



1984 ANNUAL REPORT
TO INVESTORS

A DIVERSIFIED
SERVICES COMPANY



IU INTERNATIONAL
CORPORATION

IU INTERNATIONAL CORPORATION

IU International Corporation is a diversified services company. It has been substantially restructured in recent years, shedding two-thirds of its debt and refocusing its resources on four major markets: transportation, environmental, distribution and agribusiness. Today, IU is:

- the nation's largest trucking group, carrying more tons of freight more miles than any other trucker;
- a world leader in environmental services for steel mills and other heavy industry;
- a leading distributor of paper and food products in the Southeast;
- one of the largest Hawaiian land owners and sugarcane growers, and the world's largest producer of macadamia nuts.

The restructured IU is positioned for growth.

HIGHLIGHTS OF THE YEAR

In millions, except per share data	1984	1983
Revenues	\$2,550.1	\$2,081.4
Earnings from continuing operations	\$ 7.9	\$ 44.1
Earnings per share from continuing operations: Primary	\$.27	\$ 1.71
Assuming full dilution	.27	1.68
Cash dividends per common share	\$ 1.175	\$ 1.15
Average common and common equivalent shares	27.2	25.2

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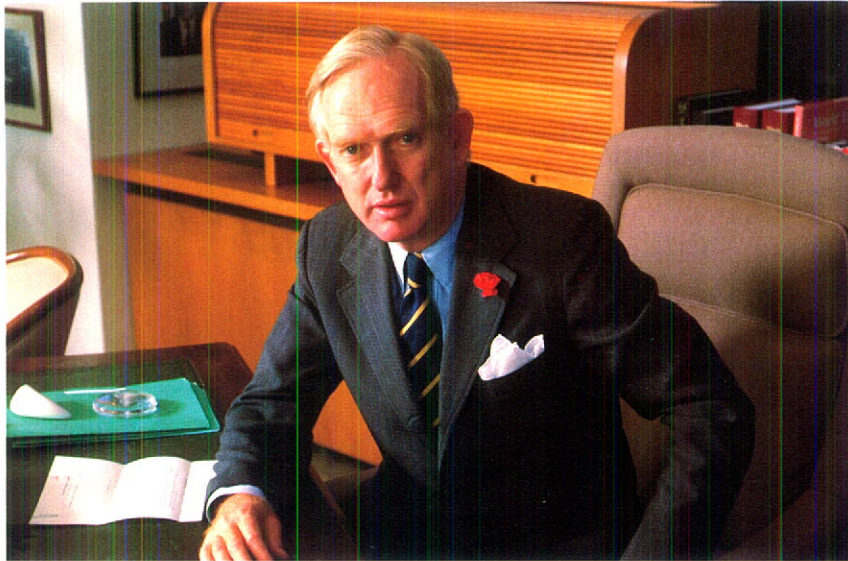
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John Gilray Christy
Chairman and President

The year 1984 was a difficult one for IU. Problems at our largest motor carrier, Ryder/P-I-E Nationwide, Inc., and our resultant inability to use tax credits that would have reduced 1984 income taxes by about \$15 million, made for a year of very disappointing earnings. We should be able to apply the unused tax credits as earnings recover in the future.

For the year, net earnings were \$7.9 million, or 27¢ per share, on revenues of \$2.55 billion. In 1983, earnings from continuing operations were \$44.1 million, or \$1.71

per share, on revenues of \$2.08 billion. The financial results are discussed in detail in the Financial Review beginning on page 16. Highlights of IU's major businesses follow.

Transportation Services:

The continued growth of the IU family of motor carriers led to a 30% increase in revenues of our transportation

services group in 1984, to \$1.51 billion. Three trucking operations were acquired: Poole Truck Line, C & H Nationwide, and Thurston Motor Lines. The operations of these fine companies are described in the Transportation section of this report on pages 7 and 8. Today, IU operates the nation's largest trucking group, and we expect our revenue growth from trucking to continue. The group produced a disappointing aggregate operating loss of \$4.9 million for the year, however, as operating earnings from IU's other trucklines could not offset the operating loss from Ryder/P-I-E Nationwide.

The loss at Ryder/P-I-E resulted primarily from high operating costs stemming from the recently-completed integration of four different trucklines—Ryder, P-I-E, Helms, and Byrns—into a single system. Ryder and P-I-E were integrated into one company in mid-1983. In May 1984, Helms/Byrns, an eastern shorter-haul carrier (also the product of a merger of two companies in 1983), which was losing money, was

integrated into the larger system. This step substantially upset freight handling patterns and added too much short-haul traffic to the largely long-haul freight that Ryder/P-I-E carries. Since the fall of 1984, Ryder/P-I-E has been emphasizing long-haul freight markets and has been concentrating on reducing its operating costs without sacrificing its high customer service levels. Average length of haul in recent months exceeds 1,100 miles.

Data processing, telecommunications, and accounting systems problems delayed customer billing and collection processes in the months following the systems integration and also led to overstatement of revenues from shipments interlined with other carriers. The revenue overstatement and the extent of the systems problems were discovered in September 1984, necessitating a restatement of quarterly results previously reported for the first and second quarters of the year.

We also experienced continued price discounting in the less-than-truckload market, although prices seem to have stabilized in the second half of 1984. As 1985 unfolds, Ryder/P-I-E continues to experience poor financial results, and the impact of the further steps taken at Ryder/P-I-E in the latter half of 1984 will not show up in our financial reports much before the end of the first half of 1985. We have confidence that the Ryder/P-I-E management team is making the right moves, but the turnaround is taking longer than we anticipated.

Our other trucklines operate separately from Ryder/P-I-E. Thurston serves customers in eastern regional freight markets where hauls of 500 miles or less predominate. This unit offers customers high service standards on a low-cost system.

IU has also built the nation's largest organization of truckload carriers, most of which use independent owner-operators to supply equipment and local agents to solicit business and assign over-the-road equipment. This approach promotes low-cost operations through load

balancing, rapid assignment of equipment, and low-cost administration. Customers benefit from the large controlled fleet, which provides high service and dependable transit on large volumes of freight.

With IU's balance of truckload and less-than-truckload operations, it is uniquely capable of serving the shipping needs of North America.

Environmental Services:

Results were substantially higher in 1984 from our environmental operations, which include two major waste management units and a 50% equity interest in one of the nation's largest water suppliers, General Waterworks Corp. Our share of General Waterworks' results provides a stable earnings base for the group.

Revenues and operating earnings of the waste management units rose sharply, as both domestic and overseas operations of International Mill Service showed solid increases. IMS provides a variety of metal recovery and slag handling services to

steel mills and other heavy industry worldwide. Results for the year reflected production increases at steel mills in the U.S. and abroad and new and expanded service contracts, among them a major contract at a large integrated steel mill in Brazil. IMS also acquired several other metal recovery and slag handling companies during the year, including a majority interest in a leading French firm, Somafer, S.A. Our other environmental services units did not match their preceding year's results, because of the lack of construction in coal-burning powerplants and a downturn in activity in the hazardous waste treatment and disposal field.

Distribution Services: Our two distribution units have strong market positions in the southeastern U.S. and continue to benefit from that region's growth. The group's revenues and operating earnings were both up from the

previous year. Unijax is the largest distributor of paper, plastics and related products in the Southeast, and Biggers Brothers is the leading wholesale supplier of food and food products in its seven-state southeastern region. Both expanded their product lines and market areas served during the year, while continuing to focus on effective cost controls and asset management programs.

Agribusiness: IU's agribusiness unit, C. Brewer and Co., produced more than \$21 million in operating earnings in 1984, although results did not equal 1983 because Brewer realized sizable gains from sale of several large Hawaiian land parcels in 1983.

Brewer was at one time essentially a sugar grower. In recent years, the company has shifted its growth emphasis from sugarcane to non-sugar businesses, which now contribute substantially more to operating earnings than sugar operations. In 1984, Brewer had operating earnings of \$6.3 million from sugar and \$15 million from non-sugar activities. Included was more than \$6 million

from the sale of 709 acres of Hawaiian land, out of a total of about 96,000 acres owned at the beginning of 1984. Among the acres sold were 280 tree acres of mature macadamia nut orchards. Brewer continues to manage the orchards and will purchase and process the macadamia nuts under long-term contracts.

The company's Mauna Loa® macadamia nuts—the world's best-selling brand—produced sharply higher revenues and operating earnings in 1984. The company owns or has long-term nut purchase contracts on about 9,000 acres of macadamia trees, nearly half of which are now producing commercial quantities of this premium nut. An additional 500 acres are converted each year to macadamia trees as part of Brewer's strategic redeployment of selected land parcels from sugar production to higher-value uses.

Brewer's specialty food businesses, including spices, coffee and guava, also showed good results in 1984.

Taxes: Our 1984 taxes produced an unusually high effective rate of 56.3% on IU's income from continuing operations, compared with a 1983 effective rate of 41.5%. The reason for this is the previously-reported operating loss at Ryder/P-I-E, which prevented us from using about \$15 million of investment tax credits generated during the year. We should be able to recognize the benefit of the unused tax credits in future periods.

Restructuring: IU has been substantially restructured in recent years. We have divested a number of capital-intensive businesses since 1978, including an ocean shipping company, our controlling ownership of electric and gas utilities in western Canada, half of General Waterworks, a Canadian-based gold mining company, our last remaining manufac-

turing businesses, and—most recently—our agribusiness unit's molasses distribution operations, sold early in 1984. Concurrently, we have augmented and strengthened our continuing operations through a number of carefully selected acquisitions, all in related services fields.

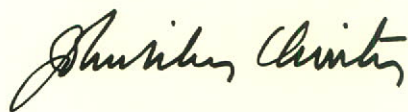
The restructuring process has reduced IU's debt from more than \$1 billion in 1978 (including discontinued operations) to less than \$400 million, despite an increase in debt levels from year-end 1983 to 1984 caused by the 1984 acquisition of three major trucklines.

Capital Structure: During the year, \$85 million of floating-rate notes were sold in an innovative transaction, described in detail in Note 10 on page 34, by which preferred stock was issued to a trust that pledged the stock as security for notes that were sold to a consortium of European investors. Our consolidated balance sheet reflects the obligation to the noteholders, but the notes are neither guaranteed by, nor an obligation of, IU International Corporation.

The Outlook: We expect and require considerably better performance from Ryder/P-I-E. Further reduction of that company's operating costs is essential if it is to return to the levels of profitability that its predecessors enjoyed in the past. We believe it can and will, but we are hesitant at this point to predict how long the process will take. If the current relative price stability in the trucking industry endures, Ryder/P-I-E's progress should be more rapid than otherwise.

Overall, we are confident of the long-term direction of the company despite the short-term problems that remain to be overcome.

It is in difficult times such as these that the hard work and dedication of our employees is most appreciated.



John Gilray Christy
Chairman and President

March 7, 1985



RYDER PIE
TRAILERS

RYDER PIE
TRAILERS

TRANSPORTATION

The IU family of motor carriers is the nation's largest trucking organization, offering the broadest scope of services in the industry. IU trucklines handle shipments ranging from 300 pounds of packaged goods to 30,000 pounds of communications gear, from a single truckload of heavy machinery to 300 truckloads of paper products.

Included in the IU family are general commodities carriers, special truckload freight carriers, a contract carrier, and an intermodal company that moves full trailerloads of freight on railcars.

The largest carrier is Ryder/P-I-E Nationwide, a general commodities carrier that maintains a national network of over 300 terminals serving all 50 states, the Caribbean, Canada and Mexico. This network handles more than 6 million shipments a year for the nation's leading retailers, auto makers, consumer electronics suppliers and other firms throughout the economy that need the resources of a transportation company reaching more than 100,000 communities. Operating 20,000 pieces of

highway equipment and employing more than 12,000 people, Ryder/P-I-E hauls shipments an average of some 1,100 miles.

Ryder/P-I-E is the fourth-largest carrier of less-than-truckload (LTL) shipments in the country. Formed through the integration of IU's Ryder Truck Lines and Pacific Intermountain Express, it is headquartered in Jacksonville, Florida. It has been operating on a combined basis since July 1983, but Ryder and P-I-E began more than 50 years ago in the industry's infancy.

IU's other general commodities carrier, Thurston Motor Lines, is an interregional LTL carrier with more than 60 terminals serving 24 states in the East and South. Thurston terminals serve major business centers throughout its current market area, and the company continues to expand its coverage to new markets. Thurston handled 1.2 million shipments in 1984 with an average length of haul of about 420 miles.

The Thurston fleet, now being improved with new tractors and trailers (principally 28-foot twin trailers), includes about 4,000 pieces of highway equipment. Established in 1932, Thurston is headquartered in Charlotte, North Carolina. It was acquired by IU in May 1984.

◀ Ryder/P-I-E Nationwide, the nation's fourth largest general freight truckline, serves major cities in all 50 states.

In addition to the national network and interregional LTL services of Ryder/P-I-E and Thurston are nine companies that offer full truckload (TL) and related services. All of them haul flatbed loads of building materials, unfabricated metals such as sheet steel and aluminum ingots, and bulky hard-to-handle cargoes. In addition, certain members of this family offer other services requiring special equipment, such as refrigerated vans for foodstuffs, drop-deck trailers for construction machinery, and high-cube vans for low-density shipments.

Truckload carriers have no need for a terminal network, which is essential in LTL operations, because each tractor-trailer unit carries its full load of cargo directly from the shipper to its final destination. The IU truckload carriers use company equipment and drivers as well as independent owner-operators who provide tractors and, in some cases, trailers.

Many of the companies rely on independent agents to provide customer service and sales support in the field.

Ranger Nationwide is IU's largest truckload carrier. In addition to flatbed, drop-deck, temperature-control and van freight, it also handles containerized cargo. C & H Nationwide, acquired by IU in 1984, offers van and flatbed services and is the nation's leading "heavy-haul" carrier, specializing in shipments of extreme weight and bulk. For example, C & H rigs have hauled an entire dismantled petrochemical refinery across the country to a reconstruction site—without losing a single bolt.

The other truckload carriers include Coast-to-Coast Express, Expressway Nationwide, Gemini Trucking, INWAY Nationwide, Ligon Nationwide, Poole Truck Line and TransMark Express. Poole uses company-owned equipment and company drivers exclusively, while the others also use owner-operators.

Two additional companies complete the IU family, both offering services that supplement those provided by the

LTL and TL carriers. Customized Transportation is a contract carrier providing specialized transportation, distribution, and processing services under contract to individual shippers. For some customers, it integrates these services into "just-in-time" inventory management systems.

