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IMCERA Group Inc. (formerly International Minerals & Chemical Corporation) consists of three businesses: Mallinckrodt Medical, Mallinckrodt Specialty Chemicals and Pitman-Moore. IMCERA also owns approximately 38 percent of the common stock of IMC Fertilizer Group, Inc. Net sales in 1990 were \$1.4 billion. Headquartered in Northbrook, Illinois, and with 9,600 employees worldwide, IMCERA is traded on the New York Stock Exchange under the ticker symbol IMA.

It's difficult to resist an occasional glance backwards at ground we've covered but

there's no time to pause. There's too much still left to be achieved. We have two objec-

tives: One is a level of earnings that fully justifies the funds we've committed to our

three companies. The second is self-sufficiency for each. Organizationally and financially

they're already self-sustaining. They're more growing to attain financial self-sufficiency

(In millions, except per share amounts)	1990	1989
Net sales	\$1,424.6	\$ 982.9
Operating earnings	112.8	35.7
Earnings from continuing operations	58.9	110.3
Net earnings	\$6.5	117.0
Primary earnings per common share		
Continuing operations	2.53	4.20
Net earnings	2.42	4.49
IMCERA results without IMC Fertilizer*		
Primary earnings per common share		
Continuing operations	\$ 2.36	\$ 1.62
Net earnings	2.25	1.91
At June 30		
Total assets	\$2,130.9	\$1,971.6
Total debt	837.4	773.7
Shareholders' equity	824.8	888.2
Book value per common share	35.92	33.69
Common shares outstanding	22.7	26.2

*Excludes after-tax 1) equity in IMC Fertilizer net earnings, 2) net coupon debt amortization interest, and 3) 1989 gain on IMC Fertilizer stock sale.



We intend that each will generate a flow of cash adequate for growth as well as for respectable earnings.

They must be able to expand their commitment to new technology and products. There must be funds for acquisition. They must support the cost of entry into new markets as opportunities become available in East Europe, the Far East, the U.S.S.R. and elsewhere. All the while, they must step up earnings.

The performance targets we've set for them will satisfy those objectives. Barring serious disruption of the world economy, those targets should be met.

At the levels of sales and return on capital we've currently projected for the end of fiscal '94, the businesses can afford a healthy balance between earnings and growth. They can provide both short-term improvement and exciting long-term prospects. The simple fact is they must. The one is essential to the other.

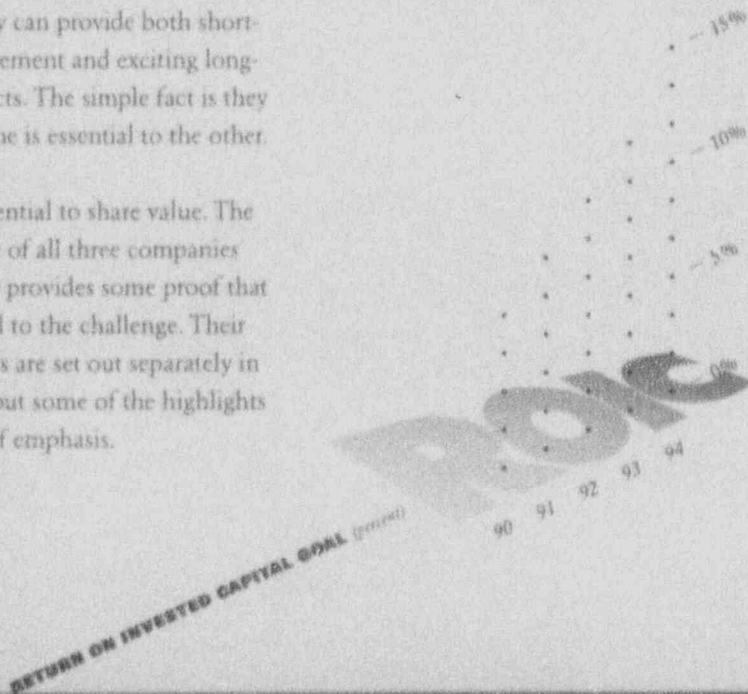
Both are essential to share value. The performance of all three companies in fiscal 1990 provides some proof that they're equal to the challenge. Their achievements are set out separately in this report, but some of the highlights are worthy of emphasis.

- Sales and earnings stepped up at a faster pace. Sales were up 45 percent, and operating earnings were up 102 percent.
- New products were well-received in our markets and for a better effect than we expected.
- Introduction of existing products into new markets has been more successful than we planned.
- Plant performance was good in all three companies almost without exception. Even as they strive for greater output and superior volume, we look to our production people for lower costs. They are delivering.
- Plant expansions have gone forward smoothly—on budget and on schedule.

- Acquisitions have been fitted in and turned around without waste of time or opportunity.
- Technology deals continue to be an important supplement to our own R&D. Our ability to commercialize the creativity of others has made us an attractive partner.
- Our managers throughout the corporation stepped up their commitment to the well-being of our employees and our communities. New and notable safety records and environmental programs were achieved at 14 locations. Our Community Partnership Program has expanded our support of worthy projects.

You can examine particulars in each company's presentation. The intent here is to point out that progress was common to them all.

On the subject of commonality, our salaried and non-union hourly employees identify now more than ever with shareholder interests. The stock options they were granted recently will provide meaningful reward as share value increases.





Our employees have always had an important stake in our success but ownership will stimulate additional interest, additional commitment.

Our new name will take on distinction as we perform. There's no name nor logo nor ticker symbol that will substitute for results.

Perhaps we're too simplistic in this, but our energies and resources are focused where the payoff is greatest. That's how we intend to make a name for ourselves.

It is a great personal satisfaction to assure you that there will be no faltering of our forward movement as we put in place management for the future.

Our companies have more than a wealth of talent. They have exceptional teams.

The two Mallinckrodt companies under the direction of Presidents Ray Holman and Mack Nichols have performed well beyond expectations even as they were assimilating the organizational apparatus they need to be fully accountable for themselves.

The ability of Pitman-Moore to blend so many new components into a world-class business in world-record time speaks volumes for the breadth and depth

of talent in that company. Progress will continue apace under new President Boyd Wainscott.

Blake Ingle and Ray Bentele deserve full marks for the job they've done in building those companies.

Our directors are pleased to provide them appropriate recognition by recommending them for election to the board at the annual meeting this October.

As a member of the executive office and a senior executive of the corporation, Ray will continue to contribute to the development of all of our companies.

Dr. Ingle has amply demonstrated his qualifications for the presidency of IMCERA and responsibilities of chief operating officer.

His work with Pitman-Moore speaks for itself. Prior to that, he was a very able chief of our corporate staff.

Take into account his guidance of our technical development and you can appreciate his multiple skills.

It's our plan that I'll turn over the chief executive's responsibility in October of 1991 and remain chairman of the board for two years thereafter.

You may recall that this same procedure provided for very smooth transition from Nelson White to Dick Lenon and from Dick to me. We intend that this one will be as calm and deliberate.

When we speak of organization, we give recognition and credit to our employees, and well we should. They continue to deliver in a most uncommon way. They earn all the praise we give them.

There's one part of our family that gets very little attention and even less applause.

Yet their courage and wisdom are essential to everything we undertake.

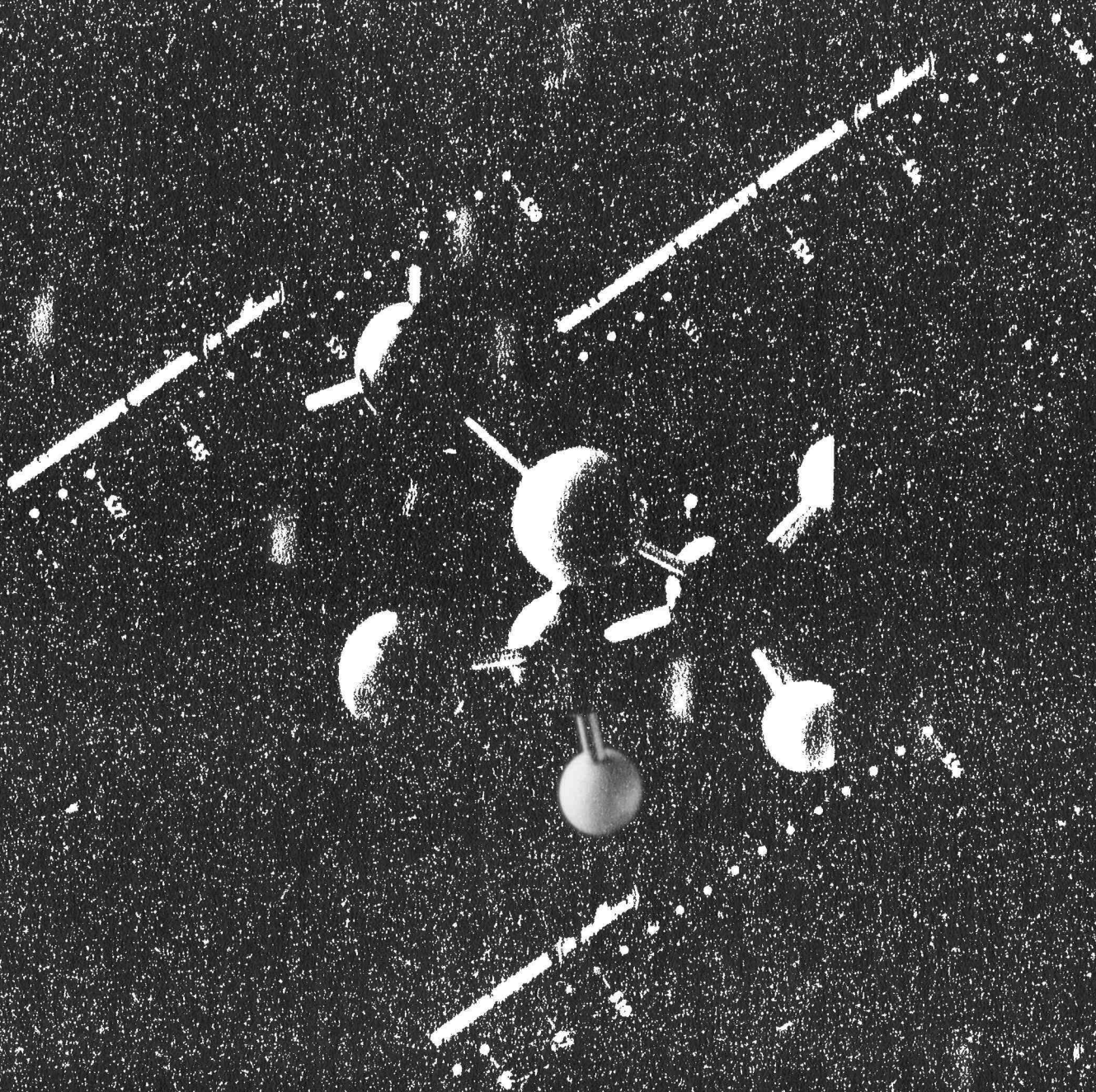
I refer to our directors.

