FORM 424B2

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FILER

SCHERER R P INTERNATIONAL CORP

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Type: **424B2** | Act: **33** | File No.: **033-51231** | Film No.: **94502165**
SIC: **2834** Pharmaceutical preparations

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Filed Pursuant to 424(b)(2)
Registration No. 33-51231

PROSPECTUS SUPPLEMENT
(TO PROSPECTUS DATED JANUARY 17, 1994)

$100,000,000

[LOGO] INTERNATIONAL CORPORATION

6 3/4% SENIOR NOTES DUE 2004

INTEREST PAYABLE FEBRUARY 1 AND AUGUST 1

THE SENIOR NOTES WILL NOT BE REDEEMABLE PRIOR TO MATURITY AND DO NOT PROVIDE FOR A SINKING FUND.

R.P. Scherer International Corporation (the "Company") is offering $100,000,000 aggregate principal amount of its 6 3/4% Senior Notes due 2004 (the "Senior Notes"). The Senior Notes will mature February 1, 2004. Interest on the Senior Notes will be payable each February 1 and August 1, commencing August 1, 1994. The Senior Notes will be represented by one or more Global Securities (as defined in the accompanying Prospectus) registered in the name of the nominee of the Depositary (as defined herein). Beneficial interests in the Global Securities will be shown on, and transfers thereof will be effected only through, records maintained by the Depositary and its participants. Except as described herein, Senior Notes in definitive form will not be issued. The Senior Notes will be unsecured obligations of the Company, ranking pari passu with all other unsecured and senior indebtedness of the Company, and senior to all future subordinated indebtedness of the Company. The Company conducts a substantial portion of its operations through subsidiaries, and the Senior Notes will be effectively subordinated to all existing and future indebtedness and other liabilities of its subsidiaries. The outstanding indebtedness of the Company's subsidiaries at September 30, 1993 was approximately $62.5 million.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

<TABLE>

<S>	<C> PRICE TO PUBLIC(1)	<C> UNDERWRITING DISCOUNT(2)	<C> PROCEEDS TO COMPANY(1)(3)
PER SENIOR NOTE.......................	99.268%	1.125%	98.143%
TOTAL.................................	$99,268,000	$1,125,000	$98,143,000

</TABLE>

(1) Plus accrued interest, if any, from January 27, 1994.

(2) The Company has agreed to indemnify the Underwriters and certain other persons against certain liabilities under the Securities Act of 1933, as amended. See "Underwriting".

(3) Before deducting expenses payable by the Company estimated at $300,000.

The Senior Notes offered by this Prospectus Supplement are offered by the Underwriters subject to prior sale, withdrawal, cancellation or modification of the offer without notice, to delivery to and acceptance by the Underwriters and to certain future conditions. It is expected that delivery of the Senior Notes in book-entry form will be made on or about January 27, 1994 through the facilities of The Depository Trust Company.

LEHMAN BROTHERS

PAINEWEBBER INCORPORATED

WERTHEIM SCHRODER & CO. INCORPORATED

ROBERT W. BAIRD & CO. INCORPORATED

January 20, 1994

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SECURITIES OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

PROSPECTUS SUPPLEMENT SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements, including the notes thereto, included elsewhere or in documents incorporated by reference in this Prospectus Supplement or in the accompanying Prospectus. References in this Prospectus Supplement to fiscal years are to the Company's fiscal years ended March 31 of each year (i.e. references to "fiscal 1993" are to the Company's fiscal year ended March 31, 1993). Unless otherwise indicated by the context, the "Company" and "Scherer" mean R.P. Scherer International Corporation and its direct and indirect subsidiaries.

THE COMPANY

The Company, an international developer and manufacturer of oral drug delivery systems, is the world's largest producer of softgels. The Company is also currently developing and commercializing advanced drug delivery systems, including the Scherersol(R), Zydis(R) and Pulsincap(TM) technologies. The Company's proprietary drug delivery systems improve the efficacy of drugs by regulating their dosage, rate of absorption and place of release.

The Company produces over 4,000 products in softgel form, and softgel products accounted for approximately 90% of the Company's fiscal 1993 sales. Softgels are used for a wide range of drug, vitamin, cosmetic and recreational products.

The Company has a broad domestic and international customer base consisting of manufacturers and wholesalers of pharmaceutical, health and nutritional, cosmetic and recreational products, with more than half of its total sales made to the pharmaceutical industry. To meet the needs of its multinational customers and to serve new markets, the Company operates softgel manufacturing facilities in eleven countries throughout the world and manufactures hardshell capsules in three of these countries. Approximately 78% of the Company's fiscal 1993 sales and 76% of the Company's fiscal 1993 operating income were derived from operations outside the United States.

The Company is a wholly-owned subsidiary of R.P. Scherer Corporation, a public company with common shares traded on the New York Stock Exchange under the symbol "SHR." R.P. Scherer Corporation's only asset is the common stock of the Company, and it essentially has no other operations. The Company was incorporated in Michigan in 1944 and reincorporated in Delaware in 1969.

THE OFFERING

Securities Offered	$100,000,000 principal amount of 6 3/4% Senior Notes due 2004.
Maturity Date	February 1, 2004.
Interest Payment Dates	February 1 and August 1, commencing August 1, 1994.
Optional Redemption	None.
Mandatory Redemption	None.
Ranking	The Senior Notes will be unsecured obligations of the Company, ranking pari passu with all other unsecured and senior indebtedness of the Company, and senior to all future subordinated indebtedness of the Company. The Company conducts a substantial portion of its operations through subsidiaries, and the Senior Notes will be effectively subordinated to all existing and future indebtedness and other liabilities of its subsidiaries. The outstanding indebtedness of the Company's subsidiaries at September 30, 1993 was approximately $62.5 million.
Certain Covenants	The Indenture (as defined herein) will contain

	certain covenants which, among other things, limit the ability of the Company and its subsidiaries to incur liens, to enter into sale and lease-back transactions, to engage in certain transactions with affiliates, and to merge or consolidate with, or transfer all, or substantially all of its assets to another person.
Use of Proceeds..........................	To effect the Defeasance (as defined herein) of the Company's 14% Senior Subordinated Debentures ("Subordinated Debentures"). See "Use of Proceeds".

</TABLE>

For more complete information regarding the Senior Notes, see "Description of the Senior Notes".

SUMMARY FINANCIAL DATA

The following summary financial information should be read in conjunction with and is qualified in its entirety by reference to the consolidated financial statements and other financial information included elsewhere or incorporated by reference into this Prospectus Supplement or in the accompanying Prospectus.

<TABLE>
<CAPTION>

	COMPANY						PREDECESSOR(8)	
	SIX MONTHS ENDED SEPTEMBER 30,		YEAR ENDED MARCH 31,			NINE MONTHS ENDED MARCH 31,	THREE MONTHS ENDED JUNE 30,	YEAR ENDED MARCH 31,
	1993	1992	1993	1992	1991	1990	1989	1989
				(IN THOUSANDS, EXCEPT RATIOS)				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATING DATA(1):								
Net sales.....................	$213,633	$201,024	$398,011	$337,786	$298,638	$191,451	$ 62,991	$236,944
Cost of sales.................	137,461	120,557	242,108	201,991	183,438	123,725	39,811	151,698
Selling, administrative and other expense...............	34,946	33,226	67,806	58,758	52,216	33,041	18,313	50,979
Stock and other compensation expense(2)..................	--	--	--	13,060	--	--	--	--
Operating income(2)(3)........	41,226	47,241	88,097	63,977	62,984	34,685	4,867	34,267
Interest expense(5)...........	11,727	14,104	25,436	35,348	45,045	35,352	765	2,986
Income (loss) from continuing operations(4)(5)(6).........	15,153	15,421	28,960	(1,224)	(6,425)	(12,126)	(9,270)	8,401
Ratio of earnings to fixed charges(7)..................	3.4x	3.3x	3.4x	1.4x	1.2x			3.2x
Deficiency in earnings available to cover fixed charges.....................						$ 364	$ 4,095	

</TABLE>

<TABLE>
<CAPTION>

	SEPTEMBER 30, 1993
	(IN THOUSANDS)
<S>	<C>
BALANCE SHEET DATA:	
Working capital(9)..	$ 95,191
Total assets..	591,780
Long-term debt, including current portion...	182,269
Minority interests in subsidiaries..	36,461
Shareholder's equity..	215,593

</TABLE>

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(1) Excludes the discontinued operations of Southern Optical Company, The Lorvic Corporation, Franz Pohl GmbH, Scientific Associates, Inc., and Paco Pharmaceutical Services, Inc. ("Paco").
(2) Includes a one-time $12.3 million non-cash charge for stock and other compensation expense relating to R.P. Scherer Corporation's common stock sale in October 1991 for the year ended March 31, 1992.
(3) Includes provision for restructuring of operations of $5.4 million for the period ended June 30, 1989.
(4) Includes $974,000 gain from cumulative effect of accounting change for the six months ended September 30, 1992; also includes $8.4 million and $9.0

million in non-operating expenses for the periods ended June 30, 1989 and March 31, 1989, respectively, associated with a proxy contest, negotiated severance agreements and the sale of the Predecessor.

(5) Assuming the Defeasance (as defined herein) had been consummated on April 1, 1993, pro forma interest expense and income from continuing operations for the six months ended September 30, 1993 would have been $6.9 million and $19.0 million, respectively. Assuming the Defeasance had been consummated on April 1, 1992, pro forma interest expense and income from continuing operations for the fiscal year ended March 31, 1993 would have been $15.8 million and $37.7 million, respectively. Such pro forma calculations assume the effective interest rate on the Senior Notes and a 5% interest rate for borrowings under the Company's bank credit facility for both the six months ended September 30, 1993, and the fiscal year ended March 31, 1993. Each one-eighth percentage point change in the interest rate for the Company's bank credit facility would change pro forma interest expense by $54,000 annually. The pro forma information does not purport to represent what the results would actually have been or to project future amounts.

(6) As a result of the Defeasance, the Company will recognize an extraordinary loss estimated at approximately $15.1 million, consisting of the after-tax difference between the recorded value of the Subordinated Debentures and their face value, the call premium, the prepayment of net interest through the Call Date (as defined herein) and the write-off of unamortized deferred financing costs related to the Subordinated Debentures. See "Use of Proceeds".

(7) For the purpose of computing the ratio of earnings to fixed charges, earnings have been calculated by adding the amount of fixed charges to income (loss) from continuing operations before income taxes, minority interests, extraordinary items and cumulative effect of changes in accounting principle. Fixed charges consist of interest on debt and a portion of net rental expense deemed to represent interest. In fiscal 1992 and prior years, fixed charges also included dividend requirements on preferred stock. The pro forma ratio of earnings to fixed charges would have been 5.3x for the six months ended September 30, 1993, and 5.1x for the fiscal year ended March 31, 1993, assuming the Defeasance occurred at the beginning of each period.

(8) In June 1989, R.P. Scherer Corporation acquired the common stock of the Company pursuant to a tender offer. For financial reporting purposes, the acquisition was deemed effective as of July 1, 1989. The acquisition and the related application of purchase accounting resulted in significant changes to the capital structure of the Company and the historical bases of various assets and liabilities. The effect of such changes significantly impairs comparability of the selected financial data before and after the acquisition. Accordingly, the data prior to July 1, 1989, are entitled "Predecessor."

(9) Includes notes payable but does not include current portion of long-term debt.

THE COMPANY

GENERAL

R.P. Scherer International Corporation (the "Company"), an international developer and manufacturer of oral drug delivery systems, is the world's largest producer of softgels. The Company is also currently developing and commercializing advanced drug delivery systems, including the Scherersol(R), Zydis(R) and Pulsincap(TM) technologies. The Company's proprietary drug delivery systems improve the efficacy of drugs by regulating their dosage, rate of absorption and place of release.

The Company produces over 4,000 products in softgel form, which accounted for approximately 90% of the Company's fiscal 1993 sales. Softgels are used for a wide range of drug, vitamin, cosmetic and recreational products.

The Company has a broad domestic and international customer base consisting of manufacturers and wholesalers of pharmaceutical, health and nutritional, cosmetic and recreational products, with more than half of its total sales made to the pharmaceutical industry. To meet the needs of its multinational customers and to serve new markets, the Company operates softgel manufacturing facilities in eleven countries throughout the world and manufactures hardshell capsules in three of these countries. Approximately 78% of the Company's fiscal 1993 sales and 76% of the Company's fiscal 1993 operating income were derived from operations outside the United States.

The Company works closely with its customers in the development of new softgel products. Using its expertise in softgel technology, the Company has developed its Scherersol(R) systems to broaden the range of pharmaceutical products which may be encapsulated in softgel form. Scherersol(R) systems, most of which are patented, often enable pharmaceutical companies to combine the advantages of drugs in liquid solution with the convenience and dosage accuracy of softgels. Additionally, Scherersol(R) technologies, by providing a unique, patented dosage delivery system, can protect a pharmaceutical compound against competition from generic drugs throughout the life of the Scherersol(R) patents.

In 1991, the Company formed a separate division, Scherer DDS, to focus on the development of advanced drug delivery systems, including the Zydis(R) and Pulsincap(TM) technologies. Zydis(R) is an oral dosage form which dissolves instantaneously on the tongue and does not require water to aid swallowing. Pulsincap(TM) is an oral drug delivery device which is designed to release a drug at either a predetermined time following ingestion or a predetermined site in the gastrointestinal tract. In September 1993, the Company formed the Advanced Therapeutic Products Group, based in the United Kingdom. This division was formed to manage the development and registration of pharmaceutical products using the Company's drug delivery technologies and existing off-patent drug compounds.

The Company is a wholly-owned subsidiary of R.P. Scherer Corporation, a public company with common shares traded on the New York Stock Exchange under the symbol "SHR." R.P. Scherer Corporation's only asset is the common stock of the Company, and it essentially has no other operations. The Company was incorporated in Michigan in 1944 and reincorporated in Delaware in 1969. The principal executive offices of R.P. Scherer Corporation and its wholly-owned subsidiary R.P. Scherer International Corporation are located at 2075 West Big Beaver Road, Troy, Michigan 48084; the telephone number is (810) 649-0900.

SOLID ORAL DELIVERY SYSTEMS

Softgel products accounted for approximately 90% of the Company's fiscal 1993 sales. The following discussion describes the primary solid oral delivery systems with which softgels compete.

Pharmaceutical and health and nutritional products companies manufacture and sell billions of unit dosages for solid oral ingestion ("oral dosages") each year. These oral dosages contain pharmaceutical compounds or health and nutritional ingredients and substantially all are sold in one of three dosage forms: tablets, hardshell capsules or softgels.

Tablets. The most widely used of the solid oral dosage forms sold worldwide is the tablet. Tablets are inexpensive and easy to produce, product throughput is extremely high and production processes are relatively

easy to control. Tablets are an adequate dosage form for most pharmaceutical and health and nutritional products, and most manufacturers produce their own. The Company does not manufacture tablets.

Hardshell Capsules. The second most widely used solid oral dosage form is the hardshell capsule. Pharmaceutical manufacturers generally purchase empty hardshell capsules from a hardshell manufacturer and fill the capsules themselves. While hardshells are more difficult and more expensive to manufacture than tablets, the hardshell capsule is a better delivery system for time release capsules and certain compounds. Approximately 8% of the Company's fiscal 1993 sales were from hardshell capsules.

Softgel Capsules. The third most widely used solid oral dosage form is the softgel capsule. The Company believes that softgels represent approximately 3% of the solid oral delivery market. The softgel process is the only widely accepted process which facilitates the encapsulation of oils, other liquids and solids in suspension in an oral dose. Certain products can only be manufactured in liquid form while certain other products are more effective in liquid or suspension than in other forms. Because the therapeutically active ingredients of a drug are in a suspended or liquid state when encapsulated in softgels, in certain circumstances the rapid dissolution or disintegration characteristics of this dosage form can provide improved bioavailability and efficacy.

Other advantages of softgels include precise dosage control, minimal ingredient loss in the manufacturing process, ease of swallowing and the ability to more clearly evidence tampering. Moreover, the encapsulation of certain liquids facilitates the administration of unpleasant tasting ingredients and often improves the stability of ingredients, resulting in a longer shelf life.

SOFTGEL PRODUCTS AND MARKETS

The various softgel markets around the world were developed primarily by the Company working in conjunction with its customers. The technical and commercial staff of the Company work in close collaboration with the technical and marketing staff of its customers to identify requirements and develop commercial products.

Softgel capsules are used in the following three markets: (i) pharmaceutical (both prescription and over-the-counter products); (ii) health and nutritional; and (iii) other (cosmetics and recreational).

Pharmaceutical. The pharmaceutical markets in each country are relatively similar due to the high degree of manufacturing regulation worldwide, together with the globalization of the pharmaceutical industry. The Company performs especially well in a highly regulated environment where the customers' main focus is on quality and service as opposed to price. The Company has established long-standing relationships with many customers in the pharmaceutical markets, which the Company believes is the result of the Company's reputation for quality and service in pharmaceutical markets throughout the world. In fiscal 1993, 53% of the Company's softgel sales were derived from the sale of pharmaceutical products.

The Company assists pharmaceutical companies in the formulation of liquids and solids in suspension to be used in softgels. The Company's development of its Scherersol(R) systems broadens the range of pharmaceutical products which may be encapsulated in softgel form. Scherersol(R) softgel systems are liquid formulation technologies which are designed to improve bioavailability of pharmaceutical compounds that are inconsistently, incompletely or too slowly absorbed from traditional oral dosage forms. Scherersol(R) systems, most of which are patented, often enable pharmaceutical companies to extend patent protection and combine the advantages of active molecules in a solution with the convenience and dosage accuracy of softgels.

To date, the most significant product which has been reformulated using the Scherersol(R) systems is Sandimmun(R), a product developed and marketed by Sandoz Pharma AG. Sandimmun(R) (cyclosporin A) is an immuno-suppressant which typically is administered daily to organ transplant patients throughout their lives in order to prevent post-operative organ rejection. Additionally, it has recently received approval in Europe for treatment of psoriasis, and applications are pending in the U.S. for both psoriasis and rheumatoid arthritis. By reformulating the drug into softgel form, the Company was able to mask Sandimmun's(R) unpleasant taste and regulate the dosage size. Sandoz Pharma AG's annual worldwide sales of Sandimmun(R) are currently

estimated at $700 million. To date, the Company believes that a substantial portion of Sandimmun(R) sales continue to be in non-softgel forms. Sandimmun(R) represents approximately 3% of the Company's softgel sales.

Health and Nutritional. Health and nutritional products consist primarily of vitamins, minerals, supplements, and plant and fish oils. Some of the Company's products involve relatively simple encapsulation of oils, such as vitamin E and cod liver oil, while others are specifically formulated to the requirements of customers and are developed with such customer's involvement. Some health and nutritional products can only be formulated in softgel form, and other products are formulated in softgel form for convenience and quality product line image. Health and nutritional products represented approximately 37% of the Company's fiscal 1993 softgel sales.

Other-Cosmetics and Recreational. Other products represented approximately 10% of the Company's softgel sales in fiscal 1993, with approximately 7% attributable to cosmetics and 3% to recreational products.

The Company's products for the cosmetic market consist of: (i) specially shaped softgels containing various topical oils and creams; and (ii) bath pearls or bath capsules containing various oils and fragrances. The Company's largest cosmetics customer, Elizabeth Arden Co., introduced Ceramide facial and eye cream products using special twist-off softgel capsules to provide unit dosaging and prevent oxidation of the products before use.

The Company manufactures paintball softgels for use in recreational "paintball games." Various colors of water-washable paint are encapsulated in softgels and sold by the Company to qualified distributors. Originally established in the United States, this sport is now also growing in popularity internationally.

MARKETING

The Company has focused its sales and marketing efforts to attract new customers and expand the range of products provided to existing customers. The following steps have been undertaken as part of the Company's focused marketing approach: (i) the Company's marketing staffs have been increased significantly worldwide; (ii) the Company segmented its marketing and technical departments into distinct market segments (prescription, over-the-counter pharmaceutical, health and nutritional and other) to ensure that qualified representatives are serving customers in each segment; (iii) each subsidiary must submit specific annual marketing plans, which are reviewed in detail by segment with the senior management of the Company; (iv) greater sharing of ideas is encouraged through annual worldwide sales and marketing meetings as well as more frequent informal communications; (v) a marketing training program was implemented; and (vi) the Company has made new product development a collaborative effort with its customers.

In most countries, the research and development departments now report to the local director of marketing. The Company's three major research and development centers are located in the United States, Germany and the United Kingdom, with smaller development resources at each of the other facilities. Much of the new product development work is done jointly with the Company's customers. In fiscal 1993, a formulation laboratory in Japan was established to expand softgel development for a number of new Japanese drug compounds.

One of the goals of the marketing staff is to find new softgel applications for pharmaceutical compounds currently sold in tablet or hardshell form. The Company continuously examines commercial compounds that it considers candidates for the softgel dosage form using the Scherersol(R) technologies, focusing primarily on compounds that are incompletely, slowly or inconsistently absorbed in their current dosage form and are therefore strong candidates for improvement by formulating them in softgels.

In the health and nutritional market, the Company is continuing to work with its well-known customers, such as Seven Seas Ltd. in the United Kingdom, on product line extensions in softgel form. In the cosmetic market, after the successful launch of Elizabeth Arden Co.'s Ceramide Time Complex Capsules in fiscal 1992, the Company has continued to work closely with Elizabeth Arden Co. to develop a second product, Ceramide Eyes, which was launched in fiscal 1993. More recently, Chesebrough-Ponds introduced their Dramatic Results Skin Smoothing Capsules product, which also utilizes the Company's softgel

formulation technology. The Company continues to market similar unit dose concepts to other cosmetics companies.

SCHERER DDS

In 1991, the Company formed a separate division, Scherer DDS, to focus on the development of advanced drug delivery systems. This represents a broadening of the Company's existing business within its existing infrastructure, and reflects the Company's commitment to this rapidly growing market segment. The rationale for broadening its range of specialized technologies is based on the Company's established reputation within the pharmaceutical industry for formulating innovative solutions to drug delivery problems and its long-standing relationships with its pharmaceutical customers. The Company believes that demand for advanced drug delivery systems has grown because the pharmaceutical industry is recognizing limitations to improving drug efficacy and tolerance with conventional dosage form technologies. In addition, novel and patentable formulation technologies can often extend the product life cycle of major drugs for many years, thus maximizing income streams from the customers' significant research and development investments.

Scherer DDS, largely based in the United Kingdom, is responsible for the development, manufacture and marketing of the Company's new advanced drug delivery systems, including the Zydis(R) and Pulsincap(TM) technologies. Additionally, Scherer DDS is engaged in the search for other advanced drug delivery systems which might complement the Company's existing technologies.

Zydis(R). Zydis(R) is a freeze-dried, porous wafer containing a drug substance which dissolves instantaneously on the tongue and does not require water to aid swallowing. This feature of Zydis(R) is expected to improve patient compliance, particularly among children and the elderly who frequently experience difficulties in swallowing conventional dosage forms. The Zydis(R) system has been patented in major markets extending through the year 2002, with such patent protection extending to the active ingredients being delivered using Zydis(R). Products incorporating Zydis(R) technology have received approvals for use in eighteen countries.

The Company currently produces Zydis(R) products containing the lorazepam and oxazepam tranquilizers for Wyeth-Ayerst International, as well as Pfizer's Feldene Melt anti-arthritic product. At present, such products are only sold in Europe. There are currently eleven major products encompassing Zydis(R) technology in different stages of development and regulatory approval. Because patents covering active compounds in these products have expired or will expire within the next few years, the manufacturers of such products have been seeking alternative dosage forms. Conventional dosage forms of the active compounds in these products are marketed by large multinational pharmaceutical companies, and these products had aggregate annual sales exceeding $5.0 billion in calendar 1992. In general, agreements with customers call for customers to pay option fees to the Company as well as to pay certain of the costs for development, clinical testing, obtaining regulatory approvals and commercialization of the products. The Company will receive royalties, as well as manufacturing revenues, assuming such products are successfully commercialized. The Company recognized revenues of $4.7 million in fiscal 1993 related to Zydis(R) products.

Pulsincap(TM). Pulsincap(TM) is an oral drug delivery device which is designed to release the drug in a pulsed fashion at a predetermined time in the gastrointestinal tract or at a predetermined site in the body. This dosage form consists of a capsule composed of a water insoluble body and a water soluble cap. The drug formulation is contained within the capsule body and is sealed in by a hydrogel plug. At a specified time after ingestion, the drug is released into the small intestine or colon for absorption into the blood stream.

The Company anticipates that the Pulsincap(TM) system will have a broad range of applications. Two major areas targeted are nocturnal (time-controlled) delivery and colonic (site-specific) delivery.

Nocturnal (Time-Controlled) Delivery. It is now increasingly recognized that there are circadian patterns in the manifestations of many disease states and that pharmacological treatment should reflect such rhythms. Examples of such day/night variations are ischemic heart disease, asthma, arthritis and sleep disorders. The Pulsincap(TM) dosage form provides a delivery system that allows a dose of drug to be released in the body after a predetermined time period, and has particular applications in those diseases where a peak blood drug level is required during the night or immediately after waking.