IU's newly established intermodal company, Nationwide Intermodal, participates in the growing trailer-on-flatcar market. Intermodal service can offer cost advantages on both LTL and TL shipments to many customers.

IU begins its third decade of motor carrier operations in 1985. It entered the industry with the acquisition of Ryder Truck Lines, then a regional carrier serving the Southeast, in 1965. From that beginning, IU has built a multifaceted trucking group with the capability to meet customer needs through a single carrier or by coordinating the resources of several IU carriers.



Thurston Motor Lines is expanding its fleet with new 28-foot twin trailers to improve operating efficiency.

INWAY Nationwide is a truckload carrier hauling high-volume shipments of van and flatbed freight.





ENVIRONMENTAL

IU's environmental companies provide waste management services for steel mills, utilities and industry, and convert their by-products into environmentally safe materials with practical uses. IU also owns a one-half interest in General Waterworks, third largest water company in the U.S.

International Mill Service provides metal recovery and slag processing services for more than 80 steel mills in 16 countries. The world's leading steel mill service company, IMS uses specially engineered equipment to remove slag from a mill's furnace area and transport it to an in-plant processing site. There, IMS recovers scrap metal from the slag for recycling by the mill in its furnaces, and the remaining rock-like material is crushed and graded for marketing as road base, railroad ballast and other applications. The company serves mills in the U.S., Canada, Latin America, Europe and the Middle East.

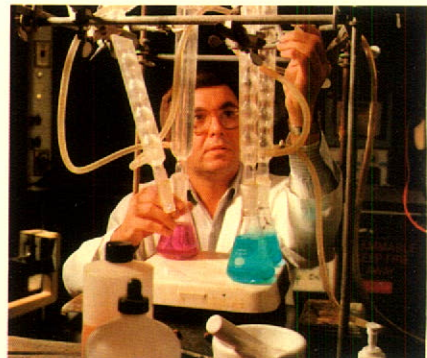
Conversion Systems, Inc. designs, builds and operates waste management systems for electric utility coal-fired generating stations. The CSI system converts "scrubber sludge," which results from flue-gas desulfurization, and coal ash into a stable material resembling cement. Conversion Systems has 28 contracts from 21 major utilities for its waste stabilization systems, which serve nearly one-third of the U.S. scrubber-equipped generating capacity.

Envirosafe Services, Inc. operates treatment and disposal facilities for hazardous industrial wastes, both solid and liquid. Its emergency-response division specializes in the clean-up of accidental spills and also rehabilitates abandoned hazardous waste sites.

General Waterworks owns about 39 water properties serving 270,000 customers in 14 states. IU's equal partner in the company is Lyonnaise des Eaux, a European company.

International Mill Service processes steel slag and recycles it for use in roadbuilding and other construction projects.

Conversion Systems' laboratories test customers' waste products to assure proper treatment and safe disposal.



IU's distribution companies market paper and food products to businesses and institutions in the growing cities of the Southeast.

Unijax is the largest paper wholesaler in the Southeast. Headquartered in Jacksonville, Florida, it maintains a network of 38 office and warehouse centers serving 19 states.

Unijax's distribution division sells printing papers, stationery, envelopes and other office supplies, paper towels, paper tissue, food wrap, paper cups, packaging materials, plastic bags and straws, janitorial items, and other products. Several items in its inventory are manufactured to its specifications and sold under proprietary labels, including Copysaver[®] paper for office machines, Tailored[®] paper napkins and All Star[®] industrial floor care products.

Unijax's converting division makes a wide variety of stock and imprinted envelopes for high-volume customers such as banks and national telecommunications companies that correspond monthly with hundreds of thousands of customer accounts. It also produces many other paper items sold by the distribution division, including file folders and adding machine rolls. Since plastic is displacing paper as the material of choice in some products, the converting division has begun making certain plastic supplies, such as drinking straws and trash bags.

Biggers Brothers is IU's food distribution company. It markets wholesale quantities of dry groceries, fresh produce, frozen and canned foods, and meats to restaurants, franchised fast-food operations, hospitals and other institutions. Some foods are packaged for sale under Biggers Brothers' private labels.

With its non-food product line, Biggers Brothers also meets its customers' needs for

tableware, glassware and other tabletop service items.

Headquartered in Charlotte, North Carolina, the company serves seven southeastern states. It is a sales leader in its primary marketing area and ranks among the largest institutional food-service distributors in the nation. Biggers Brothers owns a modern 300,000-square-foot warehouse in Charlotte and operates a 125,000-square-foot warehouse in Knoxville, Tennessee. The company maintains a network of redistribution docks in satellite locations that enable it to serve a large territory with only two warehouses.

Meeting customer needs for timely service, field sales representatives are equipped to use direct remote access to a central computer that writes orders, schedules deliveries and prepares invoices.



Unijax handles more than 50,000 separate stock items and ships 75% through its own warehouse network.

Biggers Brothers sells wholesale quantities of fresh vegetables and other foods to customers in the Southeast.



Biggers Bros.

FRAGILE
EGGS
HANDLE WITH CARE

FRAGILE
EGGS
HANDLE WITH CARE

Biggers Bros.

Biggers Bros.

CHARLOTTE, N.C.

wholesale food distributors

Harvest Fresh Potatoes
FRESH PRODUCE
50 LBS. - 22.7 LBS.

SEEDLESS LIME

SEEDLESS LIME





C. Brewer and Company is IU's agribusiness company. Headquartered in Honolulu, it owns 95,000 acres on the state's four most populous islands and is one of Hawaii's largest corporate landholders. Brewer is the world's leading producer and marketer of macadamia nuts, and grows sugar which is marketed by a cooperative under the C and H brand name.

Mauna Loa® macadamia nuts are harvested from orchards on the islands of Hawaii and Maui. The company owns about 6,400 acres of macadamia trees and has long-term nut purchase contracts on the production from an additional 2,600 acres. Nearly half of these plantings now produce commercial quantities of nuts. Mauna Loa nuts are sold throughout the U.S. and in Japan.

Brewer's four sugar plantations grow cane on 41,000 acres on the islands of Hawaii, Kauai and Maui, producing about 190,000 tons of raw sugar and 53,000 tons of molasses yearly. These plantations are among the most efficient in the Hawaiian sugar industry.

Over recent years, Brewer has gradually been converting sugarcane acreage to higher-value uses. On Kauai, Brewer converted 350 acres into the state's largest guava orchard and built a processing plant to produce puree from the pink fruit. Guava drink is popular in Hawaii and Latin America, and now Brewer is participating in a test of its appeal to consumers on the U.S. mainland.

In its program to upgrade selected properties, the company converts about 500 acres each year to macadamia trees. To fund this expansion, Brewer periodically sells orchard acreage to investors, while continuing to manage the orchards and harvest the nuts under long-term contracts. Brewer also has subdivided 115 acres on Maui for sale as residential lots and 500 acres on Kauai as ranchettes.

Other Brewer businesses in Hawaii include fertilizer and chemical distribution, trucking and terminal services, and insurance. In Central America, it cultivates coffee and spices which are marketed in Europe and the Mideast.

◀ At Kilauea on the island of Kauai, Brewer has developed a 350-acre orchard to grow guava for juice drinks and other foods.

▶ Mauna Loa® macadamia nuts represent one of IU's fastest-growing business segments.





Robert F. Calman
Vice Chairman and
Chief Financial Officer

RESULTS OF OPERATIONS

This discussion should be read in conjunction with the financial data on pages 21–23 and Financial Statements and Notes on pages 24–40, which include information about discontinued operations and their effects on net earnings.

IU's earnings from continuing operations were 27¢ per share in 1984, compared with \$1.71 per share in 1983 and \$1.39 per share in 1982. Earnings per share are calculated using an average of 27.2 million common and common equivalent shares outstanding in 1984, 25.2 million in 1983, and 22.2 million in 1982.

Earnings from continuing operations were \$7.9 million in 1984, compared with \$44.1 million in 1983 and \$32.2 million in 1982. Revenues were \$2.55 billion in 1984, \$2.08 billion in 1983, and \$2.11 billion in 1982.

TRANSPORTATION SERVICES

In millions	1982	1983	1984
Revenues	\$1,057.9	\$1,157.4	\$1,509.3
Operating earnings (loss)	4.2	36.8	(4.9)
Invested capital	245.6	301.6	489.9

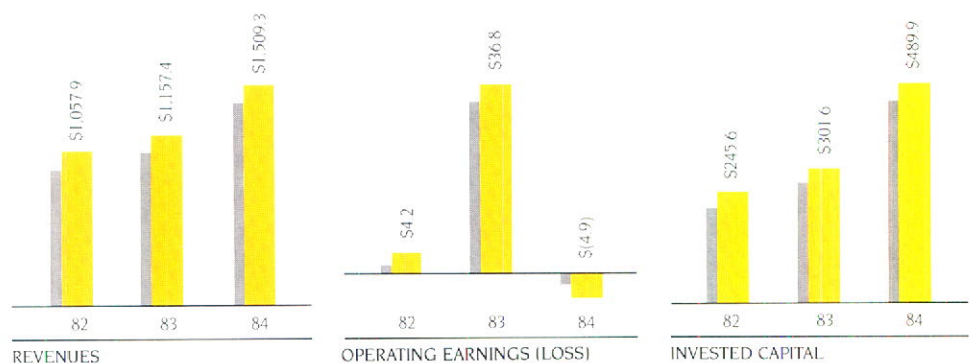
Revenues of IU's transportation services group grew 30% in 1984. About \$193 million of the total \$351.9 million increase was accounted for by the acquisition of Poole Truck Line, Inc. in February and C & H Nationwide, Inc. and Thurston Motor Lines, Inc. in May, with most of the additional \$159 million in increased revenues coming from growth in tonnage hauled.

The group's 1984 operating loss of \$4.9 million was caused by an operating loss of \$23.4 million at IU's largest motor carrier, Ryder/P-I-E Nationwide, Inc. Operating earnings totaled \$18.5 million at the company's other truck-lines, up 99% from \$9.3 million in 1983, due principally to the acquisitions of Poole, C & H, and Thurston.

The loss at Ryder/P-I-E reflected unusually high operating costs stemming from the integration into a single motor carrier of four of IU's formerly-autonomous truck-lines: Ryder Truck Lines, Pacific Intermountain Express, Helms Express, and Byrns Motor Express. Data processing, telecommunications and administrative systems problems delayed customer billing and collection processes in the months following the systems integration, resulting in unusually high bad-debt reserves being established in 1984. Systems problems also required the restatement in September 1984 of the quarterly results previously reported for the first and second quarters of 1984 to correct revenues from shipments interlined with other carriers.

Trucking is a business in which variable costs, especially labor costs, consume a large part of revenues. The systems integration problems weakened Ryder/P-I-E's labor controls, resulting in high costs relative to revenues. In addition, absorbing the increased freight in the company's new configuration of truck terminals led to poor load factors, high empty miles, and circuitous routings.

TRANSPORTATION
(in millions)



The systems integration problems leading to Ryder/P-I-E's unusually high operating costs have proved to be persistent. In addition, Ryder/P-I-E's revenue per shipment is still below late-1983 levels because of discounting in the industry. The revenue yield decline, combined with cost-control problems and normal inflation, resulted in negative returns during the year.

Ryder/P-I-E changed its pricing structure and sales emphasis late in the year to attract a more profitable freight mix. The company continues to focus on further reduction of its operating costs.

The current three-year contract with the International Brotherhood of Teamsters expires on March 31, 1985. Negotiations are proceeding under the auspices of a multi-employer bargaining team. It is not known when settlement might be reached, or on what terms.

In 1983, the group's revenues and operating earnings recovered partially from recession-reduced 1982 levels with improvement in the U.S. economy and reduction of excess capacity.

ENVIRONMENTAL

In millions	1982	1983	1984
Environmental services:			
Revenues	\$199.1	\$191.9	\$230.0
Operating earnings	24.5	25.8	31.2
Water services:			
Revenues	66.6	7.8	8.0
Operating earnings	29.5	—	—
Earnings at equity	1.2	7.8	8.0
Invested capital	138.4	148.6	163.7

IU's environmental group includes two major waste management services companies and a 50% interest in a water services unit.

The group's increased revenues and operating earnings in 1984 reflect substantial improvement in both domestic and international operations of International Mill Service, which provides metal recovery and slag-handling services to steel mills and other heavy industry. IMS continues to broaden its services, and late in 1984 acquired McGraw Construction Co., which provides metal recovery and slag

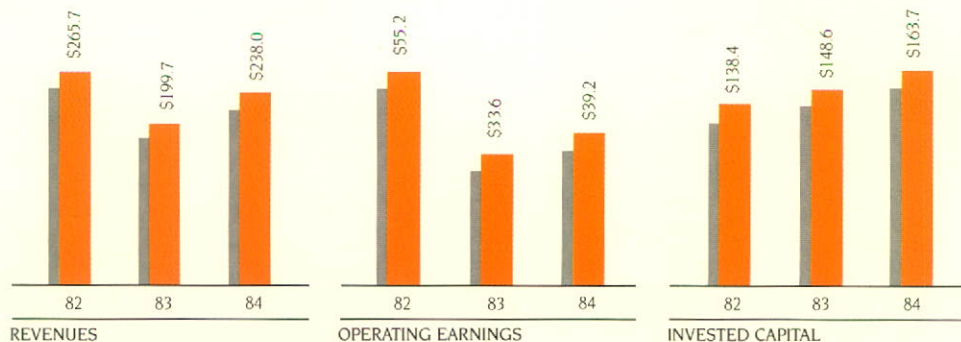
handling services as well as mill engineering design and construction, and a majority interest in Somafer, S.A., based in France, which provides a variety of related industrial services. Domestic operations benefited from an increase in production at steel mills, new and expanded service contracts, and cost-reduction programs. Improvement in international operations resulted from increased production at steel mills overseas, a major new contract at a Brazilian mill, and interest income.

Partly offsetting these increases were lower results from EnviroSAFE Services, which provides industrial waste disposal services, due to additional costs associated with cleanup of a disposal site and higher waste processing and site closure costs caused by adverse weather conditions earlier in the year. Conversion Systems, which designs, constructs and operates waste management systems for the utility industry, also reported lower operating results in 1984, due to a lower volume of activity on turnkey projects.

In 1983, the decline in revenues of the waste management companies primarily reflected lower revenues from IMS's international operations, due in part to withdrawal from operations in Mexico late in 1982. Higher operating earnings in 1983 primarily reflected significant improvement in production levels at U.S. mills served by IMS.