In a time when good ones are scarce, we have a boardful.

The family of IMCERA is grateful for their support and the support of their constituents, our shareholders.

George D. Kennedy
Chairman and Chief Executive Officer
August 23, 1990

ONGOING OPERATING EXPENSES



- 1987
- 1988
- 1989
- 1990

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RAY BOLMAN *President of 1956, Methodist Medical Center*



Methodist Medical Center The mission of Methodist Medical Center is to improve the practice

of medicine by providing advanced, innovative and cost-effective specialty products

and services to the key physician groups. U.S. operations consist of instruments,

oncology, orthopedics, urology, nuclear medicine, and neuro-

technology and critical care. International operations are similarly specialized.



Mallinckrodt Medical's products are used predominantly in diagnosis and, to a lesser extent, in treatment. The company has strong and expanding leadership positions in the rapidly growing world health care market. 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.

In 1990, sales increased 25 percent to \$399.8 million, while operating earnings rose 28 percent to \$50.3 million. Mallinckrodt Medical revenues are expected to approach \$800 million by 1994, and its return on invested capital should double to 18 percent in the same period. International sales, about 30 percent of 1990 revenues, should grow faster in the next five years than the company's overall rate.

Radiology & Cardiology

Mallinckrodt Medical is a leading developer and manufacturer of specialty diagnostic products for radiology and cardiology. Its principal products are image-enhancing contrast agents administered to patients during x-ray procedures.

Radiologists use contrast agents in studies of the brain, abdominal organs, renal system, peripheral vascular system and other areas of the body to aid in diagnosis and therapy. Cardiologists require contrast agents to visualize the coronary arteries and chambers of the heart to diagnose heart disease or to aid in performing therapy such as percutaneous transluminal coronary angioplasty (PTCA).

The \$600 million U.S. x-ray contrast agent market is forecast to expand by more than 15 percent annually to in excess of \$1 billion by 1994.

Mallinckrodt's products for this market are generally placed in two categories—conventional agents and new generation agents. Conray[®], which Mallinckrodt introduced in 1962, continues as the number-one selling conventional ionic agent.

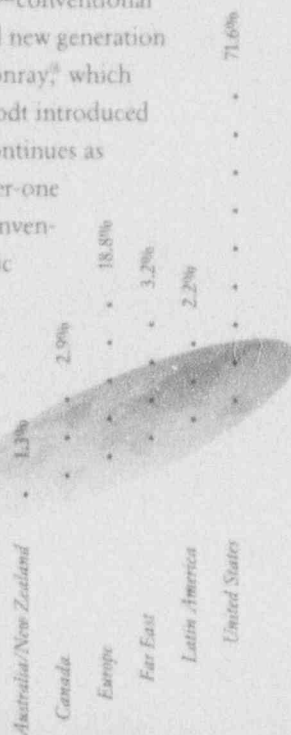


New generation agents include Optiray[®], introduced in June 1989 in the U.S. It is the first nonionic, low osmolality agent invented, patented and marketed by a U.S. company. It improves patient tolerance in intravenous procedures such as computerized tomography and urography. It also has gained acceptance in cardiology due to its lower viscosity and ease of injection.

Optiray will 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.

Hexabrix[®], the first new generation product introduced by Mallinckrodt in 1985 in the U.S., has the lowest osmolality of any contrast agent currently available and is particularly well-suited to cardiology procedures such as PTCA with its low side effect profile. Hexabrix is frequently used by radiologists in peripheral arteriography because of its reduced heat and pain to the patient.

WORLDWIDE SALES BY REGION (percent)





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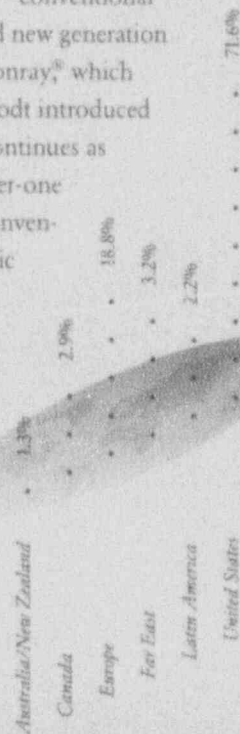


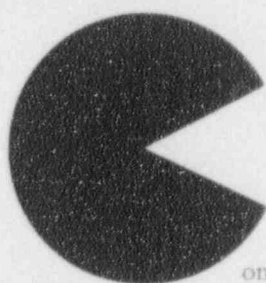
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WORLDWIDE SALES BY REGION (percent)





conversion to new generation products such as Optiray and Hexabrix is currently about 40 percent in the U.S., well behind other major countries. Therefore, domestic market growth is expected to outpace worldwide expansion for the next few years.

The company has introduced Ultraject,[®] a patented innovation in contrast 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.

Mallinckrodt Medical develops and markets advanced angiographic catheters. These catheters help physicians maneuver through the vascular system to view coronary arteries, the brain or peripheral arteries by injecting contrast media while x-ray images are taken.

Mallinckrodt strives to develop and commercialize technologically advanced products for imaging. The company has exclusive North and South American marketing rights to Alburnex,[®] an ultrasound contrast imaging agent, through a 1988 agreement with Molecular Biosystems of San Diego. The pre-market

approval filing is expected in the fall of 1990. Alburnex will aid in procedures such as echocardiography, or ultrasound heart imaging, which is performed about 5 million times annually in the U.S.

Mallinckrodt intends to be a key participant in contrast enhanced magnetic resonance imaging (MRI) through an active internal development program and external licensing.

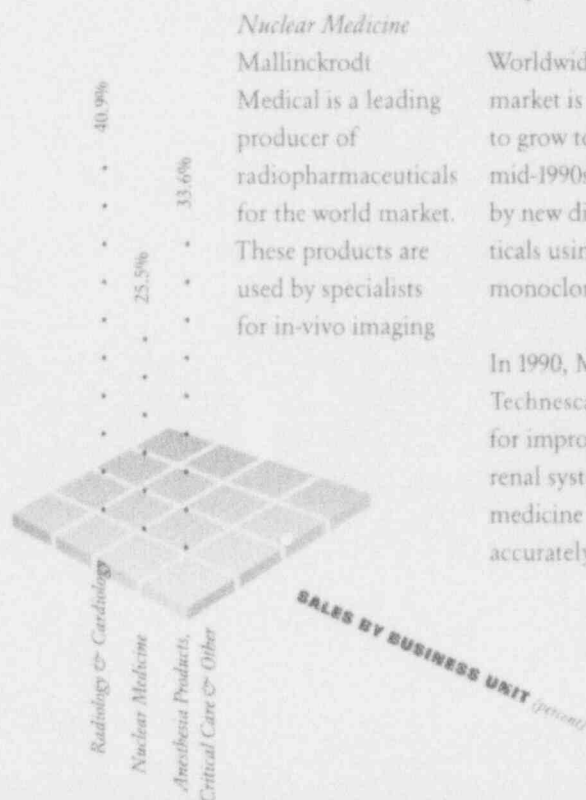
The world market for contrast agents could reach \$3 billion in the mid-1990s as a result of further growth of x-ray agents and the introduction of new products for MRI and ultrasound.

of the human body, such as the heart, brain, lungs, bone and vascular system. Nuclear imaging's advantage lies in providing diagnostic information on organ and tissue function, rather than just anatomy.

State-of-the-art production facilities in St. Louis and The Netherlands manufacture products in daily batches and deliver them to hospitals overnight. Mallinckrodt also operates a system of 24 nuclear pharmacies in key U.S. markets and 2 in Canada to provide unit-dose, premixed products. Mallinckrodt's dual distribution capabilities enable the company to provide better service to hospitals that have different requirements.

Worldwide, the radiopharmaceutical market is \$500 million and is expected to grow to more than \$1 billion by the mid-1990s. Market growth will be driven by new disease-specific radiopharmaceuticals using biological approaches, such as monoclonal antibodies and polypeptides.

In 1990, Mallinckrodt 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.



Mallinckrodt is in partnership with NeoRx of Seattle to develop radiopharmaceuticals with monoclonal antibodies for detection of cancer; two diagnostics for melanoma and small-cell lung cancer are awaiting Food and Drug Administration (FDA) approval.

