CYANAMID American Cyanamid Company Annual Report 1968

WAYNE, NEW JERSEY 07470

CYANAMID

American Cyanamid Company

Annual Report

1968

American Cyanamid Company

Report of the Board of Directors for the Year Ended December 31, 1968

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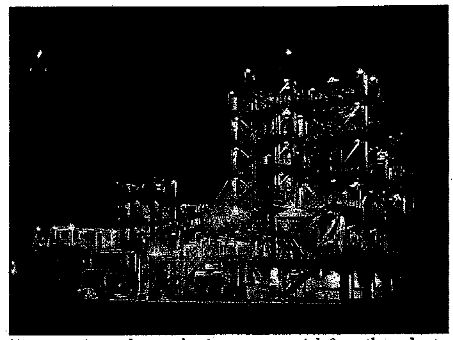
American Cyanamid Company and Subsidiaries

Highlights

For the Years Ended December 31, 1968 and 1967

	1968	1967
Sales	$1,023,231,047	$937,070,261
Earnings before income taxes	156,759,601	117,808,366
Income taxes	71,000,000	47,500,000
Net earnings	85,759,601	70,308,366
Dividends on Common Stock paid in cash	55,117,784	55,003,609
Earnings per share Common Stock (based on the average number of shares outstanding for each year)	1.93	1.59
Dividends per share Common Stock	1.25	1.25
Depreciation, amortization and depletion	54,361,328	50,626,268
Expenditures for capital additions	56,810,281	56,065,058
Funded debt	105,209,689	111,014,785
Shareholders' equity	683,587,317	654,743,580
Shares outstanding at end of year:		
Common Stock (excluding treasury shares)	44,399,352	44,330,801
Number of shareholders	124,189	114,919
Number of employees	35,365	35,875

Cyanamid's Markets



Fortier unit produces plastic raw material for other plants.

Polio vaccine is among products from Lederle Laboratories.

Chemical—Cyanamid's largest worldwide market is in the production of chemicals, primarily for use by other industries such as paper, petroleum, rubber, textile, mining, aircraft and plastics. As a supplier to these industries, Cyanamid maintains an active program of technical service to customers. Much of the company's chemical production also is being used captively for further upgrading into specialty or proprietary products.

Medical—Pharmaceuticals from Cyanamid's Lederle Laboratories in such important medical product lines as antibiotics, biologicals, steroids, viral vaccines and diagnostic agents are marketed throughout the world. Lederle's production facilities and research and development laboratories are located at Pearl River, New York. Davis & Geck, a part of Lederle, is an important producer of sterile surgical sutures as well as surgical specialties.

To Our Shareholders:

For Cyanamid, 1968 was a year of achievement. For the first time in the company's history its sales passed the billion dollar mark, reaching $1,023,231,000, up 9 per cent from $937,070,000 in 1967. Earnings for 1968 were $85,760,000 or $1.93 per share, 22 per cent higher than $70,308,000 or $1.59 per share for 1967. Without the income tax surcharge, 1968 per-share earnings would have been $2.06.

The gain in earnings reflects the increase in sales volume and related reductions in unit manufacturing costs which were accomplished in spite of further increases in labor rates and costs of raw materials. Contributing materially to the reductions in unit manufacturing costs were generally higher operating rates, particularly in some of the large new plants erected in the last several years.

The earnings increase was achieved despite further reduction of the selling prices of some Cyanamid products. Although selling price erosion was less widespread and less severe than in 1967, certain product lines—notably fertilizer materials and animal feed supplements—were hard hit. The costs of doing business, notwithstanding strict control, also continued to increase, and in addition there was the income tax surcharge.

In three of the company's four major market segments—chemical, building and consumer, and medical—earnings increased along with worldwide sales. In the fourth segment—agricultural—worldwide sales were about the same as in 1967, but as a result of the price decreases already mentioned, earnings declined substantially.

Cyanamid has reported sales for the four major market segments of its business for a number of years. We have been considering for some time the desirability of furnishing an approximate breakdown of earnings also, on a basis that would not affect the interests of shareholders adversely through disclosure of information that might impair the company's competitive position. In this report, for the first time, we are including on a worldwide basis the contribution of each major market segment, as well as dividends from associated companies, to total company earnings:

	Approximate % of Total	
	1968 Sales	1968 Earnings
Chemical	36%	29%
Building and Consumer	24%	15%
Medical	21%	35%
Agricultural	19%	14%
Dividends from associated companies	—	7%
	100%	100%

An earnings breakdown such as this involves allocations of corporate income and expense among the various segments of the business. While the allocations were made in accordance with generally recognized accounting practices, the figures given above should be regarded as approximations.

Capital expenditures in 1968, primarily for new and enlarged production facilities, were approximately $57 million, about the same as in 1967.

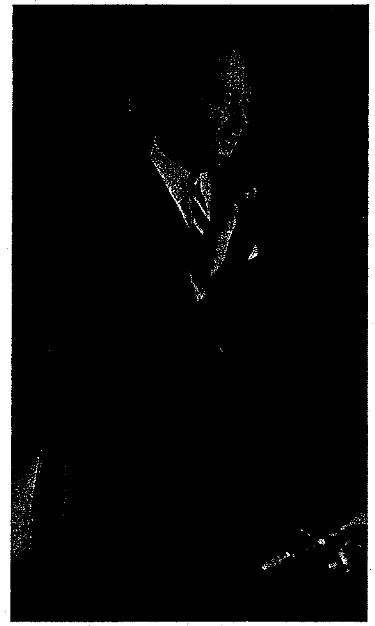
Cyanamid made five corporate acquisitions during the year. Four of them will broaden the scope of the company's activities in chemicals and in building products, and the fifth will aid in further penetration of the European market for pharmaceuticals. These acquisitions are described later in this report.

During 1968, Cyanamid took steps to simplify and streamline its structure. The Davis & Geck Division, which handles surgical products and hospital specialties, was merged into the Lederle Laboratories Division, and with this move all the company's medical activities in the United States were brought under a single divisional management. At the same time, the Building Products Division was discontinued; some of its products were transferred to Formica Corporation and the remainder to the Plastics Division. These changes are achieving increased efficiencies in the manufacture, marketing and research of the product areas involved.

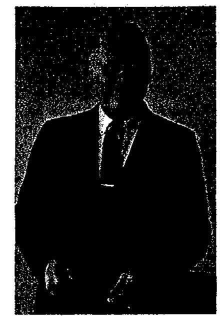
With respect to further developments in the litigation relating to broad spectrum antibiotics, some of which have been discussed in earlier reports to shareholders, the major development was the fact that on February 6, 1969, Cyanamid and four other drug companies announced a joint program looking toward settlement of pending and prospective treble damage claims relating to broad spectrum antibiotics for human use. Although we remain convinced that Cyanamid has not violated the antitrust laws, and although we will continue to press our appeal in the criminal antitrust case, nevertheless we concluded that it was and is in the best interests of the company and its stockholders to attempt now to settle this complex, costly, and burdensome civil litigation. We have no assurance at this time that settlement will be consummated, but we know that counsel for many of the claimants support and recommend its acceptance. Details of this settlement program, as well as other developments regarding the company's litigation, are set forth below in the Litigation section of the "Year in Review".

The year brought a number of changes in Cyanamid management. In May, Ian K. MacGregor, president of American Metal Climax, Inc., and Thomas P. Forbath,

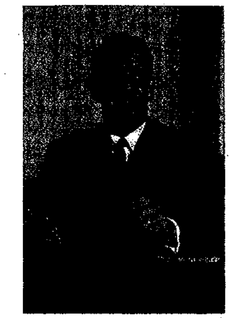
Management and Finance Committee:



Clifford D. Siverd
President



George W. Russell
Executive Vice President



Nolan B. Sommer
Executive Vice President

Robert C. Swain
Executive Vice President

Gordon C. Walker
Executive Vice President

a Cyanamid vice president, were elected to Cyanamid's board of directors. In July, Burton F. Bowman, who had been general manager of the Consumer Products Division, was elected a vice president to succeed Jerrold H. Ruskin, who died suddenly in June after having served the company with distinction as vice president and director. Also in July, Gurdon W. Wattles resigned as a director and member of the Executive Committee after many years of valuable service. In December, George W. Russell and Nolan B. Sommer, directors and formerly vice presidents, were named executive vice presidents. At the end of the year, Lyman C. Duncan resigned as vice president.

Donald M. Benjamin resigned as controller effective February 1, 1969. He was succeeded by J. Clifford Blauvelt, who had been assistant to the president.

Late in 1968, in order to aid the company in attracting and retaining the services of key employees, the board of directors adopted a stock option plan. This will be submitted to shareholders for approval at the next annual meeting, scheduled for April 21, 1969.

As we look ahead to the challenges of 1969 and the years beyond, the competence and dedication of Cyanamid's employees, and the loyalty and support of our shareholders, customers, and suppliers, are among the factors that give us confidence. For this dedication and support we are sincerely grateful.

For The Board of Directors

C D Siverd
PRESIDENT

Wayne, New Jersey
February 10, 1969

Year in Review

Chemical—Cyanamid's worldwide chemical sales in 1968 were $369 million, 10 per cent higher than in 1967, accounting for 36 per cent of total sales, the same proportion as in 1967 using a similar comparative basis. The percentage contribution of chemical sales has been revised from the 35 per cent given in the 1967 Annual Report to 36 per cent to reflect the regrouping of certain product lines discussed later in this review.

In 1968, each of the company's chemical divisions—Industrial Chemicals, Organic Chemicals, Pigments, and Plastics—had higher sales than in 1967.

The widespread improvement was due in large part to the higher levels of industrial activity in the United States and Canada. Increased demand in almost all of Cyanamid's chemical product lines made it possible to operate the company's plants at high production rates, resulting in more favorable unit manufacturing costs than in 1967. The higher volume accompanied by lower costs resulted in a good increase in chemical earnings for the year.

Selling prices for chemicals were relatively stable during 1968. Labor rates and raw material costs, however, again were at high levels, which placed added importance on the continued strict control of costs.

During the year, several major capital expansion projects were completed or underway to increase the company's capacity to produce both basic and specialty chemical products. A large new sulfuric acid plant with a daily capacity of 700 tons is under construction at the Warners plant in Linden, New Jersey, and is expected to be in operation by early 1970. It will replace smaller facilities and will produce all grades of sulfuric acid by a process using advanced technology for the control of air quality.

At the large and important Fortier chemical plant near New Orleans, a program was begun to increase acrylonitrile capacity by modifying certain equipment and introducing an improved catalyst. Acrylonitrile demand is expected to continue strong in man-made fiber applications and other upgraded chemical outlets.

