

CYANAMID

ANNUAL REPORT



of dollars in net earnings would be lost. Cyanamid and other U.S. companies continue to alert Congress and the public to the damaging effects of such legislation. Stockholders are urged to examine the issues and communicate their views to their legislators in Washington.

On December 31, Clifford D. Siverd completed a distinguished 40-year career with the company and retired as chairman of the board and chief executive officer. Since he became chief executive in 1967, both sales and earnings more than doubled. We are grateful that Mr. Siverd has agreed to continue as a member of the board of directors. He has been designated chairman of the finance committee.


Morgan V. Hunter joined Cyanamid in August as a senior vice president and member of the executive committee, and J. Clifford Blauvelt, formerly a vice president, was elected at the year's end to be a senior vice president and member of the executive committee.

We deeply regret the deaths in 1975 of former Cyanamid directors George R. Martin and Anthony C. McAuliffe. Mr. Martin, who organized Cyanamid's Law Division, retired as executive vice president and chairman of the executive committee in December, 1962, after 35 years of service. General McAuliffe joined Cyanamid in 1956 upon his retirement from military service as Commander in Chief of the United States

Army in Europe. He was a corporate vice president when he retired from the company in July, 1963.

As your new chief executive, I am keenly aware of the talent and dedication of Cyanamid's employees and the support of stockholders, customers and suppliers—all of whom played important roles in our performance during the year. They are among the key building blocks for Cyanamid's future, and a prime source of confidence as we look forward to the challenges of 1976 and beyond.

For the Board of Directors



Chairman and President

Wayne, New Jersey
February 3, 1976



Forty years ago, Cyanamid was a small but growing company. Sales in 1935 totaled \$53.4 million, and earnings were \$4.1 million.

In 1935 Clifford D. Siverd graduated from Johns Hopkins University with a degree in chemistry and joined the United Color and Pigment Company as a process control engineer. In 1944 while

Mr. Siverd was serving in World War II in the China-Burma-India theater, Cyanamid acquired United Color and Pigment. He returned from the war to resume a career that was to take him to the top.

From 1960 to 1965, he headed up the company's

Agricultural Division. In 1965 he was named a vice president with responsibility for the Agricultural and Consumer Products Divisions. He was elected a director in 1966 and a member of what is now the Executive Committee in 1967. He was named president and chief executive officer the same year, and five years later became chairman of the Board of Directors.

During Mr. Siverd's tenure as chief executive, sales climbed from \$937 million to \$1.9 billion, and earnings rose from \$70 million to \$147.7 million. In that same period, Cyanamid grew into one of the world's largest, diversified producers of chemicals and chemical-related products.

Cyanamid stockholders and employees have benefited from Mr. Siverd's outstanding contributions. His stewardship has carried Cyanamid to its present position of strength, and with his retirement as chairman and chief executive officer on December 31, 1975, his legacy is a future abundant with promise.

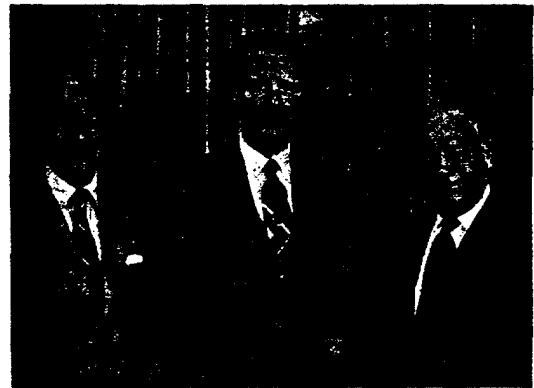
BOARD OF DIRECTORS



Ian K. MacGregor (left), chairman of the board and chief executive officer of AMAX Inc., with Dr. James G. Affleck, Cyanamid chairman of the board, president and chief executive officer.



James B. Fisk (left), retired chairman of the board of Bell Telephone Laboratories, Incorporated, with Thomas P. Forbath, senior vice president of Cyanamid.



George L. Schultz (left), chairman of the board of Shulton, Inc., with Borden R. Putnam (center) and George W. Russell, both senior vice presidents of Cyanamid.