Significant products under development address detection of cancer, cardiovascular disease and Alzheimer's disease. Therapeutic radiopharmaceuticals include Rhenium-187EDP, now in clinical studies for relief of severe pain from metastatic bone cancer.

Anesthesia Products & Critical Care
Mallinckrodt Medical is the world's leading and low-cost supplier of single-use tracheal tubes and temperature monitoring products used during surgery by anesthesiologists.

Offering the broadest line of basic and specialty tracheal tubes, Mallinckrodt holds a leadership position in the U.S. and Europe. In other key markets such as Japan, Mallinckrodt has a strong and expanding presence.

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ales are growing faster than the market because of increased use of specialty designs for specific surgical procedures and expanding application in non-surgical settings such as intensive and respiratory care.

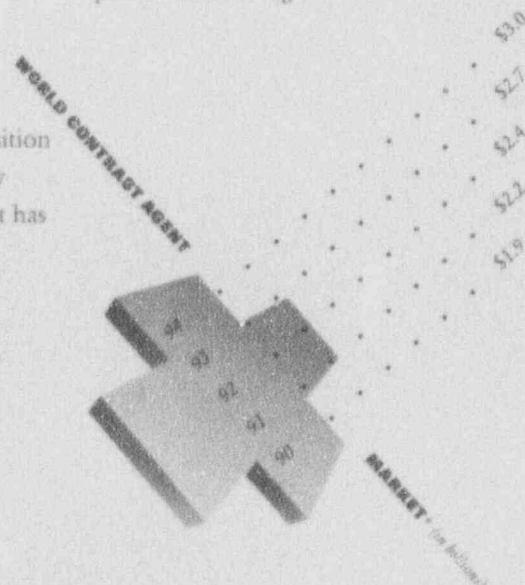
Establishing the industry standard for versatility and accuracy, Mallinckrodt's electronic temperature monitoring products assess patients' core body temperature continuously during surgery and intensive care. Mallinckrodt has the broadest line of single-use temperature probes in a market expected to grow 15 percent annually. International sales of both tracheal tubes and temperature monitoring products are growing much faster than in the U.S. because of increased surgical procedures, conversion to disposables and expanded patient monitoring.

In the fast-growing critical care segment, Mallinckrodt Sensor Systems manufactures and markets a unique system that quickly and accurately analyzes a patient's blood chemistry at bedside.

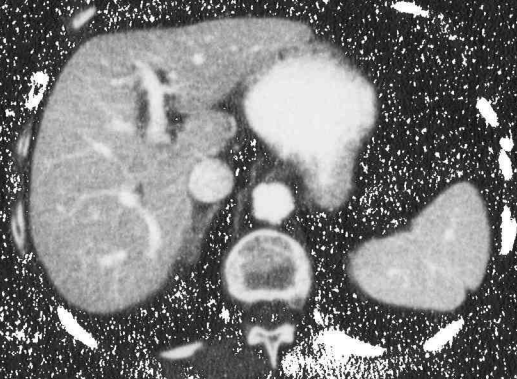
The proprietary technology, a leap forward in patient care and cost-containment, meets the accelerating shift of blood chemistry testing from central hospital laboratories to the bedside.

GEM-6™ was introduced in 1987 for use in open heart surgery. In 1988, a second system, GEM-STAT™, was launched for intensive care units. GEM-STAT provides results in less than two minutes compared to a turnaround time of 30 minutes or longer from a central laboratory.

Approximately 100 million blood gas measurements are made yearly in a U.S. market estimated to be \$500 million. On a worldwide basis, the market is about \$1 billion and increasing 10 percent annually.



**Source: Market Intelligence Research Company*



500
700
900
1100
1300
1500
1700
1900

..... *Table (Continued) (in millions)* 99 00 01 02 03 04

MILLINCKRODT MEDICAL *Financial Summary*

(In millions)	Years ended June 30	1987	1988	1989
Net sales				
Ongoing operations				
Radiology & Cardiology		\$163.4	\$110.2	\$ 95.4
Nuclear Medicine		101.5	91.2	81.0
Anesthesia Products, Critical Care & Other		134.6	119.2	105.3
		399.5	320.6	281.7
Divested operations				32.8
		\$399.5	\$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
Capital expenditures		\$ 26.4	\$ 18.2	\$ 26.3
Depreciation and amortization		\$ 23.7	\$ 23.1	\$ 21.3
Total assets		\$494.4	\$416.3	\$385.0
Ongoing operating earnings as a percent of ongoing sales		12.6%	12.2%	12.4%
Number of employees		3,500	3,000	2,700

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.

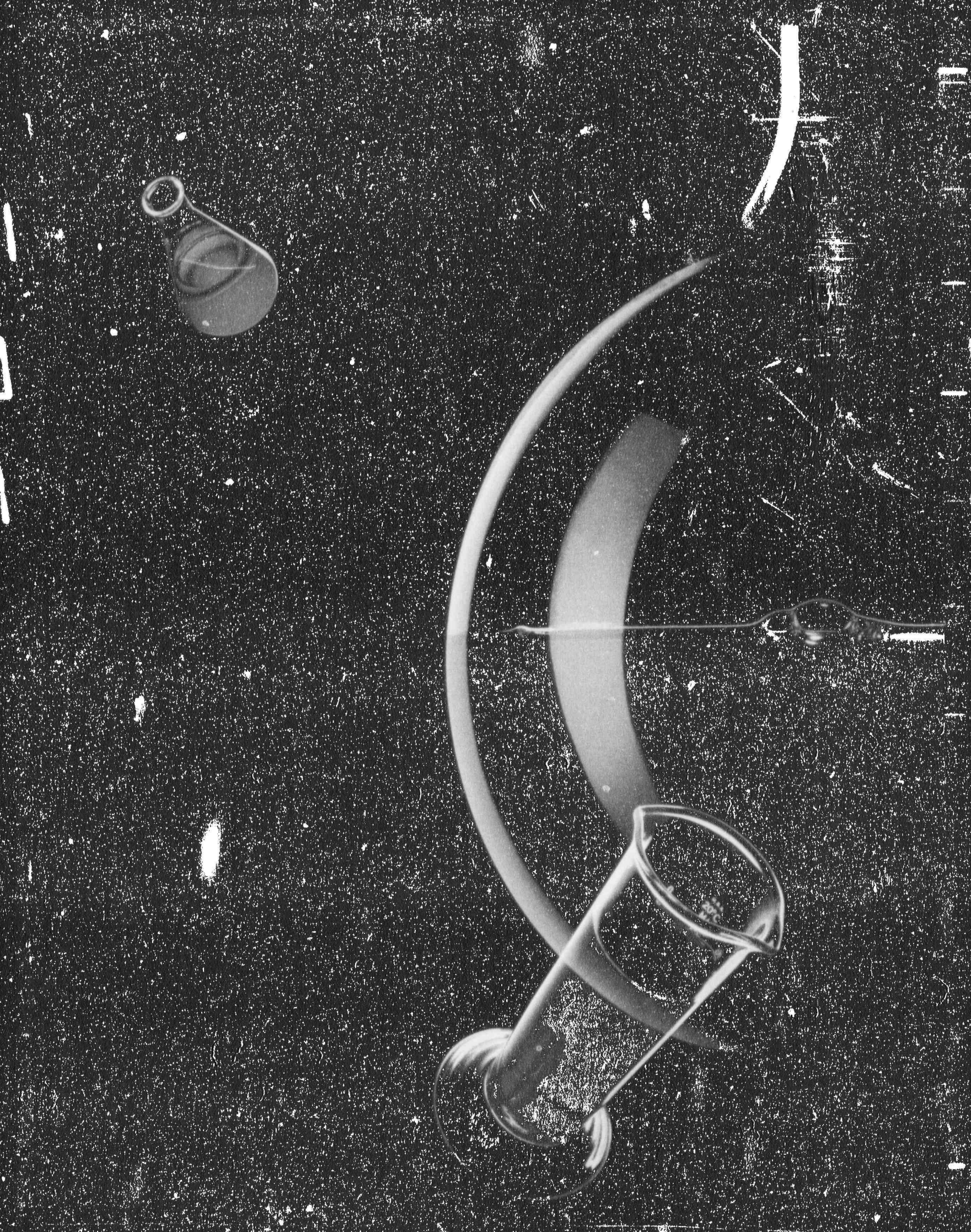
Sales of radiology and cardiology products increased to \$110.2 million in 1989 from \$95.4 million in 1988, or 16 percent. The growth was mainly due to U.S. sales of the low osmolar ionic contrast media agent, Hexabrix.

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.



WACK O. NICHOLS *President, and CEO, Mallinckrodt Specialty Chemicals*



Mallinckrodt Specialty Chemicals



Mallinckrodt Specialty Chemicals, headquartered in

St. Louis and employing some 2,300 people worldwide, is recognized as a producer of

high quality specialty and fine chemicals, serving the pharmaceutical, food and feed,

crop, laboratory, scientific and general chemical markets. The year's results featured

excellent operating performance and expansion into new international markets.

In fiscal 1990, net sales increased 11 percent to \$444.4 million and operating earnings grew 31 percent to \$48.6 million. The sale of Creations Aromatiques, Mallinckrodt's fragrance business, was completed in January 1990.

Over the next several years, sales of Mallinckrodt Specialty Chemicals are projected to increase in the range of 10 percent annually. Improved operating efficiencies are expected to contribute to growth in operating earnings at an even higher rate. This, plus strong management of fixed and working assets, is expected to about double return on invested capital to 15 percent by 1994.