A major expansion is underway at Willow Island, West Virginia, for additional facilities to produce ultraviolet light absorbers. Completion is expected in mid-1970. The absorbers fill a critical need in prolonging the life of many plastics by protecting them from the deteriorating effects of radiation from the sun and from indoor fluorescent lighting.

Production facilities for amino resins were modernized and expanded at Wallingford, Connecticut. These resins are used in the paper, textile and industrial coatings industries.

As a result of lengthy engineering studies, the decision was made to proceed with an extensive modification and substantial expansion of the chloride process titanium dioxide facility at Savannah, Georgia. The unit, which was placed in standby condition in the Fall of 1967, is expected to be ready for start-up during 1970. The modified and expanded facility, with previous design capacity approximately doubled, will utilize certain technical know-how obtained under a license taken from American Potash & Chemical Corporation. Cyanamid's sales of titanium dioxide, sold under the UNITANE® trademark, increased in 1968 and market potential is good for the product line, which has wide applications as a whitener in the paint, paper and plastics industries.

Demand continued good for ACRYLITE® acrylic sheet, primarily for use in outdoor illuminated signs. Other applications for the plastic sheet are as boat windshields and glazing for aircraft, offices, factories, and schools. A new facility for the production of extra-large size sheets was completed at mid-year in Sanford, Maine. Capacity for general purpose ACRYLITE sheet was increased substantially in 1968 and will be further expanded in 1969. Responsibility for the manufacture and sale of ACRYLITE sheet was assigned to the Plastics Division when the Building Products Division was dissolved.

In the growing field of plastic packaging for food, cosmetics and drugs, Cyanamid's XT® polymer is making good progress. Production at Wallingford, Connecticut, has been expanded. New packaging applications developed in 1968 include containers for olive oil, fruit juice concentrate, salad dressings and aspirin. Containers for peanut butter, margarine and delicatessen food items continue to be the biggest outlets for XT polymer.

Sales of structural adhesives to the aircraft and aerospace industries showed good improvement in 1968. Two expansions were readied for the production of honeycomb core material for structural use in aircraft bodies, wings, tail assemblies and helicopter rotor blades. New aluminum core facilities were installed at Seattle, Washington, and a new unit for the production of non-metallic core will be completed at Azusa, California, in 1969.

Several steps were taken to further improve Cyanamid's service to the paper industry. A new alum plant began operation in Monticello, Mississippi, in July and another will be constructed in DeRidder, Louisiana. This will be the fourth new alum producing facility in paper manufacturing areas since the latter part of 1967.

In the Pacific Northwest, the company acquired a manufacturing facility in Longview, Washington, to provide papermakers with wet strength and dry strength resins, synthetic sizes and defoaming agents.

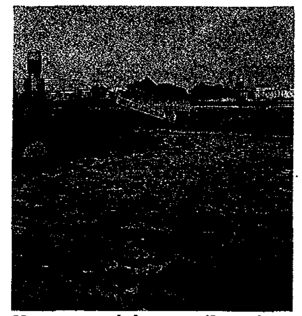
Among new products, sales have been encouraging for the new PAREZ® 630-NC resin that imparts both wet and dry strength to paper. Facilities were completed for the production of AERO® Promoter 3302, a new flotation chemical for use in copper-molybdenum separation. A new series of anionic flocculating agents, SUPERFLOC® 200, was introduced for use in the treatment of mining, industrial and municipal wastes.

A unique achievement in rubber chemicals research was the development of the new MOTS* rubber accelera-

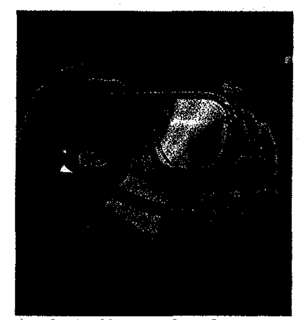
*Trademark

Chemical

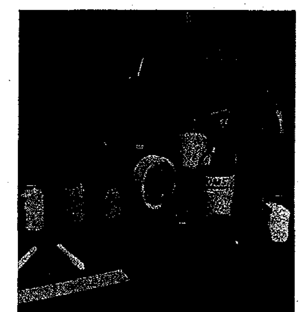
Fortier complex on Mississippi River near New Orleans is important producer of acrylonitrile, ammonia, urea and other chemicals.



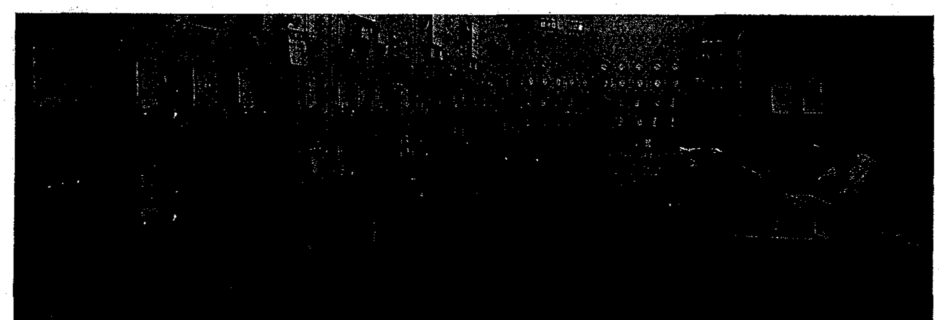
New aerators help treat effluent from Bound Brook, N.J., plant and sewage from three surrounding communities.



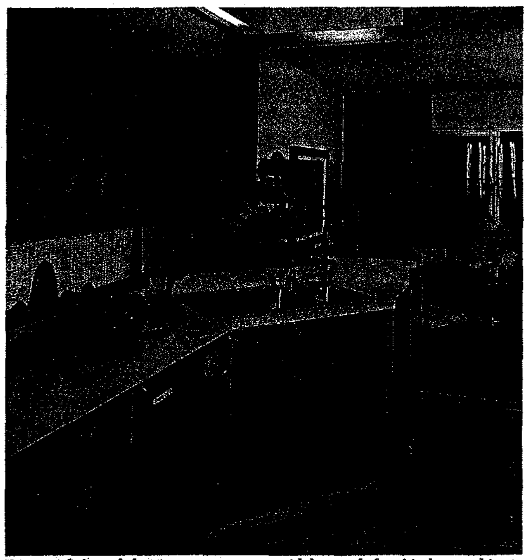
Goggles, welders' masks, other protective equipment is made by Glendale Optical acquired by Cyanamid in 1968.



Cyanamid's luminescers now are being sold in systems introduced during 1968 for the control of industrial operations.



Capacity of acrylonitrile unit at Fortier is being increased by modifications because of strong demand in fibers and other uses.



FORMICA® brand laminates now are widely used for kitchen cabinets as well as for countertops. Non-glare suede vertical surfaces are popular.

SANITAS® and WALLCLAD® wall coverings, acquired in 1968, are sold in 15,000 paint, wallpaper stores.

tor. Initial response has been good for this compound, which produces a high cure rate in certain types of synthetic rubber.

For petroleum refiners, Cyanamid introduced AEROCAT® TS 150, an all-synthetic matrix molecular sieve catalyst for more efficient production of gasoline. Acceptance has been excellent.

In November, Cyanamid unveiled a new concept in systems engineering based on its knowledge of luminescent materials and their application to electronics technology. The materials are used in the control of automated industrial operations and have potential application in the field of electronic data processing. A new department, Decision Making Systems, has been created to further develop, manufacture and market under the DMS* trademark the luminescers as well as the equipment upon which the systems are based. The decision to go beyond chemicals to hardware was based on the larger potential market for complete systems. However, expenditures for product development and market development are expected to be sizable.

At year-end, Cyanamid sold its relatively small plastic skydome and flashing products business in order to concentrate its efforts on the sale of plastic materials to independent fabricators.

Several acquisitions were made during 1968 in the chemical segment of the business. The Stamford Rubber Supply Company of Stamford, Connecticut, was acquired in February. Its FACTICE® vulcanized vegetable oils help diversify Cyanamid's line of rubber chemicals.

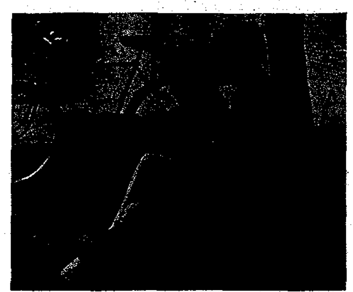
Glendale Optical Co., Inc., of Long Island, New York, was acquired in September. It manufactures and markets industrial safety equipment, including safety glasses, welders' goggles and masks, and respirators. Glendale is in a good position to capitalize on Cyanamid research in infrared and ultraviolet light absorbers.

The Bird-Archer Company of Philadelphia, Pennsylvania, a consulting and service firm which formulates water treating chemicals for industrial and commercial use, was acquired in December. It broadens Cyanamid's scope in water treating chemicals.

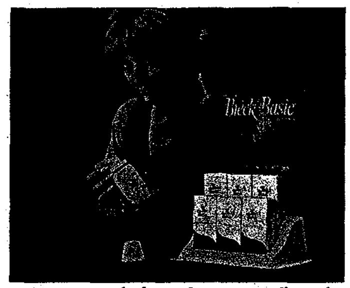
Building and Consumer—The success of new BRECK® hair care products, the healthy condition of the fiber industry, and the increase in building activity made 1968 an outstanding year for Cyanamid in building and consumer products. Worldwide sales in this segment were $247 million, 22 per cent higher than in 1967, accounting for 24 per cent of company sales. The 23 per cent contribution of building and consumer product sales reported for 1967 has been revised to 22 per cent to take into account the regrouping of some product lines already mentioned.

Substantial gains in both sales and earnings were registered in 1968 by the Consumer Products Division, the Fibers Division, and Formica Corporation. Their highlights follow.

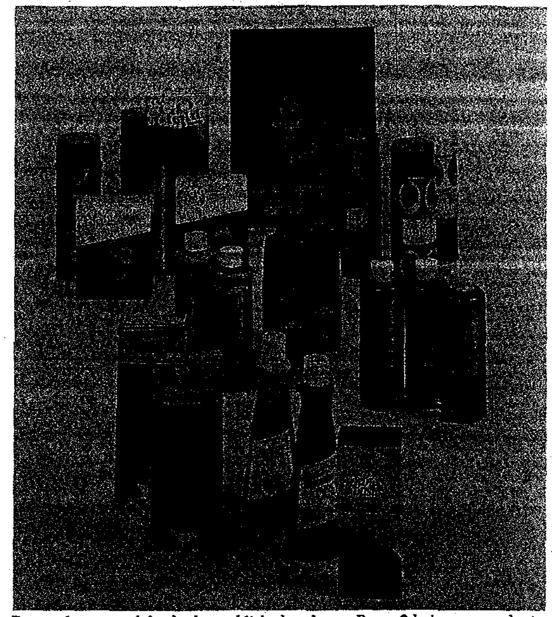
*Trademark



Colorful sweater shirts of CRESLAN® acrylic fiber are promising market along with other apparel.



