

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
SEC Accession No. **0000049601-94-000009**

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FILER

ICN PHARMACEUTICALS INC /DE/

CIK: **49601** | IRS No.: **952565381** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-05965** | Film No.: **94528109**
SIC: **2834** Pharmaceutical preparations

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended March 31, 1994

OR

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

Commission File Number: 1-5965

ICN PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

95-2565381

(I.R.S. Employer
Identification No.)

3300 Hyland Avenue
Costa Mesa, California 92626

(Address of principal executive offices)
(Zip code)

(714) 545-0100

(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports

required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No

The number of outstanding shares of the registrant's Common Stock, \$1.00 par value, as of May 12, 1994, was 20,529,181.

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ICN PHARMACEUTICALS, INC.

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ICN PHARMACEUTICALS, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
March 31, 1994 and December 31, 1993
(Unaudited - 000's omitted)

<TABLE> <CAPTION> ASSETS	March 31, 1994	Dec. 31, 1993
-----	-----	-----
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 9,048	\$ 14,652
Restricted cash	1,518	1,518
Certificates of deposit	8,000	8,000
Receivables, net	14,595	12,122
Receivables from SPI	11,902	18,313
Inventories, net	15,180	15,601
Prepaid expenses and other current assets	4,374	4,479
	-----	-----
Total current assets	64,617	74,685
Property, plant and equipment, net, at cost	36,179	36,243
Investment in SPI	74,361	71,671
Other assets and deferred charges	11,753	12,025
Goodwill related to purchased businesses	2,492	2,580
Goodwill related to publicly traded subsidiaries	10,349	10,652
	-----	-----
	\$199,751	\$207,856
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		

Current liabilities:		
Notes payable	\$ 5,642	\$ 4,226
Current maturities of long-term debt	13,116	12,093
Accounts payable	7,060	7,342
Accrued liabilities	18,689	21,397
	-----	-----
Total current liabilities	44,507	45,058
Long-term debt, less current maturities:		
Convertible into ICN Common Stock	21,202	22,023
Publicly-traded debentures and other debt	115,322	117,024
Other liabilities and deferred income taxes	6,880	7,014

Minority interests	13,397	12,717
Commitments and contingencies		
Stockholders' equity (deficit):		
Common stock, \$1.00 par value; 100,000,000 shares authorized; 20,529,181 and 20,519,431 shares issued and outstanding at March 31, 1994 and December 31, 1993, respectively	20,529	20,519
Additional capital	180,911	180,897
Accumulated deficit	(198,256)	(193,711)
Foreign currency translation adjustments	(4,741)	(3,685)
	-----	-----
Total stockholders' equity (deficit)	(1,557)	4,020
	-----	-----
	\$199,751	\$207,856
	=====	=====

</TABLE>

The accompanying notes are an integral part of these consolidated condensed financial statements.

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ICN PHARMACEUTICALS, INC.

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

For the three months ended March 31, 1994 and 1993

(Unaudited - 000's omitted except for per share amounts)

<TABLE>

<CAPTION>

	Three months ended	
	March 31,	
	1994	1993
	-----	-----
<S>	<C>	<C>
Net sales	\$17,202	\$ 16,632
Cost of sales	6,840	7,376
	-----	-----
Gross profit	10,362	9,256
Selling, general and administrative expenses	10,257	8,648
Research and development costs	1,764	1,036
Interest expense, net	4,369	4,997
Translation and exchange (gains) losses	1,894	(636)
Equity in earnings of SPI	(4,405)	(3,183)
Gain on sales of subsidiaries common stock owned by ICN	-	(3,732)

Other expense, net	615	816
	-----	-----
Income (loss) before income taxes and minority interests	(4,132)	1,310
Income taxes	(38)	35
Minority interests	451	212
	-----	-----
Net income (loss)	\$ (4,545)	\$ 1,063
	=====	=====
Per share information:		
Net income (loss) per share	\$ (.22)	\$.06
	=====	=====
Shares used in per share computation	20,523	18,772
	=====	=====

</TABLE>

The accompanying notes are an integral part of these consolidated condensed financial statements.