Colonic (Site-Specific) Delivery. In recent years, there has been a rapidly growing interest in the study of the delivery of drugs to the colon, particularly for the optimal treatment of local disorders such as ulcerative colitis or Crohn's disease. Additionally, with the proliferation of new peptide and protein products under development in the biotechnology industry, there has been increasing interest in utilizing the colon as a site for drug absorption. The Pulsincap(TM) technology offers a system that can target the delivery of drugs to the colon without the use of injections and could have applications in inflammatory bowel disease (e.g., ulcerative colitis) and peptide delivery (e.g., insulin).

The Pulsincap(TM) technology is covered by patents in Europe, and has patents pending in all other major markets. The Company has completed toxicology studies on the hydrogel plug, and anticipates that significant customer-funded feasibility studies will begin in fiscal 1994. The Company further expects that several years of continued development and testing will be required before any material commercial sales of Pulsincap(TM) products are realized.

ADVANCED THERAPEUTIC PRODUCTS GROUP

In September 1993, the Company formed the Advanced Therapeutic Products Group, to be based in the United Kingdom. This division was formed to directly plan and execute the development and registration of pharmaceutical products using the Company's proprietary drug delivery technologies and incorporating off-patent compounds. The Group's objective is to reformulate existing compounds using the Company's proprietary drug delivery technologies to create new products with demonstrably improved therapeutic and cost benefits over existing treatments.

INTERNATIONAL OPERATIONS

To serve new markets and to meet the needs of its multinational customers, the Company operates softgel manufacturing facilities in eleven countries throughout the world and manufactures hardshell capsules in three of these countries. In addition, the Company has the flexibility to transfer some of its production from one plant to another within its worldwide network.

The following summarizes the Company's sales and operating income by geographic segment for fiscal years 1993, 1992, and 1991:

<TABLE>
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	FOR THE YEARS ENDED MARCH 31,					
	1993		1992		1991	
	(IN THOUSANDS, EXCEPT PERCENTAGES)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Sales:						
United States..........................	$ 86,687	22%	$ 66,802	20%	$ 50,377	17%
Europe.................................	229,937	58%	198,445	59%	184,631	62%
Other International....................	81,387	20%	72,539	21%	63,630	21%
Net sales..........................	$398,011	100%	$337,786	100%	$298,638	100%

Operating Income:						
United States	$ 23,327	27%	$ 18,147	28%	$ 10,883	17%
Europe	53,941	61%	48,896	76%	41,375	66%
Other International	13,450	15%	13,070	20%	11,511	18%
Unallocated(1)	(2,621)	(3%)	(16,136)	(24%)	(785)	(1%)
Operating income	$ 88,097	100%	$ 63,977	100%	$ 62,984	100%

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(1) Unallocated operating income includes principally general corporate expenses, including in 1992 the stock compensation expense related to R.P. Scherer Corporation's October 1991 sale of common stock (see Note 3 to the consolidated financial statements as of March 31, 1993).

COMPETITION

The greatest competition to the Company's softgel dosage form for pharmaceuticals, its major softgel market, historically has come from the manufacturers of tablets and hardshell capsules in instances where

technological barriers to their usage did not exist. The Company believes that the most significant disadvantages of softgel capsules compared to tablets or hardshell capsules for pharmaceutical and health and nutritional product manufacturers have been the relatively higher cost of softgels and the lack of control by such manufacturers over the softgel manufacturing process. Because a relatively high unit volume is necessary to manufacture softgels economically, no significant pharmaceutical manufacturer and only one significant health and nutritional product manufacturer produces its own softgels.

In recent years, a large number of pharmaceutical companies have become increasingly interested in the development and commercialization of both existing and newly developed pharmaceutical products incorporating advanced drug delivery systems. A number of companies have been formed to develop new drug formulations, products, and drug delivery systems.

The Company is the world's largest manufacturer of softgels, with an estimated worldwide market share approximating 75% based on management estimates. The Company believes it has a competitive advantage in the softgel business due to its greater experience in the manufacture of softgels, its advanced technology, its extensive participation in customer product development, its strong acceptance by customers and its geographic breadth. The Company's principal softgel competitors are several manufacturers with substantially smaller softgel operations. Although the Company faces varying degrees of competition in each of its geographic markets, it believes it has a leading market share in each of its major markets.

The largest producers of hardshell capsules are two multinational pharmaceutical manufacturers which have substantially greater assets and sales than the Company. In addition, the Company competes in various countries with smaller hardshell manufacturers.

PRODUCT INFORMATION

The Company's business is not considered to be dependent upon a single product or a few products. No single product represents 10% or more of the Company's sales.

CUSTOMERS

No material part of the Company's business is considered to be dependent upon a single customer or a few customers, and no single customer represents 5% or more of the Company's sales.

SOURCES OF MATERIALS

The principal raw material used in the manufacture of softgels and hardshell capsules is gelatin. Gelatin is obtained primarily regionally and in most instances is available from multiple sources (and is generally purchased based on a coordinated worldwide basis by the Company to obtain favorable terms). The Company has never experienced any significant shortage of gelatin.

PATENTS

The Company has a number of active patents on its specialized machinery, processes, products and drug delivery systems. In addition, a number of patent applications are pending and numerous trademarks are held. In the opinion of management, the Company's businesses are not dependent upon any one patent or trademark.

SEASONAL BUSINESS

No material portion of the Company's business is seasonal. However, second quarter operating results are generally below the results of other quarters due to the regularly scheduled vacation and annual summer maintenance shutdown of substantially all northern hemisphere softgel facilities.

BACKLOG

The backlog of unfilled orders was approximately $112.4 million at September 30, 1993, as compared to approximately $119.6 million at September 30, 1992. The Company believes that such backlog of orders at September 30, 1993 is firm and will be filled within the next 12 months.

GOVERNMENT REGULATION

The Company's products and manufacturing processes and services are subject to the applicable Good Manufacturing Practice standards for the pharmaceutical industry and to other regulations by governmental agencies or departments in each of the countries in which it operates. In the United States, the Company's encapsulation products and manufacturing and packaging services are subject to the Federal Food, Drug and Cosmetic Act, the Comprehensive Drug Abuse Prevention and Control Act of 1970 and various rules and regulations of the Bureau of Alcohol, Tobacco and Firearms of the United States Department of Treasury, the Bureau of Narcotics of the United States Department of Justice and state narcotic regulatory agencies. In other countries, the Company's products and services are subject to analogous regulation.

The Company is regularly subjected to testing and inspection of its products and facilities by representatives of various Federal agencies and in addition, the Company comes under the regulation of various state, municipal and foreign health agencies.

The Company is also generally required to obtain United States Food and Drug Administration approval for sales in the United States, as well as approval of the appropriate agencies in other jurisdictions, prior to commencing the sale of many of the proprietary products under development.

The Company believes that it is in compliance in all material respects with applicable environmental laws and regulations. Compliance with Federal, state and local provisions relating to the protection of the environment has had no material effect upon the capital expenditures, earnings or competitive position of the Company and its subsidiaries. The Company was informed in August 1992 that soil at a manufacturing facility in North Carolina owned and operated by the Company from 1975 to 1985 contained levels of tetrachlorethene which exceeded environmental standards. The Company voluntarily initiated a remedial investigation, and initial remedial and removal actions have been completed by the Company and the current owner of the facility for the known soil contamination at such site. The Company continues to perform additional studies and remediation in the area, including testing and removal of groundwater, which may also indicate the necessity for additional remedial and removal actions. On the basis of the results of investigations performed to date, the Company does not believe that potential future costs associated with either the investigation or any future remedial or removal action will ultimately have a materially adverse impact on the Company's business or financial condition.

RESEARCH AND DEVELOPMENT

Costs incurred in connection with the development of new products and manufacturing methods, including both Company and customer-sponsored expenditures, amounted to $12.4 million in fiscal 1993, $11.6 million in fiscal 1992, and $9.0 million in fiscal 1991.

EMPLOYEES

At September 30, 1993, the Company employed approximately 2,700 full-time employees. The Company considers its relations with its employees to be good.

USE OF PROCEEDS

The net proceeds from the sale of the Senior Notes are estimated to be $97.8 million. The Company intends to use the proceeds, together with proceeds from borrowings under the Company's bank credit facility, to defease certain of its obligations with respect to the outstanding Subordinated Debentures (which have an aggregate outstanding principal amount of $125.1 million), and to pay costs and expenses associated with such transaction.

The Subordinated Debentures bear interest at a rate of 14% per annum and are due on November 1, 1999, and are redeemable beginning November 1, 1994 ("Call Date"). The Company will terminate certain of its obligations with respect to the Subordinated Debentures by depositing into an irrevocable trust account for the benefit of the holders of the Subordinated Debentures an amount of United States government obligations sufficient to pay, with respect to the Subordinated Debentures, all interest thereon through the Call Date, the call premium thereon and the outstanding principal thereof when due upon redemption ("Defeasance"). Amounts deposited in this trust account will then be used to fund the interest costs and all costs of retiring the Subordinated Debentures.

The Defeasance will occur as soon as practicable following the Offering. As a result of the Defeasance, the Company will recognize an extraordinary loss estimated at approximately $15.1 million, consisting of the after-tax difference between the recorded value of the Subordinated Debentures and their face value, the call premium, the prepayment of net interest through the Call Date and the write-off of unamortized deferred financing costs related to the Subordinated Debentures. Following the Defeasance, the Company will remain obligated to pay interest and principal on the Subordinated Debentures when due but, subject to certain exceptions, will no longer be subject to the terms, agreements and covenants contained in the indenture under which the Subordinated Debentures were issued. The Company expects that amounts deposited in the trust account referred to above will be sufficient to pay, with respect to the Subordinated Debentures, all interest thereon through the Call Date, the call premium thereon and the principal thereof when due upon redemption, without taking into account any reinvestment of income on the United States government obligations deposited in the trust account.

CAPITALIZATION

The following table sets forth the capitalization of the Company as of September 30, 1993 and as adjusted to reflect (a) the sale of the Senior Notes offered hereby, (b) the borrowing by the Company of approximately $43.1 million under the Company's bank credit facility and (c) the Defeasance of the Company's Subordinated Debentures.

<TABLE>
<CAPTION>

	SEPTEMBER 30, 1993	
	AS REPORTED	AS ADJUSTED
	(IN THOUSANDS)	
<S>	<C>	<C>
Current portion of long-term debt and notes payable	$ 4,955	$ 4,955
Long-Term Debt:		
Bank credit facility	34,349	77,449
6 3/4% Senior Notes due 2004, net of discount	--	99,268
14% Senior Subordinated Debentures, net of discount	119,910	--
Other indebtedness	26,188	26,188
Total long-term debt	180,447	202,905
Minority interests	36,461	36,461
Shareholder's equity:		
Common stock, $.33 1/3 par value	1	1
Additional paid-in capital	234,021	234,021
Retained deficit(1)	(9,797)	(24,897)
Currency translation adjustment	(8,632)	(8,632)
Total shareholder's equity	215,593	200,493
Total capitalization	$ 437,456	$ 444,814

</TABLE>

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(1) As a result of the Defeasance, the Company will recognize an extraordinary loss estimated at approximately $15.1 million, consisting of the after-tax

difference between the recorded value of the Subordinated Debentures and their face value, the call premium, the prepayment of net interest through the Call Date and the write-off of unamortized deferred financing costs related to the Subordinated Debentures.

SELECTED HISTORICAL FINANCIAL DATA

The following table presents selected historical financial data as of and for the periods indicated. The historical financial information has been excerpted or derived from the financial statements included elsewhere in this Prospectus Supplement or in the accompanying Prospectus. The following summary financial information should be read in conjunction with and is qualified in its entirety by reference to the consolidated financial statements and other financial information included elsewhere or incorporated by reference into this Prospectus Supplement or in the accompanying Prospectus. The financial information for the Company and the Predecessor are not comparable in certain respects.

<TABLE>
<CAPTION>

	COMPANY						PREDECESSOR(8)	
	SIX MONTHS ENDED SEPTEMBER 30,		YEAR ENDED MARCH 31,			NINE MONTHS ENDED MARCH 31,	THREE MONTHS ENDED JUNE 30,	YEAR ENDED MARCH 31,
	1993	1992	1993	1992	1991	1990	1989	1989
				(IN THOUSANDS)				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATING DATA(1):								
Net sales...................	$213,633	$201,024	$398,011	$337,786	$298,638	$ 191,451	$ 62,991	$236,944
Cost of sales...............	137,461	120,557	242,108	201,991	183,438	123,725	39,811	151,698
Selling, administrative and other expense............	34,946	33,226	67,806	58,758	52,216	33,041	18,313	50,979
Stock and other compensation expense(2)................	--	--	--	13,060	--	--	--	--
Operating income(2)(3)......	41,226	47,241	88,097	63,977	62,984	34,685	4,867	34,267
Interest expense............	11,727	14,104	25,436	35,348	45,045	35,352	765	2,986
Income (loss) from continuing operations(4)............	15,153	15,421	28,960	(1,224)	(6,425)	(12,126)	(9,270)	8,401
Income (loss) from continuing operations attributable to common shares(5)................	15,153	15,421	28,960	(7,596)	(12,154)	(13,972)	(9,275)	6,217
Net income (loss) attributable to common shares(5)(6).............	15,153	14,774	20,895	(31,118)	(12,471)	(16,204)	(8,706)	7,865
Depreciation and amortization(7)...........	11,215	11,618	22,678	19,940	19,774	17,922	3,686	11,910
Capital additions...........	16,469	14,038	33,192	20,947	11,993	9,038	1,998	13,014
BALANCE SHEET DATA (AT END OF PERIOD)(1):								
Working capital(9)..........	95,191		82,874	79,248	47,624	61,226	79,569	87,252
Total assets................	591,780		532,184	525,977	501,859	493,189	293,729	281,864
Long-term debt, including current portion...........	182,269		142,508	178,639	298,746	313,916	57,161	56,076
Minority interests..........	36,461		32,369	28,357	24,609	20,249	19,068	18,068
Shareholder's equity........	215,593		203,001	191,634	35,582	45,981	136,876	149,165

</TABLE>

Notes to Selected Historical Financial Data

1. Excludes the discontinued operations of Southern Optical Company, The Lorvic Corporation, Franz Pohl GmbH, Scientific Associates, Inc., and Paco.

2. Includes a one-time $12.3 million non-cash charge for stock and other compensation expense relating to R.P. Scherer Corporation's common stock sale in October 1991 for the year ended March 31, 1992.

3. Includes provision for restructuring of operations of $5.4 million for the period ended June 30, 1989.

4. Includes $974,000 gain from cumulative effect of accounting change for the

six months ended September 30, 1992; also includes $8.4 million and $9.0 million in non-operating expenses for the periods ended June 30, 1989 and March 31, 1989, respectively, associated with a proxy contest, negotiated severance agreements and the sale of the Predecessor.

5. After allowing for preferred stock dividends and accretion between the fair value at the date of issuance and the stated value of preferred stock for fiscal years 1992 and prior.

6. Includes loss of $8.4 million from early retirement of debt, a $647,000 loss from the sale of Paco, and $974,000 gain from cumulative effect of accounting change for year ended March 31, 1993, and an estimated loss of $16.7 million from disposal of Paco, an extraordinary loss of $2.1 million on the early retirement of debt, and a $4.9 million charge for an accounting change for postretirement benefits for the year ended March 31, 1992, and an extraordinary credit of $932,000 for the year ended March 31, 1989.

7. Includes amortization of deferred financing costs and debt discount of $735,000 and $907,000 for the six month periods ended September 30, 1993 and 1992, respectively; $1.8 million, $2.0 million, $3.3 million, and $6.4 million for the years ended March 31, 1993, 1992, and 1991, and the nine months ended March 31, 1990, respectively.

8. In June 1989, R.P. Scherer Corporation acquired the common stock of the Company pursuant to a tender offer. For financial reporting purposes, the acquisition was deemed effective as of July 1, 1989. The acquisition and the related application of purchase accounting resulted in significant changes to the capital structure of the Company and the historical bases of various assets and liabilities. The effect of such changes significantly impairs comparability of the selected financial data before and after the acquisition. Accordingly, the data prior to July 1, 1989, are entitled "Predecessor."

9. Includes notes payable but does not include current portion of long-term debt.

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

GENERAL

The following discussion and analysis of financial results and condition covers the six month periods ended September 30, 1993 and 1992 and the fiscal years ended March 31, 1993, 1992 and 1991. The discussion and analysis relating to fiscal year 1992 also addresses the effects of the application of proceeds that R.P. Scherer Corporation's October 1991 sale of 11.5 million shares of its common stock had on the Company's results of operations and financial condition in the 1992 fiscal year (see Note 3 to the consolidated financial statements as of March 31, 1993).

In August 1991, the Company adopted a plan to sell its wholly-owned subsidiary Paco, a provider of design, engineering and manufacturing services to U.S. pharmaceutical and consumer products companies. In August 1992, Paco was disposed of through a public offering of Paco's common stock. The assets, liabilities, and results of operations of Paco have been reported as a discontinued operation in the consolidated financial statements for all periods presented. The following discussion and analysis refers only to continuing operations.

A majority of the Company's sales, income and cash flows is derived from its international operations. With the exception of Brazil, the financial position and the results of operations of the Company's foreign subsidiaries are measured using the local currency of the countries in which they operate and are translated into U.S. dollars. Although the effects of foreign currency fluctuations are mitigated by the fact that expenses of foreign subsidiaries are generally incurred in the same currencies in which sales are generated, the reported income of foreign subsidiaries will be higher or lower depending upon a weakening or strengthening of the U.S. dollar. In addition, a substantial amount of the Company's net assets are based in its foreign operations, and are translated into U.S. dollars primarily at foreign currency exchange rates in effect as of the end of each period. Accordingly, the Company's consolidated shareholder's equity will fluctuate depending upon the strengthening or weakening of the U.S. dollar.

RESULTS OF OPERATIONS

Six Months Ended September 30, 1993 and 1992

Sales for the six months ended September 30, 1993 were $213.6 million, amounting to a 6% increase over sales of $201.0 million for the same six months last year. Strong sales growth was achieved in the Company's U.S. and Other International operations, offset by the sluggishness of the German pharmaceutical market and the effects of a stronger U.S. dollar relative to most foreign currencies. The sales increase between the two periods would have been 14% as measured using constant exchange rates.

Operating income amounted to $41.2 million for the six months ended September 30, 1993, representing a decrease of 13% (8% measured at constant exchange rates) from the $47.2 million earned in the prior year six month period. The Company contained selling and administrative expenses to $28.7 million in the current year six months, declining to 13.4% of sales from 13.9% recorded in the same period last year. The Company increased net research and development spending by $900,000, or 16% (26% in constant exchange rates) in the six months ended September 30, 1993, primarily for pharmaceutical softgel development activities and continued development of the Company's Pulsincap(TM) drug delivery device.

The Company recognized income from continuing operations of $15.2 million for the six months ended September 30, 1993, a 5% improvement as compared to $14.4 million for the same period last year. Interest expense fell $2.4 million for the six months ended September 30, 1993, primarily as a result of the Company's October 1992 repurchase of $42.5 million face value of its Subordinated Debentures, offset by $700,000 of interest expense on debt used to fund the Pharmagel acquisition (as discussed in Note 6 to the consolidated financial statements as of September 30, 1993). Interest earned and other declined $1.3 million in the current year six months due to reduced levels of cash and temporary investments and losses related to translation of the financial statements of the Company's Brazilian subsidiary. Income tax provisions were $10.1 million (33.0% of pretax income) and $13.8 million (39.1% of pretax income) for the six months ended Septem-

ber 30, 1993 and 1992, respectively. The lower tax provision in the current year period reflects a shift in pretax income towards lower tax rate countries and reduced corporate income tax rates in Germany and Australia. Such reductions in interest expense and income taxes more than offset the lower operating income in the current year six months. Additionally, minority interests in income of subsidiaries declined $1.9 million as a result of significantly lower earnings of the Company's 51% owned operation in Germany, offset by income improvements in partially-owned subsidiaries in France and Japan.

The following table shows the operating results of the Company's geographic segments for the six months ended September 30, 1993 and 1992:

<TABLE>
<CAPTION>

	SALES		OPERATING INCOME		OPERATING MARGIN	
	1993	1992	1993	1992	1993	1992
	(IN THOUSANDS, EXCEPT PERCENTAGES)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
United States	$ 55,803	$ 41,215	$ 14,367	$12,717	25.7%	30.9%
Europe	111,476	120,355	19,606	28,938	17.6	24.0
Other International	46,354	39,454	9,929	7,466	21.4	18.9
Unallocated	--	--	(2,676)	(1,880)	--	--
	$213,633	$201,024	$ 41,226	$47,241	19.3%	23.5%

</TABLE>

Sales of U.S. operations increased 35% for the six months ended September 30, 1993, reflecting the strong demand for Vitamin E and other anti-oxidant vitamin softgels, as well as significant growth in sales of branded OTC cough/cold medications. Operating income in the U.S. increased by 13% in September 30, 1993 six month period due to the additional sales volumes. Operating margins, however, declined significantly as most of this sales increase was derived from nutritional softgels, which in the U.S. generally have a higher material cost content relative to their sales value compared to other types of softgels.

The Company experienced an $8.9 million or 7% decline in sales of its European operations for the six months ended September 30, 1993. Sales in Germany declined $10.7 million due primarily to the difficult economic and industry factors discussed above and the effects of the comparatively stronger U.S. dollar in the first six months of this year. The Company's other operations in Europe registered local currency sales gains over the prior year period, including $4.9 million in sales attributable to Pharmagel. Operating income in Europe declined $9.3 million, or 32%, due to a $6.2 million decrease in German operating income as well as the weaker foreign currency exchange rates, lower prescription pharmaceutical sales resulting from the conditions in Germany, a shift in product mix and higher research and development expenses all contributed to the 6.4 percentage point decrease in the European operating margin rate for the September 30, 1993 period.

In Other International operations, sales increased $6.9 million, or 17%, for the six months ended September 30, 1993 compared to the same period a year ago. Such sales gain was achieved primarily due to growth in nutritional softgel sales in Australia and Japan. The sales volume growth resulted in a $2.5 million, or 33%, increase in operating income and the related improvement in operating margin.

Fiscal Years Ended March 31, 1993 and 1992

Sales for fiscal 1993 amounted to a new record high of $398.0 million, exceeding by 18% the previous record sales of $337.8 million recognized in fiscal 1992. Strong sales growth was experienced in all of the Company's major operations, favorably impacted by a strengthening of certain foreign currency exchange rates relative to the U.S. dollar. Sales growth as measured on a constant currency basis would have been 16% for fiscal 1993 compared to fiscal 1992.

The following table shows the operating results of the Company's geographic segments for the fiscal years ended March 31, 1993 and 1992:

<TABLE>
<CAPTION>

	SALES		OPERATING INCOME		OPERATING MARGIN	
	1993	1992	1993	1992	1993	1992
	(IN THOUSANDS, EXCEPT PERCENTAGES)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
United States	$ 86,687	$ 66,802	$23,327	$ 18,147	26.9%	27.2%
Europe	229,937	198,445	53,941	48,896	23.5	24.6
Other International	81,387	72,539	13,450	13,070	16.5	18.0
Unallocated(1)	--	--	(2,621)	(16,136)	--	--
	$398,011	$337,786	$88,097	$ 63,977	22.1%	18.9%

</TABLE>

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(1) Unallocated operating income includes principally general corporate expenses, including in 1992 the stock compensation expense related to R.P. Scherer Corporation's October 1991 sale of common stock (see Note 3 to the consolidated financial statements as of March 31, 1993).

Sales of the Company's United States operations in fiscal 1993 increased to $86.7 million, or 30%, as compared to sales of $66.8 million recorded in fiscal 1992. The United States results reflect significant increases in sales of pharmaceutical softgels, particularly generic nifedipine and over-the-counter cough/cold medications. Additionally, favorable studies and media reports confirming the health benefits from anti-oxidant vitamins and a stronger marketing focus by the Company have resulted in substantially increased sales of certain nutritional softgels, especially Vitamin E. Sales in Europe rose by 16% to $229.9 million in fiscal 1993, as compared to $198.4 million in fiscal 1992. All European subsidiaries reported sales gains in fiscal 1993, with volume growth in both pharmaceutical and nutritional softgel product sales. Sales growth of the Company's largest subsidiary, located in Germany, slowed during the latter half of fiscal 1993 as a result of difficult economic conditions and recently introduced health care reforms which, among other things, restrict government reimbursements for certain pharmaceutical products. Other International operations recognized sales of $81.4 million in fiscal 1993, representing a 12% increase over fiscal 1992 sales of $72.5 million. A majority of such sales increase was achieved by the Company's subsidiaries in Japan, with continued growth in sales of pharmaceutical softgels, and Canada, primarily as a result of the increased demand for anti-oxidant softgels.

The Company's 12-month sales order backlog was $110.2 million as of March 31, 1993, comparable to backlog at the same time last year, as measured both in U.S. dollars and in local currencies.

The Company's gross margin increased by $20.1 million to $155.9 million in fiscal 1993, compared to $135.8 million last fiscal year. Gross margin expressed as a percentage of sales declined to 39.2% in fiscal 1993 from 40.2% in fiscal 1992. Such decrease in the margin rate reflects an increase in the current year's sales mix toward nutritional softgels, which generally have a higher material cost content relative to their sales value, and increases in costs of raw materials (primarily vitamins) not yet fully offset by price increases for the Company's products. The economic and regulatory situation in Germany also had an unfavorable effect on the fiscal 1993 gross margin rate.

