulphur deposit is presently under way with production scheduled to begin in early calendar 1992. At June 30, 1991, the Company had spent $89.2 million, excluding capitalized interest, on this project.

In connection with these leases, the Company is committed through a joint venture agreement with Freeport and Felmont Oil Corporation to contribute its share of costs incurred in exploration and development of Main Pass Block 299 and six remaining unexplored sulphur leases. The Company has delivered to Freeport Collateral Mortgage Notes totaling $353.3 million which will become effective only if the Company fails to meet its obligations under the Joint Operating Agreement covering each remaining lease.

In addition, the Company is committed through a Joint Operating Agreement with Freeport and Felmont Oil Corporation to contribute its share of costs to build offshore mining facilities to extract oil and natural gas deposits which were also discovered at Main Pass Block 299. Construction of these facilities is presently under way with production scheduled to begin in late calendar 1991. At June 30, 1991, the Company had spent $49.1 million, excluding capitalized interest, on this project and has a lien and security interest in place with Freeport covering its remaining obligations of approximately $18 million.

The Company is also committed, under a management compensation and benefit assurance program, to fund various deferred management compensation and benefit plans in the event of a change in control of the Company. Under this program, standby letters of credit, totaling $42 million, have been established to ensure that officers and key management personnel receive the compensation and benefits expected by them under unfunded benefit plans including severance and benefits, in the event of termination after a change in control of the Company.

12. PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS

The Company has several defined benefit pension plans covering most U.S. and Canadian employees. Plans are generally non-contributory with benefit formulas primarily based on years of service and employees' compensation levels during the last five years prior to retirement, depending on the plan.

Employees in the U.S. whose pension benefits exceed ERISA limitations are covered by a supplementary non-qualified, unfunded pension plan which is provided for by charges to earnings sufficient to meet the projected benefit obligation.

The components of pension expense, computed actuarially, were as follows:

	U.S. Plans			Canadian Plans		
	1991	1990	1989	1991	1990	1989
Service cost for benefits earned during the year	$ 5.1	$ 4.8	$ 4.2	$ .8	$ .7	$ .6
Interest cost on projected benefit obligation	10.0	9.0	7.7	1.8	1.6	1.3
Return on plan assets	(12.0)	(11.6)	(7.5)	(2.5)	(1.9)	(1.5)
Net amortization and deferral	3.8	4.0	.2	.1	.1	(.1)
Net pension expense	$ 6.9	$ 6.2	$ 4.6	$ .2	$ .5	$ .3

The plans' assets consist mainly of corporate equity and U.S. government and corporate debt securities, and units of participation in a collective short-term investment fund.

In a number of these plans, the plan assets exceed the benefit obligations (overfunded plans) and in the remainder of the plans, the benefit obligations exceed the plan assets (underfunded plans).

The funding status of the Company's pension plans, including Canadian plans and amounts recognized in the Consolidated Balance Sheet, was as follows:

	Overfunded Plans		Underfunded Plans	
	1991	1990	1991	1990
Plans' assets at fair value	$ 117.7	$ 112.4	$ 10.0	$ 5.7
Actuarial present value of projected benefit obligations:				
Vested benefits	82.5	78.4	14.9	10.2
Non-vested benefits	.9	1.3	1.9	.9
Accumulated benefit obligations	83.4	79.7	16.8	11.1
Projected future salary increases	40.2	35.9	5.5	5.2
Total projected benefit obligations	123.6	115.6	22.3	16.3
Projected benefit obligations in excess of assets	(5.9)	(3.3)	(12.4)	(10.6)
Items not yet recognized in earnings:				
Unrecognized net (gain) loss	(1.2)	(2.0)	2.6	2.2
Unrecognized transition (asset) liability	(3.5)	(4.2)	2.2	2.9
Unrecognized prior service cost	4.4	4.4	2.1	1.1
Additional minimum liability			(2.9)	(1.8)
Accrued pension liability	$ (6.2)	$ (5.1)	$ (8.4)	$ (6.2)

	1991	1990	1989
Rates used in determining the actuarial present value of the projected benefit obligation:			
Discount rate	8.6%	8.6%	8.6%
Long-term rate of return on assets	9.6%	9.2%	9.1%
Rate of increase in compensation levels	6.1%	6.1%	6.0%

In addition to providing pension benefits, the Company provides certain health care benefits for U.S. salaried and hourly retired employees. Employees may become eligible for such benefits upon retirement by meeting specified age and service requirements. Certain coverage is provided on a contributory basis.

Health care benefits are paid directly by the Company to individuals who retired from the Company after January 31, 1988 and are recognized as an expense when claims are paid. Health care benefits of those employees who retired prior to February 1, 1988, are paid by IMCERA; the Company is charged for one-half of such costs, not exceeding $.8 million in any fiscal year. The total cost to the Company of all postretirement health care benefits was $1.5, $1.1 and $.8 million for the years ended June 30, 1991, 1990 and 1989, respectively.

In December 1990, the FASB issued SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which will require the Company to change its method of accounting for health care benefits provided to retired employees. Beginning July 1, 1993, SFAS No. 106 will require that the costs of such benefits be recognized during the employees' years of active service. The cumulative effect of the accounting change, representing future benefits attributable to employee service in past years, can be recognized as a liability in the year the statement is adopted, or can be amortized over 20 years. The Company has not completed all of the studies and analyses required to estimate the impact of SFAS No. 106, and has not determined how the statement will be implemented. However, it is expected that the annual expense for these benefits will be significantly higher than the current level.

13. INCOME TAXES

The components of earnings before income taxes and the income tax effects of significant tax credits and other items were as follows:

	1991	1990	1989
Domestic	$ 124.9	$ 87.9	$ 161.2
Foreign	27.9	39.7	53.7
Earnings before income taxes	$ 152.8	$ 127.6	$ 214.9
Computed tax at the federal statutory rate of 34%	$ 52.0	$ 43.4	$ 73.1
Foreign income and withholding taxes	6.5	6.7	9.8
Percentage depletion	(11.3)	(6.9)	(11.5)
Federal taxes on undistributed foreign earnings	3.8	2.5	1.7
State income taxes, net of federal income tax benefit	3.6	1.5	4.7
Other items (none in excess of 5% of computed tax)	2.4	(2.2)	(.2)
Provision for income taxes	$ 57.0	$ 45.0	$ 77.6
Effective tax rate	37.3%	35.3%	36.1%

The provision for income taxes consisted of the following:

	1991	1990	1989
Current			
Federal	$ 26.0	$ 19.0	$ 36.5
State and local	3.5	1.0	6.3
Foreign	12.4	15.9	25.3
	41.9	35.9	68.1
Deferred			
Federal	9.5	3.4	6.3
State and local	1.9	1.3	.8
Foreign	3.7	4.4	2.4
	15.1	9.1	9.5
	$ 57.0	$ 45.0	$ 77.6

Deferred income tax provisions (credits) result from timing differences, principally depreciation, in the recognition of income and expenses for financial reporting and tax purposes.

The Company has no present intention of remitting undistributed earnings of foreign subsidiaries aggregating $127 million at June 30, 1991, and accordingly, no deferred tax liability has been established relative to these earnings.

At June 30, 1991, the Company's buildings and leasehold improvements, machinery and equipment, and certain liabilities, primarily accrued reclamation costs, have tax bases which, in the aggregate, are approximately $357 million less than their book bases. These differences, which will result in expenses for financial reporting purposes in subsequent years in excess of related tax deductions, are accounted for as permanent differences under the Company's current method of accounting for income taxes.

14. CAPITAL STOCK

IMC Fertilizer Group, Inc. was formed as a wholly owned subsidiary of IMCERA Group Inc. on July 1, 1987. As a result of public offerings by the Company, IMCERA's ownership, represented by 10 million shares of common stock held by IMCERA, was reduced, over time, to approximately 38 percent. In March and April 1991, the Company purchased a total of five million shares of its own common stock from IMCERA for $206.25 million, or $41.25 per share. In addition, IMCERA sold the Company an option for $6.25 million allowing the Company to purchase the remaining five million shares of the Company's common stock held by IMCERA at a price of $35 per share. This option was exercised in May 1991, at which time 987,546 shares of common stock were transferred to the Company. The remaining 4,012,454 shares, held in escrow for the benefit of certain holders of exchangeable securities issued by IMCERA, were transferred on July 2, 1991. At that time, IMCERA's ownership interest in the Company ended. At June 30, 1991, the Company has reflected the acquisition of the entire 10 million shares in its consolidated financial statements.

In May 1991, the Company completed a public offering of 5.3 million shares of common stock at $38.50 per share. The net proceeds of this offering of approximately $197 million were used to fund the common stock purchased from IMCERA, and to reduce long-term debt.

In July 1988, the Company completed a public offering of five million shares of common stock at $40 per share. The net proceeds from this stock offering were used by the Company to redeem all of the outstanding shares of Exchangeable Preferred Stock, Series A.

Changes in the number of shares of common stock issued and in treasury were as follows:

	1991	1990	1989
Common stock issued			
Balance, beginning of year	26,398,410	26,364,030	21,277,800
Common stock sold	5,300,000		5,000,000
Stock options exercised	36,520	31,300	81,400
Award of restricted shares		3,080	4,830
Balance, end of year	31,734,930	26,398,410	26,364,030
Treasury common stock			
Balance, beginning of year	63,429	49,191	5,346
Purchases	10,000,036	14,238	43,845
Balance, end of year	10,063,465	63,429	49,191
Common stock outstanding, end of year	21,671,465	26,334,981	26,314,839

Pursuant to a Shareholders Rights Plan adopted by the Company in June 1989, a dividend of one preferred stock purchase right ("Right") for each outstanding share of common stock of the Company was issued on July 12, 1989 to shareholders of record on that date. Under certain conditions, each Right may be exercised to purchase one one-hundredth of a share of a new series of participating preferred stock at a price of $150. This preferred stock is designed to participate in dividends and vote on essentially equivalent terms with a whole share of common stock. The Rights become exercisable apart from the common stock only if a person or group acquires 20 percent or more of the common stock or makes a tender offer for 20 percent or more of the outstanding common stock. However, the Rights do not become exercisable if a person or group becomes the owner of 20 percent or more of the common stock as a result of the purchase of common stock by the Company to reduce the number of shares outstanding and increase the proportionate number of shares owned by such person or group to 20 percent or more, unless such person or group subsequently becomes the owner of any additional shares of the common stock. In addition, upon the acquisition by a person or group of 20 percent or more of the common stock, each Right will entitle the holder to purchase, at the then-current exercise price of the Right, a number of shares of common stock having a market value at that time of twice the exercise price. The Rights may be redeemed at a price of $.01 per Right under certain circumstances prior to their expiration on June 21, 1999.

15. RELATED PARTY TRANSACTIONS

The Company has maintained various product supply, operating and service agreements with IMCERA. Sales of product to IMCERA under supply agreements have been at prices approximately equal to those charged to unaffiliated customers. Financial and administrative services, as well as certain management and overhead functions provided at certain IMCERA plant locations, were charged at actual cost. These charges are included in the accompanying financial statements in receivables, net as shown in the following summary of transactions:

	Years ended June 30, 1991	1990	1989
Balance at beginning of year	$ (7.0)	$ (7.9)	$ (3.7)
Charges from IMCERA:			
Financial, administrative and other services	3.4	3.3	9.3
Interest charges on short-term borrowings			1.1
	3.4	3.3	10.4
Charges to IMCERA:			
Sales of product	(66.3)	(59.8)	(66.3)
Management and overhead services	(35.8)	(34.6)	(26.4)
	(102.1)	(94.4)	(92.7)
Net cash transferred from IMCERA	91.9	92.0	78.1
Balance at end of year	$ (13.8)	$ (7.0)	$ (7.9)

16. STOCK PLANS

A non-qualified stock option plan ("Plan"), adopted in 1988, as amended, provides for the granting of options to purchase up to two million shares of common stock at prices not less than 100 percent of market price at the date of the grant. Options are exercisable over 10 years beginning one year after the date of the grant and are limited to 50 percent during the second year. A total of 799,994 shares were granted under this plan through June 30, 1991.

Information on options follows:

	1991	1990	1989
Outstanding, beginning of year	421,140	180,700	271,200
Granted		279,840	
Exercised	(36,520)	(31,300)	(81,400)
Cancelled	(10,640)	(8,100)	(9,100)
Outstanding, end of year	373,980	421,140	180,700
Price range	$22 to $32	$22 to $32	$22
At June 30			
Exercisable	251,065	148,750	51,575
Available for future grants	1,200,006	189,366	464,186

The average purchase price of outstanding stock options at June 30, 1991 was $28.69 a share, based on an aggregate purchase price of $10.7 million. Outstanding stock options will expire over a period ending no later than December 7, 1999.

The Company also adopted a long-term performance incentive plan in 1988 under which officers and key managers are awarded shares of restricted common stock of the Company and contingent stock units. Under the plan, these shares and units vest in whole or in part during and at the end of the performance period. A total of 285,710 shares of restricted common stock of the Company were awarded under this plan through June 30, 1991, all of which were vested. At June 30, 1991, no additional shares were reserved for issuance under this plan. A total of 8,916 restricted shares of common stock have been cancelled and reacquired at no cost by the Company at June 30, 1991.

In fiscal 1991, the Company adopted a new long-term performance incentive plan beginning July 1, 1991. In accordance with these awards, shares of restricted common stock and contingent stock units will vest in whole or in part during and at the end of a three-year performance period ending June 30, 1994. A total of 185,400 shares of restricted common stock was awarded under this plan.

17. OPERATIONS BY GEOGRAPHIC AREA

Net earnings of consolidated foreign subsidiaries, before consolidation eliminations, amounted to $16.9 million in 1991, $25.6 million in 1990 and $27.8 million in 1989. Net assets of such subsidiaries were $212.7 million and $200.2 million at June 30, 1991 and 1990, respectively.

Financial information relating to the Company's operations in various geographic areas was as follows:

			Net Sales
	1991	1990	1989
United States	$1,095.2	$1,072.6	$1,176.6
Canada	158.3	154.8	173.8
Other	6.1	9.2	1.9
Transfers between geographic areas (principally from Canada)	(128.4)	(130.9)	(130.6)
Consolidated	$1,131.2	$1,105.7	$1,221.7

	Earnings Before Income Taxes 1991	1990	1989	Identifiable Assets 1991	1990	1989
United States	$ 168.4	$ 131.9	$ 205.2	$1,476.2	$1,319.3	$1,433.9
Canada	26.0	35.8	50.8	264.0	254.5	244.3
Other	5.1	7.5	1.0	13.0	16.6	8.7
Eliminations	(3.5)	(4.2)	.2	(13.9)	(5.7)	(9.0)
Operating earnings	196.0	171.0	257.2			
Interest earned and other non-operating (income) and expense, net	2.1	(3.9)	(11.0)			
Interest charges	41.1	47.3	53.3			
Consolidated	$ 152.8	$ 127.6	$ 214.9	$1,739.3	$1,584.7	$1,677.9

Transfers of product between geographic areas were at prices approximating those charged to unaffiliated customers.

Sales from the United States, as shown in the preceding table, included sales to unaffiliated customers in other geographic areas as follows:

	1991	1990	1989
Far East	$ 208.6	$ 159.1	$ 182.6
Latin America	35.4	56.4	60.9
Europe	35.0	61.8	57.7
	$ 279.0	$ 277.3	$ 301.2

Schedule II

IMC FERTILIZER GROUP, INC.
AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS,
AND EMPLOYEES OTHER THAN RELATED PARTIES
Years Ended June 30, 1989, 1990, and 1991
($ in thousands)

			Deductions	Balance at End of Period	
Name of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Current	Not Current
1989:					
U.S. employee relocation loans(A)	$ 10	$ 53	$ 42	$ 21	
Number of loans	1	2	2	1	
Canadian employee housing loans(B)	$458	$ 10	$ 2	$ 41	$425
Number of loans	25	1		26	26
1990:					
U.S. employee relocation loans(A)	$ 21	$ 33	$ 54		
Number of loans	1	2	3		
Canadian employee housing loans(B)	$466		$ 84	$ 44	$338
Number of loans	26		6	20	20
1991:					
U.S. employee relocation loans(A)		$124		$124	
Number of loans		2		2	
Canadian employee housing loans(B)	$382		$100	$ 49	$233
Number of loans	20		5	15	15

(A) Generally non-interest bearing and repayable upon the sale of the employee's former residence.

(B) Interest at rates ranging from 6 percent to 15 percent per annum and repayable over 8 to 25 years.

Schedule V
(Page 1 of 2)

IMC FERTILIZER GROUP, INC.
PROPERTY, PLANT, AND EQUIPMENT

Years Ended June 30, 1989, 1990, and 1991
($ in millions)

	Balance at Beginning of Period	Additions at Cost	Retirements	Other Changes-- Add (Deduct)	Balance at End of Period
1989:					
Land	$ 17.8	$ .5	$ .1	$ (.6) (A)	$ 17.6
Mineral properties and rights	220.0	12.0	.1	.3 (A) 72.7 (B)	304.9
Buildings and leasehold improvements	277.5	27.2	12.5	37.2 (B)	329.4
Machinery and equipment	1,180.7	107.0	42.5	.3 (A) 206.2 (B)	1,451.7
Construction in progress	22.6	16.3			38.9
	$1,718.6	$ 163.0	$ 55.2	$ 316.1	$2,142.5
1990:					
Land	$ 17.6	$ .9	$ .1		$ 18.4
Mineral properties and rights	304.9	6.6			311.5
Buildings and leasehold improvements	329.4	19.1	21.7	$ 2.2 (A)	329.0
Machinery and equipment	1,451.7	39.8	11.7	(2.2) (A)	1,477.6
Construction in progress	38.9	27.9			66.8
	$2,142.5	$ 94.3	$ 33.5		$2,203.3

IMC FERTILIZER GROUP, INC.
PROPERTY, PLANT, AND EQUIPMENT

Years Ended June 30, 1989, 1990, and 1991
($ in millions)

	Balance at Beginning of Period	Additions at Cost	Retirements	Other Changes-- Add (Deduct)	Balance at End of Period
1991:					
Land	$ 18.4	$ .7			$ 19.1
Mineral properties and rights	311.5	7.1			318.6
Buildings and leasehold improvements	329.0	27.3	$ .8		355.5
Machinery and equipment	1,477.6	41.6	12.7		1,506.5
Construction in progress	66.8	91.8			158.6
	$2,203.3	$ 168.5	$ 13.5		$2,358.3

Notes:
(A) Transfers between accounts.

(B) Reclassification from other balance sheet accounts.

IMC FERTILIZER GROUP, INC.
ACCUMULATED DEPRECIATION, DEPLETION, AND AMORTIZATION
OF PROPERTY, PLANT, AND EQUIPMENT

Years Ended June 30, 1989, 1990, and 1991
($ in millions)

	Balance at Beginning of Period	Additions Charged to Cost and Expenses	Retirements	Other Changes-- Add (Deduct)	Balance at End of Period
1989:					
Mineral properties and rights	$ 42.7	$ 9.8	$ .2	$ 1.3 (C)	$ 53.6
Buildings and leasehold improvements	176.4	16.6	10.4	.4 (B)	183.0
Machinery and equipment	716.9	73.3	42.0	11.9 (B)	760.1
Allowance for plant closings (E)	2.6			(.9)	1.7
	$ 938.6	$ 99.7	$ 52.6	$ 12.7	$ 998.4
1990:					
Mineral properties and rights	$ 53.6	$ 9.0		$ .7 (C)	$ 63.3
Buildings and leasehold improvements	183.0	15.3	$ 21.5	3.0 (A) .3 (D)	180.1
Machinery and equipment	760.1	67.5	11.2	(3.0) (A)	813.4
Allowance for plant closings (E)	1.7	.7			2.4
	$ 998.4	$ 92.5	$ 32.7	$ 1.0	$1,059.2

IMC FERTILIZER GROUP, INC.
ACCUMULATED DEPRECIATION, DEPLETION, AND AMORTIZATION
OF PROPERTY, PLANT, AND EQUIPMENT

Years Ended June 30, 1989, 1990, and 1991
($ in millions)

	Balance at Beginning of Period	Additions Charged to Cost and Expenses	Retirements	Other Changes-- Add (Deduct)	Balance at End of Period
1991:					
Mineral properties and rights	$ 63.3	$ 8.6		$ .6 (C)	$ 72.5
Buildings and leasehold improvements	180.1	16.3	$ .6	.2 (D)	196.0
Machinery and equipment	813.4	65.3	12.4	.2 (D)	866.5
Allowance for plant closings (E)	2.4				2.4
	$1,059.2	$ 90.2	$ 13.0	$ 1.0	$1,137.4

Notes:
(A) Transfers between accounts.

(B) Reclassification from other balance sheet accounts.

(C) Difference between average and actual depletion rates on certain Florida phosphate ore reserves which has been offset against deferred charges in the consolidated balance sheet.

(D) Amortization of pre-operating plant expenses.

(E) This account is used to provide for losses on disposals of property, plant and equipment. Charges to the account consist of losses, net of gains, on such disposals.

IMC FERTILIZER GROUP, INC.
SHORT-TERM BORROWINGS
Years ended June 30, 1991, 1990, and 1989
($ in millions)

	Balance at End of Period	Weighted Average Interest Rate	Maximum Amount Outstanding During the Period	Average Amount Outstanding During the Period	Weighted Average Interest Rate During the Period
Note payable to IMCERA:					
1991	None	--	--	--	--
1990	None	--	--	--	--
1989	None	--	$110.0	$ 11.2	10.1%

The average amount outstanding for each period was computed by averaging the daily balances during the year. The weighted average interest rate for each period was computed by dividing interest on short-term borrowings by the average amount outstanding during the year.

Schedule X

IMC FERTILIZER GROUP, INC.
SUPPLEMENTARY INCOME STATEMENT INFORMATION

Years ended June 30
($ in millions)

	Charged to Costs and Expenses of Operations		
	1991	1990	1989
Maintenance and repairs	$130.4	$121.1	$121.0
Taxes, other than payroll and income taxes:			
Severance taxes	$ 30.5	$ 29.9	$ 47.9
Other taxes and fees	22.7	23.9	19.7
	$ 53.2	$ 53.8	$ 67.6

Amounts for amortization of intangible assets, advertising and royalties are not presented as such amounts are less than 1 percent of total sales.

(9c)

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

_X_ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For the fiscal year ended June 30, 1992

____ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from ________ to ______________

Commission file number 1-483

IMCERA Group Inc.

(Exact name of registrant as specified in its charter)

New York	**36-1263901**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2315 Sanders Road **Northbrook, Illinois**	**60062-6198**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 708-564-8600

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
4% Cumulative Preferred Stock, par value $100 per share	New York Stock Exchange
Common Stock, par value $1 per share	New York Stock Exchange Midwest Stock Exchange Pacific Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

9⅞% Sinking Fund Debentures due March 15, 2011.

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 _X_. No ___.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

State the aggregate market value of the voting stock held by non-affiliates of the registrant: $2,745,811,253 as of August 31, 1992. Market value is based on the August 31, 1992, closing prices of Registrant's Common Stock and 4% Cumulative Preferred Stock.

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares outstanding of each of the issuer's classes of common stock: 76,008,616 shares as of August 31, 1992.

DOCUMENTS INCORPORATED BY REFERENCE: Information required by Items 10, 11, 12, and 13 of Part III is incorporated by reference from pages 1 through 8, pages 17 through 28, pages 9 through 10, and pages 10 through 13, respectively, of the Registrant's definitive proxy statement for the annual meeting of stockholders to be held on October 21, 1992.

1992 FORM 10-K CONTENTS

Part I.

Item 1. Business

INTRODUCTION

Company Profile

IMCERA Group Inc. (IMCERA, the Company, or the Corporation) provides human and animal health care products and specialty chemicals worldwide through its three technology-based businesses: Mallinckrodt Medical, Mallinckrodt Specialty Chemicals and Pitman-Moore.

The Company was incorporated in New York in 1909. The corporate headquarters is located at 2315 Sanders Road, Northbrook, Illinois 60062-6198, and the telephone number is (708) 564-8600.

The Transition of the Company

During the past several years the Company has taken significant steps to develop its current composition of businesses and to change its capital structure as follows:

. In February 1986, the Company purchased Mallinckrodt, Inc. for $675 million in cash.

. In October 1986, the Company sold its gas and oil segment and its industrial products segment for $162 million.

. In February 1988, IMC Fertilizer Group, Inc. (IFL), then a wholly owned subsidiary, completed an initial public offering (IPO) of shares of common stock. Until March of 1991, IMCERA owned 10 million shares of IFL common stock, less than a majority voting interest in IFL, and accounted for its investment in IFL by the equity method.

. In July 1988, a second public offering of common stock by IFL reduced the Company's 10 million share interest in IFL from 47 percent to 38 percent.

. In September 1988, the Company's holdings of IFL's Preferred Stock, Series A, were redeemed by IFL for $200 million.

. In November 1988, the Company issued $1.4 billion of zero coupon subordinated debentures which provided that, among other things, the holders had the option to exchange each debenture for shares of IFL common stock held by the Company. In conjunction with the sale and option agreement with IFL discussed below, as of July 1991 all of these debentures have been redeemed. See Note J-Debt of Notes to Consolidated Financial Statements for additional information.

. In July 1989, the Company acquired Coopers Animal Health for $218 million in cash plus the assumption of liabilities.

. In July 1989, IMCERA redeemed 1,236,077 shares of its $3.75 Series A preferred stock for cash of $65 million. The balance of 1,302,123 shares was converted into approximately 4,758,000 shares of IMCERA common stock.

. In April 1990, following IMCERA's call for redemption for cash, all of the 1,398,000 outstanding shares of Series B preferred stock were converted into approximately 5,310,000 shares of IMCERA common stock.

. In June 1990, shareholders approved changing the Company's name from International Minerals & Chemical Corporation to IMCERA Group Inc.

. From August 1987 through July 1992, under authorization from the Company's Board of Directors, the Company repurchased 28,687,271 shares of its outstanding common stock (including the common stock equivalency of its Series A and B Preferred) for an aggregate cost of $419.5 million, or an average cost of $14.62 per share. In October 1991, the Company's Board of Directors reinstated the Company's authorization to repurchase its common stock which had been suspended in April 1991.

. In March 1991, the Company entered into a sale and option agreement with IFL under which IFL purchased, in three stages, all 10 million shares of IFL common stock which IMCERA owned for total net proceeds to IMCERA of $384.7 million. As of July 1991, IMCERA no longer owned any IFL shares. See Note A-Changes in Business of Notes to Consolidated Financial Statements for additional information.

. In April 1991, the Company paid $217.4 million to redeem one-half of the zero coupon exchangeable subordinated debentures and in July 1991, paid $221.7 million for the redemption of the remainder.

. In April 1991, the Company completed a public offering of 6 million shares of IMCERA common stock for net proceeds of $189.9 million to be used for general corporate purposes.

. In October 1991, the Company's shareholders approved an increase in the number of authorized shares of common stock from 100 million to 300 million. A reduction in the par value per share of common stock from $5.00 to $1.00 was also approved and recorded.

. In November 1991, the Company's common stock was split three-for-one. All references to IMCERA common stock throughout this report reflect the stock split.

. In April 1992, the Company redeemed all of its outstanding 9.35% debentures for cash of $52 million.

Other recent acquisitions, divestitures and continuing investments in each of IMCERA's businesses are described in the discussions of the business segments.

Four Reminders

In this report:

IMCERA Group Inc. and its subsidiaries, collectively, are called the "Company," the "Corporation," or "IMCERA," unless otherwise indicated by the context. The Company has three business segments: Mallinckrodt Medical, Mallinckrodt Specialty Chemicals and Pitman-Moore.

The term "operating earnings" of a business segment represents that business segment's revenues, including sales to other IMCERA business segments, less all operating expenses. Operating expenses of a business segment do not include interest expense, corporate income and expense, and taxes on income.

Also, unless otherwise noted, the reference to years is fiscal years ended June 30.

Registered trademarks are indicated by an asterisk.

MALLINCKRODT MEDICAL

Mallinckrodt Medical sales were:

(in millions) Years ended June 30	1992	1991	1990
Net sales			
Radiology & Cardiology	$ 293.7	$ 232.0	$ 163.4
Nuclear Medicine	160.4	129.5	101.8
Anesthesiology & Critical Care	166.2	151.0	134.6
	$ 620.3	$ 512.5	$ 399.8

Mallinckrodt Medical products are instrumental in the delivery of health care services and are sold to hospitals, clinical laboratories and other customers on a worldwide basis. They are related by a high degree of innovation and technology, by regulation from agencies such as the U.S. Food and Drug Administration (FDA) and by markets served. They are significantly affected by conditions within the health care industry, including continuing government legislation and public and private health care insurance and reimbursement programs. An aging population and demand for technologically superior products to improve the quality of life and lower the cost of care are two major factors fueling growth within the industry.

Principal products of this industry segment are contrast media for various imaging modalities and radiopharmaceuticals for medical diagnostic procedures, disposable medical devices and instruments and systems for use in surgical procedures and critical care.

Mallinckrodt Medical focuses on five specialty businesses providing advanced, innovative products for radiology, cardiology, nuclear medicine, anesthesiology and critical care. Specialized sales, marketing and general management resources have been established to service these markets.

Radiology & Cardiology

Radiology products include iodinated contrast media (ionic and nonionic) and catheters for use in studies of the brain, abdominal organs, renal system, peripheral vascular system and other areas of the body to aid in diagnosis and therapy. These products are marketed principally by a direct sales force. Since its introduction in the U.S. three years ago, Optiray*, a low osmolar, nonionic medium, has been widely accepted in both radiology and cardiology indications. Optiray* began to be introduced outside the U.S. in fiscal 1991. To meet growing worldwide demand, a $100 million program to expand production of Optiray was begun in 1992. The project includes a new production facility which is under construction near Dublin, Ireland, for the manufacture of Optiray* in its bulk drug form and a capacity expansion at the company's existing plant in St. Louis, Missouri. Under a 10-year exclusive agreement, Yamanouchi Pharmaceutical Co., Ltd., began distribution of Optiray* in Japan in June 1992, after product approval by the Japan Ministry of Health. In June 1990, Mallinckrodt Medical introduced Ultraject*, a patented innovation in contrast media agent administration. Mallinckrodt Medical is the only company supplying this unique prefilled plastic syringe, which provides radiologists a more efficient, convenient and safer method of delivering contrast agents.

The cardiology business is directed to meeting the needs of both invasive and non-invasive cardiologists in diagnosing and treating diseases of the heart and the cardiovascular system. The business currently offers both ionic and nonionic contrast agents, and interventional catheters and related supplies. These products are sold directly to hospitals, primarily by a dedicated sales force. During 1989, Mallinckrodt Medical acquired a minority equity position in Molecular Biosystems, Inc. of San Diego, California, and obtained exclusive marketing rights in the Western Hemisphere for Albunex*, a new ultrasound contrast agent. Albunex* was unanimously recommended for approval by the Radiology Device Advisory Panel of the FDA in July 1992. Assuming approval by the end of calendar 1992, the product is expected to be launched in fiscal 1993.

During fiscal 1992, the company reached agreement with Liebel-Flarsheim Company ("L-F") of Cincinnati, Ohio, to provide compatibility of L-F's power injector systems with the Ultraject* syringe. During the year the company also started a $15 million expansion to increase production of x-ray contrast media in Ultraject* disposable syringes and add a new production line for Ultraject* to be used in power injectors.

The company's largest developmental effort in this area is directed toward contrast agents for magnetic resonance ("MR") imaging, primarily in neurology, oncology and cardiovascular applications.

Nuclear Medicine

The nuclear medicine business consists of radiopharmaceuticals used to provide images of numerous body organs, and to diagnose and treat diseases. Nuclear medicine products are sold to hospitals and clinics in the U.S. on both a direct basis and through a nationwide network of nuclear pharmacies, and internationally through direct sales forces and distributors. Consulting services are also provided. In 1990, Mallinckrodt Medical introduced Technescan* MAG3* for improved imaging of the kidneys and the renal system.

Unlike a standard x-ray based imaging procedure, a nuclear medicine scan utilizing MAG3* can accurately assess renal tubular function in addition to providing anatomical information. In 1991, the company introduced the highly successful UltraTag* RBC blood pool imaging kit which is used for gated blood pool, "first pass" cardiac studies, and for the detection of hemangiomas and gastrointestinal bleeding sites. In order to meet growing worldwide demand for cyclotron-produced products, the company is currently expanding cyclotron capacity at its radiopharmaceutical production facility at Petten, the Netherlands. Additionally, during 1992 the company signed an agreement with the Netherlands Energy Research Foundation to construct a plant in Petten dedicated to the manufacture of molybdenum-99 (Mo99), a key raw material used in the production of the nuclear medicine imaging product technetium-99m. Full production is expected to begin by the end of 1994.

Current research efforts in this area are directed to development of compounds to alleviate cancer-related bone pain, to detect several types of cancer, and to evaluate heart disease.

Anesthesiology & Critical Care

Anesthesiology products include continuous core temperature monitoring systems, convective warm air temperature management systems, tracheal tubes and other airway management products Continuous core temperature monitoring and temperature management systems are utilized in surgical procedures and postoperatively. They are marketed directly and through distributors in the U.S. Airway management products consist of basic and specialty tracheal tubes used in hospitals for maintaining a secure airway during anesthesia. Airway products are marketed principally through hospital supply distributors in the U.S. Internationally, airway and temperature systems are marketed directly and through distributors. In addition, the company is capitalizing on the rapid conversion to disposable tracheal tubes in Europe by expanding its anesthesiology products plant in Athlone, Ireland.

In critical care, Mallinckrodt Medical provides instruments and systems to analyze blood gases and electrolytes in the operating room and intensive care unit. GEM*-STAT is designed for use in low-volume intensive care units, while GEM*-6 provides testing in the operating room, primarily for cardiovascular surgery. The company's newest analyzer -- the GEM Premier -- was introduced during 1992. It is user friendly, has a high capacity, and is more cost-effective than competing whole-blood analyzers. The GEM Premier will be utilized in intensive care units as well as in hospital stat and central laboratories. These products are sold directly to hospitals in the U.S. and through direct sales forces and distributors in international markets.

Mallinckrodt Medical's U.S. production and distribution facilities are located in Missouri, North Carolina, New York, Texas, California, Illinois and Michigan. Thirty radiopharmacies are located in large metropolitan markets throughout the U.S. for dosage form distribution of radiopharmaceuticals to hospitals and clinics. Facilities outside the U.S. are located in Europe, the Far East, Canada, Australia and Mexico.