Drug & Cosmetic Chemicals

The largest segment of drug and cosmetic chemicals consists of analgesics such as acetaminophen (APAP) and medicinal narcotics. The company's bulk analgesics are used in a wide variety of products across the entire pain spectrum, including 13 of the 23 most frequently used analgesics in the U.S.

Mallinckrodt Specialty Chemicals is the world's largest producer of APAP, the

active ingredient in Tylenol® and other pain relievers. APAP is a \$250 million worldwide market. The company sells APAP in more than 85 countries. In addition, the company manufactures p-aminophenol (PAP), the key raw material used to make APAP.

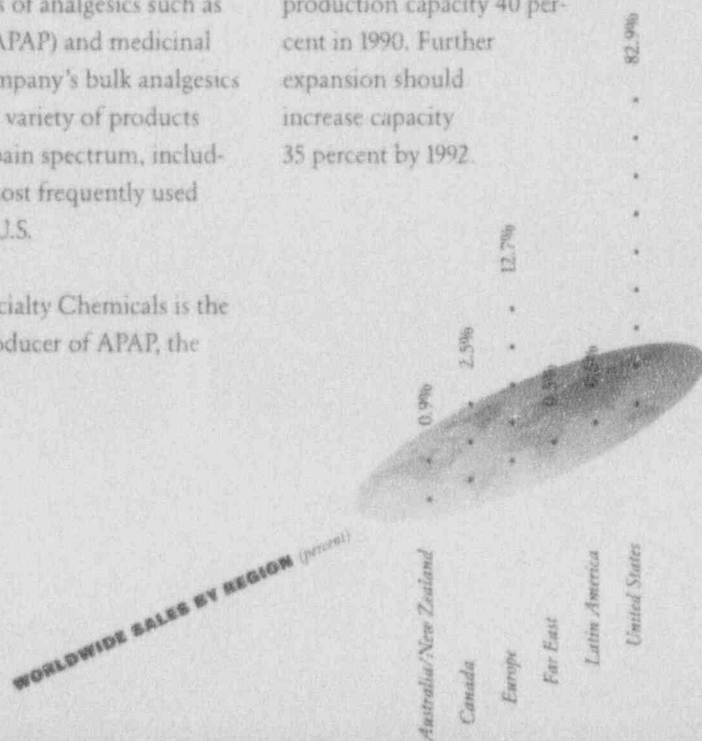
Acetaminophen is rapidly becoming the most commonly used pain reliever around the world. Developing countries improving the quality of their health care products are fueling worldwide demand, which is expected to grow 4 to 5 percent annually.

Expansion of the Raleigh, North Carolina, plant and the acquisition of the Staveley plant in Derbyshire, England, increased PAP/APAP production capacity 40 percent in 1990. Further expansion should increase capacity 35 percent by 1992.

Mallinckrodt Specialty Chemicals' primary goal is to maintain and improve its position as the low-cost producer of PAP/APAP products, enhancing its number-one market position in sales and capacity. Its position is further strengthened by more than 30 grades of APAP and APAP blends with other active ingredients.

The narcotics segment, more than 100 years old, is a stable, cash-generating business. Mallinckrodt offers the largest line of bulk narcotics of any manufacturer. More than 20 low-volume, high-value narcotics are marketed to manufacturers of prescription pharmaceuticals. In addition, a smaller line of dosage form products has been developed.

Cosmetic chemicals' leading product line is a range of suncreening chemicals used in sunscreen lotions. Because of growing public awareness of the damaging effects of the sun, these chemicals are being added to many types of cosmetic and toiletry products. In the \$40 million worldwide market for sunscreens, Mallinckrodt enjoys a leadership position.



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lso in the cosmetic line are pigments for blushes, eye shadows and lipsticks, as well as a wide range of specialty emollients and emulsifiers.

Catalyst & Performance Chemicals

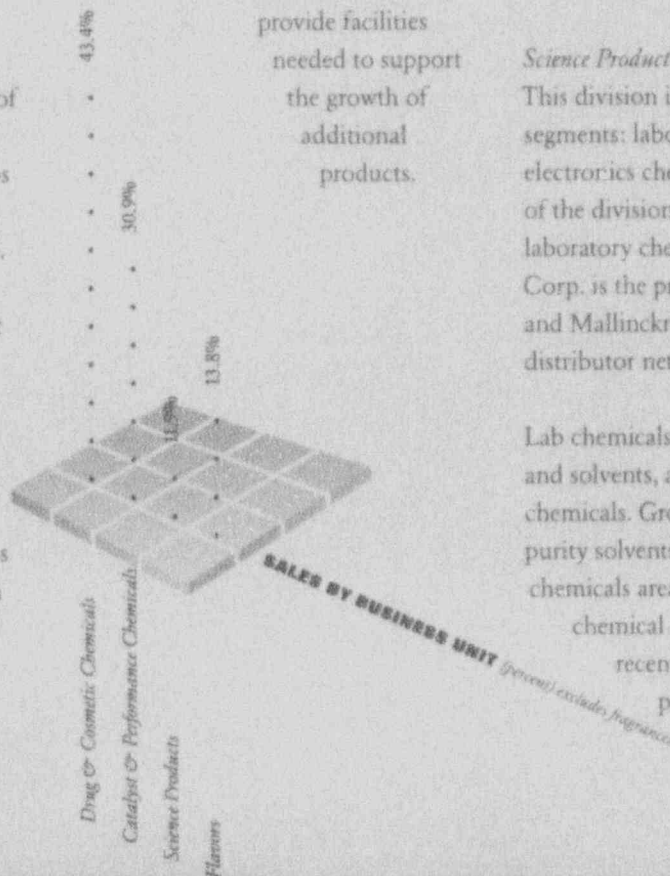
As many as 75 percent of all chemical processes employ a catalyst to improve manufacturing economies. It is a technically driven business and Mallinckrodt's catalysts add high value to customers' processes.

The world market for catalysts of all types is \$4 billion. Mallinckrodt Specialty Chemicals focuses on approximately 20 percent of the total market. These niche markets include the petrochemical industry; petroleum refining; hydrogenation, or hardening of naturally occurring fats and oils; and custom catalysts. Mallinckrodt develops and markets these catalysts worldwide under the registered trademark Calsicat.

During the last two years, Mallinckrodt has expanded catalyst manufacturing capability dramatically. In addition, geographic sales penetration has been expanded. As recently as 1983, catalyst sales outside the U.S. were very small. Today, approximately 25 percent of sales are international. A significant position has been established in Europe with an emerging presence in the Far East, Mexico and South America.

Mallinckrodt Specialty Chemicals offers a wide variety of high-purity organic and inorganic chemicals used in applications ranging from processing aids in polymer manufacturing to intermediates in chemical production.

The company is becoming a significant worldwide provider of aromatic fluorine intermediates (AFIs). Within one year of start-up of a new continuous process plant, Mallinckrodt has become the number-one world supplier of fluorobenzene, and is rapidly expanding into more complex and higher value-added products. A new \$11 million development center will provide facilities needed to support the growth of additional products.



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wo key market segments are generating the optimism. In the agricultural market there are large-volume products already commercialized by major ag chemical industry players. There also are at least a dozen more products in development.

The second and most important segment to the company is the pharmaceutical industry. Some 280 products are in varying stages of development requiring more complex and advanced AFIs.

The total worldwide AFI market is projected to nearly triple during the next five years to about \$400 million.

Science Products

This division is comprised of three segments: laboratory, prescription and electronics chemicals. More than half of the division's sales are generated by laboratory chemicals. Baxter Health Care Corp. is the primary national distributor and Mallinckrodt has a strong regional distributor network.

Lab chemicals include high-purity acids and solvents, and a wide range of dry chemicals. Growth is foreseen in the high-purity solvents, biotech and research chemicals areas. A unique laboratory chemical disposal service has recently been introduced to dispose of unwanted chemicals.

Prescription chemicals consist of narcotics and chemicals for the pharmacist. Mallinckrodt has extensive access to the market through 80 wholesale pharmaceutical distributors.

Flavors

The flavors business, known as Fries & Fries, is capitalizing on significant changes in its marketplace. Global market demand for flavors exceeds \$2.5 billion, and has a projected annual growth rate of 4 percent.

Fries & Fries focuses on flavors for dry beverages, alcoholic and carbonated beverages, juices and drinks, cereals, dairy products, desserts, baked goods and snacks.

As consumer eating habits and preferences change, so do demands for flavors. Fries & Fries has responded by developing flavors to enhance the taste of foods low in fat and cholesterol. For example, butter flavors to replace animal fats in bakery products, and flavors to provide richness and smoothness in low-fat yogurt have been introduced.

The division has developed an extensive line of natural flavors to satisfy preferences for natural food products. Today, natural flavors represent 75 percent of the flavors market.

Another growth area is advanced flavor systems for microwave foods which must maintain stability and simulate the taste, aroma and texture of conventionally prepared foods.

Fries & Fries completed a \$9 million expansion of R&D and production facilities in Cincinnati in July 1989. Other facilities are located in the United Kingdom and

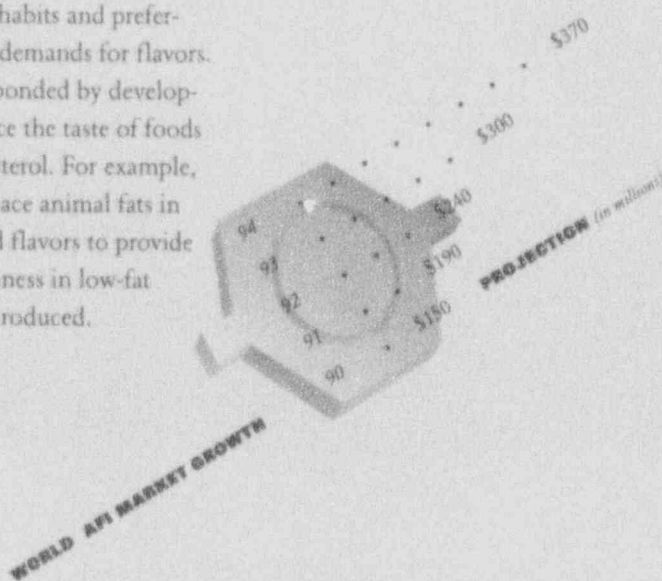
Mexico, with sales and applications offices in Canada, Singapore, Korea and Taiwan.