L. Emery Katzenbach (left) chairman of White Weld Holdings Inc., with Clifford D. Siverd, retired chairman of the board and chief executive officer of Cyanamid.



James F. Bourland (left) and Nolan B. Sommer (center), Cyanamid senior vice presidents, with William L. Wearly, board chairman and chief executive officer of Ingersoll-Rand Company.

- Sales and earnings increased.
- Research targets: central nervous system and cardiovascular diseases; anti-arthritis and anti-infective drugs.
- New antipsychotic drug, Loxitane, well received.
- New Canadian plant completed; other units underway in West Germany, United Kingdom.

Worldwide medical sales showed a good increase in 1975, and earnings were also higher despite substantial foreign exchange losses.

Cyanamid's long-term progress in the medical segment is highly dependent on our research productivity. Over the past few years, we have significantly increased the financial support behind Lederle research, and further increases are planned for the future.

At the same time, new-product objectives have been redirected. Lederle's efforts are now focused on such major continuing medical problems as central nervous system and cardiovascular diseases. Researchers are working to improve on past Lederle advances in anti-infective and anti-arthritis drugs as well.

We are a major factor in the surgical sutures field. Worldwide sales of Dexon®, our pioneering synthetic absorbable suture, continued to register substantial advances in 1975. New versions of this product for ophthalmic and other specialty surgical uses were introduced. Production capacity for Dexon was more than doubled with a new Puerto Rican plant in 1974, facilitating this year's gain in sales volume.

One of the latest drugs to reach the market from Lederle research is Loxitane®



In the sterile room at Lederle Laboratories in Pearl River, New York, Frank DePalma (wearing mask) fills disposable syringes with tetanus vaccine. Supervisor Wilhelmina Walk communicates through an intercom. Air in room is kept sterile by constant laminar flow filtering.

loxapine succinate, which manages the manifestations of schizophrenia. This product was introduced in the United States in May and in Denmark and Puerto Rico during the last quarter of the year. A number of Asian, European and Latin American introductions are scheduled for 1976. A new synthetic drug plant is being built in Gosport, England, to produce this and other psychotropic drugs for the European market. Required clinical trials for Loxitane in the treatment of other psychoses are well along.

Sales of Minocin® minocycline, our semi-synthetic broad-spectrum antibiotic, continued on the increase in 1975, as did sales of Myambutol® ethambutol. The latter, a Lederle research development brought to market eight years ago,

is now the world's largest selling anti-tuberculosis drug. We completed a new plant to increase capacity for these and other medical products in Canada at the end of 1975, and are constructing another new production facility in West Germany, slated for operation late in 1976.

Our major effort in the medical field is to discover and develop new, improved products for the treatment of human illnesses. Additionally, to keep pace with the changing practices of doctors and pharmacists, we introduced in 1975 a line of standard products which are established ethical drugs commonly prescribed generically.

This new line carries the Lederle name and reputation for quality. Each product is manufactured to Lederle specifications, under Lederle's quality control supervision. As the U.S. government prepares to establish regulations regarding drugs supplied to Medicare and Medicaid recipients, our broad line of standard products should be important to the doctor and the pharmacist. Overseas, we have introduced such products in Pakistan and will bring them to a number of other Asian markets in 1976.

Medical	1975	1974	1973	1972	1971
Worldwide sales (\$ in millions)	\$400	\$351	\$309	\$273	\$256
% Total sales (approx.)	21	20	21	20	20
Earnings (\$ in millions—approx.)*	\$ 25	\$ 22	\$ 36	\$ 35	\$ 35
% Total earnings (approx.)*	17	15	29	34	41

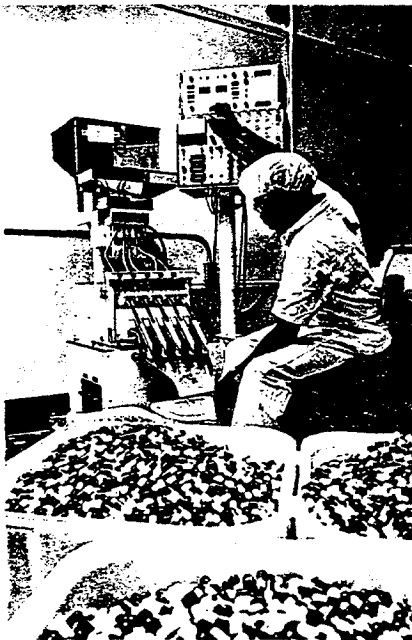
* Includes earnings from Associated Companies. See Financial Review section on page 16 for additional information.