Acceptance and demand were excellent for BRECK BASIC® hair texturizer, national in June.



Demand was good for both established and new BRECK® hair care products. Sales were high for hair spray. New hair color was marketed in some areas.

Consumer Products: The substantial growth in sales and earnings for the Consumer Products Division was particularly encouraging because it was based on strong customer acceptance of both established and new BRECK® hair care products. Sales of PINE-SOL® cleaner, disinfectant, deodorizer also were considerably higher than in 1967.

The outstanding performer among the new consumer products was BRECK BASIC® hair texturizer, which reached national distribution in June. By year-end it had achieved the number one position in the hair conditioner market. BRECK BASIC contributed importantly to Breck's reputation as a successful innovator in its field.

The established line of Breck products performed well. Competition was strong in the field of liquid shampoos, but Breck's market position was aided by a new formulation of shampoo for oily hair introduced in June. MISS BRECK® hair spray sales were good, particularly for the unscented formula.

BRECK® Hair Color, a "shampoo in" product, was extended from test market to regional distribution in 1968 with favorable trade and consumer reception.

To meet growing demands for its household products, the Consumer Products Division began construction of a new plant near Jackson, Mississippi, to replace leased facilities. The new plant, which will be ready in late 1969, is designed for the increased production of PINE-SOL as well as the production of other consumer products.

Fibers: The improvement in sales of CRESLAN® acrylic fiber which developed in the latter half of 1967 continued strong through all of 1968. To meet the demand for fiber, the capacity of plant facilities near Pensacola, Florida, was substantially increased by process improvements and equipment modification. The markedly higher total production of fiber in 1968 helped reduce manufacturing costs and further improve profit margins.

The greatest increase in sales of CRESLAN occurred in fibers designed for use in fleece-lined sweater shirts. This new and promising market developed as a result of the improved aesthetics which can be achieved with CRESLAN. Sales of fiber to the apparel industry for pile fabrics and double knits also were strong for the year.

Demand was good for Cyanamid's new acrylic fibers, introduced in late 1967, which enable carpet manufacturers to achieve multi-color styling effects in a single processing operation. Sales of carpet fibers for the commercial or "contract" market continued to grow.

Sizable new sales for acrylic fiber developed in 1968 for use in sandbags for military and flood control purposes because of the resistance of acrylic fiber to rotting and degradation from sunlight and moisture.

Formica Corporation: Higher sales of FORMICA® brand laminates reflected the increase in home building and commercial construction in 1968. The increased product demand resulted in higher operating rates at Formica's plants near Cincinnati, Ohio, and Sacramento, California. The resulting reductions in unit manufacturing costs brought substantial improvement in Formica's profit margins compared to 1967.

Considerable progress was made in 1968 in the sale of vertical laminate surfacing for commercial installations and home kitchen cabinets. This is a growing market for FORMICA laminate. It was aided in 1968 by the increasing demand for non-glare suede surface laminates and an expanded line of FORMICA® brand cabinet moldings.

Initial reception has been enthusiastic for FORMICA® brand Panel System 202. This is a lightweight, moisture-resistant paneling consisting of a decorative laminate surface on a polystyrene core. Sales of Panel System 202 for residential bathroom tub and shower walls were good in 1968, including encouraging sales in the hotel remodeling market. The product now is being specified increasingly for hospital corridors, hotel and motel bathrooms and commercial laundries.

Formica assumed responsibility in 1968 for the manufacture and sale of FIAT® shower and laundry components, formerly handled by the Building Products Division. Production capacity for Fiat's MOLDED-STONE® shower floors and laundry tubs was increased during 1968 because of increasing demand.

Formica's facilities near Cincinnati have been expanded to include a new 43,000 square foot warehouse. An enlarged research and development center is expected to be ready in mid-1969 to provide additional laboratory and pilot plant facilities. The new laboratory also will house a design studio for the development of new colors, designs and patterns for FORMICA® laminates.

In September, Cyanamid added to its line of specialty building products with the acquisition of Standard Coated Products Incorporated, a producer of vinyl coated fabric wall coverings. Standard Coated, with manufacturing facilities in Buchanan, New York, markets the well-known SANITAS® and WALLCLAD® wall coverings, sold in more than 15,000 retail outlets.

Medical—Worldwide medical sales and earnings increased in 1968. Sales were $218 million, an increase of 5 per cent above $208 million in 1967. Medical sales accounted for approximately 21 per cent of total company sales for the year.

Although worldwide sales of antibiotics declined, sales for the year in the United States were slightly higher due to a sharp increase in demand in the fourth quarter because of the influenza epidemic. Antibiotic sales overseas were affected by a further decline in prices in some international markets.

An important factor in offsetting the lower sales of antibiotics was the excellent growth in sales, both in the United States and abroad, for MYAMBUTOL® ethambutol, the oral anti-tuberculosis drug. Early clearance of MYAMBUTOL for sale abroad permitted its introduction first in Japan in late 1966 and in the important European market a few months later. Introduction of the product in the United States was delayed for another year, awaiting Food and Drug Administration clearance. Its importance is greater overseas because of the greater prevalence of tuberculosis outside the United States.

In this country, Lederle Laboratories was among the major drug manufacturers which produced a new vaccine for use against the A2-Hong Kong-68 influenza virus. This supplemented the polyvalent vaccine originally prepared for the flu season. At the request of the Surgeon General's office, and in cooperation with the National Communicable Disease Center, approximately four million doses of the new monovalent vaccine were produced at Pearl River, New York on an emergency schedule and distributed late in the year for military and civilian use. Because of the high costs of production under abnormal time pressures, sales of the new vaccine did not make any significant contribution to earnings. As a further aid to the medical profession in combating the epidemic, Lederle released two new products in December which permit the laboratory detection within 24 hours of the presence of Hong Kong flu virus in the blood stream.

Among other products introduced during the year, a simple, disposable skin test was placed on the market to assist in the diagnosis of histoplasmosis, a vexing fungus infection. The Histoplasmin Tine Test (Rosenthal) enables physicians to identify or rule out histoplasmosis in patients. Called the "masquerader" disease, it can mimic tuberculosis, leukemia, syphilis and numerous other ailments.

Lederle added to its line of geriatric products with the introduction of GEVRAMET® geriatric elixir, an aid to persons undergoing mental and physical changes associated with the aging process. The product combines a central nervous system stimulant, hormones which aid protein and bone metabolism, and vitamins for nutritional support.

Lederle also added its own penicillin product, LEDERCILLIN® VK, to its broad line of antibiotics.

In manufacturing, enlarged and modern replacement facilities were put into operation at Pearl River for the formulation of drugs in tablet and capsule form. When fully completed, the modern installation is expected to cost approximately $2½ million. It is considered one of the most advanced facilities of its kind in the pharmaceutical industry and enables Lederle to maintain its high standards of quality control by providing stringent protection against cross-contamination among products.

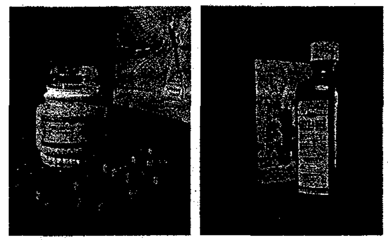
In research, Lederle announced that a team of its scientists had unraveled the precise chemical makeup of calcitonin, a potentially important hormone which may prove to be the key to treatment of various bone diseases. While the Lederle work has been recognized as an important scientific achievement, it is only the first step toward the lengthy and complex development of methods for commercial synthesis and of possible applications to human problems arising from the loss of calcium in bones.

In an effort to improve overall performance in the medical segment of the business, several organizational moves were made during the year. Lederle's new management team made considerable progress in redirecting the division's marketing effort and reshaping its marketing organization. This should result in more aggressive marketing of existing products, more rapid introduction of new products, and better coordination with research.

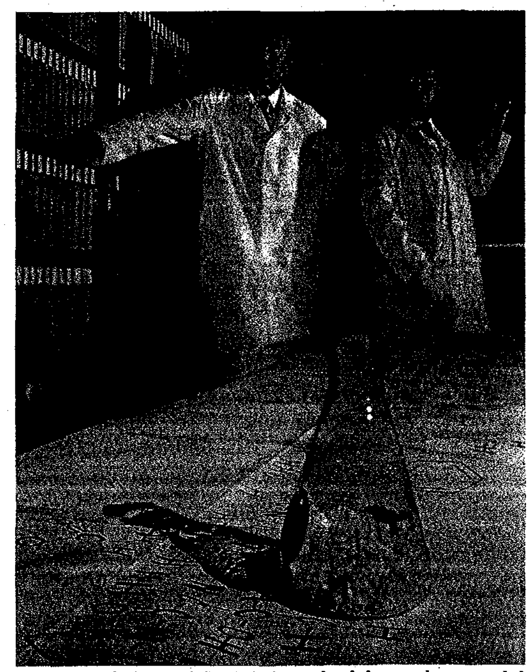
In July, the Davis & Geck Division, an important producer of surgical sutures and hospital specialties, was merged into Lederle Laboratories. The move is expected to strengthen the company's marketing in the medical field and expedite new product development and diversification activities.

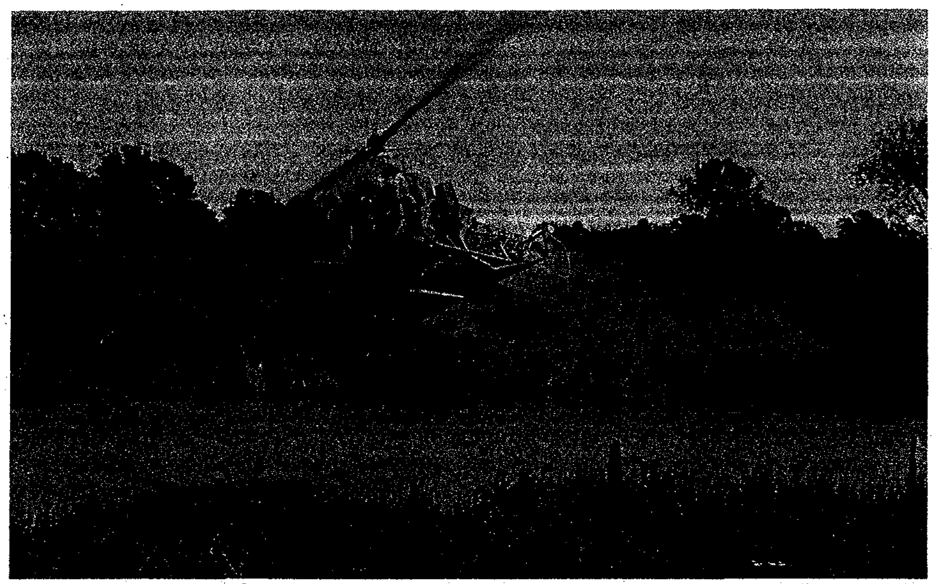
Medical


New facilities for formulation of drugs in tablets and capsules maintain Lederle Laboratories' high standards of quality control.