MALLINCKRODT SPECIALTY CHEMICALS

Mallinckrodt Specialty Chemicals sales were:

(in millions) Years ended June 30	1992	1991(1)	1990(1)
Net sales			
Ongoing operations			
Drug Chemicals	$ 164.4	$ 160.2	$ 136.7
Catalysts, Performance & Lab Chemicals	203.5	234.1	198.9
	367.9	394.3	335.6
Divested operations and flavors business(2)	73.0	109.8	108.8
	$ 440.9	$ 504.1	$ 444.4

(1) Restated to reflect the company's reorganization effective July 1, 1991.
(2) Includes divested cosmetic and electronic chemicals businesses and the flavors business prior to formation of a flavors joint venture.

Mallinckrodt Specialty Chemicals products are sold to a variety of markets. These products possess a higher degree of technology and service than is required by commodity chemicals. Generally, they are sold as intermediates which are used by customers worldwide as components, ingredients or reagents, rather than as final consumer products. Many of Mallinckrodt Specialty Chemicals products are processed in multi-purpose manufacturing facilities. These products are also subject to government regulation and industry standards, including FDA-mandated "Good Manufacturing Practice."

Principal products in this industry segment are drug chemicals, peptides, high-purity performance chemicals, catalysts and laboratory chemicals. Through the Tastemaker joint venture, the company also participates in the flavors business.

Mallinckrodt Specialty Chemicals' U.S. production and distribution facilities are located in Missouri, Pennsylvania, North Carolina, Kentucky and California. Operations outside the U.S. are located in Europe, Canada, the Far East and Australia.

Drug Chemicals

Drug chemical products include analgesics such as codeine salts and other opium-based narcotics used to treat pain and cough, and acetaminophen (APAP) used to control pain and reduce fever. In 1992, work began to expand and upgrade the narcotics facility in St. Louis, Missouri. In 1993, about $6 million is being spent in this, the first of a multi-phase project. Also in 1992, a $17 million project was approved to expand APAP manufacturing and waste-treatment capacity at the Raleigh, North Carolina, facility. When complete in 1993, site APAP capacity is expected to increase 25 percent while lowering unit cost. A $10 million expansion and modernization project was completed at the company's facility in Derbyshire, England. The new operations were successfully started in the spring of 1992. Other drug chemical products include narcotic/acetaminophen combination products; Toleron* brand of ferrous fumarate which stimulates the formation of red blood cells; and various salts and excipients. They are sold to the pharmaceutical industry for use in the manufacture of dosage-form drugs. Narcotic prescription chemicals are also sold to drug wholesalers. In the fall of 1991, the company acquired Star Biochemicals Inc., a high-quality catalog and custom peptide producer. In 1992, the company began manufacture of peptides at its St. Louis facility. Peptides are chains of amino acids used in many new pharmaceuticals and are primarily sold to the research and pharmaceutical industries. Drug chemicals are marketed by a direct sales force.

Catalysts, Performance & Lab Chemicals

Catalysts produced in Erie, Pennsylvania, are sold to the petrochemical and food industries. They include such products as platinum and palladium on carbon or alumina substrates; copper chromite; tableted, flaked and droplet shapes of nickel catalyst; and a variety of custom catalysts. Such catalysts are used to manufacture plasticizers, detergents, rubber products, insecticides, synthetic motor oil and edible fats and oils. Catalysts are marketed directly under the registered trademark Calsicat.

High-purity performance chemicals sold to industrial consumers include such products as calcium stearates and other metal soaps for use as lubricants in molded and extruded plastics; high performance monomers and several plastic additives for use as processing aids in the production of polymers; and potassium chloride for use as a "salt substitute" in low-sodium diets. Mallinckrodt Specialty Chemicals sells these products through distributors and its sales force.

Laboratory chemical products include high-purity reagent chemicals used in research and development and analytical laboratories. These high-purity products consist of hundreds of reagent chemicals sold through distributors to medical, industrial, educational and governmental laboratories.

Performance and laboratory chemical products are marketed by performance chemicals sales force.

The company also produces aromatic fluorine intermediates for use in the manufacture of pharmaceuticals and agricultural chemicals. Sales, marketing and business development comprise an integrated unit.

Joint Venture

In February 1992, a 50/50 joint venture partnership was formed with Hercules Incorporated to manufacture and market flavor products. The venture, named Tastemaker, was created by combining the company's Fries & Fries flavors business with Hercules' PFW Flavors and Citrus Specialties businesses. Tastemaker is headquartered in Cincinnati, Ohio and has a major presence in the world's three largest flavors markets -- Europe, North America and Asia/Pacific. It manufactures products for use in convenience foods and beverages; dry and liquid beverage mixes; cordials, cocktails and wines; ice cream, cheese and other dairy products; pharmaceutical products; cake and cookie mixes, snacks and other bakery products; and main meals and entrees. Production and distribution of these products are subject to regulation by various country agencies. Distribution is primarily through direct sales and distributors.

Other

During the last three years, Mallinckrodt Specialty Chemicals has made several major changes in its business in addition to the changes discussed above. The Creations Aromatiques fragrance business was sold in 1990. The tannin product line, used for clarifying wines and malt beverages, was exited in 1991. The company combined its science products and performance chemicals businesses and consolidated its European operations under its Catalysts, Performance and Lab Chemicals Group as part of a 1992 reorganization. In addition, the company divested its cosmetic and electronic chemicals businesses and exited a general-line chemical business in 1992.

PITMAN-MOORE

Pitman-Moore sales were:

(in millions) Years ended June 30	1992	1991	1990
Net sales			
Animal Productivity	$ 58.2	$ 51.9	$ 49.4
Antimicrobials	69.7	68.8	62.0
Biologicals	104.3	106.4	100.3
Parasiticides	156.4	145.9	132.9
Veterinary Specialties & Other	81.0	72.4	69.7
Total Animal Health	469.6	445.4	414.3
Feed Ingredients	172.2	177.5	166.1
	$ 641.8	$ 622.9	$ 580.4

Pitman-Moore is one of the world's largest providers of products for improving the health and growth of animals. The company's global capabilities in distribution, marketing and manufacturing provide it with a significant competitive position in the market. The company has a direct presence in each of the top 25 animal health markets in the world, with approximately 50 percent of its net sales outside the U.S. Pitman-Moore participates in the fastest-growing segments of the $10.7 billion worldwide animal health market. These segments total more than $8.4 billion, and are expanding at rates up to 5 percent annually.

Pitman-Moore's operations support a product line of more than 1,000 products, one of the largest in the industry. Operations are located in 30 countries with distribution networks in an additional 90 nations and market development activity in the Commonwealth of Independent States (CIS) and China.

Cross-registration, or filing for approval of products already marketed in other regions of the world, is a key component of Pitman-Moore's geographic expansion efforts. More than 150 product approvals have resulted from cross-registration through 1992. Approximately 200 additional approvals are expected over the next three to five years. The opening of a new office in Japan and an acquisition in Spain have created greater opportunities for product cross-registration and distribution agreements. Additionally, Horse Health Products. Inc., a privately owned U.S. business, was purchased in December 1991.

Pitman-Moore currently has three geographic regions of operations: Asia/Pacific, Europe and the Americas. These regions are aligned for increased market focus and customer responsiveness. Pitman-Moore is able to sell directly to the consumer, veterinarian, distributor, dealer or agent, depending on the maximum market opportunity.

Pitman-Moore divides the world market into six strategic business units: animal productivity, antimicrobials, biologicals, parasiticides, veterinary specialties and feed ingredients.

Animal Productivity

The worldwide animal productivity market is currently estimated at $1.8 billion. Ralgro*, Pitman-Moore's long-established and most consistent performer in this market is the leading beef cattle growth promotant in the U.S. In 1992, Ralgro received market approval in the CIS.

Pitman-Moore has several major products in development to address an expected significant animal productivity market expansion, as new technologies are introduced.

Grolene* (brand of porcine somatotropin), a swine carcass modifier, currently is under review by the FDA and regulatory agencies in Australia, New Zealand and Canada. The annual world market for porcine somatotropin could be in excess of $550 million.

Pitman-Moore also is developing products for cattle. Lysocellin and tetronasin, two second-generation rumen modifiers, are currently under review by the FDA. Studies have demonstrated that these products improved average daily gain and feed efficiency in cattle. These products will compete in a worldwide annual market of approximately $100 million.

Clinacox*, an anticoccidial for chickens and turkeys, was introduced in Canada during 1992. It is also currently sold by Pitman-Moore in Mexico, Argentina, Ecuador and Uruguay. Pitman-Moore is currently awaiting approval to sell Clinacox* in the U.S.

Enradin* F80, an in-feed growth promotant for poultry and swine, was launched in Brazil and Mexico during 1992. Pitman-Moore has marketing rights in several additional countries for this product from Takeda Chemical Industries of Japan.

Pitman-Moore continues to develop a biological wool harvesting system in collaboration with the Wool Research and Development Corporation and an Australian government research institute. A natural protein, epidermal growth factor administered in a single dose injection, makes it possible to detach wool by hand rather than shearing. The product is expected to be filed for approval to market in Australia in calendar year 1993.

Antimicrobials

Pitman-Moore is a leader in the $1.6 billion global antimicrobials market, which includes antibacterials and antifungals. Led by well-known brands and new product introductions, sales are expected to exceed market growth rates.

In 1992, a new broad-spectrum antibacterial, sold under the names, Zaquilan* and Diprinovet*, was introduced in Belgium, Ireland and Denmark for food and companion animals. Both are also available in the U.K. Zaquilan* was also launched in New Zealand in 1992, and is targeted at the dairy market for its long-acting treatment of calf scours. Spectrazol* M.C., an intramammary antibiotic for dairy cattle, was introduced in Japan in 1992. Other products include Butalex*, a unique treatment for theileriosis in cattle, and Clinafarm*, an antifungal for poultry hatcheries.

See pages 24 and 25 for discussion of the impacts of the temporary suspension of sales and shutdown of production associated with deficiencies in technical manufacturing controls at Pitman-Moore's Kansas City, Kansas, facility.

Biologicals

Biologicals, which include vaccines and diagnostics, represent a world market of $1.4 billion that is growing at nearly 4 percent annually.

Among Pitman-Moore's vaccines are Coccivac*, a coccidiosis vaccine for poultry; Cattlevax*, a combined leptospirosis/clostridial vaccine for cattle, currently marketed in Australia; and Footvax*-M, an improved vaccine for control of foot rot in sheep that was introduced in New Zealand last year. Paracox*, a vaccine that prevents poultry coccidiosis by stimulating the immune system, is marketed in the U.K., Ireland and Italy and approval is pending in other European countries. A Paracox* manufacturing facility is under construction in the U.K. and is scheduled to open in 1993.

A variety of vaccines based on new technology is being developed along with new delivery systems. To meet Pitman-Moore's global vaccine requirements, $37 million is being invested to construct two facilities, one in New Zealand and the other in Germany. Construction is expected to be completed in 1993.

Parasiticides

The world market for parasiticides is $1.8 billion. This is the company's second largest segment in sales, and new branded products are expected to continue to drive growth.

Defend* EXspot*, a topical flea control product for dogs that also protects against deer ticks (carriers of organisms that cause Lyme disease), was introduced in the U.S. in 1991. In 1992, the product was introduced in Australia and New Zealand and was approved in the U.K. and the Netherlands. It was also approved for puppies in the U.S. The world veterinary market for this product is estimated to be $125 million, with $80 million in the U.S.

The company has entered into a number of marketing and licensing agreements. In 1992, Pitman-Moore acquired from Syntex Corporation broad marketing rights outside the U.S. for Systamex* and Synanthic*. These products kill intestinal worms in large animals.

Veterinary Specialties

In the $800 million worldwide veterinary specialties market, Pitman-Moore is a leading supplier of companion animal pharmaceuticals and surgical products.

Extensive use of Pitman-Moore's product distribution capabilities by companies such as Johnson & Johnson, Janssen Pharmaceutica, Imperial Chemical Industries and Wellcome PLC strengthens the company's position in this market.

Feed Ingredients

About a $1 billion worldwide market, feed ingredients is the largest segment of Pitman-Moore's sales. The company has a strong brand position in this market with feed supplements such as Monofos*, Biofos*, Dynafos*, Multifos*, Dyna-K* and Dynamate*. By continuing geographic expansion, the company should experience sales growth exceeding that of the overall market. However, management expects selected pricing actions and higher costs to adversely influence operating results and year-to-year comparisons for the coming year.

Pitman-Moore owns a feed phosphate plant adjacent to the IFL New Wales, Florida, phosphate chemical complex. Under an agreement, IFL operates the Pitman-Moore feed plant. The company also contracts with IFL for key raw materials including phosphoric acid, phosphate rock and anhydrous ammonia. IFL also supplies Pitman-Moore's requirements of animal feed-grade potassium products. In the event these supply agreements are terminated, the company believes there are adequate sources of supply from other producers.

GENERAL FACTORS RELATED TO BUSINESS SEGMENTS

None of IMCERA's business segments is dependent upon any single customer or supplier or group of related or affiliated customers or suppliers whose loss would have a material effect on its sales and operating results.

In general, IMCERA's business segments, including related working capital requirements, are not materially affected by seasonal factors.

IMCERA's business segments do not extend long-term credit to customers. The Company believes this non-extension of credit as well as its working capital requirements are not materially different from the credit policies and working capital requirements of its competitors.

Competition with foreign and domestic manufacturers in IMCERA's business segments involves price, service, quality and the development of technology. Competition is strong in all markets served.

INTERNATIONAL OPERATIONS

Foreign operations and investments are subject to risks customarily encountered in such operations and investments. Risks include fluctuations in currency exchange rates and controls, expropriation, and other economic, political, and regulatory policies of local governments and laws and policies of the United States affecting foreign trade and investment.

IMCERA sales outside the U.S. represented about 35 percent of consolidated net sales in 1992, 1991 and 1990. Products are manufactured and marketed through a variety of subsidiaries, affiliates and joint ventures around the world. See discussions of individual business segments included under Item 1, Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 19-28 and Note P-International Operations of Notes to Consolidated Financial Statements for additional information.

OTHER ACTIVITIES

Research and Development

The Company performs applied research directed at development of new products, development of new uses for existing products, and improvement of existing products and processes. Research and development programs include laboratory research as well as product development and application.

Mallinckrodt Medical research and development efforts are coordinated on a worldwide basis by a senior scientist. Research and development of imaging and therapeutic products are carried on by a centralized organization. Research and development for anesthesia and critical care are performed within these businesses. Mallinckrodt Medical's various development activities are focused on market place needs.

Mallinckrodt Specialty Chemicals research and development efforts are organized within its operating divisions to focus technical resources on the development of new and improved products meeting defined market and customer needs. Technical personnel for process support are located at each manufacturing location. Internal research effort is supplemented with third party and university technical agreements.

Pitman-Moore currently has many products under development through a global network of research and development centers which address the needs of world and regional markets. These activities are coordinated by the company's chief technical officer. These products include vaccines, growth enhancers and parasiticides for livestock, poultry and companion animals. To supplement its own research, Pitman-Moore has technical agreements with various pharmaceutical and biotechnology companies.

IMCERA's businesses also perform applied research in pollution monitoring and control.

Patents, Trademarks, and Licenses

IMCERA owns a number of patents and trademarks, has pending a substantial number of patent applications, and is licensed under patents owned by others. No single patent is considered to be essential to the businesses as a whole, but in the aggregate, the patents are of material importance to the Company's business.

Environmental Matters

IMCERA is subject to various environmental laws and regulations in the United States and foreign countries in which it operates. IMCERA has handled, and will continue to handle, materials and wastes classified as hazardous or toxic by one or more regulatory agencies. Although significant capital expenditures, as well as operating costs, have been incurred and will continue to be incurred on account of the laws and regulations governing the handling of these materials, and although there are inherent and unquantifiable risks in mishandling, or potential accidents involving hazardous or toxic materials and wastes, IMCERA does not believe they have had or will have a material adverse effect. However, IMCERA cannot predict the impact of new or changed laws or regulations. (See also Item 3. Legal Proceedings.)

Most of the Company's environmental capital expenditures are in response to provisions of the U.S. Clean Air Act, the U.S. Water Pollution Control Act, the U.S. Resource Conservaticn and Recovery Act, the Comprehensive Environmental Response Compensation and Liability Act, and the land use, air, and water protection regulations of the various localities and states.

Capital expenditures worldwide related to air emission control, wastewater purification, land reclamation and solid waste disposal totaled approximately $13 million in 1992. IMCERA expects that environmental capital expenditures over the next two years will average about $14 million per year.

Various U.S. Federal, state, municipal, and foreign laws and regulations, govern the production, packaging, labeling and distribution of a number of the Company's products.

See also Note T-Contingencies of Notes to Consolidated Financial Statements for additional information.

Employees

IMCERA had 9,500 employees at June 30, 1992. The workforce at June 30, 1992, consisted of 5,600 U.S. and 3,900 employees outside the U.S. Employees by business segment are: Mallinckrodt Medical -- 4,100; Mallinckrodt Specialty Chemicals -- 2,000; and Pitman-Moore -- 3,200. The other 200 employees are engaged in parent corporate activities and in a small industrial chemicals operation.

Labor Relations

The Company has six collective bargaining agreements within the U.S. with six U.S. international unions or their affiliated locals covering 539 employees. Five agreements covering 23 percent of the hourly work force were negotiated during 1991, all with no work stoppages. No such agreements were negotiated during 1992. Three agreements covering 75 employees will expire in 1993. Five Mallinckrodt Medical and Mallinckrodt Specialty Chemical operating locations outside the U.S. have collective bargaining agreements and/or work counsel agreements covering about 800 employees. Most of the Pitman-Moore operating locations outside the U.S. have collective bargaining agreements and/or work counsel agreements covering approximately 1,000 employees. Resulting wage and benefit increases were consistent with competitive industry and community patterns.

Item 2. Properties

Information regarding the plant and properties of IMCERA is included in Item 1. Business.

Item 3. Legal Proceedings

IMCERA is a defendant in a number of lawsuits. Management believes that these suits will not have a material effect on the Company's financial condition or the conduct of any of its businesses. Except in respect of matters not as yet fully evaluated, as stated below, this conclusion applies also to pending and threatened environmental and other matters described below.

The previously reported settlement in principle by the Company with the State of Michigan in the litigation brought by the State in U.S. District Court in Detroit, Michigan, has not been completed and the State has since advised the Company that it is also considering a settlement proposal made by some of the other Potentially Responsible Parties (PRP's) that could affect the settlement in principle. The Company continues to be unable to predict the outcome of any of these settlement proposals but continues to believe that the result will not be material.

In the previously reported remand to the U.S. District Court in Concord, New Hampshire, the Company and the U.S. Environmental Protection Agency (EPA) continue to negotiate terms of a settlement. IMCERA continues to be unable to predict the outcome of the negotiations but continues to believe that the result will not be material.

In the previously reported litigation by the U.S. EPA against the Company and other companies concerning alleged pollution of a stream near Ashtabula, Ohio, designated as "Fields Brook," where the Company once operated a plant, IMCERA and several other companies have settled the litigation brought by EPA, and all of the companies have agreed to nonbinding arbitration of the allocation of payment for a Remedial Design/Remedial Action study ordered by EPA. The estimated costs will have no material effect on the Company's financial condition.

In the previously reported settlement of the Hanlin Group, Inc. versus IMCERA litigation in Bangor, Maine, and Hanlin's subsequent Chapter 11 bankruptcy filing, Hanlin has now filed a motion in the bankruptcy court to assume the settlement agreement. If approved by the bankruptcy court, IMCERA will be obligated to pay for some of the costs of the study ordered by U.S. EPA; however, the estimated costs will have no material effect on the Company's financial condition.

In the previously reported suit by the Illinois Attorney General regarding the sending of hazardous waste to a facility near Belleville, Illinois, which was not licensed to receive hazardous waste, a civil penalty is being negotiated. The Company continues to be unable to predict the outcome of the negotiations but continues to believe the result will not be material.

In the previously reported purported class actions brought by two alleged stockholders in the U.S. District Courts in New York and Illinois, alleging violations of federal securities law and related state law claims, the Illinois action has been transferred to New York and it is expected that the two actions will be consolidated. Although both suits are in a very preliminary stage, the Company continues to believe they are without merit and will have no material effect.

The Company received a Notice of Potential Liability letter from and has since entered into a Consent Order with U.S. EPA, which will require the Company to pay a share of the cost of any future study and remediation, in connection with pre-1982 shipments of oil-filled equipment such as transformers to a Superfund site at Cape Girardeau, Missouri, designated as Missouri Electric Works Superfund Site. The Company's alleged contribution to the site is very small and will have no material effect on the Company's financial condition.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the three months ended June 30, 1992.

EXECUTIVE OFFICERS OF THE REGISTRANT

The ages and five-year employment history of IMCERA's executive officers at June 30, 1992, were as follows:

M. Blakeman Ingle
Age 50. Chief Executive Officer since October 1991; President since July 1990; Chief Operating Officer from July 1990 to October 1991; Director since October 1990; Executive Vice President from March 1989 to July 1990; President of Pitman-Moore, Inc. from July 1988 to August 1990; Senior Vice President and Chief Administrative and Technical Officer from July 1987 to March 1989; Vice President from May 1980 to July 1987.

George D. Kennedy
Age 66. Chairman since August 1986; Chief Executive Officer from October 1983 to October 1991; President from May 1978 to August 1986; Director since October 1975.

Raymond F. Bentele
Age 55. Executive Vice President since March 1989 and Vice Chairman of the Board since October 1990; Senior Vice President from October 1986 to March 1989; Chief Executive Officer of Mallinckrodt, Inc. since 1981; President of Mallinckrodt, Inc. since December 1978.

Kenneth J. Burns, Jr.
Age 65. Vice President and General Counsel since March 1979. Secretary since March 1988.

Ashok Chawla
Age 43. Vice President, Strategic Management since July 1991; Vice President Strategic Planning and Business Development of Pitman-Moore, Inc. from August 1990 to July 1991; Division Director, Finance and Administration for Mallinckrodt, Inc. - Europe from August 1988 to August 1990; Executive Assistant, Office of the President for Mallinckrodt, Inc. from April 1986 to August 1988.

A. Jacqueline Dout
Age 37. Vice President and Treasurer since February 1991; Acting Treasurer from June 1990 to February 1991; Assistant Treasurer and Corporate Staff Vice President from June 1988 to May 1990; Assistant Treasurer for Koppers Company, Inc. from April 1981 to June 1988.

Beverley L. Hayes
Age 53. Vice President, Organization and Human Resources since November 1990; Senior Vice President, Human Resources of Pitman-Moore, Inc. from September 1990 to November 1990; Vice President Human Resources of Pitman-Moore, Inc. from July 1989 to September 1990; Director Compensation and Benefits of IMCERA from October 1985 to July 1989.

C.R. (Ray) Holman
Age 49. Vice President, IMCERA since October 1990 and President and Chief Executive Officer, Mallinckrodt Medical, Inc. since January 1989; Group Vice President of the Medical Products Group, Mallinckrodt, Inc. from September 1985 to January 1989.

Douglas K. Larsen
Age 53. Vice President, Environment and Safety since October 1991; Corporate Staff Vice President, Environment and Safety from September 1988 to October 1991; Director, Environmental and Safety Operations from July 1980 to August 1988.

Mack G. Nichols
Age 54. Vice President, IMCERA since October 1990 and President and Chief Executive Officer of Mallinckrodt Specialty Chemicals Company since January 1989; Vice President of the Chemical Group, Mallinckrodt, Inc. from April 1982 to January 1989.

William B. Stone
Age 49. Vice President and Controller since November 1990 and Vice President for Mallinckrodt, Inc. since April 1983; Assistant Controller and Corporate Staff Vice President from October 1989 to November 1990.

Boyd D. Wainscott
Age 48. Vice President, IMCERA since October 1990 and President and Chief Executive Officer, Pitman-Moore, Inc. since August 1990; Executive Vice President, Pitman-Moore, Inc. from July 1989 to August 1990; Senior Vice President, Marketing for Pitman Moore, Inc. from April 1987 to July 1989; Executive Director, Sales and Marketing, Agricultural Products, Stauffer Chemical Corporation until April 1987.

All of IMCERA's officers are elected annually, with the terms of the officers listed above to expire in October 1992. No "family relationships," as that term is defined, exist among any of the listed officers.

Part II.

Item 5. Market for the Registrant's Common Stock and Related Stockholder Matters

COMMON STOCK PRICES AND DIVIDENDS

Quarter	First	Second	Third	Fourth
Fiscal 1992				
Dividends per common share	$ .08	$ .10	$ .10	$ .10
Common stock prices				
High	38.13	43.38	46.63	34.75
Low	31.42	32.75	31.63	28.88
Fiscal 1991				
Dividends per common share	$ .08	$ .08	$ .08	$ .08
Common stock prices				
High	20.54	25.00	33.50	36.83
Low	16.00	17.42	22.42	29.92

The principal market on which IMCERA's common stock is traded is the New York Stock Exchange. Common stock prices are from the composite tape for New York Stock Exchange issues as reported in The Wall Street Journal.

As of August 31, 1992, the number of registered holders of common stock, as reported by the Company's registrar, was 10,595.

Item 6. Selected Financial Data
(Dollars in millions except per share amounts)

Years ended June 30	1992(1)	1991(1)	1990(1)	1989(2)	1988(3)
Net sales	$1,702.9	$1,633.9	$1,424.6	$ 982.9	$ 932.0
Earnings from continuing operations	$ 128.8	$ 97.2	$ 55.3	$ 53.4	$ 46.3
Earnings (loss) from discontinued operations(4)	(1.3)	(9.0)	1.2	63.6	52.6
Extraordinary item					14.6
Net earnings	127.5	88.2	56.5	117.0	113.5
Preferred stock dividends	.4	.4	4.2	14.4	16.2
Available for common shareholders	$ 127.1	$ 87.8	$ 52.3	$ 102.6	$ 97.3
Per Common Share Data(5)					
Earnings from continuing operations	$ 1.65	$ 1.37	$ .79	$ .57	$ .38
Net earnings	1.63	1.24	.81	1.50	1.22
Dividends declared	.38	.33	.33	.33	.33
Book value	16.02	14.42	11.97	11.23	10.75
Average common shares (in millions)	77.8	70.6	65.0	68.4	79.8
Other Data					
(Dollars in millions)					
Total assets	$2,050.8	$2,250.2	$2,130.9	$1,971.6	$1,793.8
Working capital	351.6	409.0	311.1	594.6	507.8
Current ratio	1.8:1	1.6:1	1.8:1	3.3:1	2.7:1
Total debt	$ 373.7	$ 643.4	$ 837.4	$ 773.7	$ 407.7
Deferred income taxes	41.7	48.0	52.9	42.8	29.4
Shareholders' equity	1,224.2	1,084.2	824.8	888.2	1,027.7
Invested capital	1,639.6	1,775.6	1,715.1	1,704.7	1,464.8
Total debt/invested capital	23%	36%	49%	45%	28%
Capital expenditures	$ 150.4	$ 123.4	$ 85.7	$ 82.2	$ 81.2
Total dividends declared	29.5	23.7	25.8	36.9	42.6
Common shares outstanding (in millions)	75.7	75.2	68.1	60.7	76.4
Number of employees	9,500	9,800	9,600	6,900	6,900

(1) See "IMCERA Management's Discussion and Analysis" for a description of nonrecurring items.

(2) Results for 1989 included favorable adjustments from the conclusion of income tax audits that amounted to $20.8 million, $16.6 million after taxes, or $.24 a share, from lower income taxes and related interest charges. Such earnings also included a gain of $3.9 million, $2.4 million after taxes, or $.03 a share, from the sale of a business.

(3) Results for 1988 included restructuring charges totaling $20.4 million, $12.6 million after taxes, or $.16 a share, net nonrecurring gains of $48.8 million, $31.1 million after taxes, or $.38 a share, principally from the sale of various operations and an extraordinary gain of $14.6 million, or $.18 a share, from the utilization of a net operating loss carryforward.

(4) See Note A of Notes to Consolidated Financial Statements for information on discontinued operations in 1992, 1991 and 1990. The results for 1989 and 1988 included a nonrecurring after-tax gain (loss) of $21.5 million, or $.30 a share, and $(32.5) million, or $(.41) a share, from the IFL public offerings. Results for discontinued operations for 1989 and 1988 also included after-tax charges of $1.7 million, or $.02 a share, and $5.0 million, or $.06 a share, for environmental and litigation costs related to operations previously sold.

(5) Presented on a primary per common share basis adjusted for the 3-for-1 stock split in November 1991.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

1992 vs. 1991

Results were in line with management's expectations for fiscal 1992. The Company's earnings from continuing operations for fiscal 1992 of $128.8 million, or $1.65 a share, represented a 20 percent increase in per-share earnings over last year's $97.2 million, or $1.37 a share. Certain unusual and nonrecurring items in 1992 resulted in a net after-tax charge of $.5 million, or $.01 a share. These items are discussed in the Quarterly Results on page 51.

Net earnings were $127.5 million, or $1.63 a share, compared with $88.2 million, or $1.24 a share, in 1991. This year's net earnings included after-tax charges related to discontinued operations of $1.3 million, or $.02 a share, compared with last year's after-tax charges of $9.0 million, or $.13 a share. Details of the net charges are discussed in Note A of Notes to Consolidated Financial Statements.

IMCERA's three businesses collectively reported a 22 percent increase in operating earnings to $225.5 million from last year's $184.6 million. Mallinckrodt Medical led the way in 1992 with a 47 percent increase in its operating earnings. IMCERA net sales for 1992 were up 4 percent in the face of disposals of and exits from various non-strategic businesses, recessionary conditions in the U.S., Europe and Australia, price-pressures in feed ingredients and the change to equity reporting for the flavors joint venture.

1991 vs. 1990

IMCERA's fiscal 1991 per-share earnings from continuing operations increased 73 percent over 1990 to $1.37 a share from $.79 a share. Net earnings per share were up 53 percent to $1.24 a share.

Net sales for 1991 were $1,633.9 million, compared with $1,424.6 million in 1990, a 15 percent increase. Operating earnings were $184.6 million in 1991, a 64 percent increase from 1990 results.

In March 1991, the Company entered into a sale and option agreement with IMC Fertilizer Group, Inc. (IFL) under which IFL ultimately purchased all 10 million shares of IFL common stock which IMCERA owned. Effective April 1, 1991, the Company changed from the equity to the cost method of accounting for this investment. Refer to Note A of Notes to Consolidated Financial Statements for further information.

Certain unusual and nonrecurring items in 1990 affected year-to-year comparisons.

In 1990, earnings from continuing operations included favorable adjustments from the conclusion of income tax audits that amounted to $11.9 million after taxes, or $.18 a share, from lower income taxes and higher interest income. That benefit was partially offset by after-tax restructuring charges of $3.0 million, or $.05 a share, and charges for compensation plans tied to the price of IMCERA's common stock that amounted to $2.4 million after taxes, or $.04 a share.

MALLINCKRODT MEDICAL

(in millions) Years ended June 30	1992	1991	1990
Net sales			
Radiology & Cardiology	$ 293.7	$ 232.0	$ 163.4
Nuclear Medicine	160.4	129.5	101.8
Anesthesiology & Critical Care	166.2	151.0	134.6
	$ 620.3	$ 512.5	$ 399.8
Operating earnings	$ 127.8	$ 86.9	$ 50.3

1992 vs. 1991

Mallinckrodt Medical continued its excellent performance with improvements in net sales and earnings in all of the company's principal businesses. Net sales increased 21 percent while operating earnings were up 47 percent, combining to produce an operating margin of 20.6 percent.

Net sales of radiology and cardiology products increased 27 percent. Higher sales and lower manufacturing costs for Optiray, the company's nonionic x-ray contrast medium introduced in June 1989, were principal factors in the company's growth. Optiray sales in the U.S. continued to be strong while introductions in Europe, Japan and Mexico also contributed. Higher Hexabrix sales were also a factor in the improved performance. Management expects introductions of Optiray in international markets to continue to favorably impact results. To further support the growth of Optiray, a $100 million expansion project was begun in the second half of fiscal 1992. The project involves increasing the production capabilities of the Optiray plant in St. Louis and construction of a new facility in Ireland. Additionally, Albunex, an ultrasound contrast agent, has been recommended for approval by the Radiology Device Advisory Panel of the FDA. Assuming FDA approval by the end of calendar 1992, management currently estimates launch of the product to begin in late fiscal 1993.

Strong results for the nuclear medicine business were a significant factor in the year-to-year comparison. Net sales increased 24 percent. Improvements in thallium sales associated with double injection procedures and pharmacological stress tests continued. Technescan MAG3 and UltraTag RBC agent kit sales and lower manufacturing costs were also contributors to the 1992 results. Sales growth for thallium is expected to moderate compared to 1992's results which reflected a full-year effect of higher sales from double injection procedures and stress tests; however, sales from recently introduced products and continued production efficiencies are expected to sustain significant contributions to future earnings growth. A $15 million capital project for a facility to manufacture Mo99, a key raw material used in the production of technetium-99m, is under way in Petten, the Netherlands. Currently, Mallinckrodt Medical is one of the largest purchasers of Mo99 in the world, and this represents a vertical integration of the key strategic raw material for use worldwide. Full production is expected to begin by the end of 1994.

Net sales of anesthesiology and critical care products were up 10 percent. Earnings from stronger sales of airway management products, GEM 6 and GEM Stat were partially offset by higher operating expenses primarily associated with continued launch of the GEM Premier blood gas analyzer and introduction of a new warming system designed to expand capabilities in patient temperature management.

1991 vs. 1990

Results in 1991 showed strong improvement from 1990. Operating earnings increased 73 percent while net sales were up 28 percent.

Net sales of radiology and cardiology products increased 42 percent. Optiray was the most significant contributor to the net sales and earnings improvements. Optiray sales growth continued strong in the U.S., while international introduction began in the latter part of the year. The $42 million Optiray manufacturing plant expansion in St. Louis, which was completed in the fall of 1991, doubled production capacity to support international expansion and U.S. growth. U.S. sales of Hexabrix also increased substantially.

Nuclear medicine product net sales increased 27 percent from last year. Higher net sales and improved earnings were attributable, in part, to the introduction of Technescan MAG3, a product for imaging of the kidneys and the renal system. Other major factors were utilization of double injections of thallium by physicians for improved imaging of organ and tissue function, increased thallium sales associated with a new pharmacology stress test utilized by physicians, and improved manufacturing performance in the U.S. Higher European sales volume and favorable exchange rates were additional factors.

Net sales of anesthesiology and critical care products increased 12 percent. Strong sales of critical care products from higher instrument and disposable cartridge volume were partially offset by increased selling and marketing costs associated with the launch of the GEM Premier blood gas analyzer. Higher anesthesiology sales volume, principally in Europe, and favorable exchange rates also contributed to the growth.