Operating income reached a record $88.1 million for fiscal 1993, representing a 16% increase from $76.3 million recorded for fiscal 1992, before the $12.3 million non-recurring charge for stock compensation (see Note 3 to the consolidated financial statements as of March 31, 1993). On a constant foreign currency exchange rate basis, the increase would have amounted to 14%. The operating income improvement stems primarily from the increases in sales described above, offset in part by a $6.1 million, or 12%, increase in selling and administrative expenses and a $2.9 million, or 35%, increase in net research and development expenses. Selling and administrative expenses for fiscal 1993, which declined as a percent of sales, reflect additional investments in marketing staffs and activities, increased incentive compensation related to the income improvements, general inflationary factors and the higher foreign currency exchange rates. A majority of the increase in research and development expenses is attributable to pharmaceutical softgel product development activities in the U.S. and the United Kingdom, and continued development of the Company's Pulsincap(TM) drug delivery device.

Income from continuing operations was $29.0 million for fiscal 1993, an increase of $30.2 million from a loss of $1.2 million in fiscal 1992. In addition to the higher operating income in fiscal 1993, a $9.9 million reduction in interest expense contributed to such improvement. The lower interest expense resulted primarily from a full year's interest savings in fiscal 1993 due to the approximate $124.0 million reduction in bank debt through the application of proceeds from the October 1991 common stock sale, and, to a lesser extent, the Company's repurchase of approximately $42.5 million face value of its Subordinated Debentures during the third quarter of fiscal 1993 (see Notes 3 and 8 to the consolidated financial statements as of March 31, 1993). In addition, the prior year results included the $12.3 million charge for stock compensation expense. On a pro forma basis, assuming the October 1991 common stock sale and related transactions had occurred as of April 1, 1991, income from continuing operations would have been $22.0 million for fiscal 1992 (see Note 3 to the consolidated financial statements as of March 31, 1993).

The Company's income tax provisions were $24.1 million (36.3% of pre-tax income) in fiscal 1993 and $22.3 million (69.5% of pre-tax income) in fiscal 1992. The reduction in the consolidated tax rate to a more normal level in fiscal 1993 reflects improved U.S. operating results and income, including the reduction in interest expense and the $12.3 million stock compensation expense recorded in the prior year. A significant portion of expenses in the prior year could not be tax benefited as the realization of such benefit could not be assured. A significantly lower tax provision rate is associated with such incremental income due to the Company's U.S. tax position and the utilization of available foreign tax credits. Minority interests in net income of subsidiaries increased by 21% to $13.3 million in fiscal 1993 from $11.0 million in fiscal 1992 due primarily to increased earnings of the Company's partially-owned subsidiaries in Germany, France and Japan.

The Company earned net income of $20.9 million in fiscal 1993 after reflecting an $8.4 million net extraordinary loss from the repurchase of the senior subordinated debentures described above, a $647,000 loss from the disposal of the Company's discontinued operation (Paco) and $1.0 million of income from the cumulative effect of a change in accounting for income taxes in accordance with SFAS 109 (see Note 2 to the consolidated financial statements as of March 31, 1993). The Company reported a net loss attributable to common shares of $31.1 million in fiscal 1992, which included a $16.5 million estimated loss on disposal of Paco, a $4.9 million charge related to a change in accounting for postretirement medical and other benefits in accordance with SFAS 106 (see Note 10 to the consolidated financial statements as of March 31, 1993) and a $2.1 million extraordinary loss from the early retirement of bank debt described above.

Fiscal Years Ended March 31, 1992 and 1991

The Company achieved a then record high $337.8 million of sales for fiscal 1992, representing a 13% increase over the $298.6 million of sales in fiscal 1991. Sales growth was obtained in all of the Company's geographic segments, in spite of a general weakening of average foreign currency exchange rates relative to the U.S. dollar. Sales growth as measured on a constant currency exchange rate basis would have been nearly 18% for fiscal 1992.

The Company's United States operations led the consolidated sales improvement, generating $66.8 million of sales in fiscal 1992 as compared to $50.4 million in fiscal 1991. This increase, amounting to nearly 33%, resulted from exceptional demand for the Company's cosmetic, pharmaceutical and recreational paintball softgel products and large orders in connection with product launches by certain cosmetic and pharmaceutical customers. The Company's Europe and Other International segments posted respective 7% and 14% sales gains between the two fiscal years. The sales growth in Europe, which would have been much higher if not for the weaker foreign currency exchange rates, resulted primarily from increased sales volumes of nutritional supplements and pharmaceutical products by the Company's German and United Kingdom operations. Sales in Germany for fiscal 1992 also benefited from the Company's recent acquisition of a hardshell manufacturing operation in former East Germany. Sales of the Company's Other International operations increased mainly due to continued high demand for hardshell capsules produced by the Company's Pharmaphil division in Canada and record health and nutritional softgel sales in both Australia and Japan.

The Company's 12 month sales order backlog rose to $111.7 million as of March 31, 1992, a 27% increase from sales backlog of $88.1 million at the same date last year. This increase in backlog reflected continuing strong sales order levels in all of the Company's major operations.

Gross margin as a percentage of sales was 40.2% and 38.6% for the years ended March 31, 1992 and 1991, respectively. The margin rate for fiscal 1992 increased both as a result of production efficiencies associated with the higher sales volumes and a more favorable product sales mix. A majority of the margin gain is attributable to the United States operation's relatively larger proportion of pharmaceutical and cosmetic softgel sales in fiscal 1992. (Pharmaceutical and cosmetic softgel products, being more complex to formulate and manufacture, generally have higher margins than most other products.) The margin rate in Europe improved somewhat in fiscal 1992 primarily as a result of the increased sales volumes in Germany. Gross margin of the Other International operations remained relatively comparable between fiscal 1992 and 1991, as the benefits of higher sales volumes were mostly offset by increased raw material and other costs.

Operating income reached a record $76.3 million for fiscal 1992, before a one-time $12.3 million non-cash charge for compensation expense recorded in connection with the October 1991 public stock offering (see Note 3 to the consolidated financial statements as of March 31, 1993). Such operating income represents a 21% increase from the $63.0 million reported for the prior year. The improvement stems primarily from the sales and gross margin rate increases described above, partially offset by increases of $5.5 million, or 12%, of selling and administrative expenses and $1.1 million, or 15%, of net research and development expenses, respectively. The selling and administrative expense increase is mainly due to additional investments in marketing staffs and activities, incentive compensation related to the strong financial results and legal, banking and other costs associated with the replacement of the Company's senior bank credit facility (discussed below). Research and development expense for fiscal 1992 includes expenditures for continued development of the Company's Zydis(R) and Pulsincap(TM) drug delivery devices and development of numerous softgel products using the Company's Scherersol(R) and other technologies. On a constant foreign currency exchange rate basis, operating income before the one-time $12.3 million charge for compensation expense would have increased by 26% between fiscal years 1992 and 1991.

Income from continuing operations, before income taxes, minority interests and the one-time charge for compensation expense more than doubled to $44.4 million for fiscal 1992, as compared to $20.2 million in 1991. This increase results from the operating income improvements and a $9.7 million decrease in net interest expense stemming primarily from a $124 million reduction in bank debt through the application of a portion of the stock sale proceeds in October, 1991. Income tax provisions of $22.3 million and $18.2 million were recorded for fiscal years 1992 and 1991, respectively, consisting principally for both years of taxes on earnings of the Company's foreign subsidiaries. The Company was unable to recognize any Federal income tax benefit on its U.S. losses in fiscal 1992 (resulting from interest expense and the $12.3 million compensation charge) as the future realization of such benefits was not assured. Minority interests in net income of subsidiaries rose 28% to $11.0 million in fiscal 1992 from $8.5 million in the prior year mostly as a result of the improved financial performance of the Company's 51% owned subsidiary in Germany.

The results for the year ended March 31, 1992 include a $2.1 million extraordinary non-cash loss for the write-down of unamortized deferred financing fees associated with the early retirement of bank debt discussed above. In addition, the Company elected to adopt early Statement of Financial Accounting Standards No. 106, "Accounting for Postretirement Benefits other than Pensions" in fiscal 1992. The cumulative effect of such adoption resulted in a one-time $4.9 million charge. After these items, losses recorded for the discontinued operation and preferred stock dividends, the Company recorded net losses attributable to common shares of $31.1 million and $12.5 million for fiscal years 1992 and 1991, respectively (see Note 11 of the consolidated financial statements as of March 31, 1993).

The application of proceeds from the October 1991 sale of common stock to retire the Company's debt resulted in a significant reduction in interest expense. Additionally, a portion of the stock sale proceeds were used for the early redemption of R.P. Scherer Corporation's "pay-in-kind" 17% Exchangeable Preferred Stock resulting in the elimination of dividends thereon. On a pro forma basis, assuming the common stock sale and

related transactions had occurred as of the beginning of fiscal years 1992 and 1991, net income from continuing operations would have been $22.0 million and $15.5 million, respectively.

CASH FLOWS

Six Months Ended September 30, 1993 and 1992

Cash and cash equivalents decreased by $3.4 million for the six months ended September 30, 1993, as compared with an increase of $35.2 million in the same period in 1992. Operating activities provided cash of $17.1 and $19.3 million for the current and prior year periods, respectively. For the period ended September 30, 1993, cash generated from continued strong earnings was offset by a $13.3 million increase in net working capital. Such increase resulted primarily from an increase in accounts receivable due to increased sales and shifts in sales mix towards nutritional products customers which are generally provided longer payment terms. Working capital was further impacted by a decrease in current liabilities relating primarily to the timing of value added tax payments for certain of the Company's European subsidiaries. For the prior year period, cash generated from operating earnings was offset by a $13.6 million increase in net working capital. Increases in inventory levels and decreases in current liabilities primarily related to the timing of value added tax payments contributed to the prior year net working capital increase.

Capital expenditures for the current year six months amounted to $16.5 million, compared to the prior year period's capital expenditures of $14.0 million. Current quarter capital spending consisted of expenditures in the United Kingdom related to the new Zydis(R) production and Pulsincap(TM) development facilities as well as general facility and equipment additions and improvements worldwide. In the prior year, capital expenditures were related primarily to facility upgrades of the Company's German softgel operation, expansion in the United Kingdom related to the Zydis(R) production facility, and general facility and equipment additions and improvements. For the six months ended September 30, 1993, $33.8 million was used for the acquisitions of the capital stock of Pharmagel and certain softgel assets of Gayoso Wellcome (as discussed in Note 6 to the consolidated financial statements as of September 30, 1993). For the same period last year, cash of $28.0 million was provided resulting from the disposition of Paco (as discussed in Note 2 to the consolidated financial statements as of September 30, 1993).

Financing activities for the six months ended September 30, 1993, reflect primarily $24.5 million of borrowings under the Company's bank credit facility to fund the acquisition of Pharmagel, as well as a net $9.3 million of other borrowings to fund capital expenditure and working capital needs. In the prior year period, the Company had net retirements of long-term debt of approximately $700,000.

Fiscal Years Ended March 31, 1993 and 1992

Cash and cash equivalents decreased by $14.4 million for the fiscal year ended March 31, 1993, as compared with an increase of $15.3 million for the same period in 1992 and a decrease of $1.2 million in 1991. Operating activities provided net cash of $46.0 million, $36.5 million, and $24.6 million during fiscal years 1993, 1992, and 1991 respectively. In 1993, cash generated from continued growth in the Company's after-tax earnings was offset by a $20.6 million increase in net working capital. Such working capital increase included an aggregate 17% increase in inventories and receivables associated with the sales gains previously discussed. For fiscal 1992, the cash from operating earnings was partially offset by an $8.7 million increase in working capital, primarily related to increases in accounts receivable, as well as value added taxes receivable at the Company's German subsidiary. For fiscal 1991, net decreases in working capital contributed $3.1 million to operating cash flows, resulting primarily from increases in accounts payable.

Cash used by investing was $3.7 million, $20.3 million and $5.0 million for the 1993, 1992 and 1991 fiscal years, respectively. The increase in 1993 is primarily due to the disposal of Paco, which provided $28.0 million of cash in

1993. Capital expenditures amounted to $33.2 million in 1993, consisting primarily of costs associated with facility and equipment upgrades in the Company's German subsidiary, expansion in the United Kingdom related primarily to the new Zydis(R) production and Pulsincap(TM) development facilities, and general facility and equipment additions and improvements. Capital expenditures of $20.9 million and $12.0

million were incurred in fiscal years 1992 and 1991, respectively, consisting primarily of new softgel manufacturing equipment, facility upgrades, and, in the 1992 fiscal year, the purchase of a facility in the United Kingdom to house Pulsincap(TM) development facilities. In fiscal 1991, other investing activities included $4.5 million in proceeds from the sale of an interest in the Company's Japanese subsidiary and from divestitures of other subsidiaries.

Financing activities for the year ended March 31, 1993, reflect primarily the third quarter repurchase of $42.5 million principal amount of the Company's Subordinated Debentures for approximately $49.3 million, funded primarily by cash on hand and, to a lesser extent, borrowings under the Company's bank credit facility (see Note 8 to the consolidated financial statements as of March 31, 1993). Other financing sources include $2.2 million of proceeds from industrial revenue bonds used to finance a facility upgrade and expansion and $4.8 million of other borrowings, primarily under the bank credit facility. Other significant financing uses include $29.6 million of repayments on the bank credit facility. In the 1992 fiscal year, financing activities include the $195.5 million of proceeds from R.P. Scherer Corporation's 1991 sale of common stock, net of cash used for related purchases of exchangeable preferred stock and repayments of long-term bank debt (see Note 3 to the consolidated financial statements as of March 31, 1993). During fiscal 1991, the Company made principal payments of approximately $29.4 million on its long-term debt, including early repayment of a Deutchemark denominated note payable at the U.S. dollar equivalent of $4.8 million, and an aggregate repayment of approximately $22.7 million on the former senior bank credit agreement.

LIQUIDITY AND FINANCIAL CONDITION

Reference is made to "Use of Proceeds" and other information contained in this Prospectus Supplement for a discussion concerning the impact of the Offering.

During the next several years, a significant portion of the Company's cash flow will be used to service indebtedness and fund capital expenditures and working capital needs. The Company believes that its future cash flows from operations, together with cash and short-term investments, aggregating $31.9 million at September 30, 1993, and amounts available under bank credit facilities will be adequate to meet anticipated debt service and operating cash requirements.

The Company actively reviews drug delivery systems businesses and technologies for potential acquisition, consistent with its stated strategic objectives. Management anticipates that most such acquisitions would not involve material initial cost. Management intends that any acquisition requiring significant funding would be financed largely through the issuance of common stock, depending upon market conditions, so as not to adversely impact the Company's capital structure.

At September 30, 1993, the Company's outstanding long-term indebtedness consisted of approximately $119.9 million of Subordinated Debentures (net of a $5.2 million discount) and approximately $34.3 million under the Company's bank credit facility. Other indebtedness includes capital lease obligations of $9.8 million, $9.3 million of industrial revenue bonds, and $7.1 million of other instruments.

The Company's bank credit facility provides that the Company may borrow up to an aggregate of $120.0 million, in various currencies, and expires March, 31, 1995. Borrowings under this facility were collateralized by a first lien on a significant portion of the Company's and certain subsidiaries' present and future assets. In January 1994, the Company executed an amendment to the credit facility which removed all such collateral requirements. Borrowings under the facility remain guaranteed by cross-guarantees among the Company and such subsidiaries.

Pursuant to other local credit arrangements, the Company and certain of its subsidiaries may borrow up to $12.5 million, subject to certain limitations imposed by the Company's bank credit facility. Approximately $0.9 million was outstanding under these arrangements as of September 30, 1993.

Capital expenditures in fiscal 1994 are expected to approximate $40 to $45 million and will include facilities expansions or replacement in Europe, Latin America and Australia, continuing facility and equipment expenditures for the manufacture of Zydis(R) fast dissolving dosage products, and general facility and equipment upgrade and replacement costs. As of September 30, 1993, the Company has approximately

$6.2 million of commitments for future capital expenditures. The Company expects to fund such capital expenditures primarily from operating cash flows.

The Company's bank credit facility and the indenture governing the Subordinated Debentures contain covenants which, among other things, restrict the Company's ability to incur additional indebtedness or contingent obligations, make investments and loans, dispose of assets, consummate a business combination and declare or pay cash dividends. The bank credit facility allows increasing levels of cash dividends based upon future income. The Company does not currently have any plans to declare or pay dividends.

INFLATION AND ACCOUNTING POLICIES

In the view of management, the effects of inflation and changing prices on the Company's net results of operations and financial condition were not significant.

In November 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 112, "Employer's Accounting for Postemployment Benefits", which must be adopted for the Company's 1995 fiscal year. This statement would require accounting for other postemployment benefits similar to that currently required for postretirement benefits (see Note 10 to the consolidated financial statements as of March 31, 1993). Upon adoption, the standard requires the recognition of a cumulative adjustment to the results of operations. The determination of the impact from adoption of this statement on the Company's financial statements has not yet been completed, however, the Company believes that it will not significantly affect the Company's future financial results or position.

DESCRIPTION OF THE SENIOR NOTES

The following description of the particular terms of the Senior Notes supplements and, to the extent inconsistent therewith, replaces the description of the general terms of the Securities set forth under the heading "Description of Securities and Indenture" in the accompanying Prospectus, to which description reference is hereby made. The Senior Notes will be issued under an Indenture (as the same may be amended or supplemented from time to time, the "Indenture"), dated as of January 1, 1994, between the Company and Comerica Bank, as Trustee (in such capacity, the "Trustee"). The Senior Notes are referred to in the accompanying Prospectus as "Securities."

GENERAL

The Senior Notes are limited to $100,000,000 aggregate principal amount and will mature on February 1, 2004. As more fully described in the accompanying Prospectus under the caption "Global Securities," the Senior Notes will be issued in the form of one or more fully registered Global Securities registered in the name of The Depository Trust Company (the "Depositary") or a nominee thereof. The Senior Notes will be issued in book-entry form only.

The Senior Notes will bear interest at the rate of 6 3/4% per annum, payable semiannually on February 1 and August 1 of each year, commencing August 1, 1994. Interest payable on any Senior Note will be paid to the person whose name such Senior Note is registered at the close of business on the January 15 or July 15, as the case may be, preceding such interest payment date.

The Company conducts a substantial portion of its operations through subsidiaries, and the Senior Notes will be effectively subordinated to all existing and future indebtedness and other liabilities of its subsidiaries. The outstanding indebtedness of the Company's subsidiaries at September 30, 1993 was approximately $62.5 million.

The terms of the Senior Notes include those stated in the Indenture and those made a part of the Indenture by reference to the Trust Indenture Act of 1939 as in effect on the date of the Indenture. The Senior Notes are subject to all such terms and prospective purchasers are referred to the Indenture for a statement thereof.

The following statements relating to the Senior Notes and Indenture are summaries and do not purport to be complete. Such summaries may make use of certain terms defined in the Indenture and are qualified in their entirety by express reference to the Indenture. A copy of the Indenture is filed with the Securities and Exchange Commission.

The Company does not intend to apply for listing of the Senior Notes on any stock exchange.

REDEMPTION

The Senior Notes may not be redeemed prior to maturity on February 1, 2004. The Senior Notes will not provide for any mandatory sinking fund.

CERTAIN COVENANTS

Pursuant to the Indenture, the Company has covenanted and agreed to the following with respect to the Senior Notes (as more fully described in the Prospectus and the Indenture):

Limitation on Liens

The Company will not, and will not permit any Subsidiary (as defined below), directly or indirectly, to create, incur, assume or permit to exist any Lien (as defined in the Indenture) on or with respect to any property or assets of the Company or any Subsidiary or any interest therein or any income or profits therefrom, unless the Senior Notes are secured equally and ratably with (or prior to) any and all other indebtedness secured by such Lien, except for (i) any Lien securing indebtedness incurred to finance the purchase price or cost of construction of property (or additions, substantial repairs, alterations or substantial improvements thereto), provided that such Lien and the indebtedness secured thereby are incurred within twelve months of the later of acquisition or completion of construction (or addition, repair, alteration or improvement) and full operation thereof, and provided, further, that such Lien does not relate to any property acquired or constructed by the Company or a Subsidiary pursuant to clause (iii)(B) of "-- Limitation on Sale and Lease-Back Transactions"; (ii) any Lien arising in the ordinary course of business, other than in connection with indebtedness for borrowed money; (iii) any Lien on property or assets acquired by the Company or any

Subsidiary after the date of issuance of the Senior Notes, provided that such Lien existed on the date such property or assets were acquired, and provided, further that, except as provided in clause (i) above, such Lien was incurred prior to, and not in anticipation of, such acquisition; (iv) any Lien on the property or assets of, or on the shares of stock of, any corporation or entity existing at the time such corporation or entity first becomes a Subsidiary, provided that such Lien was incurred prior to, and not in anticipation of, such corporation or entity becoming a Subsidiary; (v) any Lien existing on the date of the Indenture; (vi) any Lien arising out of judgments or awards against the Company or any Subsidiary with respect to which the Company or such Subsidiary shall in good faith be prosecuting an appeal or proceedings for review, or Liens which are discharged within 60 days of entry of judgment or Liens (including, without limitation, appellate bonds) incurred by the Company or a Subsidiary for the purpose of obtaining a stay or discharge in the course of any ongoing legal proceeding to which the Company or such Subsidiary is a party; (vii) any Lien for taxes not yet due and payable by the Company or any Subsidiary or which the Company or such Subsidiary is contesting in good faith; (viii) any Lien in favor of the Company or a Subsidiary; (ix) any Lien (other than a Lien permitted under any of clauses (i) through (viii) of this paragraph) securing indebtedness of the Company or any Subsidiary, provided that the total outstanding indebtedness (including the fair value of all Sale and Lease-Back Transactions permitted under clause (i) of "-- Limitation on Sale and Lease-Back Transactions" but excluding any obligations associated with such Sale and Lease-Back Transactions) that may be secured under this clause (ix) may not exceed 15% of the Consolidated Net Tangible Assets of the Company (as defined in the Indenture) and its Subsidiaries at the end of the most recent fiscal quarter; (x) any Lien extending, renewing or replacing any Lien permitted by clauses (i) through (ix) above; and (xi) any Lien securing indebtedness the proceeds of which are deposited, promptly upon receipt, with the Trustee solely for the purpose of effecting a legal defeasance or covenant defeasance as set forth in the Indenture.

In the case of Liens permitted under clauses (i), (iii) and (iv), such Liens may not relate to any property or assets of the Company or a Subsidiary other than the property so acquired, constructed, added, repaired, altered or improved, as the case may be. In the case of Liens permitted under clause (x), such Liens (A) may not relate to any property or assets of the Company or a Subsidiary other than the property or assets to which the Lien being extended, renewed or replaced relates to, and (B) may not secure indebtedness in excess of that secured by the Lien being extended, renewed or replaced. In addition, if any Lien permitted under clause (ix) is extended, renewed or replaced pursuant to clause (x), then the aggregate amount of indebtedness secured by all such extended, renewed or replaced Liens (originally permitted under clause (ix)) shall be included thereafter in all calculations of Liens permitted under clause (ix).

As used in this Prospectus Supplement, the term "Subsidiary" means a corporation or other entity 50% or more of the outstanding voting stock or other voting interest of which is owned, directly or indirectly, by the Company or by one or more other Subsidiaries, or by the Company and one or more other Subsidiaries.

Limitation on Sale and Lease-Back Transactions

The Company will not, nor will it permit any Subsidiary, directly or indirectly, to enter into, assume, guarantee, or otherwise become liable with respect to any Sale and Lease-Back Transaction (as defined below); provided, however, that the Company or any Subsidiary may enter into (i) a Sale and Lease-Back Transaction that, had such Sale and Lease-Back Transaction been structured as a mortgage rather than as a Sale and Lease-Back Transaction, the Company or such Subsidiary would have been permitted to enter into such transaction without at least equally and ratably securing (or granting priority to) the Senior Notes pursuant to the terms of the Indenture described under the caption "Limitation on Liens;" (ii) a Sale and Lease-Back Transaction between or among the Company and any of its Subsidiaries or between or among Subsidiaries; and (iii) a Sale and Lease-Back Transaction, provided that, the proceeds of the sale of the property or assets to be leased are at least equal to the fair value (the fair value of such proceeds, if other than cash, to be determined by the chief financial officer of the Company) and an amount equal to such net proceeds is applied within 180 days of the effective date of such Sale and Lease-Back Transaction to (A) the retirement (other than any mandatory retirement and other than any prohibited retirement of securities) of indebtedness for borrowed money (including the Senior Notes) incurred or assumed by the Company or any Subsidiary (other than indebtedness for borrowed money owed to the Company or any Subsidiary) which by its terms matures on, or is extendible or renewable at the option of the obligor to, a date more than 12 months

after the date of the creation of such indebtedness and, in the case of such indebtedness of the Company, which ranks on a parity with, or senior in right of payment to, the Senior Notes or (B) the purchase or construction of other property, provided, that, upon the completion of such purchase or construction, such property is owned by the Company or a Subsidiary free and clear of all Liens. For the purposes of this paragraph, a Sale and Lease-Back Transaction means any arrangement with any person or entity providing for the leasing to the Company or a Subsidiary for a period of more than three years of any property which has been or is to be sold or transferred by the Company or such Subsidiary to such person or entity or to any other person or entity to which funds have been or are to be advanced by such person or entity on the security of the leased property.