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ICN PHARMACEUTICALS, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
For the three months ended March 31, 1994 and 1993
(Unaudited - 000's omitted)

<TABLE>
<CAPTION>

	Three months ended March 31,	
	1994	1993
	-----	-----
	<C>	<C>
Cash flows from operating activities:		
Net income (loss)	\$ (4,545)	\$ 1,063
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,718	1,904
Gain on sales of subsidiaries Common Stock	-	(3,732)
Translation losses (gains)	1,894	(636)
Minority interest	451	212
Other, net	(1)	(139)
Change in assets and liabilities	(11,847)	(2,158)
	-----	-----
Net cash used in operating activities	(12,330)	(3,486)
	-----	-----

Cash flows from investing activities:		
Capital expenditures	(377)	(595)
Sales of marketable securities	203	139
Payment received from SPI	9,422	1,900
Sales of ICN owned subsidiaries common stock	-	11,726
	-----	-----
Net cash provided by investing activities	9,248	13,170
	-----	-----
Cash flows from financing activities:		
Proceeds from issuance of stock	24	25,898
Payment of debt, net	(2,428)	(8,822)
Proceeds from issuance of common stock by subsidiaries	-	10,351
Dividend paid by subsidiaries	(118)	(117)
	-----	-----
Net cash provided by (used in) financing activities	(2,522)	27,310
	-----	-----
Net increase (decrease) in cash and cash equivalents	(5,604)	36,994
Cash and cash equivalents at beginning of period	14,652	2,595
	-----	-----
Cash and cash equivalents at end of period	\$ 9,048	\$39,589
	=====	=====

</TABLE>

The accompanying notes are an integral part of these consolidated condensed financial statements.

ICN PHARMACEUTICALS, INC.

MANAGEMENT'S STATEMENT REGARDING UNAUDITED FINANCIAL STATEMENTS

The consolidated condensed financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The results of operations presented herein are not necessarily indicative of the results to be expected for a full year. Although the Company believes that all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the interim periods presented are included and that the disclosures are adequate to make the information presented not misleading, these consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1993.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

March 31, 1994

(Unaudited)

1. Summary of significant accounting policies -

Principles of Consolidation

The accompanying consolidated condensed financial statements, as of March 31, 1994, include the accounts of ICN Pharmaceuticals, Inc. ("ICN" or the "Company"), its 69 percent owned subsidiary, ICN Biomedicals, Inc. ("Biomedicals") and its 63 percent owned subsidiary, Viratek, Inc. ("Viratek"). ICN currently owns 39 percent of SPI Pharmaceuticals, Inc. (SPI), and accounts for the investment using the equity method of accounting. Under such method, the Company's share of net income (or losses) is included as a separate item in the consolidated condensed statement of operations. All significant intercompany account balances and transactions have been eliminated.

Per share information

For the three months ended March 31, 1994, per share information is based on the weighted average number of common shares outstanding. For the three months ended March 31, 1993, per share information is based on the weighted average number of common stock outstanding and dilutive common stock equivalents.

ICN's share of the income of Biomedicals and Viratek has been reduced to give effect to the dilution in ownership which would result upon the exercise of dilutive options and warrants outstanding to purchase Biomedical and Viratek common shares.

Reclassification

Certain prior year amounts have been reclassified to conform to the current period presentation.

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ICN PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS - (Continued)

2. Related party Transactions -

Royalty agreements

During the three months ended March 31, 1994 and 1993, SPI sold \$14,060,000 and \$7,220,000 of ribavirin, respectively, resulting in royalties to Viratek of \$2,812,000 and \$1,444,000. These royalties are based on a license agreement whereby 20% of the sales of ribavirin by SPI are payable to Viratek. Included in royalties for the three months ended March 31, 1994 and 1993 are royalties earned on foreign sales by SPI totalling \$611,000 and \$673,000, respectively.