MALLINCKRODT SPECIALTY CHEMICALS

(in millions) Years ended June 30	1992	1991(1)	1990(1)
Net sales			
Ongoing operations			
Drug Chemicals	$ 164.4	$ 160.2	$ 136.7
Catalysts, Performance & Lab Chemicals	203.5	234.1	198.9
	367.9	394.3	335.6
Divested operations and flavors business(2)	73.0	109.8	108.8
	$ 440.9	$ 504.1	$ 444.4
Operating earnings			
Ongoing operations	$ 46.5	$ 43.6	$ 36.2
Divested operations and flavors business(2)	13.2	16.9	12.4
	59.7	60.5	48.6
Pretax equity in joint venture	1.6		
Earnings(3)	$ 61.3	$ 60.5	$ 48.6

(1) Restated to reflect the company's reorganization effective July 1, 1991.
(2) Includes the divestiture of the cosmetic and electronic chemicals businesses and pre-joint venture operating results of the flavors business.
(3) Includes as reported operating earnings plus the pretax equity in the joint venture.

1992 vs. 1991

Mallinckrodt Specialty Chemicals recorded solid operating results in 1992 during a period of general business recession in the chemical industry, while simultaneously effecting major changes in its business. A strategic joint-venture partnership was formed effective February 1, 1992, between the company's and Hercules Incorporated's flavors businesses, and non-strategic businesses were divested or exited. Given these changes, operating results have been restated to an ongoing basis to better characterize operating performance.

Mallinckrodt Specialty Chemicals ongoing operating earnings improved to $46.5 million compared with $43.6 million in 1991; whereas ongoing net sales decreased by $26.4 million. On an actual reported basis, the company's operating earnings plus its equity in the pretax earnings of its flavors joint venture were $61.3 million, compared with $60.5 million a year earlier. The decrease in ongoing net sales resulted principally from general-line chemical business exits in 1992. Year-to-year operating earnings growth also was adversely influenced by such exits. Flavors joint-venture income was negatively affected by a $3.8 million pretax charge for the company's share of one-time rationalization costs.

Drug chemicals ongoing net sales increased 3 percent. Higher volume of APAP and narcotics sales contributed significantly with overall demand for analgesics remaining strong. The European manufacturing capacity expansion, begun in fiscal 1991, was completed in April 1992 resulting in a near doubling of capacity. The Raleigh, North Carolina, APAP facility is scheduled to increase its capacity by 25 percent at an anticipated cost of $17 million. Fiscal 1992 results were negatively impacted by temporary plant shutdowns in the first quarter, start-up costs related to the new peptides business and the exit from the tannin business at the end of fiscal 1991.

The catalysts, performance and lab chemicals business ongoing net sales were down 13 percent. Strategic business exits and recessionary conditions were factors in the year-to-year decrease. Recessionary conditions impacted the catalyst business in the first half of 1992, but momentum began to recover in the second half and is expected to continue into next year. For the year catalyst results were relatively flat compared to last year. Results were helped by higher sales of laboratory chemicals and other performance chemicals. The company continued investment in its AFI business which negatively impacted operating results. Management continues to evaluate its strategic alternatives related to the AFI business.

1991 vs. 1990

Ongoing net sales and operating earnings improved over last year by 17 and 20 percent, respectively, excluding the fiscal 1990 results of the fragrance business which was sold in January 1990, the results of the flavors business and certain businesses divested in fiscal 1992. All major businesses contributed to the improvement.

Drug chemicals ongoing net sales increased 17 percent. The business' net sales and earnings benefited from higher sales of APAP resulting from strong worldwide demand. Higher medicinal narcotics sales in the U.S., along with improved plant performance, also contributed significantly.

Ongoing net sales for catalysts, performance and lab chemicals were up 18 percent. The year benefited from higher catalyst sales and margins; however, growth slowed, as expected, in the second half of fiscal 1991 as a result of recessionary pressures. Higher sales of laboratory chemicals were also a factor. The company continued significant investment in the development of AFIs.

The flavors business recorded a 19 percent net sales increase for 1991. Sales of flavors for sweet goods and beverage products in the U.S. were major factors in improved performance. Europe's growth in beverage product sales also contributed. The company continues to invest substantially in new product development.

PITMAN-MOORE

(in millions) Years ended June 30	1992	1991	1990
Net sales			
Animal Productivity	$ 58.2	$ 51.9	$ 49.4
Antimicrobials	69.7	68.8	62.0
Biologicals	104.3	106.4	100.3
Parasiticides	156.4	145.9	132.9
Veterinary Specialties & Other	81.0	72.4	69.7
Total Animal Health	469.6	445.4	414.3
Feed Ingredients	172.2	177.5	166.1
	$ 641.8	$ 622.9	$ 580.4
Operating earnings	$ 69.0	$ 74.0	$ 55.6

1992 vs. 1991

Pitman-Moore's 1992 net sales increased 3 percent from last year's performance. Sales improvement aggregating in excess of 9 percent occurred in Pitman-Moore's animal productivity, parasiticide and veterinary specialties product categories. Feed ingredients sales decreased 3 percent, partially offsetting these improvements. The company's sales growth was achieved despite the recessionary impacts on most major product lines in the U.S., Europe, Australia and New Zealand.

Despite the sales increase, Pitman-Moore's operating earnings decreased 7 percent from last year. Contributing to this decrease was $8.0 million in pretax costs and losses from the 1992 third quarter temporary suspension of sales and shutdown of production of animal pharmaceuticals produced at Pitman-Moore's Kansas City, Kansas, facility. The company expects to resume non-sterile pharmaceuticals sales in the first quarter of fiscal 1993 and full production by the end of the calendar year. It is anticipated that sterile pharmaceuticals operations will resume in late fiscal 1993, pursuant to completion of a quality certification process. Sales of pharmaceuticals products manufactured at the Kansas City facility approximated $15 million in fiscal 1991.

In the fourth quarter of 1992, Pitman-Moore initiated a worldwide restructuring program to improve operating effectiveness and overall profitability. The associated pretax charge of $12.8 million was virtually offset by adjustments made to certain accruals, now determined to be excess, that were established at the time Pitman-Moore acquired Coopers Animal Health in July 1989.

Animal productivity net sales were up 12 percent. A higher volume of Ralgro anabolic agent sales, due in part to the timing of marketing and sales programs, was the principal factor. Also, the company's anticoccidial for chickens and turkeys, Clinacox, was launched in Canada in 1992. Sales of this product in certain Latin American countries also increased in 1992. The company continues to invest in Grolene, a swine carcass modifier. The product is currently under review for FDA approval.

Antimicrobial net sales were essentially flat. Sales growth in Europe and Asia/Pacific was primarily from products launched in 1991. This improvement was offset by the sales decrease related to the pharmaceutical production issue at the company's Kansas City, Kansas, facility.

Biologicals net sales declined from last year by 2 percent, resulting from recessionary conditions in Europe, which offset sales gains in Brazil and North America. Capital spending continued on the new biological facilities in Germany and New Zealand, which, when completed in 1993, will provide products worldwide.

Parasiticides net sales increased 7 percent despite recessionary conditions in Europe. This business continues to benefit from a product-line exchange which occurred in the fourth quarter of 1991. Growth in sales of EXspot, a canine topical flea and tick control product, which is part of the new Defend product line in the U.S., was also a factor.

Veterinary specialties net sales were up 12 percent with the acquisition of the Horse Health business in December 1991 accounting for most of the improvement.

Feed ingredients net sales decreased 3 percent, reflecting downward price pressures which more than offset the impact of worldwide volume gains. Increased sales in Latin America and Asia were more than offset by the sales decline in North America. Management expects selected pricing actions and higher costs to influence operating results and year-to-year comparisons adversely for the coming year.

1991 vs. 1990

Pitman-Moore's 1991 operating earnings increased 33 percent. Net sales were up 7 percent. All major product lines contributed to the increase. Annual net sales were derived about equally from U.S. and international operations. The year's results benefited from global efficiencies in manufacturing and distribution. Expense containment also favorably affected the results. The downturn in the sheep and wool market in Australia unfavorably impacted the business, particularly with respect to biologicals and parasiticides sales. Also, economic problems in Brazil unfavorably affected the business.

Animal productivity net sales increased 5 percent principally from higher Ralgro sales volumes in North and Latin America.

Net sales of antimicrobial products were up 11 percent. Launches of new products and product cross-registrations in Europe and Asia contributed favorably to the year's results.

Biologicals products net sales grew 6 percent. Poultry products sales in Europe and Asia showed significant gains.

Parasiticide products net sales increased 10 percent. North American results were favorably affected by a product-line exchange that better balanced the company's business. European and Latin American regions both experienced sales volume growth.

Feed ingredients net sales improved 7 percent. International sales volume improved, while downward movement in U.S pricing began late in the fourth quarter.

CORPORATE MATTERS

Corporate expenses declined to $30.5 million in 1992 from $36.5 million in 1991 and $41.9 million in 1990. Most of that decrease reflects the results of management's efforts to create three free-standing businesses and minimize corporate expense. Lower expenses in 1992 were principally from lower spending by headquarters functions and reduced costs associated with performance-based compensation plans. Higher 1990 expenses came from a nonrecurring charge of $4.9 million for restructuring and charges of $3.9 million for compensation plans tied to the price of IMCERA's common stock. Corresponding expenses for such stock-price oriented compensation plans were $1.0 million in 1991 and $.2 million in 1992.

Interest and other nonoperating income for 1992 was up $3.9 million from 1991. Gains in 1992 aggregating $10.7 million from sales of investments were partially offset by lower interest income. Interest and other nonoperating income for 1991 was down $7.8 million from the 1990 amount. Higher interest income in 1990 on income tax refunds was the major reason for the year-to-year decrease.

In 1992, interest charges decreased $3.1 million. Refinancing of higher cost international borrowings with intercompany debt, redemption on April 1 of the 9.35% debentures for cash of $51.7 million, and lower overall long-term debt were the principal factors. Interest charges in 1991 versus 1990 decreased by $2.5 million, primarily from lower Latin American interest charges.

See Note H of Notes to Consolidated Financial Statements for information on the factors impacting the Company's reported effective tax rates of 36.5 percent, 36.6 percent and 36.1 percent in 1992, 1991 and 1990, respectively.

On pages 6, 22 and 23 reference is made to ongoing operations and divested operations. Except for the 1990 gain of $5.2 million after taxes from the sale of a fragrance business, these elements of operating results are included in results from continuing operations in the Consolidated Statement of Earnings.

IMC FERTILIZER GROUP, INC. (IFL)

IFL's consolidated statement of earnings for the years ended June 30, 1991 and 1990 are summarized in Note R of Notes to Consolidated Financial Statements.

Increased prices in several product lines was a key factor in IFL's improved sales performance in 1991. Included in IFL's operating results for 1991 was a pretax gain of $18 million which represented the completion of the sale of certain potash reserve interests to the U.S. government. Gross margins increased $11 million in 1991. IFL's effective tax rate in 1991 was 37 percent, compared with 35 percent in 1990.

FINANCIAL CONDITION

IMCERA continued to strengthen its financial position in 1992 as evidenced by the upgrade of its long-term senior debt rating from Baa2 to A3 and its commercial paper rating from P3 to P2 by Moody's Investors Service, Inc. and upgrade of its commercial paper rating from A3 to A2 by Standard & Poor's Corporation. Financial resources are expected to continue to be adequate to support existing businesses and fund new business opportunities. The Company estimates its investment capacity to be about $550 million at June 30, 1992.

The Company's strong financial position is evidenced by continued improvements in key financial ratios:

	1992	1991	1990
Return on Invested Capital	9.0%	7.1%	4.9%
Return on Equity	11.2%	10.2%	6.5%
Debt/Invested Capital	23%	36%	49%
Current Ratio	1.8:1	1.6:1	1.8:1

Since June 30, 1991, cash and short-term investments decreased $293.5 million. Operations provided $24.6 million of cash, while acquisitions and capital spending totaled $186.0 million. Proceeds from the disposal of assets were $183.8 million. Of this amount, $139.3 million came from the IFL common stock sale and the remainder resulted primarily from the sale of IMCERA investments and certain Mallinckrodt Specialty Chemicals businesses. The remaining zero coupon debentures, which were directly associated with the Company's investment in IFL common stock, were redeemed for cash of $221.7 million in July 1991. The 9.35% debentures were redeemed April 1, 1992, for cash of $51.7 million.

In October 1991, the Company's Board of Directors reinstated the Company's authorization to repurchase its common stock which had been suspended in April 1991. Prior to such suspension, approximately 27.7 million shares of the 42.0 million shares authorized had been purchased. During fiscal 1992, 1.0 million shares have been repurchased for $33.8 million. During the year, a commercial paper program in an amount not to exceed $150 million was also authorized by the Board of Directors. No commercial paper was issued in fiscal 1992.

On April 8, 1992, a shelf registration statement was filed with the SEC for $250 million of debt securities, all on terms to be determined at the time of the actual offerings for sale. No definitive dates for any such offerings have yet been set. Net proceeds from the sale of any debt securities would be used for general corporate purposes, except as noted in any prospectus supplement.

The Company has a $150 million committed bank line of credit available until April 1994, and another $226 million of non-U.S. lines of credit. Such non-U.S. credit lines are cancellable at any time. IMCERA also has an agreement, expiring in 1994, under which up to $50 million of subsidiary trade receivables could be sold without recourse. Borrowings totaling $96 million were outstanding under the combined lines of credit at June 30, 1992. No receivables have been sold as of June 30, 1992.

The estimate of capital spending for the fiscal year ending June 30, 1993, is approximately $230 million.

OTHER MATTERS

See Notes H and M of Notes to Consolidated Financial Statements for information concerning Statement of Financial Accounting Standards (FAS) No. 109 "Accounting for Income Taxes" and FAS No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions."

The Company does not consider the present rate of inflation to have a significant impact on the businesses in which it operates except for the hyperinflationary effects on the Latin American businesses of Pitman-Moore which are discussed in Note P of Notes to Consolidated Financial Statements.

See Note T of Notes to Consolidated Financial Statements for a discussion of environmental matters.

Item 8. Financial Statements and Supplementary Data

Report of Independent Auditors

To the Shareholders and Board of Directors of IMCERA Group Inc.

We have audited the accompanying consolidated balance sheet of IMCERA Group Inc. as of June 30, 1992 and 1991, and the related consolidated statements of earnings, changes in shareholders' equity and cash flows for each of the three years in the period ended June 30, 1992, appearing on pages 30 through 50. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of IMCERA Group Inc. at June 30, 1992 and 1991, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 1992 in conformity with generally accepted accounting principles.

Ernst & Young
Chicago, Illinois
August 4, 1992

Information by Business Segment

NET SALES (In millions)	1992	1991	1990
Mallinckrodt Medical	$ 620.3	$ 512.5	$ 399.8
Mallinckrodt Specialty Chemicals	440.9	504.1	444.4
Pitman-Moore	641.8	622.9	580.4
Intersegment sales	(.1)	(5.6)	
Consolidated	$1,702.9	$1,633.9	$1,424.6

EARNINGS AND ASSETS

	Earnings From Continuing Operations Before Income Taxes			Identifiable Assets		
(In millions)	1992	1991	1990	1992	1991	1990
Mallinckrodt Medical	$ 127.8	$ 86.9	$ 50.3	$ 634.0	$ 528.7	$ 494.4
Mallinckrodt Specialty Chemicals	59.7	60.5	48.6	486.8	463.3	457.1
Pitman-Moore	69.0	74.0	55.6	778.9	660.6	632.8
Corporate	(30.5)	(36.5)	(41.9)	151.8	480.0	232.8
Eliminations	(.5)	(.3)		(.7)	(.3)	(.1)
Discontinued operations					117.9	313.9
Operating earnings	225.5	184.6	112.6			
Equity in pretax earnings of joint venture	1.6					
Interest and other nonoperating income, net	15.3	11.4	19.2			
Interest charges	(39.6)	(42.7)	(45.2)			
Consolidated	$ 202.8	$ 153.3	$ 86.6	$2,050.8	$2,250.2	$2,130.9

PROPERTY, PLANT AND EQUIPMENT

	Capital Expenditures			Depreciation and Amortization		
(In millions)	1992	1991	1990	1992	1991	1990
Mallinckrodt Medical	$ 44.4	$ 52.8	$ 26.4	$ 27.2	$ 25.5	$ 25.7
Mallinckrodt Specialty Chemicals	35.9	39.2	29.3	29.2	31.5	29.1
Pitman-Moore	54.1	30.4	29.7	30.5	28.2	25.3
Corporate	16.0	1.0	.3	2.4	1.4	2.4
Consolidated	$ 150.4	$ 123.4	$ 85.7	$ 89.3	$ 86.6	$ 82.5

(See Note Q of Notes to Consolidated Financial Statements)

Consolidated Statement of Earnings
(In millions except per share amounts)

Years ended June 30	1992	1991	1990
Net sales	$1,702.9	$1,633.9	$1,424.6
Operating costs and expenses			
Cost of goods sold	915.6	910.0	818.1
Selling, administrative and general expenses	480.3	457.4	419.7
Research and development expenses	90.5	80.8	75.5
Other operating (income) expense, net	(9.0)	1.1	(1.3)
	1,477.4	1,449.3	1,312.0
Operating earnings	225.5	184.6	112.6
Equity in pretax earnings of joint venture - Notes A and E	1.6		
Interest and other nonoperating income, net - Note H	15.3	11.4	19.2
Interest charges	(39.6)	(42.7)	(45.2)
Earnings from continuing operations before income taxes	202.8	153.3	86.6
Income taxes - Note H	74.0	56.1	31.3
Earnings from continuing operations	128.8	97.2	55.3
Earnings (loss) from discontinued operations - Notes A and R	(1.3)	(9.0)	1.2
Net earnings	127.5	88.2	56.5
Preferred stock dividends	.4	.4	4.2
Available for common shareholders	$ 127.1	$ 87.8	$ 52.3
Earnings Per Common Share - Note B			
Continuing operations	$ 1.65	$ 1.37	$ .79
Discontinued operations	(.02)	(.13)	.02
Net earnings	$ 1.63	$ 1.24	$ .81

(See Notes to Consolidated Financial Statements)

Consolidated Balance Sheet
(In millions)

At June 30	1992	1991
ASSETS		
Current assets		
Cash and cash equivalents	$ 68.1	$ 213.8
Short-term investments, at cost which approximates market		147.8
Trade receivables, less allowances of $11.6 in 1992 and $12.8 in 1991	320.6	272.5
Inventories - Note D	361.1	314.4
Other current assets	53.7	65.3
Net assets of discontinued operations - Notes A and R		117.9
	803.5	1,131.7
Investments and long-term receivables, less allowances of $7.0 in 1992 and $5.0 in 1991 - Note E	176.7	122.5
Property, plant and equipment	1,054.6	944.5
Accumulated depreciation	(362.5)	(314.3)
Net property, plant and equipment - Note F	692.1	630.2
Intangible assets - Note G	378.5	365.8
	$2,050.8	$2,250.2
LIABILITIES		
Current liabilities		
Short-term debt - Notes A, J and K	$ 109.8	$ 315.9
Accounts payable	136.2	125.4
Accrued liabilities - Note I	185.9	235.3
Income taxes - Note H	20.0	46.1
	451.9	722.7
Long-term debt, less current maturities - Notes A, J and K	263.9	327.5
Deferred income taxes - Note H	41.7	48.0
Other noncurrent liabilities and deferred credits	69.1	67.8
Commitments and contingencies - Notes S and T		
Shareholders' Equity - Notes B, N and O (In millions except per share amounts)		
Preferred stock	11.0	10.0
Common stock, par value $1, authorized 300,000,000 shares; issued 87,116,289 shares in 1992 and 1991	87.1	145.2
Capital in excess of par value	253.1	179.1
Reinvested earnings	1,013.9	915.9
Marketable securities valuation allowance	(1.8)	(1.1)
Foreign currency translation	39.1	1.5
Treasury stock	(178.2)	(166.4)
	1,224.2	1,084.2
	$2,050.8	$2,250.2

(See Notes to Consolidated Financial Statements)

Consolidated Statement of Cash Flows
(In millions)

Years ended June 30	1992	1991	1990
CASH PROVIDED (USED) BY OPERATIONS			
Net earnings	$ 127.5	$ 88.2	$ 56.5
Adjustments to reconcile net earnings to net cash provided by operations			
Depreciation and amortization	89.3	86.6	82.5
(Gains) losses on disposals of assets	(14.3)	3.3	(8.3)
Deferred income taxes	19.6	(3.4)	13.2
Discontinued operations	(9.7)	(3.5)	10.3
Other, net	(42.1)	(23.6)	14.9
	170.3	147.6	169.1
Changes in working capital			
Receivables	(39.1)	(35.7)	(35.4)
Inventories	(45.4)	(28.4)	(9.5)
Accounts payable, accrued liabilities and income taxes	(61.3)	88.8	13.0
Other, net	.1	(7.2)	5.2
	24.6	165.1	142.4
CASH PROVIDED (USED) BY INVESTING ACTIVITIES			
Capital expenditures	(150.4)	(123.4)	(85.7)
Acquisition spending	(35.6)	(22.1)	(257.6)
Short-term investments	147.8	(116.0)	23.4
IFL stock sales	139.3	245.4	
Proceeds from asset disposals	44.5	2.9	35.6
Other, net	(4.7)	(10.9)	13.3
	140.9	(24.1)	(271.0)
CASH PROVIDED (USED) BY FINANCING ACTIVITIES			
Increase (decrease) in short-term debt	(225.0)	12.7	(11.9)
Payments on long-term debt	(64.4)	(232.6)	(38.6)
Proceeds from long-term debt	7.6	4.2	30.6
Issuance of IMCERA common stock	33.9	213.8	6.3
Purchase of IMCERA common stock	(33.8)	(1.6)	(56.0)
Preferred stock redemption			(65.1)
Dividends paid	(29.5)	(23.7)	(25.8)
	(311.2)	(27.2)	(160.5)
Increase (decrease) in cash and cash equivalents	(145.7)	113.8	(289.1)
Cash and cash equivalents at beginning of year	213.8	100.0	389.1
Cash and cash equivalents at end of year	$ 68.1	$ 213.8	$ 100.0

(See Notes to Consolidated Financial Statements)

Consolidated Statement of Changes in Shareholders' Equity
(In million except per share amounts)

	Preferred Stock	Common Stock	Capital in Excess of Par Value	Reinvested Earnings	Other	Treasury Stock
Balance, June 30, 1989	$14.6	$142.0	$259.3	$ 837.3	$ (.9)	$(364.1)
Net earnings				56.5		
Dividends						
4 Percent preferred stock ($4.00 a share)				(.4)		
Series A preferred stock ($.3125 a share)				(.4)		
Series B preferred stock ($2.4375 a share)				(3.4)		
Common stock ($.3333 a share)				(21.6)		
Redemption, conversion and retirement of Series A and B preferred stock	(4.6)		(218.8)	(16.6)		175.0
Stock option exercises		2.0	13.8			(9.7)
Purchase of IMCERA common stock						(56.0)
Marketable securities valuation adjustment					(2.9)	
Translation adjustment					22.0	
Other			1.7			
Balance, June 30, 1990	10.0	144.0	56.0	851.4	18.2	(254.8)
Net earnings				88.2		
Dividends						
4 Percent preferred stock ($4.00 a share)				(.4)		
Common stock ($.3333 a share)				(23.3)		
Issuance of common stock in public offering			106.2			83.7
Stock option exercises		1.2	16.1			6.6
Purchase of IMCERA common stock						(1.6)
Marketable securities valuation adjustment					2.9	
Translation adjustment					(20.7)	
Other			.8			(.3)
Balance, June 30, 1991	10.0	145.2	179.1	915.9	.4	(166.4)
Net earnings				127.5		
Dividends						
4 Percent preferred stock ($4.00 a share)				(.4)		
Common stock ($.3833 a share)				(29.1)		
Change in par value		(116.2)	116.2			
Common stock split		58.1	(58.4)			
Stock option exercises			14.4			19.8
Purchase of IMCERA common stock						(33.8)
Marketable securities valuation adjustment					(.7)	
Translation adjustment					37.6	
Other	1.0		1.8			2.2
Balance, June 30, 1992	$11.0	$ 87.1	$253.1	$1,013.9	$37.3	$(178.2)

(See Notes to Consolidated Financial Statements)

Accounting Policies

Principles of Consolidation

Financial statements of all subsidiaries are consolidated. Investments in 20-50 percent owned affiliates are reported on the equity method. The Company's investment in IMC Fertilizer Group, Inc. (IFL) was accounted for by the equity method from the February 2, 1988, initial public offering (IPO) through March 31, 1991. Effective April 1, 1991, the Company changed from the equity to the cost method of accounting for this investment.

IMCERA's results for all periods presented have been restated to reflect the effects of the 3-for-1 stock split in November 1991.

Foreign Currency Translation

The financial statements of most of the Company's international affiliates are translated into U.S. dollars using current exchange rates. Unrealized translation adjustments are included in shareholders' equity in the Consolidated Balance Sheet. The financial statements of international affiliates that operate in hyperinflationary economies, principally Brazil and Argentina, are translated at either current or historical exchange rates, as appropriate. Unrealized translation adjustments are included in operating results for these affiliates.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of certificates of deposit, time deposits and other short-term securities with maturities of three months or less from the date of purchase.

Inventories

Inventories are stated at the lower of cost or market. Cost for inventories is determined on either an average or first-in, first-out basis.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is based upon estimated useful lives of 15 to 45 years for buildings and 3 to 15 years for machinery and equipment, using principally the straight-line method.

Note A
Changes in Business

Tastemaker Joint Venture

Effective February 1, 1992, the Fries & Fries, Inc. unit of Mallinckrodt Specialty Chemicals Company and Hercules Incorporated's flavors businesses were combined to form a 50/50 joint-venture partnership. Results subsequent to the formation of the joint venture were recorded on a pretax equity basis. These results include pretax charges totaling $3.8 million, $2.4 million after taxes, or $.03 a share, for combining the two businesses. Related income taxes were included in the Company's consolidated income tax provision.

IFL Stock Sales

In March 1991, the Company entered into a sale and option agreement with IFL under which IFL ultimately purchased all 10 million shares of IFL common stock which IMCERA owned. As of July 1991, IMCERA no longer owned any IFL shares.

As a consequence of the agreement with IFL, the IMCERA financial statements and related notes show the results of IFL on a discontinued basis. Interest charges relate to the zero coupon exchangeable subordinated debentures which were directly associated with the investment in IFL. Discontinued operations included the following IFL-related effects for each of the three years ended June 30:

	1992	1991	1990
Equity in earnings		$ 25.1	$ 31.4
Gain on IFL stock sales	$ 21.0	32.1	
IFL dividend		1.1	
Debenture issuance costs	(5.3)	(6.0)	
IFL retiree medical and other costs	(7.1)	(11.3)	
Interest charges		(30.2)	(30.9)
Earnings before income taxes	8.6	10.8	.5
Provision (credit) for income taxes	8.3	13.6	(3.1)
Earnings (loss) from discontinued operations	$ .3	$ (2.8)	$ 3.6
Earnings (loss) from discontinued operations per common share		$ (.04)	$ .06

Divestitures and Other Discontinued Operations

In 1992, Mall nckrodt Specialty Chemicals disposed of its electronic and cosmetic chemical businesses. Results of operations and the effect of the disposition of these businesses were not material to IMCERA.

In 1990, the Company sold its fragrance business for an after-tax gain of $5.2 million, or $.08 a share. Results of operations of this business were not material to IMCERA. The gain on sale was reported in the Consolidated Statement of Earnings under the caption "Earnings (loss) from discontinued operations."

Results for 1992, 1991 and 1990 included charges for environmental and litigation costs related to operations previously sold, as follows:

	1992	1991	1990
Net of taxes	$ 1.9	$ 6.2	$ 7.6
Per share	$ .02	$ .09	$ .12

These charges were reported in the Consolidated Statement of Earnings under the caption "Earnings (loss) from discontinued operations."

NOTE B
Earnings Per Common Share

Earnings per common share amounts were computed on the basis of the weighted average number of common and common equivalent shares outstanding. Such weighted average shares used in the computations were 77,801,473 in 1992; 70,633,758 in 1991; and 64,955,472 in 1990.

NOTE C
Supplemental Cash Flow Information

	1992	1991	1990
Interest paid	$ 34.1	$ 42.2	$ 44.7
Income taxes paid	$ 63.3	$ 17.1	$ 12.3
Noncash investing and financing activities:			
Conversion of Series A and B preferred stock for IMCERA common stock			$ 137.0
Issuance of IMCERA common stock from exercise of stock options		$ 2.4	$ 11.2
Purchase of IMCERA common stock from exercise of stock options		$ 1.7	$ 9.7
Issuance of IMCERA common stock for restricted stock awards	$ 5.0		
Assumption of liabilities related to acquisitions			$ 44.8

NOTE D
Inventories

At June 30	1992	1991
Mallinckrodt Medical	$ 113.7	$ 87.5
Mallinckrodt Specialty Chemicals	102.1	87.2
Pitman-Moore	146.1	140.0
Intersegment eliminations	(.8)	(.3)
	$ 361.1	$ 314.4

NOTE E
Investments and Long-Term Receivables

At June 30	1992	1991
IFL dividend receivable	$ 51.9	$ 51.9
Tastemaker joint venture	57.1	
Other investments	19.6	22.7
Other long-term receivables, net	48.1	47.9
	$ 176.7	$ 122.5

The IFL dividend receivable represents an amount equal to the proceeds (but not in excess of $51.9 million) which IFL expects to receive from an insurance claim being litigated in Canada that is related to Canadian potash operations.

Certain long-term investments were sold during 1992 for pretax gains totaling $10.7 million, $6.7 million after taxes, or $.08 a share.

NOTE F
Property, Plant and Equipment

At June 30	1992	1991
Land	$ 63.0	$ 64.1
Buildings and leasehold improvements	239.0	229.8
Machinery and equipment	643.3	591.0
Construction in progress	109.3	59.6
	1,054.6	944.5
Accumulated depreciation	(362.5)	(314.3)
Net property, plant and equipment	$ 692.1	$ 630.2

NOTE G
Intangible Assets

At June 30	1992	1991
Patents and formulas	$ 27.1	$ 55.0
Contracts	18.8	18.8
Goodwill and other intangibles	381.6	352.3
	427.5	426.1
Accumulated amortization	(79.7)	(77.4)
	347.8	348.7
Deferred charges	30.7	17.1
	$ 378.5	$ 365.8

Identifiable intangible assets are amortized over estimated useful lives of up to 5 years for contracts and 17 years for patents and formulas. Goodwill and other intangibles are amortized on a straight-line basis, primarily 20 to 40 years.

NOTE H
Income Taxes

Income taxes included in the Consolidated Statement of Earnings follow:

	1992	1991	1990
Continuing operations	$ 74.0	$ 56.1	$ 31.3
Discontinued operations	7.3	9.5	(4.3)
	$ 81.3	$ 65.6	$ 27.0

The geographical source of earnings from continuing operations before income taxes and the significant items affecting the effective income tax rate follow:

	1992	1991	1990
Domestic	$ 122.4	$ 89.2	$ 35.3
Foreign	80.4	64.1	51.3
	$ 202.8	$ 153.3	$ 86.6
Computed tax at the Federal statutory rate	$ 69.0	$ 52.1	$ 29.4
Adjustments to income tax accruals	(5.0)	(5.0)	(7.1)
State income taxes, net of Federal income tax benefit	4.6	3.3	1.6
Foreign income taxes rate differential	(3.7)	(.5)	(1.7)
Foreign losses with no tax benefit	4.5	2.2	4.7
Goodwill amortization	3.0	2.9	3.1
Other items (none in excess of 5% of computed tax)	1.6	1.1	1.3
Provision for income taxes	$ 74.0	$ 56.1	$ 31.3
Effective tax rate	36.5%	36.6%	36.1%

The favorable adjustments to income tax accruals included in the preceding table resulted from the conclusion of income tax audits that spanned a number of years. Also, the 1990 Consolidated Statement of Earnings included in "Interest and other nonoperating income, net" $7.7 million ($4.8 million after taxes, or $.07 a share) from the 1990 adjustments.

The income tax provisions for discontinued operations related to the Company's equity in IFL earnings reflect a benefit of $2.4 million and $2.9 million in 1991 and 1990, respectively, from the dividend received deduction. Additionally, these provisions reflect a charge for book and tax basis differences relative to the Company's investment in IFL stock that amounted to $9.7 million and $14.5 million in 1992 and 1991, respectively.

The provision for income taxes on earnings from continuing operations consisted of the following:

	1992	1991	1990
Current			
Federal	$ 12.7	$ 10.7	$ (6.0)
State and local	5.2	3.2	2.2
Foreign	16.3	20.1	18.8
	34.2	34.0	15.0
Deferred			
Federal	26.2	17.0	15.3
State and local	1.8	1.7	(.7)
Foreign	11.8	3.4	1.7
	39.8	22.1	16.3
	$ 74.0	$ 56.1	$ 31.3

Deferred income tax provisions result from timing differences in the recognition of income and expenses for financial reporting and tax purposes. The principal components of the Federal and state and local provision for deferred income taxes from continuing operations in 1992 and 1991 were deferred tax provisions for various timing differences, primarily depreciation, employee compensation and benefit-plan related items, and acquisition liabilities. In 1991 and 1990, there were also adjustments of net deferred tax credits through utilization of net operating losses.

At June 30, 1992, IMCERA had an alternative minimum tax credit carryforward of $20.1 million available to reduce future Federal taxes payable. The alternative minimum tax credit has an unlimited carryforward period.

The Company also had net operating loss carryforwards of $36 million from its non-U.S. operations, primarily in the United Kingdom ($21 million with no expiration date). Utilization of most of these carryforward losses will reduce the goodwill associated with the Coopers acquisition.

Undistributed earnings of certain subsidiaries outside the United States are considered to be permanently invested. Accordingly, no provision for income taxes was made for undistributed earnings of such subsidiaries which aggregated $112 million at June 30, 1992.

The Company has not adopted the Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" (FAS 109). The Company is not required to adopt this standard until fiscal 1994. At the time FAS 109 is implemented, IMCERA's Consolidated Statement of Earnings will reflect a charge for the cumulative effect of this accounting change which is presently estimated to be $5 million for taxes.