Limitation on Transactions with Affiliates

The Company will not and will not permit any of its Subsidiaries, directly or indirectly, to enter into or suffer to exist any transaction or series of related transactions (including, without limitation, the sale, purchase, exchange or lease of assets, property or services) with any Affiliate of the Company unless (i) any such transaction or series of related transactions is on terms that are not less favorable to the Company or such Subsidiary than would be available in a comparable transaction made on an arm's length basis with an unrelated third party and (ii) with respect to a transaction or series of related transactions during any fiscal year involving aggregate consideration in excess of $10 million, such transaction or series of related transactions is approved by the Board of Directors of the Company. The provisions described in this paragraph shall not apply to (i) any transaction between the Company and one or more of its Subsidiaries, or between Subsidiaries of the Company, (ii) any transaction in the ordinary course of the Company's business and consistent with past practice, (iii) transactions, agreements and arrangements with Affiliates in existence on the date of the Indenture as well as any subsequent renewals, extensions, modifications, amendments or replacements to such agreements which are not detrimental to the Company and its Subsidiaries, taken as a whole, (iv) any employment agreement or any employee compensation or employee benefit agreement, plan or arrangement entered into by the Company or any of its Subsidiaries in the ordinary course of business of the Company or the relevant Subsidiary, and (v) payments of reasonable directors' fees and expenses.

REPORTS BY THE COMPANY

If the Company is not required to file information, documents or reports pursuant to either Section 13 or Section 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"), then it will file with the Trustee and the Securities and Exchange Commission (the "Commission"), in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Exchange Act in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations.

CONSOLIDATION, MERGER AND SALE OF ASSETS

The Company may not consolidate with or merge into any other person or entity, and the Company may not, directly or indirectly, sell, convey, transfer or lease all or substantially all of its properties and assets to, any person or entity, unless (a) the person or entity formed by or surviving such consolidation or merger or the person or entity which acquires or leases all or substantially all of the properties and assets of the Company (i) is organized and existing under the laws of any United States jurisdiction and (ii) expressly assumes, by supplemental indenture in a form reasonably satisfactory to the Trustee, all of the Company's obligations on the Senior Notes and under the Indenture, and (b) after giving effect to such transaction no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing.

DEFEASANCE

The Company may omit to comply with certain designated covenants in the Indenture and any such omission with respect to such covenants shall not be an event of default under the Indenture if the Company deposits or causes to be deposited in a trust fund certain monies as more fully described in the Indenture and in the accompanying Prospectus under "Defeasance of Certain Obligations" and "Satisfaction and Discharge."

UNDERWRITING

The underwriters named below (the "Underwriters") have severally agreed, subject to the terms and conditions of the Underwriting Agreement (the form of which is filed as an exhibit to the Registration Statement of which the accompanying Prospectus forms a part) among the Company and the Underwriters, to purchase from the Company, and the Company has agreed to sell to the Underwriters, the respective principal amount of Senior Notes set forth opposite their respective names below:

<TABLE>
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UNDERWRITERS	PRINCIPAL AMOUNT OF SENIOR NOTES
<S>	<C>
Lehman Brothers Inc.	$ 60,000,000
PaineWebber Incorporated	15,000,000
Wertheim Schroder & Co. Incorporated	15,000,000
Robert W. Baird & Co. Incorporated	10,000,000
Total	$100,000,000

</TABLE>

The Underwriting Agreement provides that the obligations of the Underwriters to purchase the Senior Notes are subject to the approval of certain legal matters by counsel and certain conditions, and that if any of the Senior Notes are purchased by the Underwriters pursuant to the Underwriting Agreement, all of the Senior Notes agreed to be purchased by the Underwriters pursuant to the Underwriting Agreement must so be purchased.

The Company has been advised by the Underwriters that they propose to offer part of the Senior Notes initially at the public offering price set forth on the cover page of this Prospectus Supplement plus accrued interest, if any, and part of the Senior Notes to certain selected dealers (who may include the Underwriters) at such public offering price plus accrued interest, if any, less a selling concession not to exceed 0.50% of the principal amount of the Senior Notes. The Underwriters or such selected dealers may reallow a concession to certain other dealers not to exceed 0.25% of the principal amount of the Senior Notes. After the initial public offering of the Senior Notes, the public offering price, the concession to selected dealers and the reallowance to other dealers may be changed by the Underwriters.

The Company has agreed in the Underwriting Agreement to indemnify the Underwriters against certain liabilities which may be incurred in connection with the offering of the Senior Notes, including liabilities under the

Securities Act of 1933, as amended, or to contribute to payments that the Underwriters may be required to make in respect thereof.

There is no public market for the Senior Notes, and the Company does not intend to list the Senior Notes on any securities exchange. The Company has been advised by each Underwriter that it presently plans to make a market in the Senior Notes, although the Underwriters are under no obligation to do so and may discontinue any market-making activity at any time. No assurance can be given as to the liquidity of the trading market for the Senior Notes or that an active market for the Senior Notes will develop. If an active public market does not develop, the market price and liquidity of the Senior Notes may be adversely affected.

Lehman Brothers Inc. ("Lehman") and certain of its affiliates, collectively own approximately 30% on a fully diluted basis of the outstanding common stock of R.P. Scherer Corporation, the parent corporation of the Company. Under Schedule E ("Schedule E") to the by-laws of the National Association of Securities Dealers, Inc. ("NASD"), Lehman is an affiliate of the Company. Therefore the underwriting arrangements for this offering will comply with the requirements of Schedule E regarding a NASD member firm's participation in distributing its affiliate's securities.

Lehman has from time to time provided investment banking, financial advisory and other services to the Company, for which services Lehman has received fees and reimbursement of its out-of-pocket expenses. Three officers of Lehman are directors of the Company and one such officer is an officer of R.P. Scherer Corporation, the parent corporation of the Company.

VALIDITY OF THE SENIOR NOTES

The validity of the Senior Notes will be passed upon for the Company by Clark, Klein & Beaumont, Detroit, Michigan, and for the Underwriters by Simpson Thacher & Bartlett (a partnership which includes professional corporations), New York, New York.

EXPERTS

The audited consolidated financial statements and schedules of the Company and its subsidiaries included in this Prospectus Supplement have been audited by Arthur Andersen & Co., independent public accountants as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said report. Reference is made to said report, which includes an explanatory paragraph with respect to the change in the methods of accounting for income taxes for the year ended March 31, 1993, and for postretirement benefits other than pensions for the year ended March 31, 1992, as discussed in Notes 5 and 10, respectively, to the audited consolidated financial statements as of March 31, 1993.

R.P. SCHERER INTERNATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

<TABLE>
<CAPTION>

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R.P. SCHERER INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

<TABLE>
<CAPTION>

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,		FOR THE SIX MONTHS ENDED SEPTEMBER 30,	
	1993	1992	1993	1992
	(IN THOUSANDS)			
<S>	<C>	<C>	<C>	<C>
Net sales..	$105,179	$97,671	$213,633	$201,024
Cost of sales......................................	69,715	60,284	137,461	120,557
Selling and administrative expenses.................	14,402	13,552	28,734	27,865
Research and development expenses, net..............	3,104	2,985	6,212	5,361
Operating income...................................	17,958	20,850	41,226	47,241
Interest expense...................................	6,027	7,372	11,727	14,104
Interest earned and other...........................	(364)	(1,250)	(954)	(2,241)
Income from continuing operations before income taxes, minority interests and accounting change....	12,295	14,728	30,453	35,378
Income taxes.......................................	3,602	5,848	10,050	13,822
Minority interests.................................	2,136	2,821	5,250	7,109
Income from continuing operations before accounting change..	6,557	6,059	15,153	14,447
Loss from discontinued operation (Note 2)...........	--	(647)	--	(647)
Cumulative effect of accounting change (Note 3)......	--	--	--	974
Net income....................................	$ 6,557	$ 5,412	$ 15,153	$ 14,774

</TABLE>

The accompanying notes are an integral part of this statement.

R.P. SCHERER INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)

<TABLE>
<CAPTION>

	SEPTEMBER 30, 1993	MARCH 31, 1993
	(IN THOUSANDS)	
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents..	$ 27,017	$ 30,389
Short-term investments...	4,932	3,476
Receivables, less reserves of: September 30, 1993 -- $2,900,000;		

March 31, 1993 -- $2,300,000	88,005	80,537
Inventories	53,560	48,310
Other current assets	5,376	4,573
	178,890	167,285
PROPERTY:		
Property, plant and equipment, at cost	268,454	243,538
Accumulated depreciation	(59,472)	(48,987)
	208,982	194,551
OTHER ASSETS:		
Intangibles, net of amortization	183,526	155,595
Deferred financing fees, net of amortization	4,204	4,407
Other assets	16,178	10,346
	203,908	170,348
	$ 591,780	$ 532,184
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES:		
Notes payable and current portion of long-term debt	$ 4,955	$ 2,465
Accounts payable	36,699	41,557
Accrued liabilities	36,841	34,410
Accrued income taxes	7,026	7,336
	85,521	85,768
LONG-TERM LIABILITIES AND OTHER:		
Long-term debt	180,447	141,151
Other long-term liabilities	45,743	38,812
Deferred income taxes	28,015	31,083
Minority interests in subsidiaries	36,461	32,369
	290,666	243,415
COMMITMENTS AND CONTINGENCIES (Note 5)		
SHAREHOLDER'S EQUITY:		
Common stock, $.33 1/3 par value, 1,000 shares authorized and outstanding	1	1
Additional paid-in capital	234,021	233,743
Retained deficit	(9,797)	(24,951)
Currency translation adjustment	(8,632)	(5,792)
	215,593	203,001
	$ 591,780	$ 532,184

</TABLE>

The accompanying notes are an integral part of this statement.

R.P. SCHERER INTERNATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

<TABLE>
<CAPTION>

	FOR THE SIX MONTHS ENDED SEPTEMBER 30,	
	1993	1992
	(IN THOUSANDS)	
<S>	<C>	<C>
OPERATING ACTIVITIES:		
Net income	$ 15,153	$ 14,774
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	8,582	8,536
Amortization of intangible assets	1,898	2,175
Amortization of deferred financing costs and debt discount	735	907
Minority interests in net income	5,250	7,109

Deferred tax provision and other	(1,192)	(257)
Loss from discontinued operation	--	647
Cumulative effect of accounting change	--	(974)
Increase in receivables	(4,825)	(119)
Increase in inventories and other current assets	(3,613)	(7,339)
Decrease in accounts payable and accrued expenses	(4,879)	(6,168)
Net cash provided by operating activities	17,109	19,291
INVESTING ACTIVITIES:		
Purchases of plant and equipment	(16,469)	(14,038)
Acquisition of businesses, net of cash acquired (Note 6)	(33,761)	--
Proceeds from sales of plant and equipment	155	79
Proceeds from disposition of subsidiary	--	28,047
Other	(2,564)	1,332
Net cash provided (used) by investing activities	(52,639)	15,420
FINANCING ACTIVITIES:		
Proceeds from long-term borrowings	44,150	1,040
Long-term debt retirements and payments	(10,389)	(1,729)
Short-term borrowings, net	(240)	(555)
Cash dividends paid to minority shareholders of subsidiaries	(1,203)	(1,698)
Net cash provided (used) by financing activities	32,318	(2,942)
Effect of currency translation on cash and cash equivalents	(160)	3,474
Net increase (decrease) in cash and cash equivalents	(3,372)	35,243
Cash and cash equivalents, beginning of period	30,389	44,761
Cash and cash equivalents, end of period	$ 27,017	$ 80,004

</TABLE>

The accompanying notes are an integral part of this statement.

R.P. SCHERER INTERNATIONAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of R.P. Scherer International Corporation ("Scherer International"), a Delaware corporation, and its subsidiaries, some of which are less than wholly-owned. Scherer International is a wholly-owned subsidiary of R.P. Scherer Corporation. R.P. Scherer Corporation's only operating asset is its investment in Scherer International. Unless otherwise stated herein, the term "Company" refers to either or both of Scherer International and R.P. Scherer Corporation.

In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments (consisting only of normal recurring items) necessary for the fair presentation of financial position and results of operations. These consolidated financial statements and related notes have been prepared pursuant to the Rules and Regulations set forth by the Securities and Exchange Commission and should be read in conjunction with the financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended March 31, 1993, as filed with the Securities and Exchange Commission.

2. DISCONTINUED OPERATION

In fiscal 1992, the Company reached a decision to dispose of its former subsidiary, Paco Pharmaceutical Services, Inc. ("Paco"). Accordingly, the net operating results of Paco and the loss from Paco's disposal are reported as a discontinued operation in the consolidated statement of operations. In August 1992, the Company disposed of Paco through an initial public offering of Paco's common stock, and realized net proceeds of $28.0 million. In connection with the offering, the Company agreed to indemnify Paco for any liabilities and costs incurred subsequent to March 31, 1992, related to the litigation involving Paco specifically described in Note 5. In addition, the Company has indemnified Paco for any additional U.S. federal and certain state tax liabilities arising from the date of the Company's acquisition of Paco through the date of completion of the offering.

For the quarter ended September 30, 1992 (through the date of disposal), Paco had net sales of $11.1 million, interest expense of $0.5 million (including an allocation of consolidated interest expense for debt attributable to Paco), income taxes of $0.2 million, and no net income. For the six month period ended September 30, 1992, Paco had net sales of $30.2 million, interest expense of $1.1 million (including an allocation of consolidated interest expense for debt attributable to Paco), income taxes of $1.0 million, and no net income. The consolidated statement of cash flows excludes Paco's net cash used of $0.1 million for the six month period ended September 30, 1992.

3. INCOME TAXES

The Company records income tax expense based on an estimated consolidated effective income tax rate for the fiscal year. The effective income tax rate in 1993 is lower than the U.S. Federal income tax rate primarily due to the recognition of foreign income tax credits generated in the current fiscal year for U.S. tax purposes, offset by goodwill amortization not deductible for income tax purposes. In 1992, the effective tax rate was higher than the U.S. Federal income tax rate primarily due to higher foreign income tax rates, goodwill amortization not deductible for income tax purposes, and restrictions as to the recognition of foreign income tax credits for U.S. tax purposes.

Effective April 1, 1992, the Company adopted the provisions of the Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes ("SFAS 109"). As a result, the Company recorded income of approximately $974,000, which represented the net decrease in deferred tax liabilities resulting from the adoption of SFAS 109 as of that date. Such amount has been reflected in the consolidated statement of operations as the cumulative effect of an accounting change for the six months ended September 30, 1992.

4. INVENTORIES

The components of inventories are as follows:

<TABLE>
<CAPTION>

	SEPTEMBER 30, 1993	MARCH 31, 1993
	(IN THOUSANDS)	
<S>	<C>	<C>
Raw materials and supplies	$27,382	$23,881
Work in process	10,848	7,365
Finished goods	15,330	17,064
	$53,560	$48,310

</TABLE>

5. CONTINGENCIES

The Company's former subsidiary, Paco, certain of Paco's subsidiaries, the Company and other defendants are parties to a group of actions commenced, beginning in April 1990, in Federal and state courts in New Jersey and in Federal courts in New York and Massachusetts by limited partners of Paco Development Partners II ("PDP II"), a research and development partnership in which a subsidiary of Paco serves as the general partner. The defendants were granted summary judgment for dismissal with respect to the New York actions on March 29, 1993, and the time to appeal this decision has expired. In the New Jersey state court action (Nelson v. Dean Witter Reynolds, Inc., MRS-L-5014-90), a class consisting of the 14 investors who reside in New Jersey has been certified. On October 23, 1992, the Company, Paco and its affiliates moved for summary judgment as to three counts of the complaint. This motion was denied on January 6, 1993. a second action commenced in new jersey federal court, has been stayed pending resolution of the New Jersey state court action (Nelson v. Ian Ferrier, Civil Action 91-5334(JWB)). No class has been certified in this federal action.

Plaintiffs in each of these actions seek damages of an unspecified amount for, among other things, alleged violations of state securities law, fraud, misrepresentation, breach of contract, conversion and negligence in connection with the $25 million private placement sale of PDP II limited partnership interests and warrants in 1986. Plaintiffs in the state court action also seek damages, derivatively, on behalf of PDP II, for alleged breaches of fiduciary duty and breach of contract in connection with the management of PDP II. On

October 19, 1993, the plaintiffs in the New York federal court action described above (in which the defendants were granted summary judgment) filed a new complaint in state court in New Jersey. This complaint alleges state law causes of action for fraud, negligent misrepresentation, breach of fiduciary duty and breach of contract. The Company believes that it has meritorious defenses to these actions and intends to defend against them vigorously. In the opinion of management, the ultimate outcome of this litigation will not have a material adverse effect on the Company's business or financial condition.

On March 30, 1992, OCAP Acquisition Corp. ("OCAP") commenced an action in the Supreme Court of the State of New York, County of New York, against Paco, certain of its subsidiaries, the Company and Scherer International (collectively, the "defendants"), arising out of the termination of an Asset Purchase Agreement dated February 21, 1992 (the "Purchase Agreement") between OCAP and the defendants providing for the purchase of substantially all the assets of Paco. On May 15, 1992, OCAP served an amended verified complaint (the "Amended Complaint"), asserting causes of action for breach of contract and breach of the implied covenant of good faith and fair dealing, arising out of defendants' March 25, 1992 termination of the Purchase Agreement, as well as two additional causes of action that were subsequently dismissed by order of the court. The Amended Complaint seeks $75 million in actual damages, $100 million in punitive damages, as well as OCAP's attorney fees and other litigation expenses, costs and disbursements incurred in bringing this action. Discovery with respect to the action has commenced; however, discovery has been temporarily stayed by OCAP's filing of a motion for partial summary judgment. The Company has filed a cross-motion for dismissal based on discovery to date and is awaiting the decision of the Court. Based upon the investigation conducted by the Company to date, the Company believes that this action lacks merit and

intends to defend against it vigorously. In the opinion of management, the ultimate outcome of this litigation will not have a material adverse effect on the Company's business or financial condition.

The Company was informed in August 1992 that soil at a manufacturing facility in North Carolina owned and operated by the Company from 1975 to 1985 contained levels of tetrachlorethene which exceeded environmental standards. The Company voluntarily initiated a remedial investigation, and initial remedial and removal actions have been completed by the Company and the current owner of the facility for the known soil contamination at such site. The Company continues to perform additional studies and remediation of the area, including testing and removal of groundwater, which may also indicate the necessity for additional remedial and removal actions. On the basis of the results of investigations performed to date, the Company does not believe that potential future costs associated with either the investigation or any potential remedial or removal action will ultimately have a materially adverse impact on the Company's business or financial condition.

The Company is a party to various other legal proceedings arising in the ordinary course of business, none of which is expected to have a material adverse effect on the Company's financial position, results of operations, liquidity or capital resources.

6. BUSINESS ACQUISITION

On July 1, 1993, the Company acquired all outstanding capital stock of Pharmagel S.p.A. (Italy) and Pharmagel S.A. (France) (jointly "Pharmagel"), and has accounted for such acquisition as a purchase for financial reporting purposes. Pharmagel is a manufacturer of softgels, and had been privately held. The net assets and results of operations of Pharmagel are included in the Company's consolidated financial statements beginning July 1, 1993. The aggregate purchase price, which approximates $30 million, was allocated to assets and liabilities based on preliminary estimates of their fair values as of the date of acquisition. The purchase was funded primarily by borrowings under the Company's bank credit facility, plus an additional amount not to exceed $4.5 million payable to the sellers during the next six years. The purchase price exceeds the fair value of the net assets acquired by a currently estimated $18 million, which is classified as goodwill in the statement of financial position and is being amortized on a straight-line basis over forty years.

The following unaudited pro forma summary presents the consolidated results of operations of the Company and Pharmagel as if the acquisition had occurred at the beginning of the periods presented after giving effect to certain adjustments, including amortization of goodwill, increased interest expense on acquisition borrowings, and related income tax effects. The pro forma information is not necessarily indicative of what would have occurred had the acquisition been made as of those dates, and is not intended to be a projection of future results or trends.

	FOR THE QUARTER ENDED SEPTEMBER 30,	FOR THE SIX MONTHS ENDED SEPTEMBER 30,	
	1992	1993	1992
	(IN THOUSANDS)		
Net sales	$ 104,872	$220,770	$216,589
Income from continuing operations	6,112	15,006	14,422
Net income	5,465	15,006	14,769

As of September 1, 1993, the Company also acquired certain tangible and intangible assets of Gayoso Wellcome S.A., a softgel manufacturer in Spain, for a purchase price of approximately $9.4 million. Gayoso Wellcome's operations are not material in relation to the Company's consolidated financial statements, and pro forma information for this acquisition is therefore not presented.

R.P. SCHERER INTERNATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

	FOR THE YEARS ENDED MARCH 31,		
	1993	1992	1991
	(IN THOUSANDS)		
Net sales	$398,011	$337,786	$298,638
Cost of sales	242,108	201,991	183,438
Selling and administrative expenses	56,413	50,305	44,834
Stock and other compensation expense (Note 3)	--	13,060	--
Research and development expenses, net	11,393	8,453	7,382
Operating income	88,097	63,977	62,984
Interest expense	25,436	35,348	45,045
Interest earned and other	(3,630)	(3,390)	(2,358)
Income from continuing operations before income taxes, minority interests, and extraordinary loss	66,291	32,019	20,297
Income taxes	24,056	22,269	18,158
Minority interests	13,275	10,974	8,564
Income (loss) from continuing operations before extraordinary loss and accounting change	28,960	(1,224)	(6,425)
Loss from discontinued operation, net of income taxes (Note 4)	(647)	(16,538)	(317)
Income (loss) before extraordinary loss and accounting change	28,313	(17,762)	(6,742)
Extraordinary loss on early retirement of debt (Note 8)	(8,392)	(2,067)	--
Cumulative effect of accounting change (Notes 2, 10)	974	(4,917)	--
Net income (loss)	20,895	(24,746)	(6,742)
Preferred stock dividends	--	6,372	5,729
Net income (loss) attributable to common shares (Note 11)	$ 20,895	$(31,118)	$(12,471)

The accompanying notes are an integral part of this statement.

R.P. SCHERER INTERNATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<TABLE>
<CAPTION>

	AS OF MARCH 31, 1993	AS OF MARCH 31, 1992
	(IN THOUSANDS)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 30,389	$ 44,761
Short-term investments	3,476	5,288
Receivables, less reserves of: 1993 -- $2,300,000; 1992 -- $2,100,000	80,537	67,535
Inventories	48,310	42,385
Current assets of discontinued operation, net (Note 4)	--	3,457
Other current assets	4,573	2,690
	167,285	166,116
PROPERTY:		
Property, plant and equipment, at cost	243,538	190,957
Accumulated depreciation	(48,987)	(33,328)
	194,551	157,629
OTHER ASSETS:		
Intangibles, net of amortization	155,595	160,695
Deferred financing fees, net of amortization	4,407	5,886
Long-term assets of discontinued operation, net (Note 4)	--	25,129
Other assets	10,346	10,522
	170,348	202,232
	$532,184	$525,977
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES:		
Notes payable and current portion of long-term debt	$ 2,465	$ 1,839
Accounts payable	41,557	36,394
Accrued liabilities	34,410	37,193
Accrued income taxes	7,336	11,928
	85,768	87,354
LONG-TERM LIABILITIES AND OTHER:		
Long-term debt	141,151	178,153
Other long-term liabilities	38,812	36,947
Deferred income taxes	31,083	3,532
Minority interests in subsidiaries	32,369	28,357
	243,415	246,989
COMMITMENTS AND CONTINGENCIES (Note 14)		
SHAREHOLDER'S EQUITY (Notes 3 and 11):		
Common stock, $.33 1/3 par value, 1,000 shares authorized and outstanding	1	1
Additional paid-in capital	233,743	233,166
Retained deficit	(24,951)	(45,846)
Currency translation adjustment	(5,792)	4,313
	203,001	191,634
	$532,184	$525,977

</TABLE>

The accompanying notes are an integral part of this statement.

R.P. SCHERER INTERNATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

<TABLE>
<CAPTION>

	1993	1992	1991
	FOR THE YEARS ENDED MARCH 31,		
	(IN THOUSANDS)		
OPERATING ACTIVITIES:			
Net income (loss)	$ 20,895	$ (24,746)	$ (6,742)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	16,530	13,629	12,188
Amortization of intangible assets	4,325	4,304	4,313
Amortization of deferred financing costs and debt discount	1,823	2,007	3,273
Minority interests in net income	13,275	10,974	8,564
Deferred tax provision and other	1,682	2,359	(87)
Extraordinary loss on early retirement of debt (Note 8)	8,392	2,067	--
Loss from discontinued operation (Note 4)	647	16,657	--
Stock option and other compensation expense (Note 3)	--	13,060	--
Cumulative effect of accounting change	(974)	4,917	--
Increase in receivables	(16,160)	(14,187)	(2,729)
Increase in inventories and other current assets	(6,161)	(5,881)	(3,660)
Increase in accounts payable and accrued expenses	1,699	11,374	9,522
Net cash provided by operating activities	45,973	36,534	24,642
INVESTING ACTIVITIES:			
Purchases of plant and equipment	(33,192)	(20,947)	(11,993)
Proceeds from sales of plant and equipment	187	564	1,740
Proceeds from disposition of subsidiary	28,047	--	4,472
Other	1,221	85	757
Net cash used by investing activities	(3,737)	(20,298)	(5,024)
FINANCING ACTIVITIES:			
Contribution of proceeds from issuance of parent common stock	--	136,785	--
Proceeds from long-term borrowings	34,609	9,082	4,976
Long-term debt retirements and payments (Note 8)	(80,177)	(127,167)	(28,625)
Short-term borrowings, net	(726)	(11,897)	8,980
Cash dividends paid to minority shareholders of subsidiaries	(9,979)	(8,022)	(7,237)
Net cash provided (used) by financing activities	(56,273)	(1,219)	(21,906)
Effect of currency translation on cash and cash equivalents	(335)	317	1,111
Net increase (decrease) in cash and cash equivalents	(14,372)	15,334	(1,177)
Cash and cash equivalents, beginning of period	44,761	29,427	30,604
Cash and cash equivalents, end of period (Note 4)	$ 30,389	$ 44,761	$ 29,427

</TABLE>

The accompanying notes are an integral part of this statement.

