

INCERA Group Inc.

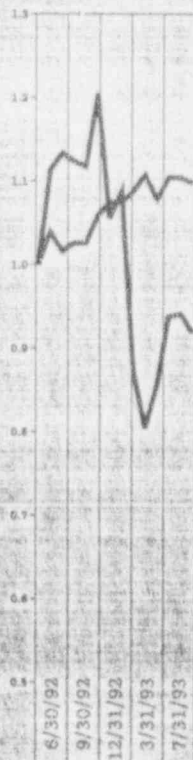
1993 Annual Report

Tough actions have
been taken this year
and sound strategies
have been set. This
is a company that is
ready to resume and
sustain growth, and
create and deliver
shareholder value.

Financial Highlights

(In millions except per share amounts)	1993	1992	1991
Net sales	\$1,796.3	\$1,702.9	\$1,633.9
Operating earnings (loss)	(109.0)	225.5	184.6
Earnings (loss) from continuing operations	(113.8)	128.8	97.2
Net earnings (loss)	(200.4)	127.5	88.2
Earnings (loss) per common share			
Continuing operations	\$ (1.48)	\$ 1.65	\$ 1.37
Net earnings (loss)	(2.60)	1.63	1.24
At June 30			
Total assets	\$ 2,177.6	\$ 2,050.8	\$ 2,250.2
Total debt	617.0	373.7	643.4
Shareholders' equity	910.5	1,224.2	1,084.2
Book value per common share	11.77	16.02	14.42
Common stock prices			
High	\$ 40.25	\$ 46.63	\$ 36.83
Low	23.00	28.88	16.00
Common shares outstanding	76.4	75.7	75.2

IMCERA vs.
S&P 500
(Indexed Values)
IMA ■ S&P 500 ■



Net Sales
(in millions)



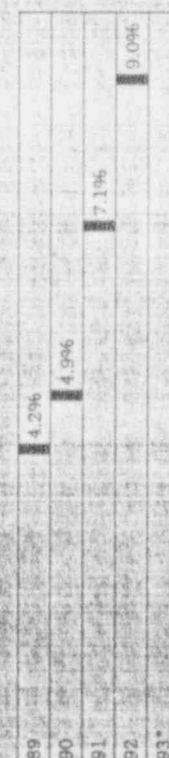
Earnings from
Continuing
Operations
(in millions)

*excludes restructuring charges



Return on
Invested
Capital

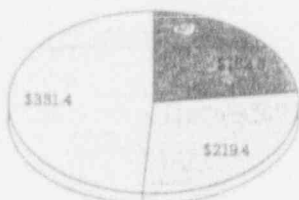
*100 from restructuring charges



Operating Companies

Mallinckrodt Medical

Total net sales
\$783.1 million
Operating earnings
\$174.4 million



1993 Significant Events:

- Successful introduction of Optiray in Japan and expansion in Germany
- Acquisition of HemoCue blood chemistry and Shiley tracheostomy products businesses
- Continued growth of nuclear medicine business

1994 Major Activities:

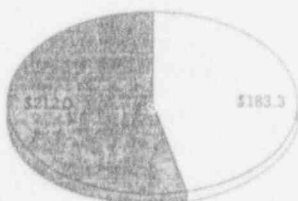
- Start-up of \$85 million plant in Ireland to produce Optiray
- Introduction of imaging agents Albinex and OctreoScan, pending FDA approval
- Integration of HemoCue and Shiley acquisitions

Major Businesses

Major Business	Net Sales (\$ million)
Radiology & Cardiology	\$ 381.4 million
Nuclear Medicine	\$ 182.3 million
Anesthesiology & Critical Care	\$ 219.4 million

Mallinckrodt Specialty Chemicals

Total net sales \$395.3 million
Operating earnings from ongoing operations \$45.9 million. Pretax equity in joint venture \$10.6 million



1993 Significant Events:

- Exited two underperforming businesses, aromatic fluorine intermediates and photochemicals
- Increased capability for producing higher value acetaminophen products with acquisition of Contech Laboratories
- Flavors joint venture exceeds sales expectations in first year

1994 Major Activities:

- Start-up of acetaminophen capacity expansion in Raleigh, North Carolina
- Improvement in catalyst business
- Increased development of new products

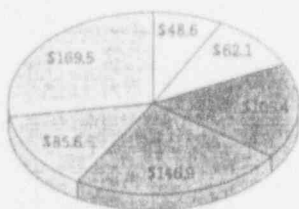
Major Business	Net Sales (\$ million)
Pharmaceutical Specialties	\$ 212.0 million
Catalysts, Performance & Laboratory Chemicals	\$ 183.3 million

Flavors

50/50 non-consolidated joint venture with Hercules Incorporated

Pitman-Moore

Total net sales
\$618.1 million
Operating earnings from ongoing operations \$40.3 million



1993 Significant Events:

- Global restructuring and development of new strategic plan
- Opened biological manufacturing plants in New Zealand and Germany

1994 Major Activities:

- Implementation of restructuring and cost-cutting measures
- Creation of global research and development program focusing on animal productivity and disease prevention
- Geographic expansion and product cross-licensing to maximize global presence

Major Business	Net Sales (\$ million)
Animal Productivity	\$ 48.6 million
Antimicrobials	\$ 62.1 million
Biologicals	\$ 105.4 million
Parasiticides	\$ 146.9 million
Veterinary Specialties & Other	\$ 85.6 million
Feed Ingredients	\$ 169.5 million

Major Markets	Market Position	Major Products
X-ray contrast media	Leading	Conray,* Hexabrix,** Optiray,* Ultraject* prefilled syringe
Interventional products	Emerging	Softouch* catheters, Peripheral Systems Group catheters, guidewires and devices
Diagnostic & therapeutic radiopharmaceuticals	Leading	Technescan* MAA, MAG3,* UltraTag* RBC, Thallium-201, technetium generators
Anesthesia systems/airway management products	Leading	RAE,* Broncho-Cath,* Hi-Lo* & Lo-Pro,* Laser-Flex* tracheal tubes
Tracheostomy products	Leading	Shiley tracheostomy tubes
Temperature systems	Leading	Mon-A-Therm* and Hi-Lo-Temp* probes and sensors
Patient warming systems	Emerging	WarmTouch™ Patient Warming System
Point-of-care blood analysis and blood chemistry	Emerging	GEM* Premier, GEM* Stat, GEM* 6 Plus, hemoglobin and glucose blood tests
Analgesics	Leading	Acetaminophen (APAP), Opium derivatives
Peptides	Emerging	Calcitonin, desmopressin
Catalysts	Leading	Base metal catalysts
Inorganics	Significant	Inorganic salts
Stearates	Significant	Hydense* plastic processing aids
Laboratory chemicals	Significant	High-purity acids and solvents
Food & beverages	Leading	Natural and artificial flavors and ingredients for beverage, savory, sweet goods and confection products
Anticoagulants	Emerging	Clinacox™
Growth promotants	Leading	Ralgro*
Antibacterials	Significant	Cepravin,™ Tribriksen,* Ceporex,™ Betsomicina,* Spectrazol,* Zaquilan,™ Diprinovet™
Antifungals	Significant	Fulcin,™ Conofite,* Clinafarm**
Antiprotozoals	Leading	Butalex™, Imizol*
Pet vaccines	Significant	GenetiVac* FeLV, Vaxitas, Quantum,* FVR* CPC, Rabdomun™
Equine vaccines	Significant	Equi-Flu,* Strepvax* II
Cattle & sheep vaccines	Significant	Footvax,* Leptavoid* H, Covexin*
Poultry vaccines	Significant	CocciVac,* Ultravac,™ Turkadin,™ Paracox™
Swine vaccines	Emerging	Porculin,™ Titan* 3-D, Gletvax™
Anthelmintics	Significant	Systemex,* Nilverm,™ Levasole,* Tramisol,* Totalon,* Autoworm,™ Teimintic,* Nilzan™
Ectoparasiticides	Leading	Expar,* Saber™ Extra, EXspot,* Impass,* Defend,* Del-Phos,* Dominator,* Rotator,™ Excalibur,* Warbex,* Clout,™ Saber,™ Grenade,™ Spot-on,™ Delice*
Anesthetics	Significant	Metofane,* Rapinovet,™ Saffan™
Prostaglandins	Leading	Estrumate,* Flanate*
Surgicals & bandaging	Leading	Ethicon/Johnson & Johnson product line
Mineral feed ingredients	Leading	Monofos,* Biofos,* Multifos,* Dynafos,* Dyna-K,* Dynamate,* K-S*

IMCERA is committed to being an exceptional growth company, building excellent customer value through its specialty medical, chemical and animal health businesses. These businesses will be preeminent in their industries and participate in global markets with innovative and cost-effective products.

IMCERA builds businesses by:

- Setting high expectations for company performance, while encouraging manageable risk.
- Focusing on the highest value opportunities.
- Striving for balanced, sustained sales and earnings growth supplied by new products created from a combination of internal development, licensing and acquisition.
- Maintaining decentralized operating company management while providing value-enhancing corporate direction.
- Developing essential management skills such as technology assessment, product research and development, manufacturing expertise and regulatory excellence, and global integration.

IMCERA's businesses are characterized by:

- Markets that are global in scope with potential for good, consistent growth and where innovation is not only required, but rewarded.
- Customers who are demanding of and sensitive to quality and performance and who are professional, scientific or industrial in nature.
- Products that are technology-based and therefore value-added. Products that are important to their intended customers and require a high level of expertise to design, manufacture and meet regulatory standards.

IMCERA strives to be:

- A leader in each of its markets in terms of quality, service, innovation and customer satisfaction.
- A leader in providing its employees with opportunities for growth and the chance to develop to their full potential.
- A leader in fulfilling its social responsibilities.
- A leader in building substantial, long-term shareholder value.

D e a r S h a r e h o l d e r

We stumbled in 1993, failing to deliver the level of performance our shareholders deserve and have come to expect. However, we regained our stride by year end, completing a global analysis and total restructuring of our animal health business while revitalizing the strategic plans of our three operating companies. We are now poised to resume sustained growth and produce excellent shareholder value in 1994 and beyond.

By IMCERA standards, 1993 was not a good year. Before restructuring charges, earnings from continuing operations were \$128.4 million, or \$1.65 per share, after a 5 cents per share charge for the adoption of new accounting standards detailed in the financial section of this report. This compares with \$128.8 million, also \$1.65 per share, in 1992. Comparably, earnings per share from continuing operations had grown at a compounded annual rate of 44.4 percent in the five previous years. Our restructuring, consisting primarily of actions at Pitman-Moore, amounted to an after-tax charge of \$242.2 million, or \$3.13 per share. Net sales rose 5 percent in 1993 to \$1,796.3 million from \$1,702.9 million a year ago.

The primary factor in this reduced performance was our animal health business. It became apparent that radical rationalization was required for Pitman-Moore to contribute its fair share in the future. Our principal focus in the second half of this year was to restore Pitman-Moore to sustained growth and profitability. Thanks to outstanding efforts from employee teams worldwide, and with help from outside experts, we completed a thorough and exhaustive review of both Pitman-Moore and the animal health industry. This enabled us to restructure Pitman-Moore for substantial profitability improvement in 1994 and to provide prospects for sustainable growth in the future. As you will read later in this report, the moves we took were major and wide-ranging. We did not take these actions lightly, but did so with the purpose of providing Pitman-Moore with the best opportunity to meet IMCERA's high standards for growth and return on investment.

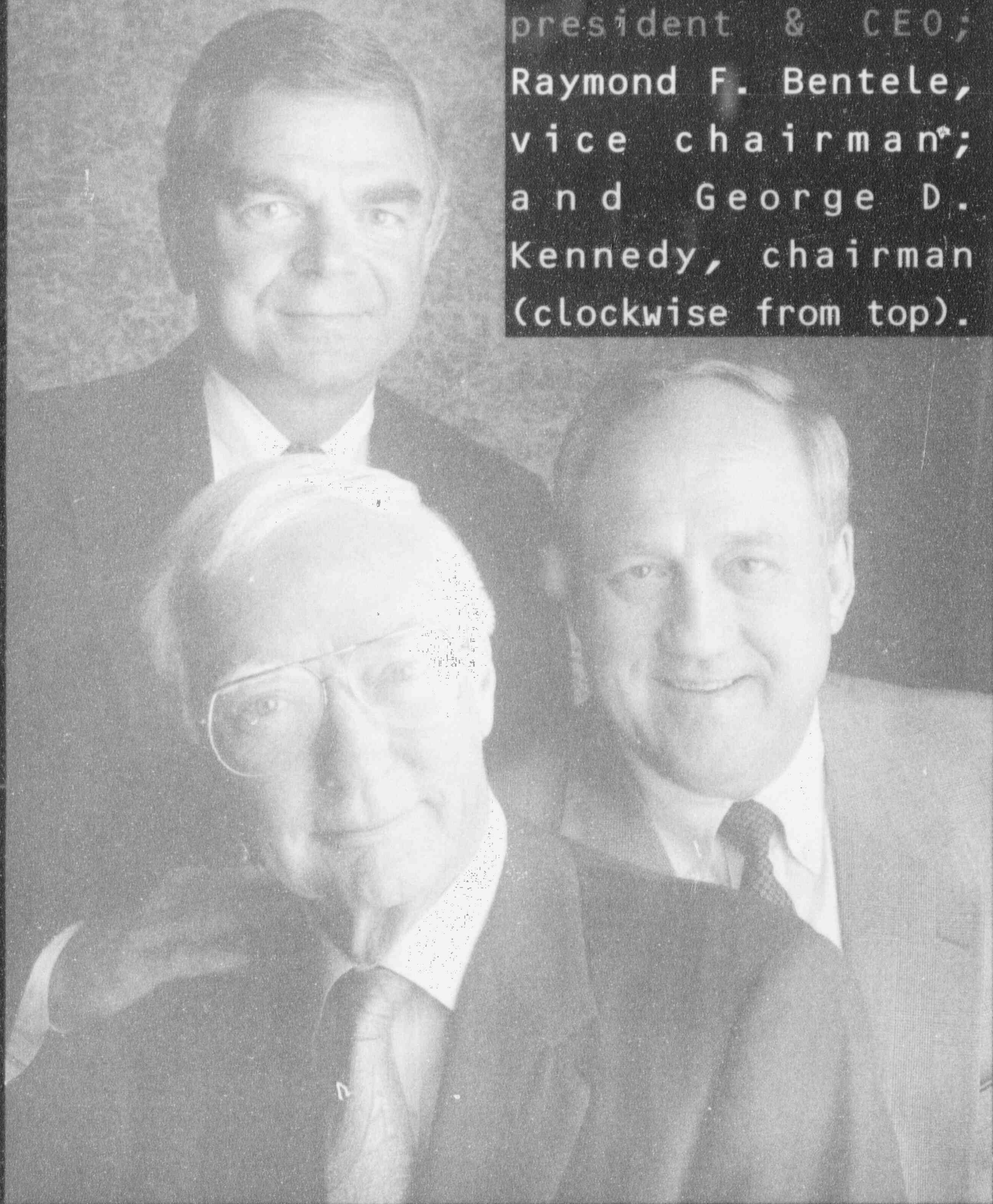
In addition to restructuring Pitman-Moore, we took steps in 1993 to further build our other businesses. Mallinckrodt Medical bolstered its growing positions in the anesthesiology and critical care markets by acquiring the Shiley tracheostomy products business of Sorin Biomedical and HemoCue Intressenter, A.B., a developer and marketer of point-of-care blood tests. Mallinckrodt Specialty Chemicals enhanced its prospects for improved profitability by continuing to hone its portfolio by exiting two businesses.

The level of business development actions we take to increase shareholder value makes IMCERA inherently dynamic. We took an introspective look at the company near the end of the year. The result is a clarified vision and set of objectives (detailed on page 4) which will guide us through the remainder of the decade. We are committed to the goal of IMCERA being an exceptional growth company, characterized by innovative, cost-effective and specialty products. We define "exceptional growth" by these standards: a 10 to 12 percent compounded sales growth, a 15 to 20 percent compounded growth in earnings per share from continuing operations, a sustained net return on sales of at least 10 percent, an increase in return on invested capital to 15 percent and an increase in return on equity to 18 percent. We seek to reach these goals by 1998. They are indicative of the high expectations we have of our businesses and our management, but we believe they are achievable based on our current strategies. The dynamism which characterizes IMCERA will continue in 1994 and beyond. We expect to be able to invest close to \$200 million annually in acquisitions, licensing and distribution agreements and maintain a sound fiscal policy. We want to perfect our three companies, leveraging our existing resources with technology from outside sources.

A critical element of IMCERA's strategy is maintaining the proper balance between today and tomorrow, between performance and prospects. This report is full of exciting new products and proven performers which give the company that balance. Optiray[®], a nonionic x-ray contrast medium, continues to drive Mallinckrodt Medical, while new products like Albunex[™]†, an ultrasound cardiac imaging agent, and OctreoScan[™], a nuclear medicine tumor imaging product, are approaching U.S. launch. Mallinckrodt Specialty Chemicals is managing its large analgesics business for optimal performance today, while investing in peptides for the future. And Ralgro[®], a 25-year-old growth promotant for cattle, continues to be the market leader in the U.S. for Pitman-Moore, while Zaquilan[™], a broad-spectrum antibiotic containing an innovative new antibacterial molecule, is part of a new generation of products. Our growth will come from geographic expansion of existing products and introduction of new ones, as well as from cost reduction and improved manufacturing performance.

The issue of health care reform in the U.S. poses both a threat and an opportunity to IMCERA. While we believe that quality, affordable health care coverage should be available to everyone, there are tremendous risks associated with price controls, limits on technology, major new taxes and restrictions on patient choice. Rather than by government mandate, we believe the vitality and ingenuity of the health care system should be challenged to realize this goal. From a business

C. Ray Holman,
president & CEO;
Raymond F. Bentele,
vice chairman;
and George D.
Kennedy, chairman
(clockwise from top).



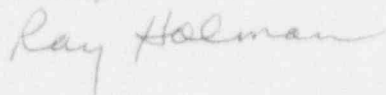
perspective, universal access may create additional opportunities for Mallinckrodt Medical, particularly for its diagnostic and point-of-care products.