Equity in the earnings of General Waterworks Corp., in which IU owns a 50% interest, rose slightly in 1984 due to larger gains from divestment activities and higher income from rate awards and volume increases, offset in part by higher operating expenses. The 1983 results reflect rate awards, acquisitions and volume increases. The unit's 1982 operating results are based on full ownership by IU through October 1982, when IU reduced its ownership to 50%, and include a \$6.9 million pre-tax gain on the transaction.

ENVIRONMENTAL (in millions)



DISTRIBUTION SERVICES

In millions	1982	1983	1984
Revenues	\$506.8	\$490.9	\$557.1
Operating earnings	19.3	17.7	18.8
Invested capital	79.9	53.2	53.7

IU's distribution services group consists of the two market leaders in their fields in the Southeast: Biggers Brothers, a wholesale supplier of food and food products, and Unijax, a distributor of paper, plastics and related products. Both increased their revenues and improved their strong southeastern market positions in 1984. Biggers Brothers had higher operating earnings, reflecting volume increases, offset in part by slightly lower average margins, and a gain on the early satisfaction of a mortgage. Unijax's operating earnings were somewhat lower due to the sale of a warehouse and receipt of a sizable legal settlement in 1983 and lower margins in 1984. In 1983, the decline in revenues and operating earnings resulted from divestment of a Midwest paper distributor in the third quarter of 1982 and discounts on receivable sales under a program that began early in 1983. Prior to 1983, receivables were financed with available credit facilities.

AGRIBUSINESS

In millions	1982	1983	1984
Revenues	\$195.6	\$207.7	\$209.5
Operating earnings	28.5	34.2	21.3
Invested capital	207.2	196.3	177.9

At IU's agribusiness unit, C. Brewer and Co., substantially higher revenues from macadamia nuts and spices more than offset lower revenues from land sales in 1984. Sugar revenues were about the same.

Brewer is one of the highest-yield and lowest-cost sugar producers in Hawaii. Its production efficiencies are reflected in its 1984 operating earnings of about \$6.3 mil-

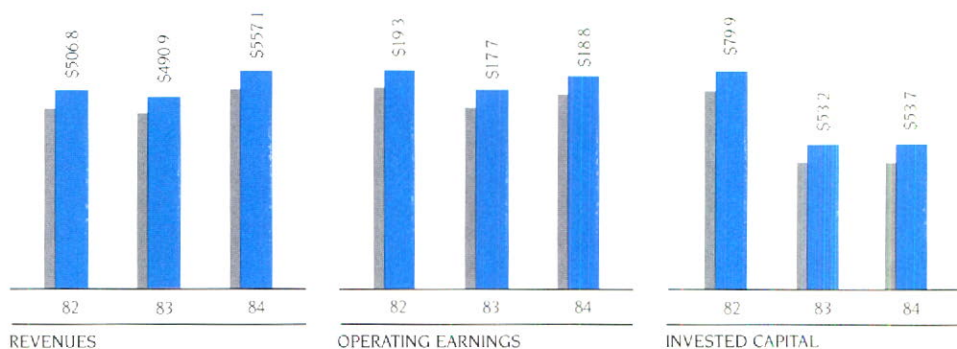
lion from sugar, up from about \$5.9 million in 1983. Sugar yields improved further in 1984, and slightly higher prices more than offset minor inflationary cost increases and lower volume. Sugar is currently protected by the Farm Bill enacted by the U.S. Congress in 1981, which supports domestic sugar prices at a level above production costs for many Hawaiian growers. The present provisions of the Farm Bill expire in September 1986, and Congress may or may not provide substitute legislation. In recognition of the long-term unpredictability of sugar earnings, Brewer has gradually been reducing its dependence on sugar by converting sugar acreage to higher-value uses.

In 1984, as in 1983 and 1982, non-sugar agribusiness activities produced substantially more operating earnings than sugar operations. Land operations produced about \$6.3 million in operating earnings in 1984, primarily from the sale of 709 acres, including 280 tree acres of macadamia orchards. The company manages the orchards and purchases and processes all of the nuts under long-term contracts. In addition, Brewer planted 399 additional tree acres of macadamia orchards in 1984. The 1984 operating earnings from land sales were lower than in 1983, when about \$16 million in operating earnings resulted from land transactions, primarily from the sale of 1,315 acres, including 503 tree acres of macadamia orchards.

Higher operating earnings from macadamia nuts resulted from sharply increased sales and improved margins in 1984. Improved results from spice operations were principally due to higher cardamom prices following a drought-induced crop shortfall in India. Brewer's 1984 results also reflected lower portfolio gains and higher underwriting losses at an insurance subsidiary.

In 1983, Brewer's increased revenues and operating earnings resulted primarily from improved sugar prices and production efficiencies, portfolio gains by an insurance subsidiary, and adjustment of a reserve established for the sale of Brewer's molasses operations, completed in early 1984, offset by increased advertising and promotion expenses in the marketing of macadamia nuts.

DISTRIBUTION SERVICES (in millions)



OTHER

In millions	1982	1983	1984
Revenues	\$80.6	\$25.7	\$36.2
Operating earnings	12.4	6.7	13.7

This group's increased 1984 revenues and operating earnings reflect a gain from sale of a non-strategic land parcel, a gain from sale of a gold royalty interest to Echo Bay Mines Ltd., and higher portfolio income. The group's lower 1983 results largely reflect the sale of IU's last remaining manufacturing operation, a pipe fabricator.

TAXES

The 1984 tax provision of \$10.2 million represents an effective tax rate of 56.3% on IU's income from continuing operations, compared with a 1983 tax provision of \$31.3 million and an effective tax rate of 41.5%. The higher effective tax rate primarily reflects the absence of investment tax credit recognition in 1984. These credits are recognized when property is placed in service to the extent that they reduce current tax liability or can be offset against net deferred taxes. Ryder/P-I-E's losses, which have reduced taxable income and the level of IU's net deferred federal tax liability, prevented IU from using about \$15 million of investment tax credits generated in 1984. The company should be able to recognize the benefit of the unused tax credits in future periods. Also increasing the effective tax rate is the larger proportion of state taxes included in the provision, primarily due to the absence of state tax recoveries on losses and the lower tax basis for certain assets. Offsets to the higher effective rate resulted from the larger proportion of 1984 income from equity investments and capital gains, which are subject to a lower tax rate.

The 1983 effective tax rate was higher than the 1982 rate of 26.8% because a larger proportion of income was subject to ordinary tax rates, primarily due to higher earnings from transportation services, sugar operations and domestic steel scrap recovery services; a lower level of investment tax credits; and an adjustment of prior years' tax provisions.

FINANCING AND CORPORATE EXPENSES

Financing expense increased \$15.3 million in 1984. The 1984 capital expenditure program as well as acquisitions of several companies resulted in higher capital requirements compared with 1983. In addition, average interest rates were higher in 1984. In 1983, the decline in interest reflected deconsolidation of General Waterworks late in 1982, along with lower average debt levels and lower average interest rates.

Corporate expenses were flat compared to 1983. Higher expenses for outside services are included in 1984, while 1983 included compensation expense associated with cash settlement rights exercised in connection with a limited number of outstanding options. In 1982, expenses associated with stock appreciation rights were reversed due to the change in market value of IU's common stock; stock appreciation rights were forfeited in mid-1982.

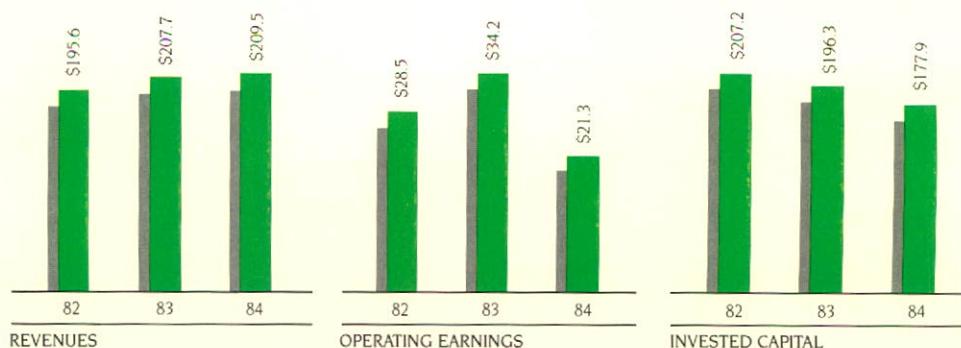
In both 1984 and 1983, foreign currency adjustments reflect the adverse effect of devaluations in Brazil, offset in part by foreign currency gains.

The fluctuations in minority interest primarily reflect the average floating dividend rate on a finance subsidiary's preferred stock (6.7% in 1984, 6.1% in 1983, and 8.3% in 1982).

FINANCIAL CONDITION

Total capital increased by \$151.4 million in 1984, largely as a result of the Poole, C & H and Thurston acquisitions. At the same time, common and other shareholders' equity decreased by \$27.9 million, principally due to dividends being higher than net income. The most significant change in IU's capital structure was the issuance of 1,133,334 shares of redeemable preferred stock (see Notes 10 and 11 on page 34). The stock is pledged by a consolidated trust as security for \$85.0 million of floating-rate notes issued by an affiliated finance company. The notes are neither guaranteed by nor an obligation of IU. Holders of the notes have recourse only to the shares of preferred stock held by the trust or to the assets of the subsidiary issuing

AGRIBUSINESS (in millions)



the notes. As the accounts of the trust and affiliated companies are consolidated with IU for financial reporting purposes, the notes are shown in the following tables as *Obligation secured by pledge of redeemable preferred stock.*

Debt increased by \$86.6 million in 1984. The increase was financed by increased usage of long-term revolving credits, principally with banks. IU also added new or increased revolving credits and fixed-rate debt of \$27.5 million. Debt maturities were extended through these transactions. In addition, IU extended the maturities for \$145.0 million of its revolving credit facilities. Unused committed credit facilities at year-end 1984 amounted to \$105 million. In management's judgment, working capital and available credit facilities are ample to meet anticipated operating and capital needs.

Minority interest consists of two components: a \$100 million preferred share issue of a finance subsidiary in Canada, which will be redeemed in 1986–1990, and minority interests in operating companies.

OPERATING RETURN ON AVERAGE TOTAL CAPITAL

In millions	1982	1983	1984
Total debt	\$414.3	\$330.8	\$327.6
Noncurrent deferred income taxes	38.3	33.2	35.3
Contributions in aid of construction	12.2	—	—
Obligation secured by pledge of redeemable preferred stock	—	—	42.5
Minority interest	107.2	105.6	104.8
Common and other shareholders' equity	331.3	359.7	369.1
Less equity in discontinued operations	35.1	17.6	—
Common and other shareholders' equity from continuing operations	296.2	342.1	369.1
Average total capital*	\$868.2	\$811.7	\$879.3
Earnings from continuing operations	\$ 32.2	\$ 44.1	\$ 7.9
Increase (decrease) in noncurrent deferred income taxes	(6.5)	(3.7)	7.7
After-tax minority interest	5.4	3.9	4.1
After-tax financing expense	27.0	16.1	24.3
Operating return	\$ 58.1	\$ 60.4	\$ 44.0
Operating return on average total capital	6.7%	7.4%	5.0%

*Average for the year, based on balance at beginning and end of year

CAPITAL STRUCTURE

In millions, December 31,	1982	1983	1984
Total debt	\$377.3	\$284.3	\$370.9
Noncurrent deferred income taxes	35.1	31.4	39.1
Obligation secured by pledge of redeemable preferred stock	—	—	85.0
Minority interest	106.4	104.8	104.8
Common and other shareholders' equity	336.2	383.1	355.2
Less equity in discontinued operations	35.2	—	—
Common and other shareholder's equity (continuing operations)	301.0	383.1	355.2
Total capital*	\$819.8	\$803.6	\$955.0
Debt-to-capital ratio	46.0%	35.4%	38.8%

*Debt plus the obligation secured by IU's redeemable preferred stock represents 47.7% of total capital.

CAPITAL EXPENDITURES (excluding acquisitions)*

In millions	1982	1983	1984
Transportation services	\$ 49.6	\$43.9	\$120.7
Environmental:			
Environmental services	20.3	14.1	29.3
Water services	9.6	—	—
Agribusiness	12.5	12.2	13.3
Distribution services	8.2	7.1	11.7
Other	6.3	6.6	8.9
Total	\$106.5	\$83.9	\$183.9

*Also see Note 15 on page 37

IU's planned capital expenditures in 1985 total about \$130 million, including \$67 million for the trucking units. The 1985 capital program will be funded through depreciation, retained earnings and issuance of debt.

FINANCIAL DATA

In millions, except per share data	1984	1983	1982	1981	1980
Revenues and other income	\$2,550.1	\$2,081.4	\$2,106.6	\$2,309.5	\$2,210.2
Earnings from continuing operations:					
Total	\$ 7.9	\$ 44.1	\$ 32.2	\$ 57.8	\$ 56.4
Per share:					
Primary	\$.27	\$ 1.71	\$ 1.39	\$ 2.57	\$ 2.00
Assuming full dilution	.27	1.68	1.33	2.41	1.86
Assets—continuing operations	\$1,347.3	\$1,156.0	\$1,139.8	\$1,326.4	\$1,339.4
Investment in mining subsidiary	—	—	35.2	34.9	26.6
Total assets	\$1,347.3	\$1,156.0	\$1,175.0	\$1,361.3	\$1,366.0
Invested capital:					
Common and other shareholders' equity:					
Continuing operations	\$ 355.2	\$ 383.1	\$ 301.0	\$ 291.4	\$ 251.8
Discontinued operations	—	—	35.2	34.9	26.6
Total	355.2	383.1	336.2	326.3	278.4
Total debt	370.9	284.3	377.3	451.3	508.8
Obligation secured by pledge of redeemable preferred stock	85.0	—	—	—	—
Minority interest in subsidiaries	104.8	104.8	106.4	108.1	108.8
Total	\$ 915.9	\$ 772.2	\$ 819.9	\$ 885.7	\$ 896.0
Capital expenditures	\$ 287.8	\$ 100.3	\$ 106.6	\$ 161.0	\$ 142.4
Cash dividends per common share*	\$ 1.175	\$ 1.15	\$ 1.125	\$ 1.10	\$ 1.025
Shareholders' equity per share**	\$ 12.82	\$ 13.88	\$ 13.92	\$ 13.77	\$ 11.62
Year-end closing price of Common Stock	16 ³ / ₈	23 ¹ / ₈	16 ³ / ₈	13 ³ / ₄	17 ¹ / ₂
Average common and common equivalent shares	27.2	25.2	22.2	21.9	27.2

*Shareholders of record on November 21, 1983 received one share of Echo Bay Mines Ltd. for each share of Common Stock held.