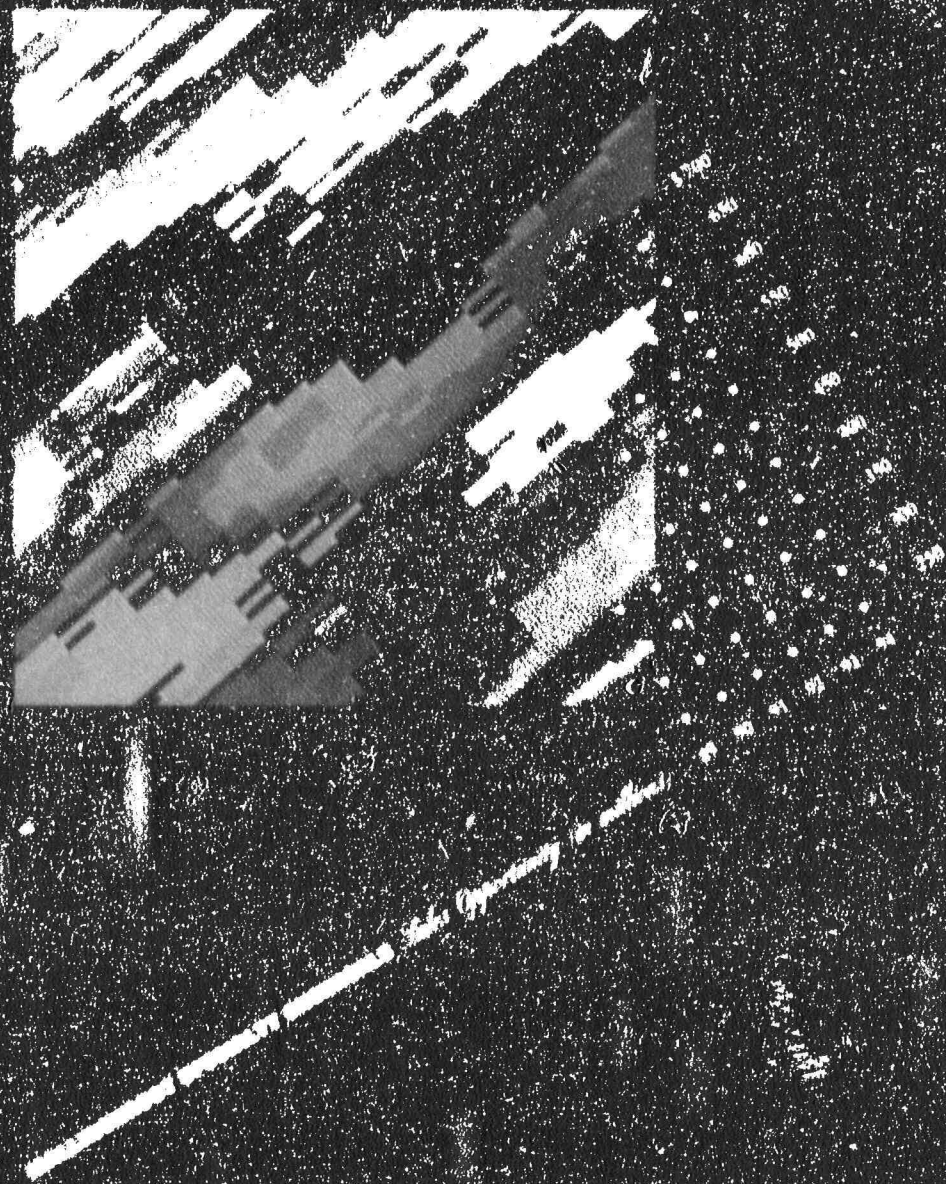
Responsible Care

Mallinckrodt Specialty Chemicals is committed to supporting an initiative called Responsible Care, designed to help the chemical industry improve its performance in chemicals management. The effort is sponsored by the Chemical Manufacturers Association (CMA).

The program's goals focus on improving performance in health, safety and environmental quality through mutual assistance of CMA member companies and local communities.

Mallinckrodt's participation in Responsible Care is a long-term effort. It complements the company's existing participation in various site Community Awareness and Emergency Response programs.





MALLINCKRODT SPECIALTY CHEMICALS *Financial Summary*

(In millions)	Years ended June 30	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		20.6	45.1	46.8
Flavors		59.0	47.7	48.2
		427.1	370.1	341.0
Discontinued operations				
		17.3	29.6	12.0
		\$444.4	\$399.7	\$373.0
Operating earnings				
Ongoing operations				
		\$ 48.3	\$ 36.4	\$ 33.9
Discontinued operations				
		3	7	4
Nonrecurring loss				
				(5.2)
		\$ 48.6	\$ 37.1	\$ 29.1
Capital expenditures				
		\$ 29.3	\$ 32.4	\$ 28.2
Depreciation and amortization				
		\$ 29.1	\$ 27.5	\$ 31.1
Total assets				
		\$457.1	\$460.3	\$450.4
Operating operating earnings as a percent of ongoing sales				
		11.3%	9.8%	9.9%
Number of employees				
		2,300	2,200	2,200

¹Reflects 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 shut-down 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.



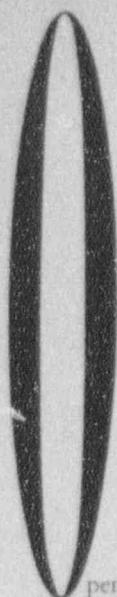
Domestic  *Domestic* Purina's acquisition of the Cooper's Animal Health Group at

the beginning of fiscal 1999 accomplished several major strategic objectives. It more

than doubled Purina's net sales to \$320.4 million, while ongoing operating

earnings increased more than five times to \$53.0 million. In addition, Cooper's

dramatically expanded worldwide manufacturing and distribution capabilities.



perations 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 combined net sales outside the U.S.

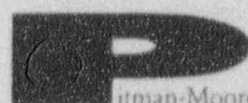
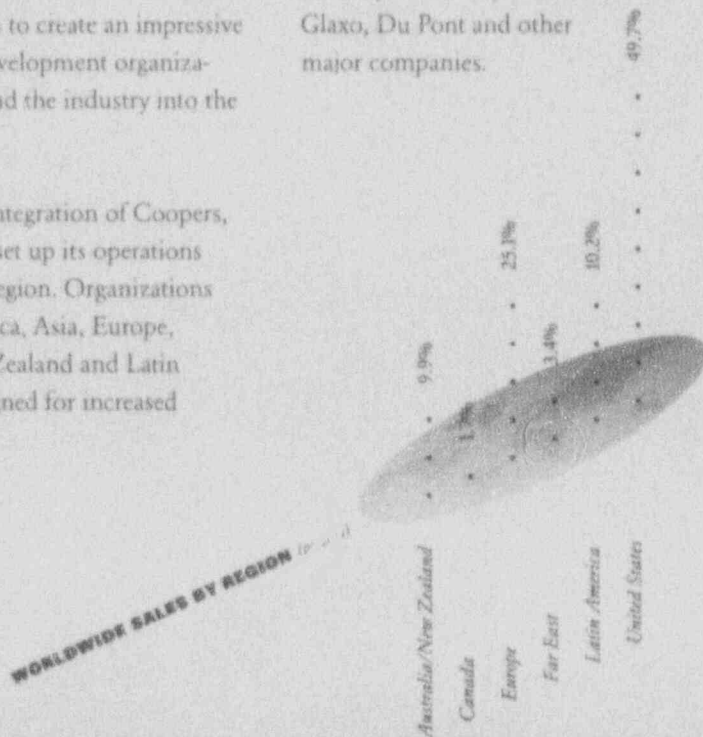
Coopers' vaccines, anthelmintics, anti-protozoals, antibacterials and a variety of therapeutic preparations greatly enhanced Pitman-Moore's product lines.

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 expanding at a rate of about 2 to 4 percent per year, while Pitman-Moore's expectations for sales growth are 10 to 12 percent over the next five years. This 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.

Animal Productivity

Two of the company'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. Lyricellin and retromastin, discovered by Kagon and Coopers, respectively, are products that improve the average daily gain and feed efficiency of feedlot and pasture cattle. Both are awaiting 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.