The speed at which we addressed Pitman-Moore's performance is evidence of the competence and high standards of your Board of Directors. They are committed to representing your interests and taking reasonable risks to produce the results you expect from a growth company. In December 1992, I was asked to serve as president and chief executive officer. We reached into our talented ranks to tap William Mercer to turn around Pitman-Moore and installed Robert Moussa as head of Mallinckrodt Medical. My confidence in these two is backed by their outstanding performance record while at the medical company. And I am particularly pleased to have Mack Nichols continue to lead Mallinckrodt Specialty Chemicals with a steady hand and a renewed initiative for growth.

Keith Bunnel retires from IMCERA's Board in October after 10 years of distinguished service. In conjunction with the untimely loss of James Glanville after 22 years of service, we have a void which we are seeking to fill. Messrs. Bunnel and Glanville have made significant and lasting contributions. Ray Bentele, Board vice chairman and head of Mallinckrodt, Inc. since 1981, retired as an employee during 1993. Importantly, he has been asked to continue as a director, and is nominated for a three-year term starting in October 1993. The company will benefit from his continued service. We are especially pleased that George Kennedy will meet the Board's request to continue as chairman until October 1994. George's visionary construction of IMCERA, and its increase in shareholder value, has been realized. He will guide us as we complete the management transition, resume superior growth and provide outstanding returns for our shareholders.

During a period of major change, we turn to our greatest source of strength, our employees. They performed admirably this year, continuing to be our true competitive advantage and a key to our future success. We enter this new era with excitement about our prospects, confidence in our ability to achieve our objectives and realize our vision, and a total commitment to our shareholders.

Sincerely,



C. Ray Holman

President and Chief Executive Officer

August 20, 1993

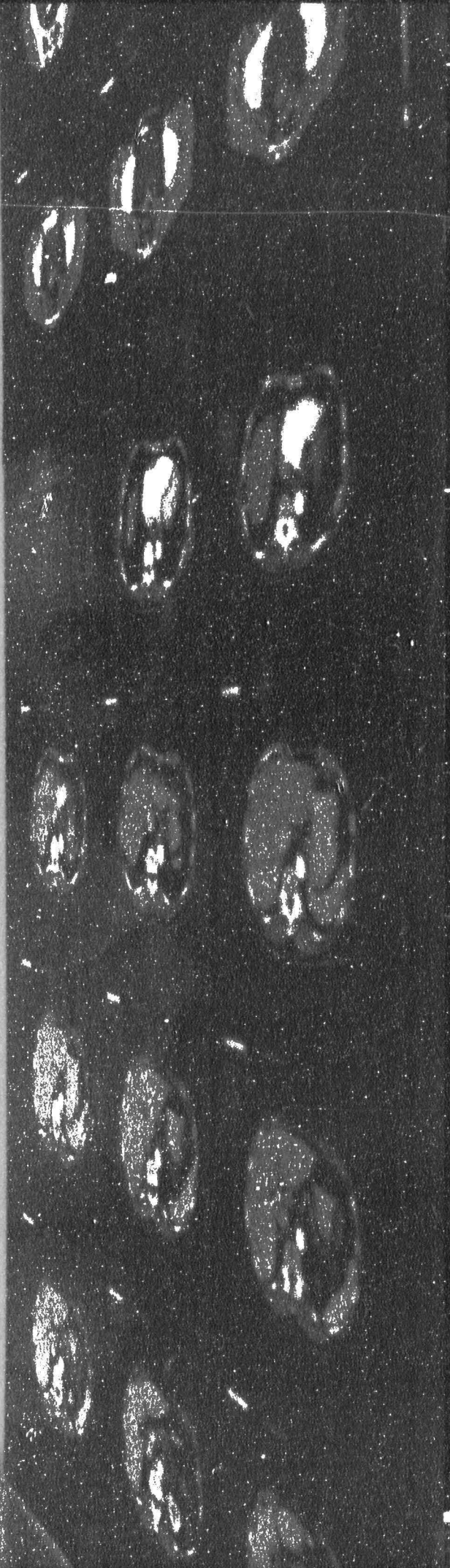
Mallinckrodt Medical
is focusing resources
on enhancing global
leadership positions
in the five core
medical specialties
it serves: radiology,
cardiology, nuclear
medicine,
anesthesiology
and critical care.



Net Sales
(in millions)

89	\$321
90	\$400
91	\$513
92	\$620
93	\$783

89	\$59
90	\$50
91	\$57
92	\$57
93	\$57



“Our vision remains to establish Mallinckrodt Medical as the best specialty medical company in the world. To accomplish this, we have sharpened our mission to develop, manufacture and market superior, innovative products and services that are cost-effective and advance the practice of medicine for physicians and other health care professionals in our five targeted fields. We are strengthening our commitment to be customer-focused, as well as flexible and responsive to key local markets, through increasingly globally integrated business units. Our strategic aim is to outperform our peer companies in financial results and the growth rates of our specialty markets. In this changing health care climate, Mallinckrodt Medical firmly believes that technology remains essential to progress, as well as unfettered competition and choice. We support the advancement of constructive reforms and are riveted on turning them into opportunities for growth in our diagnostic imaging, anesthesiology and critical care franchises. Putting patients and medical professionals first are proven paths to continuing to deliver exceptional customer and shareholder value.” Robert G. Moussa, president and chief executive officer

Benefiting from new products, geographic expansion and market share increases, Mallinckrodt Medical posted yet another year of excellent financial performance in 1993. Paced by growth in each of its global business units, the company's sales increased 26 percent to \$783 million, while operating earnings jumped 36 percent to \$174 million during 1993. This 22.3 percent operating margin, including \$3.5 million of additional expenses for adoption of new accounting changes for employee benefits, sustains a sharp annual profitability improvement from a level of only 12.6 percent in 1990. In a year characterized by numerous sales and marketing, product development, manufacturing and business development achievements, most notable were expansion of the nonionic x-ray contrast agent Optiray® in overseas markets, especially Japan, and two major, concentric acquisitions in the anesthesiology and critical care segment.

Mallinckrodt Medical should continue to benefit from the globalized growth of the health care industry, driven by accelerated aging of populations in industrialized nations, population growth in less-developed countries, the prevalence of major disease states and heightened consumer interest in health and health care delivery. With strong market positions and essential products for diagnosis, surgery and critical care, Mallinckrodt Medical is well-positioned to meet the challenges posed by health care reform. The company is moving to capitalize on increased procedures due to older populations and possible universal access in the U.S., accelerating diagnostic procedures from a heavier emphasis on preven-

tion, reinforcement of standards of care which will dictate use of its products, streamlined regulatory approvals, and a modest reliance on future price increases for growth.

The goal of superior, sustained growth will continue to be fueled by geographic expansion, research and development expenditures that have increased 55 percent annually in recent years, licensing agreements and the introduction of a stream of unique, cost-effective products. Over the next five years, Mallinckrodt Medical aims to sustain an average annual sales growth rate of 15 to 20 percent and an operating margin of at least 22 percent, while attaining a return on invested capital of 18 percent and continuously generating at least 25 percent of its annual revenues from products launched in the prior five years. By 1998 the company expects more than one-third of its sales to continue to come from outside the U.S.

James C. Carlile
Group V.P., Imaging



Radiology and Cardiology In the \$4.4 billion global radiology and cardiology market, Mallinckrodt Medical is a noted developer and provider of specialized diagnostic products, including a broad line of image-enhancing x-ray contrast media—Optiray, Hexabrix*† and Conray*. Radiologists use contrast media to study organs, systems or parts of the body; in cardiology, contrast agents aid in diagnosis of heart and blood vessel disorders and in therapeutic procedures, such as balloon angioplasty.

Global sales of Optiray increased significantly in 1993, boosted by the first full year in the large Japanese market and continued U.S. and European growth. Aiding Optiray growth was Ultraject®, a patented, prefilled syringe in disposable plastic packaging that offers a marked contrast to competitive products in glass. Ultraject, which reduces dosage error and handling hazards, accounted for about 20 percent of 1993 Optiray sales. To source increasing international Optiray volumes, construction is under way on an \$85 million plant in Ireland, with start-up slated for early 1994. Indicative of the growth of group purchasing organizations, the company signed exclusive contrast media supply contracts with AmeriNet and National Medical Enterprises in 1993, with a potential combined total contract volume of more than \$120 million. Mallinckrodt Medical also signed an exclusive, worldwide agreement in 1993 to market Eli Lilly's interventional radiology products as part of a focus on niche therapeutic devices. To expand its diagnostic product line, the company is preparing to enter the rapidly growing markets for ultrasound and magnetic resonance imaging, or MRI. It awaits U.S. Food and Drug Administration (FDA) approval for

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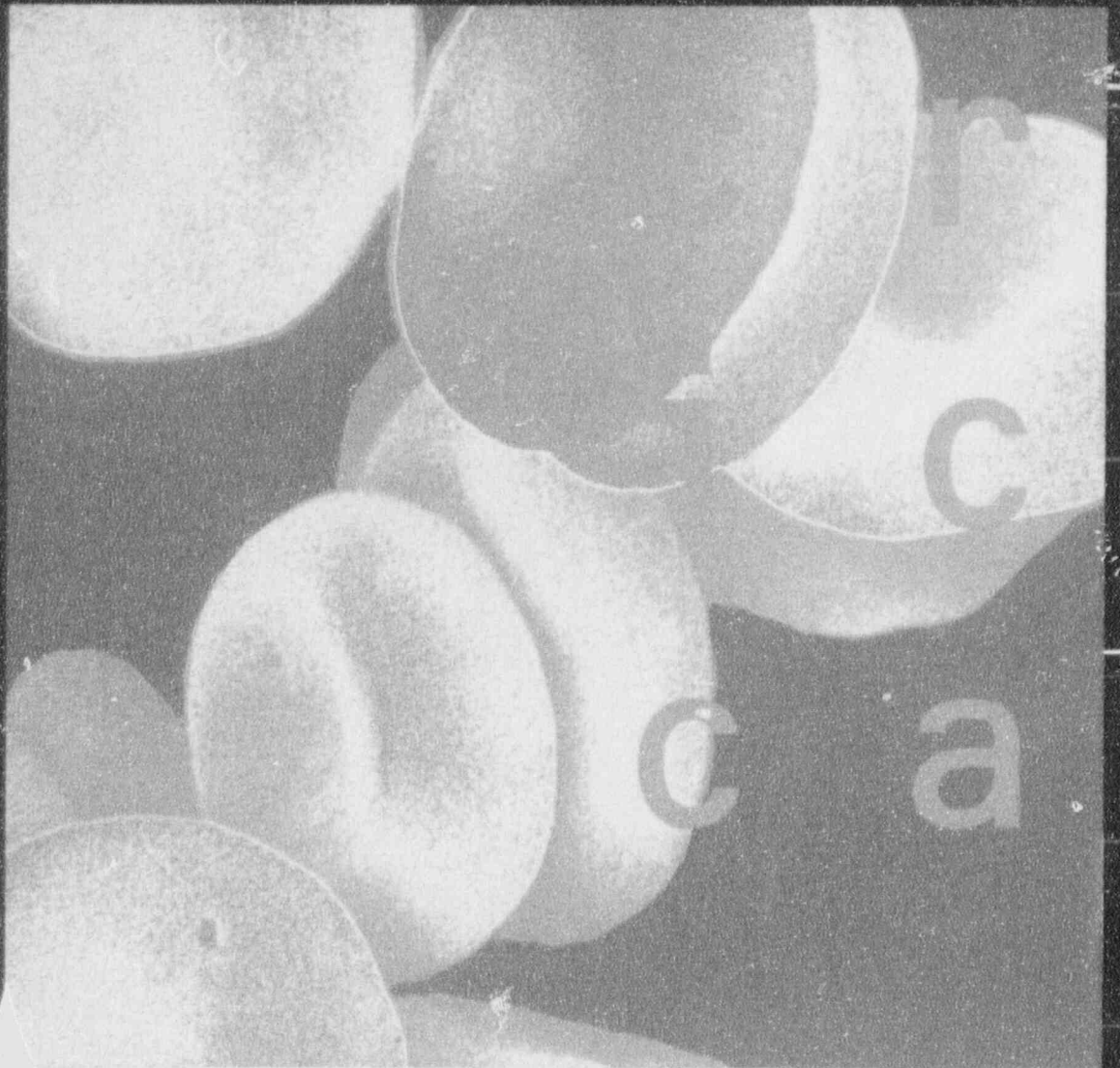
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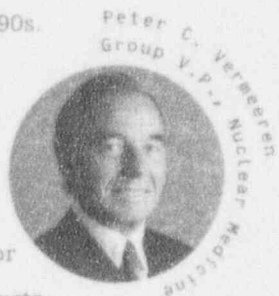
Awaiting approval from the FDA, Albunex improves ultrasound imaging of the heart. Lynne Thomas, RDCS, assistant product manager, echocardiography, will provide technical support for Albunex once

Acquiring HemoCue of Sweden strengthened Mallinckrodt Medical's position in the growing point-of-care blood testing market. Lars Jenssen, development manager, helped create HemoCue's innovative and cost-effective systems for anemia and diabetes screening.



Albunex™†, the first injectable ultrasound heart imaging agent for echocardiography, a fast-growing procedure. Mallinckrodt Medical has exclusive North and South American rights for Albunex, which has potential for \$100 million of annual sales within five years of approval. Broader indications for Albunex, including heart attack assessment, are under development. Imaging products for MRI, an emerging market expected to be \$500 million in 1995 and perhaps double that by 2000, remain a key area. MRI products for neurology, oncology and cardiovascular applications are in clinical and preclinical stages. These are nonionic extracellular, organ specific and blood pooling agents for introduction in the late 1990s.

Nuclear Medicine With more than 25 products and the broadest pipeline in the nuclear medicine industry, Mallinckrodt Medical is the number-one worldwide producer of radiopharmaceuticals through leading U.S. and European shares. These radioactive imaging products aid in the study of major organs as well as functional systems. Mallinckrodt manufactures batch products daily in The Netherlands and St. Louis for overnight delivery to hospitals, as well as operating a network of 30 strategically located nuclear pharmacies in the U.S. to meet a growing demand for unit-dose, premixed compounds. To lower manufacturing costs and increase capacity, a number of projects are under way, including a new plant in The Netherlands to produce a key raw material, molybdenum-99.



The company expects to benefit from growth in the \$1 billion worldwide nuclear medicine market. It is forecast to reach \$1.4 billion by 1998 due to increased disease incidence, such as cancer, and technology advances for cancer therapy; pain reduction, inflammation and joint therapy; and tumor, brain and inflammation imaging. Additional growth is expected from entering the \$300 million Japanese market. By 1998 more than 35 percent of nuclear medicine sales are expected to come from new products, compared with 5 percent in 1993. The most promising is OctreoScan®, a peptide-based tumor imaging agent developed with Sandoz Pharma that awaits FDA approval for detection of neuroendocrine tumors. For use in helping oncologists differentiate tumor types and prescribe proper treatment, OctreoScan offers potential for imaging lymphomas as well as breast and small cell lung tumors. The company also is collaborating with Sandoz to develop additional peptide-derived markers and therapeutics. Two other products, TechneCard™ and rhenium bone, are in advanced clinical trials with 1994 New Drug Application filings planned. TechneCard is a highly effective technetium agent for myocardial perfusion assessment; the injectable rhenium agent relieves intense pain in metastatic bone cancer patients. A therapeutic for relief of rheumatoid arthritis also is in development.

Anesthesiology & Critical Care With a 55 percent market share, Mallinckrodt Medical is the recognized world leader in basic and specialty tracheal tubes and core body temperature monitoring equipment used by anesthesiologists in most major U.S. surgical procedures and in about half of all surgeries worldwide. The company is improving its already low-cost producer status, while continuing to introduce a stream of line extensions and specialty tubes. During 1993 the launch of the WarmTouch™ convective air patient warming system for hypothermia treatment continued in the U.S. and Europe.



Thomas R. Trotter
Group V.P., Critical
Care and Anesthesiology

The anesthesiology segment was bolstered with the February 1993 acquisition of the Shiley tracheostomy products business, with annual sales of more than \$40 million, from Sorin Biomedical for \$85 million. Tracheostomy tubes maintain the patient's airway after a surgical tracheotomy procedure. The Shiley line enjoys an 80 percent U.S. share and 50 percent world share of the \$80 million market. Significant international growth is expected by leveraging Mallinckrodt Medical's strong franchise with anesthesiologists in Europe and Japan. Expansion of the \$300 million worldwide airway management and temperature monitoring market will be triggered by aging populations, higher surgical procedures, improved health care systems and conversion to disposables.

Nineteen ninety-three was a watershed year for Mallinckrodt Medical's critical care business. The company enhanced its leadership in the point-of-care blood testing market by expanding placements of its unique GEM® family of portable blood gas and electrolyte analyzers, led by the new high-volume GEM Premier. The analyzers provide accurate and critical blood chemistry results in under two minutes at patient bedside for a cost equal to or lower than conventional central laboratory testing. More than 1,300 GEM systems are in use in 35 countries. In September 1992 Mallinckrodt Medical acquired HemoCue Intressenter, A.B., of Sweden for \$100 million. HemoCue is a leader in the manufacture and sale of point-of-care chemistry systems for analysis of blood glucose for diabetes and hemoglobin for anemia screening, the two most widely tested parameters. Development of a home glucose unit is under way. Major synergies are expected by integrating HemoCue with the GEM system point-of-care business over the next several years. The \$750 million global market for blood chemistry testing is growing about 12.5 percent yearly. With two major acquisitions in place, the anesthesiology and critical care segment is expected to comprise an increasing portion of Mallinckrodt Medical's sales by 1998, from a level of 28 percent in 1993.