**Based on Common Stock and Special Stock, Series A at year end 1980-1982.

QUARTERLY SOURCES OF REVENUES AND EARNINGS

In millions, except per share data	First quarter 1984		Second quarter 1984		Third quarter 1984		Fourth quarter 1984		Full year 1984	
	Revenues	Operating earnings	Revenues	Operating earnings	Revenues	Operating earnings	Revenues	Operating earnings	Revenues	Operating earnings
Contributions by major market:										
Transportation services	\$329.4	\$ (1.1)	\$379.7	\$ 6.6	\$406.5	\$ (11.0)	\$393.7	\$.6	\$1,509.3	\$ (4.9)
Environmental:										
Environmental services	48.4	4.9	58.0	9.9	54.7	8.9	68.9	7.5	230.0	31.2
Water services at equity	1.5	1.5	2.4	2.4	2.5	2.5	1.6	1.6	8.0	8.0
Agribusiness	37.0	4.0	54.8	5.6	54.1	3.5	63.6	8.2	209.5	21.3
Distribution services	132.4	3.9	141.8	4.2	143.3	3.9	139.6	6.8	557.1	18.8
Other	6.1	1.2	6.2	1.3	15.5	7.5	8.4	3.7	36.2	13.7
Total revenues	\$554.8		\$642.9		\$676.6		\$675.8		\$2,550.1	
Operating earnings		14.4		30.0		15.3		28.4		88.1
Corporate expenses		(3.8)		(4.6)		(3.8)		(4.2)		(16.4)
Financing expense:										
Interest and debt expense		(7.9)		(9.9)		(12.0)		(10.8)		(40.6)
Interest on obligation secured by pledge of redeemable preferred stock*		—		—		(2.0)		(2.5)		(4.5)
Total financing expense		(7.9)		(9.9)		(14.0)		(13.3)		(45.1)
Foreign currency adjustments		—		(.4)		(.3)		(.7)		(1.4)
Earnings (loss) from continuing operations before income taxes and minority interest		2.7		15.1		(2.8)		10.2		25.2
Income taxes		.8		(2.7)		(1.9)		(6.4)		(10.2)
Minority interest		(1.6)		(1.8)		(2.0)		(1.7)		(7.1)
Earnings (loss) from continuing operations		\$ 1.9		\$10.6		\$ (6.7)		\$ 2.1		\$ 7.9
Primary earnings (loss) per share from continuing operations		\$.07		\$.38		\$ (.25)		\$.07		\$.27

*Third quarter 1984 results have been restated to consolidate a trust and its finance subsidiary (see Note 10). Previously-reported results included the dividend requirement on the redeemable preferred stock. The restatement had no effect on earnings per share.

ANNUAL SOURCES OF REVENUES AND EARNINGS

In millions, except per share data	1984		1983		1982		1981		1980	
	Revenues	Operating earnings	Revenues	Operating earnings	Revenues	Operating earnings	Revenues	Operating earnings	Revenues	Operating earnings
Contributions by major market:										
Transportation services	\$1,509.3	\$ (4.9)	\$1,157.4	\$ 36.8	\$1,057.9	\$ 4.2	\$1,090.9	\$ 47.9	\$ 989.1	\$ 59.7
Environmental:										
Environmental services	230.0	31.2	191.9	25.8	199.1	24.5	220.9	32.3	181.2	23.6
Water services	—	—	—	—	65.4	29.5	71.0	27.2	63.1	22.9
Water services at equity	8.0	8.0	7.8	7.8	1.2	1.2	—	—	—	—
Agribusiness	209.5	21.3	207.7	34.2	195.6	28.5	314.7	35.4	361.4	64.7
Distribution services	557.1	18.8	490.9	17.7	506.8	19.3	505.5	19.4	463.6	17.8
Other	36.2	13.7	25.7	6.7	80.6	12.4	106.5	2.2	151.8	3.5
Total revenues	\$2,550.1		\$2,081.4		\$2,106.6		\$2,309.5		\$2,210.2	
Operating earnings		88.1		129.0		119.6		164.4		192.2
Corporate expenses		(16.4)		(16.3)		(13.1)		(13.5)		(21.4)
Financing expense:										
Interest and debt expense		(40.6)		(29.8)		(50.0)		(63.1)		(56.9)
Interest on obligation secured by pledge of redeemable preferred stock		(4.5)		—		—		—		—
Total financing expense		(45.1)		(29.8)		(50.0)		(63.1)		(56.9)
Foreign currency adjustments		(1.4)		(.8)		(3.4)		(1.6)		(.6)
Earnings from continuing operations before income taxes and minority interest										
		25.2		82.1		53.1		86.2		113.3
Income taxes		(10.2)		(31.3)		(11.7)		(18.0)		(48.0)
Minority interest		(7.1)		(6.7)		(9.2)		(10.4)		(8.9)
Earnings from continuing operations		\$ 7.9		\$ 44.1		\$ 32.2		\$ 57.8		\$ 56.4
Primary earnings per share from continuing operations		\$.27		\$ 1.71		\$ 1.39		\$ 2.57		\$ 2.00

CONSOLIDATED STATEMENTS OF EARNINGS

In thousands, except per share data, for the years ended December 31.	1984	1983	1982
Revenues and other income:			
Product sales	\$ 947,512	\$ 835,404	\$ 907,668
Service revenues	1,567,305	1,203,502	1,152,761
Other income	27,281	34,717	44,962
Equity in net earnings of water services subsidiary	7,976	7,775	1,248
	2,550,074	2,081,398	2,106,639
Costs and expenses:			
Cost of products sold, excluding depreciation and amortization	715,359	623,821	693,294
Other operating costs and expenses, excluding depreciation and amortization	1,367,735	1,025,268	977,275
Selling, general and administrative expenses, excluding depreciation and amortization	299,130	242,574	247,048
Depreciation and amortization	96,163	77,042	82,526
Financing expense:			
Interest and debt expense	40,578	29,712	49,965
Interest on obligation secured by pledge of redeemable preferred stock	4,485	—	—
Total financing expense	45,063	29,712	49,965
Foreign currency adjustments	1,380	800	3,400
	2,524,830	1,999,217	2,053,508
Earnings from continuing operations			
before income taxes and minority interest	25,244	82,181	53,131
Income taxes	10,192	31,323	11,754
Minority interest	7,152	6,709	9,213
Earnings from continuing operations	7,900	44,149	32,164
Earnings from discontinued operations	—	794	1,203
Net earnings	\$ 7,900	\$ 44,943	\$ 33,367
Earnings per share:			
Primary:			
Continuing operations	\$.27	\$ 1.71	\$ 1.39
Discontinued operations	—	.03	.05
	\$.27	\$ 1.74	\$ 1.44
Assuming full dilution:			
Continuing operations	\$.27	\$ 1.68	\$ 1.33
Discontinued operations	—	.03	.05
	\$.27	\$ 1.71	\$ 1.38

See accompanying Notes to Financial Statements.

CONSOLIDATED BALANCE SHEETS

In thousands, December 31.

1984

1983

Assets

Current assets:

Cash	\$ 35,029	\$ 43,129
Accounts receivable, less allowance (1984—\$19,828; 1983—\$10,509)	308,218	298,467
Inventories	97,439	100,917
Future income tax benefit	15,499	—
Prepaid expenses and other current assets	48,415	47,490
Total current assets	504,600	490,003
Long-term receivables and investments	148,949	148,434
Property, plant and equipment	1,078,992	868,650
Less accumulated depreciation and amortization	446,636	403,245
Net property, plant and equipment	632,356	465,405
Deferred charges and intangibles, net, and other assets	61,425	52,113
Total assets	\$1,347,330	\$1,155,955

Liabilities and Shareholders' Equity

Current liabilities:

Notes payable	\$ 6,619	\$ 6,841
Accounts payable—trade	111,207	94,140
Income taxes	31,653	26,862
Deferred income taxes	—	8,800
Long-term debt—current maturities	23,867	21,991
Accrued compensation	45,745	55,084
Other current and accrued liabilities	123,897	97,132
Total current liabilities	342,988	310,850
Long-term debt, excluding current maturities	340,451	255,480
Other liabilities	79,835	70,338
Deferred income taxes	39,080	31,405
Obligation secured by pledge of redeemable preferred stock	85,000	—
Total liabilities	887,354	668,073
Minority interest in subsidiaries, including \$100,000 of preferred stock	104,808	104,810
Common and other shareholders' equity:		
Series Preferred Stock	9,564	9,564
Common Stock, issued: 1984—39,837 shares, 1983—39,823 shares; outstanding: 1984—27,015 shares, 1983—26,953 shares	45,813	45,797
Additional paid-in capital	201,027	202,528
Retained earnings	335,628	359,862
Cumulative translation adjustments	(15,446)	(12,452)
	576,586	605,299
Less shares in treasury, at cost	221,418	222,227
Total common and other shareholders' equity	355,168	383,072
Total liabilities and shareholders' equity	\$1,347,330	\$1,155,955

See accompanying Notes to Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

In thousands, for the years ended December 31.

	1984	1983	1982
Sources of funds:			
Earnings from continuing operations	\$ 7,900	\$ 44,149	\$ 32,164
Add (deduct) items not requiring (providing) current funds:			
Depreciation and amortization	96,163	77,042	82,526
Gain on disposition of property, plant and equipment	(9,026)	(11,110)	(10,286)
Gain on disposition of investments and other assets	(13,162)	(5,391)	(7,825)
Provision for noncurrent deferred income taxes	8,485	7,288	4,375
Other, net	(882)	(2,290)	2,362
Provided from operations	89,478	109,688	103,316
Disposition of equity interest in water services subsidiary	—	—	46,466
Decrease in mining subsidiary investment, net of distribution charges in 1983	—	3,616	85
Disposition of property, plant and equipment	33,172	58,013	35,764
Disposition of other noncurrent assets	51,575	31,392	11,758
Issuance of long-term debt	150,238	74,993	63,881
Increase in other liabilities	10,940	21,787	2,389
Contributions in aid of utility construction, net	—	—	746
Obligation secured by pledge of redeemable preferred stock	85,000	—	—
Issuance of capital stock, including treasury stock	1,184	83,612	6,964
Other	2,784	1,766	3,396
Total sources	424,371	384,867	274,765
Uses of funds:			
Purchase of property, plant and equipment	287,769	100,282	106,634
Acquisition of other noncurrent assets	51,549	36,955	46,292
Reduction of long-term debt	64,292	149,414	59,730
Reduction of other liabilities	5,719	14,030	12,491
Acquisition of treasury stock	449	2,249	—
Conversion of Preferred Stock	—	10,538	1,428
Redemption of convertible securities	—	1,975	—
Dividends on Preferred and Common Stock	32,134	28,163	24,416
Total uses	441,912	343,606	250,991
Increase (decrease) in working capital	\$(17,541)	\$ 41,261	\$ 23,774

Certain items have been reclassified to conform to current classifications.
See accompanying Notes to Financial Statements.

ANALYSIS OF CHANGES IN WORKING CAPITAL

In thousands, for the years ended December 31,	1984	1983	1982
Changes in working capital:			
Cash	\$ (8,100)	\$ (4,267)	\$ 7,758
Accounts receivable, less allowance	9,751	36,487	(22,669)
Inventories	(3,478)	(7,089)	(30,710)
Future income tax benefit	15,499	—	—
Prepaid expenses and other current assets	925	7,238	3,050
Notes payable	222	(846)	28,706
Accounts payable—trade	(17,067)	(5,678)	10,116
Income taxes	(4,791)	1,546	15,375
Deferred income taxes	8,800	(2,298)	2,374
Long-term debt—current maturities	(1,876)	19,106	(19,179)
Accrued compensation and other current and accrued liabilities	(17,426)	(2,938)	28,953
Increase (decrease) in working capital	\$ (17,541)	\$ 41,261	\$ 23,774

See accompanying Notes to Financial Statements.

CONSOLIDATED STATEMENTS OF ADDITIONAL PAID-IN CAPITAL

In thousands, for the years ended December 31,	1984	1983	1982
Amount at beginning of year	\$202,528	\$166,953	\$164,346
Capital in excess of par or stated value of shares issued upon conversion of convertible securities and exercise of employee stock options	573	22,571	2,459
Sale of Common Stock held in treasury	(663)	11,628	—
Reduction in par value of Common Stock	—	1,991	—
Distribution of common shares of mining subsidiary	—	(10,697)	—
Other adjustments, relating principally in 1983 to mining subsidiary's issue of stock	(1,411)	10,082	148
Amount at end of year	\$201,027	\$202,528	\$166,953

See accompanying Notes to Financial Statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

In thousands, except per share data, for the years ended December 31.

	1984	1983	1982
Amount at beginning of year	\$359,862	\$384,033	\$376,244
Net earnings	7,900	44,943	33,367
Dividends:			
\$5.00 Preferred Stock	(432)	(432)	(432)
\$1.25 Convertible Preferred Stock	—	(205)	(299)
\$1.36 Convertible Preferred Stock	—	(466)	(695)
Common (per share: 1984—\$1.175; 1983—\$1.15; 1982—\$1.125)	(31,702)	(27,060)	(22,990)
	(32,134)	(28,163)	(24,416)
Distribution of common shares of mining subsidiary	—	(34,170)	—
Treasury stock transactions	—	(5,907)	(1,162)
Redemption of convertible securities	—	(874)	—
Amount at end of year	\$335,628	\$359,862	\$384,033

See accompanying Notes to Financial Statements.

CONSOLIDATED STATEMENTS OF CUMULATIVE TRANSLATION ADJUSTMENTS

In thousands, for the years ended December 31.

	1984	1983	1982
Amount at beginning of year	\$ (12,452)	\$ (8,514)	\$ (3,842)
Translation adjustments and			
gains (losses) from intercompany balances	(3,517)	(4,597)	(4,672)
Income taxes related to translation adjustments	523	—	—
Distribution of common shares of mining subsidiary	—	659	—
Amount at end of year	\$ (15,446)	\$ (12,452)	\$ (8,514)

See accompanying Notes to Financial Statements.