Cost allocations

ICN, SPI, Viratek and Biomedicals occupy ICN's facility in Costa Mesa, California. During the three months ended March 31, 1994 and 1993, ICN charged facility costs of \$70,000 and \$70,000 to SPI, \$60,000 and \$8,000 to Viratek, and \$78,000 and \$78,000 to Biomedicals, respectively.

The costs of common services such as maintenance, purchasing and personnel are incurred by SPI and allocated to ICN, Viratek and Biomedicals based on various formulas. During the three months ended March 31, 1994 and 1993, the total of such costs were \$734,000 and \$705,000 of which \$495,000 and \$446,000 were allocated to ICN, Viratek and Biomedicals, respectively.

3. Other assets and deferred charges -

At March 31, 1994, "Other assets and deferred charges" includes \$4,371,000 of deferred loan costs related to successfully completed financings and \$2,006,000 of patents, trademarks and clinical trials, net of amortization.

4. Prepaid expenses and other current assets -

As of March 31, 1994, "Prepaid expenses and other current assets" includes \$1,218,000 of assets held for disposition which are recorded at the lower of cost or net realizable value.

5. Inventories, net -

Inventories, net consist of the following components (000's omitted):

<TABLE>

<CAPTION>

	March 31, 1994	December 31, 1993
	-----	-----
<S>	<C>	<C>
Raw materials and supplies	\$ 3,390	\$ 3,422
Work-in-progress	640	610
Finished Goods, net	11,150	11,569
	-----	-----
	\$15,180	\$15,601
	=====	=====

</TABLE>

ICN PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS - (Continued)

6. Supplemental Cash Flows Disclosures -

The following table sets forth the amount of cash paid for interest and income taxes. (000's omitted):

<TABLE>

<CAPTION>

Three months ended
March 31,
1994 1993

	<u><C></u>	<u><C></u>
Interest	\$ 6,897	\$ 7,409
Income taxes	\$ 225	\$ 192

</TABLE>

7. Other expense, net -

The following table summarizes other expense, net. (000's omitted):

<TABLE>

<CAPTION>

Three months ended
March 31,
1994 1993

	<u><C></u>	<u><C></u>
Realized (gains) losses on marketable securities	\$ 24	\$ (139)
Amortization of goodwill	519	515
Other, net	72	440
	-----	-----
Other expense, net	\$ 615	\$ 816
	=====	=====

</TABLE>

8. Sales of Subsidiaries Common Stock Owned by ICN -

For the three months ended March 31, 1993, ICN sold 918,200 shares of SPI Common Stock for \$11,726,000 in cash, net of commission expenses. The company did not sell subsidiaries common stock owned by ICN during the first

quarter of 1994.

9. Commitments and contingencies -

Class Actions - In Re Viratek, In Re Paine Webber. The Company is a defendant in certain consolidated class actions pending the United States District Court for the Southern District of New York entitled In re Paine Webber Securities Litigation (Case No. 86 Civ. 6776 (VLB); In re ICN/Viratek Securities Litigation (Case No. 87 Civ. 4296 (VLB)). In the Third Amended Consolidated Class Action Complaint plaintiffs allege that the ICN Defendants made, or aided and abetted Paine Webber in making, misrepresentations of material fact and omitted to state material facts concerning the business, financial condition and future prospects of ICN, Viratek and SPI in certain

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ICN PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS - (Continued)