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

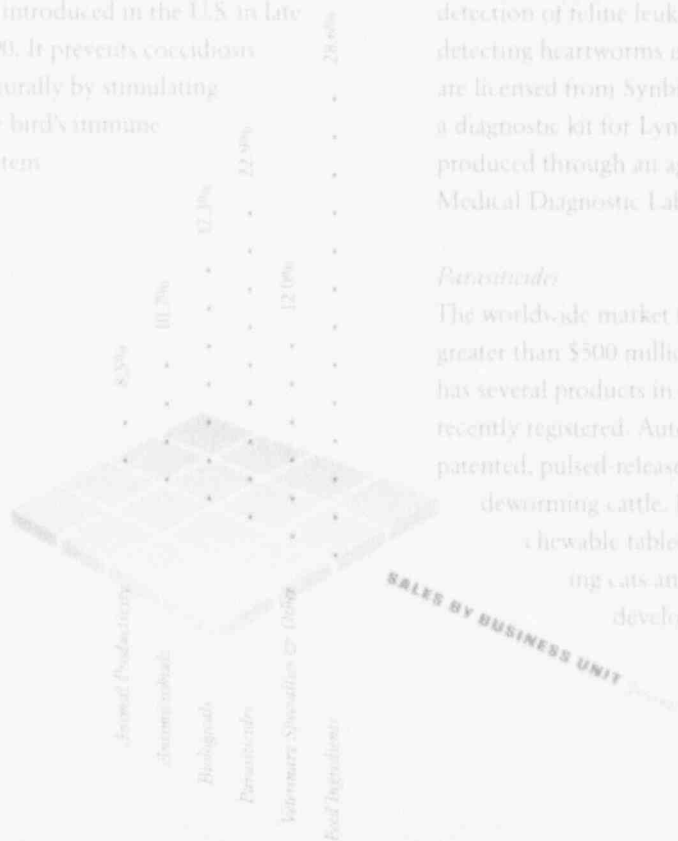
Diprinovel,[®] a broad-spectrum, therapeutic antibacterial for food and companion animals, is in advanced stages of development. The global market potential is greater than \$50 million.

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., will 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, and one for detecting heartworms in dogs. These kits are licensed from Symbiotics. The third is a diagnostic kit for Lyme disease in dogs produced through an agreement with 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 tag-tag, Silber,™ was launched in January 1990.

Several new products in the Australia and New Zealand markets 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 the company 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 Rapinover, 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 percentage of the six units is generated by feed ingredients. Pitman-Moore is the world's largest supplier of feed-grade phosphate and potassium products. The acquisition of Coopers gave the company the opportunity to expand its worldwide feed ingredients distribution channels.

The products are derived from basic phosphorus and potassium. Leading Pitman-Moore branded feed ingredients include Monofos,™ Biofos,™ Dynafos,™ Multifos,™ Dyna-K™ and Dynamate.™

T

hese feed ingredients are safe, effective and economical for livestock, including dairy and beef cattle, sheep, swine, poultry and horses.

In summary, fiscal year 1990 will be remembered as the launch of one of the world's major animal health companies.

Improvement in operating margins for the new Pitman-Moore organization should result from continued rationalization of manufacturing and product lines, cross registration of existing products and the introduction of new products. Return on invested capital should more than double to a minimum of 15 percent by 1994, when net sales are expected to approach \$900 million.



(In millions)	Years ended June 30	1988	1989	1990
Net sales				
Operating operations				
Animal Productivity		\$ 49.4	-	-
Animal Health		62.0	-	-
Biologics		100.3	-	-
Parasitics		112.9	-	-
Veterinary Specialties & Other		69.7	-	-
Total Animal Health		414.3	\$121.2	\$109.1
Food Ingredients		166.1	151.2	126.2
		580.4	254.4	235.3
Divested operations				
			8.2	9.2
		\$580.4	\$262.6	\$244.5
Operating earnings (loss)				
Operating operations		\$ 55.6	\$ 9.8	\$ 6.5
Divested operations			1.5	1.4
Nonrecurring gain (loss)			1.9	(9.1)
		\$ 55.6	\$ 13.2	\$ (1.2)
Capital expenditures				
		\$ 29.7	\$ 20.2	\$ 11.8
Depreciation and amortization				
		\$ 25.1	\$ 9.7	\$ 10.5
Free cash				
		\$612.8	\$218.5	\$212.5
Operating margins (percent of operating sales)				
		9.6%	5.1%	2.8%
Number of employees				
		1,000	1,000	1,000

Operating margins are based on operating sales for 1988, 1989, and 1990. Operating margins are calculated after the date of acquisition of the business. Operating margins are based on the operating sales of the business for the period.

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.

OPERATING COMPANIES

Mallinckrodt Medical
 Total net sales
 \$400 million
 Operating earnings
 \$50 million

Mallinckrodt Specialty Chemicals**

Total net sales
 \$427 million
 Operating earnings
 \$48 million

Pitman-Moore

Total net sales
 \$580 million
 Operating earnings
 \$56 million

MAJOR BUSINESSES

Radiology & Cardiology

\$163

Nuclear Medicine

\$102

Anesthesia Products,
 Critical Care & Other

\$135

Drug & Cosmetic
 Chemicals

\$185

Catalyst & Performance
 Chemicals

\$132

Science Products

\$ 51

Flavors

\$ 59

Animal Productivity

\$ 49

Antimicrobials

\$ 62

Biologicals

\$100

Parasiticides

\$133

Veterinary Specialties & Other

\$ 70

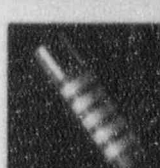
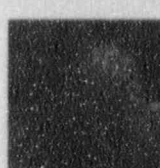
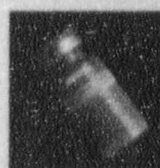
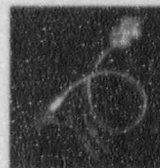
Feed Ingredients

\$166

***in millions*

***excludes Creations Aromatiques results*

MAJOR MARKETS	MARKET POSITION	MAJOR PRODUCTS
X-ray contrast media	Leader	Conray, [®] Hexabrix, ^{®†} Optiray [®]
Interventional products	Emerging	Ultraject [®] prefilled syringe, Softouch [®] catheters
Diagnostic & therapeutic radiopharmaceuticals	Leader	Technescan [®] MAA, MAG3, [™] PYP, [®] Osteoscan [®] HDP, Ultra Vent [®]
Airway catheters	Leader	RAE, [®] Broncho-Cath, [®] Hi-Lo [®] & Lo-Pro, [®] Laser-Flex [®]
Temperature monitoring	Leader	Mon-A-Therm [®]
Blood gas & vital sign monitoring	Emerging	GEM-STAT, [™] GEM-6 [™]
Analgesics	Leader	Acetaminophen (APAP), Opium derivatives
Cosmetics	Leader	Escalol [®] 507 & 557
Catalysts	Leader	Base metal catalysts
Specialty inorganics	Significant	Inorganic salts
Stearates	Significant	Hydense [®]
Photochemicals	Presence	Developers
Aromatic fluorine intermediates	Leader	Fluorobenzene
Laboratory chemicals	Significant	High-purity acids and solvents
Food & beverages	Significant	Natural and artificial flavors and ingredients for beverage, savory and sweet goods products
Anticoccidials	Emerging	Clinacox ^{™†}
Growth promotants	Leader	Ralgro [®]
Nutritionals	Emerging	Phosrite, [™] Vigortabs, [®] Permasel [™]
Growth permitants	Emerging	Bacifer [®]
Antibacterials	Significant	Cepravin, [™] Tribriksen, [®] Spectrazol [®]
Antifungals	Significant	Grisovin, ^{™†} Conofite, [®] Clinafarm ^{®†}
Pet vaccines	Significant	Genetivac [™] FeLV, Vaxitas [™]
Equine vaccines	Significant	Equi-Flu, [™] Strepvax [®]
Cattle & sheep vaccines	Leader	Footvax, [®] Leptovoid [®] H
Poultry vaccines	Significant	Paracox, [™] Newcadin [®]
Swine vaccines	Emerging	Porculin, [™] Titan [®] 3-D
Rabies vaccines	Significant	Imrab, ^{™†} Rabdomun [™]
Diagnostics	Significant	UNI-TEC, [™] D-Tec [®] Lyn.e
Anthelmintics	Significant	Systemex, ^{®†} Nilverm, [™] Levasole, [®] Totalon, ^{®†} Autoworm, [™] Clout, [™] Grenade, [™] Saber, [™] Tomahawk, [®] Delice [®]
Anesthetics	Leader	Metofane, [®] Rapinover [™]
Hygiene products	Significant	Hibitane, ^{®†} Hibitex ^{™†}
Prostaglandins	Significant	Estrumate [®]
Surgicals & bandaging	Leader	Ethicon/Johnson & Johnson product line
Mineral feed supplements	Leader	Monofos, [®] Biofos, [®] Multifos [®]



June 1989

Mallinckrodt Medical introduces Optiray in the U.S.

July 1989

Pitman-Moore acquires the Coopers Animal Health Group for \$218 million cash, plus the assumption of liabilities.

IMC redeems 1.2 million shares of its \$3.75 Convertible Exchangeable Preferred Stock, Series A, for \$65 million. The balance, a total of 1.3 million Series A shares, is converted by the holders into 1.6 million IMC common shares at a conversion rate of 1.218 shares of common stock for each preferred share.

Mallinckrodt Specialty Chemicals completes a 20 percent capacity addition to its PAP/APAP facility in Raleigh, North Carolina, and a doubling of its nickel catalyst capacity in Erie, Pennsylvania.

August 1989

Mallinckrodt Specialty Chemicals acquires the Staveley PAP/APAP business unit of RTZ Chemicals Ltd. in Derbyshire, England.

September 1989

IMC purchases a block of 1 million shares of its common stock from Curtiss-Wright Corporation for \$51.7 million.

November 1989

Mallinckrodt Specialty Chemicals breaks ground on an \$11 million process development center in St. Louis for advanced aromatic fluorine intermediates (AFIs).

December 1989

Pitman-Moore signs an agreement with Virbac SA to market and distribute a feline leukemia virus vaccine in the U.S. and Canada.

January 1990

Creations Aromatiques, Mallinckrodt, Inc.'s fragrance business, is sold, resulting in an after-tax gain of \$5.2 million.