NOTE I
Accrued Liabilities

At June 30	1992	1991
Salaries, wages and bonuses	$ 31.7	$ 59.9
Former operations	23.3	24.5
Restructuring accruals	13.6	19.3
Interest	9.7	9.9
Taxes other than income taxes	11.6	8.8
Pension	6.8	9.5
Sales promotions and incentives	13.4	7.1
Other	75.8	96.3
	$ 185.9	$ 235.3

NOTE J
Debt

The components of short-term debt were:

At June 30	1992	1991
Notes payable	$ 96.2	$ 77.5
Current maturities of long-term debt	13.6	238.4
	$ 109.8	$ 315.9

The components of long-term debt were:

At June 30	1992	1991
Zero coupon exchangeable subordinated debentures		$ 221.7
9.875% debentures due in annual installments of $15.[illegible] million, beginning in 2002, with final payment of [illegible] million in 2011	$ 134.5	134.3
8.75% promissory note due in annual installments of $10.3 million, with final payment of $10.7 million in 2000	72.3	92.8
9.35% debentures		51.7
Other	70.7	65.4
	277.5	565.9
Less current maturities	13.6	238.4
	$ 263.9	$ 327.5

The zero coupon debentures were directly associated with the Company's investment in IFL common stock. IMCERA redeemed in April and July 1991 the zero coupon debentures for cash of $217.4 million and $221.7 million, respectively.

The 9.875% debentures are redeemable at the option of IMCERA at 100 percent in 2001 and thereafter.

The 9.35% debentures were redeemed April 1, 1992.

Maturities of long-term debt for the next five years are: 1993 - $13.6 million; 1994 - $12.8 million; 1995 - $42.2 million; 1996 - $11.6 million; and 1997 - $18.5 million.

NOTE K
Lines of Credit

In April 1991, IMCERA entered into a $150 million revolving credit agreement with a number of banks which expires in April 1994. Under the terms of the agreement, interest rates are determined at the time of borrowing and are based on London Interbank Offered Rates plus .40 percent, or other alternative rates. At June 30, 1992, borrowings outstanding under the facility totaled $20 million. In April 1991, IMCERA also established a facility expiring in April 1994 whereby up to $50 million of subsidiary trade accounts receivable could be sold without recourse for cash proceeds less a discount based on prime commercial paper rates plus .30 percent. No receivables have been sold through June 30, 1992. The Company also maintains various working capital credit lines for its subsidiaries outside the United States which totaled $226.1 million at June 30, 1992. Borrowings outstanding under these credit lines at June 30, 1992, amounted to $76.2 million. These non-U.S. credit lines are cancellable at any time.

NOTE L
Pension Plans

The Company's pension plans provide for retirement benefits based on years of service and the level of compensation for the highest three to five years occurring generally within a period of up to 10 years prior to retirement. Contributions to the U.S. plans meet ERISA minimum funding requirements.

Pension expense for continuing operations follows:

	1992	1991	1990
Service cost	$ 15.2	$ 15.1	$ 12.8
Interest cost on projected benefit obligations	27.8	26.8	25.7
Actual return on plan assets	(39.1)	(29.7)	(34.0)
Net amortization of initial unrecognized asset and deferral of subsequent unrecognized net gains and losses	13.5	5.5	9.8
	$ 17.4	$ 17.7	$ 14.3

Assumptions used in determining U.S. pension expense ($12.4 million, $11.3 million and $9.5 million in 1992, 1991 and 1990, respectively) follow:

Discount rate	9%
Long-term rate of return on assets	10%
Compensation increase rate	6%

The plans' assets mostly relate to U.S. plans and consist primarily of corporate equity, U.S. government debt securities and units of participation in a collective short-term investment fund.

The funding status of IMCERA's U.S. and foreign pension plans and amounts recognized in the balance sheet follow:

	1992		1991	
	Plans With Assets in Excess of Accumulated Benefits	Plans With Accumulated Benefits in Excess of Assets	Plans With Assets In Excess of Accumulated Benefits	Plans With Accumulated Benefits in Excess of Assets
Assets at fair value	$ 311.3	$ 7.4	$ 264.5	$ 27.9
Actuarial present value of benefit obligations				
Vested benefits	222.1	27.2	195.0	52.8
Nonvested benefits	6.1	3.6	4.7	2.9
Accumulated benefit obligations	228.2	30.8	199.7	55.7
Projected future salary increases	70.0	12.5	57.6	9.8
Projected benefit obligations	298.2	43.3	257.3	65.5
Projected benefit obligations (more) less than assets	13.1	(35.9)	7.2	(37.6)
Items not yet recognized in earnings				
Unrecognized net (gain) loss	(17.3)	4.0	(8.9)	(1.1)
Unamortized transition (asset) liability	(1.1)	15.7	(2.7)	19.0
Accrued pension liability	$ (5.3)	$ (16.2)	$ (4.4)	$ (19.7)

NOTE M
Postretirement Health Care Benefits

IMCERA provides certain health care benefits for U.S. salaried and hourly retired employees. Employees may become eligible for health care benefits if they retire after attaining specified age and service requirements while they worked for the Company.

Health care benefits are paid directly by IMCERA and the cost of providing these benefits to retirees is recognized as an expense when claims are paid. The cost to IMCERA of such health care benefits amounted to approximately $4.4 million, $5.0 million and $6.3 million in 1992, 1991 and 1990, respectively, all of which are included in results of continuing operations.

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (FAS 106). The Company is not required to adopt this standard until fiscal 1994. FAS 106 will have no effect on cash flow but will change the method of accounting for other postretirement benefits by requiring that the cost be accrued by the date employees become eligible for the benefits. In accordance with FAS 106, the transition obligation, representing the unfunded and unrecognized accumulated past-service benefit obligation for all plan participants, may be recognized as an expense as the cumulative catch-up adjustment for an accounting change in the year of adoption or may be amortized on a straight-line basis over a 20-year period. IMCERA currently plans to implement FAS 106 in the first quarter of fiscal 1994 and expects such obligation to approximate $60-75 million after taxes at the time of adoption. It is also anticipated that such obligation will be recognized as an expense in the year of adoption. Once adopted, the Company's annual pretax expense for these other postretirement benefits is estimated to be approximately $10 million higher than the expense of $5-6 million currently being recognized.

NOTE N
Capital Stock

The Company has authorized and issued 100,000 shares, 98,330 outstanding at June 30, 1992, par value $100, 4 Percent Cumulative preferred stock. This stock, with voting rights, is redeemable at IMCERA's option at $110 a share. During the three years ended June 30, 1992, the number of issued and outstanding shares did not change.

In July 1989, 1,236,077 shares of Series A preferred stock were redeemed for cash of $65.1 million and 1,302,123 shares were converted to approximately 4,758,000 shares of IMCERA common stock. In April 1990, all of the 1,398,000 outstanding shares of Series B preferred stock were converted into approximately 5,310,000 shares of IMCERA common stock. All of the remaining previously issued Series A and B shares were subsequently retired. At June 30, 1992, the Company has authorized 1,400,000 shares, par value $1, of series preferred stock, none of which is outstanding.

In October 1991, the Company's shareholders approved an increase in the number of authorized shares of common stock from 100 million to 300 million and a reduction in the par value per share of common stock from $5.00 to $1.00. Also, the Company's Board of Directors declared a 3-for-1 stock split payable on November 12, 1991.

Each outstanding common share includes a non-voting common stock purchase right. If a person or group acquires or has the right to acquire 20 percent or more of the common stock or commences a tender offer for 30 percent or more of the common stock, the rights become exercisable by the holder who may then purchase $167 worth of common stock for $83 unless, in lieu thereof, the Board of Directors causes the exchange of each outstanding right for one share of common stock (in either case exclusive of the rights held by the acquiring person or group which are voided). In the event of a merger or sale of 50 percent or more of the Company's assets, the rights may in certain circumstances entitle the holder to purchase $167 worth of stock in the surviving entity for $83. The rights may be redeemed by the Board at a price of $.017 per right at any time before they become exercisable, and unless they become exercisable, they will expire March 31, 1996.

Common shares reserved at June 30, 1992, consisted of the following:

Exercise of common stock purchase rights	87,612,489
Exercise of stock options and granting of stock awards	11,867,942
	99,480,431

Changes in the number of shares of common stock issued and in treasury were as follows:

	1992	1991	1990
Common stock issued			
Balance, beginning of year	87,116,289	86,395,056	85,213,737
Stock options exercised		696,792	1,173,771
Conversion of 4% debentures		24,441	7,548
Balance, end of year	87,116,289	87,116,289	86,395,056
Treasury common stock			
Balance, beginning of year	11,903,220	18,325,116	24,513,111
Common stock offering		(6,000,000)	
Stock options exercised	(1,404,262)	(613,398)	
Purchases	1,029,123	170,502	3,878,136
Conversion of Series A and B preferred stock			(10,066,131)
(Awards) cancellation of restricted shares	(156,339)	21,000	
Balance, end of year	11,371,742	11,903,220	18,325,116
Common stock outstanding, end of year	75,744,547	75,213,069	68,069,940

NOTE O
Stock Plans

Three non-qualified stock option plans adopted in 1973, 1981 and 1990, as amended, provide for granting options to purchase up to 21,817,650 shares of common stock at prices not less than 100 percent of market price (as defined) at the date of grant. Options under these plans are exercisable over 10 years beginning one year after the date of grant and are limited to 50 percent during the second year. A total of 14,211,889 shares was granted under these plans through June 30, 1992. Prior to May 1, 1991, the plans permitted certain employees the successive, contemporaneous delivery to IMCERA of common shares acquired in the exercise of such options in series in lieu of cash for the exercise of stock options. After that date, no such deliveries were permitted.

Information on options exercised and shares so delivered and related market values on the date of exercise and delivery follows:

	1991	1990
Options exercised	126,600	796,818
Market value	$3.3	$13.4
Shares tendered	64,584	577,371
Market value	$1.7	$9.7

Information on options follows:

Number of Options	Price Range	1992	1991
Outstanding, beginning of year	$10-34	4,957,812	4,363,296
Granted	19-40	1,332,640	2,102,460
Cancelled	13-37	(240,378)	(197,754)
Exercised	10-22	(1,404,262)	(1,310,190)
Outstanding, end of year	10-40	4,645,812	4,957,812
At June 30			
Exercisable		2,504,248	1,965,156
Reserved for future option grants		7,222,130	2,478,291

The average exercise price of outstanding stock options at June 30, 1992, was $24.74 a share, based on an aggregate exercise price of about $115 million. Outstanding stock options will expire over a period ending no later than June 3, 2002.

The 1973 non-qualified stock option and award plan also provides for the award of restricted shares of IMCERA's common stock. Under the plan, the grantee makes no cash payment for the award, the shares are held in escrow until vested, which is generally three years from the date of award, and the grantee cannot dispose of the restricted shares until vested. Upon forfeiture of any share of restricted stock in accordance with the stock option and award plan, or the terms and conditions of the award, the shares would automatically be transferred to and reacquired by IMCERA at no cost. In 1992, IMCERA issued from its treasury stock 156,339 restricted shares which become vested on June 30, 1994.

NOTE P
International Operations

Sales from continuing operations from the United States to unaffiliated customers in other geographic areas were as follows:

	1992	1991	1990
Latin America	$ 20.7	$ 16.4	$ 10.3
Europe	8.4	6.0	1.6
Far East	15.8	27.5	20.2
Other	4.1	4.7	2.2
	$ 49.0	$ 54.6	$ 34.3

Net sales, earnings from continuing operations before income taxes, and identifiable assets by geographic areas follow:

NET SALES TO UNAFFILIATED CUSTOMERS	1992	1991	1990
United States	$1,106.3	$1,073.1	$ 934.5
Europe	317.6	322.5	285.5
Latin America	97.0	83.9	71.3
Australia/New Zealand	65.4	61.3	66.1
Canada	58.5	57.0	32.4
Far East/Asia	58.1	36.1	34.8
Consolidated	$1,702.9	$1,633.9	$1,424.6

EARNINGS	1992	1991	1990
United States	$ 179.3	$ 146.8	$ 101.0
Europe	50.9	51.4	38.2
Latin America	12.7	7.1	7.5
Australia/New Zealand	5.7	9.9	9.6
Canada	2.1	2.2	1.2
Far East/Asia	10.2	3.4	.1
Corporate	(30.5)	(36.5)	(41.9)
Eliminations	(4.9)	.3	(3.1)
Operating earnings	225.5	184.6	112.6
Equity in pretax earnings of joint venture	1.6		
Interest charges, net	(24.3)	(31.3)	(26.0)
Consolidated	$ 202.8	$ 153.3	$ 86.6

ASSETS	1992	1991	1990
United States	$1,152.0	$1,088.2	$1,005.0
Europe	504.9	358.6	383.2
Latin America	69.1	60.5	54.3
Australia/New Zealand	110.0	99.1	96.6
Canada	33.5	30.0	29.5
Far East/Asia	38.8	20.9	18.7
Corporate	151.8	480.0	232.8
Eliminations	(9.3)	(5.0)	(3.1)
Discontinued operations		117.9	313.9
Consolidated	$2,050.8	$2,250.2	$2,130.9

Transfers of product between geographic areas are at prices approximating those charged to unaffiliated customers. The amount of such transfers was not material.

Net foreign exchange translation losses from businesses in hyperinflationary economies aggregated $5.5 million, $5.6 million and $5.5 million in 1992, 1991 and 1990, respectively, and have been included in "Other operating (income) expense, net" in the Consolidated Statement of Earnings. These translation effects were primarily from Pitman-Moore. Transaction effects for all of IMCERA's businesses were not material in the periods presented.

NOTE Q
Business Segments

The tables on page 30 show IMCERA's continuing worldwide operations, which are organized in three industry segments as follows:

Mallinckrodt Medical

Production and sale of products used primarily in hospitals, including x-ray contrast media, interventional products, diagnostic and therapeutic radiopharmaceuticals, airway catheters, temperature monitoring products, and blood gas and vital sign monitoring systems.

Mallinckrodt Specialty Chemicals

Production and sale of analgesics and medicinal narcotics used by pharmaceutical companies; catalysts, specialty inorganics, stearates, photochemicals, aromatic fluorine intermediates and laboratory chemicals used by industry and research organizations. Through the Tastemaker joint venture, the company also participates in the flavors business.

Pitman-Moore

Production and sale of animal productivity, antimicrobials, biologicals, parasiticides, veterinary specialties, mineral feed supplements and other health-related products for companion and food animals.

In 1992, costs and losses associated with deficiencies in technical manufacturing controls at Pitman-Moore's Kansas City, Kansas, manufacturing facility negatively impacted pretax results by $8.0 million of which $3.2 million represents management's estimate of margins on lost sales. The after-tax effect of these costs and losses amounted to $5.0 million, or $.06 a share.

Additionally, in 1992's fourth quarter, Pitman-Moore incurred $12.8 million of restructuring costs. In that same quarter, adjustments were made to certain accruals, now determined to be excess, that were established in 1989 at the time Pitman-Moore acquired Coopers Animal Health. The provision for restructuring costs was virtually offset by the aforementioned accrual adjustments.

In 1990, corporate expense included restructuring charges of $4.9 million reported in the Consolidated Statement of Earnings under "Selling, administrative and general expenses."

Corporate assets consist primarily of cash, fixed assets and the IFL dividend receivable.

NOTE R
Investment in IFL

The carrying value of the Company's investment in IFL common stock was included in "Net assets of discontinued operations" at June 30, 1991. The Company's principal transactions with IFL were purchases of certain materials and products and plant management services totaling $102.0 million and $93.7 million in 1991 and 1990, respectively.

Summarized financial information of IFL follows:

Years ended June 30	1991	1990
Net sales	$1,131.2	$1,105.7
Costs and expenses, including provision for income taxes	1,035.4	1,023.1
Net earnings	$ 95.8	$ 82.6

At June 30	1991
Current assets	$ 295.6
Noncurrent assets	1,443.7
Current liabilities	247.5
Noncurrent liabilities	793.2

NOTE S
Commitments

IMCERA leases office space, data processing equipment, buildings, and machinery and equipment. Rent expense for continuing operations in 1992, 1991 and 1990 related to operating leases was $26.1 million, $20.3 million and $18.9 million, respectively.

Minimum rent commitments for continuing operations at June 30, 1992, under operating leases with a remaining non-cancellable period exceeding one year follow:

Years ended June 30	
1993	$ 27.6
1994	22.8
1995	17.5
1996	13.9
1997	11.1
Later years	97.4
	$ 190.3

The Company ..ains primary lessee under certain leases and is the primary obligor under certain industrial revenue and pollution control bonds that relate to the business of IFL which amounted to approximately $120 million at June 30, 1992. IFL has indemnified the Company with respect to any liability that might arise.

The Company periodically uses foreign exchange forward contracts and swaps to hedge inventory purchase commitments, debt denominated in a foreign currency and interest rate exposures. Gains and losses on hedge contracts are reported as a component of the related transaction. At June 30, 1992, forward exchange contracts with an aggregate contract value of $129.9 million were outstanding. The difference between the value of the contracts and their June 30, 1992, market value was not material.

NOTE T
Contingencies

The Company is subject to various investigations, claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. In addition, the Company is a party to several environmental remediation investigations and clean-ups and, along with other companies, has been named a "potentially responsible party" for certain waste disposal sites. Each of these matters is subject to various uncertainties, and it is possible that some of these matters may be decided unfavorably against the Company. The Company has established accruals for matters that are probable and reasonably estimable. Based on information presently available, management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial position of the Company.

Quarterly Results (Unaudited)
(In millions except per share amounts)

Quarter	First	Second	Third	Fourth	Year
FISCAL 1992					
Net sales	$381.3	$420.2	$433.5	$467.9	$1,702.9
Gross margins	176.9	192.3	197.7	220.4	787.3
Earnings from continuing operations	27.5	25.9	32.6	42.8	128.8
Discontinued operations	(1.8)	(.2)	(.2)	.9	(1.3)
Net earnings	25.7	25.7	32.4	43.7	127.5
Preferred stock dividends	.1	.1	.1	.1	.4
Available for common shareholders	$ 25.6	$ 25.6	$ 32.3	$ 43.6	$ 127.1
Earnings (loss) per common share					
Continuing operations	$ .35	$ .33	$ .42	$ .55	$ 1.65
Discontinued operations	(.02)		(.01)	.01	(.02)
Net earnings	$ .33	$ .33	$ .41	$ .56	$ 1.63
FISCAL 1991					
Net sales	$375.7	$396.2	$408.8	$453.2	$1,633.9
Gross margins	162.0	172.1	179.5	210.3	723.9
Earnings from continuing operations	16.8	19.2	27.2	34.0	97.2
Discontinued operations	1.2	.6	(.2)	(10.6)	(9.0)
Net earnings	18.0	19.8	27.0	23.4	88.2
Preferred stock dividends	.1	.1	.1	.1	.4
Available for common shareholders	$ 17.9	$ 19.7	$ 26.9	$ 23.3	$ 87.8
Earnings (loss) per common share					
Continuing operations	$ .24	$ .27	$ .38	$ .45	$ 1.37
Discontinued operations	.02	.01		(.14)	(.13)
Net earnings	$ .26	$ .28	$ .38	$ .31	$ 1.24

Fiscal 1992

First quarter continuing operations included an after-tax gain of $4.4 million, or $.05 a share, from the sale of an investment.

Third quarter continuing operations included costs and losses associated with deficiencies in technical manufacturing controls at Pitman-Moore's Kansas City, Kansas, manufacturing facility which negatively impacted after-tax results by $3.2 million, or $.04 a share, of which $.7 million, or $.01 a share, represents management's estimate of margins on lost sales.

Fourth quarter continuing operations included additional effects from the above-mentioned Kansas City matter totaling $1.8 million after taxes, or $.02 a share, primarily associated with margins on lost sales. Pitman-Moore also provided $7.9 million after taxes, or $.10 a share, for worldwide restructuring costs which were virtually offset by adjustments made to certain accruals, now determined to be excess, that were established in 1989 at the time Pitman-Moore acquired Coopers Animal Health. An after-tax gain of $2.3 million, or $.03 a share, from the sale of an investment and the Company's share of rationalization costs provided for by the Tastemaker joint venture totaling $2.4 million after taxes, or $.03 a share, were also included in fourth quarter results.

Discontinued operations after-tax effects included the following:

Quarter	First	Second	Third	Fourth	Year
Environmental and litigation costs	$ (.2)	$ (.2)	$ (.2)	$ (1.3)	$ (1.9)
IFL stock sale	5.7			2.3	8.0
Debenture issuance costs	(3.3)				(3.3)
IFL retiree medical and other costs	(4.0)			(.4)	(4.4)
Other				.3	.3
	$ (1.8)	$ (.2)	$ (.2)	$ .9	$ (1.3)

Fiscal 1991

Fourth quarter continuing operations included an after-tax gain of $2.0 million, or $.03 a share, from the Pitman-Moore sale of intangibles.

Discontinued operations after-tax effects included the following:

Quarter	First	Second	Third	Fourth	Year
Environmental and litigation costs		$ (1.1)	$ (1.0)	$ (4.1)	$ (6.2)
IFL equity, net of interest changes	$ 1.2	1.7	(.4)	(3.2)	(.7)
IFL stock sales			1.2	6.4	7.6
IFL dividend				1.0	1.0
Debenture issuance costs				(3.7)	(3.7)
IFL retiree medical costs				(7.0)	(7.0)
	$ 1.2	$ .6	$ (.2)	$(10.6)	$ (9.0)

Earnings per share for the four quarters of 1991 are less than full year per-share results by $.01 from an increase in common shares outstanding.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Part III.

Item 10. Directors and Executive Officers of the Registrant

For information concerning directors of the Registrant, see pages 1 through 8, incorporated herein by reference, of IMCERA's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on October 21, 1992. Information concerning executive officers of the Registrant is included in Part I of this report.

Item 11. Executive Compensation

For information concerning management remuneration, see pages 17 through 28, incorporated herein by reference, of IMCERA's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on October 21, 1992.

Item 12. Security Ownership of Certain Beneficial Owners and Management

For information concerning security ownership of certain beneficial owners and management, see pages 9 through 10, incorporated herein by reference, of IMCERA's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on October 21, 1992.

Item 13. Certain Relationships and Related Transactions

For information concerning certain relationships and related transactions, see pages 10 through 13, incorporated herein by reference, of IMCERA's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on October 21, 1992.

Part IV.

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) FINANCIAL STATEMENTS

(1) See index on page 61 for a listing of financial statements and schedules filed with this report.

(2) IFI's consolidated financial statements, related notes to consolidated financial statements and consolidated schedules for the years ended June 30, 1991 and 1990 are incorporated herein by reference to pages F-1 through F-27 of IMCERA's 1991 Form 10-K.

(3) Exhibits

Exhibit No.	Description	Incorporated Herein by Reference to	Filed Herewith
3.1	Restated Certificate of Incorporation of IMCERA, dated July 9, 1990.	Exhibit 3.1 to 1990 10-K.	
3.2	Certificate of amendment of the certificate of incorporation of IMCERA dated June 4, 1990.	Exhibit 3.2 to 1990 10-K.	
3.3	By-Laws of IMCERA as amended through April 18, 1990.	Exhibit 3.3 to 1990 10-K.	
4.1	Form 8-A Registration Statement under Section 12 of the Securities Exchange Act of 1934, dated April 10, 1987 defining the rights of holders of IMCERA's 4% Cumulative Preferred Stock and Common Stock.	Exhibit 4.6 to 1989 10-K.	
4.2	Amended and restated common stock purchase rights agreement dated March 10, 1989.	Exhibit 4(b) to Form 8-K dated March 10, 1989.	
4.3	Second amendment to the common stock purchase rights agreement dated April 17, 1991.	Exhibit 6 to Form 8 dated April 18, 1991.	
4.4	Indenture dated as of March 15, 1985, between IMCERA and Morgan pursuant to which $150 million 9-7/8% Sinking Fund Debentures due March 15, 2011 were issued.	Exhibit 4 to Form S-3 Registration Statement No. 2-96566.	

Exhibit No.	Description	Incorporated Herein by Reference to	Filed Herewith
10.1(a)	Contingent Employment Agreement with M. Blakeman Ingle dated May 19, 1982.		(1)
10.1(b)	Contingent Employment Agreement with C. Ray Holman dated April 1, 1987.	Exhibit 10.1(c)to 1991 10-K.	
10.1(c)	Contingent Employment Agreement with Raymond F. Bentele dated April 1, 1987.		(1)
10.1(d)	Contingent Employment Agreement with Boyd D. Wainscott dated April 1, 1987.	Exhibit 10.1(e) to 1991 10-K.	
10.1(e)	Contingent Employment Agreement with Mack G. Nichols dated April 1, 1987.	Exhibit 10.1(f) to 1991 10-K.	
10.2	IMCERA Executive Life Insurance Program adopted May 20, 1987.	Exhibit 10.2 to 1989 10-K.	
10.3	Restated IMCERA Executive Long-Term Disability Plan effective January 1, 1987.	Exhibit 10.3 to 1989 10-K.	
10.4	Agreement with George D. Kennedy dated December 17, 1990.	Exhibit 10.4(a) to 1991 10-K.	
10.5(a)	Supplemental Benefit Plan for Participants in the IMCERA Retirement Plan as amended and restated effective January 1, 1980.	Exhibit 10.6(a) to 1989 10-K.	
10.5(b)	Amendment No. 1 dated June 20, 1989 to Supplemental Benefit Plan for Participants in the Retirement Plan for Salaried Employees of IMCERA.	Exhibit 10.6(b) to 1989 10-K.	
10.5(c)	Amendment No. 2 dated April 20, 1990 to Supplemental Benefit Plan for Participants in the IMCERA Retirement Plan.	Exhibit 10.6(c) to 1990 10-K.	
10.6(a)	IMCERA Supplemental Executive Retirement Plan restated effective April 19, 1988.	Exhibit 10.7(a) to 1989 10-K.	

Exhibit No.	Description	Incorporated Herein by Reference to	Filed Herewith
10.6(b)	Amendment No. 1 effective December 6, 1939, to Supplemental Executive Retirement Plan.	Exhibit 10.7(c) to 1990 10-K.	
10.7(a)	Gross-Up Agreement for M. Blakeman Ingle dated July 27, 1989.	Exhibit 10.8(b) to 1991 10-K.	
10.7(b)	Gross-Up Agreement for Raymond F. Bentele dated July 27, 1989.	Exhibit 10.8(c) to 1991 10-K.	
10.7(c)	Gross-Up Agreement for C. Ray Holman dated July 27, 1989.	Exhibit 10.8(d) to 1991 10-K.	
10.7(d)	Gross-Up Agreement for Boyd D. Wainscott dated July 27, 1989.	Exhibit 10.8(e) to 1991 10-K.	
10.7(e)	Gross-Up Agreement for Mack G. Nichols dated July 27, 1989.	Exhibit 10.8(f) to 1991 10-K.	
10.8	IMCERA Management Incentive Compensation Program as amended and restated effective July 1, 1991.	Exhibit 10.9(b) to 1991 10-K.	
10.9(a)	IMCERA 1973 Stock Option and Award Plan as amended effective February 21, 1990.	Post-Effective Amendment No. 1 to Form S-8 Registration Statement No. 33-32109.	
10.9(b)	Amendment No. 1 to the IMCERA 1973 Stock Option and Award Plan dated June 19, 1991.	Form S-8 Registration Statement No. 33-43925	
10.10	IMCERA Directors Retirement Services Plan effective July 1, 1984, as amended and restated June 19, 1991.	Exhibit 10.11 to 1991 10-K.	
10.11(a)	IMCERA 1981 Stock Option Plan as amended through April 19, 1988.	Post-Effective Amendment No. 3 to Form S-8 Registration Statement No. 2-80553.	

Exhibit No.	Description	Incorporated Herein by Reference to	Filed Herewith
10.11(b)	Amendment to the 1981 Stock Option Plan effective February 15, 1989.	Exhibit 10.12(b) to 1989 10-K.	
10.11(c)	Amendment to the 1981 Stock Option Plan effective June 19, 1991.	Exhibit 10.12(c) to 1991 10-K.	
10.12(a)	Intercorporate Agreement dated as of July 1, 1987 by and between IMCERA and IMC Fertilizer Group, Inc. with Exhibits, including the Restated Certificate of Incorporation of IMC Fertilizer Group, Inc., as amended; By-Laws of IMC Fertilizer Group, Inc.; Preliminary Agreement for K-2 Advances; Registration Rights Agreement; Services Agreement; Management Services Agreement; Agreement regarding Pollution Control and Industrial Revenue Bonds; License Agreement; office lease and sublease; management agreements; supply agreements; and transportation service agreements.	Exhibit 10.1 to IMC Fertilizer Group, Inc.'s Form S-1 Registration Statement No. 33-17091.	
10.12(b)	Agreement dated September 12, 1990, among IMCERA Group Inc. and IMC Fertilizer Group, Inc.	Exhibit 10.13(b) to 1990 10-K.	
10.12(c)	Agreement dated March 7, 1991 between IMCERA Group Inc. and IMC Fertilizer Group, Inc. concerning a purchase of IMC Fertilizer shares.	Exhibit 10 to Form 8-K dated March 7, 1991.	
10.13(a)	Note Agreement with The Prudential Insurance Company of America dated as of February 1, 1980.		(1)
10.13(b)	Agreement dated June 3, 1981, consolidating obligation in Loan Agreement dated April 18, 1973, (Exhibit 7 to 1973 10-K) under Note Agreement dated as of February 1, 1980, (Exhibit 6 to 1980 10-K).	Exhibit 10.14(b) to 1990 10-K.	

Exhibit No.	Description	Incorporated Herein by Reference to	Filed Herewith
10.13(c)	Amendment dated June 15, 1989, to Note Agreement with Prudential Insurance Company of America dated as of February 1, 1980.	Exhibit 10.14(d) to 1989 10-K.	
10.13(d)	Amendment dated April 18, 1991 to Note Agreement dated as of February 1, 1980 as amended.	Exhibit 10.14(e) to 1991 10-K.	
10.13(e)	Amendment dated June 2, 1992 to Note Agreement with Prudential Insurance Company of America dated as of February 1, 1980 as amended.		(1)
10.14	Management Compensation and Benefit Assurance Program.	Exhibit 10.30 to 1988 10-K.	
10.15	Form of Trust Agreement dated June 7, 1988, between IMCERA and Wachovia Bank & Trust of North Carolina, N.A., incident to the program in Exhibit 10.15, for IMCERA's 1973 Stock Option and Award Plan, 1981 Stock Option Plan, Long-Term Performance Incentive Plan, Supplemental Executive Retirement Plan, Contingent Employment Agreements, Gross-Up of Excise Tax Agreement, and Management Incentive Compensation Plan.	Exhibit 10.31 to 1988 10-K.	
10.16(a)	Letter of Credit Agreement dated May 31, 1988, between IMCERA and a group of banks providing the means of funding the trusts described in Exhibit 10.15.	Exhibit 10.32 to 1988 10-K.	
10.16(b)	Amendment and Assumption Agreements to the Letter of Credit Agreement described in Exhibit 10.16(a) dated June 22, 1991.	Exhibit 10.17(c) to 1991 10-K.	
10.17(a)	Corporate Staff Employee Severance and Benefit Assurance Policy.	Exhibit 10.33 to 1988 10-K.	

Exhibit No.	Description	Incorporated Herein by Reference to	Filed Herewith
10.17(b)	Form of letter sent to participants in IMCERA's Corporate Staff Employee Severance and Benefit Assurance Program.	Exhibit 10.18(b) 1989 10-K.	
10.18	Supplemental Life Plan of Mallinckrodt, Inc. effective July 15, 1984.	Exhibit 10.20 to 1989 10-K.	
10.19	Employment Agreement with M. Blakeman Ingle dated July 1, 1990.	Exhibit 10.21 to 1991 10-K.	
10.20	Employment Agreement with Raymond F. Bentele dated July 1, 1990.	Exhibit 10.22 to 1991 10-K.	
10.21	IMCERA Directors' Stock Option Plan effective October 17, 1990.	Exhibit 4(a) to Form S-8 Registration Statement No. 33-40246.	
10.22	IMCERA Long-Term Incentive Plan for Senior Management effective July 1, 1991.	Exhibit 10.24 to 1991 10-K.	
10.23	IMCERA Long-Term Incentive Plan for Key Middle Managers effective June 18, 1991.	Exhibit 10.25 to 1991 10-K.	
10.24	Credit Agreement dated April 4, 1991, among IMCERA, the signatory banks and Citibank, N.A., individually and as agent for the banks.	Exhibit 10.27 to 1991 10-K.	
10.25(a)	Receivables Transfer Agreement dated April 5, 1991, between Preferred Receivables Funding Corporation, Mallinckrodt Medical, Inc. and IMCERA Group Inc.	Exhibit 10.28 to 1991 10-K.	
10.25(b)	Amendment dated October 31, 1991, to Receivable Transfer Agreement with Preferred Receivables Funding Corporation dated April 5, 1991.		(1)
11.1	Primary earnings per share computation for the three years ended June 30, 1992.		(2)

Exhibit No.	Description	Incorporated Herein by Reference to	Filed Herewith
11.2	Fully diluted earnings per share for the three years ended June 30, 1992.		(2)
22	Subsidiaries of the Registrant.		(2)
24.1	Consent of Ernst & Young.		(2)

(1) Exhibit filed with Form SE incorporated herein by reference.
(2) Exhibit filed with electronic submission.

(b) REPORTS ON FORM 8-K

No reports on Form 8-K were filed during the fourth quarter or through the date of this filing.

INDEX TO FINANCIAL STATEMENTS, SUPPLEMENTARY DATA, AND FINANCIAL STATEMENT SCHEDULES

All other schedules are omitted as the required information is not present in sufficient amounts or the required information is included in the consolidated financial statements or notes thereto.

Except for the consolidated statements of IMC Fertilizer Group, Inc. which are incorporated by reference, financial statements and schedules and summarized financial information of 50 percent or less owned persons are omitted, as none of such persons are individually or in the aggregate significant under the tests specified in Regulation S-X under Article 3.09 of general instructions to the financial statements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

IMCERA Group Inc.