public announcements, Paine Webber, Inc. research reports and filings with the Commission. The alleged misstatements and omissions primarily concern developments regarding Virazole (R) including the efficacy and safety of the drug and the market for the drug. The plaintiffs allege that such misrepresentations and omissions violate Section 10(b) of the Exchange Act of 1934 and Rule 10b-5 promulgated thereunder and constitute common law fraud and misrepresentation. The ICN Defendants filed their Answer, containing affirmative defenses, on February 15, 1994. Plaintiffs seek the certification of classes of persons who purchased ICN, Viratek, or SPI common stock during the period January 7, 1986 through April 15, 1987. In their memorandum of law, dated February 4, 1994, the ICN Defendants argue that class certification may only be granted for purchasers of ICN common stock for the period August 12, 1986 through February 20, 1987 and for purchasers of Viratek common stock for the period December 9, 1986 through February 20, 1987. The ICN Defendants assert that no class should be certified for purchasers of the common stock of SPI for any period. Oral argument on plaintiffs' motion for class certification will be held on June 2, 1994. On October 20, 1993, plaintiffs informed the Court that they had reached an agreement to settle with co-defendant Paine Webber. On May 6, 1994 plaintiffs submitted their Stipulation of Settlement to the Court. The Court hearing on the Stipulation of Settlement will be held on July 27, 1994. Fact discovery is complete and expert discovery is virtually complete. Plaintiff's damages expert, utilizing assumptions and methodologies that the ICN Defendants' damages experts find to be inappropriate under the circumstances, has testified that assuming that classes were certified for purchasers of ICN, Viratek, and SPI common stock for the entire class periods alleged by plaintiffs, January 7, 1986 through April 15, 1987 and further assuming that all of the plaintiffs' allegations were proven, potential damages against ICN, Viratek, and SPI would, in the aggregate, amount to \$315,000,000. The ICN Defendants' four damages' experts have testified that

damages are zero. On May 4, 1994, plaintiffs' counsel agreed to stipulate to the dismissal of the aiding and abetting claim asserted against the ICN Defendants and a formal stipulation will be submitted to the Court in the near future. Management believes that, having extensively reviewed the issues in the above referenced matters, there are strong defenses and the Company intends to defend the litigation vigorously. While the ultimate outcome of these lawsuits cannot be predicted with certainty, and an unfavorable outcome could have an adverse effect on the Company, at this time management does not expect that these matters will have a material adverse effect on the financial position, result of operations or liquidity of the Company. The attorney's fees and other costs of the litigation are allocated equally between ICN and Viratek.

Rafi M. Khan v. ICN Pharmaceuticals, Inc. On April 5, 1993, ICN and Viratek filed suit against Rafi Khan ("Khan") in the United States District Court for the Southern District of New York. The complaint alleges, inter alia, that Khan violated numerous provisions of the securities laws and breached his fiduciary duty to ICN and Viratek by attempting to effectuate a change in control of ICN while acting as an agent and fiduciary of ICN and Viratek. As relief, ICN and Viratek, among other things, sought an injunction enjoining Khan from effectuating a change in control of ICN and compensatory and punitive damages in the amount of \$25,000,000. Khan filed a counterclaim on April 12, 1993, naming the then ICN directors and ICN, as a nominal defendant sued only in a derivative capacity. The counterclaim contains causes of action for slander, interference with economic relations, and a shareholders' derivative action for breach of fiduciary duties. Khan seeks compensatory damages for interest in an unspecified amount, and exemplary damages of \$29,000,000. On December 22, 1993, Khan filed a notice of appeal from a

ICN PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS - (Continued)

prior injunction granted by the court, to the Court of Appeals for the Second Circuit. On March 13, 1994, that appeal was dismissed on the grounds that Khan had defaulted for failure to comply with the Court's scheduling order. The Company has been advised by Mr. Khan that he intends to represent himself pro se in this matter. Management believes that Khan's counterclaim is without merit and the company intends to vigorously defend these counterclaims.

10. Equity investment -

The following tables set forth the condensed financial position of SPI as of March 31, 1994 and December 31, 1993 and the condensed results of its operations for the quarter ended March 31, 1994 and 1993.

<TABLE>

<CAPTION>

SPI FINANCIAL POSITION
(In 000's)

	March 31, 1994	Dec. 31, 1993
	-----	-----
<S>	<C>	<C>
Current assets	\$179,786	\$208,762
Non-current assets	123,979	93,255
Current liabilities	77,423	81,503
Non-current liabilities	23,734	23,206
Minority interest	41,603	41,429
Stockholders' equity	161,045	155,879

</TABLE>
<TABLE>
<CAPTION>

SPI RESULTS OF OPERATIONS
FOR THE QUARTER ENDED MARCH 31, 1994 AND 1993
(In 000's)

	1994	1993
	-----	-----
<S>	<C>	<C>
Net sales	\$72,167	\$119,636
Gross profit	39,552	58,946
Net income	8,364	5,736
Equity in earnings of SPI	\$4,405	\$3,183