Mallinckrodt Specialty

Chemicals is positioned

to deliver greater

earnings growth from its

value-enhanced, strate-

gic businesses: pharma-

ceutical specialties,

catalysts, performance &

laboratory chemicals,

and a flavors joint

venture partnership.

Net Sales

89	\$285
90	\$338
91	\$384
92	\$348
93	\$385

Operating Earnings

89	\$25
90	\$38
91	\$44
92	\$37
93	\$44



“Since 1990 we have transformed Mallinckrodt Specialty Chemicals Company from an organization whose business mix was too broad and too diverse, to one that is now sharply focused on pharmaceutical and highly selective industrial markets. During this time, we have exited seven businesses which, three years ago, represented one-fourth of our sales. This transformation has enhanced our profitability, improving operating margins to almost 12 percent. Our core strategic businesses possess exciting prospects for growth, including opportunities for developing and introducing higher value, higher margin products. Within five years, we anticipate about 20 percent of our sales will come from new products.” Mack G. Nichols, president and chief executive officer

In 1993 Mallinckrodt Specialty Chemicals Company further enhanced its prospects for improved returns by exiting two underperforming businesses, aromatic fluorine intermediates and photochemicals, while focusing on more profitable pharmaceutical and niche industrial markets. Earnings from ongoing operations were \$46 million, including \$3 million of additional expenses for employee benefit accounting changes, compared to \$47 million in 1992. Excluding the accounting change, earnings from continuing operations would have been up 5 percent from prior year. Ongoing net sales were \$395 million, up 7 percent from \$368 million in 1992. Additionally, Tastemaker, the company's flavors joint venture partnership, contributed more than \$10 million in pre-tax equity income.

These results reflect sustained growth from Mallinckrodt Specialty Chemicals' analgesics products, which it supplies to the pharmaceutical industry. But recession-caused delays in sales of higher margin catalysts and performance chemicals detracted from greater earnings improvement. By 1998 the company expects to attain 15 percent returns on both invested capital and sales, while growing revenues at a compounded annual rate of nearly 10 percent.

Pharmaceutical Specialties As part of its focus on the pharmaceutical market, Mallinckrodt Specialty Chemicals created a pharmaceutical specialties unit during 1993, combining four related product lines: acetaminophen (APAP), bulk narcotics, dosage narcotics and peptides. These are active ingredients and finished products supplied to ethical and generic pharmaceutical customers for a range of health care products. Increased coordination among these lines creates additional opportunities for common sales efforts and development of new combination products. Pharmaceutical specialties accounted for more than half of the company's 1993 sales and are expected to continue to drive future growth.

Analgesics, which include acetaminophen and medicinal narcotics, have been growing at a compounded annual rate of 15.8 percent over the last four years.

Mallinckrodt Specialty Chemicals is the world's largest producer of acetaminophen, a mild analgesic used in a number of prescription and over-the-counter products, including Tylenol®†. Mallinckrodt sells APAP in more than 85 countries and has approximately one-third of the world market, which is estimated to be nearly \$400 million and growing at 4 to 5 percent annually. Mallinckrodt is adding capacity to keep pace with market demand. Work continued in 1993 on a \$17 million expansion of the company's Raleigh, North Carolina, facility, the third in the last four years. These expansion projects have more than tripled the plant's original production level. The company's raw material (p-aminophenol) plant in Chesterfield, U.K., is running at double its former capacity following an expansion there last year. Mallinckrodt remains the world's lowest-cost producer of APAP.



Michael J. Collins
Group V.P.

In the U.S., APAP is being combined increasingly with other products, such as antihistamines, and use of APAP continues to grow among consumers as an alternative to aspirin. Internationally, there is significant opportunity in the Far East (including China), Latin America, Africa and the former Soviet Union where use of analgesics is almost nonexistent today. In 1993 Mallinckrodt Specialty Chemicals acquired Contech Laboratories, expanding its capabilities for higher value APAP products. Contech has made Mallinckrodt's directly compressible (ready for tableting) APAP products since 1981.

Together with APAP, Mallinckrodt Specialty Chemicals' line of medicinal narcotics gives the company a strong position in the analgesics market. Of the 23 most widely used analgesics in the U.S., 16 contain active ingredients from Mallinckrodt Specialty Chemicals, covering the complete spectrum for pain management products. The company also is capitalizing on its position as a supplier of both APAP and medicinal narcotics and is the only manufacturer to offer co-processed forms to the generic drug market. Its bulk narcotics business consists of opiates and synthetic-based products and, with nearly 20 percent of the world market, Mallinckrodt is expanding this line internationally. In 1993 the company began expansion of a major narcotics support facility which will be completed in mid-1994.

Mallinckrodt Specialty Chemicals is moving forward with plans to develop select, finished dosage products. The company's liquid Methadose® brand of methadone, used for treatment of heroin addiction, is an example of how the

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analgesics

Sixteen of the 23 most widely used pain products in the U.S. today contain analgesics from Mallinckrodt Specialty Chemicals. Jon Simkins, export sales manager, spends time in the Far East developing international business.






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Catalysts are used in 75 percent of all chemical processes to increase yields and improve efficiency. Rebecca Stoczynski, document control coordinator, played a key role in Calsicat receiving ISO-9000 quality

strategy is applied. The U.S. market for opiate addiction therapy is estimated to be \$30 million. Mallinckrodt received U.S. Food and Drug Administration approval in 1993 for three tablet-form dosages of methadone and plans to market these products in early 1994 with its liquid formulation. The company is researching products for treatment of other addictions, including alcohol.

Peptides, combinations of amino acids used in a number of products now in preclinical research, are a significant future opportunity for Mallinckrodt Specialty Chemicals. The U.S. market for bulk peptides is \$75 million and is expected to double by the late 1990s. Mallinckrodt accelerated its growth in this market by acquiring Star Biochemicals Inc. in 1992 and, in 1993, it concentrated on construction and modification of its facilities. During 1994 Mallinckrodt expects to begin supplying peptides to generic pharmaceutical companies for production of existing off-patent drugs as well as providing GMP-grade peptides to ethical pharmaceutical and biotechnology companies for basic and human research of new drugs.

Catalysts, Performance & Lab Chemicals Under the Calsicat® brand, Mallinckrodt Specialty Chemicals sells proprietary and custom catalysts for petrochemical manufacturing, petroleum refining and hydrogenation of fats and oils. These niche areas represent \$950 million of the nearly \$5.5 billion world catalyst market. Catalysts improve the economics of a chemical reaction by increasing its speed, lowering temperature or pressure, or improving yield. Because of their value enhancement, they are higher margin products.

In 1993 Mallinckrodt Specialty Chemicals' catalyst business was affected by continued recession and consolidation in the petrochemical industry, particularly in the U.S. and Europe. As a result of these conditions, customers delayed catalyst purchases and postponed planned expansions. A recovery of the petrochemical industry should dramatically improve earnings contributions from the company's catalyst business.



While more than half of its sales are proprietary-type catalysts used in multiple applications, Mallinckrodt has turned increasing attention to custom catalysts, which are developed exclusively for one customer for a single purpose. Custom catalysts generally command higher margins than proprietary catalysts. In 1994 Mallinckrodt will more aggressively pursue catalyst opportunities outside the U.S. to improve its level of international sales, which was 25 percent in 1993. This effort will be aided by the ISO-9000 (International Organization for Standardization) quality certification the catalyst operation received in 1993,

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enhancing its position as a high quality, global supplier. In addition, the company is seeking acquisitions and licensing opportunities to leverage its catalyst expertise. Internal new product development, with research and development spending levels at about 10 percent of sales, should contribute as well to improved profitability and growth.

Mallinckrodt Specialty Chemicals also produces laboratory and performance chemicals, providing a broad line of pharmaceutical chemicals, plastic additives and high purity reagents for manufacturing and laboratory testing. The company has a reputation for high quality and has expanded its line to include value-added, specialized products for specific customer applications. The laboratory chemicals business should benefit from a distribution agreement starting early in 1994 with Fisher Scientific, the largest scientific chemical distributor in the U.S., which will provide greater market access.

Flavors Mallinckrodt Specialty Chemicals' flavors company joint venture recorded sales of nearly \$200 million in its first year ended December 1992, exceeding its goal. Tastemaker, formed in February 1992 and owned 50/50 by Mallinckrodt and Hercules Incorporated, completed rationalization of its major production facilities in the U.S., which negatively affected earnings in the first half of Mallinckrodt's 1993 fiscal year. Its performance improved sufficiently in the last six months to exceed expectations for 1993.

Michael E. Davis
President and
CEO, Tastemaker



Tastemaker is the fifth largest flavors company in the world with plans to increase to third largest. It develops and markets products for the beverage, sweet goods, savory and confection markets and has facilities in the U.S., Europe and Asia, with just more than half of its business in North America. This global presence enables Tastemaker to service food and beverage companies around the world, including those in high growth areas like the Far East. The world market for flavors is \$2.6 billion, rising more than 6 percent annually. With its rationalization completed, Tastemaker is poised to reap the full synergies represented by the joint venture — technology, products and geographic coverage — and expects to increase faster than the overall market. In addition, nearly half of Tastemaker's sales come from the beverage market, the fastest-growing flavors area. Tastemaker is a leader in key new flavors technologies. In 1993 it supplied customers with new controlled release flavors for microwave and shelf-stable products, savory flavors for processed meats, natural flavors for a wide range of all-natural products and extracts for the beverage market.

Pitman-Moore,
one of the world's
largest animal health
and nutrition companies,
develops and markets
products in biologicals,
animal productivity,
feed ingredients,
parasitocides,
veterinary specialties
and antimicrobials.

7

Net Sales

(in millions)

89	\$254*	
90		\$390
91		\$483
92		\$643
93		\$818

Operating

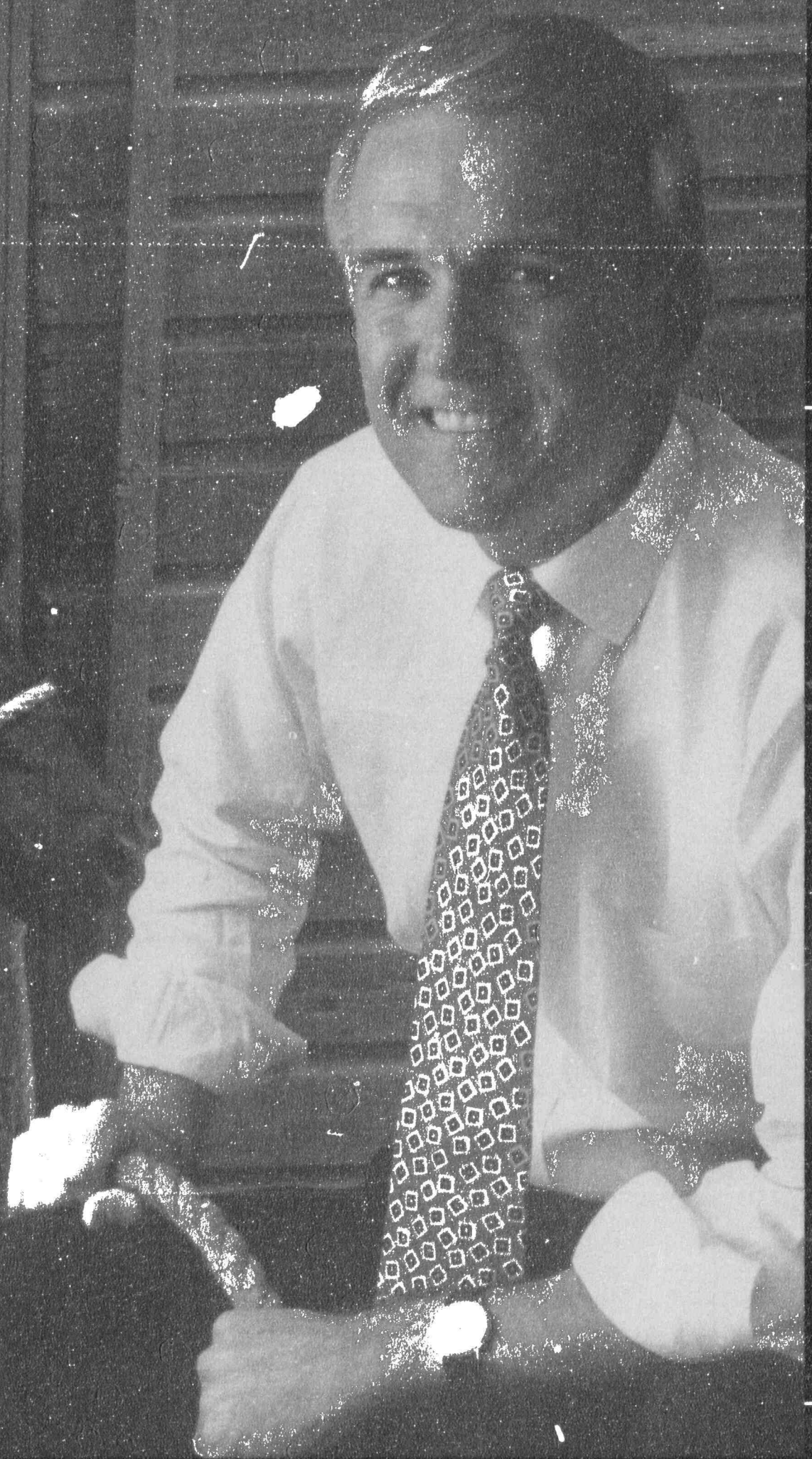
Earnings

(in millions)

* ongoing operations

** includes restructuring charges

88	\$10*	
90		\$56
91		\$74
92		\$69
93		\$40**



“Pitman-Moore is committed to becoming the leading animal health and nutrition company in the world, evidenced by superior customer service, innovative and top quality products, and the highest levels of profitability. We completed a comprehensive restructuring in the second half of 1993 which will substantially improve earnings beginning in 1994. At the same time, we refocused our global business strategy to provide for sustained growth and profitability. We remain one of the largest and strongest companies in the animal health industry. Going forward, our goal is to grow market share, penetrate new markets and expand distribution, while developing innovative products that meet a global demand for increased food production and anticipate the changing needs of customers worldwide.” William J. Mercer, president and chief executive officer

Pitman-Moore underwent an extensive restructuring in 1993 designed to improve significantly its operating earnings starting in fiscal 1994 and enhance prospects for profitable growth in the latter part of the decade. As announced in the fourth quarter of 1993, the company is, over the next two years, closing 11 of its 27 manufacturing facilities worldwide; redefining and reorganizing research and development, commercial and administrative functions; reducing its workforce by 30 percent, or more than 1,000 jobs; and immediately discontinuing costly and high risk development projects that had diminished in potential, including a porcine somatotropin (PST) product, Grolene®, to produce leaner pork. The restructuring followed an intense, global study during 1993 of Pitman-Moore's strategy, structure and operations, products, and research and development programs.

Ongoing operating earnings for 1993 were \$40 million, a 42 percent decline from \$69 million a year ago and evidence of the need for dramatic performance improvement. Sales were \$618 million in 1993, down 4 percent from \$642 million in 1992. As a result of cost savings realized by the restructuring alone, Pitman-Moore expects to more than double its 1993 operating earnings by 1996, with the most significant improvement expected in 1994, and to increase its operating margin to 15 percent by 1996, compared with 6.5 percent in 1993. This year's earnings decline also reflects continued depressed economic conditions in key markets, including North America and Europe, along with continued pricing weakness in the company's feed ingredients business and approximately \$2 million in additional expenses due to accounting changes for employee benefits.

Pitman-Moore's 1993 restructuring seeks to rationalize its global operations following several major acquisitions in recent years, including Coopers Animal

Health in 1989. These acquisitions nearly tripled the company's sales from 1988 to 1992 and increased its product count to more than 1,300. During 1994 the company will evaluate each product's profit potential and eliminate those that do not provide sufficient margins. As a result, sales growth is expected to be modest over the next several years, while profitability should increase sharply. In addition to reducing operating costs, the restructuring is expected to increase the efficiency of Pitman-Moore's remaining manufacturing facilities from their present 40 percent utilization rate to about 80 percent by 1995. Headcount reductions and realignments have reduced management layers, with the goal of making the company more responsive to customer needs and market trends.

One of the top five companies in the animal health industry, Pitman-Moore is putting into action a two-part strategy for sustained growth: it intends to be the leading developer of innovative animal health products that prevent disease and enhance productivity, and to expand geographically to exploit industry opportunities by capitalizing on its extensive, branded product line.

These strategies should enable Pitman-Moore to build upon its inherent strengths. Products that make food animals more productive for farmers and breeders comprise nearly 80 percent of the \$11 billion worldwide animal health market. Approximately 85 percent of Pitman-Moore's product line is used for food animals, including cattle, poultry, sheep and swine. The remaining 20 percent of the market is composed of products for companion animals, such as dogs, cats and horses, where Pitman-Moore also has a position. In addition, Pitman-Moore has one of the broadest global reaches in the industry with a direct presence in the top 25 geographic markets and with products sold in excess of 100 countries. More than 50 percent of its sales come from outside the U.S.

The company intends to maximize its global strength through product cross-registration and distribution agreements, expanding upon already strong positions in North America and Europe, which represent more than half of the industry's world market. Pitman-Moore will concentrate on Japan, the second largest animal health market in the world, and Spain, capitalizing on positions it established in both countries during 1992. Significant opportunities also exist in Europe's two largest animal health markets, France and Germany, as well as Mexico.