(Registrant)

WILLIAM B. STONE
William B. Stone

Vice President and Controller

Date: September 23, 1992

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
M. BLAKEMAN INGLE M. Blakeman Ingle	President and Chief Executive Officer	September 22, 1992
WILLIAM B. STONE William B. Stone	Vice President and Controller (Chief Accounting Officer)	September 22, 1992
RAYMOND F. BENTELE Raymond F. Bentele	Director	September 22, 1992
KEITH D. BUNNEL Keith D. Bunnel	Director	September 22, 1992
RONALD G. EVENS Ronald G. Evens	Director	September 22, 1992
LOUIS FERNANDEZ Louis Fernandez	Director	September 22, 1992

Signature	Title	Date
ALEC FLAMM Alec Flamm	Director	September 22, 1992
PAUL R. JUDY Paul R. Judy	Director	September 22, 1992
ROBERTA S. KARMEL Roberta S. Karmel	Director	September 22, 1992
GEORGE D. KENNEDY George D. Kennedy	Director	September 22, 1992
MORTON MOSKIN Morton Moskin	Director	September 22, 1992
HERVE M. PINET Herve M. Pinet	Director	September 22, 1992
DANIEL R. TOLL Daniel R. Toll	Director	September 22, 1992

1

IMAGE EVALUATION TEST TARGET (MT-3)

150mm

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IMAGE EVALUATION TEST TARGET (MT-3)

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IMAGE EVALUATION TEST TARGET (MT-3)

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IMAGE EVALUATION TEST TARGET (MT-3)

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Schedule II

AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES
Years Ended June 30, 1990, 1991 and 1992
($ in thousands)

Name of Debtor	Balance at Beginning of Period	Additions	Deductions Amounts Collected	Balance at End of Period Current	Balance at End of Period Not Current
1990:					
U.S. employee relocation loans(A)	$308	$140	$126	$322	
Number of loans	5	18	2	21	
U.K. employee relocation loans(A)		$1,700		$1,700	
Number of loans		11		11	
1991:					
U.S. employee relocation loans(A)	$322	$1,576	$646	$907	$345
Number of loans	21	50	40	30	1
U.K. employee relocation loans(A)	1,700		469	1,231	
Number of loans	11		2	9	
1992:					
U.S. employee relocation loans(A)	$1,252	$412	$911	$408	$345
Number of loans	31	18	30	18	1
U.K. employee relocation loans(A)	1,231	156	823	564	
Number of loans	9	7	3	13	

(A) Generally non-interest bearing and repayable upon the sale of the employee's former residence.

PROPERTY, PLANT AND EQUIPMENT
Years Ended June 30, 1990, 1991 and 1992
($ in millions)

	Balance at Beginning of Period	Additions at Cost	Retirements	Other Changes-- Add (Deduct)	Balance at End of Period
1990:					
Land	$ 53.5	$ .5	$ 1.2	$ (.2) (A) 9.9 (B) 1.2 (C)	$ 63.7
Buildings and leasehold improvements	164.9	20.7	7.2	.8 (A) 33.3 (B) 5.2 (C) (.5) (D)	217.2
Machinery and equipment	421.2	58.0	22.9	2.5 (A) 41.8 (B) 6.8 (C) .3 (D)	507.7
Construction in progress	51.6	6.5	1.0	(3.1) (A) 2.6 (B) 1.6 (C) (.1) (D)	58.1
	$ 691.2	$ 85.7	$ 32.3	$ 102.1	$ 846.7
1991:					
Land	$ 63.7	$ .5	$ .3	$ .6 (A) (.7) (C) .3 (D)	$ 64.1
Buildings and leasehold improvements	217.2	18.6	.7	(.8) (A) (4.3) (C) (.2) (D)	229.8
Machinery and equipment	507.7	93.4	11.7	6.5 (A) (4.8) (C) (.1) (D)	591.0
Construction in progress	58.1	10.9	.8	(6.7) (A) (1.7) (C) (.2) (D)	59.6
	$ 846.7	$123.4	$ 13.5	$ (12.1)	$ 944.5

PROPERTY, PLANT AND EQUIPMENT
Years Ended June 30, 1990, 1991 and 1992
($ in millions)

	Balance at Beginning of Period	Additions at Cost	Retirements	Other Changes-- Add (Deduct)	Balance at End of Period
1992:					
Land	$ 64.1	$ 1.0	$ .6	$ (2.1) (A)	
				1.1 (C)	
				.3 (D)	
				(.8) (E)	$ 63.0
Buildings and leasehold improvements	229.8	13.8	4.5	4.3 (A)	
				.1 (B)	
				6.3 (C)	
				2.3 (D)	
				(13.1) (E)	239.0
Machinery and equipment	591.0	76.8	22.3	7.2 (A)	
				1.0 (B)	
				8.8 (C)	
				(1.3) (D)	
				(17.9) (E)	643.3
Construction in progress	59.6	58.8		(9.4) (A)	
				.1 (B)	
				4.2 (C)	
				(1.2) (D)	
				(2.8) (E)	109.3
	$ 944.5	$150.4	$ 27.4	$ (12.9)	$1,054.6

Notes:
(A) Transfers between accounts.
(B) Purchases of businesses.
(C) Foreign currency adjustment.
(D) Reclassification from other balance sheet accounts.
(E) Reclassification for Tastemaker joint venture.

ACCUMULATED DEPRECIATION AND AMORTIZATION
OF PROPERTY, PLANT AND EQUIPMENT
Years Ended June 30, 1990, 1991 and 1992
($ in millions)

	Balance at Beginning of Period	Additions Charged to Cost and Expenses	Retirements	Other Changes--Add (Deduct)	Balance at End of Period
1990:					
Buildings and leasehold improvements	$ 38.8	$ 9.9	$ 2.5	$ 1.2 (C)	$ 47.4
Machinery and equipment	172.2	51.9	13.7	.4 (B) 2.7 (C)	213.5
	$ 211.0	$ 61.8	$ 16.2	$ 4.3	$ 260.9
1991:					
Buildings and leasehold improvements	$ 47.4	$ 10.8	$ .8	$ (1.5) (C) .3 (A) (.4) (B)	$ 55.8
Machinery and equipment	213.5	56.3	10.2	.5 (B) (2.1) (C) .5 (A)	258.5
	$ 260.9	$ 67.1	$ 11.0	$ (2.7)	$ 314.3
1992:					
Buildings and leasehold improvements	$ 55.8	$ 11.6	$ 2.6	$ .9 (B) .9 (C) (2.4) (D)	$ 64.2
Machinery and equipment	258.5	58.8	15.7	.2 (B) 3.5 (C) (7.0) (D)	298.3
	$ 314.3	$ 70.4	$ 18.3	$ (3.9)	$ 362.5

Notes:
(A) Transfers between accounts.
(B) Reclassification from (to) other balance sheet accounts.
(C) Foreign currency adjustment.
(D) Reclassification for Tastemaker joint venture.

SHORT-TERM BORROWINGS
Years ended June 30, 1992, 1991 and 1990
($ in millions)

	Balance at End of Period	Weighted Average Interest Rate	Maximum Amount Outstanding During the Period	Average Amount Outstanding During the Period	Weighted Average Interest Rate During the Period
Notes payable to banks (A):					
1992	$ 96.2	8.3%	$ 96.2	$ 76.5	10.5%
1991	77.5	11.4	98.3	83.2	12.2
1990	63.8	10.7	72.0	68.1	17.3

The average amount outstanding for each period was computed by averaging the daily balances during the year. The weighted average interest rate for each period was computed by dividing interest on short-term borrowings by the average amount outstanding during the year.

(A) Primarily foreign banks.

Schedule X

SUPPLEMENTARY INCOME STATEMENT INFORMATION

Years ended June 30
($ in millions)

	Charged to Costs and Expenses		
	1992	1991	1990
Maintenance and repairs	$ 41.2	$ 47.8	$ 44.6
Amortization of intangible assets	$ 18.9	$ 19.6	$ 20.7
Taxes, other than payroll and income taxes	$ 24.4	$ 20.4	$ 26.9
Advertising	$ 42.2	$ 37.9	$ 36.9

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For the fiscal year ended June 30, 1993

_____ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from _______ **to** _______

Commission file number 1-483

IMCERA Group Inc.

(Exact name of registrant as specified in its charter)

New York	**36-1263901**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2315 Sanders Road Northbrook, Illinois	**60062-6198**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **708-564-8600**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
4% Cumulative Preferred Stock, par value $100 per share	New York Stock Exchange
Common Stock, par value $1 per share	New York Stock Exchange Midwest Stock Exchange Pacific Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

9⅜% Sinking Fund Debentures due March 15, 2011.

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 X . No ___.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

State the aggregate market value of the voting stock held by non-affiliates of the registrant: $2,314,171,537 as of August 31, 1993. Market value is based on the August 31, 1993, closing prices of Registrant's Common Stock and 4% Cumulative Preferred Stock.

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares outstanding of each of the issuer's classes of common stock: 76,614,152 shares as of August 31, 1993.

DOCUMENTS INCORPORATED BY REFERENCE: Information required by Items 10, 11, 12, and 13 of Part III is incorporated by reference from pages 1 through 10, pages 14 through 28, pages 10 through 11, and pages 12 through 13, respectively, of the Registrant's definitive proxy statement for the annual meeting of stockholders to be held on October 20, 1993.

1993 FORM 10-K CONTENTS

OVERVIEW

Part I.

Item 1. Business

INTRODUCTION

Company Profile

IMCERA Group Inc. (IMCERA, the Company, or the Corporation) provides human and animal health care products and specialty chemicals worldwide by means of its three technology-based operating subsidiaries: Mallinckrodt Medical, Mallinckrodt Specialty Chemicals and Pitman-Moore.

The Company was incorporated in New York in 1909. The corporate headquarters is located at 2315 Sanders Road, Northbrook, Illinois 60062-6198, and the telephone number is (708) 564-8600.

The Transition of the Company

During the past several years the Company has taken significant steps to develop its current composition of businesses as follows:

- In February 1986, the Company purchased Mallinckrodt, Inc. for $675 million in cash.

- In October 1986, the Company sold its gas and oil segment and its industrial products segment for $162 million.

- In February 1988, IMC Fertilizer Group, Inc. (IFL), then a wholly owned subsidiary, completed an initial public offering (IPO) of shares of common stock. Until March of 1991, IMCERA owned 10 million shares of IFL common stock, less than a majority voting interest in IFL, and accounted for its investment in IFL by the equity method. In September 1988, the Company's holdings of IFL's Preferred Stock, Series A, were redeemed by IFL for $200 million.

- In July 1989, the Company acquired Coopers Animal Health for $218 million in cash plus the assumption of liabilities.

- In June 1990, shareholders approved changing the Company's name from International Minerals & Chemical Corporation to IMCERA Group Inc.

- In March 1991, the Company entered into a sale and option agreement with IFL under which IFL purchased, in three stages, all 10 million shares of IFL common stock which IMCERA owned for total net proceeds to IMCERA of $384.7 million. As of July 1991, IMCERA no longer owned any IFL shares. See Note A of Notes to Consolidated Financial Statements (Notes) for additional information.

- In June 1993, the Company announced the details of a restructuring program which resulted in a charge of $242.2 million after taxes, most of which is for actions taken at Pitman-Moore. Further discussion is included in the Pitman-Moore and Mallinckrodt Specialty Chemicals business segment discussions and Note A of Notes.

Other recent acquisitions, divestitures and continuing investments in each of IMCERA's businesses are described in the discussions of the business segments and Note A of Notes.

General Points

In this report:

IMCERA Group Inc. and its subsidiaries, collectively, are called the "Company," the "Corporation," or "IMCERA," unless otherwise indicated by the context. The Company has three business segments: Mallinckrodt Medical, Mallinckrodt Specialty Chemicals and Pitman-Moore.

The term "operating earnings" of a business segment represents that business segment's revenues, including sales to other IMCERA business segments, less all operating expenses. Operating expenses of a business segment do not include interest expense, corporate income and expense, and taxes on income.

All references to years are to fiscal years ended June 30 unless otherwise stated.

Registered trademarks are indicated by an asterisk.

Financial information about industry segments is included in Note Q of Notes. Financial information about foreign and domestic operations and export sales is included in Note P of Notes.

GENERAL FACTORS RELATED TO BUSINESS SEGMENTS

For a number of months, there have been extended discussions with respect to the introduction of legislation in the U.S. Congress directed towards what is commonly referred to as "health care reform." IMCERA is unable to predict what effect such legislation, if enacted, might have on its businesses.

None of IMCERA's business segments is dependent upon any single customer or supplier or group of related or affiliated customers or suppliers whose loss would have a material effect on its sales and operating results.

In general, IMCERA's business segments, including related working capital requirements, are not materially affected by seasonal factors.

IMCERA's business segments do not extend long-term credit to customers. The Company believes this non-extension of credit as well as its working capital requirements are not materially different from the credit policies and working capital requirements of its competitors.

Competition with foreign and domestic manufacturers in IMCERA's business segments involves price, service, quality and the development of technology. Competition is strong in all markets served.

INTERNATIONAL OPERATIONS

Foreign operations and investments are subject to risks customarily encountered in such operations and investments. Risks include fluctuations in currency exchange rates and controls, expropriation, and other economic, political, and regulatory policies of local governments and laws and policies of the United States affecting foreign trade and investment.

IMCERA sales outside the U.S. represented about 35 percent of consolidated net sales in 1993, 1992 and 1991. Products are manufactured and marketed through a variety of subsidiaries, affiliates and joint ventures around the world. See discussions of individual business segments included under Item 1, Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 22-31 and Note P of Notes for additional information.

MALLINCKRODT MEDICAL

Mallinckrodt Medical sales were:

(in millions) Years ended June 30	1993	1992	1991
Net sales			
Radiology & Cardiology	$381.4	$293.7	$232.0
Nuclear Medicine	182.3	160.4	129.5
Anesthesiology & Critical Care	219.4	166.2	151.0
	$783.1	$620.3	$512.5

Mallinckrodt Medical products are instrumental in the delivery of health care services and are sold to hospitals, clinical laboratories and other customers on a worldwide basis. They are related by a high degree of innovation and technology, by regulation from agencies such as the U.S. Food and Drug Administration (FDA) and by markets served. They are significantly affected by conditions within the health care industry, including continuing government legislation and public and private health care insurance and reimbursement programs. An aging population and demand for technologically superior products to improve the quality of life and lower the cost of care are two major factors fueling growth within the industry.

Principal products of this industry segment are contrast media for various imaging modalities, radiopharmaceuticals for medical diagnostic procedures, and disposable medical devices and instruments and systems for use in surgical procedures and critical care.

Mallinckrodt Medical focuses on five specialty businesses providing advanced, innovative products for radiology, cardiology, nuclear medicine, anesthesiology and critical care. Specialized sales, marketing and general management resources have been established to service these markets.

Mallinckrodt Medical's U.S. production and distribution facilities are located in Missouri, North Carolina, New York, Texas, California, Illinois and Michigan. Thirty radiopharmacies are located in large metropolitan markets throughout the U.S. for dosage form distribution of radiopharmaceuticals to hospitals and clinics. Facilities outside the U.S. are located in Europe, the Far East, Canada, Australia and Mexico.

Radiology & Cardiology

Radiology products include iodinated contrast media (ionic and nonionic) and catheters for use in studies of the brain, abdominal organs, renal system, peripheral vascular system and other areas of the body to aid in diagnosis and therapy. These products are marketed principally by a direct sales force. Since its introduction in the U.S. four years ago, Optiray*, a low osmolar, nonionic medium, has been widely accepted in both radiology and cardiology indications. Optiray* began to be introduced outside the U.S. in 1991. To meet growing worldwide demand, a $100 million program to expand production of Optiray* was begun in 1992. The project includes a new production facility which is under construction near Dublin, Ireland, for the manufacture of Optiray* in its bulk drug form and a capacity expansion at the company's existing plant in St. Louis, Missouri. In June 1990, Mallinckrodt Medical introduced Ultraject*, a patented innovation in contrast media agent administration. This prefilled syringe provides radiologists a more efficient, convenient and safer method of delivering contrast agents.

The cardiology business is directed to meeting the needs of both invasive and non-invasive cardiologists in diagnosing and treating diseases of the heart and the cardiovascular system. The business currently offers both ionic and nonionic contrast agents, and interventional catheters and related supplies. These products are sold directly to hospitals, primarily by a dedicated sales force. During 1989, Mallinckrodt Medical acquired an equity position of less than 2 percent of the common shares currently outstanding for Molecular Biosystems, Inc. of San Diego, California, and obtained exclusive marketing rights in the Western Hemisphere for Albunex*, a new ultrasound contrast agent. Albunex* was unanimously recommended for approval by the Radiology Device Advisory Panel of the FDA in July 1992. Management expects to begin launch of Albunex, its ultrasound contrast agent, during the second half of 1994, assuming FDA approval by the end of calendar 1993.

During 1993, the company reached an agreement with Peripheral Systems Group ("PSG"), a division of Eli Lilly and Company, to obtain exclusive, worldwide distribution rights for a broad line of interventional radiology and cardiology products manufactured by PSG. The company has begun distribution of these products in North America, and is expected to begin full distribution in Europe, Japan and Latin America during 1994.

The company's largest developmental effort in this area is directed toward contrast agents for magnetic resonance imaging, primarily in neurology, oncology and cardiovascular applications.

Nuclear Medicine

The nuclear medicine business consists of radiopharmaceuticals used to provide images of numerous body organs, and to diagnose and treat diseases. Nuclear medicine products are sold to hospitals and clinics in the U.S. on both a direct basis and through a nationwide network of nuclear pharmacies, and internationally through direct sales forces and distributors. Health physics consulting services are also provided.

In 1990, Mallinckrodt Medical introduced Technescan* MAG3* for improved imaging of the kidneys and the renal system. Unlike a standard x-ray based imaging procedure, a nuclear medicine scan utilizing MAG3* can accurately assess renal tubular function in addition to providing anatomical information. In 1991, the company introduced the highly successful UltraTag* RBC blood pool imaging kit which is used for gated blood pool, "first pass" cardiac studies, and for the detection of hemangiomas and gastrointestinal bleeding sites. In order to meet growing worldwide demand for cyclotron-produced products, the company is currently expanding cyclotron capacity at its radiopharmaceutical production facility in Maryland Heights, Missouri, and brought on line a new cyclotron at Petten, The Netherlands, in 1993. The company is also expanding its Maryland Heights, Missouri, manufacturing facility to introduce an improved generator product.

Additionally, during 1992, the company signed an agreement with the Netherlands Energy Research Foundation to construct a plant in Petten dedicated to the manufacture of molybdenum-99 (Mo99), a key raw material used in the production of the nuclear medicine imaging product technetium-99m. Full production is expected to begin by the end of 1995. In May 1993, the FDA's Medical Imaging Drugs Advisory Committee recommended approval of OctreoScan*. Assuming FDA approval by the end of calendar 1993, management expects to have OctreoScan* on the U.S. market during the first half of calendar 1994. OctreoScan*, a peptide-based tumor imaging agent, is used for imaging neuroendocrine tumors.

Current research efforts in this area are directed to development of compounds to alleviate cancer-related bone pain, detect several types of cancer, and evaluate heart disease.

Anesthesiology & Critical Care

Anesthesiology products include continuous core temperature monitoring systems, convective warm air temperature management systems, tracheal tubes, tracheostomy tubes and other airway management products.

Continuous core temperature monitoring and temperature management systems are utilized in surgical procedures and postoperatively. They are marketed directly and through distributors in the U.S. In 1993, the company expanded its airway management product line by acquiring the tracheostomy products business of Sorin Biomedical in Irvine, California. The airway management product line consists of basic and specialty tracheal tubes used in hospitals for maintaining a secure airway during anesthesia and intensive care. Also included are tracheostomy tubes which are used in hospitals and alternate site facilities for maintaining airways during respiratory care. Airway products are marketed directly and through hospital supply distributors in the U.S. Internationally, airway and temperature systems are marketed directly and through distributors. The company is capitalizing on the rapid conversion to disposable tracheal tubes in Europe by expanding its anesthesiology products plant in Athlone, Ireland, and is establishing a manufacturing facility in Juarez, Mexico, to produce temperature systems products.

In critical care, Mallinckrodt Medical provides instruments and systems to analyze blood gases and electrolytes primarily in the operating room and intensive care unit. GEM*-STAT is designed for use in low-volume intensive care units, while GEM*-6 provides testing in the operating room, primarily for cardiovascular surgery. The company's newest analyzer, the GEM* Premier, was introduced during 1992. It is user friendly, has a high capacity, and is more cost-effective than competing whole-blood analyzers. The GEM* Premier will be utilized in intensive care units as well as in hospital stat and central laboratories. These products are sold directly to hospitals in the U.S. and through direct sales forces and distributors in international markets. During 1993, the company acquired HemoCue A.B. of Ängelholm, Sweden to complement the GEM system's point of care blood analysis product line. HemoCue products include blood hemoglobin and glucose analysis systems for use in hospitals and alternate site markets. The products are distributed directly and through distributors in the U.S. and internationally.

MALLINCKRODT SPECIALTY CHEMICALS

Mallinckrodt Specialty Chemicals sales were:

(in millions) Years ended June 30	1993	1992[1]	1991[1]
Net sales			
Ongoing operations			
Pharmaceutical Specialties	$212.0	$183.0	$186.0
Catalysts, Performance & Lab Chemicals	183.3	184.9	208.3
	395.3	367.9	394.3
Divested operations and flavors business[2]		73.0	109.8
	$395.3	$440.9	$504.1

[1] Restated to reflect the company's reorganization effective July 1, 1992.
[2] Includes sales of the divested cosmetic and electronic chemicals businesses and pre-joint venture sales of the flavors business.

Mallinckrodt Specialty Chemicals products are sold to a variety of markets. These products possess a higher degree of technology and service than is required by commodity chemicals. Generally, they are sold as intermediates which are used by customers worldwide as components, ingredients or reagents, rather than as final consumer products. Many of Mallinckrodt Specialty Chemicals products are processed in multi-purpose manufacturing facilities. These products are also subject to government regulation and industry standards, including FDA-mandated "Good Manufacturing Practice."

Principal products in this industry segment are drug chemicals, peptides, high-purity performance chemicals, catalysts and laboratory chemicals. Through the Tastemaker joint venture, the company also participates in the flavors business.

Mallinckrodt Specialty Chemicals' U.S. production and distribution facilities are located in Missouri, Illinois, Pennsylvania, North Carolina, Kentucky and California. Operations outside the U.S. are located in Europe, Canada, the Far East and Australia.

Pharmaceutical Specialties

Pharmaceutical specialties products include analgesics such as acetaminophen (APAP) used to control pain and fever; codeine salts and other opium-based narcotics and synthetic narcotics used to treat pain and cough; and peptides which are used in many new pharmaceuticals. Other pharmaceutical specialties products include narcotic/acetaminophen combination products; Toleron* brand of ferrous fumarate which stimulates the formation of red blood cells; various salts and excipients; and Methodose* which is used for analgesia and opiate addiction.

Most pharmaceutical specialties products are sold to the pharmaceutical industry for use in the manufacture of dosage-form drugs. Narcotic prescription chemicals are also sold directly to drug wholesalers while opiate addiction products are primarily sold to government clinics. All pharmaceutical specialties are marketed by a direct sales force.

In 1991, the company acquired Star Biochemicals Inc., a high-quality catalog and custom peptide producer. In 1992, the company began manufacture of peptides at its St. Louis facility, and spent $2 million in 1993 on facility construction and modification. In 1992, a $17 million project was begun to expand APAP manufacturing and waste-treatment capacity at the Raleigh, North Carolina, facility. When complete in 1994, APAP capacity is expected to increase 25 percent while lowering unit cost. The Derbyshire, England plant is running at double its former capacity following an expansion there last year. In 1993, the company acquired Contech Laboratories, a facility which had performed certain processing steps relating to the manufacture of Compap* and other products. The company plans to expand these facilities to manufacture and process additional products and forms. In 1992, work also began on an approximately $9 million project to expand and upgrade the narcotics facility in St. Louis, Missouri, which is expected to be completed in 1994.

Catalysts, Performance & Lab Chemicals

Catalysts produced in Erie, Pennsylvania, are so petrochemical and food industries. They include such products a and palladium on carbon or alumina substrates; copper chromitated, flaked and droplet shapes of nickel catalysts; and a varietom catalysts. Such catalysts are used to manufacture plastici rgents, rubber products, insecticides, synthetic motor oil anifats and oils. Catalysts are marketed directly by the companthe registered trademark Calsicat.

High-purity performance chemicals sold to indusumers include such products as calcium stearates and otherlps for use as lubricants in molded and extruded plastics; higfice monomers and several plastic additives for use as processing e production of polymers; and potassium chloride for use as ssubstitute" in low-sodium diets. Mallinckrodt Specialty Chemi these products through distributors and its sales force.

Laboratory chemical products include high-purie chemicals used in research and development and analyticatories. These high-purity products consist of hundreds of reachals sold through distributors to medical, industrial, educaid governmental laboratories.

Performance and laboratory chemical products ted by a direct sales force.

Joint Venture

In February 1992, a 50/50 joint venture prswas formed with Hercules Incorporated to manufacture and maf products. The venture, named Tastemaker, was created by cong company's Fries & Fries flavors business with Hercules' PFW Fl itrus Specialties businesses. Tastemaker is headquartered in n Ohio, and has a major presence in the world's three largestomarkets -- Europe, North America and Asia/Pacific. It manufasducts for use in convenience foods and beverages; dry and liquv mixes; cordials, cocktails and wines; ice cream, cheese o dairy products; pharmaceutical products; cake and cookie mis and other bakery products; and main meals and entrees. Prcod distribution of these products are subject to regulation h country agencies. Distribution is primarily through direct sa and distributors.

Other

During the last three years, Mallinckrodt a Chemicals has made several major changes in its business in addta changes discussed above. The tannin product line, used fang wines and malt beverages, was exited in 1991. The company is science products and performance chemicals businesses ansated its European operations under its Catalysts, Performan Chemicals Group as part of a 1992 reorganization. In 1992, thanvested its cosmetic

Catalysts, Performance & Lab Chemicals

Catalysts produced in Erie, Pennsylvania, are sold to the petrochemical and food industries. They include such products as platinum and palladium on carbon or alumina substrates; copper chromite; tableted, flaked and droplet shapes of nickel catalysts; and a variety of custom catalysts. Such catalysts are used to manufacture plasticizers, detergents, rubber products, insecticides, synthetic motor oil and edible fats and oils. Catalysts are marketed directly by the company under the registered trademark Calsicat.

High-purity performance chemicals sold to industrial consumers include such products as calcium stearates and other metal soaps for use as lubricants in molded and extruded plastics; high performance monomers and several plastic additives for use as processing aids in the production of polymers; and potassium chloride for use as a "salt substitute" in low-sodium diets. Mallinckrodt Specialty Chemicals sells these products through distributors and its sales force.

Laboratory chemical products include high-purity reagent chemicals used in research and development and analytical laboratories. These high-purity products consist of hundreds of reagent chemicals sold through distributors to medical, industrial, educational and governmental laboratories.

Performance and laboratory chemical products are marketed by a direct sales force.

Joint Venture

In February 1992, a 50/50 joint venture partnership was formed with Hercules Incorporated to manufacture and market flavor products. The venture, named Tastemaker, was created by combining the company's Fries & Fries flavors business with Hercules' PFW Flavors and Citrus Specialties businesses. Tastemaker is headquartered in Cincinnati, Ohio, and has a major presence in the world's three largest flavors markets -- Europe, North America and Asia/Pacific. It manufactures products for use in convenience foods and beverages; dry and liquid beverage mixes; cordials, cocktails and wines; ice cream, cheese and other dairy products; pharmaceutical products; cake and cookie mixes, snacks and other bakery products; and main meals and entrees. Production and distribution of these products are subject to regulation by various country agencies. Distribution is primarily through direct sales forces and distributors.

Other

During the last three years, Mallinckrodt Specialty Chemicals has made several major changes in its business in addition to the changes discussed above. The tannin product line, used for clarifying wines and malt beverages, was exited in 1991. The company combined its science products and performance chemicals businesses and consolidated its European operations under its Catalysts, Performance and Lab Chemicals Group as part of a 1992 reorganization. In 1992, the company divested its cosmetic and electronic chemicals businesses and exited a general-line chemical business. In 1993, the European operations were realigned between the Pharmaceutical Specialties and Catalysts, Performance and Lab Chemicals Groups along product lines. The company also adopted a plan to exit the basic aromatic fluorine and photochemicals businesses over the next two years.

PITMAN-MOORE

Pitman-Moore sales were:

(in millions) Years ended June 30	1993	1992	1991
Net sales			
Animal Productivity	$48.6	$58.2	$51.9
Antimicrobials	62.1	69.7	68.8
Biologicals	105.4	104.3	106.4
Parasiticides	146.9	156.4	145.9
Veterinary Specialties & Other	85.6	81.0	72.4
Total Animal Health	448.6	469.6	445.4
Feed Ingredients	169.5	172.2	177.5
	$618.1	$641.8	$622.9

Pitman-Moore ranks in the top five companies in the animal health industry worldwide in terms of total sales.

During 1993, the company undertook an intense global study of its strategy, structure, operations, products and its research and development programs. Subsequently, Pitman-Moore adopted an extensive restructuring program that is expected to improve significantly its operating earnings starting in 1994 and enhance prospects for growth in the latter part of the decade.

Under the restructuring announced in the fourth quarter of 1993, Pitman-Moore will close 11 of its 27 manufacturing facilities over the next two years; reduce its work force by 30 percent, or more than 1,000 jobs, nearly 500 of which were eliminated in 1993's fourth quarter; reorganize commercial and administrative functions as well as its research and development function, which will be consolidated at one global facility in the Chicago area; and immediately discontinue costly and high risk development projects that had diminished in potential, including a porcine somatotropin (PST) product, Grolene*, to produce leaner pork. The primary reason for the two-year time frame is the need to obtain regulatory approval in many countries because of changes in manufacturing location.

The restructuring is intended to strengthen Pitman-Moore's global capabilities in distribution and marketing, which provide it with a significant competitive position in the market. In addition, the restructuring should greatly increase manufacturing plant utilization.

The company continues to have a direct presence in each of the top 25 animal health markets in the world, with 55 percent of its net sales outside the U.S. Worldwide, the company sells products through direct sales forces and through distributors.

Pitman-Moore participates in six of the seven segments of the approximately $11 billion worldwide animal health market. Pitman-Moore's operations support a product line of more than 1,000 products, one of the largest in the industry. During 1994, in line with the restructuring, the company will evaluate each product's profit potential and eliminate those that do not provide sufficient margins. As a result, sales growth is expected to be modest over the next several years, while profitability is expected to increase.

Operations are currently located in 30 countries, with distribution networks in an additional 90 nations. As a result of the restructuring, both the number of products and the number of locations is expected to decline. The company's strategy, however, calls for selective additions of new products and for geographic expansion into new markets. Specifically, it intends to focus on building on its leading positions in North America, the United Kingdom, Australia, New Zealand and Brazil, and to increase market share in Germany, France, Japan, Mexico and Spain. The company also sees growth potential in less developed nations such as China.

Pitman-Moore also intends to refocus its efforts on product areas that offer the greatest opportunities. Consequently, Pitman-Moore expects to continue to derive most of its sales and profit from the food animal sector, while continuing to maintain a presence in the companion animal market, largely through specialty distribution. In the worldwide animal health industry, products for food animals comprise nearly 80 percent of the market. Approximately 85 percent of Pitman-Moore's product line is used for food animals.

Cross-registration, or filing for approval of products already marketed in other regions of the world, is a key component of Pitman-Moore's geographic expansion efforts. Approximately 250 product approvals have resulted from cross-registration through 1993, with an additional 135 approvals expected over the next three to five years.

Pitman-Moore is organized in three geographic regions and one business area of operations: Asia; Europe, Australia and New Zealand; and the Americas. The company's business area is Feed Ingredients. This organizational structure is aligned for increased market focus and customer responsiveness. Pitman-Moore is able to sell directly to the consumer, veterinarian, distributor, dealer or agent, depending on the maximum market opportunity.

Pitman-Moore divides the world market into six strategic business units: animal productivity, antimicrobials, biologicals, parasiticides, veterinary specialties and feed ingredients.

At June 30, 1993, Pitman-Moore had manufacturing facilities in Argentina, Australia, Brazil, Colombia, Germany, Ireland, Malaysia, Mexico, New Zealand, Paraguay, Philippines, United Kingdom and the United States.

Animal Productivity

The worldwide animal productivity market is currently estimated at $1.8 billion. Ralgro*, Pitman-Moore's long-established and most consistent performer in this market, is the leading beef cattle growth promotant in the U.S. Additionally, the product is marketed in a number of Latin American and other countries.

Pitman-Moore's new st:ategy calls for the company to invest to support and expand its implants and growth promotants business.

Lysocellin, a second-generation rumen modifier for cattle, is currently under review by the FDA. Studies have demonstrated that this product improved average daily gain and feed efficiency in cattle. This product will compete in a worldwide annual market of approximately $100 million.

Clinacox*, an anticoccidial for chickens and turkeys, was introduced in Canada during 1992. It is also currently sold by Pitman-Moore in Mexico, Argentina, Ecuador and Uruguay. Pitman-Moore is currently awaiting approval to sell Clinacox in the U.S.

Due to costs and risks that far exceeded market potential, the company discontinued work in 1993 on Grolene, its brand of porcine somatotropin (PST), and on a biological wool harvesting system.

Antimicrobials

The company has been a leader and has a significant position in the $1.6 billion global antimicrobial market, which includes antibacterials and antifungals, and its strategy calls for moderate investment to maintain a profitable presence.

In 1992 and 1993, a new broad-spectrum antibacterial, sold under the names, Zaquilan* and Diprinovet*, was introduced in several European countries for food and companion animals. Zaquilan* was also launched in New Zealand in 1992, and is targeted at the dairy market for its long-acting treatment of calf scours. Spectrazol* M.C., an intramammary antibiotic for dairy cattle, was introduced in Spain in 1993. Other products include Butalex*, a unique treatment for theileriosis in cattle, and Clinafarm*, an antifungal for poultry hatcheries.

Biologicals

Biologicals will be the core of Pitman-Moore's development efforts under its new strategy. Biologicals, which include vaccines and diagnostics, represent a world market of $1.4 billion that is growing at an annual rate of just over 5 percent is the fastest growing market in animal health.

By 1996 the company estimates that nearly one-third of its research and development budget will be spent on biologicals. Pitman-Moore's prospects in this market were strengthened this year with the opening of two new biological production facilities in Upper Hutt, New Zealand, and Burgwedel, Germany. A $37 million investment, these plants are expected to lower production costs as well as aid the development of new global vaccines and innovative delivery systems.

Among Pitman-Moore's vaccines are Coccivac*, a coccidiosis vaccine for poultry; Cattlevax*, a combined leptospirosis/clostridial vaccine for cattle, currently marketed in Australia; and Footvax*-M, an improved vaccine for control of foot rot in sheep. Paracox*, a vaccine that prevents poultry coccidiosis by stimulating the immune system, is marketed in the U.K., Ireland and Italy and approval is pending in other European countries.

Parasiticides

The world market for parasiticides is $1.8 billion. This is the company's second largest segment in sales, and new branded products are expected to continue to drive growth.

Defend* EXspot*, a topical flea control product for dogs that also protects against deer ticks (carriers of organisms that cause Lyme disease), was introduced in the U.S. in 1991. In 1992, the product was introduced in New Zealand and was approved in the U.K. and The Netherlands. It was also approved for puppies in the U.S. The world veterinary market for this product is estimated to be $125 million, with $80 million in the U.S.

Veterinary Specialties

In the $800 million worldwide veterinary specialties market, Pitman-Moore is a leading supplier of companion animal pharmaceuticals and surgical products.