Two new prescription vitamins are FILIBON® FORTE prenatal tablets, left, and GEVRAMET® geriatric elixir, a preparation for those affected by the aging process.


Davis & Geck, producer of surgical sutures, is respected for making surgery films for doctors, others.

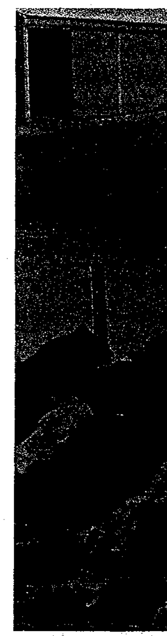

Drs. P. H. Bell, left, and G. W. Anderson headed team that unraveled the make-up of calcitonin, which may one day help treat bone diseases.



ABATE® mosquito larvicide was the preferred product by additional mosquito control agencies because of its efficacy and safety.

Sales of nitrogen and phosphate fertilizers increased through Farm Supply Centers.

CYPREX® fruit fungicide is a superior product for treatment of fruit scab infection.



AUREO® S 700 feed p
shipping fever, was i

Agricultural—Worldwide sales to the agricultural industry in 1968 were approximately $189 million, about the same as in 1967, accounting for 19 per cent of total Cyanamid sales.

Earnings on agricultural sales were down substantially, principally because of lower selling prices for fertilizers and animal feed supplements.

The fertilizer industry in the United States again was depressed in 1968. Overcapacity was even more serious than in 1967. Selling prices declined about 10 per cent on the average from the already low levels of 1967. There was some indication late in the year, however, that prices may have begun to turn around for both phosphate and nitrogen products.

Cyanamid's wholesale fertilizer sales to formulators, distributors and dealers declined sharply. The retail fertilizer picture, however, was more encouraging. The volume of sales through Cyanamid Farm Supply Centers continued to increase, with output of the network of 125 centers in the Midwest, South and Southeast approaching capacity. As a result of these high retail sales, total dollar sales of fertilizer in the United States for the year were only slightly lower than in 1967, while physical volume was higher.

The physical volume of domestic sales of animal feed supplements also was higher in 1968, with dollar sales lower as a result of lower prices. Sales were aided by the introduction of a new formulation for the poultry market, AUREO® Super 500 feed premix. The product was well received upon introduction in January, 1968, and sales for the year exceeded expectations.

In October, the Food and Drug Administration approved a new antibacterial combination for disease prevention in cattle, AUREO® S 700 feed premix. Initial sales were good. The product is used in feedlots to help overcome the effects of shipping fever and other diseases.

AUREO S·P® 250 feed premix for swine further increased its market penetration in 1968. Sixty to seventy per cent of the pigs farrowed in the United States now receive AUREO S·P 250 at one or more points in their growth cycle.

In anticipation of the increased demand for antibiotic feed supplements for swine, poultry and cattle, capacity has been expanded with a major new fermentation facility at Pearl River, New York, for the production of AUREOMYCIN® chlortetracycline.

Although sales of veterinary products in the animal health line declined in 1968, several new products were introduced which are expected to contribute to sales in future years. Among them are WARBEX® famphur, a systemic insecticide for control of cattle grubs, and PROBAN® oral systemic insecticide for flea control in dogs.

Sales of insecticides and fungicides increased in 1968 because of strong demand for Cyanamid's specialty products. CYPREX® fruit fungicide, a superior product for the treatment of apple scab infection, set an all-time sales record in 1968. THIMET® systemic insecticide also moved to a new sales peak, principally because of its effectiveness in corn rootworm control. CYGON* systemic insecticide increased its market penetration for control of insects attacking cotton and vegetable crops. ABATE® mosquito larvicide was used by additional major mosquito control agencies because of its efficacy and safety over other materials.

Increasing demand for these insecticides will be met with increased production capacity. Expanded facilities for THIMET were placed in operation at the Warners plant in New Jersey. Also at Warners, construction was begun on new facilities for the production of CYGON and ABATE, and these are expected to be ready in late 1969.

Progress has been made in establishing customer preference for CYTHION® The Premium Grade Malathion*, Cyanamid's versatile low hazard insecticide. Expanded production facilities for CYTHION at the Warners plant were being completed at year-end to increase capacity approximately 40 per cent. In a related move, prices for CYTHION were reduced late in the year to help stimulate product demand.

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*Trademark

production facilities for MYAMBUTOL began operating in 1968 in Japan and southern Italy. The product was introduced successfully into 38 additional countries, making it available in more than 50 world markets.

In September, Cyanamid acquired an initial 50 per cent interest in Laboratoires Novalis, S.A., a medium-size French pharmaceutical company which formulates and packages both prescription and over-the-counter drugs. Cyanamid has agreed to acquire an additional interest in Laboratoires Novalis within three years.

During 1968, new facilities for the production of surgical sutures were completed in South Africa, where Davis & Geck TYCRON* sutures were used in several of the widely publicized heart transplants.

International agricultural sales were higher than in 1967. All principal product groups contributed, with fertilizer materials and pesticides doing particularly well. Sales of CYOLANE® systemic insecticide in the Middle East were sizable, but infestation of the cotton leaf worm was low and customer inventories at year-end were higher than normal.

Cyanamid's new non-antibiotic growth promoter for broiler chickens, PAYZONE® nitrovin, was well accepted in its initial year in England. The product was introduced into new European markets during 1968 and is awaiting clearance for use in the United States.

Another new product, an injectable form of RIPERCOL® tetramisole for cattle, a broad-spectrum antiparasitic veterinary drug, was introduced in Argentina and Brazil.

In the chemical segment, ground was broken for a large new plant at Altamira, Tampico, Mexico, designed to satisfy about 90 per cent of the processing chemical needs of the Mexican rubber industry. Production will be handled by Cyanaquim S.A. de C.V., a new venture owned 60 per cent by Banco de Comercio of Mexico City and 40 per cent by Cyanamid. Sale of the products will be made through Cyanamid de Mexico S.A. de C.V., a wholly-owned subsidiary.

In Europe, efforts to expand Cyanamid's chemical business are proving successful. As a result, major new facilities are under construction at Botlek, in The Netherlands, for the production of specialty chemicals. Product lines include ultraviolet light absorbers; optical brighteners for detergents, textiles and paper; antioxidants for rubber and plastics; and surface-active agents for a wide variety of applications. Completion is scheduled for the fourth quarter of 1969. Cyanamid of Great Britain Limited expanded and modernized its chemical facilities at Gosport, England, for the production of refinery catalysts and adhesives. Also at Gosport, a new laboratory has been completed for product development work in agricultural, medical and consumer product lines.

During the year, N.V. Titaandioxydefabriek Tiofine (TDF) completed modernization and expansion of its plant producing titanium dioxide by the sulfate process in the Rotterdam area in Holland. Cyanamid's interest in TDF is 50 per cent.

After considerable study, the company's activities in the consumer products field overseas have been restructured. Because of the continuing need for sizable outlays for advertising and promotion in developing new consumer business, efforts now are being concentrated on fewer products in fewer countries with improved potential for return on investment.

At the end of the year, Cyanamid European Research Institute, established in Geneva, Switzerland, in 1960, was discontinued and a contract entered into for the sale of the property. The decision to close the Institute was the result of a reorientation of certain aspects of the company's research program. Other means now will be used to maintain technical contact with the European scientific community.

Canada—Sales by Cyanamid of Canada Limited were slightly higher in 1968 than 1967, principally because of the increased volume of chemical business.

Agricultural sales were considerably lower, primarily because of depressed conditions in the fertilizer industry, similar to the United States. Higher sales through the bulk blender retail supply centers in Ontario, Quebec, and the Maritime Provinces helped offset some of the negative effects of lower sales and lower prices to wholesale customers. Cyanamid's agricultural business also was adversely affected by equipment failure at the large urea plant at Niagara Falls. Urea is used in fertilizers and animal feed supplements. The plant was operating satisfactorily at the end of the year.

In building products, sales of FORMICA® brand laminates declined somewhat because of severe foreign competition.

An interesting development has been the success of the educational wall systems marketed by the Building Products Department. The compact building package includes chalk boards, tack boards, magnet boards and classroom partitions. The systems are designed so that classrooms can be enlarged or rearranged by functional wall partitions which slide easily on overhead tracks. The prefabricated module design greatly reduces the costs and time of school construction and is being specified in more and more new schools in Canada.

Considerable progress was made during the year in broadening the marketing operations of John H. Breck Limited, formed in late 1967 to take over the sale of BRECK® hair care preparations in Canada. A manufacturing source of supply was secured within the country and several additional Breck products were introduced to the Canadian market. In September, Breck advertising was launched in Canada for the first time.

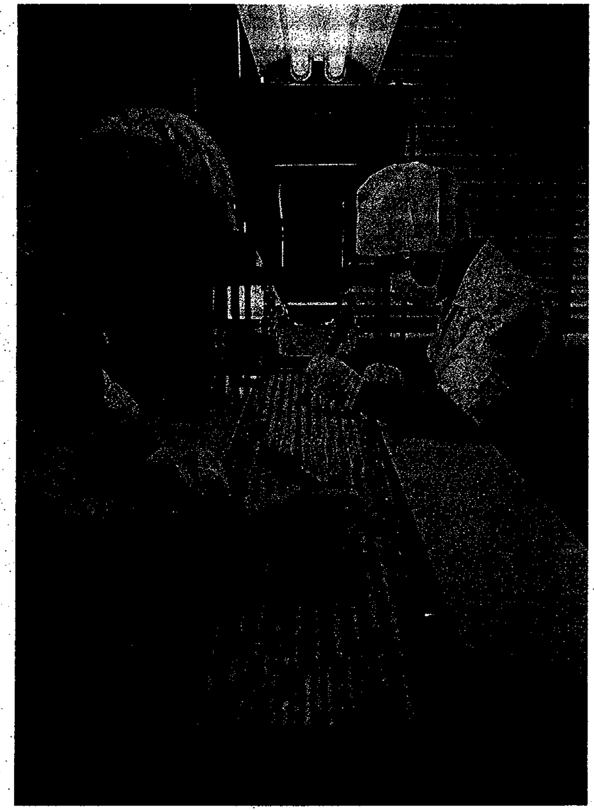
Domestic Associated Companies (50% owned)—Jefferson Chemical Company, Inc., a producer of petrochemicals jointly owned with Texaco Inc., completed its third and largest ethylene oxide facility at Port Neches, Texas. The product is used widely in detergents, antifreeze, fibers and plastics. Jefferson also expanded production of DIGLYCOLAMINE®, an improved sweetening agent for natural gas. Capacity for production of methyl glycol ether, used as an anti-icing additive in military jet aircraft fuel, was more than doubled.