Note 1: Significant Accounting Policies

Principles of consolidation: The consolidated financial statements include the accounts of the Corporation and substantially all of its subsidiaries (see Note 10). All significant intercompany accounts and transactions have been eliminated in consolidation. Investment in an unconsolidated majority-owned insurance subsidiary, a finance subsidiary, a water services utility (from the date the Corporation's ownership interest was reduced to 50%—see Note 3) and companies, cooperatives and joint ventures owned 20% or more are accounted for on the equity basis.

Revenue recognition: The trucking subsidiaries engaged primarily in less-than-truckload service recognize revenue on the proportional performance method; trucking subsidiaries providing truckload service primarily recognize revenue upon delivery completion.

Sugar produced in Hawaii is sold to a nonprofit marketing cooperative in which agribusiness subsidiaries have an approximate 23% interest. Revenues recognized are based on the current average cost per ton or estimated market value per ton, if lower. Under the equity method of accounting for the investment in the cooperative, any estimated profit on sugar is deferred until sold by the cooperative.

Inventories: Inventories generally are stated at the lower of cost or market. Due to diversified operations, several bases of determining cost are used.

In accordance with industry practice in Hawaii, the costs of growing sugarcane are charged against earnings as incurred.

Property, plant and equipment: Property, plant and equipment are recorded at cost. Depreciation is provided principally on the straight-line basis over the estimated useful lives of the related assets.

Intangibles: Intangibles having a limited life are amortized over their estimated useful lives. The net excess of the cost of investments in subsidiaries over the net assets acquired is being amortized over periods from 10 to 40 years, except that portion relating to acquisitions before October 31, 1970, as long as there is no present indication that such intangibles have a determinable life.

Income taxes: Provision is made for deferred income taxes and future income tax benefits applicable to timing differences between financial statement and taxable income.

Investment tax credits are accounted for by the flow-through method, except that a subsidiary which is the lessor under a leveraged lease allocates the credit over the lease term.

Certain subsidiaries operate in countries where their earnings are substantially free of taxation or are taxed at rates effectively lower than in the United States. Income taxes have not been provided on that portion of the earnings of such subsidiaries considered to be continuously reinvested outside the United States.

Earnings per share: Primary earnings per share in 1984, computed after deducting the dividend requirement on preferred stock, are based on the average number of shares of Common Stock outstanding during the period and the dilutive effect of stock options, including stock appreciation rights (SARs). Prior to 1984, earnings per share were based on the average number of shares of both Common Stock and Special Stock, Series A outstanding during the period and the dilutive effect of stock options, including SARs and stock purchase plans. The Special Stock, Series A was included on a basis equivalent to the conversion rate applicable during the period (see Note 12).

Earnings per share assuming full dilution for periods prior to 1984 reflect, in addition to the primary computation, the dilutive effect of (a) the conversion of convertible preferred stock after elimination of the dividend requirements on such convertible preferred stock, and (b) the conversion of Special Stock, Series A at the rate in effect in 1988.

Note 2: Discontinued Operations

On November 10, 1983, shareholders of the Corporation approved the distribution of the Corporation's investment in Echo Bay Mines Ltd. (Echo Bay), the Canadian precious-metals mining subsidiary, to the Corporation's common shareholders. The basis of distribution was one common share of Echo Bay for each share of the Corporation's Common Stock held on November 21, 1983. The distribution was accounted for as a partial liquidation, as defined by Maryland law, and resulted in a charge to paid-in capital of \$10,697,000 and to retained earnings of \$33,511,000, including certain net expenses and taxes amounting to \$3,031,000 related to the distribution. The Corporation sold 281,260 Echo Bay common shares remaining after the distribution and recorded the net proceeds as an offset to the distribution charges.

The following is a summary of the net assets attributable to the mining operations, including unamortized interest capitalized by the Corporation applicable to expenditures related to construction of Echo Bay's gold mine.

In thousands, November 21,	1983
Current assets	\$ 13,382
Noncurrent assets	130,600
Current liabilities	(10,605)
Other liabilities, including long-term debt	(53,469)
Net assets	79,908
Minority interest in Echo Bay	(38,731)
Investment, at equity	\$ 41,177

In April 1983, Echo Bay issued common shares which reduced the Corporation's ownership in Echo Bay's common equity to 86.635% and increased the Corporation's share in the net assets of Echo Bay by \$11,678,000, which was credited to paid-in capital.

The following summarizes the operating results attributable to discontinued mining operations.

In thousands	January 1 to November 21, 1983	Year ended December 31, 1982
Revenues and other income	\$ 45,027	\$11,061
Costs and expenses	(40,545)	(2,412)
Income taxes	(215)	(3,906)
Minority interest	(3,473)	(3,540)
Equity in net earnings	\$ 794	\$ 1,203

Equity in net earnings for the year ended December 31, 1982 includes \$8,968,000 of interest capitalized by the Corporation after taxes of \$4,125,000. The effective tax rate for Echo Bay differed from the Canadian statutory rates principally because of the depletion allowance in 1983 and the inventory allowance in 1982.

Note 3: Acquisitions and Dispositions

In 1984, subsidiaries of the Corporation acquired the stock of two truckload motor carriers, Poole Truck Line, Inc. (February) and C & H Transportation Co., Inc. (May), a less-than-truckload carrier, Thurston Motor Lines, Inc. (May), and certain other small companies in purchase transactions for cash and notes amounting to an aggregate consideration of approximately \$106,546,000. The financial statements include the results of operations of these companies from their respective dates of purchase. The unallocated purchase cost of \$6,926,000 is being amortized on a straight-line basis over 40 years.

The following pro forma combined results of operations for the years ended December 31, 1984 and 1983 each give effect to the acquisitions as though they had occurred on January 1 of the respective years and include adjustments, primarily for imputed interest charges attributable to the financing of the purchase and amortization of goodwill.

Unaudited In thousands, except per share data	1984	1983
Revenues	\$2,666,128	\$2,371,620
Net earnings	6,748	49,876
Earnings per share	.23	1.94

The pro forma financial information is not necessarily indicative of results of operations that would have occurred had the purchases been made at the beginning of the period.

Effective December 31, 1984, a subsidiary acquired rights to all of the outstanding stock of Somafer, S.A., an environmental services company, for cash and notes amounting to an aggregate consideration of approximately \$5,655,000. This investment is being carried at cost and will be consolidated as of January 1, 1985, upon completion of an appraisal of the company's assets and liabilities.

In 1983 and 1982, the Corporation acquired several small companies in purchase transactions for cash and notes amounting to an aggregate consideration of \$25,622,000 and \$3,491,000, respectively. The operations of the companies acquired were not significant.

On October 14, 1982, the Corporation sold 41.8% of the common stock of General Waterworks Corporation (GW), its wholly-owned water services utility subsidiary, for \$32,400,000 and recorded a net gain of \$2,887,000. Concurrently, GW sold newly issued common shares, reducing the Corporation's ownership interest to 50%. Subsequent adjustments in 1984 and 1983, based on reviews of the estimated tax basis of the stock sold, reduced the tax provision by \$2,470,000.

The following summarizes the results of GW's operations.

In thousands, January 1 to October 14,	1982
Revenues and other income	\$ 59,377
Operating costs and expenses	(23,916)
Other expenses	(19,594)
Income taxes	(6,273)
Net earnings	\$ 9,594

During the three years ended December 31, 1984, in addition to the dispositions of Echo Bay and GW, the Corporation disposed of its molasses distribution operations, a pipe fabricating company, a division of a trucking subsidiary, certain water utility properties, a division of a paper distribution subsidiary, and certain other small compa-

nies. The contribution to revenues and net earnings, excluding gains and losses on disposition, of divested companies for the years ended December 31, 1983 and 1982 was as follows. There were no contributions to 1984 operating results from divested operations.

In thousands	1983	1982
Revenues	\$15,261	\$146,738
Net loss	(373)	(1,743)

Note 4: Other Income

Significant items included in other income are as follows.

In thousands	1984	1983	1982
Interest and dividends	\$12,192	\$10,651	\$11,131
Gain on disposition of investments and certain other assets	8,487	15,753	17,973

During the three years ended December 31, 1984, the Corporation disposed of several subsidiaries, land and certain other assets, including the sale of a royalty interest in 1984 to Echo Bay and sale of an interest in GW in 1982, at a gain of \$8,487,000 in 1984, \$15,753,000 in 1983 after application of \$8,857,000 of reserves provided in prior years and \$20,046,000 in 1982 after application of \$8,221,000 of reserves provided in prior years. Income taxes of \$1,417,000, \$6,053,000 and \$6,681,000 were recognized in 1984, 1983 and 1982, respectively, related to these dispositions. A reserve of \$2,073,000 and a tax benefit of \$974,000 were provided in 1982 for anticipated losses on future dispositions.

In the fourth quarter of 1984, a subsidiary of the Corporation sold its royalty interest in Echo Bay's Lupin gold mine to Echo Bay for \$4,300,000. The subsidiary acquired the royalty interest in 1982 in exchange for financing a Canadian \$2,500,000 exploration program. The royalty interest provided for payment of Canadian \$20 per troy ounce on Lupin production in excess of 850,000 troy ounces, until the investment together with a return of 18% per annum was attained; thereafter, the royalty would have been reduced to Canadian \$10 per troy ounce, indexed for inflation, for the life of the Lupin deposit. In addition, other income includes a gain of \$1,204,000 from the October 1984 extinguishment of debt; income taxes of \$593,000 were provided.

The pretax operating results of divested subsidiaries, except Echo Bay and GW, were included in other income from the respective dates the Corporation committed itself to dispose of the companies.

In connection with the Corporation's merger of the operations of certain of its trucking subsidiaries, the Corporation is deferring gains and deferred one-time expenses, including tax effects thereon, directly associated with the integrations. Current estimates, based principally on appraisals and recent sale transactions, indicate that gains from sales of excess equipment, terminals and corporate office facilities will offset expenses associated with the integrations of the trucking companies. At December 31, 1984 and 1983, \$20,000,000 and \$13,083,000 of expenses offset by \$8,303,000 and \$1,018,000 of gains, respectively, were included in deferred charges.

Note 5: Income Taxes

The components of the consolidated provision for income taxes applicable to continuing operations for the three years ended December 31, 1984 are as follows.

In thousands	1984	1983	1982
Current:			
Federal	\$ 15,081	\$20,705	\$(4,697)
State and local	4,482	2,747	3,200
Non-United States	9,880	8,195	7,745
Investment tax credit	(5,289)	(6,549)	602
	24,154	25,098	6,850
Deferred:			
Federal	(19,291)	3,809	11,559
State and local	(1,305)	410	1,023
Non-United States	242	143	(283)
Investment tax credit	6,392	1,863	(7,395)
	(13,962)	6,225	4,904
	\$ 10,192	\$31,323	\$11,754

The foreign components of pre-tax earnings were \$28,510,000, \$23,513,000 and \$19,315,000 in 1984, 1983 and 1982, respectively.

At December 31, 1984, the Corporation had not provided income taxes, net of available foreign tax credits, on \$36,074,000 of undistributed earnings of non-United States subsidiaries.

The sources of the differences between consolidated earnings for financial statement purposes and tax purposes and the tax effects are as follows.

In thousands	1984	1983	1982
Excess of book over tax			
depreciation and amortization	\$ (656)	\$ (366)	\$ (2,262)
Investment tax credit	6,392	1,863	(7,395)
Earnings on long-term contracts	(8,947)	(1,062)	(48)
Systems integration costs of trucking subsidiaries	370	5,550	—
Recovery of (provision for) loss on investments and other assets	(3,451)	3,094	4,051
Installment sales	596	(2,638)	5,960
Provision for self-insurance and other claims	(3,154)	(1,919)	(4,233)
Deferred compensation and pension	(6,088)	(571)	749
Operating rights of trucking subsidiaries	2,973	3,050	3,050
Unallowable reserves	(4,003)	(614)	312
Excess of book over tax revenues	1,708	460	2,069
Other*	298	(622)	2,651
	\$ (13,962)	\$ 6,225	\$ 4,904

*Included are items related to inventory valuation, interest and state taxes

The consolidated effective tax rates varied from the United States income tax rate for the following reasons.

	1984	1983	1982
Federal income tax rate	46.0%	46.0%	46.0%
Foreign earnings, net of losses with no tax benefits, and foreign dividends	5.0	1.7	5.7
Investment tax credit	6.1	(6.2)	(15.4)
State and local income taxes, net of Federal tax benefit	9.5	2.2	5.2
Capital gains rate	(15.1)	(2.0)	(9.9)
Equity in earnings of subsidiaries	(24.2)	(6.3)	(3.4)
Tax basis adjustments	12.0	(.4)	(1.3)
Adjustment of prior years' accruals including interest	3.3	4.4	(1.1)
Minimum tax	3.8	1.0	1.1
Other	9.9	1.1	(.1)
Effective tax rate	56.3%	41.5%	26.8%

The Corporation has unused investment tax credits of \$23,400,000 (expiring 1997-1999) which may be used to offset future Federal tax liability. For financial statement purposes the unused investment tax credits amount to \$16,200,000 based on additional recognition to the extent net deferred tax credits amortize during the credit carryforward period.

Note 6: Inventories

Inventories at December 31, 1984 and 1983 are summarized as follows.

In thousands	1984	1983
Finished products	\$41,936	\$ 42,092
Work in process	1,251	1,523
Raw materials and supplies	19,551	16,060
Merchandise and commodities	30,922	37,702
Other	3,779	3,540
	\$97,439	\$100,917

Certain items included in merchandise and commodities inventories are valued on the last-in, first-out (LIFO) basis, which is less than the cost of such inventories valued on the first-in, first-out (FIFO) basis by \$204,000 and \$2,564,000 at December 31, 1984 and 1983, respectively.

Book basis of LIFO inventories exceeded the tax basis by \$513,000 and \$963,000 at December 31, 1984 and 1983, respectively. The difference resulted from the application of purchase accounting to the acquisition of the minority interest in C. Brewer and Company.

Note 7: Long-Term Receivables and Investments

The total carrying values of long-term receivables and investments at December 31, 1984 and 1983 are shown in the following table.

In thousands	1984	1983
Long-term receivables and restricted cash deposits	\$ 27,706	\$ 41,035
Equity in GW	38,605	36,991
Other unconsolidated subsidiaries and affiliates	36,407	31,001
Cooperatives and joint ventures	21,776	20,768
Land held for sale or development	5,841	7,849
Other investments	19,886	12,029
Provision for loss	(1,272)	(1,239)
	\$148,949	\$148,434

Undistributed earnings of unconsolidated subsidiaries and 50% or less owned interests reflected in retained earnings amount to \$43,895,000 at December 31, 1984.

The following tables summarize financial information regarding unconsolidated subsidiaries.