Extensive use of Pitman-Moore's product distribution capabilities by companies such as Johnson & Johnson, Janssen Pharmaceutical and Zenaca (formerly Imperial Chemical Industries) strengthens the company's position in this market.

Feed Ingredients

About a $1 billion worldwide market, feed ingredients is the largest segment of Pitman-Moore's sales. The company has a strong brand position in this market with feed supplements such as Monofos*, Biofos*, Dynafos*, Multifos*, Dyna-K* and Dynamate*. Management believes that continuing geographic expansion should offset selected pricing actions, resulting in stable year-to-year sales comparisons.

Pitman-Moore owns a feed phosphate plant adjacent to the IFL New Wales, Florida, phosphate chemical complex. Under an agreement, IFL operates the Pitman-Moore feed plant. The company also contracts with IFL for key raw materials including phosphoric acid and phosphate rock. IFL also supplies Pitman-Moore's requirements of animal feed-grade potassium products. The company believes there are adequate sources of supply from other producers in the event these supply agreements expire.

OTHER ACTIVITIES

Research and Development

The Company performs applied research directed at development of new products, development of new uses for existing products, and improvement of existing products and processes. Research and development programs include laboratory research as well as product development and application.

Mallinckrodt Medical research and development efforts are coordinated on a worldwide basis by a senior scientist. Research and development of imaging and therapeutic products are carried on by a centralized organization. Research and development for anesthesia and critical care are performed within these businesses. Mallinckrodt Medical's various development activities are focused on market-place needs. Internal research effort is supplemented with third-party and university technical agreements.

Mallinckrodt Specialty Chemicals research and development efforts are organized within its operating divisions to focus technical resources on the development of new and improved products meeting defined market and customer needs. Technical personnel for process support are located at each manufacturing location. Internal research effort is supplemented with third-party and university technical agreements.

Pitman-Moore currently has many products under development that address the needs of world and regional markets. The company will be consolidating its primary research and development capabilities at a single site in the Chicago, Illinois, area in conjunction with the restructuring of its businesses. Products in development include vaccines, growth enhancers and parasiticides for livestock, poultry and companion animals. To supplement its own research, Pitman-Moore has technical agreements with various pharmaceutical and biotechnology companies and universities.

IMCERA's businesses also perform applied research in pollution monitoring and control.

Patents, Trademarks, and Licenses

IMCERA owns a number of patents and trademarks, has pending a substantial number of patent applications, and is licensed under patents owned by others. No single patent is considered to be essential to the businesses as a whole, but in the aggregate, the patents are of material importance to the Company's business.

Environmental and Other Regulatory Matters

The Company is subject to various environmental protection and occupational safety and health laws and regulations in the United States and foreign countries in which it operates. In addition, in its operations, currently and over the years, the Company has handled, and will continue to deal in or otherwise handle, materials and wastes classified as hazardous or toxic by one or more regulatory agencies. The Company is also subject to the Federal Food, Drug, and Cosmetic Act, other federal statutes and regulations, various state statutes and regulations, and laws and regulations of foreign governments, affecting and involving testing, approval, production, labeling, distribution, post-market surveillance and advertising of most of the Company's existing, new, and prospective products.

Significant capital expenditures, as well as operating costs, have been incurred on account of the laws and regulations governing the protection of the environment, occupational safety and health, and the handling of hazardous materials. There are inherent and unquantifiable risks in mishandling, or potential accidents involving hazardous or toxic materials and wastes. On the basis of its best information and belief, the Company does not believe the expenditures and risks occasioned by these circumstances have as yet become materially adverse to its business or financial condition taken as a whole. However, no assurance can be given that this will continue to be true.

Similarly, the interpretation and enforcement of the laws and regulations pertaining to the Company's products or facilities by government agencies, such as the U.S. Food and Drug Administration and the U.S. Environmental Protection Agency, and state and foreign counterparts, at any particular production site or in connection with any particular product or any proposed new or modified product, may be more strict than anticipated, and could result in production interruption and product holds or recalls.

The Company seeks to achieve compliance with all of these laws and regulations in all material respects, as well as with all other applicable laws and regulations, but there can be no assurance that this will always be the case. Instances of non-compliance have occurred in the past and although not having a material adverse impact on the Company, such instances could occur in the future.

In particular, the Company is unable to predict the extent to which it may be adversely affected by future regulatory developments such as new or changed laws or regulations.

Most of the Company's environmental capital expenditures are in response to provisions of the Federal Clean Air Act, Water Pollution Control Act, Resource Conservation and Recovery Act, Comprehensive Environmental Response, Compensation, and Liability Act, land use, air, and water protection regulations of the various localities and states, and their foreign counterparts. Capital expenditures worldwide related to air emission control, wastewater purification, land reclamation and solid waste disposal totaled approximately $20 million in 1993 and $13 million in 1992. The Company currently estimates that environmental capital expenditures over the next two years will average about $20 million per year.

Environmental cleanup costs often are incurred over a long period of time. Nevertheless, to the extent environmental cleanup costs can be reasonably estimated, and the Company's responsibility therefore is probable, accruals are established, even though the costs are not yet payable, and are reflected in the Company's consolidated financial statements.

See also Item 3. Legal Proceedings and Note T of Notes for additional information.

Employees

IMCERA had 10,000 employees at June 30, 1993. The workforce at June 30, 1993, consisted of 6,200 U.S. and 3,800 employees outside the U.S. Employees by business segment are: Mallinckrodt Medical -- 4,900; Mallinckrodt Specialty Chemicals -- 2,100; and Pitman-Moore -- 2,800. The other 200 employees are engaged in parent corporate activities and in a small industrial chemicals operation.

Labor Relations

The Company has eight collective bargaining agreements within the U.S. with eight U.S. international unions or their affiliated locals covering 634 employees. Seven agreements covering 615 employees were negotiated during 1993, all with no work stoppages. Two agreements covering 19 employees will expire in 1994. Eleven Mallinckrodt Medical and Mallinckrodt Specialty Chemical operating locations outside the U.S. have collective bargaining agreements and/or work counsel agreements covering 1,015 employees. Most of the Pitman-Moore operating locations outside the U.S. have collective bargaining agreements and/or work counsel agreements covering approximately 1,000 employees. Resulting wage and benefit increases were consistent with competitive industry and community patterns.

Item 2. Properties

Information regarding the plant and properties of IMCERA is included in Item 1. Business.

Item 3. Legal Proceedings

The Company is a defendant in a number of legal proceedings in which liabilities are sought to be imposed on it. The Company believes that the currently pending matters of this nature, which are largely environmental-related, will not have a material effect on its financial condition or the conduct of any of its businesses. Those matters required by SEC rules to be reported here or that could be regarded as material are:

On July 12, 1993, the Company's wholly-owned subsidiary, IMCERA Group Inc., a Delaware corporation, was added as a third-party defendant in proceedings involving cleanup of the New Lyme, Ohio, landfill that have been pending since 1989 in the U.S. District Court for the Northern District of Ohio, Eastern Division (Cleveland, Ohio). The Company knows of no reason why this proceeding should result in any significant liability.

The previously reported settlement in principle by the Company with the State of Michigan in the litigation brought by the State in the U.S. District Court in Detroit, Michigan, will probably not be completed. The State has advised the Company that it has entered into a Consent Order with some 40 de minimis Potentially Responsible Parties (PRP's). The Consent Order contains terms unfavorable to the Company, which has filed objections to the Order with the Court. The Company continues to be unable to predict the outcome of any of these efforts at settlement but continues to believe that the result in this proceeding will not be material.

In the previously reported suit by the Illinois Attorney General regarding the sending of hazardous waste to a facility near Belleville, Illinois, which was not licensed to receive hazardous waste, a Consent Decree, including an agreed upon civil penalty of $87,125, is being negotiated. The Company continues to be unable to predict the outcome of the negotiations or of any possible dispute with the owner of the facility, but continues to believe the result will not be material.

In the previously reported remand to the U.S. District Court in Concord, New Hampshire, the Company and the U.S. Environmental Protection Agency (EPA) have completed negotiating the terms of a settlement providing for remediation of soil and groundwater at a Kingston, New Hampshire, site that was sold in 1976. The costs involved will not be material, especially after recoveries already in hand or expected from third parties.

There has been little change in the previously reported litigation by the U.S. EPA against the Company and other companies concerning the alleged pollution of a stream near Ashtabula, Ohio, designated as "Fields Brook," where the Company once operated a plant. IMCERA and several other companies have settled the litigation brought by EPA and all of the companies have agreed to nonbinding arbitration of the allocation of payment for a Remedial Design/Remedial Action study ordered by EPA. This arbitration and proceedings to add third parties as defendants are in process. The Company continues to believe this proceeding will not have a material effect.

In the previously reported settlement of the Hanlin Group, Inc. litigation in Bangor, Maine, and Hanlin's subsequent Chapter 11 bankruptcy, Hanlin, with the Bankruptcy Court's approval, has assumed the settlement agreement which presumably can now be implemented. Pursuant to the terms of the settlement, IMCERA is to pay specified costs of a study ordered by the U.S. EPA; however, these costs will not have a material effect.

As previously reported, the Company, an officer/director, a now-former officer/director, and another officer no longer with the Company, are named as defendants in two purported class actions, brought in February 1992 by two alleged stockholders. These cases have been consolidated and are now pending in the United States District Court in New York. Each alleges violations of federal securities laws and related state law claims. A third officer/director is also named as a defendant in one of the actions. The plaintiffs base their allegations principally on the Company's February 18, 1992 press release about an FDA inspection of Pitman-Moore's Kansas City plant that also cautioned that estimates of security analysts regarding 1992 earnings from continuing operations in excess of $1.65 per share "were probably too optimistic." The estimates had been marginally higher ($1.67). The thrust of the allegations is that disclosure of plant manufacturing deficiencies was not made as soon as it should. A motion to dismiss the complaint in the consolidated actions has been filed, argued and is pending decision. Although the consolidated suits are still in a preliminary stage, the Company believes they are without merit and will have no material effect.

Also as previously reported, in September 1992, a stockholder's derivative suite was filed in the United States District Court in New York, purportedly on behalf of the Company, against all of the then directors of the Company asserting claims for alleged violation of the federal proxy rules, for alleged breach of fiduciary duty, and in Mr. Kennedy's case for alleged misappropriation of confidential business information. The case has been assigned to the same judge as the above class actions and has been consolidated with them for pre-trial purposes. A motion to dismiss the complaint has been filed, argued and also is pending decision. This case, like the class actions, arises as a consequence of the FDA inspection and the February 18 press release referred to above in the class actions, and in the Corporation's view is equally without merit and will have no material effect.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the three months ended June 30, 1993.

EXECUTIVE OFFICERS OF THE REGISTRANT

The ages and five-year employment history of IMCERA's executive officers at June 30, 1993, were as follows:

C.R. (Ray) Holman

Age 50. President and Chief Executive Officer since December 1992; Vice President, IMCERA from October 1990 to December 1992 and President and Chief Executive Officer, Mallinckrodt Medical, Inc. from January 1989 to December 1992; Group Vice President of the Medical Products Group, Mallinckrodt, Inc. from September 1985 to January 1989.

Ashok Chawla

Age 44. Vice President, Strategic Management since July 1991; Vice President Strategic Planning and Business Development of Pitman-Moore, Inc. from August 1990 to July 1991; Division Director, Finance and Administration for Mallinckrodt, Inc. - Europe from August 1988 to August 1990; Executive Assistant, Office of the President for Mallinckrodt, Inc. from April 1986 to August 1988.

A. Jacqueline Dout

Age 38. Vice President and Treasurer since February 1991; Acting Treasurer from June 1990 to February 1991; Assistant Treasurer and Corporate Staff Vice President from June 1988 to May 1990; Assistant Treasurer for Koppers Company, Inc. from April 1981 to June 1988.

Beverley L. Hayes

Age 54. Vice President, Organization and Human Resources since November 1990; Senior Vice President, Human Resources of Pitman-Moore, Inc. from September 1990 to November 1990; Vice President Human Resources of Pitman-Moore, Inc. from July 1989 to September 1990; Director Compensation and Benefits of IMCERA from October 1985 to July 1989.

Roger A. Keller

Age 48. Vice President, Secretary and General Counsel of IMCERA since July 1993. Senior Vice President and General Counsel, Mallinckrodt Medical, Inc. from March 1992 to July 1993; Vice President and General Counsel of Mallinckrodt Medical, Inc. from September 1989 to March 1992; Vice President, Legal Affairs and Secretary, Mallinckrodt, Inc. since August 1986.

Douglas K. Larsen

Age 54. Vice President, Environment and Safety since October 1991; Corporate Staff Vice President, Environment and Safety from September 1988 to October 1991; Director, Environmental and Safety Operations from July 1980 to September 1988.

William J. Mercer

Age 45. Vice President, IMCERA and President and Chief Executive Officer of Pitman-Moore, Inc. since December 1992; Senior Vice President and Group Executive Mallinckrodt Medical, Inc. from March 1992 to December 1992; Group Vice President, Medical Imaging from November 1988 to March 1992; Vice President and General Manager of U.S. Diagnostic Products Division from November 1985 to November 1988.

Robert G. Moussa

Age 46. Vice President, IMCERA, and President and Chief Executive Officer of Mallinckrodt Medical, Inc., since December 1992; Senior Vice President and Group Executive, Mallinckrodt Medical, Inc., from September 1992 to December 1992; Group Vice President, International, Mallinckrodt Medical, Inc., from January 1989 to September 1992; Vice President and General Manager, Medical Products Europe, from November 1987 to January 1989.

Mack G. Nichols

Age 55. Vice President, IMCERA since October 1990 and President and Chief Executive Officer of Mallinckrodt Specialty Chemicals Company since January 1989; Vice President of the Chemical Group, Mallinckrodt, Inc. from April 1982 to January 1989.

William B. Stone

Age 50. Vice President and Controller since November 1990 and Vice President for Mallinckrodt, Inc. since April 1983; Assistant Controller and Corporate Staff Vice President from October 1989 to November 1990.

All of IMCERA's officers are elected annually, with the terms of the officers listed above to expire in October 1993. No "family relationships," as that term is defined, exist among any of the listed officers.

George D. Kennedy, Chairman of the Board, and Raymond F. Bentele, Vice Chairman of the Board, are technically officers of the Company, but as retired employees and consultants, have no full-time obligations and hence are not regarded as or believed to be Executive Officers. As directors, their respective business experience and directorships are described in the Company's annual proxy statements.

Part II.

Item 5. Market for the Registrant's Common Stock and Related Stockholder Matters

COMMC. STOCK PRICES AND DIVIDENDS

Quarter	First	Second	Third	Fourth
Fiscal 1993				
Dividends per common share	$.10	$.11	$.11	$.11
Common stock prices				
High	37.75	40.25	40.25	31.63
Low	31.25	31.25	23.00	23.38
Fiscal 1992				
Dividends per common share	$.08	$.10	$.10	$.10
Common stock prices				
High	38.13	43.38	46.63	34.75
Low	31.42	32.75	31.63	28.88

The principal market on which IMCERA's common stock is traded is the New York Stock Exchange. Common stock prices are from the composite tape for New York Stock Exchange issues as reported in The Wall Street Journal.

As of August 31, 1993, the number of registered holders of common stock, as reported by the Company's registrar, was 10,545.

Item 6. Selected Financial Data

(Dollars in millions except per share amounts)

Years ended June 30	1993[1]	1992[1]	1991[1]	1990[2]	1989[3]
Net sales	$1,796.3	$1,702.9	$1,633.9	$1,424.6	$982.9
Earnings (loss) from continuing operations	$(113.8)	$128.8	$97.2	$55.3	$53.4
Earnings (loss) from discontinued operations[4]	(6.0)	(1.3)	(9.0)	1.2	63.6
Cumulative effects of accounting changes	(80.6)				
Net earnings (loss)	(200.4)	127.5	88.2	56.5	117.0
Preferred stock dividends	(.4)	(.4)	(.4)	(4.2)	(14.4)
Available for common shareholders	$(200.8)	$127.1	$87.8	$52.3	$102.6
Per Common Share Data[5]					
Earnings (loss) from continuing operations	$(1.48)	$1.65	$1.37	$.79	$.57
Net earnings (loss)	(2.60)	1.63	1.24	.81	1.50
Dividends declared	.43	.3[illegible]	.33	.33	.33
Book value	11.77	16.02	14.42	11.97	11.23
Average common shares (in millions)	77.4	77.8	70.6	65.0	68.4

Other Data (Dollars in millions)					
Total assets	$2,177.6	$2,050.8	$2,250.2	$2,130.9	$1,971.6
Working capital	203.7	351.6	409.0	311.1	594.6
Current ratio	1.3:1	1.8:1	1.6:1	1.8:1	3.[illegible]:1
Other Data					
Total debt	$617.0	$373.7	$643.4	$837.4	$773.7
Net deferred income tax (assets) liabilities	(36.0)	41.7	48.0	52.9	42.8
Shareholders' equity	910.5	1,224.2	1,084.2	824.8	888.2
Invested capital	1,491.5	1,639.6	1,775.6	1,715.1	1,704.7
Total debt/invested capital	41%	23%	36%	49%	45%
Capital expenditures	$188.3	$150.4	$123.4	$85.7	$82.2
Total dividends declared	33.2	29.5	23.7	25.8	36.9
Common shares outstanding (in millions)	76.4	75.7	75.2	68.1	60.7
Number of employees	10,000	9,500	9,800	9,600	6,900

[1] See "IMCERA Management's Discussion and Analysis" for a description of nonrecurring items.

[2] Results for 1990 included favorable adjustments from the conclusion of income tax audits that amounted to $14.8 milli[illegible]n, $11.9 million after taxes, or $.18 a share, from lower income taxes and higher interest income. That benefit was partially offset by restructuring charges of $4.9 million, $3.0 million after taxes, or $.05 a share, and charges for compensation plans tied to the price of IMCERA's common stock that amounted to $3.9 million, $2.4 million after taxes, or $.04 a share.

[3] Results for 1989 included fa[illegible]ble [illegible]justments from the conclusion of income tax audits that amounted to $20.8 million, [illegible] lion after taxes, or $.24 a share, from lower income taxes and related interest c[illegible]. Such earnings also included a gain of $3.9 million, $2.4 million after taxes, or $.0[illegible] [illegible]are, from the sale of a business.

[4] See Note A of Notes to Consolidated Financial Statements for information on discontinued operations in 1993, 1992 and 1991. The results for 1990 and 1989 included nonrecurring after-tax gains of $5.2 million, or $.08 a share, and $21.5 million, or $.30 a share, from the sale of the fragrance business and the IFL public offerings, respectively. Results for discontinued operations for 1990 and 1989 also included after-tax charges of $7.6 million, or $.12 a share, and $1.7 million, or $.02 a share, respectively, for environmental and litigation costs related to operations previously sold.

[5] Presented on a primary per common share basis adjusted for the 3-for-1 stock split in November 1991.

Item 7. Management's Discussion and Analysis of
Financial Condition and Results of Operations

OVERVIEW

1993 vs. 1992

IMCERA's 1993 results from continuing operations, before restructuring charges, were $128.4 million, or $1.65 a share, which included a net, non-cash charge of $3.8 million after taxes, or $.05 a share, associated with adoption of new accounting standards. These results compared with last year's earnings from continuing operations of $128.8 million, also $1.65 a share.

The net loss for 1993 was $200.4 million, or $2.60 a share. Included in this loss were after-tax restructuring charges totaling $242.2 million, or $3.13 a share; a non-cash cumulative charge of $80.6 million, or $1.04 a share, for adoption of new standards of accounting for income taxes and certain postretirement and postemployment benefits, retroactive to July 1, 1992; and after-tax charges related to discontinued operations of $6.0 million, or $.08 a share.

Net sales increased 5 percent while operating earnings, excluding restructuring charges, were about flat with last year after absorbing incremental pretax charges of $8.5 million for adoption of new accounting standards for employee benefits. Mallinckrodt Medical's 26 percent increase in sales and 36 percent rise in operating earnings were offset by decreases in Pitman-Moore and Mallinckrodt Specialty Chemicals.

Restructuring charges are discussed in the Mallinckrodt Specialty Chemicals and Pitman-Moore sections, which follow, and in Note A of Notes to Consolidated Financial Statements (Notes). Notes A, H and M of the Notes contain further discussion of accounting changes. Charges for discontinued operations are discussed in Note A of the Notes.

1992 vs. 1991

Results were in line with management's expectations for 1992. The Company's earnings from continuing operations for 1992 of $128.8 million, or $1.65 a share, represented a 20 percent increase in per-share earnings over the previous year's $97.2 million, or $1.37 a share. Certain unusual and nonrecurring items in 1992 resulted in a net after-tax credit of $1.3 million, or $.01 a share. These items are discussed in the Quarterly Results on page 56.

Net earnings were $127.5 million, or $1.63 a share, compared with $88.2 million, or $1.24 a share, in 1991. Net earnings in 1992 included after-tax charges related to discontinued operations of $1.3 million, or $.02 a share, compared with after-tax charges in 1991 of $9.0 million, or $.13 a share.

IMCERA's three businesses collectively reported a 22 percent increase in operating earnings to $225.5 million from the previous year's $184.6 million. Mallinckrodt Medical led the way in 1992 with a 47 percent increase in its operating earnings. IMCERA net sales for 1992 were up 4 percent in the face of disposals of and exits from various non-strategic businesses, recessionary conditions in the U.S., Europe and Australia, price pressures in feed ingredients and the change to equity reporting for the flavors joint venture.

Information about net charges to discontinued operations is discussed in Note A of the Notes.

All references to years are to fiscal years ended June 30 unless otherwise stated.

MALLINCKRODT MEDICAL

(in millions) Years ended June 30	1993	1992	1991
Net sales			
Radiology & Cardiology	$381.4	$293.7	$232.0
Nuclear Medicine	182.3	160.4	129.5
Anesthesiology & Critical Care	219.4	166.2	151.0
	$783.1	$620.3	$512.5
Operating earnings	$174.4	$127.8	$86.9
Operating earnings as a percent of net sales	22.3%	20.6%	17.0%

1993 vs. 1992

Mallinckrodt Medical's strong performance continued through 1993. Net sales increased 26 percent and operating earnings rose 36 percent, after absorbing $3.5 million in additional pretax charges related to changes in accounting for employee benefits. Results were balanced as all segments of the business, especially radiology, contributed to the improvement.

The excellent performance of the radiology and cardiology business continued as sales were up 30 percent. Strong sales volume for the x-ray contrast medium Optiray in North America and Europe, and product introduction in Japan, which was begun in late 1992, were the main contributors. The production capacity expansions that were begun last year for this product are planned to be completed during 1994. Management expects continued sales increases for Optiray in international markets to favorably impact results. U.S. sales growth is expected to moderate as competition increases and the conversion rate to low osmolar x-ray contrast media slows. Management expects to begin launch of Albunex, its ultrasound contrast agent, during the second half of 1994, assuming FDA approval by the end of calendar 1993.

Nuclear Medicine sales increased 14 percent. Higher sales of thallium in the U.S. and Europe associated with double injection procedures and pharmacological stress tests favorably impacted results. The rate of increase over last year for thallium sales moderated in the second half. Higher TechneScan MAG3 and UltraTag RBC agent kit sales and continued growth of OctreoScan sales in Europe contributed to the improved results. In May of 1993, the FDA's Medical Imaging Drugs Advisory Committee recommended approval of OctreoScan. Assuming FDA approval by the end of calendar 1993, management expects to have OctreoScan on the U.S. market during the first half of calendar 1994. OctreoScan and other new products are expected to help sustain sales growth.

Anesthesiology and critical care sales improved 32 percent. Higher airway management product sales, the full year impact of the WarmTouch product line sales, higher sales associated with the GEM family of blood gas and electrolyte analyzers, and newly acquired businesses were all factors in increased results. Management expects the 1993 acquisitions of HemoCue Intressenter, A.B., a manufacturer of point-of-care blood chemistry systems, and the Shiley brand of tracheostomy products to contribute to future results.

1992 vs. 1991

Mallinckrodt Medical continued its excellent performance with improvements in net sales and earnings in all of the company's principal businesses. Net sales increased 21 percent while operating earnings were up 47 percent, combining to produce an operating margin of 20.6 percent.

Sales of radiology and cardiology products increased 27 percent. Higher sales and lower manufacturing costs for Optiray were principal factors in the company's growth. Optiray sales in the U.S. continued to be strong while introductions in Europe, Japan and Mexico also contributed. Higher Hexabrix sales were also a factor in the improved performance. To further support the growth of Optiray, a $100 million expansion project was begun in the second half of fiscal 1992. The project involves increasing the production capabilities of the Optiray plant in St. Louis and construction of a new facility in Ireland. Additionally, Albunex, ultrasound contrast agent was recommended for approval by the Radiology Device Advisory Panel of the FDA during 1992. Once approved by the FDA, management expects to introduce the product within six months.

Strong results for the nuclear medicine business were a significant factor in the year-to-year comparison. Sales increased 24 percent. Improvements in thallium sales associated with double injection procedures and pharmacological stress tests continued.

TechneScan MAG3 and UltraTag RBC agent kit sales and lower manufacturing costs were also contributors to the 1992 results. A $15 million capital project for a facility to manufacture Mo99, a key raw material used in the production of technetium-99m, was begun in Petten, The Netherlands. Currently, Mallinckrodt Medical is one of the largest purchasers of Mo99 in the world, and this represents a vertical integration of the key strategic raw material for use worldwide. Full production at the new facility is expected during 1995.

Sales of anesthesiology and critical care products were up 10 percent. Earnings from stronger sales of airway management products, GEM 6 and GEM Stat were partially offset by higher operating expenses primarily associated with introduction of the GEM Premier blood gas analyzer and a new warming system, WarmTouch, designed to expand capabilities in patient temperature management.

MALLINCKRODT SPECIALTY CHEMICALS

(in millions) Years ended June 30	1993	1992[1]	1991[1]
Net sales			
Ongoing operations			
Pharmaceutical Specialties	$212.0	$183.0	$186.0
Catalysts, Performance & Lab Chemicals	183.3	184.9	208.3
	395.3	367.9	394.3
Divested operations and flavors business[2]		73.0	109.8
	$395.3	$440.9	$504.1
Operating earnings (loss)			
Ongoing operations	$45.9	$46.5	$43.6
Restructuring charges	(51.3)		
Divested operations and flavors business[2]		13.2	16.9
	(5.4)	59.7	60.5
Pretax equity in joint venture	10.6	1.6	
Earnings	$5.2	$61.3	$60.5
Ongoing operating earnings as a percent of ongoing sales	11.6%	12.6%	11.1%

[1] Restated to reflect the company's reorganization effective July 1, 1992.

[2] Includes the divestiture of the cosmetic and electronic chemicals businesses and pre-joint venture operating results of the flavors business.

1993 vs. 1992

Mallinckrodt Specialty Chemicals' operating loss of $5.4 million included pretax restructuring charges of $51.3 million primarily to exit the company's aromatic fluorine intermediates (AFI) and photochemicals businesses.

Excluding the restructuring charge, Mallinckrodt Specialty Chemicals' operating earnings, plus its equity in the flavors joint venture, decreased $4.8 million from last year's result. Year-to-year performance comparisons were negatively influenced by additional 1993 expenses of $3.0 million from accounting changes for employee benefits, and, in 1992's second half, the formation of a flavors joint venture and the divestiture of non-strategic businesses. After adjusting for these events, 1993 ongoing operating earnings improved 5 percent on a corresponding net sales increase of 7 percent.

Pharmaceutical specialties ongoing sales improved 16 percent. Higher sales volumes for acetaminophen (APAP) and medicinal narcotics, and to a much lesser extent January price increases, contributed significantly to the improved ongoing results. The Raleigh, North Carolina, acetaminophen capacity expansion that was begun last year is expected to be completed by mid-1994 at an estimated cost of about $17 million. The company's continued investment in its recently started peptides business reduced overall 1993 performance.

Catalysts, performance and lab chemicals ongoing sales were one percent below last year principally because of lower AFI sales volumes and recessionary conditions that plagued the business throughout most of 1993. Although unable to predict precisely the timing, management believes these businesses will gain momentum as 1994 unfolds. Higher sales from the new lab chemical product disposal service favorably impacted results. The AFI and photochemicals businesses, which are to be exited, detracted from 1993 earnings.

The Tastemaker flavors joint venture earnings continued significant positive momentum. Sales for the venture were nearly $200 million in its first year ended December 31, 1992. Additional costs relating to rationalization of its major production facilities in the U.S. negatively affected earnings in the first half of the fiscal year. Tastemaker's performance improved in the last six months to exceed expectations for 1993.

1992 vs. 1991

Mallinckrodt Specialty Chemicals recorded solid operating results in 1992 during a period of general business recession in the chemical industry, while simultaneously effecting major changes in its business. A strategic joint-venture partnership was formed effective February 1, 1992, between the company's and Hercules Incorporated's flavors businesses, and non-strategic businesses were divested or exited. Given these changes, operating results have been restated to an ongoing basis to better characterize operating performance.

Mallinckrodt Specialty Chemicals', ongoing operating earnings improved to $46.5 million compared with $43.6 million in 1991, whereas ongoing net sales decreased by $26.4 million. On an actual reported basis, the company's operating earnings plus its equity in the pretax earnings of its flavors joint venture totaled $61.3 million, compared with $60.5 million in 1991. The decrease in ongoing net sales resulted principally from general-line chemical business exits in 1992. Year-to-year operating earnings growth also was adversely influenced by such exits. Flavors joint-venture income was negatively affected by the company's share of pretax rationalization costs of $3.8 million.

Pharmaceutical specialties ongoing sales decreased 2 percent due to exit from the tannin business at the end of 1991. Higher volume of APAP and narcotics sales contributed significantly with overall demand for analgesics remaining strong. The European manufacturing capacity expansion begun in 1991 and completed in April 1992 resulted in a near doubling of capacity. Results for 1992 were negatively impacted by temporary plant shutdowns in the first quarter, start-up costs related to the new peptides business and the exit from the tannin business.

Catalysts, performance and lab chemicals ongoing sales were down 11 percent. Strategic business exits and recessionary conditions were factors in the year-to-year decrease. For the year catalyst results were relatively flat compared with 1991. Results were helped by higher sales of laboratory chemicals and other performance chemicals. Investment in the company's AFI business negatively impacted operating results.

PITMAN-MOORE

(in millions) Years ended June 30	1993	1992	1991
Net sales			
Animal Productivity	$48.6	$58.2	$51.9
Antimicrobials	62.1	69.7	68.8
Biologicals	105.4	104.3	106.4
Parasiticides	146.9	156.4	145.9
Veterinary Specialties & Other	85.6	81.0	72.4
Total Animal Health	448.6	469.6	445.4
Feed Ingredients	169.5	172.2	177.5
	$618.1	$641.8	$622.9
Operating earnings (loss)			
Ongoing operations	$40.3	$69.0	$74.0
Restructuring charges	(282.8)		
	$(242.5)	$69.0	$74.0
Ongoing operating earnings as a percent of sales	6.5%	10.8%	11.9%

1993 vs. 1992

Pitman-Moore's operating loss of $242.5 million included pretax restructuring charges of $282.8 million related to actions taken as a result of its unsatisfactory performance. The major components of the charge were discontinuance of development of Pitman-Moore's Grolene brand of porcine somatotropin, including manufacturing and support facilities; closure and consolidation of manufacturing plants and other distribution and support facilities; redefinition and reorganization of research and development, commercial and administrative functions; exit from certain animal health businesses; and severance costs related to a substantial work-force reduction.

Excluding the restructuring charge, Pitman-Moore's operating earnings declined to $40.3 million on a net sales decrease of 4 percent, mainly due to higher manufacturing costs, delayed restart of certain plant operations, lower North American sales volumes and European recessionary conditions. Continuing price pressures and lower volumes in feed ingredients and $1.6 million in expenses from accounting changes for employee benefits were also negatives.

Animal productivity sales were down 16 percent primarily from the timing of marketing and sales programs in the fourth quarter of 1992.

Antimicrobial sales decreased 11 percent from lower sales volumes because of a previously reported production shutdown for pharmaceutical products.

Biological sales were up slightly due to favorable pricing in Brazil which was almost offset by competitive pricing pressures in North America.

Parasiticide sales declined 6 percent as favorable pricing and volume in Brazil was more than offset by lower North American sales volume, principally timing of marketing and sales programs related to levamisole products.

Veterinary specialties sales improved 6 percent from increases across a broad range of these products.

1992 vs. 1991

Pitman-Moore's 1992 net sales increased 3 percent from 1991's performance. Sales improvement aggregating in excess of 9 percent occurred in Pitman-Moore's animal productivity, parasiticide and veterinary specialties product categories. Feed ingredients sales decreased 3 percent, partially offsetting these improvements. The company's sales growth was achieved despite the recessionary impacts on most major product lines in the U.S., Europe, Australia and New Zealand.

Despite the sales increase, Pitman-Moore's operating earnings decreased 7 percent from the previous year. Contributing to this decrease was $4.8 million in pretax costs from the 1992 third quarter suspension of sales and shutdown of production of animal pharmaceuticals produced at Pitman-Moore's Kansas City, Kansas, facility. Sales of pharmaceuticals products manufactured at the Kansas City facility approximated $15 million in 1991.

In the fourth quarter of 1992, Pitman-Moore initiated a restructuring program. The associated pretax charge of $12.8 million was virtually offset by adjustments made to certain excess accruals that were established at the time Pitman-Moore acquired Coopers Animal Health in July 1989.

Animal productivity sales were up 12 percent. A higher volume of Ralgro anabolic agent sales, due in part to the timing of marketing and sales programs, was the principal factor. Also, the company's anticoccidial for chickens and turkeys, Clinacox, was launched in Canada in 1992. Sales of this product in certain Latin American countries also increased in 1992.

Antimicrobial sales were essentially flat. Sales growth in Europe and Asia/Pacific was primarily from products launched in 1991. This improvement was offset by the sales decrease related to the pharmaceutical production issue at the company's Kansas City, Kansas, facility.

Biological sales declined from last year by 2 percent, resulting from recessionary conditions in Europe, which offset sales gains in Brazil and North America.

Parasiticide sales increased 7 percent despite recessionary conditions in Europe. This business continued to benefit from a product-line exchange which occurred in the fourth quarter of 1991. Growth in sales of EXspot, a canine topical flea and tick control product, which is part of the Defend product line in the U.S., was also a factor.

Veterinary specialties sales were up 12 percent with the acquisition of the Horse Health business in December 1991 accounting for most of the improvement.

Feed ingredients sales decreased 3 percent, reflecting downward price pressures which more than offset the impact of worldwide volume gains. Increased sales in Latin America and Asia were more than offset by the sales decline in North America.

CORPORATE MATTERS

In 1993 corporate expense increased $5.0 million to $35.5 million because of pretax charges of $5.5 million for executive resignations resulting from the performance of Pitman-Moore.