Jefferson Chemicals U.K., a British partnership of Texaco U.K., Ltd., and Cyanamid of Great Britain Limited, began production of morpholine, piperazine and related products in its new plant at Llanelli, Wales.

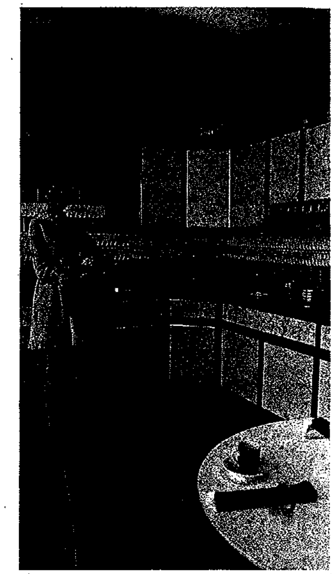
Arizona Chemical Company, jointly owned with International Paper Company, had a new tall oil plant in start-up at Springhill, La., at year-end and completed a new processing facility at its Panama City, Florida, plant. Arizona Chemical's products have wide usage in the paint, paper, and rubber industries, the manufacture of soaps and detergents and other applications.

*Trademark

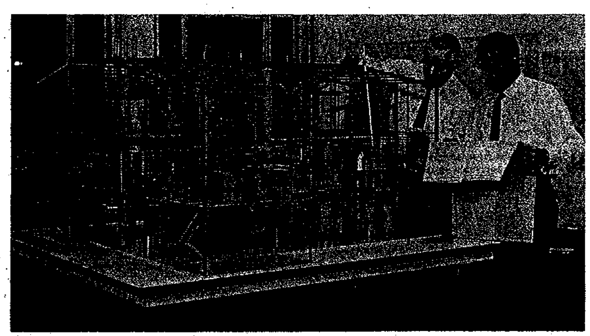
International



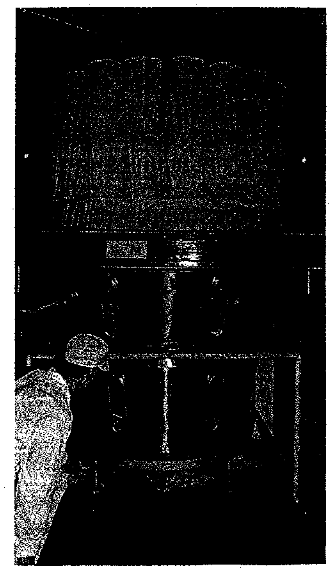
New production facilities for MYAMBUTOL® ethambutol, an anti-tuberculosis drug, began operating in Japan, above, and Italy to help meet the demand overseas.



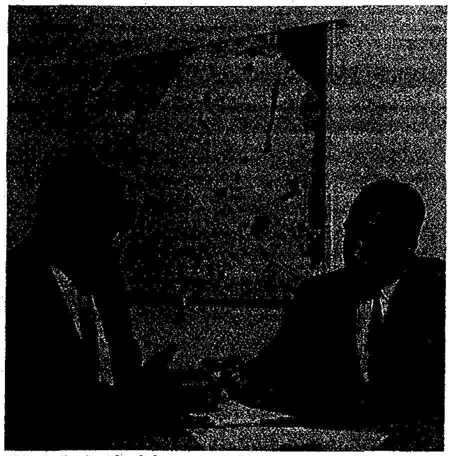
Show room in Puerto Rico demonstrates the use of FORMICA® laminates for cabinets.



Model is of new plant being built at Botlek, in The Netherlands, for the production of chemicals such as light absorbers and paper and rubber chemicals.



Gosport plant of Cyanamid of Great Britain is major producer of drugs, chemicals.



Alfred E. Smith, left, personnel consultant, and Larry H. Holland, chemist and NAACP leader, review plans for employing disadvantaged at Lederle Laboratories in New York.

Employee Relations—During the year the company became an active participant in the program of the National Alliance of Businessmen, which hopes to train and put to work half a million hard-core unemployed by 1971. At certain locations, the company has provided staff assistance to the National Alliance in its work at the local community level.

It has been and will continue to be the policy of Cyanamid to provide equal opportunities for employment and promotion to all qualified persons, without discrimination because of age, race, color, creed, or national origin. While the emphasis at Cyanamid and in industry has been on equal employment for "qualified" persons, without discrimination, efforts are now being directed to the seeking out, orientation, training and employment of "qualifiable" persons in the category of the hard-core unemployed. Cyanamid has assigned itself the goal of hiring five hundred of these jobless by June, 1971, with the first one hundred to be employed by June, 1969. In its progress toward reaching these objectives, Cyanamid is ahead of schedule.

Cyanamid's safety record for 1968 shows 1.81 disabling injuries per million man-hours worked, compared to 1.97 in 1967. The comparable figure for all companies belonging to the Manufacturing Chemists Association was 3.30 in 1967, and for all U.S. manufacturing companies it was 7.22. While Cyanamid is encouraged by its safety record, the company is deeply concerned by the fact that there were two fatalities in 1968 and recognizes that the development of safety practices and safety education is a never-ending task. To emphasize the significance of this task, July 22, the anniversary day of the formation of Cyanamid, was proclaimed annual Cyanamid Anniversary Safety Day. Special programs aimed at the promotion of safety both on and off the job were held at company installations throughout the country.

In labor negotiations, the strike at the Cincinnati plants of Formica Corporation which began on December 10, 1967, was settled on February 13, 1968, with the signing of a new contract extending to the middle of 1971. In addition, negotiations were completed with 27 U.S. local unions in 1968, with no interruptions of operations except for one-week work stoppages late in the year affecting phosphate operations at Brewster, Florida, and chemical production at the Warners plant in New Jersey.

In order to aid the company in attracting and retaining the services of key employees, a stock option plan was adopted by the board of directors. The total number of shares available for sale upon the exercise of options granted under the plan is 1,500,000 shares. Options covering an aggregate of 426,150 shares were granted to selected employees in December. The plan is subject to the approval of the shareholders at the annual meeting in April, 1969. All optionees were granted five-year options to buy specified amounts of common stock at an option price of $33.50 per share, being not less than 100 per cent of its fair market value on the date of grant.

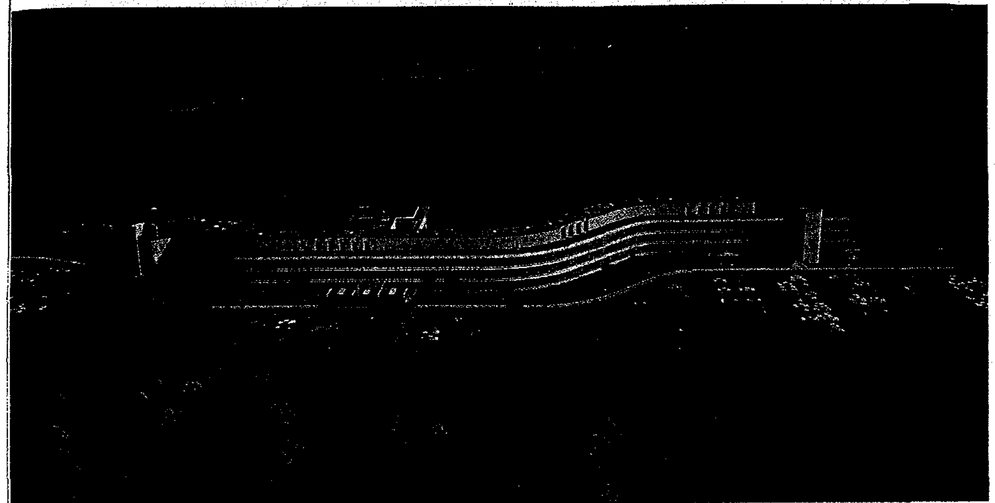
Air and Water Quality—Considerable progress was made during 1968 to further improve Cyanamid's air and water quality control programs. As previously mentioned, the new sulfuric acid plant under construction at the Warners plant in New Jersey will be the first of its type in the Western Hemisphere to utilize a double absorption process for maximum effectiveness in air quality control. The unit is designed to maintain sulfur dioxide emission lower than that of any sulfuric acid plant in the United States. Also at the Warners site, a sulfur recovery unit is being installed to reduce sulfur dioxide emissions by over 95 per cent from the waste gases of pesticides and mining chemical producing units.

At Bound Brook, New Jersey, improvements were made in the plant's large biological waste treatment plant with the installation of ten new surface aerators for more efficient oxygen transfer. The facility treats approximately 20 million gallons a day of liquid effluent from the plant. It also provides secondary treatment for almost 5 million gallons a day of domestic and industrial sewage from three neighboring communities.

Cyanamid is investing more than $3 million to convert the Bound Brook power plant fuel supply from coal to natural gas, with oil as a standby. The conversion, due to be completed in two phases in 1969 and 1970, will completely eliminate emissions from the burning of solid fuel and will bring about a substantial improvement in air quality control in the plant area.

Litigation—As of the date of this report, 81 treble damage suits have been brought against the company and four other drug companies, jointly and severally, relating to broad spectrum antibiotics. The plaintiffs in most of these suits represent various classes of purchasers, who claim damages (in almost all cases without any specified dollar amount) on the basis of purchases of broad spectrum antibiotics sold by the five drug companies, during various periods.

These suits were for the most part filed after the December 29, 1967, verdict against the company and two of the four other drug companies in a criminal antitrust suit in the United States District Court for the Southern District of New York, which is on appeal to the



Cyanamid's administrative headquarters in Wayne, N.J., is on banks of reservoir. Building was occupied in 1962. Small section at end of building at far left is new addition to be occupied in the Spring. In addition to executive offices, the building houses company computer operations and is headquarters for four operating divisions and nine service divisions.

United States Court of Appeals for the Second Circuit where a decision is not expected before the fall of this year.