While maximizing existing products for near-term growth, new products are a critical part of the company's long-term plans. And to leverage this effort across all product lines and geographic markets, Pitman-Moore is consolidating

Joseph H. Ritter
Group V.P., Americas



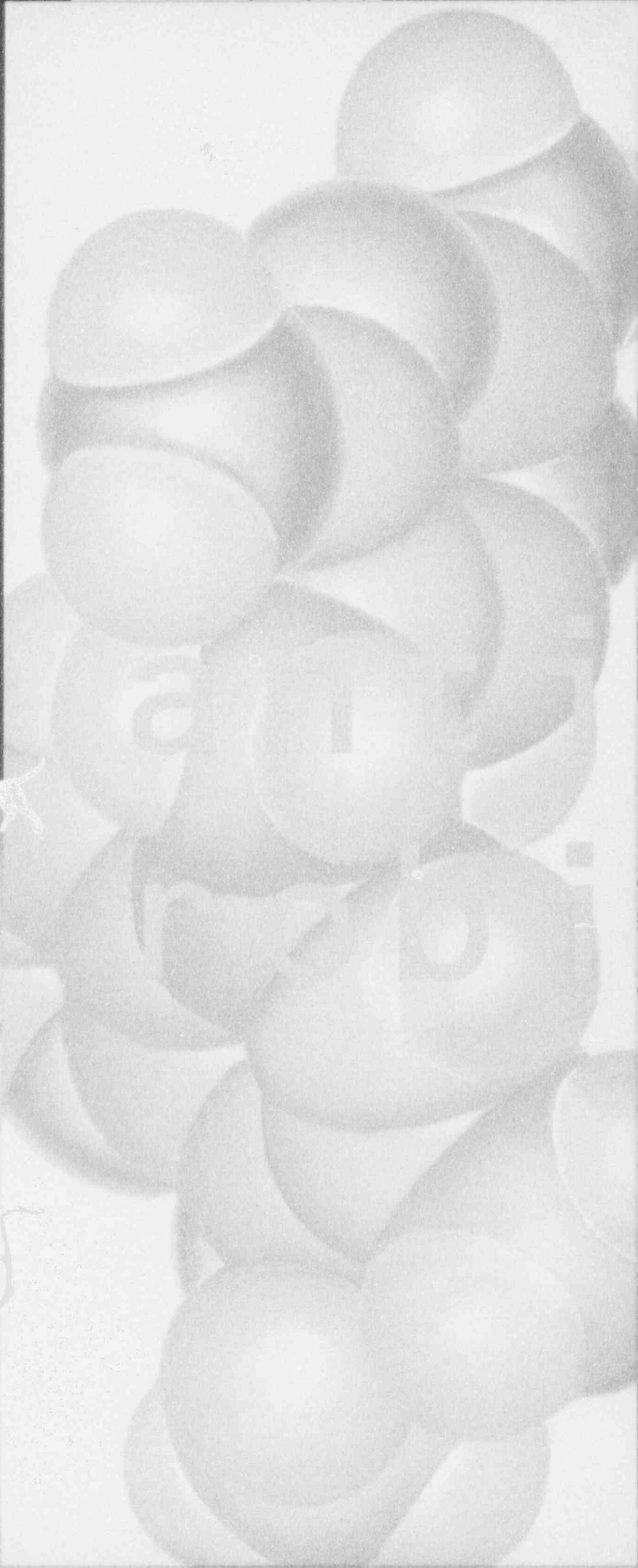
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Cattle gain weight
10 percent faster with
use of Ralgro, which
stimulates an
animal's natural
growth hormone.
Ralgro is the U.S.
market leader thanks
to people
like Karl Riedemann,
regional sales
manager.

productivity



Zaquilan, which contains an innovative bacterial molecule, combats a broad spectrum of bacterial infections in both food and companion animals. Pitman-Moore veterinarian Dr. Veena Singh is working on introduction of Zaquilan throughout Europe.



research and development activities near its worldwide headquarters in North America. By 1996 Pitman-Moore plans to allocate the majority of its research and development budget to products that prevent disease and enhance productivity.

Biologicals The primary focus of Pitman-Moore's new product development will be biologicals, a \$1.4 billion category that, increasing at an annual rate of just over 5 percent, is the fastest-growing market in animal health. Consisting of vaccines and diagnostics, biologicals have greater growth potential because disease prevention is more economical for farmers and breeders long term than the current emphasis on disease treatment. In addition, biologicals leave no residue in meat, generally require a shorter approval time, and their development does not depend upon access to a pharmaceutical partner.



Alan B. Sanders
Group V.P. for Europe and
Australia/New Zealand

Pitman-Moore plans to build on its already solid position in biologicals established by products such as Paracox™, a vaccine that prevents coccidiosis in poultry by stimulating a bird's own immune system, and Rabdomun™, a killed-virus rabies vaccine used in many species. New products in development include a vaccine for anaplasmosis, which causes anemia in calves and cattle. When approved, it will be the first such vaccine widely available in the U.S. By 1996 the company estimates that nearly one-third of its research and development budget will be spent on biologicals. Pitman-Moore's prospects in this market were strengthened this year with the opening of two new biological production facilities in New Zealand and Germany. A \$37 million investment, these world-class plants will lower production costs as well as aid the development of new, global vaccines and innovative delivery systems.

Animal Productivity Pitman-Moore's new product strategy includes investments to support and expand its animal productivity line, which is led by Ralgro®, a growth promotant for cattle that stimulates an animal's pituitary gland to produce increased amounts of its own natural growth hormone. Twenty-five years after its introduction in the U.S., Ralgro is still the market leader. Pitman-Moore intends to build upon Ralgro's proven performance by expanding its sales in Latin America and, longer term, in other large meat-producing countries, such as the former Soviet Union. Pitman-Moore has other key products in the \$1.8 billion animal productivity market. Clinacox™†, which improves growth performance in poultry by preventing infections caused by coccidia, is sold in Canada and throughout Latin America. A New Animal Drug Application for Clinacox has been filed with the U.S. Food and Drug Administration, with introduction expected in the mid-1990s. The world anticoccidial market is estimated at \$350 million, of which \$100 million is in the U.S.

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Kerrit E. McCormack
Group V.P.,
Feed Ingredients



Feed Ingredients Pitman-Moore is the world's largest supplier of feed-grade phosphate and potassium, competing in a \$1 billion feed industry market. Feed ingredients, the largest Pitman-Moore segment with 1993 sales of \$170 million, continues to be an important area for the company. Its nutrition products consist of feed supplements for dairy and beef cattle, sheep, swine, poultry and horses sold under the Monofos[®], Dynafos[®], Biofos[®], Multifos[®], Dyna-K[®] and Dynamate[®] brands. Pitman-Moore will protect and enhance its established position in North America and seek out opportunities in new markets such as China, where Biofos is registered, and Brazil. Pitman-Moore has the competitive advantage of being a low-cost producer of feed ingredients.

Parasiticides Internal and external parasites are among the most common causes of animal illness. Pitman-Moore manufactures and markets a number of products for both food and companion animals in the \$1.8 billion parasiticides market. Its focus will be topical products, or ectoparasiticides, like Defend[®] EXspot[®], a canine flea and tick control product that protects against deer ticks that may carry Lyme disease. Marketed in the U.S. and the U.K., EXspot is recognized for its superior performance, controlling fleas and ticks for up to four weeks per application. The world market for EXspot, part of the Defend companion animal line, is estimated to be \$125 million, about two-thirds in the U.S.

Veterinary Specialties Pitman-Moore is a leading supplier of anesthetics, hygiene products, prostaglandins and surgicals for the \$800 million worldwide veterinary specialties market, which is growing at 3 to 4 percent annually. Pitman-Moore's strategy is to maintain its market position. The veterinary specialties line includes products like Rapinivet[™], an effective, short-acting general anesthetic used in dogs and cats. Its principal advantage is its short recovery time. Pitman-Moore also distributes leading brands from other companies through its extensive veterinary sales network.

Antimicrobials The company's antimicrobial products help protect livestock and pets against fungus and bacteria. A \$1.6 billion global market, these pharmaceuticals destroy or inhibit the growth of bacteria. While Pitman-Moore has several established, branded products in this market, new offerings are accelerating sales growth. Zaquilan[™], a broad-spectrum, long-lasting antibacterial for food and companion animals, was launched in several European countries in 1992 and 1993.

Financial Table of Contents

IMCERA Management's Discussion and Analysis	34
Report of Independent Auditors	40
Responsibility for Financial Reporting	40
Information by Business Segment	41
Consolidated Statement of Operations	42
Consolidated Balance Sheet	43
Consolidated Statement of Cash Flows	44
Consolidated Statement of Changes in Shareholders' Equity	45
Notes to Consolidated Financial Statements	46
Accounting Policies	46
Changes in Business	46
Earnings Per Common Share	47
Supplemental Cash Flow Information	47
Inventories	47
Investments and Long-Term Receivables	47
Property, Plant and Equipment	47
Intangible Assets	47
Income Taxes	48
Accrued Liabilities	49
Debt	49
Lines of Credit	50
Pension Plans	50
Postretirement Health Care and Postemployment Benefits	51
Capital Stock	51
Stock Plans	52
International Operations	52
Business Segments	53
Investment in IFL	54
Commitments	54
Contingencies	54
Five-Year Comparison	55
Quarterly Results	56

Overview

1993 vs. 1992

IMCERA's 1993 results from continuing operations, before restructuring charges, were \$128.4 million, or \$1.65 a share, which included a net, non-cash charge of \$3.8 million after taxes, or \$.05 a share, associated with adoption of new accounting standards. These results compared with last year's earnings from continuing operations of \$128.8 million, also \$1.65 a share.

The net loss for 1993 was \$200.4 million, or \$2.60 a share. Included in this loss were after-tax restructuring charges totaling \$242.2 million, or \$3.13 a share; a non-cash cumulative charge of \$80.6 million, or \$1.04 a share, for adoption of new standards of accounting for income taxes and certain postretirement and postemployment benefits, retroactive to July 1, 1992, and after-tax charges related to discontinued operations of \$6.0 million, or \$.08 a share.

Net sales increased 5 percent while operating earnings, excluding restructuring charges, were about flat with last year after absorbing incremental pretax charges of \$8.5 million for adoption of new accounting standards for employee benefits. Mallinckrodt Medical's 26 percent increase in sales and 36 percent rise in operating earnings were offset by decreases in Pitman-Moore and Mallinckrodt Specialty Chemicals.

Restructuring charges are discussed in the Mallinckrodt Specialty Chemicals and Pitman-Moore sections, which follow, and in Note A of Notes to Consolidated Financial Statements (Notes). Notes A, H and M of the Notes contain further discussion of accounting changes. Charges for discontinued operations are discussed in Note A of the Notes.

1992 vs. 1991

Results were in line with management's expectations for 1992. The Company's earnings from continuing operations for 1992 of \$128.8 million, or \$1.65 a share, represented a 20 percent increase in per-share earnings over the previous year's \$97.2 million, or \$1.37 a share. Certain unusual and nonrecurring items in 1992 resulted in a net after-tax credit of \$1.3 million, or \$.01 a share. These items are discussed in the Quarterly Results on page 56.

Net earnings were \$127.5 million, or \$1.63 a share, compared with \$88.2 million, or \$1.24 a share, in 1991. Net earnings in 1992 included after-tax charges related to discontinued operations of \$1.3 million, or \$.02 a share, compared with after-tax charges in 1991 of \$9.0 million, or \$.13 a share.

IMCERA's three businesses collectively reported a 22 percent increase in operating earnings to \$225.5 million from the previous year's \$184.6 million. Mallinckrodt Medical led the way in 1992 with a 47 percent increase in its operating earnings. IMCERA net sales for 1992 were up 4 percent in the face of disposals of and exits from various non-strategic businesses, recessionary conditions in the U.S., Europe and Australia, price pressures in feed ingredients and the change to equity reporting for the flavors joint venture.

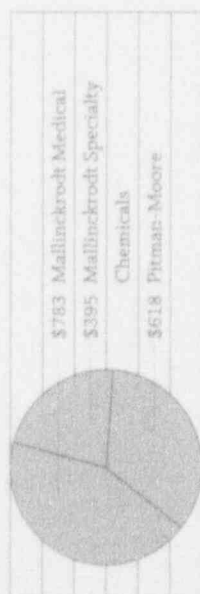
Information about net charges to discontinued operations is discussed in Note A of the Notes.

All references to years are to fiscal years ended June 30 unless otherwise stated.

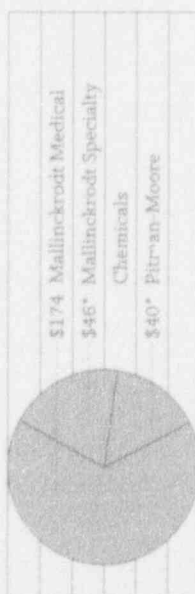
Capital Expenditures
(in millions)



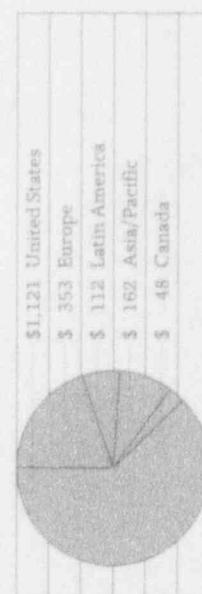
Net Sales by Business Unit
(in millions)



Operating Earnings by Business Unit
(in millions)



Geographic Net Sales
(in millions)



Mallinckrodt Medical

(In millions)	Years ended June 30	1993	1992	1991
Net sales				
Radiology & Cardiology		\$381.4	\$293.7	\$232.0
Nuclear Medicine		182.3	160.4	129.5
Anesthesiology & Critical Care		219.4	166.2	151.0
		\$783.1	\$624.3	\$512.5
Operating earnings		\$174.4	\$127.8	\$ 86.9
Operating earnings as a percent of sales		22.3%	20.6%	17.0%

1993 vs. 1992

Mallinckrodt Medical's strong performance continued through 1993. Net sales increased 26 percent and operating earnings rose 36 percent, after absorbing \$3.5 million in additional pretax charges related to changes in accounting for employee benefits. Results were balanced as all segments of the business, especially radiology, contributed to the improvement.

The excellent performance of the radiology and cardiology business continued as sales were up 30 percent. Strong sales volume for the x-ray contrast medium Optiray in North America and Europe, and product introduction in Japan, which was begun in late 1992, were the main contributors. The production capacity expansions that were begun last year for this product are planned to be completed during 1994. Management expects continued sales increases for Optiray in international markets to favorably impact results. U.S. sales growth is expected to moderate as competition increases and the conversion rate to low osmolar x-ray contrast media slows. Management expects to begin launch of Alburnex, its ultrasound contrast agent, during the second half of 1994, assuming FDA approval by the end of calendar 1993.

Nuclear medicine sales increased 14 percent. Higher sales of thallium in the U.S. and Europe associated with double injection procedures and pharmacological stress tests favorably impacted results. The rate of increase over last year for thallium sales moderated in the second half. Higher TechnoScan MAG3 and UltraTag RBC agent kit sales and continued growth of OctreoScan sales in Europe contributed to the improved results. In May 1993, the FDA's Medical Imaging Drugs Advisory Committee recommended approval of OctreoScan. Assuming FDA approval, management expects to have OctreoScan on the U.S. market by the end of calendar 1993. OctreoScan and other new products are expected to help sustain sales growth.

Anesthesiology and critical care sales improved 32 percent. Higher airway management product sales, the full year impact of the WarmTouch product line sales, higher sales associated with the GEM family of blood gas and electrolyte analyzers, and newly acquired businesses were all factors in increased results. Management expects the 1993 acquisitions of HemoCue Intressenter, A.B., a

manufacturer of point-of-care blood chemistry systems, and the Shiley brand of tracheostomy products to contribute to future results.

1992 vs. 1991

Mallinckrodt Medical continued its excellent performance with improvements in net sales and earnings in all of the company's principal businesses. Net sales increased 21 percent while operating earnings were up 47 percent, combining to produce an operating margin of 20.6 percent.

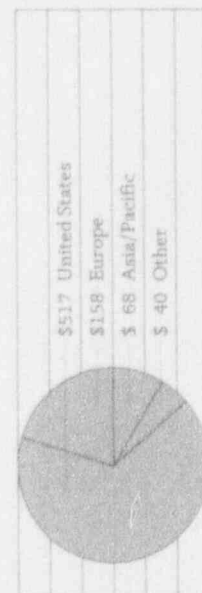
Sales of radiology and cardiology products increased 27 percent. Higher sales and lower manufacturing costs for Optiray were principal factors in the company's growth. Optiray sales in the U.S. continued to be strong while introductions in Europe, Japan and Mexico also contributed. Higher Hexabrix sales were also a factor in the improved performance. To further support the growth of Optiray, a \$100 million expansion project was begun in the second half of fiscal 1992. The project involves increasing the production capabilities of the Optiray plant in St. Louis and construction of a new facility in Ireland. Additionally, Alburnex ultrasound contrast agent was recommended for approval by the Radiology Device Advisory Panel of the FDA during 1992. Once approved by the FDA, management expects to introduce the product within six months.

Strong results for the nuclear medicine business were a significant factor in the year-to-year comparison. Sales increased 24 percent. Improvements in thallium sales associated with double injection procedures and

Mallinckrodt
Medical
Operating
Earnings as a
Percent of Sales



Mallinckrodt
Medical
Geographic
Net Sales
(In millions)



pharmacological stress tests continued. TechnoScan MAG3 and Ultra Tag RBC agent kit sales and lower manufacturing costs were also contributors to the 1992 results. A \$15 million capital project for a facility to manufacture Mo99, a key raw material used in the production of technetium-99m, was begun in Petten, The Netherlands. Currently, Mallinckrodt Medical is one of the largest purchasers of Mo99 in the world, and this represents a vertical integration of the key strategic raw material for use worldwide. Full production at the new facility is expected during 1995.

Sales of anesthesiology and critical care products were up 10 percent. Earnings from stronger sales of airway management products, GEM 6 and GEM Stat were partially offset by higher operating expenses primarily associated with introduction of the GEM Premier blood gas analyzer and a new warming system, WarmTouch, designed to expand capabilities in patient temperature management.