In thousands, December 31,	1984	1983
Current assets	\$ 36,165	\$25,715
Noncurrent assets	105,080	96,869
Current liabilities	19,934	13,089
Long-term debt, excluding current maturities	17,000	14,000
Other liabilities	70,790	61,080

In thousands, year ended December 31,	1984	1983	1982
Revenues and other income	\$50,843	\$42,168	\$38,755
Cost of products sold, other operating costs and expenses	31,395	25,056	22,337
Net earnings	2,607	5,871	4,414

A subsidiary has guaranteed \$17,400,000 of debt of a wholly-owned, unconsolidated finance subsidiary.

The following tables summarize financial information regarding 50% or less owned interests accounted for by the equity method.

In thousands, December 31,	1984	1983
Current assets	\$ 32,492	\$ 38,019
Noncurrent assets	254,482	241,828
Current liabilities	27,148	37,085
Long-term debt, excluding current maturities	82,460	77,601
Other liabilities	48,438	44,112
Contributions in aid of utility construction	35,232	30,064

In thousands, year ended December 31,	1984	1983	1982	
			GW	Other
Revenues and other income	\$100,208	\$99,727	\$74,982	\$10,651
Cost of products sold, other operating costs and expenses	41,114	38,706	30,183	5,868
Net earnings	17,415	18,041	12,090	1,872

GW claims depreciation and certain other expenses for income tax purposes in excess of the amounts recorded in the accounts without providing for the related income tax deferral. In setting rates, GW recovers only the income taxes payable currently. GW allocates investment tax credits over the depreciable lives of the related assets, and upon retirement of properties, transfers related costs to accumulated depreciation.

Note 8: Property, Plant and Equipment

A summary of property, plant and equipment at December 31, 1984 and 1983 is shown in the following table.

In thousands	1984	1983
Transportation services	\$ 617,877	\$431,525
Environmental services	219,112	208,373
Agribusiness	143,050	144,470
Distribution services	65,671	55,727
Other	33,282	28,555
	\$1,078,992	\$868,650

Interest expense of \$1,374,000 in 1984, \$1,342,000 in 1983 and \$2,003,000 in 1982 was capitalized.

Note 9: Debt

Long-term debt at December 31, 1984 and 1983 payable by consolidated subsidiaries is summarized in the following table. Interest rates on \$181,000,000 of long-term debt outstanding at December 31, 1984, after reflecting outstanding interest rate exchange agreements, are based on the London interbank offered rate (LIBOR) or other fluctuating interest rates.

In thousands	1984	1983
Secured: Due 1985 to 2009; 2% to 14.5% (weighted average interest rate 1984-8.3%; 1983-8.1%)	\$103,091	\$ 99,045
Unsecured: Due 1985 to 1994; 7% to 17% (weighted average interest rate 1984-10.4%; 1983-10.7%)	261,227	178,426
	364,318	277,471
Less current maturities	23,867	21,991
	\$340,451	\$255,480

Borrowings of \$36,600,000 under short-term lines of credit are classified as long-term debt based on the intent to finance this amount on a long-term basis and the ability to borrow such funds under unused long-term committed credit facilities. At December 31, 1984, unused short-term

credit facilities amounted to \$6,000,000 and unused long-term credit facilities amounted to \$99,000,000.

At December 31, 1984, debt was secured by property, plant and equipment and other assets with a total carrying value of \$102,600,000. Sinking fund requirements and installments of long-term debt maturing in the years 1986, 1987, 1988 and 1989 amount to \$87,217,000, \$136,041,000, \$30,526,000 and \$20,324,000, respectively. Borrowings under short-term lines of credit are reflected based on the repayment terms of unused long-term credit facilities.

In 1982, the Corporation entered into two interest rate exchange agreements extending until 1989, which fix the rate on \$35,000,000 of floating rate debt at 13.02%.

Amortization of debt discount and expense for the years 1984, 1983 and 1982 was \$851,000, \$1,228,000 and \$1,438,000, respectively.

Certain bond indentures and note agreements which the Corporation has guaranteed require the maintenance of specified ratios of net worth and total capitalization, as therein defined. Under the most restrictive of these agreements, which specifies minimum net worth requirements, approximately \$102,000,000 of the Corporation's retained earnings at December 31, 1984 was free from restriction. In addition, certain subsidiaries are restricted by loan agreements and certain regulatory agencies as to the disposition of certain assets or investments, indebtedness, maintenance of working capital, minimum net worth and dividends. At December 31, 1984, net assets of subsidiaries free from restriction significantly exceeded \$102,000,000.

Note 10: Obligation Secured by Pledge of Redeemable Preferred Stock

In July 1984, a finance company owned by a Trust beneficially owned by a consolidated subsidiary issued \$85,000,000 of floating rate notes due July 1992, redeemable at the option of the holders in July 1989. Interest on the notes is determined quarterly at a rate ½% over the LIBOR rate. The notes are neither guaranteed by nor an obligation of IU International Corporation. The notes are secured solely by 1,133,334 shares of the Corporation's 1984 Preferred Stock (see Note 11). The accounts of the Trust and its finance subsidiary are included in the Corporation's consolidated financial statements.

Note 11: 1984 Preferred Stock

In July 1984, 1,133,334 shares of a series called "1984 Preferred Stock" were authorized and issued to a Trust beneficially owned by a consolidated subsidiary. The 1984 Preferred Stock has a mandatory redemption in July 1992, and the holder has an option to have the stock redeemed in July 1989. Holders of the 1984 Preferred Stock are entitled to cumulative dividends at a quarterly rate equal to LIBOR plus ½%; voting rights in the event of a failure to pay dividends or fulfill the redemption requirements; and upon liquidation or redemption \$100 per share plus accrued and unpaid dividends. The 1984 Preferred Stock is pledged as security for \$85,000,000 of floating rate notes (see Note 10).

Note 12: Common and Other Preferred Stock

The authorized and issued capital stock of the Corporation at December 31, 1984 and 1983 is summarized below.

	1984		1983	
	Shares	Stated or par value	Shares	Stated or par value
In thousands, except share data, issued at December 31.				
Series Preferred Stock, without par value:				
Authorized: 4,814,708 shares (reserved for issuance of floating rate Preferred Stock—1,000,000 shares)				
Issued:				
1984 series (see Note 11)				
\$5.00 series (in treasury at both dates—6,943 shares)	93,312	\$ 9,564	93,312	\$ 9,564
Common Stock, \$1.15 par value per share:				
Authorized: 60,000,000 shares (reserved for stock option and stock purchase plans—3,687,982 shares)				
Issued: (in treasury 1984—12,822,577 shares; 1983—12,870,402 shares)	39,837,318	\$45,813	39,823,342	\$45,797

In addition, there are 4,569,961 shares of Series Preference Stock, without par value, authorized.

In connection with the 1983 distribution of Echo Bay common shares, the shareholders approved a reduction in the par value of Common Stock from \$1.20 to \$1.15 per share.

In September 1983, the Corporation redeemed the outstanding shares of its \$1.25 Convertible Preferred Stock, \$1.36 Convertible Preferred Stock and Special Stock, Series A, resulting in a charge to retained earnings of \$874,000. Shares of such stock held in treasury were retired, resulting in a charge to retained earnings of \$5,907,000.

Holder of \$5.00 Preferred Stock are entitled to voting rights, cumulative dividends and upon liquidation or redemption, the stated value plus accrued and unpaid dividends.

Changes in capital stock during the years ended December 31, 1984, 1983 and 1982 are summarized in the following table.

	Common	Preferred	Special Stock, Series A
Shares issued Dec. 31, 1981	36,362,477	1,355,329	529,819
Conversion of convertible securities	283,125	(88,023)	(33,408)
Exercised under stock option plans	80,909	7,000	—
Shares issued Dec. 31, 1982	36,726,511	1,274,306	496,411
Conversion of convertible securities	2,446,801	(654,608)	(311,949)
Exercised under stock option plans	650,030	12,000	—
Redemption of convertible securities	—	(59,156)	(8,027)
Retirement of treasury stock	—	(479,230)	(176,435)
Shares issued Dec. 31, 1983	39,823,342	93,312	—
Exercised under stock option plans	13,976	—	—
Shares issued Dec. 31, 1984	39,837,318	93,312	—

Purchases (sales) of Common Stock held in treasury during the years ended December 31, 1984, 1983 and 1982 are summarized in the following table.

	1984	1983	1982
Shares held at beginning of year	12,870,402	15,785,300	16,121,813
Sales at fair market value	(913)	(3,000,000)	—
Employee stock option and purchase plans	(72,022)	49	(336,513)
Purchases at fair market value	25,110	85,053	—
Shares held at end of year	12,822,577	12,870,402	15,785,300

In May 1983, the Corporation sold 3,000,000 shares of Common Stock in a public offering for consideration totaling \$63,176,000, after underwriters' commissions and other expenses.

At December 31, 1984, a wholly-owned subsidiary had outstanding 1,000,000 shares (issue price \$100,000,000) of preferred stock. The subsidiary is obliged to redeem a portion of the then outstanding shares at \$100 per share beginning with 20% in 1986, 25% in 1987, 33 $\frac{1}{3}$ % in 1988 and 50% in 1989. The stock has a floating dividend rate, 6.12% for the March 1, 1985 dividend. Under certain conditions, the Corporation may substitute similar stock of the Corporation or guaranteed subordinated promissory notes for the subsidiary's securities.

Note 13: Stock Options

Nonqualified and incentive stock options to certain officers and employees of the Corporation and its subsidiaries were outstanding at December 31, 1984 and 1983 pursuant to stock option plans. Options are exercisable in varying amounts over periods from one to 10 years from the date of grant, at prices equal to the fair market value of the stock at the date of grant. The plans provide for the delivery of shares of the Corporation's Common Stock in payment of the option price upon the exercise of stock options.

In conjunction with the distribution of Echo Bay common shares, the Board of Directors temporarily accelerated the date on which certain stock options could be exercised, such acceleration lapsed on November 22, 1983, and the Board approved adjustments to the option price and shares under option outstanding after the distribution. The changes in the outstanding options for Common Stock during 1984 and 1983 are shown in the following table.

	1984	1983
Shares under option at beginning of year	871,318	1,106,775
Adjustment of shares under option	—	279,961
Granted	194,400	258,000
Exercised	(85,998)	(764,114)
Cancelled or expired	(11,350)	(9,304)
Shares under option at end of year	968,370	871,318
Average option price	\$13.10	\$10.88

At December 31, 1984, there were 716,361 shares of Common Stock reserved for future grants under stock option plans.

In May 1984, shareholders authorized an additional 700,000 shares of Common Stock for issuance under incentive stock option plans and an additional 1,400,000 shares of Common Stock for issuance under the Employees Stock Purchase Plan.

Certain plans provide for the grant of stock appreciation rights (SARs), which entitle the grantee the alternative of electing not to exercise a related stock option but instead to receive cash equal to the difference between the option price and the mean of the high and low market price on the date of exercise. In addition, certain officers may be granted the right to request settlement of an option in cash; however, such request will be granted under extenuating circumstances at the sole discretion of a committee of nonparticipating directors. In 1983, selected officers were permitted to exercise cash settlement rights in respect of 50,000 options until November 11, 1983. During 1983, 114,084 of the options exercised were settled for cash. At December 31, 1984, SARs and cash settlement rights are outstanding in respect of 35,460 stock options and 347,683 stock options, respectively.

Options for 12,000 shares of \$1.36 Convertible Preferred Stock were exercised in 1983 at an average option price of \$11.21 per share.

Under the Employees Stock Purchase Plan, 2,003,251 shares of Common Stock are available for issuance to eligible employees in future offerings.

The Board of Directors has authorized the Corporation to make loans to its senior officers for the purpose of exercising outstanding stock options. The unsecured loans are payable over 10 years and may not exceed the aggregate amount of \$5,000,000. Loans outstanding under this program at December 31, 1984 and 1983 amounted to \$3,303,000 and \$3,453,000, respectively, with an average interest rate of 11.7% in 1984 and 10.7% in 1983.

Note 14: Pension Plans

The Corporation and certain of its subsidiaries have insured or trustee pension plans which generally provide for normal retirement at age 65. A summary of accumulated benefits and net assets for such defined benefit plans, excluding the terminated plans discussed below, determined on the date indicated, is presented in the following table.

In thousands, January 1,	1984	1983
Actuarial present value of accumulated plan benefits:		
Vested	\$ 97,613	\$ 85,446
Nonvested	7,959	6,546
	\$105,572	\$ 91,992
Net assets	\$135,623	\$105,198

Assumed rates of return used in determining the actuarial present value of accumulated plan benefits range from 5% to 9%. Pension expense charged against continuing operations during the years ended December 31, 1984, 1983 and 1982 was \$5,251,000, \$7,853,000 and \$10,214,000, respectively. Effective January 1, 1984, several subsidiaries changed actuarial assumptions, primarily the assumed rate of return, and the actuarial methods of determining pension liability, primarily to recognize the substantial increase in the plans' assets. These changes increased fourth quarter 1984 net earnings by approximately \$1,066,000. It is the Corporation's general policy to fund pension costs accrued, including amortization of prior service costs over periods not exceeding 40 years.

In addition, certain pension plans have been terminated and annuities have been purchased to provide for all accrued benefits. Gains from reversion of excess pension plan assets to the subsidiaries, amounting to approximately \$5,700,000 in 1984 and \$13,716,000 in 1983, are being deferred and amortized over 10 years against expense of the replacement pension plans.

Certain subsidiaries also contribute to union-sponsored pension plans in accordance with the terms of collective bargaining agreements. Total contributions to these plans were \$36,889,000 in 1984, \$33,152,000 in 1983 and \$33,680,000 in 1982. Federal pension legislation establishes a continuing liability to such union-sponsored plans for an allocated share of the plans' unfunded vested benefits upon substantial or total withdrawal or termination. There is no intent to withdraw from such plans or any expected plan terminations which would result in the incurrence of any material liability. Based upon the limited information available from plan administrators, it is estimated that the subsidiaries' aggregate liability for unfunded vested benefits at January 1, 1984 would be material in relation to the financial position of the Corporation.

Note 15: Operating Segment Information

The principal operations of the Corporation are carried out through subsidiaries in transportation, environmental, agribusiness and distribution markets. Transportation services consist of trucking companies which operate throughout the United States. Environmental companies process slag and reclaim scrap metal for steel mills, treat and dispose of industrial waste and include a 50% interest in a company which supplies water and sewage services. Agribusiness consists of the production of sugar, macadamia nuts and other agricultural products, the distribution of agricultural chemicals, and land activities. Distribution services include the supply of paper and plastic products, janitorial supplies and institutional food products primarily in the southeastern United States.