The company and the four other drug companies have made an offer of settlement of this treble damage litigation. This offer, which is subject to a number of conditions, would commit the five companies to make a total payment of up to $120 million (plus certain legal expenses as directed by the court) in full settlement of all present and prospective claims relating to broad spectrum antibiotic products for human use by states, counties, cities, private hospitals, wholesalers, retailers, individual consumers, and others. If any present or prospective claimant elects not to participate in the proposed settlement, there will be an appropriate reduction in the total proposed payments.

The company would contribute 40.3 per cent of such settlement amount—that is, a total of up to approximately $48.5 million plus its share of certain legal expenses. The company's percentage contribution was arrived at on the basis of such factors as its dollar sales of these products and the fact that it was one of the three manufacturers of the products. The five companies will have the right to withdraw from the settlement program unless it is accepted by March 7, 1969 by all named plaintiffs in suits pending on February 6, 1969 (the date of the settlement offer) or subsequently if the companies deem the participation by actual or prospective claimants in the settlement to be inadequate. There are other conditions to which the settlement program is subject, including final court approval of all aspects of the settlement.

As the shareholders have already been informed, amounts so paid would not be charged against current earnings but rather, following the accounting practices recommended by the American Institute of Certified Public Accountants, would be charged against earnings of appropriate prior years.

On September 13, 1968, and also involving the antibiotics litigation, the company was served with a complaint in a stockholder's derivative action in the Supreme Court of the State of New York. This action is brought, on behalf of the company, against certain past and present directors of the company (some of whom were or are company officers) and asks for an accounting, damages, and other relief with respect to alleged breaches of fiduciary duty involving alleged violations of the antitrust laws which resulted in the conviction of the company in the criminal antitrust suit referred to above.

On September 30, 1968, the United States Court of Appeals in Cincinnati, Ohio, affirmed a 1967 adverse decision of the Federal Trade Commission which held that Cyanamid had engaged in an unfair method of competition in connection with the issuance of a patent to Chas. Pfizer & Co. Inc. on tetracycline. The company is ordered to grant licenses to domestic applicants, at royalties up to 2½ per cent of net sales of tetracycline, under a process patent of the company which will expire September 3, 1969, and which relates to the manufacture and use of chlortetracycline, to enable such applicants to produce tetracycline. The order also requires the furnishing of certain related know-how. The company, with the advice of counsel, decided that it would not petition the United States Supreme Court to review the decision of the Court of Appeals.

Financial Review

Sales Volume—Consolidated sales in 1968 were $1,023,231,047 compared with $937,070,261 in 1967. Comparative quarterly sales for the two years were:

	1968		1967	
Quarter	Amount	% of Total	Amount	% of Total
First	$ 241,868,000	24	$238,272,000	25
Second	276,134,000	27	250,412,000	27
Third	246,615,000	24	217,840,000	23
Fourth	258,614,000	25	230,546,000	25
	$1,023,231,000	100%	$937,070,000	100%

Earnings—Pre-tax earnings for 1968 were $156,759,601 compared with $117,808,366 in the previous year. After provision for Federal and foreign income taxes of $71,000,000 consolidated net earnings for 1968 were $85,759,601 compared with $70,308,366 in 1967.

Per-share earnings amounted to $1.93 in 1968 and $1.59 in 1967 based on the average number of common shares (excluding treasury shares) outstanding for each year. Without the 10% income tax surcharge, 1968 per-share earnings would have been $2.06. The average number of shares (excluding treasury shares) outstanding for 1968 was 44,517,549 compared with 44,311,027 for 1967.

Comparative earnings with earnings per share by quarters for the two years were:

	1968		1967	
Quarter	Amount	Per Share	Amount	Per Share
First	$20,691,000	$ .47	$20,939,000	$ .47
Second	24,395,000	.55	20,651,000	.47
Third	19,404,000	.43	13,606,000	.31
Fourth	21,270,000	.48	15,112,000	.34
	$85,760,000	$1.93	$70,308,000	$1.59

Provision for Federal and foreign taxes has been reduced by the amount of the current investment tax credit which has benefited 1968 earnings by 5 cents a share compared to 7 cents a share in 1967.

Capital Stock—As of December 31, 1968 and 1967 there were 44,690,608 shares of common stock outstanding. This includes treasury stock of 291,256 shares at December 31, 1968 and 359,807 shares at December 31, 1967.

During the year the company purchased 155,300 shares of its common stock to be used for acquisitions or other appropriate corporate purposes. A total of 22,806 shares of common stock held in its treasury was transferred on a restricted basis to employee participants in the company's Incentive Compensation Plan in the form of contingent allotments for 1967. Another 19,262 shares of common stock were delivered in 1968 to retired participants in said Plan. During the year 181,783 shares of common stock were used to acquire the net assets of The Stamford Rubber Supply Company, Glendale Optical Co., Inc., and The Bird-Archer Company. The acquisitions of the net assets of these companies were treated as poolings of interest; however, prior years' results of Cyanamid have not been restated to include the operations of these acquired companies.

Dividends paid by Cyanamid in 1968 and 1967 were $1.25 per share, amounting to $55,118,000 and $55,004,000 respectively.

Associated Companies—Cyanamid's investment in and advances to companies jointly owned (40% to 50%) are carried at cost. Total 1968 earnings of the jointly owned companies were higher than in 1967. Cyanamid's equity in their 1968 earnings amounted to $9,395,000 and dividends received were $7,026,000. This compares with its equity in 1967 earnings of $6,296,000 and dividends received of $7,156,000.

Accountants' Report

THE BOARD OF DIRECTORS
AMERICAN CYANAMID COMPANY:

We have examined the consolidated balance sheet of American Cyanamid Company and subsidiaries as of December 31, 1968 and the related statements of earnings and earnings employed in the business for the year then ended. Our examination was 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 accompanying consolidated financial statements present fairly the financial position of American Cyanamid Company and subsidiaries at December 31, 1968 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying consolidated statement of source and application of funds presents fairly the information shown therein.

New York, N.Y.
February 10, 1969

PEAT, MARWICK, MITCHELL & CO.

Consolidated Statement of Earnings

Year Ended December 31, 1968 in Comparison with the Year Ended December 31, 1967

	1968	1967
NET SALES	$1,023,231,047	$937,070,261
Dividends from associated companies, 40% to 50% owned	7,026,325	7,156,175
Interest	3,375,613	2,469,790
Royalties and licenses	5,092,646	6,375,209
Other income—net	1,343,181	897,713
	1,040,068,812	953,969,148
Deduct:		
Manufacturing cost of sales—less depreciation and depletion	532,414,705	498,539,060
Selling and advertising expenses	167,494,233	158,845,877
Administrative and general expenses	52,491,339	54,159,449
Depreciation, amortization and depletion	54,361,328	50,626,268
Research and process development expenses	42,926,535	43,072,894
Interest charges on funded and other debt	6,181,388	6,005,944
Employees' benefits (Note 8)	27,439,683	24,911,290
	883,309,211	836,160,782
EARNINGS BEFORE TAXES ON INCOME	156,759,601	117,808,366
Provision for Federal and foreign taxes on income	71,000,000	47,500,000
NET EARNINGS	$85,759,601	$ 70,308,366
Net Earnings per share of Common Stock	$1.93	$1.59

Consolidated Balance Sheet

December 31, 1968 in Comparison with December 31, 1967

ASSETS	1968	1967
CURRENT ASSETS:		
Cash in banks and on hand	$ 39,987,707	$ 37,381,891
Marketable securities and time deposits, at cost and accrued interest	57,581,065	36,578,386
Accounts receivable, less provision for doubtful accounts	165,988,136	153,342,664
Inventories, at lower of cost or market	180,740,553	162,629,602
TOTAL CURRENT ASSETS	444,297,461	389,932,543
INVESTMENTS AND ADVANCES:		
Associated companies, 40% to 50% owned—at cost (equity in net assets $56,400,000; 1967, $50,300,000)	38,600,920	34,867,060
Other investments and advances	5,040,086	6,709,887
TOTAL INVESTMENTS AND ADVANCES	43,641,006	41,576,947
PLANTS, EQUIPMENT AND FACILITIES, at cost (Note 2)	960,925,936	940,836,680
Less accumulated depreciation, amortization and depletion	497,537,308	473,095,856
NET PLANT INVESTMENT	463,388,628	467,740,824
INTANGIBLES RESULTING FROM BUSINESS ACQUISITIONS	13,908,203	3,909,443
PREPAID EXPENSES AND DEFERRED CHARGES	10,072,908	7,280,213
	$975,308,206	$910,439,970

LIABILITIES AND SHAREHOLDERS' EQUITY	1968	1967
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$105,990,675	$ 83,900,283
Short term foreign loans	7,415,319	7,756,546
Funded debt installments due within one year	1,377,045	2,060,795
Provision for Federal and foreign taxes on income	42,886,616	26,719,794
TOTAL CURRENT LIABILITIES	157,669,655	120,437,418
FUNDED DEBT NOT DUE WITHIN ONE YEAR (Note 3)	105,209,689	111,014,785
INCENTIVE COMPENSATION CONTINGENTLY PAYABLE (Note 4)	4,470,564	4,594,879
INCOME TAXES PAYABLE IN THE FUTURE	19,300,000	14,600,000
MINORITY SHAREHOLDERS' EQUITY IN FOREIGN SUBSIDIARIES	5,070,981	5,049,308
SHAREHOLDERS' EQUITY:		
Common Stock—par value $5 per share (Notes 5 and 9)		
Authorized—60,000,000 shares		
Outstanding—44,690,608 shares	223,453,040	223,453,040
Capital surplus (No changes in 1967 or 1968)	20,562,544	20,562,544
Earnings employed in the business (Notes 1 and 6)	448,752,106	421,130,600
	692,767,690	665,146,184
Less cost of 291,256 shares of Common Stock held in treasury (Note 7)	9,180,373	10,402,604
TOTAL SHAREHOLDERS' EQUITY	683,587,317	654,743,580
	$975,308,206	$910,439,970

Consolidated Statement of Earnings Employed in the Business

Year Ended December 31, 1968 in Comparison with the Year Ended December 31, 1967

	1968	1967
Balance at beginning of year	$421,130,600	$405,825,843
Net Earnings for the year	85,759,601	70,308,366
	506,890,201	476,134,209
Deduct:		
Dividends on Common Stock—$1.25 per share	55,117,784	55,003,609
Adjustments arising from the issuance of treasury stock upon poolings of interest	3,020,311	—
	58,138,095	55,003,609
Balance at end of year (Notes 1 and 6)	$448,752,106	$421,130,600