Corporate expenses declined to $30.5 million in 1992 from $36.5 million in 1991. Lower expenses in 1992 were principally from lower spending by headquarters functions and reduced costs associated with performance-based compensation plans.

Interest and other nonoperating income declined to $2.6 million in 1993 from $15.3 million in 1992 and $11.4 million in 1991. Gains aggregating $10.7 million from sales of investments were recorded in 1992. Results for 1993 also reflect lower interest income versus both 1992 and 1991.

Interest charges decreased $2.3 million and $3.1 million in 1993 and 1992, respectively. Refinancing of higher cost international borrowings with intercompany debt during 1993 and 1992 and the redemption of the 9.35% debentures in April 1992 favorably affected these comparisons. In 1993, these favorable variances were partially offset by interest charges for higher borrowings.

IMCERA's reported effective tax rate for continuing operations was 14.5 percent in 1993. Excluding the impact of restructuring charges and FAS 109, that rate was 36.8 percent (compared with 36.5 percent in 1992 and 36.6 percent in 1991). The lower reported 1993 rate is primarily from the Company's inability to provide benefits on certain foreign operating losses and capital losses attributable to the restructuring charges. This impact is offset only slightly by the favorable impact of FAS 109. See Note H of Notes for further discussion of income taxes.

FINANCIAL CONDITION

IMCERA's financial resources are expected to continue to be adequate to support existing businesses, fund the approximately $100 million after-tax cost of cash expenditures for the Company's restructuring program and fund new opportunities. Since June 30, 1992, cash and cash equivalents decreased $16.8 million. Operations provided $136.6 million of cash, while acquisition and capital spending totaled $389.5 million, $96.1 million of which related to the HemoCue acquisition and $90.2 million related to the Shiley tracheostomy products acquisition. In July 1993, the Company received $51.9 million in cash for its IMC Fertilizer Group, Inc. (IFL) dividend receivable. The Company's current ratio at June 30, 1993, was 1.3:1. Total debt as a percentage of invested capital was 41 percent.

In August 1987 and October 1988, the Company's Board of Directors authorized repurchase of a total of 42.0 million shares of its common stock. Since then 28.9 million shares have been purchased under this authorization, of which 207,700 shares were purchased during the year ended June 30, 1993.

On April 8, 1992, a shelf registration statement was filed with the SEC for $250 million of debt securities, all on terms to be determined at the time of the actual offerings for sale. No offerings have occurred. Net proceeds from the sale of any debt securities would be used for general corporate purposes, except as noted in any prospectus supplement.

The Company has a $350 million private-placement commercial paper program. This program is backed by $450 million of U.S. lines of credit, of which $350 million is available until August 1996 and $100 million is available until August 1994. IMCERA also has two $50.0 million U.S. credit facilities which expire in February and March of 1994. At June 30, 1993, commercial paper borrowings and borrowings under the U.S. credit line amounted to $280.5 million and $36.0 million, respectively. At June 30, 1993, non-U.S. lines of credit totaling $176.5 million were also available and borrowings under these lines amounted to $48.2 million. The non-U.S. lines are cancelable at any time. IMCERA also has an agreement expiring in April 1994, which has not been utilized, under which up to $50 million of subsidiary trade receivables could be sold without recourse.

Estimated capital spending for the year ending June 30, 1994, is approximately $260 million.

OTHER MATTERS

The Company does not consider the present rate of inflation to have a significant impact on the businesses in which it operates except for the hyperinflationary effects on the Latin American businesses of Pitman-Moore which are discussed in Note P of Notes.

See Note T of Notes for a discussion of environmental matters.

Item 8. Financial Statements and Supplementary Data

Report of Independent Auditors

To the Shareholders and Board of Directors of IMCERA Group Inc.

We have audited the accompanying consolidated balance sheet of IMCERA Group Inc. as of June 30, 1993 and 1992, and the related consolidated statements of operations, changes in shareholders' equity and cash flows for each of the three years in the period ended June 30, 1993, appearing on pages 33 through 55. Our audits also included the financial statement schedules listed in the Index at Item 14(a). These financial statements and related schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and related schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and related schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of IMCERA Group Inc. at June 30, 1993 and 1992, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 1993 in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Notes H and M to the consolidated financial statements, in 1993 the Company changed its method of accounting for income taxes and employee benefits.

Ernst & Young
Chicago, Illinois
August 10, 1993

INFORMATION BY BUSINESS SEGMENT

NET SALES

(In millions)	1993	1992	1991
Mallinckrodt Medical	$783.1	$620.3	$512.5
Mallinckrodt Specialty Chemicals	395.3	440.9	504.1
Pitman-Moore	618.1	641.8	622.9
Intersegment sales	(.2)	(.1)	(5.6)
Consolidated	$1,796.3	$1,702.9	$1,633.9

EARNINGS AND ASSETS

	Earnings (Loss) from Continuing Operations Before Income Taxes			Identifiable Assets		
(In millions)	1993	1992	1991	1993	1992	1991
Mallinckrodt Medical	$174.4	$127.8	$86.9	$888.6	$634.0	$528.7
Mallinckrodt Specialty Chemicals	(5.4)	59.7	60.5	460.8	486.8	463.3
Pitman-Moore	(242.5)	69.0	74.0	698.0	778.9	660.6
Corporate	(35.5)	(30.5)	(36.5)	132.8	151.8	480.0
Eliminations		(.5)	(.3)	(2.6)	(.7)	(.3)
Discontinued operations						117.9
Operating earnings (loss)	(109.0)	225.5	184.6			
Equity in pretax earnings of joint venture	10.6	1.6				
Interest and other nonoperating income, net	2.6	15.3	11.4			
Interest charges	(37.3)	(39.6)	(42.7)			
Consolidated	$(133.1)	$202.8	$153.3	$2,177.6	$2,050.8	$2,250.2

PROPERTY, PLANT AND EQUIPMENT

	Capital Expenditures			Depreciation and Amortization		
(In millions)	1993	1992	1991	1993	1992	1991
Mallinckrodt Medical	$95.0	$44.4	$52.8	$37.1	$27.2	$25.5
Mallinckrodt Specialty Chemicals	46.2	35.9	39.2	28.0	29.2	31.5
Pitman-Moore	45.9	54.1	30.4	28.8	30.5	28.2
Corporate	1.2	16.0	1.0	2.2	2.4	1.4
Consolidated	$188.3	$150.4	$123.4	$96.1	$89.3	$86.6

(See Note Q of Notes to Consolidated Financial Statements)

CONSOLIDATED STATEMENT OF OPERATIONS

(In millions except per share amounts)

Years ended June 30	1993	1992	1991
Net sales	$1,796.3	$1,702.9	$1,633.9
Operating costs and expenses			
Cost of goods sold	970.6	915.6	910.0
Selling, administrative and general expenses	511.2	480.3	457.4
Research and development expenses	95.3	90.5	80.8
Restructuring costs - Note A	334.1		
Other operating (income) expense, net	(5.9)	(9.0)	1.1
	1,905.3	1,477.4	1,449.3
Operating earnings (loss)	(109.0)	225.5	184.6
Equity in pretax earnings of joint venture - Notes A and E	10.6	1.6	
Interest and other nonoperating income, net	2.6	15.3	11.4
Interest charges - Note F	(37.3)	(39.6)	(42.7)
Earnings (loss) from continuing operations before income taxes	(133.1)	202.8	153.3
Income tax provision (benefit) - Note H	(19.3)	74.0	56.1
Earnings (loss) from continuing operations	(113.8)	128.8	97.2
Loss from discontinued operations - Note A	(6.0)	(1.3)	(9.0)
Earnings (loss) before cumulative effects of accounting changes	(119.8)	127.5	88.2
Cumulative effects of accounting changes - Notes H and M	(80.6)		
Net earnings (loss)	(200.4)	127.5	88.2
Preferred stock dividends	(.4)	(.4)	(.4)
Available for common shareholders	$(200.8)	$127.1	$87.8

EARNINGS (LOSS) PER COMMON SHARE - Note B	1993	1992	1991
Continuing operations	$(1.48)	$1.65	$1.37
Discontinued operations	(.08)	(.02)	(.13)
Earnings (loss) before cumulative effects of accounting changes	(1.56)	1.63	1.24
Accounting changes	(1.04)		
Net earnings (loss)	$(2.60)	$1.63	$1.24

(See Notes to Consolidated Financial Statements)

CONSOLIDATED BALANCE SHEET

(In millions except per share amounts)

ASSETS

At June 30	1993	1992
Current assets		
Cash and cash equivalents	$51.3	$68.1
Trade receivables, less allowances of $13.4 in 1993 and $11.6 in 1992	319.4	320.6
IFL dividend receivable - Note E	51.9	
Inventories - Note D	353.4	361.1
Deferred income taxes - Note H	21.3	
Other current assets	39.2	53.7
	836.5	803.5
Investments and long-term receivables, less allowances of $12.5 in 1993 and $7.0 in 1992 - Note E	132.6	176.7
Property, plant and equipment	1,192.9	1,054.6
Accumulated depreciation	(494.0)	(362.5)
Net property, plant and equipment - Note F	698.9	692.1
Intangible assets - Note G	466.9	378.5
Deferred income taxes - Note H	42.7	
	$2,177.6	$2,050.8

LIABILITIES

Current liabilities		
Short-term debt - Notes J and K	$189.4	$109.8
Accounts payable	117.6	136.2
Accrued liabilities - Note I	311.9	185.9
Income taxes payable - Note H	11.4	20.0
Deferred income taxes - Note H	2.5	
	632.8	451.9
Long-term debt, less current maturities - Notes J and K	427.6	263.9
Deferred income taxes - Note H	25.5	41.7
Accrued retiree health care costs - Note M	121.0	14.0
Other noncurrent liabilities and deferred credits	60.2	55.1
Commitments and contingencies - Notes S and T		
SHAREHOLDERS' EQUITY - NOTES N AND O		
Preferred stock	11.0	11.0
Common stock, par value $1, authorized 300,000,000 shares; issued 87,116,289 shares in 1993 and 1992	87.1	87.1
Capital in excess of par value	262.4	253.1
Reinvested earnings	780.3	1,013.9
Marketable securities valuation allowance	(2.2)	(1.8)
Foreign currency translation	(56.4)	39.1
Treasury stock	(171.7)	(178.2)
	910.5	1,224.2
	$2,177.6	$2,050.8

(See Notes to Consolidated Financial Statements)

CONSOLIDATED STATEMENT OF CASH FLOWS

(In millions)

Years ended June 30	1993	1992	1991
CASH PROVIDED (USED) BY OPERATIONS			
Net earnings (loss)	$(200.4)	$127.5	$88.2
Adjustments to reconcile net earnings (loss) to net cash provided by operations			
Cumulative effects of accounting changes	80.6		
Depreciation and amortization	96.1	89.3	86.6
(Gains) losses on disposals of assets	(2.4)	(14.3)	3.3
Restructuring costs	312.6		
Retiree health care costs	7.1		
Deferred income taxes	(60.6)	19.6	(3.4)
Discontinued operations		(9.7)	(3.5)
Other, net	(58.4)	(42.1)	(23.6)
	174.6	170.3	147.6
Changes in working capital			
Receivables	9.7	(39.1)	(35.7)
Inventories	(11.1)	(45.4)	(28.4)
Accounts payable, accrued liabilities and income taxes	(37.6)	(61.3)	88.8
Other, net	1.0	.1	(7.2)
	136.6	24.6	165.1
CASH PROVIDED (USED) BY INVESTING ACTIVITIES			
Capital expenditures	(188.3)	(150.4)	(123.4)
Acquisition spending	(201.2)	(35.6)	(22.1)
Short-term investments		147.8	(116.0)
IFL stock sales		139.3	245.4
Proceeds from asset disposals	19.9	44.5	2.9
Other, net	(15.6)	(4.7)	(10.9)
	(385.2)	140.9	(24.1)
CASH PROVIDED (USED) BY FINANCING ACTIVITIES			
Increase (decrease) in short-term debt	71.4	(225.0)	12.7
Payments on long-term debt	(11.1)	(64.4)	(232.6)
Proceeds from long-term debt	193.3	7.6	4.2
Issuance of IMCERA common stock	17.9	33.9	213.8
Purchase of IMCERA common stock	(6.5)	(33.8)	(1.6)
Dividends paid	(33.2)	(29.5)	(23.7)
	231.8	(311.2)	(27.2)
Increase (decrease) in cash and cash equivalents	(16.8)	(145.7)	113.8
Cash and cash equivalents at beginning of year	68.1	213.8	100.0
Cash and cash equivalents at end of year	$51.3	$68.1	$213.8

(See Notes to Consolidated Financial Statements)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(In millions except per share amounts)

	Preferred Stock	Common Stock	Capital in Excess of Par Value	Reinvested Earnings	Other	Treasury Stock
BALANCE, JUNE 30, 1990	$10.0	$144.0	$56.0	$851.4	$18.2	$(254.8)
Net earnings				88.2		
Dividends						
4 Percent preferred stock ($4.00 a share)				(.4)		
Common stock ($.3333 a share)				(23.3)		
Issuance of common stock in public offering			106.2			83.7
Stock option exercises		1.2	16.1			6.6
Purchase of IMCERA common stock						(1.6)
Marketable securities valuation adjustment					2.9	
Translation adjustment					(20.7)	
Other			.8			(.3)
BALANCE, JUNE 30, 1991	10.0	145.2	179.1	915.9	.4	(166.4)
Net earnings				127.5		
Dividends						
4 Percent preferred stock ($4.00 a share)				(.4)		
Common stock ($.3833 a share)				(29.1)		
Change in par value		(116.2)	116.2			
Common stock split		58.1	(58.4)			
Stock option exercises			14.4			19.8
Purchase of IMCERA common stock						(33.8)
Marketable securities valuation adjustment					(.7)	
Translation adjustment					37.6	
Other	1.0		1.8			2.2
BALANCE, JUNE 30, 1992	11.0	87.1	253.1	1,013.9	37.3	(178.2)
Net loss				(200.4)		
Dividends						
4 Percent preferred stock ($4.00 a share)				(.4)		
Common stock ($.43 a share)				(32.8)		
Stock option exercises			7.1			10.8
Purchase of IMCERA common stock						(6.5)
Marketable securities valuation adjustment					(.4)	
Translation adjustment					(95.5)	
Other			2.2			2.2
BALANCE, JUNE 30, 1993	$11.0	$87.1	$262.4	$780.3	$(58.6)	$(171.7)

(See Notes to Consolidated Financial Statements)

ACCOUNTING POLICIES

Principles of Consolidation

Financial statements of all subsidiaries are consolidated. Investments in 20-50 percent owned affiliates are reported on the equity method.

Accounting Changes

In the fourth quarter of 1993 IMCERA adopted Statements of Financial Accounting Standards (FAS) No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions", FAS No. 109 "Accounting for Income Taxes" and FAS No. 112 "Employers' Accounting for Postemployment Benefits," all retroactive to July 1, 1992. See also Notes H and M.

Foreign Currency Translation

The financial statements of most of the Company's international affiliates are translated into U.S. dollars using current exchange rates. Unrealized translation adjustments are included in shareholders' equity in the Consolidated Balance Sheet. The financial statements of international affiliates that operate in hyperinflationary economies, principally Brazil and Argentina, are translated at either current or historical exchange rates, as appropriate. Unrealized translation adjustments are included in operating results for these affiliates.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of certificates of deposit, time deposits and other short-term securities with maturities of three months or less from the date of purchase.

Inventories

Inventories are stated at the lower of cost or market. Cost for inventories is determined on either an average or first-in, first-out basis.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is based upon estimated useful lives of 15 to 45 years for buildings and 3 to 15 years for machinery and equipment, using principally the straight-line method.

NOTE A

Changes in Business

Restructuring Program

In the fourth quarter of 1993 the Company recorded a restructuring charge of $334.1 million, $242.2 million after taxes, or $3.13 a share. Restructuring actions related to the program are in process and will take about two years to complete. After-tax cash expenditures for restructuring are expected to total approximately $100 million. The Pitman-Moore pretax restructuring charges of $282.8 million included the discontinuance of the development of Grolene brand of porcine somatotropin, including manufacturing and support facilities; closure and consolidation of manufacturing and other distribution and support facilities; redefinition and reorganization of research and development, commercial and administrative functions; exit of certain animal health businesses; and severance costs related to a substantial work-force reduction. As part of the overall program, Mallinckrodt Specialty Chemicals also recorded a pretax charge of $51.3 million, primarily to exit its aromatic fluorine intermediates and photochemicals businesses.

Acquisitions

In 1993, IMCERA's Mallinckrodt Medical business acquired the businesses of HemoCue Intressenter, A.B., a manufacturer of point-of-care blood chemistry systems, and the tracheostomy products business of Sorin Biomedical, Inc. The acquisitions were accounted for as purchases. The cost of these acquisitions, including acquisition accruals, totaled $198.0 million. The results of operations of these acquisitions were included in the consolidated financial statements from their respective acquisition dates. Results of operations for periods prior to acquisition were not material to IMCERA.

Tastemaker Joint Venture

Effective February 1, 1992, the Fries & Fries, Inc. unit of Mallinckrodt Specialty Chemicals Company and Hercules Incorporated's flavors businesses were combined to form a 50/50 joint-venture partnership. Results subsequent to the formation of the joint venture were recorded on a pretax equity basis. 1992 results included charges totaling $3.8 million, $2.4 million after taxes, or $.03 a share, for combining the two businesses. Related income taxes were included in the Company's consolidated income tax provision.

Divestitures

In 1992, Mallinckrodt Specialty Chemicals disposed of its electronic and cosmetic chemical businesses. Results of operations and the effect of the disposition of these businesses were not material to IMCERA.

IFL Stock Sales and Other Discontinued Operations

In March 1991, the Company entered into a sale and option agreement with IFL under which IFL purchased, by July 1991, all 10 million shares of IFL common stock which IMCERA owned. As a consequence of the agreement with IFL, the IMCERA financial statements and related notes show the results of IFL on a discontinued basis. Discontinued operations included a net loss from IFL-related effects of $2.8 million, or $.04 a share, in 1991.

Discontinued operations for 1993, 1992 and 1991 also included other charges, primarily for environmental and litigation costs as follows:

	1993	1992	1991
Net of taxes	$6.0	$1.9	$6.2
Per share	$.08	$.02	$.09

NOTE B

Earnings Per Common Share

Earnings per common share amounts were computed on the basis of the weighted average number of common and common equivalent shares outstanding. Such weighted average shares used in the computations were 77,408,668 in 1993; 77,801,473 in 1992; and 70,633,758 in 1991.

NOTE C

Supplemental Cash Flow Information

	1993	1992	1991
Interest paid	$35.8	$34.1	$42.2
Income taxes paid	$35.1	$63.3	$17.1
Noncash investing and financing activities:			
Issuance of IMCERA common stock from exercise of stock options			$2.4
Purchase of IMCERA common stock from exercise of stock options			$1.7
Issuance of IMCERA common stock for restricted stock awards	$4.4	$5.0	

NOTE D

Inventories

At June 30	1993	1992
Mallinckrodt Medical	$128.5	$113.7
Mallinckrodt Specialty Chemicals	94.1	102.1
Pitman-Moore	131.6	146.1
Intersegment eliminations	(.8)	(.8)
	$353.4	$361.1

NOTE E

Investments and Long-Term Receivables

At June 30	1993	1992
Tastemaker joint venture	$62.0	$57.1
IFL dividend receivable		51.9
Other investments	19.1	19.6
Other long-term receivables, net	51.5	48.1
	$132.6	$176.7

The IFL dividend receivable represents an amount equal to the proceeds (but not in excess of $51.9 million) which IFL received from an insurance claim related to Canadian potash operations. This dividend was included in current assets at June 30, 1993, and was paid by IFL in July 1993.

Certain long-term investments were sold during 1992 for pretax gains totaling $10.7 million, $6.7 million after taxes, or $.08 a share.

NOTE F

Property, Plant and Equipment

At June 30	1993	1992
Land	$67.5	$63.0
Buildings and leasehold improvements	270.1	239.0
Machinery and equipment	695.5	643.3
Construction in progress	159.8	109.3
	1,192.9	1,054.6
Accumulated depreciation	(494.0)	(362.5)
Net property, plant and equipment	$698.9	$692.1

Interest costs capitalized were $6.3 million in 1993, $1.8 million in 1992 and $1.5 million in 1991.

NOTE G

Intangible Assets

At June 30	1993	1992
Patents and technology	$55.5	$27.1
Contracts	18.8	18.8
Goodwill and other intangibles	529.0	381.6
	603.3	427.5
Accumulated amortization	(150.2)	(79.7)
	453.1	347.8
Deferred charges	13.8	30.7
	$466.9	$378.5

Identifiable intangible assets are amortized over estimated useful lives of up to 5 years for contracts and 17 to 25 years for patents and technology. Goodwill and other intangibles are amortized on a straight-line basis, primarily 20 to 40 years.

NOTE H

Income Taxes

In the fourth quarter of 1993, the Company adopted the provisions of FAS 109, "Accounting for Income Taxes", retroactive to July 1, 1992. The adoption of this standard changed the Company's method of accounting for income taxes from the deferred method to the liability method. The cumulative effect of this change at July 1, 1992, amounted to a charge of $16.5 million, or $.21 a share. Apart from the above charge, the effect of this change on 1993 continuing operations was favorable by $1.6 million, or $.02 a share. Financial statements for years prior to 1993 were not restated. Information shown below for those prior years was determined under the deferred method.

Income taxes included in the Consolidated Statement of Operations were:

	1993	1992	1991
Continuing operations	$(19.3)	$74.0	$56.1
Discontinued operations	(3.1)	7.3	9.5
Cumulative effect of accounting changes	19.4		
	$(3.0)	$81.3	$65.6

The geographical sources of earnings (loss) from continuing operations before income taxes were:

	1993	1992	1991
United States	$(126.2)	$122.4	$89.2
Outside United States	(6.9)	80.4	64.1
	$(133.1)	$202.8	$153.3

The components of the income tax provision (benefit) charged (credited) to continuing operations were:

	1993	1992	1991
Current			
U.S. Federal	$15.0	$12.7	$10.7
U.S. State and local	6.5	5.2	3.2
Outside United States	19.8	16.3	20.1
	41.3	34.2	34.0
Deferred			
U.S. Federal	(57.3)	26.2	17.0
U.S. State and local	(2.9)	1.8	1.7
Outside United States	(.4)	11.8	3.4
	(60.6)	39.8	22.1
	$(19.3)	$74.0	$56.1

Factors causing the effective tax rate for continuing operations to differ from the U.S. Federal statutory rate were:

	1993	1992	1991
Computed tax at the U.S. Federal statutory rate	$(45.3)	$69.0	$52.1
Adjustments to income tax accruals	(5.0)	(5.0)	(5.0)
U.S. state income taxes	5.8	4.6	3.3
Lower Non-U.S. rates	(10.1)	(3.7)	(.5)
Non-U.S. losses with no tax benefit	11.0	4.5	2.2
Nondeductible goodwill	3.0	3.0	2.9
Valuation allowances	.3		
Restructuring	21.7		
Other items (none in excess of 5% of computed tax)	(.7)	1.6	1.1
Income tax provision (benefit)	$(19.3)	$74.0	$56.1
Effective tax rate	14.5%	36.5%	36.6%

IMCERA's effective tax rate for 1993 before the net tax benefits for restructuring and FAS 109 impacts was 36.8 percent.

The favorable adjustments to income tax accruals included in the preceding table resulted from the conclusion of income tax audits that spanned a number of years.

Deferred income tax balances at June 30, 1993, were related to:

	Asset	Liability
Property, plant and equipment		$64.5
Employee benefits	$51.6	
Restructuring accruals	84.1	
Environmental accruals	4.1	
Intangible assets		26.7
Net operating losses	45.3	
Alternative minimum tax credit	18.9	
Receivables		26.7
Other, net		.2
Valuation allowance		49.9
	$204.0	$168.0

Included in the FAS 109 adoption at July 1, 1992, were valuation allowances of $15.7 million.

Under previous income tax accounting rules, deferred income taxes were provided for timing differences in the recognition of income and expense for tax and financial statement purposes. The principal components of the U.S. Federal and state and local provision for deferred income taxes from continuing operations in 1992 and 1991 were deferred tax provisions for various timing differences, primarily depreciation, employee compensation and benefit-plan related items, and acquisition liabilities. In 1991, there were also adjustments of net deferred tax credits through utilization of net operating losses (NOLs).

At June 30, 1993, IMCERA had an alternative minimum tax credit carryforward of $18.9 million available to reduce future Federal taxes payable. The alternative minimum tax credit has an unlimited carryforward period.

The Company also had NOL carryforwards of $45 million from its non-U.S. operations, primarily in the Germany ($24 million with no expiration date).

Undistributed earnings of certain subsidiaries outside the United States are considered to be permanently invested. Accordingly, no provision for income taxes was made for undistributed earnings of such subsidiaries which aggregated $141 million at June 30, 1993.

The income tax provisions for discontinued operations related to the Company's equity in IFL earnings reflect a benefit of $2.4 million in 1991 from the dividend received deduction and a charge for book and tax basis differences relative to the Company's investment in IFL stock that amounted to $9.7 million and $14.5 million in 1992 and 1991, respectively.

NOTE I

Accrued liabilities

At June 30	1993	1992
Restructuring accruals	$147.0	$13.6
Salaries, wages and bonuses	22.6	31.7
Former operations	19.1	23.3
Interest	7.6	9.7
Taxes other than income taxes	14.3	11.6
Pension	9.7	6.8
Sales promotions and incentives	16.6	13.4
Other	75.0	75.8
	$311.9	$185.9

NOTE J

Debt

The components of short-term debt were:

At June 30	1993	1992
Notes payable	$84.2	$96.2
Commercial paper	90.5	
Current maturities of long-term debt	14.7	13.6
	$189.4	$109.8

The components of long-term debt were:

At June 30	1993	1992
Commercial paper	$190.0	
9.875% debentures due in annual installments of $15.0 million, beginning in 2002, with final payment of $12.8 million in 2011	134.6	$134.5
8.75% promissory note due in annual installments of $10.3 million, with final payment of $10.7 million in 2000	51.8	72.3
Other	65.9	70.7
	442.3	277.5
Less current maturities	14.7	13.6
	$427.6	$263.9

At June 30, 1993, commercial paper totaling $190.0 million has been classified as long-term debt as it is backed by long-term lines of credit.

The 9.875% debentures are redeemable at the option of IMCERA at 100 percent in 2001 and thereafter.

Maturities of long-term debt for the next five years are: 1994 - $14.7 million; 1995 - $22.7 million; 1996 - $12.0 million; 1997 - $207.6 million (includes $190.0 million of commercial paper); and 1998 - $27.6 million.

The only material financial instruments which were not included in the Consolidated Balance Sheet at amounts which approximate fair values were certain debt instruments. The carrying value of long-term debt and related current maturities was $194.9 million and the fair value was $240.3 million at June 30, 1993. The fair value of the long-term debt was estimated based on the current interest rates available to the Company for debt with similar maturities and characteristics.

NOTE K

Lines of Credit

The Company has a $350 million private-placement commercial paper program. This program is backed by $450 million of U.S. lines of credit of which $350 million is available until August 1996 and $100 million is available until August 1994. Under the terms of these agreements, interest rates are determined at the time of borrowing and are based on London Interbank Offered Rates plus .40 percent or other alternative rates. IMCERA also has two $50 million U.S. credit facilities which expire in February and March of 1994. Interest on these credit agreements is at prime or other alternative rates. Commercial paper and borrowings under the U.S. credit lines of $280.5 million and $36.0 million, respectively, were outstanding at June 30, 1993. Non-U.S. lines of credit totaling $176.5 million are also available and borrowings under these lines were $48.2 million at June 30, 1993. These non-U.S. lines are cancelable at any time. IMCERA also has an agreement expiring in April 1994, which has not been utilized, under which up to $50 million of subsidiary trade receivables could be sold without recourse for cash proceeds less a discount based on prime commercial paper rates plus .30 percent.

NOTE L

Pension Plans

The Company's pension plans provide for retirement benefits based on years of service and the level of compensation for the highest three to five years occurring generally within a period of up to 10 years prior to retirement. Contributions to the U.S. plans meet ERISA minimum funding requirements.

Pension expense for continuing operations follows:

	1993	1992	1991
Service cost	$17.1	$15.2	$15.1
Interest cost on projected benefit obligations	29.9	27.8	26.8
Actual return on plan assets	(35.0)	(39.1)	(29.7)
Net amortization of initial unrecognized asset and deferral of subsequent unrecognized net gains and losses	9.3	13.5	5.5
	$21.3	$17.4	$17.7

Assumptions used in determining U.S. pension expense ($15.7 million, $12.4 million and $11.3 million in 1993, 1992 and 1991, respectively) follow:

	1993	1992	1991
Discount rate	8.5%	9%	9%
Long-term rate of return on assets	10%	10%	10%
Compensation increase rate	6%	6%	6%

The plans' assets mostly relate to U.S. plans and consist primarily of corporate equities, U.S. government debt securities and units of participation in a collective short-term investment fund.

The funded status of IMCERA's U.S. and non-U.S. pension plans and amounts recognized in the balance sheet follow:

	1993		1992	
	Plans With Assets in Excess of Accumulated Benefits	Plans With Accumulated Benefits in Excess of Assets	Plans With Assets in Excess of Accumulated Benefits	Plans With Accumulated Benefits in Excess of Assets
Assets at fair value	$304.8	$29.3	$311.3	$7.4
Actuarial present value of benefit obligations				
Vested benefits	218.5	49.0	222.1	27.2
Nonvested benefits	6.3	4.0	6.1	3.6
Accumulated benefit obligations	224.8	53.0	228.2	30.8
Projected future salary increases	84.6	14.7	70.0	12.5
Projected benefit obligations	309.4	67.7	298.2	43.3
Projected benefit obligations (more) less than assets	(4.6)	(38.4)	13.1	(35.9)
Items not yet recognized in earnings				
Unrecognized net (gain) loss	7.3	4.3	(17.3)	4.0
Unamortized transition (asset) liability	(2.0)	14.3	(1.1)	15.7
(Accrued) prepaid pension liability	$.7	$(19.8)	$(5.3)	$(16.2)

NOTE M

Postretirement Health Care and Postemployment Benefits

IMCERA provides certain health care benefits for U.S. salaried and hourly retired employees. Employees may become eligible for health care benefits if they retire after attaining specified age and service requirements while they worked for the Company. Health care benefits are paid directly by IMCERA.

In the fourth quarter of 1993, the Company adopted FAS 106 "Employers' Accounting for Postretirement Benefits Other Than Pension Benefits" retroactively to July 1, 1992. This statement requires that the cost of these benefits be accrued during the employees' working careers. The Company has elected to immediately recognize the transition obligation rather than amortize it over future periods. The cost of providing these benefits was previously recognized in the period in which the benefits were paid.

The cumulative effect of the change as of July 1, 1992, was a charge of \$63.0 million, or \$.81 a share, after a deferred tax benefit of \$35.3 million. The current year incremental effect of FAS 106 was a charge of \$7.1 million, \$4.5 million after taxes, or \$.06 a share.

The components of the 1993 cost of these postretirement benefits were:

Service cost for benefits earned during the year	\$3.8
Interest cost on benefit obligation	10.7
	\$14.5

The present value of the Company's unfunded postretirement benefits obligation at June 30, 1993, was:

Accumulated benefit obligation:	
Retirees	\$75.9
Active employees	46.0
	\$121.9

The discount rate used in determining the accumulated postretirement benefit obligation at June 30, 1993, was 8.5 percent.

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation (APBO) at June 30, 1993, was 11.0 percent, gradually declining to 5.5 percent in 2004 and thereafter. A one percentage point increase in the health care cost trend rate would increase the APBO as of June 30, 1993, by \$14.0 million and the aggregate service and interest cost by \$2.2 million.

The 1992 and 1991 cost for these postretirement benefits on a pay-as-you-go basis was $4.4 million and $5.0 million, respectively, all of which was included in continuing operations.

Also in the fourth quarter, IMCERA adopted FAS 112 "Employers' Accounting for Postemployment Benefits." This statement requires an accrual method of recording the cost of postemployment benefits such as disability-related benefits. The cumulative effect of adopting FAS 112 retroactively to July 1, 1992, was a charge of $1.1 million after taxes, or $.02 a share. The incremental effect of this change on 1993 operations was a charge of $1.4 million, $.9 million after taxes, or $.01 a share.

NOTE N

Capital Stock

The Company has authorized and issued 100,000 shares, 98,300 outstanding at June 30, 1993, par value $100, 4 Percent Cumulative preferred stock. This stock, with voting rights, is redeemable at IMCERA's option at $110 a share. During the three years ended June 30, 1993, the number of issued and outstanding shares did not change.

At June 30, 1993, the Company has authorized 1,400,000 shares, par value $1, of series preferred stock, none of which is outstanding.

In October 1991, the Company's shareholders approved an increase in the number of authorized shares of common stock from 100 million to 300 million and a reduction in the par value per share of common stock from $5.00 to $1.00. Also, the Company's Board of Directors declared a 3-for-1 stock split that was paid on November 12, 1991.

Each outstanding common share includes a non-voting common stock purchase right. If a person or group acquires or has the right to acquire 20 percent or more of the common stock or commences a tender offer for 30 percent or more of the common stock, the rights become exercisable by the holder who may then purchase $167 worth of common stock for $83 unless, in lieu thereof, the Board of Directors causes the exchange of each outstanding right for one share of common stock (in either case exclusive of the rights held by the acquiring person or group which are voided). In the event of a merger or sale of 50 percent or more of the Company's assets, the rights may in certain circumstances entitle the holder to purchase $167 worth of stock in the surviving entity for $83. The rights may be redeemed by the Board at a price of $.017 per right at any time before they become exercisable, and unless they become exercisable, they will expire March 31, 1996.

Common shares reserved at June 30, 1993, consisted of the following:

Exercise of common stock purchase rights	87,338,432
Exercise of stock options and granting of stock awards	10,893,657
	98,232,089

Changes in the number of shares of common stock issued and in treasury were as follows:

	1993	1992	1991
Common stock issued			
Balance, beginning of year	87,116,289	87,116,289	86,395,056
Stock options exercised			696,792
Conversion of 4% debentures			24,411
Balance, end of year	87,116,289	87,116,289	87,116,289
Treasury common stock			
Balance, beginning of year	11,371,742	11,903,220	18,325,116
Common stock offering			(6,000,000)
Stock options exercised	(833,560)	(1,404,262)	(613,398)
Purchases	274,267	1,029,123	170,502
(Awards) cancellation of restricted shares	(140,935)	(156,339)	21,000
Balance, end of year	10,671,514	11,371,742	11,903,220
Common stock outstanding, end of year	76,444,775	75,744,547	75,213,069

NOTE O

Stock Plans

Three non-qualified stock option plans adopted in 1973, 1981 and 1990, as amended, provide for granting options to purchase up to 21,817,650 shares of common stock at prices not less than 100 percent of market price (as defined) at the date of grant. Options under these plans are exercisable over 10 years beginning one year after the date of grant and are limited to 50 percent during the second year. A total of 15,537,638 shares was granted under these plans through June 30, 1993.