The revenues and operating earnings information for 1984, 1983 and 1982 on page 23 are an integral part of these statements and should be read in conjunction with this note.

Identifiable assets as of December 31, 1984, 1983 and 1982 by major market segment are presented in the following table. Corporate assets are principally investments.

In thousands	1984	1983	1982
Transportation services	\$ 691,902	\$ 479,160	\$ 390,592
Environmental:			
Environmental services	192,787	170,971	171,300
Water services	38,605	36,991	35,888
Agribusiness	254,233	288,724	284,110
Distribution services	93,928	89,479	111,959
Other	32,870	38,211	71,066
Corporate	43,005	52,419	74,851
	\$1,347,330	\$1,155,955	\$1,139,766

Capital expenditures (including acquisitions) for 1984 and 1983 by major market segment are as follows.

In thousands	1984	1983
Transportation services	\$222,290	\$ 49,189
Environmental services	31,636	25,223
Agribusiness	13,281	12,223
Distribution services	11,703	7,055
Other	8,859	6,592
	\$287,769	\$100,282

Depreciation and amortization from continuing operations for the years 1984, 1983 and 1982 by major market segment are presented in the following table.

In thousands	1984	1983	1982
Transportation services	\$57,804	\$41,175	\$40,146
Environmental:			
Environmental services	22,477	22,585	23,987
Water services	—	—	3,448
Agribusiness	7,073	5,924	8,240
Distribution services	4,727	4,042	3,317
Other	2,566	2,379	2,945
Corporate	1,516	937	443
	\$96,163	\$77,042	\$82,526

A summary of significant items with respect to continuing operations in major geographic areas is as follows.

In thousands	Revenues	Earnings (loss)	Total assets
1984			
United States	\$2,431,920	\$ (3,264)	\$1,235,945
International	118,154	11,164	111,385
	\$2,550,074	\$ 7,900	\$1,347,330
1983			
United States	\$1,977,605	\$36,759	\$1,012,592
International	103,793	7,390	143,363
	\$2,081,398	\$44,149	\$1,155,955
1982			
United States	\$1,997,037	\$28,069	\$ 991,318
International	109,602	4,095	148,448
	\$2,106,639	\$32,164	\$1,139,766

Finance subsidiaries are included in United States data and corporate assets are located primarily within the United States. Activities outside the United States include worldwide metal recovery and agribusiness operations.

Note 16: Leases

The Corporation and its subsidiaries lease certain facilities and equipment. Total rental expense, including short-term leases and immaterial amounts of contingent rents, charged against continuing operations for the years ended December 31, 1984, 1983 and 1982 was \$27,291,000, \$20,874,000, and \$19,683,000, respectively. Sublease income from these leases is not material.

The future minimum lease payments under all non-cancellable leases are shown in the following table.

In thousands	Capital leases	Operating leases
1985	\$ 6,267	\$21,525
1986	5,961	18,278
1987	9,056	15,100
1988	3,197	11,693
1989	1,509	8,737
Thereafter	3,810	15,173
	\$29,800	\$90,506
Less amount representing interest (2% to 14.5%)	6,027	
Present value of minimum lease payments	\$23,773	

In addition, trucking subsidiaries use owner-operators' tractors and trailers to provide truckload services for specified commodities under various short-term lease arrangements. Payments made to owner-operators amounted to \$336,445,000, \$239,228,000 and \$162,183,000 for the years ended December 31, 1984, 1983 and 1982, respectively.

Note 17: Commitments and Contingencies

At December 31, 1984, outstanding contractual commitments of subsidiaries amounted to \$22,759,000, all of which becomes due for payment in 1985.

The Corporation has received notices of tax deficiencies with respect to 1968-1970 (which presently are being contested in Tax Court) and has pending claims for partial refund of tax assessments paid with respect to 1971-1972. During 1984, the Corporation and the Internal Revenue Service reached an agreement with respect to tax deficiencies for the years 1973 and 1974, subject to finalization of carryover and carryback items to such years. The Corporation has also received notices of proposed tax adjustments with respect to 1975-1979 (years 1975-1978 presently are being protested with the Internal Revenue Service), some of which could result in substantial tax deficiencies and may impact subsequent years. The more significant items involve the taxation of intercompany loans between foreign subsidiaries as dividends to the United States parent corporation and the deductibility of certain foreign operating losses. The Corporation does not agree with the notices of tax deficiencies and the proposed adjustments, and believes that it has sound arguments in support of its positions. While the final outcome of these matters is not determinable at this time, management believes the ultimate liability, if any, will not materially affect the financial position of the Corporation.

In addition, the Corporation has received notice of a proposed tax adjustment with respect to the 1980 exchange of its interest in Canadian Utilities Limited, a former subsidiary, for shares of Common Stock of the Corporation. The tax deficiency from such adjustment could amount to about \$70 million and interest thereon. The Corporation has reviewed the transaction with counsel and believes it is fully supported in its position that such exchange was a tax free distribution, except for an imputed taxable dividend under Section 1248(f) of the Internal Revenue Code. Counsel has advised the Corporation that it is probable that a court will not uphold the proposed tax adjustment.

In connection with the 1979 distribution of the common stock of a wholly-owned subsidiary, Gotaas-Larsen Shipping Corporation (GLSC), to the shareholders, the Corporation agreed to loan GLSC up to \$30,000,000 on a revolving credit basis. At December 31, 1983, \$18,500,000 was outstanding under the agreement. In November 1984, GLSC exercised its right to convert the \$30,000,000 facility into a five-year term loan payable in equal quarterly installments. In December 1984, the Corporation sold the note, subject to recourse.

In 1984, the distribution subsidiaries sold receivables subject to a 5% recourse provision; at December 31, 1984, the amount which may be claimed under such recourse provision is approximately \$2,205,000. In addition, the agribusiness subsidiary sold mortgage notes subject to recourse; at December 31, 1984, \$10,059,000 was outstanding under these notes.

Note 18: Incentive Compensation Plans

The Corporation and certain of its subsidiaries have incentive compensation plans for officers and key employees providing for awards based on defined performance measurements. Incentive compensation charged against continuing operations for the years ended December 31, 1984, 1983 and 1982 amounted to \$4,724,000, \$5,050,000 and \$3,739,000, respectively.

Note 19: Quarterly Operating Results (Unaudited)

The following is a summary of the unaudited quarterly operating results for the two years ended December 31, 1984.

In thousands	Revenues and other income	Cost of products sold, other operating costs and expenses	Earnings (loss) from continuing operations	Net earnings (loss)
For 1984:				
1st quarter	\$ 554,772	\$ 455,408	\$ 1,896	\$ 1,896
2nd quarter	642,947	519,405	10,571	10,571
3rd quarter	676,580	560,122	(6,654)	(6,654)
4th quarter	675,775	548,159	2,087	2,087
Full year	\$2,550,074	\$2,083,094	\$ 7,900	\$ 7,900
For 1983:				
1st quarter	\$ 470,623	\$ 378,701	\$ 583	\$ 517
2nd quarter	529,860	416,528	13,090	13,554
3rd quarter	534,729	431,345	15,911	16,361
4th quarter	546,186	422,515	14,565	14,511
Full year	\$2,081,398	\$1,649,089	\$44,149	\$44,943

The third quarter of 1984 includes a gain of \$5,467,000 from the sale of a non-strategic land parcel and special provisions for bad debt allowances and operating expenses by a trucking subsidiary amounting to \$5,900,000. In addition, the estimated annual effective tax rate was revised to reflect the lower level of expected earnings and investment tax credit utilization.

The fourth quarter of 1983 includes a gain of \$1,386,000 from foreign currency adjustments.

	Primary earnings (loss) per share		Earnings per share assuming full dilution	
	Continuing operations	Net	Continuing operations	Net
For 1984:				
1st quarter	\$.07	\$.07	\$.07	\$.07
2nd quarter	.38	.38	.38	.38
3rd quarter	(.25)	(.25)	—	—
4th quarter	.07	.07	.07	.07
Full year	\$.27	\$.27	\$.27	\$.27
For 1983:				
1st quarter	\$.01	\$.01	\$.01	\$.01
2nd quarter	.52	.54	.50	.52
3rd quarter	.59	.61	.58	.60
4th quarter	.53	.53	.53	.53
Full year	\$1.71	\$1.74	\$1.68	\$1.71

In 1984, earnings per share assuming full dilution is not reported for the third quarter due to the anti-dilutive effect of stock options. In 1983, quarterly earnings per share do not total full year earnings per share as a result of the anti-dilutive effect of convertible securities and the sale of 3,000,000 shares of Common Stock in May.

Note 20: Effect of Changing Prices (Unaudited)

Financial Accounting Standard (FAS) No. 33 as amended requires disclosure of the estimated impact on operations and financial position of the change in current cost of specific inventory sold and property and equipment employed by a business. Methods prescribed by FAS 33, used to adjust the historical costs of inventory, property, plant and equipment and the related costs of products sold and depreciation, are experimental and result in approximations which should not be relied on as precise measures of inflationary effects.

The current cost of specific inventory and property, plant and equipment was estimated generally by direct pricing or by using industry-based indices. The current cost of these assets measured in foreign currencies is estimated in the applicable foreign currency, translated into United States dollars at the current exchange rate and indexed using the Consumer Price Index for all Urban Consumers to measure the general inflation component.

Depreciation expense on the adjusted property, plant and equipment costs was computed using historical depreciation rates and methods. Cost of products sold based on the adjusted costs of inventory was calculated using historical turnover rates. Revenues and other expenses have not been adjusted; they are assumed to have occurred evenly during the year. Income taxes have not been adjusted.

In years prior to 1983, the assets of a water services utility subsidiary were included in consolidated net property, plant and equipment, and an adjustment to net recoverable cost recognized that only the historical cost of property, plant and equipment is generally recoverable in the utility rate-setting process.

The gain from decline in purchasing power of net amounts owed recognizes that during a period of inflation, monetary liabilities will be repaid in dollars with less purchasing power.

The data shown in the table on the next page demonstrate the cumulative impact of inflation on cost of property, plant and equipment acquired over a period of years and on cost of inventory. The impact of inflation on cost of products sold is less significant because of the inventory turnover rate and because the majority of the Corporation's subsidiaries are engaged in service-related industries. For assets measured in foreign currencies, the increase in specific prices of inventory and property, plant and equipment during the year includes only effects of specific price changes measured in the applicable foreign currency. The remaining effects, which relate to exchange rate changes, are disclosed separately as translation adjustments.

In millions of average 1984 dollars

Earnings from continuing operations	\$ 7.9
Adjustments to restate costs for the effects of changes in specific prices (current cost):	
Cost of products sold	(1.2)
Depreciation	(36.0)
Minority interest	.1
Loss from continuing operations after adjustment for changes in specific prices	\$(29.2)
Increase in specific prices of net inventory and property, plant and equipment during the year*	\$ 15.6
Effect of increase in general price level	41.1
Excess of increase in general price level over increase in specific prices	\$ 25.5

*At December 31, 1984, current cost of inventory was \$100.7 million and current cost of net property, plant and equipment was \$995.3 million.

The five-year summary of selected data is expressed in average 1984 dollars.

In millions, except per share data, for the years ended December 31,	1984	1983	1982	1981	1980
Cash dividends per common share	\$ 1.18	\$ 1.20	\$ 1.21	\$ 1.26	\$ 1.29
Market price per common share at year-end	16 $\frac{1}{2}$	23 $\frac{3}{4}$	17 $\frac{3}{8}$	15 $\frac{1}{4}$	21 $\frac{1}{8}$
Average consumer price index	311.1	298.4	289.1	272.4	246.8
Current cost information:					
Revenues and other income	\$2,550.1	\$2,170.0	\$2,267.0	\$2,637.4	\$2,786.0
Earnings (loss) from continuing operations	(29.2)	5.2	(32.7)	(6.1)	(10.7)
Earnings (loss) per share	(1.10)	.17	(1.67)	(.39)	(.54)
Translation adjustments	(5.2)	(7.5)	(6.3)		
Excess of increase in general price level over increase in specific prices, after adjustment to net recoverable cost	25.5	11.4	9.1	(1.5)	31.7
Gain from decline in purchasing power of net amounts owed	15.1	12.5	20.3	55.0	81.8
Net assets at year-end	711.3	807.5	837.0	892.0	855.0

Accountants' Report

The Board of Directors and Shareholders
IU International Corporation
Wilmington, Delaware

We have examined the consolidated balance sheets of IU International Corporation (a Maryland Corporation) and subsidiaries as of December 31, 1984 and 1983 and the related consolidated statements of earnings, additional paid-in capital, retained earnings, cumulative translation adjustments, and changes in financial position for each of the years in the three-year period ended December 31, 1984. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of IU International Corporation and subsidiaries at December 31, 1984 and 1983 and the results of their operations and changes in their financial position for each of the years in the three-year period ended December 31, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

Peat, Marwick, Mitchell & Co.
1600 Market Street
Philadelphia, Pennsylvania 19103
February 28, 1985

SHAREHOLDER DATA

Capital stock summary: More than 40,000 common shareholders own stock in IU, including many of IU's 37,000 employees.

The cash dividends and the high and low prices of the company's Common Stock based on New York Stock Exchange daily composite transactions are shown in the table below.

	Dividend	High	Low
1984: 4th Quarter	\$.30	16 $\frac{7}{8}$	15 $\frac{1}{4}$
3rd Quarter	.30	21 $\frac{3}{4}$	16
2nd Quarter	.2875	22 $\frac{1}{8}$	17 $\frac{1}{4}$
1st Quarter	.2875	25 $\frac{5}{8}$	20 $\frac{7}{8}$
1983: 4th Quarter	.2875	29 $\frac{7}{8}$	20 $\frac{7}{8}$
3rd Quarter	.2875	30 $\frac{3}{8}$	23 $\frac{3}{4}$
2nd Quarter	.2875	25 $\frac{1}{4}$	18 $\frac{1}{4}$
1st Quarter	.2875	19 $\frac{3}{4}$	16

The company's \$5.00 Preferred Stock does not trade actively. In 1984, its bid price ranged from a low of \$33 per share to a high of \$34 per share; in 1983, its bid price was \$34 per share.