R.P. SCHERER INTERNATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDER'S EQUITY

<TABLE>
<CAPTION>

	1993	1992	1991
	FOR THE YEARS ENDED MARCH 31,		
	(IN THOUSANDS)		
COMMON STOCK (Note 3):			
Balance at beginning of period	$ 1	$ 1	$ 1
Common stock activity	--	--	--
Balance at end of period	$ 1	$ 1	$ 1
ADDITIONAL PAID-IN CAPITAL (Note 3):			

Balance at beginning of period	$233,166	$ 53,711	$ 59,440
Contribution from parent stock options exercised	577	--	--
Contribution from issuance of parent common stock, net	--	135,552	--
Compensation expense related to stock options	--	12,343	--
Redemptions of parent preferred stock	--	37,932	
17% Senior cumulative exchangeable preferred stock of parent:			
Stock dividends	--	(5,336)	(4,370)
Accretion	--	(1,036)	(1,359)
Balance at end of period	$233,743	$233,166	$ 53,711
RETAINED DEFICIT:			
Balance at beginning of period	$(45,846)	$(21,100)	$(14,358)
Net income (loss)	20,895	(24,746)	(6,742)
Balance at end of period	$(24,951)	$(45,846)	$(21,100)
CURRENCY TRANSLATION ADJUSTMENT:			
Balance at beginning of period	$ 4,313	$ 2,970	$ 898
Adjustment for the period	(10,105)	1,343	2,072
Balance at end of period	$ (5,792)	$ 4,313	$ 2,970
TOTAL SHAREHOLDER'S EQUITY	$203,001	$191,634	$ 35,582

</TABLE>

The accompanying notes are an integral part of this statement.

R.P. SCHERER INTERNATIONAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The consolidated statement of financial position as of March 31, 1993 and 1992, and the consolidated statements of operations, shareholder's equity and cash flows for the years ended March 31, 1993, 1992, and 1991 include the accounts of R.P. Scherer International Corporation ("Scherer International" and formerly R.P. Scherer Corporation), a Delaware corporation, and its subsidiaries, some of which are less than wholly-owned. Scherer International is a wholly-owned subsidiary of R.P. Scherer Corporation (formerly RPS Corporation). R.P. Scherer Corporation's only operating asset is its investment in Scherer International. Unless otherwise stated herein, the term "Company" refers to either or both of Scherer International and R.P. Scherer Corporation.

2. ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed by the Company in preparing the consolidated financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its direct and indirect domestic and foreign subsidiaries, some of which are less than wholly-owned. All intercompany accounts and transactions have been eliminated.

Revenue Recognition and Concentration of Credit Risk

The Company recognizes revenues from sales of its products to its customers primarily upon shipment of such products. The majority of the Company's customers are concentrated in the following markets: pharmaceutical, health and nutritional, and cosmetic.

Translation of Foreign Currencies

With the exception of subsidiaries in Brazil and Argentina, which are measured in U.S. dollars, the financial position and the results of operations of all of the Company's foreign operations are measured using the local currency of the countries in which they operate as the functional currency and are translated into U.S. dollars in conformity with Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation." Accordingly, the reported sales and net income of the Company's foreign subsidiaries are affected by changes in foreign currency exchange rates, and as compared to prior periods, are reported at higher or lower amounts depending upon a weakening or strengthening of the U.S. dollar. Aggregate sales of the Company's subsidiaries in Brazil and Argentina represented less than 5% of consolidated sales for each period presented in the consolidated statement of operations.

It is the policy of the Company to utilize borrowings under any long-term foreign currency loans to hedge against declines in the value of its net investment in certain foreign subsidiaries. The Company also periodically enters into foreign exchange contracts to hedge certain exposures related to foreign currency transactions, and does not engage in speculation. Gains and losses on the forward contracts are recognized concurrently with the gains or losses from the underlying transactions. At March 31, 1993, the Company was party to foreign currency forward exchange sales contracts of approximately $9.3 million (notional amount) principally denominated in European currencies. The contracts generally mature in less than one year and are to hedge various foreign currency commitments due from its foreign subsidiaries. The Company is exposed to credit loss in the event of nonperformance by the counterparties of these agreements, but does not anticipate any such nonperformance.

Foreign currency exchange and translation adjustments (reflecting primarily the translation of net assets at historical exchange rates for subsidiaries in Brazil and Argentina) included in net income resulted in net

decreases in income of $3,541,000, $1,418,000, and $1,724,000 for the years ended March 31, 1993, 1992 and 1991, respectively.

Cash and Cash Equivalents and Short-Term Investments

The carrying value of cash and cash equivalents and short-term investments approximates fair value due to the short maturities of these instruments. For purposes of reporting cash flows, the Company considers all highly liquid investments which are readily convertible to known amounts of cash and have an original maturity of three months or less when purchased to be "cash equivalents."

Inventories

Inventories are stated at the lower of cost or market with cost determined on a first-in, first-out basis for substantially all inventories. Market is the lower of replacement cost or estimated net realizable value. Finished goods and work-in-process inventories include material, labor and manufacturing overhead costs. The components of inventories are as follows:

	1993	1992
	(IN THOUSANDS)	
Raw materials and supplies	$23,881	$17,750
Work in process	7,365	6,385
Finished goods	17,064	18,250
	$48,310	$42,385

Property

The cost of additions and improvements including interest during construction is capitalized, while maintenance and repairs are charged to income when incurred. The cost of assets sold or otherwise retired, and the related accumulated depreciation, are eliminated from the accounts in the year of disposal and resulting gains or losses are reflected in income. Property is depreciated primarily using the straight-line method. A summary of property follows:

	1993	1992
	(IN THOUSANDS)	

Land and improvements	$ 16,932	$ 17,881
Building and equipment	61,302	52,963
Machinery and equipment	151,828	112,988
Construction in progress	13,476	7,125
	$243,538	$190,957

</TABLE>

Intangibles and Deferred Financing Fees

Intangibles include primarily goodwill, consisting of purchase price and related acquisition costs in excess of the fair value of identifiable net assets of businesses acquired, principally related to the leveraged buy-out of the Company in June 1989. Goodwill is being amortized on a straight-line basis over 40 years. The accumulated amortization of intangibles is $15,925,000 and $11,646,000 as of March 31, 1993 and 1992, respectively. Deferred financing fees are amortized over the life of the related obligations using the effective interest method. The accumulated amortization of deferred financing fees is $9,719,000 and $7,139,000 as of March 31, 1993 and 1992, respectively.

Research and Development Costs

Costs incurred in connection with the development of new products and manufacturing methods are charged to income as incurred. Research and development expenditures (excluding customer reimbursements) amounted to approximately $12,451,000, $11,575,000, and $8,955,000 for the years ended March 31, 1993, 1992 and 1991, respectively. Such costs are reported net of customer reimbursements in the consolidated statement of operations.

Income Taxes

It is the policy of the Company to provide deferred United States and foreign income taxes on earnings of subsidiary companies which are intended to be remitted to the parent company in the future. Unremitted earnings on which deferred taxes have not been provided would, if remitted, be taxed at substantially reduced effective rates due to the utilization of available foreign tax credits.

In the fourth quarter, the Company adopted the provisions of Statement of Financial Accounting Standards No. 109 (SFAS 109), "Accounting for Income Taxes", effective beginning April 1, 1992. The Statement requires that deferred income taxes reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and the financial reporting amounts. Prior to the adoption of this Statement, provisions were made for deferred income taxes where differences existed between the time that transactions affected taxable income and the time that these transactions entered into the determination of income for financial reporting purposes. As of April 1, 1992, the Company recorded income of approximately $974,000, which represents the net decrease in deferred tax liabilities resulting from the adoption of SFAS 109 as of that date. Such amount has been reflected in the consolidated statement of operations as the cumulative effect of an accounting change. The effect of adopting SFAS 109 was otherwise not significant to the Company's results of operations for fiscal 1993 and is not expected to have a significant ongoing impact.

Reclassifications

Certain items in the prior years' financial statements and notes thereto have been reclassified to conform with the current year presentation.

3. SALE OF R.P. SCHERER CORPORATION COMMON STOCK AND RELATED TRANSACTIONS

October 1992 Offering

In October 1992, R.P. Scherer Corporation completed a secondary offering of 3.5 million shares of its common stock. The shares were sold by Shearson Lehman Brothers Holdings Inc. and certain affiliated merchant banking partnerships (collectively "Lehman"). The offering did not result in any additional shares outstanding of R.P. Scherer Corporation's common stock, and R.P. Scherer Corporation did not receive any proceeds from the sale. Subsequent to completion of the offering, Lehman's beneficial ownership amounted to approximately 30% of R.P. Scherer Corporation's common shares outstanding (see Note 13).

October 1991 Offering

In October 1991, R.P. Scherer Corporation completed a public sale of 11.5 million shares of its common stock, representing approximately 47% of its common equity on a fully diluted basis. Net proceeds realized from the common stock sale were approximately $195.5 million. Of such amount, approximately $124.0 million was used in October 1991 to repurchase long-term debt under Scherer International's senior bank credit agreement. Prior to June 1992, all outstanding obligations under the former bank credit arrangement were paid through a contribution of capital by R.P. Scherer Corporation to Scherer International. In addition, $58.7 million was used in November 1991 to redeem all outstanding shares of R.P. Scherer Corporation's 17% Exchangeable Preferred Stock (Note 11). Remaining funds were used for general corporate purposes.

In connection with and upon consummation of the common stock sale, all shares of R.P. Scherer Corporation's Series B and Series C preferred stocks were converted into common stock at the ratio of five (5) common shares for nine (9) preferred shares (based upon the ratio of the liquidation value of preferred shares to the initial public offering price) and previously existing common shares were converted at the ratio of 4.35:1.

Also in connection with the common stock sale, the vesting periods for certain management stock options were accelerated. Additionally, notes receivable aggregating $400,000 from certain officers were canceled upon completion of the common stock sale (Note 13). The year ended March 31, 1992 reflects a one-time $12.3 million non-cash charge for compensation expense relating to these items. The Company also recorded an extraordinary loss in the amount of $2.1 million for the year ended March 31, 1992 relating to the early retirement of the long-term debt, representing a write-off of unamortized deferred financing costs associated with this debt.

The reduction of debt and redemption of the 17% Exchangeable Preferred Stock resulted in a significant decrease in the Company's interest expense and the elimination of preferred stock dividends. On a pro forma basis, assuming the common stock sale and related transactions had occurred as of the beginning of the year ended March 31, 1992, net income from continuing operations would have been $22,003,000. No income tax adjustment is associated with the interest expense reduction as available ongoing foreign tax credits would have been utilized to offset income taxes otherwise payable. Pro forma net income also excludes the $12.3 million of compensation expense described above. The pro forma information does not purport to represent what the Company's results would have actually been if the transactions had indeed taken place on such dates or to project the Company's results for any future period.

4. DISCONTINUED OPERATION

In August 1991, the Company's Board of Directors reached a decision to dispose of Paco Pharmaceutical Services, Inc. ("Paco"), through an active program to sell the stock or substantially all assets of Paco. Accordingly, the net assets and operating results of Paco have been classified as discontinued operations in the accompanying consolidated financial statements and notes thereto for all years presented. During the fiscal year ended March 31, 1992, an estimated loss from disposal of $16,657,000, which represented a write-down of Paco's goodwill, was recorded by the Company. No income tax benefit was recorded during fiscal 1992, as its realization could not be assured.

On August 26, 1992, Paco completed an initial public offering of its common stock as a result of which the Company's ownership of Paco's common stock was reduced to less than 1% of the outstanding stock. In the offering, Paco sold 4,000,000 shares of its common stock for aggregate net proceeds of approximately $36.5 million. With the proceeds of such offering, Paco paid $28.0 million to the Company in connection with the satisfaction of an intercompany promissory note. In connection with the offering, the Company agreed to indemnify Paco for any liabilities and costs incurred subsequent to March 31, 1992, related to the litigation involving Paco specifically described in Note 14. In addition, the Company has indemnified Paco for any additional U.S. Federal and state income tax liabilities arising from the date of the Company's acquisition of Paco through the date of completion of the offering. The Company recorded an additional $647,000 loss in connection with the final accounting for the disposition of Paco, representing the after-tax difference between net proceeds received and the Company's carrying value of Paco as of August 26, 1992.

R.P. SCHERER INTERNATIONAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

A summary of Paco's results (exclusive of the loss from disposal) is as follows:

	FOR THE YEARS ENDED MARCH 31, 1993(1)	1992	1991
	(IN THOUSANDS)		
Net sales	$30,199	$69,920	$51,748
Interest expense(2)	1,112	3,953	5,571
Income taxes	997	495	226
Net income (loss)	--	119	(317)

(1) Through August 26, 1992 date of disposal.

(2) Interest expense reflected in the results of Paco included an allocation of consolidated interest expense based on debt attributable to Paco.

Net current assets of $3.2 million and net non-current assets of $25.5 million were disposed of through the sale of Paco. The consolidated statement of cash flows excludes Paco's net cash provided (used) of ($0.6) million, $0.8 million, and $0.5 million for the fiscal years ended March 31, 1993, 1992, and 1991, respectively.

5. INCOME TAXES

As discussed in Note 2, the Company adopted SFAS 109 as of April 1, 1992, and the cumulative effect of this change is reported in the 1993 consolidated statement of operations. Prior years' financial statements have not been restated to apply the provisions of SFAS 109.

A summary of income (loss) from continuing operations before income taxes, minority interests and extraordinary items is as follows:

	FOR THE YEARS ENDED MARCH 31, 1993	1992	1991
	(IN THOUSANDS)		
Income (loss) from continuing operations before income taxes, minority interest and extraordinary items:			
United States	$ 3,194	$(26,408)	$(24,492)
Foreign	63,097	58,427	44,789
	$66,291	$ 32,019	$ 20,297

Such income is exclusive of various intercorporate income/expense items, such as royalties, interest, dividends and similar items, which are taxable/deductible in the respective locations. Therefore, the

relationship of domestic and foreign taxes to reported domestic and foreign income is not representative of actual tax rates.

	FOR THE YEARS ENDED MARCH 31, 1993	1992	1991

	(IN THOUSANDS)		
Provision (credit) for currently payable income taxes:			
United States	$ 1,570	$ (127)	$ (82)
Foreign	21,442	20,924	17,383
	23,012	20,797	17,301
Provision (credit) for deferred income taxes:			
United States	(125)	--	174
Foreign	1,169	1,472	683
	1,044	1,472	857
Total taxes	$24,056	$22,269	$18,158

The significant components of the deferred tax provision in fiscal year 1993 were as follows:

Deferred tax provision, exclusive of the components listed below	$(3,416)
Valuation allowance change	4,460
	$ 1,044

The sources and effects of timing differences for fiscal years ended March 31, 1992 and 1991 are as follows:

	1992	1991
	(IN THOUSANDS)	
Depreciation and property retirements	$1,249	$1,424
Pension and other benefits	16	(428)
Interest	274	17
Other items, net	(67)	(156)
	$1,472	$ 857

The components of deferred taxes as of March 31, 1993 are as follows:

	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
	(IN THOUSANDS)	
Property, plant and equipment	$ --	$ 35,611
Foreign tax credit carryforwards	10,542	--
Capital loss carryforwards	5,953	--
Pensions and other postretirement benefits	5,501	1,500
Stock options	3,679	--
Miscellaneous other	6,168	702
Subtotal	31,843	37,813
Valuation allowances	(23,777)	--
Total deferred taxes	$ 8,066	$ 37,813

At March 31, 1993, net current future tax benefits of $1,484,000 are included in other current assets, while $149,000 of net current deferred tax liabilities are included in accrued liabilities in the accompanying consolidated statement of financial position. In addition, $31,083,000 of net long-term deferred tax liabilities are included in deferred income taxes in that statement. At March 31, 1992, net current deferred tax liabilities of $85,000 are included in accrued liabilities, and net long-term deferred tax liabilities of $3,532,000 are included in deferred income taxes therein.

The difference between consolidated income taxes as computed at the United States statutory rate and as reported in the consolidated statement of operations is summarized as follows:

<TABLE>
<CAPTION>

	FOR THE YEARS ENDED MARCH 31,		
	1993	1992	1991
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
United States statutory tax	$22,539	$10,886	$ 6,901
Increases (reductions) in taxes due to:			
Higher effective foreign tax rates	1,590	4,840	3,341
Foreign tax credits not utilized	2,388	--	4,432
Stock option compensation	124	4,290	--
Domestic losses	--	799	527
Goodwill amortization	1,252	1,291	1,738
Translation losses	(1,752)	407	479
Miscellaneous other items, net	(2,085)	(244)	740
Consolidated income taxes	$24,056	$22,269	$18,158

</TABLE>

The capital loss carryforwards noted above expire in 1998. The foreign tax credit carryforwards noted above expire through 1998. At March 31, 1993, foreign earnings of approximately $63.6 million have been retained indefinitely by subsidiaries for reinvestment, and accordingly no provision is made for income taxes that would be payable upon the distribution of such earnings. It is not practicable to determine the amount of the related unrecognized deferred income tax liability, if any.

Income tax payments, net of refunds, were $22,527,000, $12,263,000 and $11,634,000 for the years ended March 31, 1993, 1992 and 1991.

6. ACCRUED AND OTHER LONG-TERM LIABILITIES

Accrued and other long-term liabilities consist of the following as of March 31, 1993 and 1992:

<TABLE>
<CAPTION>

	1993	1992
	(IN THOUSANDS)	
<S>	<C>	<C>
Accrued Liabilities:		
Salaries, wages and bonuses	$ 8,994	$ 9,327
Interest	7,780	10,283
Other	17,636	17,583
	$34,410	$37,193
Other Long-Term Liabilities:		
Pension and welfare benefits (Note 10)	$27,836	$25,716
Postretirement benefits (Note 10)	5,534	5,061
Other	5,442	6,170
	$38,812	$36,947

</TABLE>

7. SHORT-TERM BORROWINGS AND LINES OF CREDIT

The Company has short-term line of credit arrangements with foreign banking institutions whereunder, at March 31, 1993, the Company and its subsidiaries may borrow up to approximately $12.7 million subject to limitations imposed by the Credit Agreement (Note 8). There are no compensating balance requirements related to these lines of credit. The total indebtedness outstanding under such arrangements was $1,108,000 and $1,353,000 at March 31, 1993 and 1992, respectively.

Short-term borrowings, based on the amounts outstanding at the end of each month, were as follows:

	AS OF MARCH 31, 1993	1992	1991
	(IN THOUSANDS)		
Maximum amount outstanding	$1,551	$10,374	$10,090
Average amount outstanding	1,163	5,212	5,186
Weighted average interest rate during the year	7.9%	10.3%	10.4%
Weighted average interest rate at March 31	7.5%	9.3%	9.4%

8. LONG-TERM DEBT

Long-term debt consists of the following as of March 31, 1993 and 1992:

	1993	1992
	(IN THOUSANDS)	
Senior subordinated debentures (net of discount of $5,482,000 in 1993 and $8,027,000 in 1992)	$119,656	$161,082
Capitalized lease obligations (Note 9)	10,485	9,445
Industrial development revenue bonds	8,561	6,350
Borrowings under bank credit agreement	2,270	--
Other	1,536	1,762
	142,508	178,639
Less -- current portion	(1,357)	(486)
	$141,151	$178,153

The Senior Subordinated Debentures (the "Debentures") are unsecured and mature November 1999. Interest is payable semiannually on May 1 and November 1 at a rate of 14%, with an effective yield of 15.05%. The difference between the 14% stated rate and the effective yield reflects the original issue discount which is being amortized over the term of the Debentures utilizing the effective interest method. The Company may redeem the Debentures, at the Company's option, beginning in November 1994, and a sinking fund payment of $39.4 million is required in November 1998.

During the third quarter of 1993, the Company repurchased approximately $42.5 million principal amount of the Debentures for an aggregate purchase price of approximately $49.3 million, plus accrued interest. As a result of these repurchases, the Company recognized an extraordinary charge of $10.3 million, less related income tax benefits of $1.9 million, including the write-off of unamortized bond discount and deferred financing costs. Annual interest expense on the Debentures repurchased was approximately $6.4 million. Sources of funds for the repurchases consisted primarily of cash on hand and, to a lesser extent, borrowings under the Company's bank credit facility.

In June 1992, the Company entered into a new secured bank credit agreement as a replacement for the Company's previous senior secured bank revolving credit facility. The new credit agreement allows for revolving credit borrowings up to an aggregate of $120.0 million, in various currencies, and expires March 31,

1995. Interest is payable quarterly at LIBOR plus 1 1/2% or at the bank's prime rate plus 1/4%. Unused borrowing availability is subject to annual commitment fees ranging from 1/4 to 1/2%. Borrowings under this agreement were collateralized by a first lien on substantially all present and future assets and capital stock of Scherer International and certain of its subsidiaries. Such collateral obligations were removed by amendment in January 1994.

The Credit Agreement requires the Company to satisfy various annual and quarterly financial tests, including maintenance on a consolidated basis of a specified minimum or maximum current asset ratio, leverage ratio, fixed charge ratio and level of tangible net worth. The agreement also restricts the Company's ability to incur additional indebtedness, exceed specified levels of capital expenditures, make investments and loans, dispose of assets, or consummate a business combination, and limits the ability of the Company to pay dividends. As of March 31, 1993, the Company does not currently have plans to declare or pay any dividends.

The Company has variable interest rate industrial development revenue bonds aggregating $8,561,000 due through fiscal years ending in 2015. The interest rates in effect at March 31, 1993, ranged from 4.4% to 4.8%.

The annual maturities of long-term debt, excluding amounts payable under capitalized lease obligations, for the five succeeding fiscal years are: 1994 -- $104,000; 1995 -- $2,652,000; 1996 -- $332,000; 1997 -- $185,000; and 1998 -- $120,000. Interest paid was $23,736,000, $45,043,000, and $45,523,000 for the years ended March 31, 1993, 1992, and 1991, respectively.

The fair value of the Debentures, estimated based on quoted market prices for the debentures as of March 31, 1993, was approximately $140.5 million. Fair values of other long-term debt, determined based on interest rates that are currently available to the Company for similar types of borrowings, approximate carrying value.

9. LEASES

Total rental expense under operating leases was $7,589,000, $7,495,000, and $7,429,000 for the years ended March 31, 1993, 1992, and 1991, respectively. The present value of capitalized lease obligations is classified as long-term debt and the related assets are classified as land, buildings and equipment. The only significant capital lease entered into during the years presented was in fiscal 1991, and was a lease with a net present value of $3.1 million involving a facility expansion. As of March 31, 1993, the minimum rental commitments under long-term operating and capitalized leases are as follows:

<TABLE>
<CAPTION>

	CAPITAL LEASES	OPERATING LEASES
	(IN THOUSANDS)	
<S>	<C>	<C>
1994	$ 1,331	$ 5,472
1995	1,319	5,280
1996	1,311	5,140
1997	1,306	5,077
1998	1,310	4,802
1999 and thereafter	10,701	40,508
	17,278	$66,279
Less -- amount representing interest	(6,793)	
Present value of net minimum lease payments	$10,485	

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

10. PENSIONS AND OTHER POSTRETIREMENT BENEFITS

Pensions

The Company has several pension plans covering substantially all salaried and hourly employees. In general, the Company's domestic plans provide defined pension benefits based on years of service and the level of compensation. Foreign subsidiaries provide for pension benefits in accordance with local customs or law. It is the policy of the Company to fund its pension plans at amounts required by the applicable regulations. Pension expense included the following:

	FOR THE YEARS ENDED MARCH 31, 1993	1992	1991
	(IN THOUSANDS)		
Service cost of benefits earned during year	$ 2,474	$ 1,965	$ 2,066
Interest cost on projected benefit obligation	3,665	3,217	3,162
Actual return on plan assets	(2,633)	(2,475)	412
Net amortization and deferral	705	338	(2,322)
	$ 4,211	$ 3,045	$ 3,318

The following table shows the status of the various plans and amounts included in the Company's consolidated statement of financial position as of March 31, 1993 and 1992:

	1993		1992	
	PLANS WHOSE ASSETS EXCEED ACCUMULATED BENEFITS	PLANS WHOSE ACCUMULATED BENEFITS EXCEED ASSETS	PLANS WHOSE ASSETS EXCEED ACCUMULATED BENEFITS	PLANS WHOSE ACCUMULATED BENEFITS EXCEED ASSETS
	(IN THOUSANDS)			
Actuarial present value of:				
Vested benefit obligation	$ 4,479	$31,865	$12,342	$19,590
Non-vested benefit obligation	122	4,509	69	3,934
Accumulated benefit obligation	4,601	36,374	12,411	23,524
Effects of anticipated future compensation increases	1,168	7,350	2,431	6,094
Projected benefit obligation	5,769	43,724	14,842	29,618
Plan assets at fair value	8,660	12,773	17,897	2,748
Projected benefit obligation in excess of (less than) plan assets	(2,891)	30,951	(3,055)	26,870
Unamortized net gain (loss)	(858)	(2,576)	2,097	(3,225)
Unrecognized prior service cost	(180)	(430)	(454)	(282)
Accrued pension (asset) liability recorded in the consolidated statement of financial position	$(3,929)	$27,945	$(1,412)	$23,363

Plan assets consist primarily of annuities, marketable securities and mortgage notes receivable.