</TABLE>

The condensed results of operations of ICN Galenika, a consolidated 75% owned Yugoslavian subsidiary of SPI, for the three months ended March 31, 1994 and 1993 are presented below: (000's omitted)

<TABLE>
<CAPTION>

ICN GALENIKA

	1994	1993
	-----	-----
<S>	<C>	<C>
Sales	\$26,155	\$80,308
Gross profit	7,138	33,933
Net income	521	2,321

</TABLE>

ICN Galenika operates in a highly inflationary economy and uses the dollar as the functional currency rather than the Yugoslavian dinar. At December 31, 1993, the rate used to remeasure ICN Galenika's results was over one trillion dinars per \$1 U.S. On January 1, 1994, the Yugoslavian government changed the denomination of its currency by dropping nine zeros. The effect of this redenomination on the Yugoslavian dinar resulted in an exchange rate of 1,053 dinars to \$1 U.S. Subsequent to the redenomination and prior to the enactment of the stabilization program described below, the dinar had devalued to 12,563,000 dinars per \$1 U.S.

On January 24, 1994, the Yugoslavian government enacted a "Stabilization Program" designed to strengthen its currency. Under this program the official exchange rate of the dinar is fixed at a ratio of one dinar to one Deutsche mark. The Yugoslavia government guarantees the conversion of dinars to Deutsche marks by exercising restraint in the amount of dinars that it prints, thereby restricting cash in circulation to correspond to hard currency reserves in Yugoslavia. Since the inception of this program the exchange rate of dinars to Deutsche marks has remained stable. The trading of dinars at other than official rates has been virtually eliminated and inflation and interest rates have declined from over 1 billion percent a year to a current rate of approximately 14% since January 24, 1994, based on information currently available to the Company. The Company believes that the period of time that the stabilization program has been operating successfully is significant given that past attempts at monetary control by the Yugoslavian government have generally been short lived. In the near term, the positive effects of the stabilization program could reverse and a return to prior levels of hyperinflation could occur. The success of this stabilization program is dependent upon improvement in the Yugoslavian economy, which is in part dependent upon the lifting of United Nations sanctions.

On October 21, 1992, SPI announced that it had concluded an agreement with the Leningrad Industrial Chemical and Pharmaceutical Association ("Oktyabr") to form a pharmaceutical joint venture in Russia, ICN Oktyabr, in which SPI has a 75% equity interest.

SPI has also recently entered into an agreement with the City of St. Petersburg which is expected to close by the end of September 1994, to purchase 15% of the outstanding equity shares of SPI's joint venture partner, Oktyabr, in exchange for 35,250 shares of SPI's Common Stock. As a result of this investment, and as part of the privatization of Oktyabr, SPI has submitted an "investment plan" which, if approved, will raise SPI's equity interest in Oktyabr to 43%. The "investment plan" does not contemplate any significant additional cash investment by SPI but gives effect to its past assistance provided to Oktyabr. SPI has also recently extended an offer to the employees of Oktyabr to purchase the shares which they own in exchange for SPI's Common Stock or cash. The Oktyabr employees own an estimated 33% of the outstanding shares of Oktyabr although SPI has been informed that some

of Oktyabr's employees have previously sold their shares to banks and other parties. Should SPI complete the transaction to acquire 43% of the outstanding shares of Oktyabr and a sufficient number of employees were to exchange their shares, SPI would own more than 50% of the outstanding shares of Oktyabr, in which case SPI may be required to consolidate the financial statements of Oktyabr with those of SPI.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Working capital, liquidity and capital resources

Cash and marketable securities

At March 31, 1994 and December 31, 1993, the Company had cash and cash equivalents, restricted cash and certificates of deposit of \$18,566,000 and \$24,170,000, respectively, included in current assets. Included in cash and certificates of deposit at March 31, 1994 is \$15,352,000 which is to be used exclusively by Viratek for research and development and general working capital requirements.