Mallinckrodt Specialty Chemicals

(In millions)	Years ended June 30	1993	1992 ¹	1991
Net sales				
Ongoing operations				
Pharmaceutical Specialties		\$212.0	\$183.0	\$186.0
Catalysts, Performance & Lab Chemicals		183.3	184.9	208.3
		395.3	367.9	394.3
Divested operations and flavors business ²				
			73.0	109.8
		\$395.3	\$440.9	\$504.1
Operating earnings (loss)				
Ongoing operations		\$ 45.9	\$ 46.5	\$ 43.6
Restructuring charges		(51.3)		
Divested operations and flavors business ²				
			13.2	16.9
		(5.4)	59.7	60.5
Pretax equity in joint venture		10.6	1.6	
Earnings		\$ 5.2	\$ 61.3	\$ 60.5
Ongoing operating earnings as a percent of ongoing sales		11.6%	12.6%	11.1%

¹ Restated to reflect the company's reorganization effective July 1, 1992.
² Includes the divestiture of the cosmetic and electronic chemicals businesses and pre-joint venture operating results of the flavors business.

1993 vs. 1992

Mallinckrodt Specialty Chemicals' operating loss of \$5.4 million included pretax restructuring charges of \$51.3 million primarily to exit the company's aromatic fluorine intermediates (AFI) and photochemicals businesses.

Excluding the restructuring charge, Mallinckrodt Specialty Chemicals' operating earnings, plus its equity in the flavors joint venture, decreased \$4.8 million from last year's result. Year-to-year performance comparisons were negatively influenced by additional 1993 expenses of \$3.0 million from accounting changes for employee benefits, and, in 1992's second half, the formation of a flavors joint venture and the divestiture of non-strategic businesses. After adjusting for these events, 1993 ongoing operating earnings improved 5 percent on a corresponding net sales increase of 7 percent.

Pharmaceutical specialties ongoing sales improved 16 percent. Higher sales volumes for acetaminophen (APAP) and medicinal narcotics, and to a much lesser extent January price increases, contributed significantly to the improved ongoing results. The Raleigh, North Carolina, acetaminophen capacity expansion that was begun last year is expected to be completed by mid-1994 at an estimated cost of about \$17 million. The company's continued investment in its recently started peptides business reduced overall 1993 performance.

Catalysts, performance and lab chemicals ongoing sales were one percent below last year principally because of lower AFI sales volumes and recessionary conditions that plagued the business throughout most of 1993. Although unable to predict precisely the timing, management believes these businesses will gain momentum as 1994 unfolds. Higher sales from the new lab chemical product disposal service favorably impacted results. The AFI and photochemicals businesses, which are to be exited, detracted from 1993 earnings.

The Tastemaker flavors joint venture earnings continued significant positive momentum. Sales for the venture were nearly \$200 million in its first year ended December 31, 1992. Additional costs relating to rationalization of its major production facilities in the U.S. negatively affected earnings in the first half of the fiscal year. Tastemaker's performance improved in the last six months to exceed expectations for 1993.

1992 vs. 1991

Mallinckrodt Specialty Chemicals recorded solid operating results in 1992 during a period of general business recession in the chemical industry, while simultaneously effecting major changes in its business. A strategic joint-venture partnership was formed effective February 1, 1992, between the company's and Hercules Incorporated's flavors businesses, and non-strategic businesses were divested or exited. Given these changes, operating results have been restated to an ongoing basis to better characterize performance.

Mallinckrodt Specialty Chemicals' ongoing operating earnings improved to \$46.5 million compared with \$43.6

million in 1991, whereas ongoing net sales decreased by \$26.4 million. On an actual reported basis, the company's operating earnings plus its equity in the pretax earnings of its flavors joint venture totaled \$61.3 million, compared with \$60.5 million in 1991. The decrease in ongoing net sales resulted principally from general-line chemical business exits in 1992. Year-to-year operating earnings growth also was adversely influenced by such exits. Flavors joint-venture income was negatively affected by the company's share of pretax rationalization costs of \$3.8 million.

Pharmaceutical specialties ongoing sales decreased 2 percent due to exit from the tannin business at the end of 1991. Higher volume of APAP and narcotics sales contributed significantly with overall demand for analgesics remaining strong. The European manufacturing capacity expansion begun in 1991 and completed in April 1992 resulted in a near doubling of capacity. Results for 1992 were negatively impacted by temporary plant shutdowns in the first quarter, start-up costs related to the new peptides business and the exit from the tannin business.

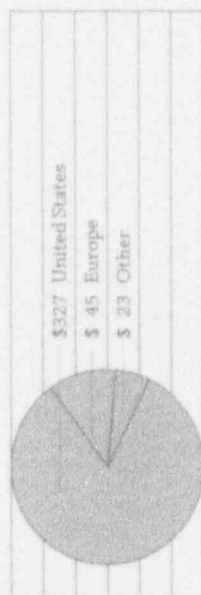
Catalysts, performance and lab chemicals ongoing sales were down 11 percent. Strategic business exits and recessionary conditions were factors in the year-to-year decrease. For the year catalyst results were relatively flat compared with 1991. Results were helped by higher sales of laboratory chemicals and other performance chemicals. Investment in the company's AFI business negatively impacted operating results.

Mallinckrodt
Specialty Chemicals
Operating
Earnings as a
Percent of Sales

*ongoing operations and excluding
1993 restructuring charges



Mallinckrodt
Specialty
Chemicals
Geographic
Net Sales
(in millions)



Pitman-Moore

(In millions)	Years ended June 30	1993	1992	1991
Net sales				
Animal Productivity		\$ 48.6	\$ 58.2	\$ 51.9
Antimicrobials		62.1	69.7	68.8
Biologicals		105.4	104.3	106.4
Parasiticides		146.9	156.4	145.9
Veterinary Specialties & Other		85.6	81.0	72.4
Total Animal Health		448.6	469.6	445.4
Feed Ingredients		169.5	172.2	177.5
		\$ 618.1	\$ 641.8	\$ 622.9
Operating earnings (loss)				
Ongoing operations		\$ 40.3	\$ 69.0	\$ 74.0
Restructuring charges		(282.8)		
		\$(242.5)	\$ 69.0	\$ 74.0
Ongoing operating earnings as a percent of sales		6.5%	10.8%	11.9%

1993 vs. 1992

Pitman-Moore's operating loss of \$242.5 million included pretax restructuring charges of \$282.8 million related to actions taken as a result of its unsatisfactory performance. The major components of the charge were discontinuance of development of Pitman-Moore's Grolene brand of porcine somatotropin, including manufacturing and support facilities; closure and consolidation of manufacturing plants and other distribution and support facilities; redefinition and reorganization of research and development, commercial and administrative functions; exit from certain animal health businesses; and severance costs related to a substantial work-force reduction.

Excluding the restructuring charge, Pitman-Moore's operating earnings declined to \$40.3 million on a net sales decrease of 4 percent, mainly due to higher manufacturing costs, delayed restart of certain plant operations, lower North American sales volumes and European recessionary conditions. Continuing price pressures and lower volumes in feed ingredients and \$1.6 million in expenses from accounting changes for employee benefits were also negatives.

Animal productivity sales were down 16 percent primarily from the timing of marketing and sales programs in the fourth quarter of 1992.

Antimicrobial sales decreased 11 percent from lower sales volumes because of a previously reported production shutdown for pharmaceutical products.

Biological sales were up slightly due to favorable pricing in Brazil which was almost offset by competitive pricing pressures in North America.

Parasiticide sales declined 6 percent as favorable pricing and volume in Brazil was more than offset by lower North American sales volume, principally timing of marketing and sales programs related to levamisole products.

Veterinary specialties sales improved 6 percent from increases across a broad range of these products.

1992 vs. 1991

Pitman-Moore's 1992 net sales increased 3 percent from 1991's performance. Sales improvement aggregating in excess of 9 percent occurred in Pitman-Moore's animal productivity, parasiticide and veterinary specialties product categories. Feed ingredients sales decreased 3 percent, partially offsetting these improvements. The company's sales growth was achieved despite recessionary impacts on most major product lines in the U.S., Europe, Australia and New Zealand.

Despite the sales increase, Pitman-Moore's operating earnings decreased 7 percent from the previous year. Contributing to this decrease was \$4.8 million in pretax costs from the 1992 third quarter suspension of sales and shutdown of production of animal pharmaceuticals produced at Pitman-Moore's Kansas City, Kansas, facility. Sales of pharmaceutical products manufactured at the Kansas City facility approximated \$15 million in 1991.

In the fourth quarter of 1992, Pitman-Moore initiated a restructuring program. The associated pretax charge of \$12.8 million was virtually offset by adjustments made to certain excess accruals that were established at the

time Pitman-Moore acquired Coopers Animal Health in July 1989.

Animal productivity sales were up 12 percent. A higher volume of Ralgro anabolic agent sales, due in part to the timing of marketing and sales programs, was the principal factor. Also, the company's anticoccidial for chickens and turkeys, Clinacox, was launched in Canada in 1992. Sales of this product in certain Latin American countries also increased in 1992.

Antimicrobial sales were essentially flat. Sales growth in Europe and Asia/Pacific was primarily from products launched in 1991. This improvement was offset by the sales decrease related to the pharmaceutical production issue at the company's Kansas City, Kansas, facility.

Biological sales declined from last year by 2 percent, resulting from recessionary conditions in Europe, which offset sales gains in Brazil and North America.

Parasiticide sales increased 7 percent despite recessionary conditions in Europe. This business continued to benefit from a product-line exchange which occurred in the fourth quarter of 1991. Growth in sales of EXspot, a canine topical flea and tick control product, which is part of the Defend product line in the U.S., was also a factor.

Veterinary specialties sales were up 12 percent with the acquisition of the Horse Health business in December 1991 accounting for most of the improvement.

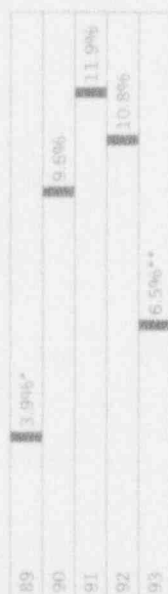
Feed ingredients sales decreased 3 percent, reflecting downward price pressures which more than offset the impact of worldwide volume gains. Increased sales in Latin America and Asia were more than offset by the sales decline in North America.

38

Pitman-Moore
Operating
Earnings as a
Percent of Sales

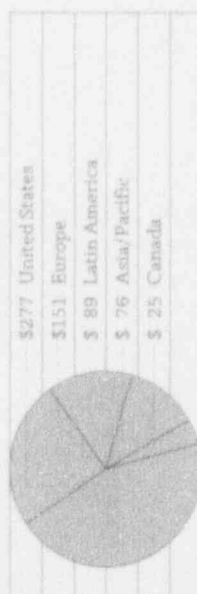
*ongoing operations

**excludes restructuring charges



Pitman-Moore
Geographic
Net Sales

(in millions)



Corporate Matters

In 1993 corporate expenses increased \$5.0 million to \$35.5 million because of pretax charges of \$5.5 million for executive resignations resulting from the performance of Pitman-Moore.

Corporate expenses declined to \$30.5 million in 1992 from \$36.5 million in 1991. Lower expenses in 1992 were principally from lower spending by headquarters functions and reduced costs associated with performance-based compensation plans.

Interest and other nonoperating income declined to \$2.6 million in 1993 from \$15.3 million in 1992 and \$11.4 million in 1991. Gains aggregating \$10.7 million from sales of investments were recorded in 1992. Results for 1993 also reflect lower interest income versus both 1992 and 1991.

Interest charges decreased \$2.3 million and \$3.1 million in 1993 and 1992, respectively. Refinancing of higher cost international borrowings with intercompany debt during 1993 and 1992 and the redemption of the 9.35% debentures in April 1992 favorably affected these comparisons. In 1993, these favorable variances were partially offset by interest charges for higher borrowings.

IMCERA's reported effective tax rate for continuing operations was 14.5 percent in 1993. Excluding the impact of restructuring charges and FAS 109, that rate was 36.8 percent (compared with 36.5 percent in 1992

and 36.6 percent in 1991). The lower reported 1993 rate is primarily from the Company's inability to provide benefits on certain foreign operating losses and capital losses attributable to the restructuring charges. This impact is offset only slightly by the favorable impacts of FAS 109. See Note H of Notes for further discussion of income taxes.

Financial Condition

IMCERA's financial resources are expected to continue to be adequate to support existing businesses, fund the approximately \$100 million after-tax cost of cash expenditures for the Company's restructuring program and fund new opportunities. Since June 30, 1992, cash and cash equivalents decreased \$16.8 million. Operations provided \$136.6 million of cash, while acquisition and capital spending totaled \$389.5 million, \$96.1 million of which related to the HemoCue acquisition and \$90.2 million related to the Shiley tracheostomy products acquisition. In July 1993, the Company received \$51.9 million in cash for its IMC Fertilizer Group, Inc. (IFL) dividend receivable. The Company's current ratio at June 30, 1993, was 1.3:1. Total debt as a percentage of invested capital was 41 percent.

In August 1987 and October 1988, the Company's Board of Directors authorized repurchase of a total of 42.0 million shares of its common stock. Since then 28.9 million shares have been purchased under this authorization, of which 207,700 shares were purchased during the year ended June 30, 1993.

On April 8, 1992, a shelf registration statement was filed with the SEC for \$250 million of debt securities, all on terms to be determined at the time of the actual

offerings for sale. No offerings have occurred. Net proceeds from the sale of any debt securities would be used for general corporate purposes, except as noted in any prospectus supplement.

The Company has a \$350 million private-placement commercial paper program. This program is backed by \$450 million of U.S. lines of credit, of which \$350 million is available until August 1996 and \$100 million is available until August 1994. IMCERA also has two \$50 million U.S. credit facilities which expire in February and March of 1994. At June 30, 1993, commercial paper borrowings and borrowings under the U.S. credit line amounted to \$280.5 million and \$36.0 million, respectively. At June 30, 1993, non-U.S. lines of credit totaling \$176.5 million were also available and borrowings under these lines amounted to \$48.2 million. The non-U.S. lines are cancelable at any time. IMCERA also has an agreement expiring in April 1994, which has not been utilized, under which up to \$50 million of subsidiary trade receivables could be sold without recourse.

Estimated capital spending for the fiscal year ending June 30, 1994, is approximately \$260 million.

Other Matters

The Company does not consider the present rate of inflation to have a significant impact on the businesses in which it operates except for the hyperinflationary effects on the Latin American businesses of Pitman-Moore which are discussed in Note P of Notes.

See Note T of Notes for a discussion of environmental matters.

Return
on Equity

*less from restructuring
charges



Research &
Development

(in millions)



Total Debt
as a Percent
of Invested
Capital

(at June 30)



To the Shareholders and Board of Directors of IMCERA Group Inc.

We have audited the accompanying consolidated balance sheet of IMCERA Group Inc. as of June 30, 1993 and 1992, and the related consolidated statements of operations, changes in shareholders' equity and cash flows for each of the three years in the period ended June 30, 1993, appearing on pages 41 through 54. 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, 1993 and 1992, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 1993 in conformity with generally accepted accounting principles.

As discussed in Notes H and M to the consolidated financial statements, in 1993 the Company changed its method of accounting for income taxes and employee benefits.

Ernst & Young
Chicago, Illinois
August 10, 1993

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.

Management is also responsible for maintaining systems of internal accounting control with the objectives of providing reasonable assurance at reasonable cost that the Company's assets are safeguarded against material loss from unauthorized use or disposition and that transactions are properly authorized and recorded to permit reliance on the Company's financial data and records. In addition, the Company maintains a program for communicating corporate policy throughout the organization and, as a further safeguard, an internal audit staff monitors compliance with policies and systems of internal accounting control.

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.

William B. Stone
Vice President and Controller
August 10, 1993

Information by Business Segment

Net Sales

(In millions)	1993	1992	1991
Mallinckrodt Medical	\$ 783.1	\$ 620.3	\$ 512.5
Mallinckrodt Specialty Chemicals	395.3	440.9	504.1
Pitman-Moore	618.1	641.8	622.9
Intersegment sales	(.2)	(.1)	(5.6)
Consolidated	\$1,796.3	\$1,702.9	\$1,633.9

Earnings and Assets

(In millions)	Earnings (Loss) from Continuing Operations Before Income Taxes			Identifiable Assets		
	1993	1992	1991	1993	1992	1991
Mallinckrodt Medical	\$ 174.4	\$127.8	\$ 86.9	\$ 888.6	\$ 634.0	\$ 528.7
Mallinckrodt Specialty Chemicals	(5.4)	59.7	60.5	460.8	486.8	463.3
Pitman-Moore	(242.5)	69.0	74.0	698.0	778.9	660.6
Corporate	(35.5)	(30.5)	(36.5)	132.8	151.8	480.0
Eliminations		(.5)	(.3)	(2.6)	(.7)	(.3)
Discontinued operations						117.9
Operating earnings (loss)	(109.0)	225.5	184.6			
Equity in pretax earnings of joint venture	10.6	1.6				
Interest and other nonoperating income, net	2.6	15.3	11.4			
Interest charges	(37.3)	(39.6)	(42.7)			
Consolidated	\$(133.1)	\$202.8	\$153.3	\$2,177.6	\$2,050.8	\$2,250.2

Property, Plant and Equipment

(In millions)	Capital Expenditures			Depreciation and Amortization		
	1993	1992	1991	1993	1992	1991
Mallinckrodt Medical	\$ 95.0	\$ 44.4	\$ 52.8	\$ 37.1	\$ 27.2	\$ 25.5
Mallinckrodt Specialty Chemicals	46.2	35.9	39.2	28.0	29.2	31.5
Pitman-Moore	45.9	54.1	30.4	28.8	30.5	28.2
Corporate	1.2	16.0	1.0	2.2	2.4	1.4
Consolidated	\$ 188.3	\$150.4	\$123.4	\$ 96.1	\$ 89.3	\$ 86.6

(See Note Q of Notes to Consolidated Financial Statements)