The average of the assumptions used as of March 31, 1993, 1992 and 1991 in determining the pension expense and benefit obligation information shown above were as follows:

	1993	1992	1991

Discount rate	8.0 %	8.4%	8.6%
Rate of compensation increase	4.5	5.0	4.8
Long-term rate of return on plan assets	9.9	10.5	10.4

In addition to providing pension benefits, the Company provides life insurance benefits for certain retired, hourly and salaried employees.

Postretirement and Other Benefits

In fiscal year 1992, the Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS 106) effective as of April 1, 1991. SFAS 106 requires that the expected cost of postretirement benefits be charged to expense during the years that eligible employees render service. Upon adoption of SFAS 106, the Company charged the cumulative effect of the unfunded obligation of $4,917,000 against earnings during 1992. Prior to fiscal 1992, the Company recognized postretirement health care costs in the year that the benefits were paid. The amount paid for these benefits was $339,000 for the year ended March 31, 1991.

The following table reconciles the status of the accrued postretirement liability as of March 31 (based on January 1 measurement dates):

	1993	1992
	(IN THOUSANDS)	
Accumulated postretirement benefit obligation:		
Retirees	$4,408	$4,367
Active employees	910	1,180
Accumulated postretirement benefit obligation in excess of plan assets	5,318	5,547
Unrecognized net gain (loss)	416	(286)
Accrued postretirement benefit liability (including $200 in current liabilities)	$5,734	$5,261

Net postretirement benefits cost for the years ended March 31, 1993 and 1992 included:

	1993	1992
	(IN THOUSANDS)	
Service cost	$129	$ 96
Interest cost on accumulated postretirement benefit obligation	468	447
Net postretirement benefit cost	$597	$543

For measurement purposes, a 12% annual rate of increase in the per capita costs of covered health care claims was assumed for 1993 and 1992. The rate was assumed to decrease by 1% in 1994 and each year thereafter to a rate of 7.0% beyond 1998. The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation as of the measurement date of January 1, 1993, by $596,000 and the aggregate of the service and interest cost components of net postretirement cost for fiscal 1993 by $85,000. The discount rate used in determining the accumulated postretirement benefit obligation was 8.25% at the end of 1993.

In November 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 112, "Employer's Accounting for

Postemployment Benefits", which must be adopted for the Company's 1995 fiscal year. This statement would require accounting for other postemployment benefits similar to that required for postretirement benefits as discussed above. The determination of the impact of the adoption of this statement on the Company's financial statements has not yet been completed, however, the Company believes that it will not significantly affect the Company's future financial results or position.

11. R.P. SCHERER CORPORATION (PARENT) REDEEMABLE PREFERRED STOCK

The only operating asset of R.P. Scherer Corporation is its investment in Scherer International, and R.P. Scherer Corporation has no other operations. Due to the nature of this relationship, disclosures with regard to the mandatory redeemable preferred stock of R.P. Scherer Corporation have been included herein.

In connection with and as a result of the October 1991 public sale of R.P. Scherer Corporation's common stock (Note 3), all shares of R.P. Scherer Corporation's Exchangeable Preferred Stock were redeemed for cash, and all shares of Series B Redeemable Preferred Stock and Series C Redeemable Preferred Stock were converted into common stock.

The Series B Redeemable Preferred Stock and the Series C Preferred Stock (together, the "Preferred Stock") were non-cumulative and had a liquidation preference of $10.00 per share. The Series B Redeemable Preferred Stock ranked junior to all liabilities of the Company and to the Exchangeable Preferred Stock, and on a parity with the Series C Redeemable Preferred Stock. Holders of the Preferred Stock were entitled to share equally, share for share, in dividends declared on common stock. The Preferred Stock was redeemable at the option of the Company at a purchase price of $10.00 per share. Subject to dividend restrictions imposed by the Credit Agreement, holders of the Series C Preferred Stock had the right to require the Company to purchase all or a portion of their shares. The Company was not required or able to purchase shares of the Series C Preferred Stock for the period it was outstanding.

In connection with the Acquisition, R.P. Scherer Corporation issued approximately 1,223,200 shares of its 17% Senior Cumulative Exchangeable Preferred Stock with a liquidation preference of $31.75 per share, plus accrued and unpaid dividends. The Exchangeable Preferred Stock ranked junior to all liabilities of the Company and bore cumulative quarterly dividends, paid in additional shares of Exchangeable Preferred Stock. Exchangeable Preferred Stock was exchangeable for 17% Subordinated Exchangeable Debentures of the Company due 2002. The Exchangeable Preferred Stock was subject to mandatory redemption on October 5, 2002. As of March 31, 1991, 1,566,295 of the 5,000,000 authorized shares of the Exchangeable Preferred Stock, par value $.01, were issued and outstanding.

12. STOCK COMPENSATION PLANS

1992 Stock Option Plan

In February 1992, the Board of Directors approved a new management stock option plan designed to provide key management personnel stock options for maximizing shareholder value through improved Company financial performance. Under such plan, management participants are required to purchase options for R.P. Scherer Corporation common stock at a cost equal to 10% of an average market value per share at the beginning of the fiscal year. The exercise price of such options is set at the average beginning of the year common stock market value per share, net of the purchase cost, increased by a 10% annual rate compounded over five years. The number of stock options a participant is required to purchase is based upon a financial performance formula established by the Compensation Committee of the Board of Directors.

As an added incentive to increase shareholder value, participants are provided one standard stock option for each purchased stock option. Each standard stock option is exercisable at an average market value per share at the beginning of the fiscal year, and may only be exercised when the purchased option is exercised.

Both types of options vest after three years from the date of grant, and expire two years after the date of vesting.

A total of 381,452 stock options were granted for fiscal 1992. For fiscal 1992 grants, the purchased options, costing $1.80 each, will be exercisable at $26.09 per share, and the standard options will be exercisable at $18.00 per share. Compensation expense of $715,000 was recorded for fiscal 1992 in connection with this plan.

A total of 325,981 stock options were granted for fiscal 1993. For fiscal 1993 grants, the purchased options, costing $2.74 each, will be exercisable at $39.67 per share, and the standard options will be exercisable at $27.38 per share. No compensation expense was recorded for fiscal 1993 in connection with the 1992 Stock Option Plan. During 1993, none of the 1992 Plan options were exercised. As of March 31, 1993, a total of 492,567 options for common shares remain available for grant for up to the next three fiscal years.

Director Stock Options

In fiscal 1992, a total of 36,000 options were granted to the Company's three outside directors. These options are exercisable at $18.00 per share, vest after three years from the date of grant, and expire seven years after the date of vesting. None of these options were exercised in 1993.

1990 Stock Option Plans

In November 1990 R.P. Scherer Corporation implemented three stock option plans under which a total of an adjusted 1,239,612 options for shares of its common stock were authorized for issuance to key management personnel. As a result of the sale of common stock in October 1991, all options granted under such plans became fully vested (Note 3).

Information on the number of shares under option for the 1990 Plan, exercisable at $5.49 per share, is as follows:

	1993	1992	1991
Number of shares under stock options -- 1990 Plan:			
Outstanding at beginning of year................	1,204,225	1,159,111	--
Granted during year.............................	--	45,114	1,159,111
Exercised.......................................	104,953	--	--
Outstanding at end of year...................	1,099,272	1,204,225	1,159,111

The amounts set forth above are adjusted to reflect the 4.35:1 common stock split and conversion of Series B Preferred Stock described in Note 3.

13. RELATED PARTY TRANSACTIONS

Certain foreign subsidiaries purchase gelatin materials and Scherer International's German subsidiary leases plant facilities, purchases other services and receives loans from time-to-time from a German company which is also the minority shareholder of the Company's German and certain other European subsidiaries.

Gelatin purchases, at prices comparable to estimated market prices, amounted to $19,596,000, $17,701,000, and $15,639,000 for the years ended March 31, 1993, 1992, and 1991, respectively. Rental payments amounted to $4,705,000, $4,376,000, and $4,439,000 and purchased services amounted to $5,437,000, $5,501,000, and $5,574,000 for each of the respective years.

The investment of the minority shareholder in the Company's German subsidiary is partially structured as a loan under German law, under which the minority shareholder receives periodic payments based on

earnings of the subsidiary. Prior to fiscal 1993, the Company had reported these payments as interest expense and the related 14.7 million Deutchemark denominated loan as long-term debt. The Company has currently included the loan in the "minority interests in subsidiaries" caption in the accompanying consolidated statement of financial position, and the related payments of $2.6 million, $2.7 million, and $2.1 million for fiscal 1993, 1992, and 1991, respectively, have been presented in the "minority interests" caption in the accompanying consolidated statement of operations.

Lehman and certain of its affiliates have received fees for services in connection with the October 1991 public offering (Notes 3 and 11) and other matters. During the year ended March 31, 1992, the Company paid $3,542,000 for underwriting fees in connection with the October 1991 public offering. No fees were paid by the Company to Lehman or its affiliates during the years ended March 31, 1993 and 1991.

In connection with the amendments to the Company's former Credit Agreement entered into in October 1990, Messrs. Cashman and Erdeljan entered into a separate subscription agreement with the Company whereby they agreed, under certain circumstances, to purchase an additional equity interest in the Company, at a price to be negotiated at the time of such contribution. In connection with the Offerings, the Company waived the obligations of Messrs. Cashman and Erdeljan under such subscription agreement.

In 1989, the Company loaned (the "Loan") Messrs. Cashman and Erdeljan approximately $2,300,000, payable on demand and bearing an interest rate equivalent to the rate provided in the Credit Agreement. The Loan had been secured by a pledge of the outstanding capital stock of PCM Corporation, an Illinois corporation ("PCM"), all of which was owned directly or indirectly by Messrs. Cashman and Erdeljan. The principal balance of the Loan, together with all interest accrued to date, was paid in full on October 30, 1990 and the Company released the shares of PCM from the pledge.

On October 30, 1990, Paco purchased indirectly from Messrs. Cashman and Erdeljan all of the issued and outstanding shares of capital stock of PCM for $1,800,000. Sales and operating income of PCM during its 1990 fiscal year were $5,867,000 and $344,000, respectively.

On October 30, 1990, prior to the purchase by Paco indirectly from Messrs. Cashman and Erdeljan of all of the issued and outstanding shares of capital stock of PCM, Paco loaned to PCM an amount equal to approximately $346,000. This sum was used by PCM to repay an outstanding obligation in the same amount owed indirectly to Messrs. Cashman and Erdeljan.

On October 30, 1990, the Company loaned to Messrs. Cashman and Erdeljan $400,000, which loan was to mature October 26, 1992 and did not bear interest. In connection with the October 1991 stock offering, the Company forgave the loan and paid the related income taxes (Note 3).

14. COMMITMENTS AND CONTINGENCIES

The Company's former subsidiary, Paco Pharmaceutical Services, Inc. ("Paco"), along with certain other parties, was a defendant in a purported class action suit filed on November 1, 1988 in the Court of Chancery of the State of Delaware (Norman v. Paco Pharmaceuticals, Civil Action #10417) by an investor in Paco's 6 1/2% Convertible Subordinated Debentures due March 1, 2007 ("Convertible Subordinated Debentures"). On October 21, 1992, the Delaware Court of Chancery issued an opinion and order granting defendants' motion for summary judgment and denying plaintiffs' cross-motion for summary judgment. The plaintiffs appealed this opinion, but by an order dated April 21, 1993, the Delaware Supreme Court affirmed the order of the Court of Chancery and denied the appeal. This order became final on May 6, 1993.

Paco, certain of its subsidiaries, the Company and other defendants are parties to a group of actions commenced, beginning in April 1990, in Federal and state courts in New Jersey and in Federal courts in New York and Massachusetts by limited partners of Paco Development Partners II ("PDP II"), a research and development partnership in which a subsidiary of Paco serves as the general partner. In the New Jersey state

court action (Nelson v. Dean Witter Reynolds, Inc., MRS-L-5014-90), a class consisting of the 14 investors who reside in New Jersey has been certified. On October 23, 1992, the Company, Paco and its affiliates moved for summary judgment as to three counts of the complaint. This motion was denied on January 6, 1993. A second action commenced in New Jersey Federal court, has been stayed pending resolution of the New Jersey state court action (Nelson v. Ian Ferrier, Civil Action 91-5334(JWB)). No class has been certified in this federal action. Plaintiffs in each of these actions seek damages of an unspecified amount for, among other things, alleged violations of state securities law, fraud, misrepresentation, breach of contract, conversion and negligence in connection with the $25 million private placement sale of PDP II limited partnership interests and warrants in 1986. Plaintiffs in the state court action also seek damages, derivatively, on behalf of PDP II, for alleged breaches of fiduciary duty and breach of contract in connection with the management of PDP II. The Company believes that it has meritorious defenses to these actions and intends to defend against them vigorously. In the opinion of management, the ultimate outcome of this litigation will not have a material adverse effect on the Company's business or financial condition.

The New York actions, Angelina Barrios et al., v. Paco Pharmaceutical Services Inc. (No. 90-Civ. 2404) and Guilliam Nel, et al. v. Paco Pharmaceutical Services Inc. (No. 90-Civ. 7916) (collectively "Barrios") were consolidated in Federal court in the Southern District of New York. On January 3, 1992, the defendants filed a motion for summary judgment on these claims, which was granted by the Federal court in an amended opinion dated March 29, 1993. The time in which to appeal this decision has expired.

On May 14, 1993, the Company was served with a Complaint that had been filed in the Federal court for the District of Massachusetts on January 29, 1993 (Tuzik v. Paco Pharmaceutical Services, Inc. et al.). Except for the name of the plaintiff, the Complaint is virtually identical to the Barrios complaint referred to above. As was the case with Barrios, the Company believes that it has meritorious defenses to these allegations and intends to defend against them vigorously. In the opinion of management, the ultimate outcome of this litigation will not have a material adverse effect on the Company's business or financial condition.

Certain limited partners of PDP II had defaulted on their payment obligations due under investor notes entered into pursuant to the partnership agreement of PDP II. The general partner of PDP II had instituted lawsuits against certain of those limited partners to obtain the defaulted amounts, and counter-claims had been asserted by the limited partners who were defendants alleging substantially similar claims to those in the Nelson actions. These cases were settled in April 1993 at no cost to the Company.

On March 30, 1992, OCAP Acquisition Corp. ("OCAP") commenced an action in the Supreme Court of the State of New York, County of New York, against Paco, certain of its subsidiaries, the Company and Scherer International (collectively, the "defendants"), arising out of the termination of an Asset Purchase Agreement dated February 21, 1992 (the "Purchase Agreement") between OCAP and the defendants providing for the purchase of substantially all the assets of Paco. On May 15, 1992, OCAP served an amended verified complaint (the "Amended Complaint"), asserting causes of action for breach of contract and breach of the implied covenant of good faith and fair dealing, arising out of defendants' March 25, 1992 termination of the Purchase Agreement, as well as two additional causes of action that were subsequently dismissed by order of the court. The Amended Complaint seeks $75 million in actual damages, $100 million in punitive damages, as well as OCAP's attorney's fees and other litigation expenses, costs and disbursements incurred in bringing this action. Discovery with respect to the action has commenced. Based upon the investigation conducted by the Company to date, the Company believes that this action lacks merit and intends to defend against it vigorously. In the opinion of management, the ultimate outcome of this litigation will not have a material adverse effect on the Company's business or financial condition.

The Company was informed in August 1992 that soil at a manufacturing facility in North Carolina owned and operated by the Company from 1975 to 1985 contained levels of tetrachlorethene which exceeded environmental standards. The Company voluntarily initiated a remedial investigation, and initial remedial and removal actions have been completed by the Company and the current owner of the facility for the known soil

contamination at such site. The Company continues to perform additional studies and remediation of the area, including testing and removal of groundwater, which may also indicate the necessity for additional remedial and removal actions. On the basis of the results of investigations performed to date, the Company does not believe that potential future costs associated with either the investigation or any potential remedial or removal action will ultimately have a materially adverse impact on the Company's business or financial condition.

The Company is a party to various other legal proceedings arising in the ordinary course of business, none of which is expected to have a material adverse effect on the Company's financial position, results of operations, liquidity or capital resources.

As of March 31, 1993, the Company has capital expenditure commitments related primarily to plant expansions amounting to approximately $4.4 million.

15. SEGMENT DATA

The Company is engaged principally in the production of softgels, hardshells and other drug delivery systems for the pharmaceutical, health and nutritional and cosmetic products industries. The Company's operations are divided into three geographical areas: United States, Europe and Other International. Europe represents operations in the United Kingdom, France, Italy and Germany. Other International consists of operations in Canada, the Pacific and Latin America.

	FOR THE YEARS ENDED MARCH 31,		
	1993	1992	1991
	(IN THOUSANDS)		
Sales:			
United States	$ 86,687	$ 66,802	$ 50,377
Europe	229,937	198,445	184,631
Other international	81,387	72,539	63,630
Net sales(1)	$398,011	$337,786	$298,638
Operating Income:			
United States	$ 23,327	$ 18,147	$ 10,883
Europe	53,941	48,896	41,375
Other International	13,450	13,070	11,511
Unallocated(2)	(2,621)	(16,136)	(785)
Operating income	$ 88,097	$ 63,977	$ 62,984
Identifiable assets:			
United States	$ 74,886	$ 64,997	$ 61,423
Europe	263,099	255,345	237,005
Other International	106,372	105,474	102,586
Unallocated(3)	87,827	100,161	100,845
Total assets	$532,184	$525,977	$501,859

	FOR THE YEARS ENDED MARCH 31,		
	1993	1992	1991
	(IN THOUSANDS)		
Capital expenditures:			
Drug Delivery Systems	$33,132	$20,780	$11,920
Unallocated(4)	60	167	73
Total capital expenditures	$33,192	$20,947	$11,993
Depreciation and amortization:			
Drug Delivery Systems	$19,589	$16,771	$15,244
Unallocated(4)	3,089	3,169	4,530
Total depreciation and amortization	$22,678	$19,940	$19,774

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(1) No single customer or product represents 10% or more of sales, and intersegment sales are not significant.

(2) Unallocated operating income includes principally general corporate expenses, including in 1992 the stock compensation expense related to the Company's October 1991 sale of common stock (Note 3).

(3) Unallocated identifiable assets are principally cash, cash equivalents, short-term investments, other assets and net assets of discontinued operations.

(4) Unallocated capital expenditures and depreciation and amortization represent primarily corporate amounts.

The net assets of foreign subsidiaries were $238,537,000 at March 31, 1993, $210,365,000 at March 31, 1992, and $203,573,000 at March 31, 1991. The Company's share of foreign net income was $27,856,000 for the year ended March 31, 1993, $26,413,806 for the year ended March 31, 1992, and $10,724,000 for the year ended March 31, 1991, after deducting minority interests, income taxes on unremitted earnings and various charges billed by the parent company.

16. QUARTERLY FINANCIAL DATA (UNAUDITED)

	FIRST QUARTER		SECOND QUARTER		THIRD QUARTER		FOURTH QUARTER	
	1993(1)(4)	1992(5)	1993(2)(4)	1992	1993(3)(4)	1992(6)	1993	1992
Net sales	$103,353	$ 84,367	$ 97,671	$78,181	$ 97,966	$ 85,015	$99,021	$90,223
Gross profit	43,080	33,754	37,387	29,807	37,426	33,910	38,010	38,324
Income (loss) from continuing operations before extraordinary loss and accounting change	8,388	1,911	6,059	(307)	7,103	(7,954)	7,410	5,126
Net income (loss)	9,362	(19,544)	5,412	(307)	(1,289)	(10,021)	7,410	5,126

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(1) Net income includes the $974,000 cumulative effect of accounting change for income taxes, SFAS 109.

(2) Net income includes loss on disposal of discontinued operation of $647,000.

(3) Net income includes extraordinary loss of $8,392,000 related to the early retirement of debt (see Note 8).

(4) Income amounts for the first, second and third quarters have been restated to reflect the effect of the adoption of SFAS 109 (see Notes 2 and 5). The effect of this change was to increase net income in the first quarter by $1,030,000, and was not significant in the second and third quarters.

(5) Net income includes estimated loss on disposal of discontinued operation of $16,657,000 and $4,917,000 cumulative effect of accounting change for other postretirement benefits.

(6) Income from continuing operations includes a one-time $12.3 million non-cash charge for compensation expense relating to the completion of the October 1991 common stock sale.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To R.P. Scherer International Corporation:

We have audited the accompanying consolidated statement of financial position of R.P. SCHERER INTERNATIONAL CORPORATION (formerly R.P. Scherer Corporation) (a Delaware Corporation), and subsidiaries as of March 31, 1993 and 1992, and the related consolidated statements of operations, cash flows and shareholder's equity for the years ended March 31, 1993, 1992 and 1991. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 1993 and 1992, and the results of its operations and cash flows for the years ended March 31, 1993, 1992 and 1991, in conformity with generally accepted accounting principles.

As explained in Note 5 to the consolidated financial statements, effective April 1, 1992, the Company changed its method of accounting for income taxes. As explained in Note 10 to the consolidated financial statements, effective April 1, 1991, the Company changed its method of accounting for postretirement benefits other than pensions.

Detroit, Michigan,
April 16, 1993 (except with respect to
the matters discussed in Note 14 to
the consolidated financial statements
as to which the date is May 14, 1993).

ARTHUR ANDERSEN & CO.

PROSPECTUS

R.P. SCHERER INTERNATIONAL CORPORATION

$175,000,000
DEBT SECURITIES

R. P. Scherer International Corporation (the "Company") may offer from time to time in one or more series its debt securities (the "Securities") up to an aggregate principal amount of $175,000,000, (or (i) the equivalent thereof in one or more foreign currencies or currency units, including European Currency Units ("ECU"), based on the rate of exchange at the time of offering, or (ii) such greater amount, if Securities are issued at an original issue discount, as shall result in aggregate gross proceeds to the Company of $175,000,000), each series of which will be offered on terms to be determined at the time of sale. The Securities may be sold in U.S. dollars or one or more foreign currencies or currency units, and the principal of, and premium, if any, and any interest on the Securities may likewise be payable in U.S. dollars or one or more foreign currencies or currency units. The Securities will be general unsecured indebtedness of the Company and will rank pari passu with all other unsecured and senior indebtedness of the Company. The Securities will effectively be subordinated to certain indebtedness of the Company's subsidiaries. The terms of the Securities, including, where applicable, the specific designation, aggregate principal amount, currency, denominations, maturity, premium, rate (which may be fixed or floating) and time of payment of interest, terms for redemption at the option of the Company or the holder, terms for sinking fund payments, if any, the initial public offering price and other terms in connection with the offering and sale of the Securities in respect of which this Prospectus is being delivered are set forth in the accompanying Prospectus Supplement (the "Prospectus Supplement").

Securities of a series may be issuable in registered form without coupons ("Registered Securities"), in bearer form with coupons attached ("Bearer Securities") or in the form of one or more global securities (each a "Global Security"). Bearer Securities, subject to certain exceptions, will not be offered or sold to persons who are within the United States or to United States persons. See "Limitations on Issuance of Bearer Securities."

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Securities may be sold through underwriting syndicates represented by managing underwriters, by underwriters without a syndicate, through agents designated from time to time, or directly by the Company to purchasers. The names of any such managing underwriters, underwriters or agents of the Company involved in the sale of the Securities in respect of which this Prospectus is being delivered and any applicable commissions or discounts are set forth in the Prospectus Supplement. The net proceeds to the Company from such sale are also set forth in the Prospectus Supplement.

January 17, 1994.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SECURITIES OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

AVAILABLE INFORMATION

The Company has filed with the Securities and Exchange Commission (the "Commission") a Registration Statement (the "Registration Statement") on Form S-3 under the Securities Act of 1933, as amended, with respect to the Securities offered hereby. This Prospectus does not contain all of the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. For further information with respect to the Company and the Securities offered hereby, reference is made to the Registration Statement, including, the exhibits and schedules thereto. All of these documents may be inspected without charge at the office of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and may be obtained from the Commission at prescribed rates. Statements contained in this Prospectus as to the contents of any document are qualified in all respects by reference to the exhibit for a complete statement of the provisions thereof.