The decrease in total available cash and cash equivalents from December 31, 1993, is primarily a result of Viratek's spending in research and development activities and the payment of long-term debt.

Other

The Company and certain of its subsidiaries do not maintain product liability insurance. While the Company has never experienced a material adverse claim for personal injury resulting from allegedly defective products, a substantial claim, if successful, could have a material adverse effect on the Company's liquidity and financial performance.

The Company believes that cash provided by reductions in working capital requirements and certain dispositions of assets will provide a portion of the Company's cash to meet its debt service and working capital requirements during the remainder of 1994. The Company will sell additional shares of its subsidiaries Common Stock, or the Company's common stock, and may refinance its current obligations into long-term financing, or re-negotiate certain terms of existing indebtedness, depending on market conditions to meet cash requirements.

Biomedicals Group:

Net sales. Net sales were \$15,487,000 and \$15,809,000 for the three months ended March 31, 1994 and 1993, respectively. Sales were 2% lower in 1994 than in 1993. Biomedicals continues to actively work on the introduction of new products primarily related to its Diagnostic product line, and on the expansion of the Dosimetry product line into foreign markets. These two actions, combined with the launch of Biomedicals' 1994 catalog which began distribution during January and February 1994 should help to contribute to increased sales in the remaining quarters of the year.

Cost of Sales. Product cost as a percentage of sales decreased to 44% in 1994 from 47% in 1993. Biomedicals continues to focus on the elimination of high cost products and on improving purchasing and manufacturing processes.

Gross Profit. Gross profit as a percentage of sales was 56% and 53% for the three months ended March 31, 1994 and 1993, respectively. The impact of the actions taken in regards to sales, specifically the discontinuance of low gross profit margin products and the introduction of new products with high margins, and product costs, have been reflected by an improvement in gross profit margins.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)

Pharmaceuticals Group:

Net royalties from the sale of Virazole by SPI were \$2,812,000 for the three months ended March 31, 1994 compared to \$1,444,000 for the same periods in 1993. The increase for the three months ended March 31, 1994 compared to the same period in the prior year is primarily due to increased sales in the United States, resulting from a combination of price increases and increased unit sales of Virazole(R).

The Company

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the Biomedical group were \$6,902,000 or 45% of sales in 1994 and \$6,532,000 or 41% of sales in 1993. The increase in expenses in 1994 reflects primarily the impact of catalog amortization costs. Management is continuing its efforts to reduce selling, general administrative expenses both in dollar value and as a percentage of sales through consolidation of operations and cost controls. Selling, general and administrative expenses for the pharmaceutical group and corporate for the three months ended March 31, 1994 increased by \$1,239,000 over the same period in 1993. The increase is primarily due to an increase in legal fees associated with the defense of the class action lawsuits and proxy fight

expenses.

Research and Development Costs. Research and development costs increased for the three months ended March 31, 1994 over the same period in 1993 by \$728,000. The increase relates to the higher costs incurred by Viratek for the hepatitis C clinical trials in 1994 and the additional research and development activities which involve a new pharmaceutical discovery program aimed at developing therapeutic drugs to inhibit disease-causing genes.

Interest expense, net was \$4,369,000 for the three months ended March 31, 1994 compared to \$4,997,000 for the same period in 1993, respectively. The decrease resulted primarily from the reduction in long-term debt of the Company.

Translation losses (gains) were \$1,894,000 and \$(636,000) for the three months ended March 31, 1994 and 1993, respectively. The decrease results primarily from the conversion of the Company's Swiss franc and Dutch Guilder debt. The fluctuations in the Swiss franc and Dutch Guilder to the US dollar were favorable to the Company in 1993 but have a negative impact in 1994.