C o n s o l i d a t e d S t a t e m e n t o f O p e r a t i o n s

(In millions except per share amounts)	Years ended June 30	1993	1992	1991
Net sales		\$1,796.3	\$1,702.9	\$1,633.9
Operating costs and expenses				
Cost of goods sold		970.6	915.6	910.0
Selling, administrative and general expenses		511.2	480.3	457.4
Research and development expenses		95.3	90.5	80.8
Restructuring costs-Note A		334.1		
Other operating (income) expense, net		(5.9)	(9.0)	1.1
		1,905.3	1,477.4	1,449.3
Operating earnings (loss)		(109.0)	225.5	184.6
Equity in pretax earnings of joint venture-Notes A and E		10.6	1.8	
Interest and other nonoperating income, net		2.6	15.3	11.4
Interest charges-Note F		(37.3)	(39.6)	(42.7)
Earnings (loss) from continuing operations before income taxes		(133.1)	202.8	153.3
Income tax provision (benefit)-Note H		(19.3)	74.0	56.1
Earnings (loss) from continuing operations		(113.8)	128.8	97.2
Loss from discontinued operations-Note A		(6.0)	(1.3)	(9.0)
Earnings (loss) before cumulative effects of accounting changes		(119.8)	127.5	88.2
Cumulative effects of accounting changes-Notes H and M		(80.6)		
Net earnings (loss)		(200.4)	127.5	88.2
Preferred stock dividends		(4)	(4)	(4)
Available for common shareholders		\$ (200.8)	\$ 127.1	\$ 87.8

Earnings (Loss) Per Common Share-Note B

Continuing operations	\$ (1.48)	\$ 1.65	\$ 1.37
Discontinued operations	(.08)	(.02)	(.13)
Earnings (loss) before cumulative effects of accounting changes	(1.56)	1.63	1.24
Accounting changes	(1.04)		
Net earnings (loss)	\$ (2.60)	\$ 1.63	\$ 1.24

(See Notes to Consolidated Financial Statements)

C o n s o l i d a t e d B a l a n c e S h e e t

A s s e t s

(In millions)	At June 30	1993	1992
Current assets			
Cash and cash equivalents		\$ 51.3	\$ 68.1
Trade receivables, less allowances of \$13.4 in 1993 and \$11.6 in 1992		319.4	320.6
IFL dividend receivable-Note E		51.9	
Inventories-Note D		353.4	361.1
Deferred income taxes-Note H		21.3	
Other current assets		39.2	53.7
		836.5	803.5
Investments and long-term receivables, less allowances of \$12.5 in 1993 and \$7.0 in 1992-Note E		132.6	176.7
Property, plant and equipment		1,192.9	1,054.6
Accumulated depreciation		(494.0)	(362.5)
Net property, plant and equipment-Note F		698.9	692.1
Intangible assets-Note G		466.9	378.5
Deferred income taxes-Note H		42.7	
		\$2,177.6	\$2,050.8

L i a b i l i t i e s

(In millions)			
Current liabilities			
Short-term debt-Notes J and K		\$ 189.4	\$ 109.8
Accounts payable		117.6	136.2
Accrued liabilities-Note I		311.9	185.9
Income taxes payable-Note H		11.4	20.0
Deferred income taxes-Note H		2.5	
		632.8	451.9
Long-term debt, less current maturities-Notes J and K		427.6	263.9
Deferred income taxes-Note H		25.5	41.7
Accrued retiree health care costs-Note M		121.0	14.0
Other noncurrent liabilities and deferred credits		60.2	55.1
Commitments and contingencies-Notes S and T			

S h a r e h o l d e r s ' E q u i t y - N o t e s N a n d O

(In millions except per share amounts)			
Preferred stock		11.0	11.0
Common stock, par value \$1, authorized 300,000,000 shares; issued 87,116,289 shares in 1993 and 1992		87.1	87.1
Capital in excess of par value		262.4	253.1
Reinvested earnings		780.3	1,013.9
Marketable securities valuation allowance		(2.2)	(1.8)
Foreign currency translation		(56.4)	39.1
Treasury stock		(171.7)	(178.2)
		910.5	1,224.2
		\$2,177.6	\$2,050.8

(See Notes to Consolidated Financial Statements)

Consolidated Statement of Cash Flows

Cash Provided (Used) by Operations

(In millions)	Years ended June 30	1993	1992	1991
Net earnings (loss)		\$(200.4)	\$127.5	\$ 88.2
Adjustments to reconcile net earnings (loss) to net cash provided by operations				
Cumulative effects of accounting changes		80.6		
Depreciation and amortization		96.1	89.3	86.6
(Gains) losses on disposals of assets		(2.4)	(14.3)	3.3
Restructuring costs		312.6		
Retiree health care costs		7.1		
Deferred income taxes		(60.6)	19.6	(3.4)
Discontinued operations			(9.7)	(3.5)
Other, net		(58.4)	(42.1)	(23.6)
		174.6	170.3	147.6
Changes in working capital				
Receivables		9.7	(39.1)	(35.7)
Inventories		(11.1)	(45.4)	(28.4)
Accounts payable, accrued liabilities and income taxes		(37.6)	(61.3)	88.8
Other, net		1.0	1	(7.2)
		136.6	24.6	165.1

Cash Provided (Used) by Investing Activities

Capital expenditures		(188.3)	(150.4)	(123.4)
Acquisition spending		(201.2)	(35.6)	(22.1)
Short-term investments			147.8	(116.0)
IFL stock sales			139.3	245.4
Proceeds from asset disposals		19.9	44.5	2.9
Other, net		(15.6)	(4.7)	(10.9)
		(385.2)	140.9	(24.1)

Cash Provided (Used) by Financing Activities

Increase (decrease) in short-term debt		71.4	(225.0)	12.7
Payments on long-term debt		(11.1)	(64.4)	(232.6)
Proceeds from long-term debt		193.3	7.6	4.2
Issuance of IMCERA common stock		17.9	33.9	213.8
Purchase of IMCERA common stock		(6.5)	(33.8)	(1.6)
Dividends paid		(33.2)	(29.5)	(23.7)
		231.8	(311.2)	(27.2)
Increase (decrease) in cash and cash equivalents		(16.8)	(145.7)	113.8
Cash and cash equivalents at beginning of year		68.1	213.8	100.0
Cash and cash equivalents at end of year		\$ 51.3	\$ 68.1	\$213.8

(See Notes to Consolidated Financial Statements)

Consolidated Statement of Changes
in Shareholders' Equity

	Preferred Stock	Common Stock	Capital in Excess of Par Value	Reinvested Earnings	Other	Treasury Stock
(In millions except per share amounts)						
Balance, June 30, 1990	\$10.0	\$144.0	\$ 56.0	\$ 851.4	\$ 18.2	\$(254.8)
Net earnings				88.2		
Dividends						
4 Percent preferred stock (\$4.00 a share)				(4)		
Common stock (\$.3333 a share)				(23.3)		
Issuance of common stock in public offering			106.2			83.7
Stock option exercises		1.2	16.1			6.6
Purchase of IMCERA common stock						(1.6)
Marketable securities valuation adjustment					2.9	
Translation adjustment					(20.7)	
Other			.8			(.3)
Balance, June 30, 1991	10.0	145.2	179.1	915.9	4	(166.4)
Net earnings				127.5		
Dividends						
4 Percent preferred stock (\$4.00 a share)				(4)		
Common stock (\$.3833 a share)				(29.1)		
Change in par value		(116.2)	116.2			
Common stock split		58.1	(58.4)			
Stock option exercises			14.4			19.8
Purchase of IMCERA common stock						(33.8)
Marketable securities valuation adjustment					(.7)	
Translation adjustment					37.6	
Other	1.0		1.8			2.2
Balance, June 30, 1992	11.0	87.1	253.1	1,013.9	37.3	(178.2)
Net loss				(200.4)		
Dividends						
4 Percent preferred stock (\$4.00 a share)				(4)		
Common stock (\$.43 a share)				(32.8)		
Stock option exercises			7.1			10.8
Purchase of IMCERA common stock						(6.5)
Marketable securities valuation adjustment					(4)	
Translation adjustment					(95.5)	
Other			2.2			2.2
Balance, June 30, 1993	\$11.0	\$ 87.1	\$262.4	\$ 780.3	\$(58.6)	\$(171.7)

(See Notes to Consolidated Financial Statements)

Accounting Policies

Principles of Consolidation

Financial statements of all subsidiaries are consolidated. Investments in 20-50 percent owned affiliates are reported on the equity method.

Accounting Changes

In the fourth quarter of 1993 IMCERA adopted Statements of Financial Accounting Standards (FAS) No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions," FAS No. 109 "Accounting for Income Taxes" and FAS No. 112 "Employers' Accounting for Postemployment Benefits," all retroactive to July 1, 1992. See also Notes H and M.

Foreign Currency Translation

The financial statements of most of the Company's international affiliates are translated into U.S. dollars using current exchange rates. Unrealized translation adjustments are included in shareholders' equity in the Consolidated Balance Sheet. The financial statements of international affiliates that operate in hyperinflationary economies, principally Brazil and Argentina, are translated at either current or historical exchange rates, as appropriate. Unrealized translation adjustments are included in operating results for these affiliates.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of certificates of deposit, time deposits and other short-term securities with maturities of three months or less from the date of purchase.

Inventories

Inventories are stated at the lower of cost or market. Cost for inventories is determined on either an average or first-in, first-out basis.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is based upon estimated useful lives of 15 to 45 years for buildings and 3 to 15 years for machinery and equipment, using principally the straight-line method.

Note A

Changes in Business

Restructuring Program

In the fourth quarter of 1993 the Company recorded a restructuring charge of \$334.1 million, \$242.2 million after taxes, or \$3.13 a share. Restructuring actions related to the program are in process and will take about two years to complete. After-tax cash expenditures for restructuring are expected to total approximately \$100 million. The Pitman-Moore pretax restructuring charges of \$282.8 million included the discontinuance of the development of Grolene brand of porcine somatotropin, including manufacturing and support facilities; closure and consolidation of manufacturing and other distribution and support facilities; redefinition and reorganization of research and development, commercial and administrative functions; exit of certain animal health businesses; and severance costs related to a substantial work-force reduction. As part of the overall program, Mallinckrodt Specialty Chemicals also recorded a pretax charge of \$51.3 million, primarily to exit its aromatic fluorine intermediates and photochemicals businesses.

Acquisitions

In 1993, IMCERA's Mallinckrodt Medical business acquired the businesses of HemoCue Intressenter, A.B., a manufacturer of point-of-care blood chemistry systems, and the tracheostomy products business of Sorin Biomedical, Inc. The acquisitions were accounted for as purchases. The cost of these acquisitions, including acquisition accruals, totaled \$198.0 million. The results of operations of these acquisitions were included in the consolidated financial statements from their respective acquisition dates. Results of operations for periods prior to acquisition were not material to IMCERA.

Tastemaker Joint Venture

Effective February 1, 1992, the Fries & Fries, Inc. unit of the Mallinckrodt Specialty Chemicals Company and Hercules Incorporated's flavors businesses were combined to form a 50/50 joint-venture partnership. Results subsequent to the formation of the joint venture were recorded on a pretax equity basis. The 1992 results included charges totaling \$3.8 million, \$2.4 million after taxes, or \$.03 a share, for combining the two businesses. Related income taxes were included in the Company's consolidated income tax provision.

Divestitures

In 1992, Mallinckrodt Specialty Chemicals disposed of its electronic and cosmetic chemical businesses. Results of operations and the effect of the disposition of these businesses were not material to IMCERA.

IFL Stock Sales and Other Discontinued Operations

In March 1991, the Company entered into a sale and option agreement with IFL under which IFL purchased, by July 1991, all 10 million shares of IFL common stock which IMCERA owned. As a consequence of the agreement with IFL, the IMCERA financial statements and

related notes show the results of IFL on a discontinued basis. Discontinued operations included a net loss from IFL-related effects of \$2.8 million, or \$.04 a share, in 1991.

Discontinued operations for 1993, 1992 and 1991 also included other charges, primarily for environmental and litigation costs as follows:

	1993	1992	1991
Net of taxes	\$6.0	\$1.9	\$6.2
Per share	\$.08	\$.02	\$.09

Note B

Earnings Per Common Share

Earnings per common share amounts were computed on the basis of the weighted average number of common and common equivalent shares outstanding. Such weighted average shares used in the computations were 77,408,668 in 1993; 77,801,473 in 1992; and 70,633,758 in 1991.

Note C

Supplemental Cash Flow Information

	1993	1992	1991
Interest paid	\$35.8	\$34.1	\$42.2
Income taxes paid	\$35.1	\$63.3	\$17.1
Noncash investing and financing activities:			
Issuance of IMCERA common stock from exercise of stock options			\$ 2.4
Purchase of IMCERA common stock from exercise of stock options			\$ 1.7
Issuance of IMCERA common stock for restricted stock awards	\$ 4.4	\$ 5.0	

Note D

Inventories

At June 30	1993	1992
Mallinckrodt Medical	\$128.5	\$113.7
Mallinckrodt Specialty Chemicals	94.1	102.1
Pitman-Moore	131.6	146.1
Intersegment eliminations	(.8)	(.8)
	\$353.4	\$361.1

Note E

Investments and Long-Term Receivables

At June 30	1993	1992
Tastemaker joint venture	\$ 62.0	\$ 57.1
IFL dividend receivable		61.9
Other investments	19.1	19.6
Other long-term receivables, net	51.5	48.1
	\$132.6	\$176.7

The IFL dividend receivable represents an amount equal to the proceeds (but not in excess of \$51.9 million) which IFL received from an insurance claim related to Canadian potash operations. This dividend was included in current assets at June 30, 1993, and was paid by IFL in July 1993.

Certain long-term investments were sold during 1992 for pretax gains totaling \$10.7 million, \$6.7 million after taxes, or \$.08 a share.

Note F

Property, Plant and Equipment

At June 30	1993	1992
Land	\$ 67.5	\$ 63.0
Buildings and leasehold improvements	270.1	239.0
Machinery and equipment	695.5	643.3
Construction in progress	159.8	109.3
	1,192.9	1,054.6
Accumulated depreciation	(494.0)	(362.5)
Net property, plant and equipment	\$ 698.9	\$ 692.1

Interest costs capitalized were \$6.3 million in 1993, \$1.8 million in 1992 and \$1.5 million in 1991.

Note G

Intangible Assets

At June 30	1993	1992
Patents and technology	\$ 55.5	\$ 27.1
Contracts	18.8	18.8
Goodwill and other intangibles	529.0	381.6
	603.3	427.5
Accumulated amortization	(150.2)	(79.7)
	453.1	347.8
Deferred charges	13.8	30.7
	\$466.9	\$378.5

Identifiable intangible assets are amortized over estimated useful lives of up to 5 years for contracts and 17 to 25 years for patents and technology. Goodwill and other intangibles are amortized on a straight-line basis, primarily 20 to 40 years.

Note H

Income Taxes

In the fourth quarter of 1993, the Company adopted the provisions of FAS 109, "Accounting for Income Taxes", retroactive to July 1, 1992. The adoption of this standard changed the Company's method of accounting for income taxes from the deferred method to the liability method. The cumulative effect of this change at July 1, 1992, amounted to a charge of \$16.5 million, or \$.21 a share. Apart from the above charge, the effect of this change on 1993 continuing operations was favorable by \$1.6 million, or \$.02 a share. Financial statements for years prior to 1993 were not restated. Information shown below for those prior years was determined under the deferred method.

Income taxes included in the Consolidated Statement of Operations were:

	1993	1992	1991
Continuing operations	\$(19.3)	\$74.0	\$56.1
Discontinued operations	(3.1)	7.3	9.5
Cumulative effect of accounting changes	19.4		
	\$ (3.0)	\$81.3	\$65.6

The geographical sources of earnings (loss) from continuing operations before income taxes were:

	1993	1992	1991
United States	\$(126.2)	\$122.4	\$ 89.2
Outside United States	(6.9)	80.4	64.1
	\$(133.1)	\$202.8	\$153.3

The components of the income tax provision (benefit) charged (credited) to continuing operations were:

	1993	1992	1991
Current			
U.S. Federal	\$15.0	\$12.7	\$10.7
U.S. State and local	6.5	5.2	3.2
Outside United States	19.8	16.3	20.1
	41.3	34.2	34.0
Deferred			
U.S. Federal	\$(57.3)	26.2	17.0
U.S. State and local	(2.9)	1.8	1.7
Outside United States	(.4)	11.8	3.4
	(60.6)	39.8	22.1
	\$(19.3)	\$74.0	\$56.1

Factors causing the effective tax rate for continuing operations to differ from the U.S. Federal statutory rate were:

	1993	1992	1991
Computed tax at the U.S. Federal statutory rate	\$(45.3)	\$69.0	\$52.1
Adjustments to income tax accruals	(5.0)	(5.0)	(5.0)
U.S. state income taxes	5.8	4.6	3.3
Lower non-U.S. rates	(10.1)	(3.7)	(.5)
Non-U.S. losses with no tax benefit	11.0	4.5	2.2
Nondeductible goodwill	3.0	3.0	2.9
Valuation allowances	.3		
Restructuring	21.7		
Other items (none in excess of 5% of computed tax)	(.7)	1.6	1.1
Income tax provision (benefit)	\$(19.3)	\$74.0	\$56.1
Effective tax rate	14.5%	36.5%	36.6%

IMCERA's effective tax rate for 1993 before the net tax benefits for restructuring and FAS 109 impacts was 36.6 percent.

The favorable adjustments to income tax accruals included in the preceding table resulted from the conclusion of income tax audits that spanned a number of years.

Deferred income tax balances at June 30, 1993, were related to:

	Asset	Liability
Property, plant and equipment		\$ 64.5
Employee benefits	\$ 51.6	
Restructuring accruals	84.1	
Environmental accruals	4.1	
Intangible assets		26.7
Net operating losses	45.3	
Alternative minimum tax credit	18.9	
Receivables		26.7
Other, net		.2
Valuation allowance		49.9
	\$204.0	\$168.0

Included in the FAS 109 adoption at July 1, 1992, were valuation allowances of \$15.7 million.

Under previous income tax accounting rules, deferred income taxes were provided for timing differences in the recognition of income and expense for tax and financial statement purposes. The principal components of the U.S. Federal and state and local provision for deferred income taxes from continuing operations in 1992 and 1991 were deferred tax provisions for various timing differences, primarily depreciation, employee compensation and benefit-plan related items, and acquisition liabilities. In 1991, there were also adjustments of net deferred tax credits through utilization of net operating losses (NOLs).