Prior to May 1, 1991, the plans permitted certain employees the successive, contemporaneous delivery to IMCERA of common shares acquired in the exercise of such options in series in lieu of cash for the exercise of stock options. After that date, no such deliveries were permitted. In 1991, under this provision, 126,600 options with a market value of $3.3 million were exercised and 64,584 shares with a market value of $1.7 million were tendered.

Information on options follows:

Number of Options	Price Range	1993	1992
Outstanding, beginning of year	$10-40	4,645,812	4,957,812
Granted	25-40	1,325,749	1,332,640
Cancelled	14-40	(254,643)	(240,378)
Exercised	10-37	(833,560)	(1,404,262)
Outstanding, end of year	10-40	4,883,358	4,645,812
At June 30,			
Exercisable		3,061,389	2,504,248
Reserved for future option grants		6,010,299	7,222,130

The average exercise price of outstanding stock options at June 30, 1993, was $28.33 a share, based on an aggregate exercise price of about $138 million. Outstanding stock options will expire over a period ending no later than June 15, 2003.

The 1973 non-qualified stock option and award plan also provides for the award of restricted shares of IMCERA's common stock. Under the plan, the grantee makes no cash payment for the award, the shares are held in escrow until vested, which is generally three years from the date of award, and the grantee cannot dispose of the restricted shares until vested. Upon forfeiture of any share of restricted stock in accordance with the stock option and award plan, or the terms and conditions of the award, the shares would automatically be transferred to and reacquired by IMCERA at no cost. In 1993 and 1992, IMCERA issued from its treasury stock 140,935 and 156,339 restricted shares, respectively, which become vested on June 30, 1994.

NOTE P

International Operations

Sales from continuing operations from the United States to unaffiliated customers in other geographic areas were as follows:

	1993	1992	1991
Latin America	$21.1	$20.7	$16.4
Europe	12.4	8.4	6.0
Asia/Pacific	17.4	15.8	27.5
Other	4.3	4.1	4.7
	$55.2	$49.0	$54.6

Net sales, earnings from continuing operations before income taxes, and identifiable assets by geographic areas follow:

Net Sales to Unaffiliated Customers	1993	1992	1991
United States	$1,121.2	$1,106.3	$1,073.1
Europe	353.2	317.6	322.5
Asia/Pacific	161.4	123.5	97.4
Latin America	112.3	97.0	83.9
Canada	48.2	58.5	57.0
Consolidated	$1,796.3	$1,702.9	$1,633.9

Earnings	1993	1992	1991
United States	$181.9	$179.3	$146.8
Europe	56.5	50.9	51.4
Asia/Pacific	16.4	15.9	13.3
Latin America	16.0	12.7	7.1
Canada	(.4)	2.1	2.2
Restructuring costs	(334.1)		
Corporate	(35.5)	(30.5)	(36.5)
Eliminations	(9.8)	(4.9)	.3
Operating earnings	(109.0)	225.5	184.6
Equity in pretax earnings of joint venture	10.6	1.6	
Interest charges, net	(34.7)	(24.3)	(31.3)
Consolidated	$(133.1)	$202.8	$153.3

Assets	1993	1992	1991
United States	$1,192.7	$1,152.0	$1,088.2
Europe	605.6	504.9	358.6
Asia/Pacific	155.7	148.8	120.0
Latin America	78.6	69.1	60.5
Canada	26.1	33.5	30.0
Corporate	132.8	151.8	480.0
Eliminations	(13.9)	(9.3)	(5.0)
Discontinued operations			117.9
Consolidated	$2,177.6	$2,050.8	$2,250.2

Restructuring costs by region in 1993 were:

United States	$257.9
Europe	35.4
Asia/Pacific	33.0
Latin America	7.8
	$334.1

Transfers of product between geographic areas are at prices approximating those charged to unaffiliated customers. The amount of such transfers was not material.

Net foreign exchange translation losses from businesses in hyperinflationary economies aggregated $5.8 million, $5.5 million and $5.6 million in 1993, 1992 and 1991, respectively, and have been included in "Other operating (income) expense, net" in the Consolidated Statement of Operations. These translation effects were primarily from Pitman-Moore. Transaction effects for all of IMCERA's businesses were not material in the periods presented.

NOTE Q

Business Segments

The tables on page 33 show IMCERA's continuing worldwide operations, which are organized in three industry segments as follows:

Mallinckrodt Medical

Production and sale of products used primarily in hospitals, including x-ray contrast media, interventional products, diagnostic and therapeutic radiopharmaceuticals, airway management products, temperature monitoring products, and blood gas and vital sign monitoring systems.

Mallinckrodt Specialty Chemicals

Production and sale of analgesics and medicinal narcotics used by pharmaceutical companies; catalysts, specialty inorganics, stearates and laboratory chemicals used by industry and research organizations. Through the Tastemaker joint venture, the company also participates in the flavors business.

Pitman-Moore

Production and sale of animal productivity, antimicrobials, biologicals, parasiticides, veterinary specialties, mineral feed supplements and other health-related products for food and companion animals.

Nonrecurring Charges

Restructuring charges recorded in 1993 are discussed in Note A.

In 1992, costs associated with deficiencies in technical manufacturing controls at Pitman-Moore's Kansas City, Kansas, manufacturing facility negatively impacted results by $4.8 million, $3.0 million after taxes, or $.04 a share.

Additionally, in 1992's fourth quarter, Pitman-Moore incurred $12.8 million of restructuring costs. In that same quarter, adjustments were made to certain excess accruals that were established in 1990 at the time Pitman-Moore acquired Coopers Animal Health. The provision for restructuring costs was virtually offset by the aforementioned accrual adjustments.

In 1993, corporate expense included charges of $5.5 million, $3.4 million after taxes, or $.04 a share, from executive resignations resulting from the performance of Pitman-Moore reported in the Consolidated Statement of Operations under "Selling, administrative and general expenses." Corporate assets consist primarily of cash, fixed assets and the IFL dividend receivable.

Impact of Accounting Changes

In addition to the cumulative effect impacts, FAS 106, and to a much lesser extent FAS 112, reduced the operating earnings of each business group and increased corporate expense by the following amounts:

Mallinckrodt Medical	$3.5
Mallinckrodt Specialty Chemicals	3.0
Pitman-Moore	1.6
Corporate	.4
	$8.5

NOTE R

Investment in IFL

The Company's principal transactions with IFL in 1991 were purchases of certain materials and products and plant management services totaling $102.0 million. In 1991, net sales and net earnings for IFL were $1,131.2 million and $95.8 million, respectively.

NOTE S

Commitments

IMCERA leases office space, data processing equipment, buildings, and machinery and equipment. Rent expense for continuing operations in 1993, 1992 and 1991 related to operating leases was $29.6 million, $26.1 million and $20.3 million, respectively.

Minimum rent commitments for continuing operations at June 30, 1993, under operating leases with a remaining non-cancellable period exceeding one year follow:

Years ending June 30	
1994	$23.3
1995	16.3
1996	11.6
1997	7.3
1998	4.9
Later years	16.9
	$80.3

The Company remains primary lessee under certain leases and is the primary obligor under certain industrial revenue bonds that relate to the business of IFL which amounted to approximately $95.0 million at June 30, 1993. IFL has indemnified the Company with respect to any liability that might arise.

The Company periodically uses foreign exchange forward contracts and swaps to hedge inventory purchase commitments, debt denominated in a foreign currency and interest rate exposures. Gains and losses on hedge contracts are reported as a component of the related transaction. At June 30, 1993, forward exchange contracts with an aggregate contract value of $76.5 million were outstanding. The difference between the value of the contracts and their June 30, 1993, market value was not material.

NOTE T

Contingencies

The Company is subject to various investigations, claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. In addition, in connection with laws and regulations pertaining to the protection of the environment, the Company is a party to several environmental remediation investigations and clean-ups and, along with other companies, has been named a "potentially responsible party" for certain waste disposal sites. Each of these matters is subject to various uncertainties, and it is possible that some of these matters will be decided unfavorably against the Company. The Company has established accruals for matters that are probable and reasonably estimable. Based on information presently available, management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on its business or financial condition taken as a whole.

QUARTERLY RESULTS (unaudited)
(In millions except per share amounts)

Quarter	First	Second	Third	Fourth	Year
FISCAL 1993					
Net sales	$416.8	$441.2	$439.9	$498.4	$1,796.3
Gross margins	190.8	203.3	196.5	235.1	825.7
Earnings (loss) from continuing operations	27.6	28.0	30.5	(199.9)	(113.8)
Discontinued operations	(.5)	(1.5)	(.9)	(3.1)	(6.0)
Cumulative effects of accounting changes	(80.6)				(80.6)
Net earnings (loss)	(53.5)	26.5	29.6	(203.0)	(200.4)
Preferred stock dividends	(.1)	(.1)	(.1)	(.1)	(.4)
Available for common shareholders	$(53.6)	$26.4	$29.5	$(203.1)	$(200.8)
Earnings (loss) per common share					
Continuing operations	$.36	$.36	$.39	$(2.59)	$(1.48)
Discontinued operations	(.01)	(.02)	(.01)	(.04)	(.08)
Accounting changes	(1.04)				(1.04)
Net earnings (loss)	$(.69)	$.34	$.38	$(2.63)	$(2.60)

Quarter	First	Second	Third	Fourth	Year
FISCAL 1992					
Net sales	$381.3	$420.2	$433.5	$467.9	$1,702.9
Gross margins	176.9	192.3	197.7	220.4	787.3
Earnings from continuing operations	27.5	25.9	32.6	42.8	128.8
Discontinued operations	(1.8)	(.2)	(.2)	.9	(1.3)
Net earnings	25.7	25.7	32.4	43.7	127.5
Preferred stock dividends	(.1)	(.1)	(.1)	(.1)	(.4)
Available for common shareholders	$25.6	$25.6	$32.3	$43.6	$127.1
Earnings (loss) per common share					
Continuing operations	$.35	$.33	$.42	$.55	$1.65
Discontinued operations	(.02)		(.01)	.01	(.02)
Net earnings	$.33	$.33	$.41	$.56	$1.63

Fiscal 1993

Second quarter earnings from continuing operations included an after-tax charge of $3.4 million, or $.04 a share, from executive resignations resulting from the performance of Pitman-Moore.

Fourth quarter continuing operations included after-tax restructuring charges of $242.2 million, or $3.13 a share.

The net after-tax charges for FAS 106, FAS 109 and FAS 112 on continuing operations were:

Quarter	First	Second	Third	Fourth	Year
Net of taxes	$1.0	$1.1	$0.5	$1.2	$3.8
Per share	$.01	$.01	$.01	$.02	$.05

Discontinued operations after-tax effects shown in the quarterly table for 1993 were primarily for litigation costs.

Fiscal 1992

First quarter continuing operations included an after-tax gain of $4.4 million, or $.05 a share, from the sale of an investment.

Third quarter continuing operations included costs associated with deficiencies in technical manufacturing controls at Pitman-Moore's Kansas City, Kansas, manufacturing facility which negatively impacted after-tax results by $3.0 million, or $.04 a share.

Pitman-Moore provided $7.9 million after taxes, or $.10 a share, for restructuring costs which were virtually offset by adjustments made to certain excess accruals that were established in 1990 at the time Pitman-Moore acquired Coopers Animal Health. Fourth quarter results also included an after-tax gain of $2.3 million, or $.03 a share, from the sale of an investment and the Company's share of rationalization costs provided for by the Tastemaker joint venture totaling $2.4 million after taxes, or $.03 a share.

Discontinued operations after-tax effects were:

Quarter	First	Second	Third	Fourth	Year
Environmental and litigation costs	$(.2)	$(.2)	$(.2)	$(1.3)	$(1.9)
Other, primarily IFL-related	(1.6)			2.2	.6
	$(1.8)	$(.2)	$(.2)	$.9	$(1.3)

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Part III.

Item 10. Directors and Executive Officers of the Registrant

For information concerning directors of the Registrant, see pages 1 through 10, incorporated herein by reference, of IMCERA's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on October 20, 1993. Information concerning executive officers of the Registrant is included in Part I of this report.

Item 11. Executive Compensation

For information concerning management remuneration, see pages 14 through 28, incorporated herein by reference, of IMCERA's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on October 20, 1993.

Item 12. Security Ownership of Certain Beneficial Owners and Management

For information concerning security ownership of certain beneficial owners and management, see pages 10 through 11, incorporated herein by reference, of IMCERA's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on October 20, 1993.

Item 13. Certain Relationships and Related Transactions

For information concerning certain relationships and related transactions (including section 16(a) filings certain of which were not made on a timely basis), see pages 12 through 13, incorporated herein by reference, of IMCERA's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on October 20, 1993.

Part IV.

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) FINANCIAL STATEMENTS

(1) See index on page 67 for a listing of financial statements and schedules filed with this report.

(3) Exhibits.

Exhibit Number	Description	Incorporated Herein by Reference to	Filed with Electronic Submission
3.1	Restated Certificate of Incorporation of IMCERA, dated July 9, 1990.	Exhibit 3.1 to 1990 10-K.	
3.2	Certificate of amendment of the certificate of incorporation of IMCERA dated June 4, 1990.	Exhibit 3.2 to 1990 10-K.	
3.3	By-Laws of IMCERA as amended through April 18, 1990.	Exhibit 3.3 to 1990 10-K.	

Exhibit Number	Description	Incorporated Herein by Reference to	Filed with Electronic Submission
4.1	Form 8-A Registration Statement under Section 12 of the Securities Exchange Act of 1934, dated April 10, 1987 defining the rights of holders of IMCERA's 4% Cumulative Preferred Stock and Common Stock.	Exhibit 4.6 to 1989 10-K.	
4.2	Amended and restated common stock purchase rights agreement dated March 10, 1989.	Exhibit 4(b) to Form 8-K dated March 10, 1989.	
4.3	Second amendment to the common stock purchase rights agreement dated April 17, 1991.	Exhibit 6 to Form 8 dated April 18, 1991.	
4.4	Indenture dated as of March 15, 1985, between IMCERA and Morgan pursuant to which $150 million 9-7/8% Sinking Fund Debentures due March 15, 2011 were issued.	Exhibit 4 to Form S-3 Registration Statement No. 2-96566.	
10.1(a)	Contingent Employment Agreement with C. Ray Holman dated April 1, 1987.[1]	Exhibit 10.1(c) to 1991 10-K.	
10.1(b)	Contingent Employment Agreement with William J. Mercer dated March 9, 1990.[1]		X
10.1(c)	Contingent Employment Agreement with Robert G. Moussa dated April 19, 1990.[1]		X
10.1(d)	Contingent Employment Agreement with Mack G. Nichols dated April 1, 1987.[1]	Exhibit 10.1(f) to 1991 10-K.	
10.1(e)	Contingent Employment Agreement with Kenneth J. Burns, Jr. dated May 19, 1982.[1]	Exhibit 10.1(e) to 1988 10-K.	
10.2	IMCERA Executive Life Insurance Program adopted May 20, 1987.[1]	Exhibit 10.2 to 1989 10-K.	
10.3	Restated IMCERA Executive Long-Term Disability Plan effective January 1, 1987.[1]	Exhibit 10.3 to 1989 10-K.	

Exhibit Number	Description	Incorporated Herein by Reference to	Filed with Electronic Submission
10.4(a)	Agreement with George D. Kennedy dated December 17, 1990.[1]	Exhibit 10.4(a) to 1991 10-K.	
10.4(b)	Amendment dated June 16, 1993 to Agreement with George D. Kennedy dated December 17, 1990 described in Exhibit 10.4(a).[1]		X
10.5(a)	Supplemental Benefit Plan for Participants in the IMCERA Retirement Plan as amended and restated effective January 1, 1980.[1]	Exhibit 10.6(a) to 1989 10-K.	
10.5(b)	Amendment No. 1 dated June 20, 1989 to Supplemental Benefit Plan for Participants in the Retirement Plan for Salaried Employees of IMCERA.[1]	Exhibit 10.6(b) to 1989 10-K.	
10.5(c)	Amendment No. 2 dated April 20, 1990 to Supplemental Benefit Plan for Participants in the IMCERA Retirement Plan.[1]	Exhibit 10.6(c) to 1990 10-K.	
10.6(a)	IMCERA Supplemental Executive Retirement Plan restated effective April 19, 1988.[1]	Exhibit 10.7(a) to 1989 10-K.	
10.6(b)	Amendment No. 1 effective December 6, 1989, to Supplemental Executive Retirement Plan.[1]	Exhibit 10.7(c) to 1990 10-K.	
10.7(a)	Gross-Up Agreement with C. Ray Holman dated July 1, 1992 and Amendment dated April 30, 1993.[1]		X
10.7(b)	Gross-Up Agreement with William J. Mercer dated July 1, 1992 and Amendment dated April 30, 1993.[1]		X
10.7(c)	Gross-Up Agreement with Robert G. Moussa dated April 22, 1993.[1]		X

Exhibit Number	Description	Incorporated Herein by Reference to	Filed with Electronic Submission
10.7(d)	Gross-Up Agreement with Mack G. Nichols dated July 1, 1992.[1]		X
10.7(e)	Gross-Up Agreement with Kenneth J. Burns, Jr. dated July 27, 1989 and Amendment dated July 1, 1992.[1]		X
10.8	IMCERA Management Incentive Compensation Program as amended and restated effective July 1, 1991.[1]	Exhibit 10.9(b) to 1991 10-K.	
10.9(a)	IMCERA 1973 Stock Option and Award Plan as amended effective February 21, 1990.[1]	Post-Effective Amendment No. 1 to Form S-8 Registration Statement No. 33-32109.	
10.9(b)	Amendment No. 1 to the IMCERA 1973 Stock Option and Award Plan dated June 19, 1991.[1]	Form S-8 Registration Statement No. 33-43925	
10.10	IMCERA Directors Retirement Services Plan as amended and restated effective April 21, 1993.[1]		X
10.11(a)	IMCERA 1981 Stock Option Plan as amended through April 19, 1988.[1]	Post-Effective Amendment No. 3 to Form S-8 Registration Statement No. 2-80553.	
10.11(b)	Amendment to the 1981 Stock Option Plan effective February 15, 1989.[1]	Exhibit 10.12(b) to 1989 10-K.	
10.11(c)	Amendment to the 1981 Stock Option Plan effective June 19, 1991.[1]	Exhibit 10.12(c) to 1991 10-K.	

Exhibit Number	Description	Incorporated Herein by Reference to	Filed with Electronic Submission
10.12(a)	Intercorporate Agreement dated as of July 1, 1987 by and between IMCERA and IMC Fertilizer Group, Inc. with Exhibits, including the Restated Certificate of Incorporation of IMC Fertilizer Group, Inc., as amended; By-Laws of IMC Fertilizer Group, Inc.; Preliminary Agreement for K-2 Advances; Registration Rights Agreement; Services Agreement; Management Services Agreement; Agreement regarding Pollution Control and Industrial Revenue Bonds; License Agreement; office lease and sublease; management agreements; supply agreements; and transportation service agreements.	Exhibit 10.1 to IMC Fertilizer Group, Inc.'s Form S-1 Registration Statement No. 33-17091.	
10.12(b)	Agreement dated September 12, 1990, among IMCERA Group Inc. and IMC Fertilizer Group, Inc.	Exhibit 10.13(b) to 1990 10-K.	
10.12(c)	Agreement dated March 7, 1991 between IMCERA Group Inc. and IMC Fertilizer Group, Inc. concerning a purchase of IMC Fertilizer shares.	Exhibit 10 to Form 8-K dated March 7, 1991.	
10.13(a)	Note Agreement with The Prudential Insurance Company of America dated as of February 1, 1980.	Exhibit 10.13(a) to 1992 10-K.	
10.13(b)	Agreement dated June 3, 1981, consolidating obligation in Loan Agreement dated April 18, 1973, under Note Agreement dated as of February 1, 1980.	Exhibit 10.14(b) to 1990 10-K.	
10.13(c)	Amendment dated June 15, 1989, to Note Agreement with Prudential Insurance Company of America dated as of February 1, 1980.	Exhibit 10.14(d) to 1989 10-K.	

Exhibit Number	Description	Incorporated Herein by Reference to	Filed with Electronic Submission
10.13(d)	Amendment dated April 18, 1991 to Note Agreement with Prudential Insurance Company of America dated as of February 1, 1980 as amended.	Exhibit 10.14(e) to 1991 10-K.	
10.13(e)	Amendment dated June 2, 1992 to Note Agreement with Prudential Insurance Company of America dated as of February 1, 1980 as amended.	Exhibit 10.13(c) to 1992 10-K.	
10.13(f)	Amendment dated July 20, 1993 to Note Agreement with Prudential Insurance Company of America dated as of February 1, 1980 as amended.		X
10.14	Management Compensation and Benefit Assurance Program.[1]	Exhibit 10.30 to 1988 10-K.	
10.15	Form of Trust Agreement dated June 7, 1988, between IMCERA and Wachovia Bank & Trust of North Carolina, N.A., incident to the program in Exhibit 10.15, for IMCERA's 1973 Stock Option and Award Plan, 1981 Stock Option Plan, Long-Term Performance Incentive Plan, Supplemental Executive Retirement Plan, Contingent Employment Agreements, Gross-Up of Excise Tax Agreement, and Management Incentive Compensation Plan.[1]	Exhibit 10.31 to 1988 10-K.	
10.16(a)	Letter of Credit Agreement dated May 31, 1988, between IMCERA and a group of banks providing the means of funding the trusts described in Exhibit 10.15.[1]	Exhibit 10.32 to 1988 10-K.	
10.16(b)	Amendment and Assumption Agreements to the Letter of Credit Agreement described in Exhibit 10.16(a) dated June 22, 1991.[1]	Exhibit 10.17(c) to 1991 10-K.	

Exhibit Number	Description	Incorporated Herein by Reference to	Filed with Electronic Submission
10.17(a)	Corporate Staff Employee Severance and Benefit Assurance Policy.[1]	Exhibit 10.33 to 1988 10-K.	
10.17(b)	Form of letter sent to participants in IMCERA's Corporate Staff Employee Severance and Benefit Assurance Program.[1]	Exhibit 10.18(b) 1989 10-K.	
10.18	Supplemental Life Plan of Mallinckrodt, Inc. effective July 15, 1984.[1]	Exhibit 10.20 to 1989 10-K.	
10.19(a)	Employment Agreement dated February 17, 1993 with C. Ray Holman.[1]		X
10.19(b)	Employment Agreement dated February 17, 1993 with William J. Mercer.[1]		X
10.19(c)	Employment Agreement dated February 17, 1993 with Robert G. Moussa.[1]		X
10.19(d)	Employment Agreement dated February 17, 1993 with Mack G. Nichols.[1]		X
10.19(e)	Amended and Restated Agreement with Kenneth J. Burns, Jr. dated June 16, 1993.[1]		X
10.20	Agreement with Raymond F. Bentele dated November 30, 1992.[1]		X
10.21	IMCERA Directors' Stock Option Plan effective October 17, 1990.[1]	Exhibit 4(a) to Form S-8 Registration Statement No. 33-40246.	
10.22	IMCERA Long-Term Incentive Plan for Senior Management effective July 1, 1991.[1]	Exhibit 10.24 to 1991 10-K.	
10.23	IMCERA Long-Term Incentive Plan for Key Middle Managers effective June 13, 1991.[1]	Exhibit 10.25 to 1991 10-K.	

Exhibit Number	Description	Incorporated Herein by Reference to	Filed with Electronic Submission
10.24(a)	Receivables Transfer Agreement dated April 5, 1991, between Preferred Receivables Funding Corporation, Mallinckrodt Medical, Inc. and IMCERA Group Inc.	Exhibit 10.28 to 1991 10-K.	
10.24(b)	Amendment dated October 31, 1991, to Receivable Transfer Agreement with Preferred Receivables Funding Corporation dated April 5, 1991.	Exhibit 10.25(b) to 1992 10-K.	
10.25(a)	Consulting agreement with Herve M. Pinet for the period March 1, 1991, through February 29, 1992; informally extended from March 1, 1992 through May 31, 1992; formally extended for the period June 1, 1992, through November 30, 1992.[1]	Exhibit 10.26 to Amendment No. 1 to 1992 10-K.	
10.25(b)	Amendment dated April 28, 1993 to consulting agreement with Herve M. Pinet described in Exhibit 10.25(a).[1]		X
10.26(a)	Consulting agreement with Ronald G. Evens, M.D., the period from January 1, 1987, through December 31, 1989; extended for the calendar years 1990, 1991 and 1992.[1]	Exhibit 10.27 to Amendment No. 1 to 1992 10-K.	
10.26(b)	Amendment dated December 17, 1992 to consulting agreement with Ronald G. Evens, M.D., described in Exhibit 10.26(a).[1]		X
10.27	Credit agreement dated August 13, 1993, between IMCERA Group Inc. and The Chase Manhattan Bank, individually and as an agent for the banks, ($350 million facility).		X

Exhibit Number	Description	Incorporated Herein by Reference to	Filed with Electronic Submission
10.28	Credit agreement dated August 13, 1993 between IMCERA Group Inc. and The Chase Manhattan Bank, individually and as an agent for the banks, ($100 million facility).		X
10.29	Offering memorandum by J.P. Morgan for sale of the commercial paper (CP) notes of IMCERA Group Inc. The CP program is backed by credit agreements included at 10.27 and 10.28.		X
11.1	Primary earnings per share computation for the three years ended June 30, 1993.		X
11.2	Fully diluted earnings per share for the three years ended June 30, 1993.		X
21	Subsidiaries of the Registrant.		X
23.1	Consent of Ernst & Young.		X

[1] Management contract or compensatory plan required to be filed pursuant to Item 601 of Regulation S-K.

(b) REPORTS ON FORM 8-K

During the quarter and through the date of this report, the following reports on Form 8-K were filed.

- Report dated June 17, 1993, under item 5 regarding restructuring program and FAS 106, 109 and 112 adoption.
- Report dated July 13, 1993, under item 5 regarding comments on profitability goals made at an investors meeting.

INDEX TO FINANCIAL STATEMENTS, SUPPLEMENTARY DATA,
AND FINANCIAL STATEMENT SCHEDULES

All other schedules are omitted as the required information is not present in sufficient amounts or the required information is included in the consolidated financial statements or notes thereto.

Financial statements and schedules and summarized financial information of 50 percent or less owned persons are omitted, as none of such persons are individually or in the aggregate significant under the tests specified in Regulation S-X under Article 3.09 of general instructions to the financial statements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

IMCERA Group Inc.
(Registrant)

WILLIAM B. STONE
William B. Stone

Vice President and Controller

Date: September 27, 1993

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
C. RAY HOLMAN C. Ray Holman	President and Chief Executive Officer	September 27, 1993
WILLIAM B. STONE William B. Stone	Vice President and Controller (Chief Accounting Officer)	September 27, 1993
RAYMOND F. BENTELE Raymond F. Bentele	Director	September 27, 1993
KEITH D. BUNNEL Keith D. Bunnel	Director	September 27, 1993

Signature	Title	Date
RONALD G. EVENS Ronald G. Evens	Director	September 27, 1993
LOUIS FERNANDEZ Louis Fernandez	Director	September 27, 1993
ALEC FLAMM Alec Flamm	Director	September 27, 1993
PAUL R. JUDY Paul R. Judy	Director	September 27, 1993
ROBERTA S. KARMEL Roberta S. Karmel	Director	September 27, 1993
GEORGE D. KENNEDY George D. Kennedy	Director	September 27, 1993
MORTON MOSKIN Morton Moskin	Director	September 27, 1993
HERVE M. PINET Herve M. Pinet	Director	September 27, 1993
DANIEL R. TOLL Daniel R. Toll	Director	September 27, 1993

AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES
Years Ended June 30, 1991, 1992 and 1993
($ in thousands)

Name of Debtor	Balance at Beginning of Period	Additions	Deductions Amounts Collected	Balance at End of Period Current	Balance at End of Period Not Current
1991					
U.S. Employee relocation loans (A)	$322	$1,576	$646	$907	$345
Number of loans	21	50	40	30	1
U.K. employee relocation loans (A)	1,700		469	1,231	
Number of loans	11		2	9	
1992					
U.S. Employee relocation loans (A)	$1,252	$412	$911	$408	$345
Number of loans	31	18	30	18	1
U.K. employee relocation loans (A)	1,231	156	823	564	
Number of loans	9	7	3	13	
1993					
U.S. Employee relocation loans (A)	$753	$960	$416	$757	$540
Number of loans	19	17	20	14	2
U.K. employee relocation loans (A)	564	18	402	180	
Number of loans	13	1	3	11	

(A) Generally non-interest bearing and repayable upon the sale of the employee's former residence.

PROPERTY, PLANT AND EQUIPMENT

Years Ended June 30, 1991, 1992 and 1993
($ in millions)

	Balance at Beginning of Period	Additions at Cost	Retirements	Other Changes Add(Deduct)	Balance at End of Period
1991					
Land	$63.7	$.5	$.3	$.6 (A)	
				(.7)(C)	
				.3 (D)	$64.1
Building and leasehold improvements	217.2	18.6	.7	(.8)(A)	
				(4.3)(C)	
				(.2)(D)	229.8
Machinery and equipment	507.7	93.4	11.7	6.5 (A)	
				(4.8)(C)	
				(.1)(D)	591.0
Construction in progress	58.1	10.9	.8	(6.7)(A)	
				(1.7)(C)	
				(.2)(D)	59.6
	$846.7	$123.4	$13.5	$(12.1)	$944.5
1992					
Land	$64.1	$1.0	$.6	$(2.1)(A)	
				1.1 (C)	
				.3 (D)	
				(.8)(E)	$63.0
Building and leasehold improvements	229.8	13.8	4.5	4.3 (A)	
				.1 (B)	
				6.3 (C)	
				2.3 (D)	
				(13.1)(E)	239.0
Machinery and equipment	591.0	76.8	22.3	7.2 (A)	
				1.0 (B)	
				8.8 (C)	
				(1.3)(D)	
				(17.9)(E)	643.3
Construction in progress	59.6	58.8		(9.4)(A)	
				.1 (B)	
				4.2 (C)	
				(1.2)(D)	
				(2.8)(E)	109.3
	$944.5	$150.4	$27.4	$(12.9)	$1,054.6

PROPERTY, PLANT AND EQUIPMENT

Years Ended June 30, 1991, 1992 and 1993
($ in millions)

	Balance at Beginning of Period	Additions at Cost	Retirements	Other Changes Add(Deduct)	Balance at End of Period
1993					
Land	$63.0	$4.1	$.2	$.1 (A)	
				.1 (B)	
				(2.6)(C)	
				3.0 (D)	$67.5
Building and leasehold improvements	239.0	31.1	2.3	9.6 (A)	
				2.2 (B)	
				(11.0)(C)	
				1.5 (D)	270.1
Machinery and equipment	643.3	76.0	39.3	9.3 (A)	
				13.6 (B)	
				(15.1)(C)	
				7.8 (D)	
				(.1)(F)	695.5
Construction in progress	109.3	77.1		(19.4)(A)	
				1.2 (B)	
				(7.3)(C)	
				.2 (D)	
				(1.3)(F)	159.8
	$1,054.6	$188.3	$41.8	$(8.2)	$1,192.9

Notes
(A) Transfers between accounts.
(B) Purchases of businesses.
(C) Foreign currency adjustment.
(D) Reclassification from other balance sheet accounts including FAS 109 related amounts.
(E) Reclassification for Tastemaker joint venture.
(F) Write-offs related to 1993 restructuring charges.

ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT
Years Ended June 30, 1991, 1992 and 1993
($ in millions)

	Balance at Beginning of Period	Additions Charged to Cost and Expenses	Retirements	Other Changes Add(Deduct)	Balance at End of Period
1991					
Building and leasehold improvements	$47.4	$10.8	$.8	$.3 (A) (.4)(B) (1.5)(C)	$55.8
Machinery and equipment	213.5	56.3	10.2	.5 (A) .5 (B) (2.1)(C)	258.5
	$260.9	$67.1	$11.0	$(2.7)	$314.3
1992					
Building and leasehold improvements	$55.8	$11.6	$2.6	$.9 (B) .9 (C) (2.4)(D)	$64.2
Machinery and equipment	258.5	58.8	15.7	.2 (B) 3.5 (C) (7.0)(D)	298.3
	$314.3	$70.4	$18.3	$(3.9)	$362.5
1993					
Building and leasehold improvements	$64.2	$12.8	$1.9	$4.9 (B) (1.5)(C) 26.6 (E)	$105.1
Machinery and equipment	298.3	61.9	23.9	.1 (B) (5.7)(C) 58.2 (E)	388.9
	$362.5	$74.7	$25.8	$82.6	$494.0

Notes
(A) Transfers between accounts.
(B) Reclassification from (to) other balance sheet accounts.
(C) Foreign currency adjustment.
(D) Reclassification for Tastemaker joint venture.
(E) Write-off related to 1993 restructuring charges.

SHORT-TERM BORROWINGS

Years Ended June 30, 1993, 1992 and 1991
($ in millions)

	Balance at End of Period	Weighted Average Interest Rate	Maximum Amount Out-standing During the Period	Average Amount Out-standing During the Period	Weighted Average Interest Rate During the Period
Notes payable to banks (A)					
1993	$84.2	6.3%	$145.8	$106.4	5.1%
1992	96.2	8.3%	96.2	76.5	10.5%
1991	77.5	11.4%	98.3	83.2	12.2%
Commercial paper (B)					
1993	$280.5	3.4%	$331.6	$161.7	3.4%

The average amount outstanding for each period was computed by averaging the daily balances during the year. The weighted average interest rate for each period was computed by dividing interest on short-term borrowings by the average amount outstanding during the year.

(A) Primarily foreign banks.
(B) No commercial paper was issued in 1992 and 1991. Amounts for 1993 include commercial paper borrowings aggregating $190.0 million which have been classified as long-term debt as it is backed by long-term lines of credit.

SUPPLEMENTARY INCOME STATEMENT INFORMATION

Years Ended June 30
($ in millions)

	Charged to Costs and Expenses		
	1993	1992	1991
Maintenance and repairs	$44.6	$41.2	$47.8
Amortization of intangible assets	$21.4	$18.9	$19.6
Taxes, other than payroll and income taxes	$24.3	$24.4	$20.4
Advertising	$41.7	$42.2	$37.9