Consolidated Statement of Source and Application of Funds

Year Ended December 31, 1968 in Comparison with the Year Ended December 31, 1967

	1968	1967
SOURCE OF FUNDS:		
Net earnings	$ 85,759,601	$ 70,308,366
Charges to earnings not requiring current cash outlays:		
Depreciation, amortization and depletion	54,361,328	50,626,268
Income taxes payable in the future	4,700,000	4,300,000
Increase (decrease) in current liabilities	37,232,237	(22,308,660)
Common Stock issued in connection with acquisitions and under incentive compensation plan, less cost of treasury stock acquired	1,222,231	1,230,821
	$183,275,397	$104,156,795
APPLICATION OF FUNDS:		
Dividends on Common Stock paid in cash	$ 55,117,784	$ 55,003,609
Additions to plants, equipment and facilities—net	50,009,132	51,817,110
Additions to investments and advances—net	2,064,059	6,212,241
Increase (decrease) in cash and marketable securities	23,608,495	(10,452,899)
Increase in accounts receivable and inventories	30,756,423	3,040,114
Decrease (increase) in funded debt not due within one year	5,805,096	(441,553)
Increase (decrease) in intangibles resulting from business acquisitions	9,998,760	(232,676)
Increase (decrease) in prepaid expenses and deferred charges	2,792,695	(660,879)
All other—net	3,122,953	(128,272)
	$183,275,397	$104,156,795

Notes to Consolidated Financial Statements of 1968

1. Assets, other than plants and facilities, and liabilities of the foreign subsidiaries are included in the consolidated balance sheet on the basis of official or other appropriate exchange rates at December 31, 1968; foreign plants and facilities are included on the basis of exchange rates prevailing at time of acquisition. The amounts so included comprise net current assets of $64,600,000 and net other assets, principally plants and facilities, less depreciation, of $60,400,000. Net earnings for foreign subsidiaries included in consolidated earnings amount to $16,700,000. The consolidated earnings employed in the business include the company's equity in the net undistributed earnings of foreign subsidiaries amounting to $60,600,000.

2. Plants, equipment and facilities is summarized as follows:

	December 31, 1968	1967
Land, other than mining land	$ 15,341,464	$ 14,752,823
Mining land	28,313,943	28,154,976
Buildings	201,492,234	192,300,131
Machinery and equipment	695,876,680	681,203,070
Uncompleted construction and installations	19,901,615	24,425,680
	$960,925,936	$940,836,680

Depreciation is provided on a straight-line composite basis over the estimated remaining useful lives of the assets.

3. Funded debt not due within one year is comprised of 3¾% promissory notes due 1977 to 1987 ($75,000,000), 5¾% guaranteed sinking fund debentures due 1980 of a subsidiary ($19,000,000) and sundry obligations ($11,209,689).

4. The accounts for 1968 include provision for incentive compensation to officers and other employees. A portion of such amount is not payable currently in cash but is contingently payable in Common Stock of the company after employment terminates; pending allotment of the amount available for 1968, the portion so contingently payable in Common Stock is not determinable. The gross amount contingently payable in respect of allotments for prior years is $4,470,564. The amount for 1967 has been restated to reflect the liability before estimated tax benefits.

5. The authorized capital of the company includes 650,000 shares of Preferred Stock with a par value of $1 per share, none of which is outstanding.

6. The promissory notes contain certain restrictions including restrictions on the payment of dividends. As a result of such restrictions, the amount of earnings employed in the business at December 31, 1968 which may be applied to the payment of cash dividends is limited to $218,000,000.

7. At December 31, 1968 the company owned and held in its treasury 291,256 shares of Common Stock (359,807 shares at December 31, 1967), which are available at the election of the company to fulfill contingent obligations under the Company's Incentive Compensation Plan and for other corporate purposes.

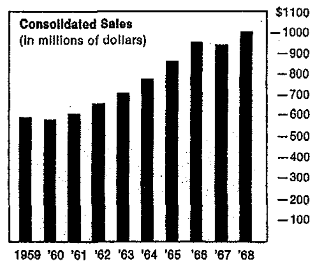
8. Employees' benefits include the cost of pension, group insurance and social security programs.

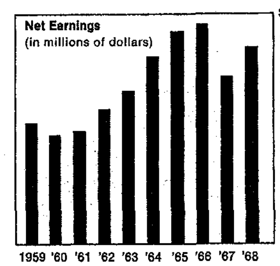
The company and its consolidated subsidiaries have various pension plans covering substantially all their employees, including certain employees in foreign countries. The company's policy is to accrue and fund pension costs over the service lives of the covered employees. The total pension expense for the year was $5,500,000.

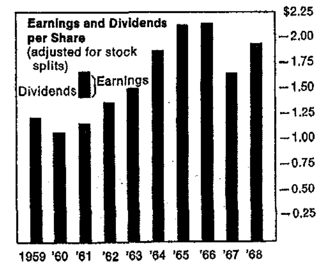
9. The Board of Directors, subject to approval by the stockholders, adopted a stock option plan under which key employees may be granted qualified stock options to purchase, at not less than 100% of market value on the date of grant, a maximum of 1,500,000 shares of Common Stock. The options are exercisable over a period of not more than five years from date of grant in cumulative installments of one-third of the number of shares commencing one year after date of grant and annually thereafter. At December 31, 1968, options to purchase 426,150 shares at $33.50 per share were outstanding.

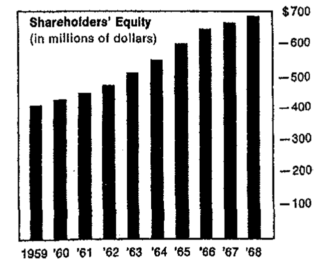
10. The company is contingently liable as guarantor on loans outstanding of an associated company in the amount of $30,000,000.

11. Reference is made to the remarks under "Litigation" in the foregoing report of the Board of Directors, and to the comments in the President's letter to shareholders with respect to the proposed settlement of the antibiotics litigation. Due to the uncertainties regarding such proposed settlement, the amount of the company's possible contribution thereto has not been reflected in the accompanying financial statements.









Ten Year Comparative Summary of Financial Statistics

(Amounts are expressed in thousands)

	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959
Net Sales	$1,023,231	$937,070	$952,575	$862,965	$779,003	$710,529	$649,211	$603,959	$578,390	$583,575
Earnings before Taxes on Income	156,760	117,808	159,911	162,554	143,645	128,839	115,321	95,853	92,321	103,484
Provision for Taxes on Income	71,000	47,500	65,500	69,500	62,000	62,500	56,000	46,500	45,500	51,200
Net Earnings	85,760	70,308	94,411	93,054	81,645	66,339	59,321	49,353	46,821	52,284
Dividends on Common Stock	55,118	55,004	54,956	47,165	43,798	39,391	36,365	34,156	34,028	33,939
Number of Common Shares at Dec. 31 (excl. treasury shares)*	44,399	44,331	44,274	44,161	43,902	43,868	42,758	42,764	42,595	42,488
Earnings per share of Common Stock *	1.93	1.59	2.13	2.11	1.86	1.51	1.39	1.15	1.10	1.23
Dividends per share of Common Stock *	1.25	1.25	1.25	1.07½	1.00	.90	.85	.80	.80	.80
Provision for depreciation, amortization and depletion	54,361	50,626	45,479	42,628	39,040	37,785	44,811	43,825	42,296	43,981
Gross additions to plant facilities (incl. acquisitions)	56,810	56,065	108,430	129,530	49,106	48,988	36,235	49,464	48,288	35,496
Current Assets	444,297	389,933	397,345	415,906	421,534	379,747	337,852	302,508	269,617	262,067
Current Liabilities	157,669	120,437	142,746	152,075	140,231	121,910	109,240	111,758	98,518	100,489
Working Capital	286,628	269,496	254,599	263,831	281,303	257,837	228,612	190,750	171,099	161,578
Investment in Associated Companies	38,601	34,867	30,761	28,371	25,455	23,876	19,621	20,251	21,819	20,537
Plants, Equipment and Facilities	960,926	940,837	926,100	861,460	760,701	728,636	716,530	689,589	651,908	614,083
Less accumulated depreciation, amortization and depletion	497,537	473,096	459,550	457,335	438,428	413,251	403,662	367,204	330,151	296,602
Net Amount	463,389	467,741	466,550	404,125	322,273	315,385	312,868	322,385	321,757	317,481
Funded Debt not due within one year	105,210	111,015	110,573	102,450	80,832	88,065	89,649	88,503	89,966	91,554
Shareholders' Equity:										
Preferred Stock	—	—	—	—	—	—	3	6	14	106
Common Stock	223,453	223,453	223,453	223,143	223,143	222,769	215,868	215,253	214,275	213,526
Capital Surplus	20,563	20,563	20,563	20,563	20,070	18,598	14,814	12,407	8,778	5,995
Earnings employed in the business	448,752	421,131	405,826	365,617	320,161	282,313	252,072	229,116	213,919	201,128
	692,768	665,147	649,842	609,323	563,374	523,680	482,757	456,782	436,986	420,755
Less cost of Common Stock held in treasury	9,180	10,403	11,634	12,695	19,467	16,765	8,879	5,979	5,356	4,168
Total Shareholders' Equity	$683,588	$654,744	$638,208	$596,628	$543,907	$506,915	$473,878	$450,803	$431,630	$416,587

*After giving effect to the issuance on April 18, 1966 of one additional share for each share outstanding

BOARD OF DIRECTORS

JAMES B. FISK
THOMAS P. FORBATH
ERNEST G. HESSE
L. EMERY KATZENBACH
IAN K. MAC GREGOR
THOMAS L. PERKINS
GEORGE W. RUSSELL
CLIFFORD D. SIVERD
NOLAN B. SOMMER
ROBERT C. SWAIN
GORDON C. WALKER

OFFICERS

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GEORGE W. RUSSELL, *Executive Vice President*
NOLAN B. SOMMER, *Executive Vice President*
ROBERT C. SWAIN, *Executive Vice President*
GORDON C. WALKER, *Executive Vice President*

JAMES F. BOURLAND, *Vice President*
BURTON F. BOWMAN, *Vice President*
THOMAS P. FORBATH, *Vice President*
ERNEST G. HESSE, *Vice President*
THOMAS P. TURCHAN, *Vice President*

J. CLIFFORD BLAUVELT, *Controller*
HAROLD B. GROSS, *Secretary and General Counsel*
LEONARD T. MURPHY, *Treasurer*

EXECUTIVE COMMITTEE

JAMES B. FISK, *Chairman*
L. EMERY KATZENBACH
IAN K. MAC GREGOR
THOMAS L. PERKINS
CLIFFORD D. SIVERD *(ex-officio)*
GORDON C. WALKER

MANAGEMENT AND FINANCE COMMITTEE

CLIFFORD D. SIVERD, *Chairman*
GEORGE W. RUSSELL
NOLAN B. SOMMER
ROBERT C. SWAIN
GORDON C. WALKER

Operating Divisions and Principal Subsidiaries

JAMES F. BOURLAND, *Vice President*

AGRICULTURAL, *James G. Affleck, General Manager*—animal feed supplements and veterinary products, insecticides, fungicides, herbicides, nitrogen and phosphate fertilizer products, blended fertilizers.