March 1990

Pitman-Moore's Bray, Ireland, pharmaceutical plant receives FDA approval to supply product to the U.S. market.

Pitman-Moore completes its filing of a New Animal Drug Application with the FDA for Grolene,[®] a growth promotant for hogs.

April 1990

The number of IMC common shares outstanding increases from 20.9 million to about 22.7 million with the conversion of outstanding \$3.25 Convertible Exchangeable Preferred Stock, Series B.

A \$42 million program to double Optiray production capacity is approved.

June 1990

Shareholders approve changing the company's name from International Minerals & Chemical Corporation (IMC) to IMCERA Group Inc.

Mallinckrodt Medical begins expansion of its Athlone, Ireland, anesthesia device facility.

Ultraject, the first prefilled plastic syringe for administering x-ray contrast media, is introduced by Mallinckrodt Medical to the U.S. market.

Mallinckrodt Medical signs an agreement with Advanced Magnetics, Inc., to manufacture and distribute a new contrast agent for magnetic resonance imaging studies of the abdomen.

July 1990

Mallinckrodt Specialty Chemicals enters into a cooperative agreement with Star Biochemicals to produce peptides and peptide building blocks for the pharmaceutical industry.

August 1990

Mallinckrodt Medical announces an agreement with Yamanouchi Pharmaceutical Co., Ltd., for the distribution of Optiray in Japan.

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:

	<i>\$ in Millions Per Share</i>	
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.

On pages 13, 21, and 29, reference is made to ongoing operations, divested operations, and nonrecurring gains and losses. Except for a 1990 gain from the sale of a fragrance business, these elements are included in results from continuing operations in the Consolidated Statement of Earnings.

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.

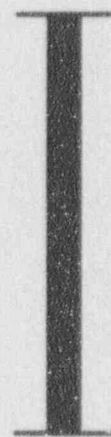
1989 vs. 1988

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 the 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 29.

See Note R to the Consolidated Financial Statements for a discussion of environmental matters.

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 38 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
Chicago, Illinois
August 6, 1990

Responsibility for Financial Reporting

The financial statements included in this report are the responsibility of management. The statements have been prepared in conformity with generally accepted accounting principles and include amounts based on our best estimates and judgments. Financial information appearing elsewhere in this report is consistent with that in the financial statements.

To meet management's responsibility for financial reporting, internal accounting control systems and procedures are designed to provide reasonable assurance at a reasonable cost as to the reliability of financial records. In addition, the Company maintains a program for communicating corporate policy throughout the organization. As a further safeguard, an internal audit staff monitors compliance with these policies and internal accounting control systems and procedures.

IMCERA's financial statements have been audited by Ernst & Young. To express their opinion as to the fairness of the statements in conformity with generally accepted accounting principles, they review and evaluate IMCERA's accounting controls and conduct such tests and other procedures as they deem necessary. The Audit Committee of the Board of Directors regularly meets with the independent auditors and representatives of management, including IMCERA's internal auditors—both jointly and separately—to review financial reporting matters and to assure proper performance of audit and control functions.

John F. Sonderegger
Vice President and Controller
August 6, 1990

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INFORMATION BY BUSINESS SEGMENT
NET SALES

<i>(In millions)</i>	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

<i>(In millions)</i>	<i>Earnings (loss) from Continuing Operations Before Income Taxes</i>			<i>Identifiable Assets</i>		
	1990	1989	1988	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

<i>(In millions)</i>	<i>Capital Expenditures</i>			<i>Depreciation and Amortization</i>		
	1990	1989	1988	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

<i>(In millions except per share amounts)</i>	<i>Years ended June 30</i>	<i>1990</i>	<i>1989</i>	<i>1988</i>
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
ASSETS

<i>(In millions)</i>	<i>At June 30</i>	<i>1990</i>	<i>1989</i>
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	

LIABILITIES

<i>(In millions)</i>			
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

<i>(In millions except per share amounts)</i>			
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
CASH PROVIDED (USED) BY OPERATIONS

<i>(In millions)</i>	<i>Years ended June 30</i>	<i>1990</i>	<i>1989</i>	<i>1988</i>
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)	60.9	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

	<i>Preferred Stock</i>	<i>Common Stock</i>	<i>Capital in Excess of Par Value</i>	<i>Reinvested Earnings</i>	<i>Other</i>	<i>Treasury Stock</i>
<i>(In millions except per share amounts)</i>						
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 (\$3.3125 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)

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 "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 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.

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:

<i>Year ended June 30</i>	<i>1989</i>
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 F

Property, Plant, and Equipment

<i>At June 30</i>	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

<i>At June 30</i>	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 benefit	.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 adjustments, 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 (\$6.3 million, or \$.28 a share) from higher taxes on the Company's 1990 equity in unremitted earnings of IMC Fertilizer resulting from 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

	1990	1989
At June 30		
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:

	1990	1989
At June 30		
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:

	1990	1989
At June 30		
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, 1995, 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 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 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 1.

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 \$65.3 million and 1,302,123 shares were converted into approximately 1,586,000 shares of IMCERA common stock.

In April 1990, all of the 1,198,000 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
	<u>28,407,886</u>

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 certain 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	258,565
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, \$5.6 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
<i>At June 30</i>			
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 C

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	19.1	101.4
Other	2.2	4.8	19.4
	\$34.3	\$46.1	\$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) and expense, 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 38 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, anti-microbials, 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.

<i>Years ending June 30</i>	
1991	\$ 19.1
1992	15.3
1993	11.6
1994	9.5
1995	8.5
Later years	107.8
	<hr/> \$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.

FIVE-YEAR COMPARISON
SUMMARY OF OPERATIONS

<i>(Dollars in millions except per share amounts)</i>	<i>Years ended June 30</i>				
	<i>1990¹</i>	<i>1989¹</i>	<i>1988¹</i>	<i>1987²</i>	<i>1986³</i>
Net sales	\$1,424.6	\$ 982.9	\$1,473.6	\$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)
<i>Per Common Share Data⁵</i>					
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

<i>(Dollars in millions)</i>					
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

¹See "IMCERA Management's Discussion and Analysis" 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.

²Results for 1987 include a \$90 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.

³Results 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.

⁴See 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.

⁵Presented on a primary per common share basis.

QUARTERLY RESULTS
FISCAL 1990

<i>(In millions except per share amounts)</i>	<i>Quarter</i>	<i>First</i>	<i>Second</i>	<i>Third</i>	<i>Fourth</i>	<i>Fiscal Year</i>
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		7.5	9.8	18.7	22.9	58.9
Discontinued operations			(.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 (dollars) per common share						
Continuing operations		\$.27	\$.40	\$.83	\$.99	\$ 2.53
Discontinued operations			(.01)	.02	(.11)	(.11)
Net earnings		\$.27	\$.39	\$.85	\$.88	\$ 2.42

FISCAL 1989

<i>(In millions except per share amounts)</i>	<i>Quarter</i>	<i>First</i>	<i>Second</i>	<i>Third</i>	<i>Fourth</i>	<i>Fiscal Year</i>
Net sales		\$217.6	\$241.0	\$258.4	\$265.9	\$ 982.9
Gross margins		84.5	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 (dollars) 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 benefited 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 (\$6.7 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 quarters 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 benefited 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.

TRADEMARKS

The trademarks listed are used in this Annual Report to identify products of IMCERA Group Inc., its subsidiaries or, in some cases, other companies. Trademarks belonging to other companies are indicated with a *. The ® symbol indicates that the trademark is registered in the United States Patent and Trademark Office.

- *Albusex® (cardiac diagnostic agent, Molecular Biosystems, Inc.)
- Auzowem™ (anthelmintic agent)
- Baciferin® (animal feed ingredient)
- Biofos® (animal feed supplement)
- Blitz® (insecticide)
- Broncho-Cath® (endobronchial tube)
- Cepravim™ (antibiotic agent)
- *Clinacox™ (anticoagulant agent, Janssen Pharmaceutica N.V.)
- *Clinafarn® (antifungal agent, Janssen Pharmaceutica N.V.)
- Clout™ (pour-on parasiticide)
- Conotus® (antifungal agent)
- Conras® (ophthalmic acid)
- D-Fel® Lyme (diagnostic kit)
- Deluc® (insecticide)
- Diprinovet™ (antibacterial agent)
- Dyna-K® (animal feed supplement)
- Dynafos® (animal feed supplement)
- Dynamite® (animal feed supplement)
- Equi-Flu™ EWT (equine vaccine)
- Escalol® 507 & 357 (sunscreens)
- Estramate™ (prostaglandin preparation)
- Ethicon Johnson & Johnson Product Line
- *Flubisol® (anthelmintic agent, Janssen Pharmaceutica N.V.)
- Footrax® (footrot vaccine)
- GEM-6™ (blood chemistry analyzer)
- GEM-STAT™ (blood chemistry analyzer)
- Genetrac™ FelV (feline vaccine)
- Grenade® (ectoparasiticide)
- *Grisovin® (antifungal, Glaxo Group Limited)
- Grolean® (swine growth promoter)
- *Hexabrix® (taglycic acid, Guerbet, S.A.)
- *Hibitan® (hygiene product, Imperial Chemical Industries)
- *Hibiter™ (udder hygiene product, Imperial Chemical Industries)
- H-Lu® (tracheal tube)
- Hydense® (stearates)
- *Imrab® (rabies vaccine, Institute Mérieux)
- Laser-Flex® (tracheal tube)
- Leptevoid® H (cattle and swine vaccine)
- Levasole® (anthelmintic agent)
- Lo-Pro® (tracheal tube)
- Metofane® (anesthetic)
- Mon-A-Therm® (temperature probe)
- Menofor® (animal feed supplement)
- Multifos™ (animal feed supplement)
- Newcadin® (poultry vaccine)
- *Nilverin™ (anthelmintic, Janssen Pharmaceutica N.V.)
- Opitray® (oversol)
- Osteoscan® HDP (radioactive diagnostic kit)
- Paracox® (poultry vaccine)
- Dermasol™ (nutritional supplement)
- Phosrite™ (nutritional supplement)
- Porculin™ (swine vaccine)
- RAE® (endotracheal tube)
- Rabdomin™ (rabies vaccine)
- Ralgro® (anabolic agent)
- Rapinovet™ (small animal anesthetic)
- Saber® (insecticide cartag)
- Scapda™ (anthelmintic)
- Softouch® (catheters)
- Spectrazol® (antibiotic agent)
- Stampede™ (insecticide)
- Streptax® (streptococcus antigen)
- Strike™ (insecticide)
- *Sytanex® (anthelmintic agent, Syntex [USA] Inc.)
- Technescan® MAA (radioactive diagnostic kit)
- Technescan® MAG3® (radioactive diagnostic kit)
- Technescan® TYP® (radioactive diagnostic kit)
- Tizan® J-D (swine vaccine)
- Tomahawk® (herbicide)
- *Toralon® (anthelmintic agent, Janssen Pharmaceutica N.V.)
- Tinbrasin® (antibacterial agent)
- Torkadin™ (poultry vaccine)
- *Tylenol® (analgesic, Johnson & Johnson)
- Ultraject® (prefilled syringe)
- UltraVen® (aerosol delivery system)
- UNI-TEC™ (diagnostic reagents)
- Veritas® (vaccine)
- Vigortabs® (animal vitamin supplement)