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REVIEW BY INDEPENDENT AUDITORS

The unaudited financial information at March 31, 1994 and for the three month period ended March 31, 1994 and 1993, have been reviewed by Coopers & Lybrand, independent auditors, in accordance with standards established by the American Institute of Certified Public Accountants. Coopers & Lybrand has proposed no material adjustments or additional disclosures that are not reflected in the Consolidated Condensed Financial Statements and related notes.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Class Actions - In Re Viratek, In Re Paine Webber. The Company is a defendant in certain consolidated class actions pending the United States District Court for the Southern District of New York entitled In re Paine Webber Securities Litigation (Case No. 86 Civ. 6776 (VLB)); In re ICN/Viratek Securities Litigation (Case No. 87 Civ. 4296 (VLB)). In the Third Amended Consolidated Class Action Complaint plaintiffs allege that the ICN Defendants made, or aided and abetted Paine Webber in making, misrepresentations of material fact and omitted to state material facts concerning the business,

financial condition and future prospects of ICN, Viratek and SPI in certain public announcements, Paine Webber, Inc. research reports and filings with the Commission. The alleged misstatements and omissions primarily concern developments regarding Virazole (R) including the efficacy and safety of the drug and the market for the drug. The plaintiffs allege that such misrepresentations and omissions violate Section 10(b) of the Exchange Act of 1934 and Rule 10b-5 promulgated thereunder and constitute common law fraud and misrepresentation. The ICN Defendants filed their Answer, containing affirmative defenses, on February 15, 1993. Plaintiffs seek the certification of classes of persons who purchased ICN, Viratek, or SPI common stock during the period January 7, 1986 through April 15, 1987. In their memorandum of law, dated February 4, 1994, the ICN Defendants argue that class certification may only be granted for purchasers of ICN common stock for the period August 12, 1986 through February 20, 1987 and for purchasers of Viratek common stock for the period December 9, 1986 through February 20, 1987. the ICN Defendants assert that no class should be certified for purchasers of the common stock of SPI for any period. Oral argument on plaintiffs' motion for class certification will be held on June 2, 1994. On October 20, 1993, plaintiffs informed the Court that they had reached an agreement to settle with co-defendant Paine Webber. On May 6, 1994 plaintiffs submitted their Stipulation of Settlement to the Court. The Court hearing on the Stipulation of Settlement will be held on July 27, 1994. Fact discovery is complete and expert discovery is virtually complete. Plaintiff's damages expert, utilizing assumptions and methodologies that the ICN Defendants' damages experts find to be inappropriate under the circumstances, has testified that assuming that classes were certified for purchasers of ICN, Viratek, and SPI common stock for the entire class periods alleged by plaintiffs, January 7, 1986 through April 15, 1987 and further assuming that all of the plaintiffs' allegations were proven, potential damages against ICN, Viratek, and SPI would, in the aggregate, amount to \$315,000,000. The ICN Defendants' four damages' experts have testified that damages are zero. On May 4, 1994, plaintiffs' counsel agreed to stipulate to the dismissal of the aiding and abetting claim asserted against the ICN Defendants and a formal stipulation will be submitted to the Court in the near future. Management believes that, having extensively reviewed the issues in the above referenced matters, there are strong defenses and the Company intends to defend the litigation vigorously. While the ultimate outcome of these lawsuits cannot be predicted with certainty, and an unfavorable outcome could have an adverse effect on the Company, at this time management does not expect that these matters will have a material adverse effect on the financial position, result of operations or liquidity of the Company. The attorney's fees and other costs of the litigation are allocated equally between ICN and Viratek.

On April 5, 1993, ICN and Viratek filed suit against Rafi Khan ("Khan") in the United States District Court for the Southern District of New York. The complaint alleges, inter alia, that Khan violated numerous provisions of the securities laws and breached his fiduciary duty to ICN and Viratek by attempting to effectuate a change in control of ICN while acting as an agent

PART II. OTHER INFORMATION - (Continued)

and fiduciary of ICN and Viratek. As relief, ICN and Viratek, among other things, sought an injunction enjoining Khan from effectuating a change in control of ICN and compensatory and punitive damages in the amount of \$25,000,000. Khan filed a counterclaim on April 12, 1993, naming the then ICN directors and ICN, as a nominal defendant sued only in a derivative capacity. The counterclaim contains causes of action for slander, interference with economic relations, and a shareholders' derivative action for breach of fiduciary duties. Khan seeks compensatory damages for interest in an unspecified amount, and exemplary damages of \$29,000,000. On December 22, 1993, Khan filed a notice of appeal from a prior injunction granted by the court, to the Court of Appeals for the Second Circuit. On March 13, 1994, that appeal was dismissed on the grounds that Khan had defaulted for failure to comply with the Court's scheduling order. The Company has been advised by Mr. Khan that he intends to represent himself pro se in this matter. Management believes that Khan's counterclaim is without merit and the Company intends to vigorously defend those counterclaims.