LEDERLE LABORATORIES, *Borden R. Putnam, General Manager*—antibiotics, biologicals, pharmaceuticals, sulfonamides, hematinics, vitamins, viral vaccines, diagnostic agents, clinical laboratory diagnostic aids. Davis & Geck: sterile surgical sutures and surgical specialties, including dressings, germicides and scrub sponges.

BURTON F. BOWMAN, *Vice President*

CONSUMER PRODUCTS, *Albert L. Munsell, General Manager*—BRECK® preparations for care of the hair, PINE-SOL® cleaner, disinfectant, deodorizer and other household maintenance, cleaning and laundering aids.

FIBERS, *Philip G. Connell, Jr., General Manager*—CRESLAN® acrylic fiber for apparel, home furnishings and industrial applications.

FORMICA CORPORATION, *Wallace G. Taylor, President and General Manager*—decorative laminated plastics, industrial laminated and molded plastics, adhesives, FORMICA® laminated plastic cabinet surfacing, laminate-clad doors, FORMICA® Vertical Interior Paneling, and other laminate-surfaced panel products, FIAT® showers, shower floors, laundry tubs and toilet compartments—SANITAS® and WALLCLAD® wall coverings from Standard Coated Products.

ERNEST G. HESSE, *Vice President*

CYANAMID INTERNATIONAL, *Harry F. Bliss, Jr., Managing Director*—produces or imports and markets the Company's products through subsidiaries and distributors in countries and territories outside the United States and Canada.

CYANAMID OF CANADA LIMITED, *Ben H. Loper, President*—produces or imports and markets in Canada the products of Cyanamid and its subsidiaries.

THOMAS P. TURCHAN, *Vice President*

INDUSTRIAL CHEMICALS, *Howard E. Nehms, General Manager*—chemicals for the paper industry, industrial process chemicals, water and waste treatment chemicals, heavy chemicals, explosives, surfactants, specialty monomers, mining and ore processing chemicals.

ORGANIC CHEMICALS, *Joseph A. Schmidlein, General Manager*—catalysts, dyes, elastomers, intermediates, plastic additives, refinery chemicals, rubber chemicals, textile chemicals, textile resins, NUMA® spandex fiber, industrial safety equipment from Glendale Optical Co., Inc.

PIGMENTS, *John Ludden, Jr., General Manager*—inorganic and organic chemical colors, UNITANE® titanium dioxide.

PLASTICS, *William D. Holland, General Manager*—adhesives, coating resins, laminating resins, melamine, resins for reinforced plastics, thermosetting molding compounds, acrylic molding compounds, honeycomb core material for aircraft and aerospace industries, ACRYLITE® cast acrylic sheet.

Service Divisions

CLIFFORD D. SIVERD, *President*
PERSONNEL, *Clair L. Brandrup, Director*
PUBLIC RELATIONS, *John M. Fasoli, Director*

THOMAS P. FORBATH, *Vice President*
COMMERCIAL DEVELOPMENT, *Gerard A. Forlenza, Director*
ENGINEERING & CONSTRUCTION, *George P. Ferrigni, Director*

HAROLD B. GROSS, *Secretary and General Counsel*
LAW, *James I. Wyer, Director*

NOLAN B. SOMMER, *Executive Vice President*
CENTRAL RESEARCH, *John F. Flagg, Director*

GORDON C. WALKER, *Executive Vice President*
CONTROLLER'S, *J. Clifford Blauvelt, Controller*
PURCHASING, *Richard E. Noble, Director*
TRANSPORTATION & DISTRIBUTION, *Gerrit W. Van Schaick, Director*
TREASURY, *Leonard T. Murphy, Treasurer*

PRINCIPAL SALES OFFICES IN THE U.S.

Akron, Ohio
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Bluefield, W.Va.
Boston, Mass.
Bound Brook, N.J.
Buffalo, N.Y.
Charlotte, N.C.
Chicago, Ill.
Cincinnati, Ohio
Cleveland, Ohio
Dallas, Tex.
Danbury, Conn.
Davenport, Iowa
Denver, Colo.
Detroit, Mich.
Falls Church, Va.
Grand Rapids, Mich.
Greensboro, N.C.
Havre de Grace, Md.
Honolulu, Hawaii
Houston, Tex.
Indianapolis, Ind.
Jacksonville, Fla.
Kalamazoo, Mich.
Kansas City, Mo.
La Puente, Calif.
Latrobe, Pa.
Linden, N.J.
Los Angeles, Calif.
Louisville, Ky.
Memphis, Tenn.
Miami, Fla.
Milwaukee, Wis.
Minneapolis, Minn.
Mobile, Ala.
Montgomery, Ala.
New Orleans, La.
New York, N.Y.
Oakland, Calif.
Oklahoma City, Okla.
Omaha, Neb.
Pearl River, N.Y.
Philadelphia, Pa.
Phoenix, Ariz.
Pittsburgh, Pa.
Plainview, N.Y.
Portland, Ore.
Pottsville, Pa.
Princeton, N.J.
Richmond, Va.
Rochester, N.Y.
St. Louis, Mo.
San Antonio, Tex.
San Diego, Calif.
San Francisco, Calif.
Seattle, Wash.
South Bend, Ind.
Springfield, Ohio
Tampa, Fla.
Torrance, Calif.
Tulsa, Okla.
Washington, D.C.
Wayne, N.J.
West Hartford, Conn.
West Springfield, Mass.
Woodbridge, Conn.
Woodbury, L. I., N. Y.

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Bombay, India
Brussels, Belgium
Buenos Aires, Argentina
Caracas, Venezuela
Catania, Italy
Copenhagen, Denmark
Guatemala City, Guatemala
Hong Kong
Johannesburg, S. Africa
Karachi, Pakistan
Kinshasa, Congo
Lima, Peru
London, England
Madrid, Spain
Managua, Nicaragua
Manila, Philippines
Melbourne, Australia
Mexico D.F., Mexico
Milan, Italy
Montreal, Canada
Munich, Germany
Oullins, France
Rio de Janeiro, Brazil
Rome, Italy
Rotterdam, The Netherlands
San Juan, Puerto Rico
Sao Paulo, Brazil
Seoul, Korea
Stockholm, Sweden
Sydney, Australia
Taipei, Taiwan
Tilbury, Canada
Tokyo, Japan
Toronto, Canada
Vancouver, Canada
Zurich, Switzerland

PLANTS IN THE U.S.

Aberdeen, Md.
Albany, Ga.
Andersonville, Ga.
Azusa, Calif.
Benton, Ark.
Bound Brook, N.J.
Brewster, Fla.
Buchanan, N.Y.
Charlotte, N.C.
Chattanooga, Tenn.
Cincinnati, Ohio
Cloquet, Minn.
Coosa Pines, Ala.
Damascus, Va.
Danbury, Conn.
Demopolis, Ala.
Evendale, Ohio
Fort Worth, Tex.
Fortier (New Orleans), La.
Franklin Park, Ill.
Georgetown, S.C.
Hamilton, Ohio
Hannibal, Mo.
Havre de Grace, Md.
Illiopolis, Ill.
Jackson, Miss.
Joliet, Ill.
Kalamazoo, Mich.
La Puente, Calif.
Latrobe, Pa.
Longview, Wash.
Marietta, Ohio
Michigan City, Ind.
Mobile, Ala.
Monticello, Miss.
New Castle, Pa.
Pearl River, N.Y.
Pensacola, Fla.
Perrysburg, Ohio
Philadelphia, Pa.
Piney River, Va.
Plainview, N.Y.
Plymouth, N.C.
Princeton, N.J.
Sanford, Me.
Savannah, Ga.
Seattle, Wash.
South Norwalk, Conn.
Springfield, Ohio
Springhill, La.
Stamford, Conn.
Sunset/Whitney Ranch, Calif. (Sierra)
Tarboro, N.C.
Wallingford, Conn.
Warners, N.J.
West Springfield, Mass.
Willow Island, W. Va.
Woodbridge, N.J.
Woodbury, L.I., N.Y.

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Beachville, Canada
Bogota, Colombia
Brussels, Belgium
Buckingham, Canada
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Bulsar, India
Caracas, Venezuela (2)
Cartagena, Colombia
Catania, Italy (2)
Gosport, England
Guadalajara, Mexico
Hsin-Chu, Taiwan
Johannesburg, S. Africa
Karachi, Pakistan
Kirkland Lake, Canada
Madrid, Spain (2)
Managua, Nicaragua
Melbourne, Australia
Mexico D.F., Mexico
Milan, Italy
Montreal, Canada
Munich, Germany
Niagara Falls, Canada
Orillia, Canada
Oullins, France
Rezende, Brazil
Rio de Janeiro, Brazil
Rotterdam, The Netherlands
St. Jean, Canada
St. Joseph du Lac, Canada
Sao Paulo, Brazil
Sydney, Australia
Tilbury, Canada
Welland, Canada
Witbank, S. Africa

RESEARCH AND DEVELOPMENT LABORATORIES

Bound Brook, N.J.
Danbury, Conn.
East Paterson, N.J.
Evendale, Ohio
Niagara Falls, Canada
Pearl River, N.Y.
Pensacola, Fla.
Piney River, Va.
Princeton, N.J.
Sanford, Me.
Stamford, Conn.
Wallingford, Conn.

PRINCIPAL ASSOCIATED COMPANIES
(40% to 50% owned)

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Cyanamid-Ketjen Katalysator N.V.
Cyanaquim,S.A. de C.V.
Cyanenka S.A.
Formica International Limited
Jefferson Chemical Company, Inc.
Lederle (Japan), Ltd.
N. V. Titaandioxydefabriek Tiofine
Sherkat Sahami Cyanamid–KBC
Southern Minerals Corporation
Southern Petroleum Corporation
Southern Pipe Line Corporation

CYANAMID **American Cyanamid Company**
WAYNE, NEW JERSEY

TRANSFER AGENT, The Chase Manhattan Bank, N.A.

REGISTRAR, Morgan Guaranty Trust Company of New York

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