The Company and R.P. Scherer Corporation, the parent company of the Company, are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, in accordance therewith, file reports and other information with the Commission, which may be inspected and copied at the public reference facilities maintained by the Commission at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's Regional Offices at Seven World Trade Center, New York, New York 10048, and Northwestern Atrium Center, 500 West Madison, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained by mail from the Public Reference Section of the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, upon payment of the prescribed fees. Reports and information concerning R.P. Scherer Corporation may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, NY 10005.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents, which have been filed pursuant to the Exchange Act, are incorporated herein and shall be deemed to be a part hereof:

(a) the Company's Annual Report on Form 10-K for the year ended March 31, 1993 (the "1993 10-K");

(b) the Company's Quarterly Reports on Form 10-Q for the quarters ended June 30, 1993 and September 30, 1993; and

(c) R.P. Scherer Corporation's Annual Report on Form 10-K for the year ended March 31, 1993, as amended by the Form 10-K/A, filed with the Commission on July 22, 1993.

All documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act and all Annual Reports on Form 10-K filed by R.P. Scherer Corporation pursuant to the Exchange Act (including any documents incorporated by reference therein) after the date hereof and prior to the termination of the offering of Securities shall be deemed to be incorporated by reference in this Prospectus and made a part hereof from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference in this Prospectus shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein or in the accompanying Prospectus Supplement modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company will provide without charge to each person to whom this Prospectus is delivered, upon written or oral request, a copy of any or all of the documents incorporated herein by reference (other than exhibits to such documents that are not specifically incorporated by reference in such documents). Written or oral requests should be directed to R.P. Scherer International Corporation, 2075 W. Big Beaver Road, P.O. Box 7060, Troy, Michigan 48007-7060, Attention: Aleksandar Erdeljan, telephone (810) 649-0900.

THE COMPANY

The Company, an international developer and manufacturer of oral drug delivery systems, is the world's largest producer of softgels. The Company has also developed and is commercializing advanced drug delivery systems, including the Scherersol(R), Zydis(R) and Pulsincap(TM) technologies. The Company's proprietary drug delivery systems improve the efficacy of drugs by regulating their dosage, rate of absorption and place of release.

The Company produces over 4,000 products in softgel form, and softgel products accounted for approximately 90% of the Company's fiscal 1993 sales. Softgels are used for a wide range of drug, vitamin, cosmetic and recreational products.

The Company has a broad domestic and international customer base consisting of manufacturers and wholesalers of pharmaceutical, health and nutritional, cosmetic and recreational products, with more than half of its total fiscal 1993 sales made to the pharmaceutical industry. To meet the needs of its multinational customers and to serve new markets, the Company operates softgel manufacturing facilities in eleven countries throughout the world, and also manufactures two-piece hardshell capsules in three of these countries.

The Company works closely with its customers in the development of new softgel products. Using its expertise in softgel technology, the Company has developed its Scherersol(R) systems to broaden the range of pharmaceutical products which may be encapsulated in softgel form. Scherersol(R) systems, most of which are patented, often enable pharmaceutical companies to combine the advantages of drugs in liquid solution with the convenience and dosage accuracy of softgels. Additionally, Scherersol(R) technologies, by providing a unique, patented dosage delivery system, can protect a pharmaceutical compound against competition from generic drugs throughout the life of the Scherersol(R) patents.

In 1991, the Company formed a separate division, Scherer DDS, to focus on the development of advanced drug delivery systems, including the Zydis(R) and Pulsincap(TM) technologies. Zydis(R) is an oral dosage form which dissolves instantaneously on the tongue and does not require water to aid swallowing. Pulsincap(TM) is an oral drug delivery device which is designed to release a drug at either a predetermined time following ingestion or a predetermined site in the gastrointestinal tract.

The Company is a wholly-owned subsidiary of R.P. Scherer Corporation, a public company traded on the New York Stock Exchange under the symbol "SHR." R.P. Scherer Corporation's only asset is the common stock of the Company, and it essentially has no other operations. The Company was incorporated in Michigan in 1944 and reincorporated in Delaware in 1969.

The Company's principal executive offices are located at 2075 West Big Beaver Road, Troy, Michigan 48084.

USE OF PROCEEDS

Unless otherwise stated in the related Prospectus Supplement, the net proceeds from the sale of the Securities will be applied to the general funds of the Company and used for general corporate purposes. Any specific allocations of the proceeds to a particular purpose that has been made at the date of any Prospectus Supplement will be described therein.

RATIO OF EARNINGS TO FIXED CHARGES

The ratio of earnings to fixed charges (unaudited) for the six months ended September 30, 1993 and 1992, and for each of the past five fiscal years ended March 31 is as follows:

<TABLE>
<CAPTION>

	COMPANY						PREDECESSOR	
	SIX MONTHS ENDED SEPTEMBER 30,		FOR THE YEAR ENDED MARCH 31,			NINE MONTHS ENDED MARCH 31,	THREE MONTHS ENDED JUNE 30,	YEAR ENDED MARCH 31,
	1993	1992	1993	1992	1991	1990	1989	1989
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Ratio of earnings to fixed charges........	3.4x	3.3x	3.4x	1.4x	1.2x	(1)	(1)	3.2x

</TABLE>

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(1) Earnings were insufficient to cover fixed charges for the nine months ended March 31, 1990 and the three months ended June 30, 1989, by $364,000 and $4,095,000, respectively.

The ratio of earnings to fixed charges has been computed by dividing (i) income before taxes and fixed charges, exclusive of interest capitalized during the year by (ii) fixed charges. Fixed charges include interest expense, amortization of debt expense and discount/premium relating to indebtedness, and the amount of lease and rental expenses deemed representative of the interest portion thereof.

DESCRIPTION OF SECURITIES AND INDENTURE

The following describes certain provisions of the Securities and the Indenture (as defined below). It does not purport to be complete and is qualified in its entirety by reference to the provisions of the Securities and the Indenture. Where particular provisions or terms used in the Indenture are referred to, the actual provisions (including definitions of terms) are incorporated by reference. The Prospectus Supplement for each series of Securities will describe any provisions of the Indenture relating to such series of Securities which materially differ from the description thereof in this Prospectus.

The Securities are to be issued in one or more series under an indenture to be dated as of January 1, 1994 (as the same may be supplemented by a supplemental indenture described in any Prospectus Supplement for any series of Securities, the "Indenture"), between the Company and Comerica Bank as trustee (the "Trustee"). A copy of the form of the Indenture is filed as an exhibit to the Registration Statement of which this Prospectus forms a part. The following summaries of certain provisions of the Indenture and the Securities are not complete and are qualified in their entirety by reference to the provisions of the Indenture. Numerical references in parentheses are to sections in the Indenture and unless otherwise indicated capitalized terms have the meanings given them in the Indenture.

GENERAL

The Securities are unsecured and senior obligations of the Company and will rank pari passu with all other unsecured and senior indebtedness of the Company. The Company conducts a substantial portion of its operations through its subsidiaries. The Securities will be effectively subordinated to indebtedness and other liabilities of the Company's subsidiaries. The Company's rights and the rights of its creditors, including Holders of the Securities, to participate in the distribution of assets of any subsidiary upon such subsidiary's liquidation or reorganization will be subject to prior claims of the subsidiary's creditors, including trade creditors, except to the extent that the Company may itself be a creditor with recognized claims against such subsidiary (in which case the claims of the Company would still be subject to the prior claims of any secured creditor of such subsidiary and any holder of indebtedness of such subsidiary that is senior to that held by the Company).

The Indenture does not limit the amount of debt which the Company or its subsidiaries may incur under the Indenture or otherwise, or limit the amount of dividends or other distributions which the Company may declare or pay.

Reference is made to the Prospectus Supplement relating to the particular series of Securities offered for a description of the terms of the Securities in respect of which this Prospectus and such Prospectus Supplement are being delivered, including, where applicable: (i) the designation, aggregate principal amount and authorized denominations of such series of Securities; (ii) any limit on the aggregate principal amount of such series of Securities; (iii) if other than 100%, the price (expressed as a percentage of the aggregate principal amount thereof) at which such series of Securities will be issued; (iv) the rate per annum at which the Securities of such series will bear interest, if any, or the method of determining such rate and the date or dates from which such interest will accrue; (v) the dates on which such interest, if any, will be payable (or the manner of determining the same) and the Regular Record Dates for the Interest Payment Dates for Securities which are Registered Securities; (vi) the date (or the manner of determining the date or dates) on which the Securities of such series will mature; (vii) if other than the principal amount thereof, the portion of the principal amount of Securities of such series which will be payable upon a declaration of the maturities thereof; (viii) the place or places where the principal of (and premium, if any) and interest, if any, on the Securities of the series will be payable and each office or agency where the Securities may be presented for transfer or exchange; (ix) any index used to determine the amount of payments of principal of (and premium, if any) or interest, if any, on the Securities; (x) if the amounts of payments of principal of, premium, if any, or interest, if any, on the Securities of the series may be, at the election of the Company or a Holder thereof, determined with reference to an index based on a currency (including a composite currency) other than that in which the Securities of the series are stated to be payable, the manner in which such amounts are to be determined; (xi) any provisions for payment of additional amounts for taxes and any provision for redemption, in the event the Company must comply with reporting requirements in respect of any Security or must pay such additional amounts in respect of any Security; (xii) the terms and conditions, if any, on which each Security of such series may be redeemed or prepaid by the Company; (xiii) the obligation, if any, of the Company to redeem, repay or purchase any of the Securities of such series pursuant to any sinking fund or at the option of a Holder thereof, and the terms and conditions on which such Securities shall be redeemed, repaid or purchased pursuant to such obligation or option, as the case may be; (xiv) the terms for defeasance, if any; (xv) the currency or currencies (including ECU) in which such Securities may be purchased, and the currency or currencies (including ECU) in which the principal of and premium, if any, and any interest on such Securities may be payable; (xvi) if the currency for which such series of Securities may be purchased or in which the principal of and premium, if any, and any interest on such Securities may be payable is at the Holder's election, the manner of such election; (xvii) whether such Securities are to be issuable as Registered Securities, Bearer Securities or both and the terms upon which any Bearer Securities of such series may be exchanged for Registered Securities of such series; (xviii) any additional Events of Default (as defined herein), remedies or covenants provided for with respect to such Securities; and (xix) any other terms of such Securities not inconsistent with the Indenture, including any terms which may be required by, or advisable under, United States laws or regulations.

One or more series of Securities may be sold at a substantial discount below their stated principal amount, bearing no interest or interest at a rate which at the time of issuance is below market rates. One or more series of Securities may be floating rate debt securities, exchangeable for fixed rate debt securities. Federal income tax consequences and special considerations applicable to any such series will be described in the Prospectus Supplement relating thereto.

The Securities may be issuable as Registered Securities, Bearer Securities or both. Bearer Securities, subject to certain exceptions, will not be offered or sold to persons who are within the United States or to United States persons. See "Limitations on Issuance of Bearer Securities." Securities of a series may be issuable in whole or in part in the form of one or more global securities ("Global Securities"), as described below under "Global Securities." Unless the Prospectus Supplement relating thereto specifies otherwise, Registered Securities denominated in U.S. dollars will be issued only in denominations of $1,000 or an integral multiple thereof, and Bearer Securities denominated in U.S. dollars will be issued only in denominations of $5,000. The Pricing Supplement or Prospectus Supplement relating to a series of Securities denominated in a foreign currency or currency unit will specify the denominations thereof. If Global Securities are issued, one or more Global Securities will be issued in a denomination or aggregate denominations equal to the aggregate principal amount of Outstanding Securities of the series to be represented by such Global Security or

Securities. The Prospectus Supplement relating to a series of Securities denominated in a foreign or composite currency will specify the denomination thereof. No service charge will be made for any transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith (Indenture, Sections 301 and 305).

In connection with its sale during the "restricted period" as defined in Section 1.163-5(c)(2)(i)(D)(7) of the United States Treasury regulations (generally, the first 40 days after the closing date and with respect to unsold allotments, until sold), no Bearer Security shall be mailed or otherwise delivered to any location in the United States (as defined below under "Limitations on Issuance of Bearer Securities") and any such Bearer Security (other than a temporary Global Security in bearer form) may be delivered only if the person entitled to receive such Bearer Security furnishes written certification, in the form required by the Indenture, to the effect that such Bearer Security is not being acquired by or on behalf of a United States person (as defined below under "Limitations on Issuance of Bearer Securities") or, if a beneficial interest in such Bearer Security is being acquired by or on behalf of a United States person, that such United States person is a person described in Section 1.163-5(c)(2)(i)(D)(6) of the United States Treasury regulations or is a financial institution who has purchased such Bearer Security for resale during the restricted period and who certifies that it has not acquired such Bearer Security for purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions. See "Global Securities" and "Limitations on Issuance of Bearer Securities."

At the option of the Holder upon request confirmed in writing, and subject to the terms of the Indenture, Bearer Securities (with all unmatured coupons, except as provided below) of any series will be exchangeable into an aggregate principal amount of Registered Securities (if the Securities of such series are issuable as Registered Securities) or Bearer Securities of the same series (with the same interest rate and maturity date) and Registered Securities of any series (other than a Global Security) will be exchangeable into an equal aggregate principal amount of Registered Securities of the same series (with the same interest rate and maturity date) of different authorized denominations. If a Holder surrenders Bearer Securities in exchange for Registered Securities between a regular Record Date or, in certain circumstances, a Special Record Date, and the relevant interest payment date, such Holder will not be required to surrender the coupon relating to such interest payment date. Registered Securities may not be exchanged for Bearer Securities (Indenture, Section 305).

Securities may be presented for exchange, and Registered Securities (other than a Global Security) may be presented for transfer (with the form of transfer endorsed thereon duly executed) at the office of any transfer agent or at the office of the Security Registrar, without service charge and upon payment of any taxes and other governmental charges as described in the Indenture. Such transfer or exchange will be effected by the transfer agent or the Security Registrar, as the case may be, being satisfied with the documents of title and identity of the person making the request (Indenture, Section 305). Bearer Securities will be transferable by delivery.

PAYMENT AND PAYING AGENTS

Payment of principal of and premium, if any, on Registered Securities will be made in the designated currency against surrender of such Registered Securities at the Corporate Trust Office of the Trustee with respect thereto in Detroit, Michigan. Unless otherwise indicated in the related Prospectus Supplement, payment of any installment of interest on a Registered Security will be made to the person in whose name such Security is registered at the close of business on the Regular Record Date for such interest. Unless otherwise indicated in the related Prospectus Supplement, payments of such interest will be made at the Corporate Trust Office of the Trustee for such Security in Detroit, Michigan or, at the Company's option, by a check in the designated currency mailed to the Holder at such Holder's registered address or by transfer to an account in the designated currency maintained by the payee (Indenture, Sections 307 and 1001).

Payment of principal of and premium, if any, and interest on Bearer Securities will be payable in the currency designated in the applicable Pricing Supplement or related Prospectus Supplement, subject to any applicable laws and regulations, at such paying agencies outside the United States as the Company may

appoint from time to time. Such payment may be made, at the option of the Holder, by a check in the designated currency or by transfer to an account in the designated currency maintained by the payee with a bank located outside the United States. No payment of interest on a Bearer Security will be made unless on the earlier of the date of the first such payment by the Company or the date of delivery by the Company of a definitive Bearer Security, including a permanent Global Security, a written certificate, in the form required by the Indenture, is provided to the Company stating that on such date the Bearer Security is not owned by or on behalf of a United States person or, if a beneficial interest in such Bearer Security is owned by or on behalf of a United States person, that such United States person is a person described in Section 1.163-5(c)(2)(i)(D)(6) of the United States Treasury regulations or is a financial institution who has purchased such Bearer Security for resale during the restricted period and who certifies that it has not acquired such Bearer Security for purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions. No payment with respect to any Bearer Security will be made at the Corporate Trust Office of the Trustee or any other paying agency maintained by the Company in the United States nor will any such payment be made by transfer to an account or by mail to an address in the United States. Notwithstanding the foregoing, payments of principal of and premium, if any, and interest on Bearer Securities denominated and payable in U.S. dollars will be made at the Corporate Trust Office of the Trustee with respect thereto in Detroit, Michigan if payment of the full amount thereof in U.S. dollars at all paying agencies outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions (Indenture, Section 1002).

The Paying Agents outside the United States initially appointed by the Company for a series of Securities will be named in the related Prospectus Supplement. The Company may terminate the appointment of any of the Paying Agents from time to time, except that the Company will maintain at least one Paying Agent in The City of New York for payments with respect to Registered Securities and at least one Paying Agent in a city in Europe so long as any Bearer Securities are outstanding where Bearer Securities may be presented for payment and may be surrendered for exchange, provided that so long as any series of Securities is listed on the Luxembourg Stock Exchange or any other stock exchange located outside the United States and such stock exchange shall so require, the Company will maintain a Paying Agent in Luxembourg or any other required city located outside the United States, as the case may be, for such series of Securities (Indenture, Section 1002).

All monies paid by the Company to a Paying Agent for the payment of principal of or premium, if any, or interest on any Security that remain unclaimed at the end of two years after such principal, premium or interest shall have become due and payable will be repaid to the Company and the Holder of such Security or any coupon appertaining thereto will thereafter look only to the Company for payment thereof (Indenture, Section 1003).

GLOBAL SECURITIES

The Securities of a series may be issued in whole or in part in the form of one or more Global Securities that will be deposited with, or on behalf of, a depositary (the "Depositary") identified in the Prospectus Supplement relating to such series. Global Securities may be issued in either registered or bearer form and in either temporary or permanent form. Permanent Global Securities will be issued in definitive form. Unless and until exchanged in whole or in part for other Securities in definitive form, a Global Security may not be transferred except as a whole by the Depositary for such Global Security to a nominee of such Depositary or by a nominee of such Depositary to such Depositary or another nominee of such Depositary or by such Depositary or any such nominee to a successor of such Depositary or a nominee of such successor (Indenture, Sections 201, 203, 303, 304 and 305).

The specific terms of the depositary arrangement with respect to a series of Securities will be described in the Prospectus Supplement relating to such series. The Company anticipates that the following provisions will apply to all depositary arrangements.

Upon the issuance of a Global Security, the Depositary for such Global Security will credit, on its book-entry registration and transfer system, the respective principal amounts of the Securities represented by such

Global Security to the accounts of institutions that have accounts with such Depositary ("participants"). The accounts to be credited shall be designated by the underwriters or agents of such Securities or by the Company if such Securities are offered and sold directly by the Company. Ownership of beneficial interest in a Global Security will be limited to participants or persons that may hold interest through participants, however, the Company has no obligations to any persons that hold interests through participants. Ownership of beneficial interests in such Global Security will be shown on, and the transfer of that ownership will be effected only through, records maintained by the Depositary for such Global Security or by participants or persons that hold through participants. The laws of some states require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability to transfer beneficial interests in a Global Security.

So long as the Depositary for a Global Security, or nominee, is the owner of such Global Security, such Depositary or such nominee, as the case may be, will be considered the sole owner or holder of the Securities represented by such Global Security for all purposes under the Indenture. Except as provided below, owners of beneficial interests in a Global Security will not be entitled to have Securities of the series represented by such Global Security registered in their names, will not receive or be entitled to receive physical delivery of Securities of such series in definitive form and will not be considered the owners or holders thereof under the Indenture. Accordingly, each person owning a beneficial interest in a Global Security must rely on the procedures of the Depositary for such Global Security and, if such person is not a participant, on the procedures of the participant through which such person owns its interest, to exercise any rights of a Holder under the Indenture. The Company understands that under existing industry practices, if the Company requests any action of Holders or if any owner of a beneficial interest in a Global Security desires to give or take any action which a Holder is entitled to give or take under the Indenture, the Depositary for such Global Security would authorize the participants holding the relevant beneficial interests to give or take such action, and such participants would authorize beneficial owners owning through such participants to give or take such action or would otherwise act upon the instruction of beneficial owners holding through them.

Subject to the restriction discussed above under "Payment and Paying Agents," principal of, and premium, if any, and interest on, Securities registered in the name of or held by a Depositary or its nominee will be made to the Depositary or its nominee, as the case may be, as the registered owner or the holder of the Global Security representing such Securities. None of the

Company, the Trustee, any Paying Agent or the Security Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of the Global Security for such Securities or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Company expects that the Depositary for a series of Securities, upon receipt of any payment of principal, premium or interest in respect of a permanent Global Security, will credit immediately participants' accounts with payments in amounts proportionate to their respective beneficial interest in the principal amount of such Global Security as shown on the records of such Depositary. The Company also expects that payments by participants to owners of beneficial interests in such Global Security held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such participants. Receipt by owners of beneficial interests in a temporary Global Security of payments in respect of such temporary Global Security will be subject, in the case of a Global Security representing Bearer Securities, to the furnishing of the certificate described above under "Payment and Paying Agents." However, the Company has no control over the practices of the Depositary and/or the participants and there can be no assurance that these practices will not change.

If a Depositary for a series of Securities is at any time unwilling or unable to continue as depositary and a successor depositary is not appointed by the Company within 90 days, the Company will issue Securities of such series in definitive form in exchange for the Global Security representing the Securities of such series. In addition, the Company may at any time and in its sole discretion determine not to have any Securities of a series represented by one or more Global Securities and, in such event, will issue Securities of such series in definitive form in exchange for the Global Security or Securities representing such Securities. Further, if the Company so specifies with respect to the Securities of a series, an owner of a beneficial interest in a Global

Security representing Securities of such series may, on terms acceptable to the Company and the Depositary for such Global Security, receive Securities of such series in definitive form. In any such instance, an owner of a beneficial interest in a Global Security will be entitled to physical delivery in definitive form of Securities of the series represented by such Global Security equal in principal amount to such beneficial interest and to have such Securities registered in its name (if the Securities of such series are issuable as Registered Securities). Securities of such series so issued in definitive form will be issued (a) as Registered Securities in denominations, unless otherwise specified by the Company, of $1,000 and integral multiples thereof if the Securities of such series are issuable as Registered Securities and are denominated in U.S. dollars, (b) as Bearer Securities in denominations, unless otherwise specified by the Company, of $5,000 and integral multiples thereof if the Securities of such series are issuable as Bearer Securities and are denominated in U.S. dollars or (c) as either Registered or Bearer Securities, if the Securities of such series are issuable in either form (Indenture, Sections 302, 304 and 305). See, however, "Limitations on Issuance of Bearer Securities" below for a description of certain restrictions on the issuance of a Bearer Security in definitive form in exchange for an interest in a temporary Global Security.

CERTAIN COVENANTS

General

The Indenture requires the Company to covenant to the following with respect to each series of Securities: (i) to pay duly and punctually the principal of (and premium, if any) and interest on such series of Securities and comply with all other terms, agreements and conditions contained therein, or made in the Indenture for the benefit of the Securities of each series; (ii) to maintain an office or agency in each place where Securities may be presented, surrendered for payment, transferred or exchanged and where notices upon the Company may by served; (iii) if the Company shall act as its own Paying Agent for any series of Securities, to segregate and hold in trust for the benefit of the persons entitled thereto a sum sufficient to pay the principal (and premium, if any) and/or interest so becoming due; (iv) to deliver to the Trustee, within 120 days after the end of each fiscal year a written statement to the effect that the Company has fulfilled all of its obligations under the Indenture throughout such year; and (v) to preserve its corporate existence (Indenture, Sections 1001, 1002, 1003, 1004, and 1005).

Payment of Additional Amounts

If and to the extent specified in the related Prospectus Supplement, the Company will, subject to the exceptions and limitations set forth below, pay to the Holder of any Security or coupon who is a United States Alien (as defined below) such additional amounts as may be necessary in order that every net payment on such Security or coupon, after withholding by the Company or any of its Paying Agents for or on account of any present or future tax, assessment or other governmental charge imposed upon or as a result of such payment by the United States (or any political subdivision or taxing authority thereof or therein) will not be less than the amount provided for in such Security or in such coupon to be then due and payable. However, the Company will not be required to make any payment of additional amounts for or on account of:

(1) any tax, assessment or other governmental charge that would not have been so imposed but for (i) the existence of any present or former connection between such Holder (or between a fiduciary, settlor or beneficiary of, or a person holding a power over, such Holder, if such Holder is an estate or trust, or a member or shareholder of such Holder, if such Holder is a partnership or corporation) and the United States, including without limitation such Holder (or such fiduciary, settlor, beneficiary, person holding a power, member or shareholder) being or having been a citizen, resident or treated as a resident thereof or being or having been engaged in a trade or business or present therein or having or having had a permanent establishment therein, or (ii) such Holder's present or former status as a personal holding company, foreign personal holding company, controlled foreign corporation or passive foreign investment company with respect to the United States federal income tax;

(2) any tax, assessment or other governmental charge which would not have been so imposed but for the presentation by the Holder of such Security or coupon for payment on a date more than 10 days

after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;

(3) any estate, inheritance, gift, sales, transfer, personal property tax or any similar tax, assessment or other governmental charge;

(4) any tax, assessment or other governmental charge that is payable otherwise than by withholding from a payment on a Security or coupon;

(5) any tax, assessment or other governmental charge imposed on a Holder of a Security or coupon that actually or constructively owns 10% or more of the total combined voting power of all classes of stock of the Company entitled to vote within the meaning of Section 871(h)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), or that is a controlled foreign corporation related to the Company through stock ownership;

(6) any tax, assessment or other governmental charge imposed as a result of the failure to comply with applicable certification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connection with the United States of the Holder or beneficial owner of the Security or coupon, if such compliance is required by statute or by regulation of the United States as a precondition to relief or exemption from such tax, assessment or other governmental charge;

(7) any tax, assessment or other governmental charge required to be withheld by any Paying Agent from any payment on a Security or coupon if such payment can be made without such withholding by at least one other Paying Agent;

(8) any tax, assessment or other governmental charge imposed with respect to payments on any Registered Security by reason of the failure of the Holder to fulfill the statement requirement of Sections 871(h) or 881(c) of the Code; or

(9) any combination of items (1), (2), (3), (4), (5), (6), (7) and (8);

nor will additional amounts be paid with respect to any payment on a Security or coupon to a Holder who is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent such payment would be required by the laws of the United States (or any political subdivision thereof) to be included in the income for federal income tax purposes of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to payment of the additional amounts had such beneficiary, settlor, member or beneficial owner been the Holder of such Security or coupon.