At June 30, 1993, IMCERA had an alternative minimum tax credit carryforward of \$18.9 million available to reduce future Federal taxes payable. The alternative minimum tax credit has an unlimited carryforward period.

The Company had NOL carryforwards of \$45 million from its non-U.S. operations, primarily in Germany (\$24 million with no expiration date).

Undistributed earnings of certain subsidiaries outside the United States are considered to be permanently invested. Accordingly, no provision for income taxes was made for undistributed earnings of such subsidiaries which aggregated \$141 million at June 30, 1993.

The income tax provisions for discontinued operations related to the Company's equity in IFL earnings reflect a benefit of \$2.4 million in 1991 from the dividend received deduction and a charge for book and tax basis differences relative to the Company's investment in IFL stock that amounted to \$9.7 million and \$14.5 million in 1992 and 1991, respectively.

Note I

Accrued Liabilities

At June 30	1993	1992
Restructuring accruals	\$147.0	\$ 13.6
Salaries, wages and bonuses	22.6	31.7
Former operations	19.1	23.3
Interest	7.6	9.7
Taxes other than income taxes	14.3	11.6
Pension	9.7	6.8
Sales promotions and incentives	16.6	13.4
Other	75.0	75.8
	\$311.9	\$185.9

Note J

Debt

The components of short-term debt were:

At June 30	1993	1992
Notes payable	\$ 84.2	\$ 96.2
Commercial paper	90.5	
Current maturities of long-term debt	14.7	13.6
	\$189.4	\$109.8

The components of long-term debt were:

At June 30	1993	1992
Commercial paper	\$190.0	
9.875% debentures due in annual installments of \$15.0 million, beginning in 2002, with final payment of \$12.8 million in 2011	134.6	\$134.5
8.75% promissory note due in annual installments of \$10.3 million, with final payment of \$10.7 million in 2000	51.8	72.3
Other	65.9	70.7
	442.3	277.5
Less current maturities	14.7	13.6
	\$427.6	\$263.9

At June 30, 1993, commercial paper totaling \$190.0 million has been classified as long-term debt as it is backed by long-term lines of credit.

The 9.875% debentures are redeemable at the option of IMCERA at 100 percent in 2001 and thereafter.

Maturities of long-term debt for the next five years are: 1994-\$14.7 million; 1995-\$22.7 million; 1996-\$12.0 million; 1997-\$207.6 million (includes \$190.0 million of commercial paper); and 1998-\$27.6 million.

The only material financial instruments which were not included in the Consolidated Balance Sheet at amounts which approximate fair values were certain debt instruments. The carrying value of such long-term debt and related current maturities was \$194.9 million and the fair value was \$240.3 million at June 30, 1993. The fair value of the long-term debt was estimated based on the current interest rates available to the Company for debt with similar maturities and characteristics.

Note K

Lines of Credit

The Company has a \$350 million private-placement commercial paper program. This program is backed by \$450 million of U.S. lines of credit of which \$350 million is available until August 1996 and \$100 million is available until August 1994. Under the terms of these agreements, interest rates are determined at the time of borrowing and are based on London Interbank Offered Rates plus .40 percent or other alternative rates. IMCERA also has two \$50 million U.S. credit facilities which expire in February and March of 1994. Interest on these credit agreements is at prime or other alternative rates. Commercial paper and borrowings under the U.S. credit lines of \$280.5 million and \$36.0 million, respectively, were outstanding at June 30, 1993. Non-U.S. lines of credit totaling \$176.5 million are also available and borrowings under these lines were \$48.2 million at June 30, 1993. These non-U.S. lines are cancelable at any time. IMCERA also has an agreement expiring in April 1994, which has not been utilized, under which up to \$50 million of subsidiary trade receivables could be sold without recourse for cash proceeds less a discount based on prime commercial paper rates plus .30 percent.

Note L

Pension Plans

The Company's pension plans provide for retirement benefits based on years of service and the level of compensation for the highest three to five years occurring generally within a period of up to 10 years prior to

retirement. Contributions to the U.S. plans meet ERISA minimum funding requirements.

Pension expense for continuing operations follows:

	1993	1992	1991
Service cost	\$ 17.1	\$ 15.2	\$ 15.1
Interest cost on projected benefit obligations	29.9	27.8	26.8
Actual return on plan assets	(35.0)	(39.1)	(29.7)
Net amortization of initial unrecognized asset and deferral of subsequent unrecognized net gains and losses	9.3	13.5	5.5
	\$ 21.3	\$ 17.4	\$ 17.7

Assumptions used in determining U.S. pension expense (\$15.7 million, \$12.4 million and \$11.3 million in 1993, 1992 and 1991, respectively) follow:

	1993	1992	1991
Discount rate	8.5%	9%	9%
Long-term rate of return on assets	10%	10%	10%
Compensation increase rate	6%	6%	6%

The plans' assets mostly relate to U.S. plans and consist primarily of corporate equities, U.S. government debt securities and units of participation in a collective short-term investment fund.

The funded status of IMCERA's U.S. and non-U.S. pension plans and amounts recognized in the balance sheet follow:

	1993		1992	
	Plans With Assets In Excess of Accumulated Benefits	Plans With Accumulated Benefits In Excess of Assets	Plans With Assets In Excess of Accumulated Benefits	Plans With Accumulated Benefits In Excess of Assets
Assets at fair value	\$304.8	\$ 29.3	\$311.3	\$ 7.4
Actuarial present value of benefit obligations				
Vested benefits	218.5	49.0	222.1	27.2
Nonvested benefits	6.3	4.0	6.1	3.6
Accumulated benefit obligations	224.8	53.0	228.2	30.8
Projected future salary increases	84.6	14.7	70.0	12.5
Projected benefit obligations	309.4	67.7	298.2	43.3
Projected benefit obligations (more) less than assets	(4.6)	(38.4)	13.1	(35.9)
Items not yet recognized in earnings				
Unrecognized net (gain) loss	7.3	4.3	(17.3)	4.0
Unamortized transition (asset) liability	(2.0)	14.3	(1.1)	15.7
(Accrued) prepaid pension liability	\$.7	\$ (19.8)	\$ (5.3)	\$ (16.2)

Note M

Postretirement Health Care and Postemployment Benefits

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

In the fourth quarter of 1993, the Company adopted FAS 106 "Employers' Accounting for Postretirement Benefits Other Than Pension Benefits" retroactive to July 1, 1992. This statement requires that the cost of these benefits be accrued during the employees' working careers. The Company has elected to immediately recognize the transition obligation rather than amortize it over future periods. The cost of providing these benefits was previously recognized in the period in which the benefits were paid.

The cumulative effect of the change as of July 1, 1992, was a charge of \$63.0 million, or \$.81 a share, after a deferred tax benefit of \$35.3 million. The current year incremental effect of FAS 106 was a charge of \$7.1 million, \$4.5 million after taxes, or \$.06 a share.

The components of the 1993 cost of these postretirement benefits were:

Service cost for benefits earned during the year	\$ 3.8
Interest cost on benefit obligation	10.7
	\$14.5

The present value of the Company's unfunded postretirement benefits obligation at June 30, 1993, was:

Accumulated benefit obligation	
Retirees	\$ 75.9
Active employees	46.0
	\$121.9

The discount rate used in determining the accumulated postretirement benefit obligation at June 30, 1993, was 8.5 percent.

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation (APBO) at June 30, 1993, was 11.0 percent, gradually declining to 5.5 percent in 2004 and thereafter. A one percentage point increase in the health care cost trend rate would increase the APBO as of June 30, 1993, by \$14.0 million and the aggregate service and interest cost by \$2.2 million.

The 1992 and 1991 cost for these postretirement benefits on a pay-as-you-go basis was \$4.4 million and \$5.0 million, respectively, all of which was included in continuing operations.

Also in the fourth quarter, IMCERA adopted FAS 112 "Employers' Accounting for Postemployment Benefits." This statement requires an accrual method of recording the cost of postemployment benefits such as disability-related benefits. The cumulative effect of adopting FAS 112 retroactively to July 1, 1992, was a charge of \$1.1 million after taxes, or \$.02 a share. The incremental effect of this change on 1993 operations was a charge of \$1.4 million, \$.9 million after taxes, or \$.01 a share.

Note N

Capital Stock

The Company has authorized and issued 100,000 shares, 98,330 outstanding at June 30, 1993, par value \$100, 4 Percent Cumulative preferred stock. This stock, with voting rights, is redeemable at IMCERA's option at \$110 a share. During the three years ended June 30, 1993, the number of issued and outstanding shares did not change.

At June 30, 1993, the Company has authorized 1,400,000 shares, par value \$1, of series preferred stock, none of which is outstanding.

In October 1991, the Company's shareholders approved an increase in the number of authorized shares of common stock from 100 million to 300 million and a reduction in the par value per share of common stock from \$5.00 to \$1.00. Also, the Company's Board of Directors declared a 3-for-1 stock split that was paid on November 12, 1991.

Each outstanding common share includes a non-voting common stock purchase right. If a person or group acquires or has the right to acquire 20 percent or more of the common stock or commences a tender offer for 30 percent or more of the common stock, the rights become exercisable by the holder who may then purchase \$167 worth of common stock for \$83 unless, in lieu thereof, the Board of Directors causes the exchange of each outstanding right for one share of common stock (in either case exclusive of the rights held by the acquiring person or group which are voided). In the event of a merger or sale of 50 percent or more of the Company's assets, the rights may in certain circumstances entitle the holder to purchase \$167 worth of stock in the surviving entity for \$83. The rights may be redeemed by the Board at a price of \$.017 per right at any time before they become exercisable, and unless they become exercisable, they will expire March 31, 1996.

Common shares reserved at June 30, 1993, consisted of the following:

Exercise of common stock purchase rights	87,338,432
Exercise of stock options and granting of stock awards	10,893,657
	98,232,089

Changes in the number of shares of common stock issued and in treasury were as follows:

	1993	1992	1991
Common stock issued			
Balance, beginning of year	87,116,289	87,116,289	86,395,056
Stock options exercised			696,792
Conversion of 4% debentures			24,441
Balance, end of year	87,116,289	87,116,289	87,116,289
Treasury common stock			
Balance, beginning of year	11,371,742	11,903,220	18,325,116
Common stock offering			(6,000,000)
Stock options exercised	(833,560)	(1,404,262)	(613,398)
Purchases	274,267	1,029,123	170,502
(Awards) cancellation of restricted shares	(140,935)	(156,339)	21,000
Balance, end of year	10,671,514	11,371,742	11,903,220
Common stock outstanding, end of year			
	76,444,775	75,744,547	75,213,069

Note O

Stock Plans

Three non-qualified stock option plans adopted in 1973, 1981 and 1990, as amended, provide for granting options to purchase up to 21,817,650 shares of common stock at prices not less than 100 percent of market price (as defined) at the date of grant. Options under these plans are exercisable over 10 years beginning one year after the date of grant and are limited to 50 percent during the second year. A total of 15,537,638 shares was granted under these plans through June 30, 1993.

Prior to May 1, 1991, the plans permitted certain employees the successive, contemporaneous delivery to IMCERA of common shares acquired in the exercise of such options in series in lieu of cash for the exercise of stock options. After that date, no such deliveries were permitted. In 1991, under this provision, 126,600 options with a market value of \$3.3 million were exercised and 64,584 shares with a market value of \$1.7 million were tendered.

Information on options follows:

Number of Options	Price Range	1993	1992
Outstanding, beginning of year			
	\$10-40	4,645,812	4,957,812
Granted	25-40	1,325,749	1,332,640
Cancelled	14-40	(254,643)	(240,378)
Exercised	10-37	(833,560)	(1,404,262)
Outstanding, end of year			
	10-40	4,883,358	4,645,812
At June 30			
Exercisable		3,061,389	2,504,248
Reserved for future option grants		6,010,299	7,222,130

The average exercise price of outstanding stock options at June 30, 1993, was \$28.33 a share, based on an aggregate exercise price of about \$138 million. Outstanding stock options will expire over a period ending no later than June 15, 2003.

The 1973 non-qualified stock option and award plan also provides for the award of restricted shares of IMCERA's common stock. Under the plan, the grantee makes no cash payment for the award, the shares are held in escrow until vested, which is generally three years from the date of award, and the grantee cannot dispose of the restricted shares until vested. Upon forfeiture of any share of restricted stock in accordance with the stock option and award plan, or the terms and conditions of the award, the shares would automatically be transferred to and reacquired by IMCERA at no cost. In 1993 and 1992, IMCERA issued from its treasury stock 140,935 and 156,339 restricted shares, respectively, which become vested on June 30, 1994.

Note P

International Operations

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

	1993	1992	1991
Latin America	\$21.1	\$20.7	\$16.4
Europe	12.4	8.4	6.0
Asia/Pacific	17.4	15.8	27.5
Other	4.3	4.1	4.7
	\$55.2	\$49.0	\$54.6

Net sales, earnings from continuing operations before income taxes, and identifiable assets by geographic areas follow:

Net Sales to Unaffiliated Customers	1993	1992	1991
United States	\$1,121.2	\$1,106.3	\$1,073.1
Europe	353.2	317.6	322.5
Asia/Pacific	161.4	123.5	97.4
Latin America	112.3	97.0	83.9
Canada	48.2	58.5	57.0
Consolidated	\$1,796.3	\$1,702.9	\$1,633.9
Earnings			
United States	\$ 181.9	\$ 179.3	\$ 146.8
Europe	56.5	50.9	51.4
Asia/Pacific	16.4	15.9	13.3
Latin America	16.0	12.7	7.1
Canada	(.4)	2.1	2.2
Restructuring costs	(334.1)		
Corporate	(35.5)	(30.5)	(36.5)
Eliminations	(9.8)	(4.9)	.3
Operating earnings	(109.0)	225.5	184.6
Equity in pretax earnings of joint venture	10.6	1.6	
Interest charges, net	(34.7)	(24.3)	(31.3)
Consolidated	\$ (133.1)	\$ 202.8	\$ 153.3
Assets			
United States	\$1,192.7	\$1,152.0	\$1,088.2
Europe	605.6	504.9	358.6
Asia/Pacific	155.7	148.8	120.0
Latin America	78.6	69.1	60.5
Canada	26.1	33.5	30.0
Corporate	132.8	151.8	480.0
Eliminations	(13.9)	(9.3)	(5.0)
Discontinued operations			117.9
Consolidated	\$2,177.6	\$2,050.8	\$2,250.2
Restructuring costs by region in 1993 were:			
United States	\$ 257.9		
Europe	35.4		
Asia/Pacific	33.0		
Latin America	7.8		
	\$ 334.1		

Transfers of product between geographic areas are at prices approximating those charged to unaffiliated customers. The amount of such transfers was not material.

Net foreign exchange translation losses from businesses in hyperinflationary economies aggregated \$5.8 million, \$5.5 million and \$5.6 million in 1993, 1992 and 1991, respectively, and have been included in "Other operating (income) expense, net" in the Consolidated Statement of Operations. These translation effects were primarily from Pitman-Moore. Transaction effects for all of IMCERA's businesses were not material in the periods presented.

Note 9

Business Segments

The tables on page 41 show IMCERA's continuing worldwide operations, which are organized in three industry segments as follows:

Mallinckrodt Medical

Production and sale of products used primarily in hospitals, including x-ray contrast media, interventional products, diagnostic and therapeutic radiopharmaceuticals, airway management products, temperature monitoring products, and blood gas and vital sign monitoring systems.

Mallinckrodt Specialty Chemicals

Production and sale of analgesics and medicinal narcotics used by pharmaceutical companies; catalysts, specialty inorganics, stearates and laboratory chemicals used by industry and research organizations. Through the Tastemaker joint venture, the company also participates in the flavors business.

Pitman-Moore

Production and sale of animal productivity, antimicrobials, biologicals, parasiticides, veterinary specialties, mineral feed supplements and other health-related products for food and companion animals.

Nonrecurring Charges

Restructuring charges recorded in 1993 are discussed in Note A.

In 1992, costs associated with deficiencies in technical manufacturing controls at Pitman-Moore's Kansas City, Kansas, manufacturing facility negatively impacted results by \$4.8 million, \$3.0 million after taxes, or \$.04 a share.

Additionally, in 1992's fourth quarter, Pitman-Moore incurred \$12.8 million of restructuring costs. In that same quarter, adjustments were made to certain excess accruals that were established in 1990 at the time Pitman-Moore acquired Coopers Animal Health. The provision for restructuring costs was virtually offset by the aforementioned accrual adjustments.

In 1993, corporate expense included charges of \$5.5 million, \$3.4 million after taxes, or \$.04 a share, from executive resignations resulting from the performance of Pitman-Moore reported in the Consolidated Statement of Operations under "Selling, administrative and general expenses." Corporate assets consist primarily of cash, fixed assets and the IFL dividend receivable.

Impact of Accounting Changes

In addition to the cumulative effect impacts, FAS 106, and to a much lesser extent FAS 112, reduced the operating earnings of each business group and increased corporate expense by the following amounts:

Mallinckrodt Medical	\$3.5
Mallinckrodt Specialty Chemicals	3.0
Pitman-Moore	1.6
Corporate	.4
	<u>\$8.5</u>

Note R

Investment in IFL

The Company's principal transactions with IFL in 1991 were purchases of certain materials and products and plant management services totaling \$102.0 million. In 1991, net sales and net earnings for IFL were \$1,131.2 million and \$95.8 million, respectively.

Note S

Commitments

IMCERA leases office space, data processing equipment, buildings, and machinery and equipment. Rent expense for continuing operations in 1993, 1992 and 1991 related to operating leases was \$29.6 million, \$26.1 million and \$20.3 million, respectively.