Dividends: IU has paid a larger dividend per common share every year since the present class of Common Stock was issued in 1944. The dividend payout is governed by current capital requirements, earnings, and economic outlook. It is impossible to anticipate every future circumstance, but the Board of Directors is sensitive to the shareholders' interests in IU's record of rising common dividends.

Dividend payments are made to IU shareholders on the first business day of March, June, September, and December. Total dividends paid during 1984 were \$32.1 million. Owners of Common Stock were paid \$31.7 million, and owners of preferred shares received \$.4 million.

Dividend reinvestment plan: IU's dividend reinvestment plan enables common and preferred shareholders to reinvest their quarterly dividends in IU common stock—free of all brokerage and administrative charges.

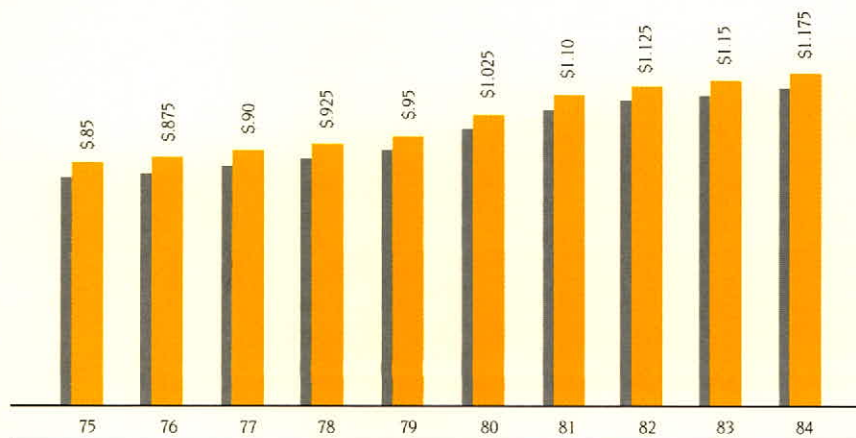
Shareholders may reinvest a portion of their dividends and receive the balance in cash. New cash investments of up to \$5,000 per quarter also may be made at no additional charge.

A brochure describing the program is available from the company's Public Affairs Department, 1500 Walnut Street, Philadelphia, PA 19102, and from the Dividend Reinvestment Service Offices of Morgan Guaranty Trust Company, P.O. Box 3506, New York, NY 10008.

Approximately 21% of IU's shareholders participate in the dividend reinvestment plan.

Stock exchanges: IU's Common Stock is listed for trading (symbol: IU) on these exchanges: New York, Philadelphia, Midwest, Pacific, Toronto, Montreal, Vancouver, London, Amsterdam and Tokyo.

Transfer agents and registrars: The transfer agents for IU's Common Stock are Morgan Guaranty Trust Company of New York and Montreal Trust Company in Montreal and Toronto. The registrars are Morgan Guaranty Trust Company of New York and Central Trust Company in Montreal and Toronto.



DIVIDEND GROWTH

Cash dividends per common share

BOARD OF DIRECTORS



Morris R. Brooke, 49, is a partner in the law firm of Drinker Biddle & Reath. He joined this firm in 1961 and has been a partner since 1967. Mr. Brooke became a director of IU in 1982. He is a graduate of Yale University and Harvard Law School, and is a member of the Judicial Conference for the Third Circuit. Mr. Brooke resides in Flourtown, Pennsylvania.

Robert F. Calman, 52, is vice chairman and chief financial officer of IU. A director since 1978, he joined IU in 1970 as vice president—finance and treasurer, and became group vice president—development in 1972 and executive vice president in 1974. He previously served as treasurer of the North American Division and of the International Division of Mobil Oil Corp., and earlier was an assistant treasurer of The Chase Manhattan Bank. He is a graduate, magna cum laude, of Yale University and a member of Phi Beta Kappa, and he holds a master's degree from the Alfred P. Sloan School of Management at Massachusetts Institute of Technology. Mr. Calman is chairman of Echo Bay Mines Ltd. and General Waterworks Corp. and a director of Western Industrial Bank. He also serves as a member of the Advisory Council, European Banking Co., Ltd., and a director of public television station WHYY-TV. He lives in North Beach, New Jersey.

John Gilray Christy, 52, is chairman and president of IU. A director since 1978, he joined IU in 1972 as group vice president for land transportation. He was elected executive vice president in 1976, president and chief operating officer in 1978, chief executive officer in 1980, and chairman in 1982. Earlier, he was with ITT and the U.S. Agency for International Development. A former Navy pilot, he is a graduate of Dartmouth College and received a master's degree in Asian studies from the University of California. He is a director of Fidelcor, Inc. and its subsidiary, Fidelity Bank; Pennwalt Corp.; Echo Bay Mines Ltd.; The Philadelphia Contributionship; and Drexel Bond Debenture Trading Fund. He also is a director of the Philadelphia Orchestra. He lives in Philadelphia.

John T. Jackson, 63, is retired vice chairman of IU. A director since 1971, he joined General Waterworks as vice president—industrials in 1966 and was named vice president—industrials of IU when the two companies merged in 1968. He earlier served as vice president of ITT and of Sperry-Rand. Mr. Jackson is an engineering graduate of Cornell University. He is a director of Ballagh & Thrall, Inc.; Bradford-White Corp.; Delaware Trust Co.; Geothermal Resources International, Inc.; Naess & Thomas Special Fund, Inc.; and The Vanguard Group. He serves as vice chairman of The Academy of Natural Sciences of Philadelphia. He resides in Haverford, Pennsylvania.

IU's directors are (left to right, seated) John T. Jackson; Peter L. P. Macdonnell; Morris R. Brooke; E. B. Leisenring, Jr.; John Gilray Christy; Willis S. McLeese; and (standing) Jonathan Moore; Ira T. Wender; William M. Weaver, Jr. (honorary director); John D. Nichols; Lewis H. Van Dusen, Jr. (honorary director); John M. Seabrook; Robert F. Calman; and The Earl of Westmorland.

E. B. Leisenring, Jr., 59, is chairman and chief executive officer of Westmoreland Coal Co., a coal producing company, of which he has been chief executive officer since 1961. He is also chairman and chief executive officer of Penn Virginia Corp., which owns 26% of Westmoreland. He has been an IU director since 1975. Mr. Leisenring is a graduate of Yale University. He is the senior director of Fidelcor, Inc. and its subsidiary, Fidelity Bank; Norfolk Southern Corp.; and SKF Industries, Inc.; and is a director of The Philadelphia Contributionship. He is vice chairman of the Eisenhower Exchange Fellowships and of Lankenau Hospital. He resides in Berwyn, Pennsylvania.

Peter L. P. Macdonnell,

65, is a senior partner of Milner & Steer, barristers and solicitors based in Edmonton, Alberta. An IU director since 1976, he is a member of the bars of Great Britain, Ontario, and Alberta. He was named Queen's Counsel in 1964 and became a member of the Order of Canada in 1980. Mr. Macdonnell is a graduate of Queen's University and received his law degree at Cambridge University in England. He is a director of The Royal Bank of Canada; Alberta Energy Co.; CAE Industries Limited; Nova, An Alberta Corporation; Hiram Walker Resources, Limited; and Echo Bay Mines Ltd. He resides in Edmonton.

Willis S. McLeese,

71, is chairman emeritus of Trans Canada Freezers Limited, a company based in Toronto, and of United States Cold Storage, Inc., a company based in Philadelphia, which operate a chain of cold storage warehouses in Canada and the United States. An IU director since 1961, he is also president and a director of Colmac Holdings Limited; chairman and a director of American Consumer Industries Inc. and Colmac Energy Inc.; vice president and a director of Eastern Utilities Limited; and a director of International Light and Power Co., Limited. He lives in Toronto.

Jonathan Moore,

52, is the director of the Institute of Politics, John F. Kennedy School of Government at Harvard University. He became an IU director in 1983. Mr. Moore served during three administrations in Washington in senior positions in the Departments of State; Defense; and Health, Education and Welfare; and also with the Department of Justice. He is a graduate, cum laude, of Dartmouth College and holds a master's degree in public administration from Harvard University. He resides in Weston, Massachusetts.

John D. Nichols,

54, is president, chief executive officer and a director of Illinois Tool Works Inc., producer of specialty-engineered products and systems. He was elected a director of IU in February 1984. He is a 1953 graduate of Harvard University and a 1955 graduate of the Harvard Graduate School of Business. He is a director of Borg-Warner Corp., Signode Industries Inc., and The Economic Club of Chicago. He serves as chairman of Junior Achievement of Chicago, a trustee of the Chicago Symphony Orchestra and the Loomis Institute, and a member of the Business Roundtable. Mr. Nichols lives in Winnetka, Illinois.

John M. Seabrook,

67, is chairman and a director of Gotaas-Larsen Shipping Corp., an ocean shipping company. A director of IU since 1963, he retired as chairman in 1982 after 23 years with the company, having joined IU as a consultant in 1959. He is also a director of Bell Atlantic Corp.; South Jersey Industries, Inc.; Consolidated-Bathurst Inc.; and Echo Bay Mines Ltd. He is a trustee of The Brandywine Conservancy and Eisenhower Exchange Fellowships. A Phi Beta Kappa graduate of Princeton University, he is a licensed professional engineer. He lives in Salem, New Jersey.

Ira T. Wender,

58, is chairman and chief executive officer of The Sussex Organization Inc., an investment banking firm, and of Sussex Securities Inc., a securities firm. He is also counsel to the New York law firm of Wender, Murase & White, which he founded in 1971. An IU director since 1967, he holds law degrees from Chicago and New York Universities. Mr. Wender is a member of the Board of Managers of Swarthmore College, which he attended, and a director of The Brearley School; REFAC Technology Development Corp.; and Southwest Realty, Ltd. He lives in New York.

The Earl of Westmorland, K.C.V.O.,

60, is a director of Sotheby Holdings, Inc., fine art auctioneers, and is a Knight Commander of the Royal Victorian Order. An IU director since 1972, Lord Westmorland is also a director of Westmoreland Coal Co., Crown Life Insurance Co., and Gotaas-Larsen Shipping Corp. He resides in London.

COMMITTEES

December 31, 1984

Audit Committee:*

Willis S. McLeese, Chairman
Morris R. Brooke
E. B. Leisenring, Jr.
Peter L. P. Macdonnell
John D. Nichols

Compensation Committee:*

Ira T. Wender, Chairman
Willis S. McLeese, Deputy Chairman
Jonathan Moore
The Earl of Westmorland

Executive Committee:

John M. Seabrook, Chairman
Robert F. Calman
John Gilray Christy
John T. Jackson
Willis S. McLeese
Ira T. Wender

Nominating Committee:

E. B. Leisenring, Jr., Chairman
John Gilray Christy
Peter L. P. Macdonnell
Jonathan Moore
John M. Seabrook
Ira T. Wender

*Composed entirely of outside directors.

SENIOR OFFICERS

John Gilray Christy
Chairman and President

Robert F. Calman
Vice Chairman and Chief Financial Officer

John J. Terry
Executive Vice President

Robert W. Wolcott, Jr.
Executive Vice President

John W. A. Buyers
Chairman and President, C. Brewer and Co.
Honolulu, Hawaii

STAFF EXECUTIVES

H. Beatty Chadwick
Secretary and Assistant General Counsel

W. Allen Doane
Vice President, Strategic Planning

Jack Greenberg
Vice President, Taxes

John B. Keenan
Vice President, Human Resources

Victor J. Lang, Jr.
Vice President, Public Affairs

John A. Murphy
Vice President, Corporate Development

Laurent J. Remillard
Vice President and Controller

Magnus E. Robinson
Vice President and Treasurer

Anson W. H. Taylor, Jr.
General Counsel

OPERATING EXECUTIVES

C. Edward Ashby, Jr.
President, Envirosafe Services, Inc.
Horsham, Pennsylvania

Ronald J. Bacskai
President, Conversion Systems, Inc.
Horsham, Pennsylvania

Jack Bayer
President, International Mill Service, Inc.
Philadelphia, Pennsylvania

W. Doyle Beatenbough
President, Ligon Nationwide, Inc.
Madisonville, Kentucky
and
President, C & H Nationwide, Inc.
Dallas, Texas

William C. Bender
President, Customized Transportation, Inc.
Jacksonville, Florida

Brooks A. Bentz
President, Nationwide Intermodal, Inc.
Bensalem, Pennsylvania

Howard Biggers, Jr.
President, Biggers Brothers, Inc.
Charlotte, North Carolina

Roger L. Blume
President, Thurston Motor Lines, Inc.
Charlotte, North Carolina

John B. Bowron
President, Ranger Nationwide, Inc.
Jacksonville, Florida

Jeffrey C. Crowe
President, Independent Freightway, Inc.
Rockford, Illinois

Franz F. Holscher
Chairman, Thurston Motor Lines, Inc.
Charlotte, North Carolina

James A. Jacobelli
Vice President and General Manager
Gemini Trucking
Greensburg, Pennsylvania

Dennis J. Kupchik
President, Special Carriers, Inc.
Philadelphia, Pennsylvania

John D. Lang
President
Telephone Answering Service Limited
Toronto, Ontario

Paris L. Martin
Executive Vice President and
Chief Operating Officer
Expressway Nationwide, Inc.
Indianapolis, Indiana

Ronald C. Moore
President, CCX Nationwide, Inc.
Charlotte, North Carolina

Walter L. Moore
Chairman, Unijax, Inc.
Jacksonville, Florida

Walter R. Poole
President, Poole Truck Line, Inc.
Evergreen, Alabama

Kinzey Reeves
President, Ryder/P-I-E Nationwide, Inc.
Jacksonville, Florida

Allen E. Rosenberg
President, General Waterworks Corp.
Bryn Mawr, Pennsylvania

Jack E. Schang
Chairman, Ryder/P-I-E Nationwide, Inc.
Jacksonville, Florida

Michael R. Wilber
Vice President and General Manager
TransMark Express
Albany, New York

Lee E. Wintrade
President
Transportation Teleprocessing Systems, Inc.
Jacksonville, Florida

Michiael E. Wishon
Vice President and General Manager
Nationwide Logistics, Inc.
Charlotte, North Carolina

IU's Annual Report to the Securities and Exchange Commission on Form 10-K and the company's Facts & Figures Manual will be available, on request, from the Public Affairs Department of IU, 1500 Walnut Street, Philadelphia, PA 19102 (telephone 215 985-6600).

Beneficial shareholders who experience delays in receiving IU financial reports from their brokerage firms are invited to write directly to the Public Affairs Department for these publications.

Corporate Headquarters:
1105 North Market Street
Wilmington, Delaware 19801
302 571-5000