As used herein, "United States Alien" means any person who, for United States federal income tax purposes, is a foreign corporation, a nonresident alien individual, a nonresident alien fiduciary of a foreign estate or trust, or a foreign partnership one or more of the members of which is, for United States federal income tax purposes, a foreign corporation, a nonresident alien individual or a nonresident alien fiduciary of a foreign estate or trust.

Limitation on Liens

The Company will not, and will not permit any Subsidiary (as defined below), directly or indirectly, to create, incur, assume or permit to exist any Lien (as defined in the Indenture) on or with respect to any property or assets of the Company or any Subsidiary or any interest therein or any income or profits therefrom, unless the Securities are secured equally and ratably with (or prior to) any and all other indebtedness secured by such Lien, except for (i) any Lien securing indebtedness incurred to finance the purchase price or cost of construction of property (or additions, substantial repairs, alterations or substantial improvements thereto), provided that such Lien and the indebtedness secured thereby are incurred within twelve months of the later of acquisition or completion of construction (or addition, repair, alteration or improvement) and full operation thereof, and provided, further, that such Lien does not relate to any property acquired or constructed by the Company or a Subsidiary pursuant to clause (iii)(B) of "-- Limitation on Sale and Lease-Back Transactions"; (ii) any Lien arising in the ordinary course of business, other than in connection with indebtedness for borrowed money; (iii) any Lien on property or assets acquired by the Company or any Subsidiary after the

date of issuance of the Securities, provided that such Lien existed on the date such property or assets were acquired, and provided, further that, except as provided in clause (i) above, such Lien was incurred prior to, and not in anticipation of, such acquisition; (iv) any Lien on the property or assets of, or on the shares of stock of, any corporation or entity existing at the time such corporation or entity first becomes a Subsidiary, provided that such Lien was incurred prior to, and not in anticipation of, such corporation or entity becoming a Subsidiary; (v) any Lien existing on the date of the Indenture; (vi) any Lien arising out of judgments or awards against the Company or any Subsidiary with respect to which the Company or such Subsidiary shall in good faith be prosecuting an appeal or proceedings for review, or Liens which are discharged within 60 days of entry of judgment or Liens (including, without limitation, appellate bonds) incurred by the Company or a Subsidiary for the purpose of obtaining a stay or discharge in the course of any ongoing legal proceeding to which the Company or such Subsidiary is a party; (vii) any Lien for taxes not yet due and payable by the Company or any Subsidiary or which the Company or such Subsidiary is contesting in good faith; (viii) any Lien in favor of the Company or a Subsidiary; (ix) any Lien (other than a Lien permitted under any of clauses (i) through (viii) of this paragraph) securing indebtedness of the Company or any Subsidiary, provided that the total outstanding indebtedness (including the fair value of all Sale and Lease-Back Transactions permitted under clause (i) of "-- Limitation on Sale and Lease-Back Transactions" but excluding any obligations associated with such Sale and Lease-Back Transactions) that may be secured under this clause (ix) may not exceed 15% of the Consolidated Net Tangible Assets of the Company (as defined in the Indenture) and its Subsidiaries at the end of the most recent fiscal quarter; (x) any Lien extending, renewing or replacing any Lien permitted by clauses (i) through (ix) above; and (xi) any Lien securing indebtedness the proceeds of which are deposited, promptly upon receipt, with the Trustee solely for the purpose of effecting a legal defeasance or covenant defeasance as set forth under "-- Satisfaction and Discharge" and "-- Defeasance of Certain Obligations".

In the case of Liens permitted under clauses (i), (iii) and (iv), such Liens may not relate to any property or assets of the Company or a Subsidiary other than the property so acquired, constructed, added, repaired, altered or improved, as the case may be. In the case of Liens permitted under clause (x), such Liens (A) may not relate to any property or assets of the Company or a Subsidiary other than the property or assets to which the Lien being extended, renewed or replaced relates to, and (B) may not secure indebtedness in excess of that secured by the Lien being extended, renewed or replaced. In addition, if any Lien permitted under clause (ix) is extended, renewed or replaced pursuant to clause (x), then the aggregate amount of indebtedness secured by all such extended, renewed or replaced Liens (originally permitted under clause (ix)) shall be included thereafter in all calculations of Liens permitted under clause (ix).

As used in this Prospectus, the term "Subsidiary" means a corporation or other entity 50% or more of the outstanding voting stock or other voting interest of which is owned, directly or indirectly, by the Company or by one or more other Subsidiaries, or by the Company and one or more other Subsidiaries.

Limitation on Sale and Lease-Back Transactions

The Company will not, nor will it permit any Subsidiary, directly or indirectly, to enter into, assume, guarantee, or otherwise become liable with respect to any Sale and Lease-Back Transaction (as defined below); provided, however, that the Company or any Subsidiary may enter into (i) a Sale and Lease-Back Transaction that, had such Sale and Lease-Back Transaction been structured as a mortgage rather than as a Sale and Lease-Back Transaction, the Company or such Subsidiary would have been permitted to enter into such transaction without at least equally and ratably securing (or granting priority to) the Securities of all series pursuant to the terms of the Indenture described under the caption "Limitation on Liens;" (ii) a Sale and Lease-Back Transaction between or among the Company and any of its Subsidiaries or between or among Subsidiaries; and (iii) a Sale and Lease-Back Transaction, provided that, the proceeds of the sale of the property or assets to be leased are at least equal to the fair value (the fair value of such proceeds, if other than cash, to be determined by the chief financial officer of the Company) and an amount equal to such net proceeds is applied within 180 days of the effective date of such Sale and Lease-Back Transaction to (A) the retirement (other than any mandatory retirement and other than any prohibited retirement of securities) of indebtedness for borrowed money (including the Securities) incurred or assumed by the Company or any

Subsidiary (other than indebtedness for borrowed money owed to the Company or any Subsidiary) which by its terms matures on, or is extendible or renewable at the option of the obligor to, a date more than 12 months after the date of the creation of such indebtedness and, in the case of such indebtedness of the Company, which ranks on a parity with, or senior in right of payment to, the Securities or (B) the purchase or construction of other property, provided, that, upon the completion of such purchase or construction, such property is owned by the Company or a Subsidiary free and clear of all Liens. For the purposes of this paragraph, a Sale and Lease-Back Transaction means any arrangement with any person or entity providing for the leasing to the Company or a Subsidiary for a period of more than three years of any property which has been or is to be sold or transferred by the Company or such Subsidiary to such person or entity or to any other person or entity to which funds have been or are to be advanced by such person or entity on the security of the leased property.

CONSOLIDATION, MERGER AND SALE OF ASSETS

The Company may not consolidate with or merge into any other person or entity, and the Company may not, directly or indirectly, sell, convey, transfer or lease all or substantially all of its properties and assets to, any person or entity, unless (a) the person or entity formed by or surviving such consolidation or merger or the person or entity which acquires or leases all or substantially all of the properties and assets of the Company (i) is organized and existing under the laws of any United States jurisdiction; and (ii) expressly assumes, by supplemental indenture in a form reasonably satisfactory to the Trustee, all of the Company's obligations on the Securities and under the Indenture, and (b) after giving effect to such transaction no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing.

EVENTS OF DEFAULT

The following are defined in the Indenture as Events of Default with respect to each series of Securities: (a) failure to pay principal or premium, if any, when due, whether at maturity or otherwise; (b) failure to pay any interest within 30 days of the date when due; (c) failure to make or satisfy any sinking or purchase fund payment when due; (d) failure to observe or perform any other covenant contained in the Indenture for the benefit of such series, continued for 60 days after written notice from the Trustee or the Holders of at least 25% in principal amount of the Outstanding Securities of such series; (e) a default under any evidence of indebtedness for money borrowed (other than the Securities) by the Company or any Subsidiary or under any mortgage, indenture or instrument (other than the Indenture or the Securities), which default shall constitute a failure to pay any portion of the principal of such indebtedness in an amount exceeding $20,000,000 when due and payable after the expiration of any applicable grace period with respect thereto or shall have resulted in such indebtedness in an aggregate amount exceeding $20,000,000 becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable, without such indebtedness having been discharged, or such acceleration having been rescinded or annulled, within a period of 10 days after the date on which payment is due or the date of such acceleration; and (f) certain events of bankruptcy, insolvency or reorganization. No Event of Default with respect to a particular series of Securities issued under the Indenture necessarily constitutes an Event of Default with respect to any other series of Securities issued thereunder. Additional Events of Default may be established for particular series of Securities.

If, an Event of Default described in the preceding paragraph in clauses (a), (b), (c), or (d), (if the Event of Default under such clause (d) is with respect to less than all series of Securities then Outstanding) occurs and is continuing with respect to any series of Securities, the Trustee or the Holders of not less than 25% in principal amount of the Securities of such series then Outstanding (each series acting as a separate class) may declare the principal amount of all the Securities of such series, and the interest accrued thereon, to be due and payable immediately. If an Event of Default described in clause (d) (if the Event of Default under such clause (d) is with respect to all series of Securities then Outstanding) or (e) occurs and is continuing, the Trustee or the Holders of not less than 25% in principal amount of all Securities then Outstanding (treated as one class) may declare the principal amount of all Securities then Outstanding, and

the interest accrued thereon, to be due and payable immediately. If a default of the type described in clause (f) shall occur and be continuing, the principal amount of all series of Securities then Outstanding, and the interest accrued thereon, if any, shall immediately become due and payable. However, at any time after a declaration of acceleration with respect to any series of Securities has been made, but before a judgment or decree based on such declaration has been obtained, the Holders of a majority in principal amount of the outstanding Securities of that series may under certain circumstances rescind and annul such acceleration. Holders of Securities may not enforce the Indenture or the Securities, except as provided in the Indenture. The Trustee may require indemnity satisfactory to it before it enforces the Indenture or the Securities. Subject to certain limitations, Holders of a majority in principal amount of the outstanding Securities of a particular series may direct the Trustee in its exercise of any trust or power.

The Company will furnish the Trustee with an annual certificate of certain of its officers certifying, to the best of its knowledge, whether the Company is in default and specifying the nature and status of any such default. The Trustee may withhold from Holders of Securities notice of any continuing default (except a default in payment) if it determines in good faith that the withholding of such notice is in the interest of such Holders.

A judgment for money damages by courts in the United States, including a money judgment based on an obligation expressed in a foreign currency, ordinarily will be rendered only in U.S. dollars. If, for the purpose of obtaining a judgment in any court with respect to any obligation of the Company under the Indenture, any Security, or any related coupon, as the case may be, it becomes necessary to convert into any other currency or currency unit any amount in the currency or currency unit due under the Indenture, such Security or coupon, as the case may be, the conversion will be made by the Currency Determination Agent appointed pursuant to the Indenture with respect to such Security at the Market Exchange Rate in effect on the date of entry of the judgment (the "Judgment Date"). If pursuant to any such judgment, conversion is made on a date (the "Substitute Date") other than the Judgment Date and a change has occurred between the Market Exchange Rate in effect on the Judgment Date and the Market Exchange Rate in effect on the Substitute Date, the Indenture requires the Company to pay such additional amounts (if any) as may be necessary to ensure that the amount paid is equal to the amount in such other currency or currency unit which, when converted at the Market Exchange Rate in effect on the Judgment Date, is the amount then due under the Indenture, such Security or coupon, as the case may be. The Company will not, however, be required to pay more in the currency or currency unit due under the Indenture, such Security or coupon, as the case may be, at the Market Exchange Rate in effect on the Judgment Date than the amount of currency or currency unit stated to be due under the Indenture, such Security or coupon, as the case may be, and the Company will be entitled to withhold (or be reimbursed for, as the case may be), any excess of the amount actually realized upon any such conversion on the Substitute Date over the amount due and payable on the Judgment Date.

Directors, officers, employees or shareholders of the Company will not have any liability for any obligations of the Company under the Securities or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Securities, by accepting a Security, waives and releases all such liability. The waiver and the release are part of the consideration for the issue of the Securities.

SATISFACTION AND DISCHARGE

Except as may otherwise be set forth in the Prospectus Supplement relating to a series of Securities, the Indenture provides that the Company shall be discharged from its obligations under the Securities of such series (with certain exceptions) at any time prior to the Stated Maturity or redemption of the Securities of such series when (a) the Company has irrevocably deposited in a trust fund pursuant to the terms of the Indenture, (i) sufficient funds in the currency, currencies, currency unit or units in which the Securities of such series are payable to pay the principal of (and premium, if any) and interest, if any, to Stated Maturity (or redemption) on the Securities of such series; or (ii) such amount of direct obligations of, or obligations the principal of (and premium, if any) and interest, if any, on which are fully guaranteed by the government which issued the currency, and are payable in the currency in which the Securities of such series are payable, and which are not subject to prepayment, redemption or call, as will, together with the predetermined and certain

income to accrue thereon without consideration of any reinvestment thereof, be sufficient to pay and discharge when due the principal of (and premium, if any) and interest, if any, to Stated Maturity (or redemption) on, the Securities of such series; or, (iii) such amount equal to the amount referred to in clause (i) or (ii) in any combination of currency or currency unit or government obligations; (b) the Company has paid all other sums payable with respect to the Securities of such series; (c) unless otherwise set forth in such Prospectus Supplement, the Company has delivered to the Trustee an opinion of counsel to the effect that (i) the Company has received from, or there has been published by, the Internal Revenue Service a ruling, or (ii) since the date of the Indenture there has been a change in applicable United States federal income tax law, in either case to the effect that, and based upon which such opinion of counsel shall confirm that, the Holders of Securities of such series will not recognize income, gain or loss for United States federal income tax purposes as a result of such discharge and will be subject to United States federal income tax on the same amount and in the same manner and at the same time as would have been the case if such discharge had not occurred and (d) certain other conditions are met. Upon such discharge, the Holders of the Securities of such series shall no longer be entitled to the benefits of the Indenture, except for certain rights, including registration of transfer and exchange of the Securities of such series and replacement of mutilated, destroyed, lost or stolen Securities, and shall look only to such deposited funds or obligations.

DEFEASANCE OF CERTAIN OBLIGATIONS

If the terms of the Securities of any series so provide, the Company may omit to comply with certain designated covenants in the Indenture and any such omission with respect to such covenants shall not be an Event of Default with respect to the Securities of such series, if (a) the Company deposits or causes to be deposited in a trust fund pursuant to the terms of the Indenture an amount of (i) cash in the currency or currency unit in which the Securities of such series are payable (except as otherwise specified with respect to the Securities of such series); (ii) government obligations of the type referred to above under "Satisfaction and Discharge;" or (iii) a combination of such cash and government obligations, which amount, in the case of (ii) or (iii), together with the predetermined and certain income to accrue on any such government obligations when due (without the consideration of any reinvestment thereof), is sufficient to pay and discharge when due the entire indebtedness on all such Outstanding Securities of such series and any related coupons for unpaid principal (and premium, if any) and interest, if any, to the Stated Maturity or any Redemption Date, as the case may be and (b) certain other conditions are met. The obligations of the Company under the Indenture with respect to the Securities of such series other than with respect to the covenants referred to above shall remain in full force and effect.

MODIFICATION AND WAIVER; MEETINGS

Modifications and amendments of the Indenture may be made by the Company and the Trustee with the consent of the Holders of more than 50% in principal amount of the Outstanding Securities of each series issued under the Indenture affected by such modification or amendment; provided, however, that no such modification or amendment may, without the consent of the Holder of each Outstanding Security affected thereby, (a) change the Stated Maturity of the principal of, or any installment of principal of or interest, if any, on any Security; (b) reduce the principal amount of or rate of interest, if any, on any Security, or any premium payable upon the redemption thereof; (c) reduce the amount of principal of an Original Issue Discount Security payable upon acceleration of the Maturity thereof; (d) change the Place of Payment; (e) change the currency or currency unit of payment of principal of (or premium, if any) or interest, if any, on any Security; (f) impair the right to institute suit for the enforcement of any payment on or with respect to any Security on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date); or (g) reduce the percentage in principal amount of Outstanding Securities of any series, the consent of the Holders of which is required for modification or amendment of the applicable Indenture or for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults.

The Holders of not less than a majority in principal amount of the Outstanding Securities of any series may on behalf of the Holders of all Securities of that series waive, insofar as that series is concerned, compliance by the Company with certain restrictive provisions of the Indenture. The Holders of not less than a

majority in principal amount of the Outstanding Securities of any series may on behalf of the Holders of all Securities of that series and any coupons appertaining thereto waive any past default under the Indenture with respect to that series, except a default in the payment of the principal of (or premium, if any) and interest, if any, on any Security of that series or in respect of a provision which under the Indenture cannot be modified or amended without the consent of the Holder of each Outstanding Security of that series affected. The Indenture and the Securities may be amended or supplemented, without the consent of any Holder of Securities to cure any ambiguity or inconsistency or to make any change that does not have a materially adverse effect on the right of any Holder of Securities.

The Indenture contains provisions for convening meetings of the Holders of Securities of a series if Securities of that series are issuable as Bearer Securities. A meeting may be called at any time by the Trustee and also upon request by the Company or the holders of at least 10% in principal amount of the Outstanding Securities of such series, in any such case upon notice given in with "Notices" below. Any resolution passed or decision taken at any meeting of holders of Securities of any series duly held in accordance with the Indenture will be binding on all holders of Securities of that series and the related coupons. The quorum at any meeting called to adopt a resolution, and at any reconvened meeting, will be persons holding or representing a majority in principal amount of the Outstanding Securities of a series.

NOTICES

Except as may otherwise be set forth in the Prospectus Supplement relating to a series of Securities, notices to Holders of Bearer Securities will be given by publication in a daily newspaper in the English language of general circulation in The City of New York and in London, and so long as such Bearer Securities are listed on the Luxembourg Stock Exchange and the Luxembourg Stock Exchange shall so require, in a daily newspaper of general circulation in Luxembourg or, if not practical, elsewhere in Western Europe. Such publication may be made in The Wall Street Journal, The Financial Times and The Luxemburger Wort. Notices to Holders of Registered Securities will be given by mail to the addresses of such Holders as they appear in the Security Register.

TITLE

Title to Bearer Securities and any coupons appertaining thereto will pass by delivery. The Company, the Trustee and any agent of the Company or the Trustee may treat the bearer of any Bearer Security and the bearer of any coupon and the registered owner of any Registered Security as the absolute owner thereof (whether or not such Security or coupon shall be overdue and notwithstanding any notice to the contrary) for the purpose of making payment and for all other purposes.

GOVERNING LAW

The Securities and the Indenture will be governed by and construed in accordance with the laws of the State of Michigan.

CONCERNING THE TRUSTEE

Unless otherwise set forth in the Prospectus Supplement for a particular series of Securities, Comerica Bank is the Trustee under the Indenture and will act as the Trustee under any Supplemental Indenture. Comerica Bank has extended lines of credit to the Company, and, as either principal or fiduciary, also owns or may own debt of the Company. The Company has other customary banking relationships with Comerica Bank in the ordinary course of business. If a bank or trust company other than Comerica Bank is to act as Trustee for a particular series of Securities, information concerning such other Trustee may be set forth in the Prospectus Supplement relating to such Securities.

LIMITATIONS ON ISSUANCE OF BEARER SECURITIES

In compliance with United States federal tax laws and regulations, Bearer Securities may not be offered or sold during the restricted period (as defined under "Description of Securities and Indenture") or delivered in connection with their sale during the restricted period in the United States or its possessions or to United States persons (each as defined below) except to the extent permitted under Section 1.163-5(c)(2)(i)(D) of the United States Treasury regulations (the "D Rules"), and any underwriters, agents and dealers participating in the offering of Securities must agree that they will not offer for sale or resale, or sell, Bearer Securities in the United States or its possessions or to United States persons, except to the extent permitted under the D Rules, nor deliver Bearer Securities within the United States.

Bearer Securities and any coupons appertaining thereto will bear a legend substantially to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code." Under Sections 165(j) and 1287(a) of the Code, and the regulations thereunder, Holders of Bearer Securities that are United States persons, with certain exceptions, will not be allowed to deduct any loss sustained on the sale, exchange, redemption or other disposition of such Bearer Security, and will be taxed at ordinary income rates on any gain (which might otherwise be characterized as capital gain) recognized on such sale, exchange or disposition. In addition, interest on Bearer Securities will be payable only outside the United States.

As used herein, "United States" means the United States of America (including the States and the District of Columbia), and its "possessions," including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands, and "United States person" means an individual who is a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, or any estate or trust the income of which is subject to United States federal income taxation regardless of its source.

PLAN OF DISTRIBUTION

The Company may sell all or part of the Securities from time to time on terms determined at the time such Securities are offered for sale. The Securities may be sold (i) through underwriters or dealers; (ii) through agents; (iii) directly to one or more purchasers; or (iv) through a combination of any such methods of sale. The Prospectus Supplement relating to the particular series of the Securities offered thereby, will set forth the terms of the offering of such series of the Securities, including the name or names of any underwriters, dealers or agents, the purchase price of such Securities, the proceeds to the Company from such sale, any underwriting discounts and other items constituting underwriters' or agents' compensation, any initial public offering price, any discounts or sales agent's commissions or concessions allowed or reallowed or paid to dealers and any securities exchanges on which the Securities of such series may be listed.

The distribution of the Securities may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, or at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices.

If underwriters are used in the sale, the Securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price, or at varying prices determined at the time of sale. The Securities may be offered to the public through underwriting syndicates represented by managing underwriters or by underwriters without a syndicate. Unless otherwise set forth in the related Prospectus Supplement or the applicable Pricing Supplement, the obligations of the underwriters to purchase Securities will be subject to certain conditions precedent and the underwriters will be obligated to purchase all the Securities of a series, if any are purchased. Any initial public offering price and any discounts or concessions allowed or reallowed or paid to dealers may be changed from time to time.

The Securities may be sold directly by the Company or through agents designated by the Company from time to time. Any agent involved in the offer or sale of the Securities in respect of which this Prospectus is

delivered will be named, and any commissions payable by the Company to such agent will be set forth, in the related Prospectus Supplement. Unless otherwise indicated in the related Prospectus Supplement, any such agent will be acting on a best efforts basis for the period of its appointment.

If so indicated in the related Prospectus Supplement, the Company will authorize agents, underwriters or dealers to solicit offers by certain specified entities to purchase Securities from the Company at the public offering price set forth in such Prospectus Supplement pursuant to delayed delivery contracts providing for payment and delivery on a specified date. Such contracts will be subject only to those conditions set forth in the Prospectus Supplement. Such Prospectus Supplement will set forth the commissions payable for solicitation of such contracts.

Agents and underwriters may from time to time purchase and sell Securities in the secondary market, but are not obligated to do so, and there can be no assurance that there will be a secondary market for the Securities or liquidity in the secondary market if one develops. From time to time, agents and underwriters may make a market in the Securities.

Agents and underwriters may be entitled under agreements entered into with the Company to indemnification by the Company against certain civil liabilities, including liabilities under the Securities Act of 1933, or to contribution with respect to payments which the agents or underwriters may be required to make in respect thereof. Agents and underwriters may be customers of, engage in transactions with or perform services for, the Company or its affiliates in the ordinary course of business.

LEGAL OPINIONS

The validity of the Securities will be passed upon for the Company by Clark, Klein & Beaumont, 1600 First Federal Building, Detroit, Michigan 48226 and for any underwriters or agents by Simpson Thacher & Bartlett (a partnership which includes professional corporations), 425 Lexington Avenue, New York, New York 10017.

EXPERTS

The audited consolidated financial statements and schedules of the Company and its Subsidiaries incorporated by reference in this Prospectus and elsewhere in the registration statement have been audited by Arthur Andersen & Co., independent public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said report. Reference is made to said report, which includes an explanatory paragraph with respect to the change in the methods of accounting for income taxes for the year ended March 31, 1993, and for postretirement benefits other than pensions for the year ended March 31, 1992, as discussed in Notes 5 and 10, respectively, to the audited consolidated financial statements.

NO DEALER, SALESPERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR ANY AGENT OR BY ANY OF THE UNDERWRITERS. THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS DO NOT CONSTITUTE AN OFFER OF ANY SECURITIES OTHER THAN THOSE TO WHICH IT RELATES OR AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, TO ANY PERSON IN ANY JURISDICTION WHERE SUCH AN OFFER OR SOLICITATION WOULD BE UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

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CORPORATION

6 3/4% SENIOR NOTES DUE 2004

PROSPECTUS SUPPLEMENT
JANUARY 20, 1994

LEHMAN BROTHERS

PAINEWEBBER INCORPORATED

WERTHEIM SCHRODER & CO.
INCORPORATED

ROBERT W. BAIRD & CO.
INCORPORATED