Item 6. Exhibits and Reports on Form 8-K.

a. Exhibits.

- (11) Statement re: Computation of Per Share Earnings.
- (15) Review Report from Independent Auditors regarding unaudited financial information.

b. Reports on Form 8-K.

No report on Form 8-K was filed by the Company during the quarter ended March 31, 1994.

SIGNATURES

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

ICN PHARMACEUTICALS, INC.
(Registrant)

Date: May 12, 1994

/s/Milan Panic

Milan Panic
Chairman and Chief Executive Officer

Date: May 12, 1994

/s/John E. Giordani

John E. Giordani
Executive Vice President - Finance and
Chief Financial Officer

EXHIBIT 11. STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

The computation of net income per share for the three months ended March 31, 1994 and 1993 is as follows (000's omitted except per share amounts):

<TABLE>

<CAPTION>

	Three months ended March 31,	
	1994	1993
	-----	-----
<S>	<C>	<C>
Primary		

Net income (loss)	\$ (4,545)	\$ 1,063
Reduced earnings due to dilution in ownership which would result upon the exercise of options and warrants currently outstanding to purchase common shares of subsidiaries	(11)	(7)
	-----	-----
	\$ (4,556)	\$ 1,056
	=====	=====
Average common shares outstanding	20,523	17,839
Dilutive common equivalent issuable upon the exercise of options and warrants currently outstanding to purchase common shares of ICN Pharmaceuticals, Inc.	-	933
	-----	-----
	20,523	18,772
	=====	=====
Net loss per share	\$ (.22)	\$.06
	=====	=====

</TABLE>

(continued)

EXHIBIT 11. STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS (continued)

The computation of net income per share for the three months ended March 31, 1994 and 1993 is as follows (000's omitted except per share amounts):

<TABLE>

<CAPTION>

	Three months ended March 31,	
	1994	1993
	-----	-----
<S>	<C>	<C>
Fully Diluted		
Net income (loss)	\$ (4,545)	\$ 1,063
Reduced earnings due to dilution in ownership which would result upon the exercise of options and warrants currently outstanding to purchase common shares of subsidiaries	(11)	(7)
Interest expense on convertible debt	544	827
	-----	-----
	\$ (4,012)	\$ 1,883
	=====	=====
Average common shares outstanding	20,523	17,839
Dilutive common equivalent shares issuable upon the exercise of options and warrants currently outstanding to purchase common shares of ICN Pharmaceuticals, Inc.	371	1,010
Conversion of debentures	2,858	3,441
	-----	-----
	23,752	22,290
	=====	=====
Net income (loss) per share	\$ (.17)	\$.08
	=====	=====

</TABLE>

REVIEW REPORT OF INDEPENDENT AUDITORS

The Board of Directors of
ICN Pharmaceuticals, Inc.

We have reviewed the accompanying consolidated condensed balance sheet of ICN Pharmaceuticals, Inc. and subsidiaries as of March 31, 1994, and the related consolidated condensed statements of operations for the three-month period ended March 31, 1994 and 1993, and the consolidated condensed statements of cash flows for the three-month periods then ended. These consolidated condensed financial statements are the responsibility of the Company's management.

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

Based on our review, we are not aware of any material modifications that should be made to the consolidated condensed financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet as of December 31, 1993, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated March 30, 1994, which included an emphasis of a matter paragraph relating to certain transactions between the Company and its majority owned subsidiaries as more fully described in the notes to the consolidated financial statements, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the consolidated condensed balance sheet as of December 31, 1993, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/COOPERS & LYBRAND

Los Angeles, California

May 11, 1994