Minimum rent commitments for continuing operations at June 30, 1993, under operating leases with a remaining non-cancellable period exceeding one year follow:

Years ending June 30	
1994	\$23.3
1995	16.3
1996	11.6
1997	7.3
1998	4.9
Later years	16.9
	<u>\$80.3</u>

The Company remains primary lessee under certain leases and is the primary obligor under certain industrial revenue bonds that relate to the business of IFL which amounted to approximately \$95 million at June 30, 1993. IFL has indemnified the Company with respect to any liability that might arise.

The Company periodically uses foreign exchange forward contracts and swaps to hedge inventory purchase commitments, debt denominated in a foreign currency and interest rate exposures. Gains and losses on hedge contracts are reported as a component of the related transaction. At June 30, 1993, forward exchange contracts with an aggregate contract value of \$76.5 million were outstanding. The difference between the value of the contracts and their June 30, 1993, market value was not material.

Note T

Contingencies

The Company is subject to various investigations, claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. In addition, in connection with laws and regulations pertaining to the protection of the environment, the Company is a party to several environmental remediation investigations and clean-ups and, along with other companies, has been named a "potentially responsible party" for certain waste disposal sites. Each of these matters is subject to various uncertainties, and it is possible that some of these matters will be decided unfavorably against the Company. The Company has established accruals for matters that are probable and reasonably estimable. Based on information presently available, management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on its business or financial condition taken as a whole.

Five-Year Comparison

Summary of Operations

(Dollars in millions except per share amounts)	Years ended June 30	1993 ¹	1992 ²	1991 ³	1990 ⁴	1989 ⁵
Net sales		\$1,796.3	\$1,702.9	\$1,633.9	\$1,424.6	\$ 982.9
Earnings (loss) from continuing operations		\$ (113.8)	\$ 128.8	\$ 97.2	\$ 55.3	\$ 53.4
Earnings (loss) from discontinued operations ⁴		(6.0)	(1.3)	(9.0)	1.2	63.6
Cumulative effects of accounting changes		(80.6)				
Net earnings (loss)		(200.4)	127.5	88.2	56.5	117.0
Preferred stock dividends		(.4)	(.4)	(.4)	(4.2)	(14.4)
Available for common shareholders		\$ (200.8)	\$ 127.1	\$ 87.8	\$ 52.3	\$ 102.6
Per Common Share Data⁶						
Earnings (loss) from continuing operations		\$ (1.48)	\$ 1.65	\$ 1.37	\$.79	\$.57
Net earnings (loss)		(2.60)	1.63	1.24	.81	1.50
Dividends declared		.43	.38	.33	.33	.33
Book value		11.77	16.02	14.42	11.97	11.23
Average common shares (in millions)		77.4	77.8	70.6	65.0	68.4

Other Data

(Dollars in millions)	1993	1992	1991	1990	1989
Total assets	\$2,177.6	\$2,050.8	\$2,250.2	\$2,130.9	\$1,971.6
Working capital	203.7	351.6	409.0	311.1	594.6
Current ratio	1.3:1	1.8:1	1.6:1	1.8:1	3.3:1
Total debt	\$ 617.0	\$ 373.7	\$ 643.4	\$ 837.4	\$ 773.7
Net deferred income tax (assets) liabilities	(36.0)	41.7	48.0	52.9	42.8
Shareholders' equity	910.5	1,224.2	1,084.2	824.8	888.2
Invested capital	1,491.5	1,639.6	1,775.6	1,715.1	1,704.7
Total debt/invested capital	41%	23%	36%	49%	45%
Capital expenditures	\$ 188.3	\$ 150.4	\$ 123.4	\$ 85.7	\$ 82.2
Total dividends declared	33.2	29.5	23.7	25.8	36.9
Common shares outstanding (in millions)	76.4	75.7	75.2	68.1	60.7
Number of employees	10,000	9,500	9,800	9,600	6,900

¹See "IMCERA Management's Discussion and Analysis" for a description of nonrecurring items.

²Results for 1990 included favorable adjustments from the conclusion of income tax audits that amounted to \$14.8 million, \$11.9 million after taxes, or \$.18 a share, from lower income taxes and higher interest income. That benefit was partially offset by restructuring charges of \$4.9 million, \$3.0 million after taxes, or \$.05 a share, and charges for compensation plans tied to the price of IMCERA's common stock that amounted to \$3.9 million, \$2.4 million after taxes, or \$.04 a share.

³Results for 1989 included favorable adjustments from the conclusion of income tax audits that amounted to \$20.8 million, \$16.6 million after taxes, or \$.24 a share, from lower income taxes and related interest charges. Such earnings also included a gain of \$3.9 million, \$2.4 million after taxes, or \$.03 a share, from the sale of a business.

⁴See Note A of Notes to Consolidated Financial Statements for information on discontinued operations in 1993, 1992 and 1991. The results for 1990 and 1989 included nonrecurring after-tax gains of \$5.2 million, or \$.08 a share, and \$21.5 million, or \$.30 a share, from the sale of the fragrance business and the IFL public offering, respectively. Results for discontinued operations for 1990 and 1989 also included after-tax charges of \$7.6 million, or \$.12 a share, and \$1.7 million, or \$.02 a share, respectively, for environmental and litigation costs related to operations previously sold.

⁵Presented on a primary per common share basis adjusted for the 3-for-1 stock split in November 1991.

Quarterly Results

Fiscal 1993

(In millions except per share amounts)	Quarter	First	Second	Third	Fourth	Year
Net sales		\$416.8	\$441.2	\$439.9	\$ 498.4	\$1,796.3
Gross margins		190.8	203.3	196.5	235.1	825.7
Earnings (loss) from continuing operations		27.6	28.0	30.5	(199.9)	(113.8)
Discontinued operations		(.5)	(1.5)	(.9)	(3.1)	(6.0)
Cumulative effects of accounting changes		(80.6)				(80.6)
Net earnings (loss)		(53.5)	26.5	29.6	(203.0)	(200.4)
Preferred stock dividends		(.1)	(.1)	(.1)	(.1)	(.4)
Available for common shareholders		\$(53.6)	\$ 26.4	\$ 29.5	\$(203.1)	\$ (200.8)
Earnings (loss) per common share						
Continuing operations		\$.36	\$.36	\$.39	\$ (2.59)	\$ (1.48)
Discontinued operations		(.01)	(.02)	(.01)	(.04)	(.08)
Accounting changes		(1.04)				(1.04)
Net earnings (loss)		\$ (.69)	\$.34	\$.38	\$ (2.63)	\$ (2.60)

Fiscal 1992

(in millions except per share amounts)	Quarter	First	Second	Third	Fourth	Year
Net sales		\$381.3	\$420.2	\$433.5	\$ 467.9	\$1,702.9
Gross margins		176.9	192.3	197.7	220.4	787.3
Earnings from continuing operations		27.5	25.9	32.6	42.8	128.8
Discontinued operations		(1.8)	(.2)	(.2)	.9	(1.3)
Net earnings		25.7	25.7	32.4	43.7	127.5
Preferred stock dividends		(.1)	(.1)	(.1)	(.1)	(.4)
Available for common shareholders		\$ 25.6	\$ 25.6	\$ 32.3	\$ 43.6	\$ 127.1
Earnings (loss) per common share						
Continuing operations		\$.35	\$.33	\$.42	\$.55	\$ 1.65
Discontinued operations		(.02)		(.01)	.01	(.02)
Net earnings		\$.33	\$.33	\$.41	\$.56	\$ 1.63

Fiscal 1993

Second quarter earnings from continuing operations included an after-tax charge of \$3.4 million, or \$.04 a share, from executive resignations resulting from the performance of Pitman-Moore.

Fourth quarter continuing operations included after-tax restructuring charges of \$242.2 million, or \$3.13 a share.

The net after-tax charges for FAS 106, FAS 109 and FAS 112 on continuing operations were:

Quarter	First	Second	Third	Fourth	Year
Net of taxes	\$1.0	\$1.1	\$0.5	\$1.2	\$3.8
Per share	\$.01	\$.01	\$.01	\$.02	\$.05

Discontinued operations after-tax effects shown in the quarterly table for 1993 were primarily for litigation costs.

Fiscal 1992

First quarter continuing operations included an after-tax gain of \$4.4 million, or \$.07 a share, from the sale of an investment.

Third quarter continuing operations included costs associated with deficiencies in technical manufacturing controls at Pitman-Moore's Kansas City,

Kansas, manufacturing facility which negatively impacted after-tax results by \$3.0 million, or \$.04 a share.

Pitman-Moore provided \$7.9 million after taxes, or \$.10 a share, for restructuring costs which were virtually offset by adjustments made to certain excess accruals that were established in 1990 at the time Pitman-Moore acquired Cooper's Animal Health. Fourth quarter results also included an after-tax gain of \$2.3 million, or \$.03 a share, from the sale of an investment and the Company's share of rationalization costs provided for by the Tastemaker joint venture totaling \$2.4 million after taxes, or \$.03 a share.

Discontinued operations after-tax effects were:

Quarter	First	Second	Third	Fourth	Year
Environmental and litigation costs	\$ (.2)	\$(.2)	\$(.2)	\$(1.3)	\$(1.9)
Other, primarily IFL-related	(1.6)			2.2	.6
	\$(1.8)	\$(.2)	\$(.2)	\$.9	\$(1.3)

Board of Directors and Executive Office

Board of Directors

George D. Kennedy, 67²
Since 1975
Chairman, IMCERA

Raymond F. Bentele, 56
Since 1990
Vice Chairman, IMCERA

* Keith D. Bunnell, 70^{2,3}
Since 1983
Former Vice Chairman, Administration,
American Standard, Inc.

Ronald G. Evens, M.D., 53^{1,3}
Since 1990
Director, Mallinckrodt Institute of Radiology,
Washington University School of Medicine

Louis Fernandez, 69^{2,5}
Since 1986
Former Chairman, Monsanto Company

Alec Flamm, 67^{2,3}
Since 1986
Former Vice Chairman, President and Chief
Operating Officer, Union Carbide Corporation

C. Ray Holman, 50
Since 1992
President and Chief Executive Officer, IMCERA

Paul R. Judy, 62^{3,4}
Since 1983
Corporate Director and Advisor

Roberta S. Karmel, 56^{1,4}
Since 1980
Professor of Law, Brooklyn Law School, and Partner,
Law Firm of Kelley, Drye & Warren

Morton Moskin, 66^{3,4}
Since 1973
Partner, Law Firm of White & Case

Hervé M. Pinet, 67^{2,4}
Since 1973
International Consultant

Daniel R. Toll, 65^{1,5}
Since 1985
Corporate and Civic Director

Executive Office

C. Ray Holman¹
President and Chief Executive Officer

George D. Kennedy
Chairman

Raymond F. Bentele
Vice Chairman

* retiring October 1993

¹ Audit Committee, Daniel R. Toll is Committee Chairman.

² Organization and Compensation Committee, Louis Fernandez is Committee Chairman.

³ Executive Committee, George D. Kennedy is Committee Chairman.

⁴ Corporate Governance Committee, Paul R. Judy is Committee Chairman.

⁵ Social Responsibility Committee, Ronald G. Evens, M.D., is Committee Chairman.

Officers

Ashok Chawla
Vice President, Strategic Management

A. Jacqueline Dout
Vice President and Treasurer

Beverley L. Hayes
Vice President, Organization and Human Resources

Roger A. Keller
Vice President, Secretary and General Counsel

Douglas K. Larsen
Vice President,
Environment and Safety

William J. Mercer
Vice President, IMCERA; and
President and Chief Executive Officer,
Pitman-Moore

Robert G. Moussa
Vice President, IMCERA; and
President and Chief Executive Officer,
Mallinckrodt Medical

Mack G. Nichols
Vice President, IMCERA; and
President and Chief Executive Officer,
Mallinckrodt Specialty Chemicals

William B. Stone
Vice President and Controller

Corporate Staff

Douglas A. McKinney
Assistant Treasurer

Howard E. Post
Assistant Secretary

David A. Prichard
Corporate Staff Vice President,
Media and Investor Relations

Wesley A. Tomaszek
Director, Financial Planning
and Assistant Controller

Louise M. Tonozzi-Frederick
Director, Financial Reporting
and Assistant Controller

Frank A. Voltolina
Director, Corporate Taxes
and Assistant Controller

Mallinckrodt Medical

Robert G. Moussa
President and Chief Executive Officer

J. Eugene Fox
Senior Vice President, Science and Technology

James C. Carlile
Group Vice President, Imaging

Thomas R. Trotter
Group Vice President, Critical Care
and Anesthesiology

Peter C. Vermeeren
Group Vice President, Nuclear Medicine

Ronald L. Greenspan
Vice President, Finance

John P. Kindschi
Vice President and General Counsel

Michael A. Martino
Vice President, Strategic Planning and
Corporate Development

Mary J. Monnet
Vice President, Human Resources

Michael E. Rodebaugh
Vice President, Strategic Accounts and
Opportunity Markets

Charles R. Clark
Vice President and General Manager,
Anesthesiology

David Morra
Vice President and General Manager,
Cardiology

Reinhard Müller-Späh
Vice President and General Manager, Imaging - Europe

Donal M. Quinn
Vice President and General Manager,
Anaesthesia - Europe

Hendrick van Rossem
Vice President and General Manager,
Nuclear Medicine - Europe

Henri P. Vienneau
President and General Manager,
Mallinckrodt Medical - Canada

Shigeaki Shimizu
President and General Manager,
Mallinckrodt Medical Co., Ltd., Japan

Mallinckrodt Specialty Chemicals

Mack G. Nichols
President and Chief Executive Officer

Michael J. Collins
Group Vice President

Daniel E. Woods
Group Vice President

Terry D. Meier
Senior Vice President, Finance and Administration

Richard T. Higgons
Vice President, Strategic Development

David R. Kupferer
Vice President, Human Resources

Jake A. Larimer
Vice President and General Counsel

Michael K. Milosovich
Vice President and General Manager, Bulk Analgesics

James M. Pearce
Vice President, Operations

Carl O. Quicksall
Vice President, Science and Technology

Edward F. Take
Vice President, Operations Support

Fred K. Vogt
Vice President and General Manager,
Performance and Laboratory Chemicals

Dennis V. Breite
Vice President, Finance and Controller

Perry King
Vice President, Quality Assurance

Tastemaker

(50/50 joint venture partnership between Mallinckrodt Specialty
Chemicals and Hercules Incorporated)

Michael E. Davis
President and Chief Executive Officer

Pitman-Moore

William J. Mercer
President and Chief Executive Officer

Joseph H. Ritter
Group Vice President, Americas

Alan B. Sanders
Group Vice President,
Europe and Australia/New Zealand

Kermit E. McCormack
Group Vice President, Feed Ingredients

Thomas L. Farquer
Vice President, Legal Affairs

David W. Froesel, Jr.
Vice President, Finance and Administration

Beverley L. Hayes
Vice President, Human Resources

Paul G. Lemieux
Vice President, Research and Development

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 number is (800) 446-2617.

Annual Meeting

Shareholders are cordially invited to attend the 84th Annual Meeting on Wednesday, October 20, 1993, at Mallinckrodt Medical headquarters, 675 McDonnell Boulevard, St. Louis, Missouri. The meeting will start at 10 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 1993. It is available without charge upon request to Corporate Communications, IMCERA Group Inc., 2315 Sanders Road, Northbrook, Illinois 60062-6798.

Common Stock Prices and Dividends

Quarter	First	Second	Third	Fourth
Fiscal 1993				
Dividends per common share				
	\$.10	\$.11	\$.11	\$.11
Common stock prices				
High	37.75	40.25	40.25	31.63
Low	31.25	31.25	23.00	23.38
Fiscal 1992				
Dividends per common share				
	\$.08	\$.10	\$.10	\$.10
Common stock prices				
High	38.13	43.38	46.63	34.75
Low	31.42	32.75	31.63	28.88

The principal market on which IMCERA's common stock is traded is the New York Stock Exchange. Common stock prices are from the composite tape for New York Stock Exchange issues as reported in **The Wall Street Journal**. As of July 30, 1993, the number of registered holders of common stock as reported by the Company's registrar was 10,538.

Investor and Media Contact

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(708) 205-2270

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Corporate Headquarters

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Northbrook, Illinois 60062-6106
(708) 441-3000

Independent Auditors

Ernst & Young
Evers Tower
330 South Wacker Drive
Chicago, Illinois 60606

Stock Exchanges

New York, Chicago and Pacific
All Ticker Symbols (NYSE) of the Corporation's stock trading
activity and common stock may be found in the
financial sections of most major newspapers under
"MARKETS" or "FINANCE"

Transfer Agent, Dividend Distributing Agent and Registrar

AMERICAN COMMON STOCK AND TRUST COMPANY
Registered Bank
First Chicago Plaza, East Tower, 100 West
Madison, New York, New York 10036
(212) 410-2000

The following information is available from our
International Business & Chemical Corporation

Trustee and Paying Agent

First National Trust Company
115 Wall Street
New York, New York 10038

TRADEMARKS

Trademarks belonging to IBCFMA and its business
along with those belonging to other companies are
marked by a "TM" at their first mention. The "TM" symbol
indicates that the trademark is registered in the U.S.
Patent and Trademark office. Trademarks belonging
to other companies are also noted with a "TM" as
listed below:

- Albunex™ (radioactive diagnostic agent,
Molecular BioSystems, Inc.)
- Ceporex™ (antibacterial drug, Bristol-Myers)
- Chondron™ (radioisotopic agent,
Janssen Pharmaceutica N.Y.)

- Cholesterol™ (anticholesterol agent,
Janssen Pharmaceutica N.Y.)
- Hexalox™ (topical and injectable local
anesthetics, Janssen Pharmaceutica N.Y.)
- Indinex™ (anticoagulant, Janssen Pharmaceutica N.Y.)
- Isophlox™ (antibiotic, Janssen Pharmaceutica N.Y.)
- Janssen Pharmaceutica N.Y.
- Kramflex™ (anticoagulant, Janssen Pharmaceutica N.Y.)
- Manitex™ (anticoagulant, Janssen Pharmaceutica N.Y.)
- Novon™ (anticoagulant, Janssen Pharmaceutica N.Y.)

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Community Association

1995