BOARD OF DIRECTORS AND OFFICE OF THE CHIEF EXECUTIVE

Board of Directors

George D. Kennedy¹
Chairman and Chief Executive Officer, IMCERA

Keith D. Bunnel^{1,2}
Former Vice Chairman, Administration,
American Standard, Inc.

Ronald G. Evens, M.D.^{1,3}
Director, Mallinckrodt Institute of Radiology,
Washington University School of Medicine

Louis Fernandez^{4,5}
Chairman, Celgene Corporation

Alec Flamm^{1,5}
Former President and Chief Operating Officer,
Union Carbide Corporation

James W. Glanville^{2,3}
General Partner, Lazard Freres & Co.

Paul R. Judy^{3,4}
Corporate Director and Advisor

Roberta S. Karmel^{1,4}
Professor of Law, Brooklyn Law School, and Partner,
Law Firm of Kelley, Drye & Warren

Jeremiah Milbank^{1,3}
Personal investments

Morton Moskowitz^{1,4}
Partner, Law Firm of White & Case

Hervé M. Finet^{2,4}
Senior Advisor, Merrill Lynch and Co.

Daniel R. Toll^{1,3}
Corporate and Civic Director

Office of the Chief Executive

George D. Kennedy
Chairman and Chief Executive Officer

M. Blakeman Ingle
President and Chief Operating Officer

Raymond F. Bentele
Executive Vice President and
President, Mallinckrodt, Inc.

Note of Appreciation

Jeremiah Milbank retires at the 1990 Annual Meeting of Shareholders after 15 years of service on the board. We are grateful for the many contributions he has made through the years.

¹ Audit Committee; Jeremiah Milbank is Committee Chairman.
² Compensation Committee; Keith D. Bunnel is Committee Chairman.
³ Executive Committee; Morton Moskowitz is Committee Chairman.
⁴ Nominating Committee; Hervé M. Finet is Committee Chairman.
⁵ Social Responsibility Committee; Louis Fernandez is Committee Chairman.

OFFICERS AND KEY MANAGERS

Officers

James C. Bryan
Vice President, Strategic Management

Kenneth J. Burns, Jr.
Vice President, Secretary and General Counsel

Elizabeth M. Higashi
Vice President, Corporate Communications

John F. Sonderegger
Vice President and Controller

John M. Stapleton
Vice President, Organization and Human Resources

A. Jacqueline Dout
Acting Treasurer and Corporate Staff Vice President,
Treasury Operations

Corporate Staff

Joan T. Bier
Corporate Staff Vice President, Government Affairs

John H. Chamberlain
Assistant Controller and Corporate Staff Vice President,
Accounting and Financial Planning

Douglas K. Larsen
Corporate Staff Vice President,
Environmental and Safety

Henry C. Meyer
Assistant Controller and Corporate Staff
Vice President, Taxes

Howard E. Post
Assistant Secretary

William B. Stone
Assistant Controller and Corporate Staff Vice President,
Internal Audit and Information Systems

Mallinckrodt, Inc.

Raymond F. Bentele
President and Chief Executive Officer

Mallinckrodt Medical

C. R. (Ray) Holman
President and Chief Executive Officer

Roger A. Hebrank
Senior Vice President, Finance and Administration

William J. Mercer
Group Vice President, Medical Imaging Group

Robert G. Moussa
Group Vice President, International Group

J. Eugene Fox
Vice President, Science and Technology

Roger A. Keller
Vice President and General Counsel

James C. Carhile
Vice President and General Manager, Radiology

Charles R. Clark
Vice President and General Manager,
Anesthesia Products

Thomas R. Trotter
Vice President and General Manager,
Mallinckrodt Sensor Systems

Peter C. Vermeeren
Vice President and General Manager, Nuclear Medicine

SHAREHOLDER INFORMATION

Shareholder Inquiries and Automatic Dividend Reinvestment

A toll-free telephone line is available for the First Chicago Trust Company of New York, the Company's registrar and transfer agent, for shareholder inquiries on such matters as lost certificates, late dividends, changes of name or address on certificates and elimination of multiple mailings. The number is (800) 446-2617.

A convenient automatic dividend reinvestment plan is available for IMCERA shareholders of record. IMCERA pays for all brokerage fees and service charges for common stock purchases made in the program.

A brochure describing the plan and an authorization card are available from IMCERA's transfer agent, who may be reached through the toll-free number listed above.

For any additional inquiries, you may call IMCERA Shareholder Services: from Illinois, (800) 942-5382; from the other 47 contiguous states, (800) 323-5039.

Duplicate Mailings

When a shareholder owns shares in more than one account or when several shareholders live at the same address, they may receive multiple copies of the annual and quarterly reports.

For information on how to eliminate multiple mailings, contact the First Chicago Trust Company of New York, the Company's registrar and transfer agent. The number is (800) 446-2617.

Annual Meeting

Shareholders are cordially invited to attend the 81st Annual Meeting on Wednesday, October 17, 1990, at the Glens Falls Civic Center, One Civic Center Plaza, Glens Falls, New York. The meeting will start at 9 a.m. local time. A formal notice of the meeting, proxy statement and proxy card are being mailed to shareholders.

Form 10-K Annual Report

IMCERA's Form 10-K Annual Report is expected to be filed with the Securities and Exchange Commission in late September 1990. It is available without charge upon request to the Secretary of the Corporation, IMCERA, 2315 Sanders Road, Northbrook, Illinois 60062.

Common Stock Prices and Dividends

	Quarter	First	Second	Third	Fourth
<i>Fiscal 1990</i>					
Dividends per common share		\$.25	\$.25	\$.25	\$.25
Common stock prices					
High		55%	53%	59%	62%
Low		42%	46%	52	55%
<i>Fiscal 1989</i>					
Dividends per common share		\$.25	\$.25	\$.25	\$.25
Common stock prices					
High		47%	45%	42%	43%
Low		38%	37%	36	39%

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 1, 1990, the number of registered holders of common stock as reported by the Company's registrar was 10,648.

Investor Contact

Elizabeth M. Higashi
(708) 205-2189

Media Contact

David A. Pritchard
(708) 205-2270

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CORPORATE DATA

Corporate Headquarters

2315 Sanders Road
Northbrook, Illinois 60062-6198
(708) 564-8600

Independent Auditors

Ernst & Young
One IBM Plaza
Chicago, Illinois 60611

Stock Exchanges

New York, Midwest and Pacific
U.S. Ticker Symbol: IMA. The Company's daily trading activity and common stock price can be found in the financial sections of most major newspapers under IMCERA or "Imcera."

Transfer Agent, Dividend Disbursing Agent, and Registrar (IMCERA Common Stock and 4 Percent Cumulative Preferred Stock)

First Chicago Trust Company of New York
30 West Broadway
New York, New York 10007-2193

The following debentures are under the name of International Minerals & Chemical Corporation (IGL).

Trustees

(Zero Coupon Exchangeable Subordinated Debentures and 4 Percent Convertible Subordinated Debentures)
Continental Bank, National Association
231 South LaSalle Street
Chicago, Illinois 60693

(9.35 Percent and 9.875 Percent Debentures)
Morgan Guaranty Trust Company of New York
23 Wall Street
New York, New York 10015

(4.5 Percent Subordinated Debentures)
The Chase Manhattan Bank
One Chase Manhattan Plaza
New York, New York 10081

Paying Agents
(4 Percent Convertible Subordinated Debentures)
The First National Bank of Chicago
One First National Plaza
Chicago, Illinois 60670

(9.35 Percent and 9.875 Percent Debentures)
Morgan Guaranty Trust Company of New York
23 Wall Street
New York, New York 10015

(4.5 Percent Subordinated Debentures)
The Chase Manhattan Bank
One Chase Manhattan Plaza
New York, New York 10081

IMCERA Group Inc
2315 Sanders Road
Northbrook, Illinois 60062