Medical technologist Richard Person, at Good Samaritan Hospital, Suffern, N.Y., works with Reagin Screen Test, Lederle's new, inexpensive screening test for syphilis.



In hospital operating room in Stockholm, Sweden, Dexon sutures are prepared for use in surgery. Developed by Lederle's Davis & Geck Department, Dexon—the first synthetic absorbable suture—registered sales increases last year due to growing worldwide acceptance.



This electronic capsule-weighing machine run by Lederle employee Warren Dejanet helps insure proper dosage by rejecting capsules which do not meet specifications.



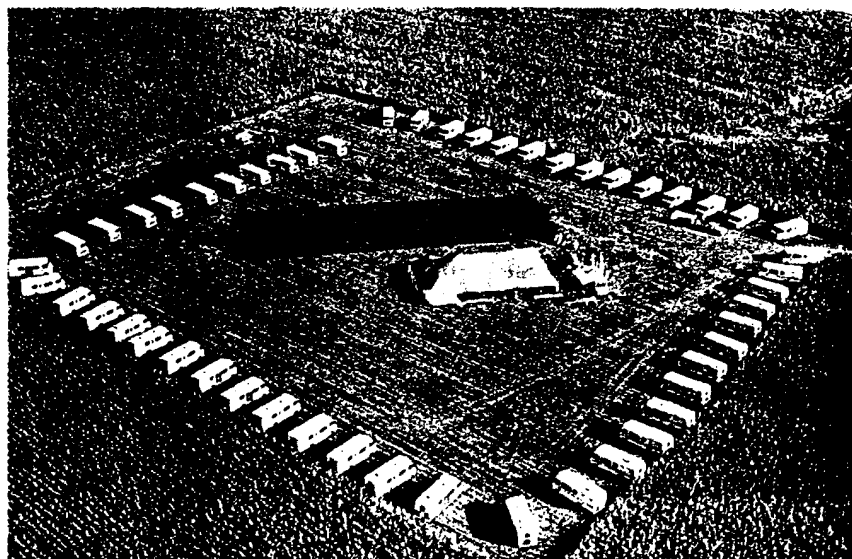
Each year, Lederle finances some 40 medical symposia sponsored by hospitals or universities to keep doctors abreast of recent medical developments. At this symposium in Pennsylvania, Dr. James B. Lee of Buffalo General Hospital talks about prostaglandins, a new group of drugs.

AGRICULTURE

- Agricultural sales and earnings up more than 20%.
- Demand for fertilizers and pesticides unprecedented.
- Fertilizer supply now in better balance with demand; prices have declined.
- Research geared to herbicides, insecticides, and animal health and feed products.
- EPA approved major new herbicide, Prowl. Plant being built at Hannibal, Missouri.
- Plant for another new herbicide, Avenge, being built at Botlek in Holland.
- Three insecticide plants under construction in United States and Brazil.
- Puerto Rican plant for levamisole dewormer completed.

The agricultural business continued to boom in 1975. Sales and earnings were up more than 20% from last year's records because of the unprecedented demand for fertilizers and pesticides. We hold worldwide positions in these markets as well as in animal health and feed products. Our animal products business was up slightly despite a decline in the numbers of cattle and swine on feed. Market share was increased for most major products.

Fertilizers have been Cyanamid's leading performer for the past two years. Fertilizer prices skyrocketed because of a combination of factors. There were inten-



Cyanamid entered the \$400-million U.S. corn and cotton herbicide market in 1975 with Prowl. To introduce it to the agricultural press, a press conference was held in this Iowa cornfield. Ferried to the cornfield by helicopter, reporters met in a circus tent and were lodged in 50 motor homes.

sified efforts by farmers to boost food supplies, coupled with fears of impending shortages on the one hand, and insufficient industry fertilizer capacity following many years of poor profitability, on the other. Supply has come into better balance with demand since the spring 1975 fertilizer application season, and prices have declined.

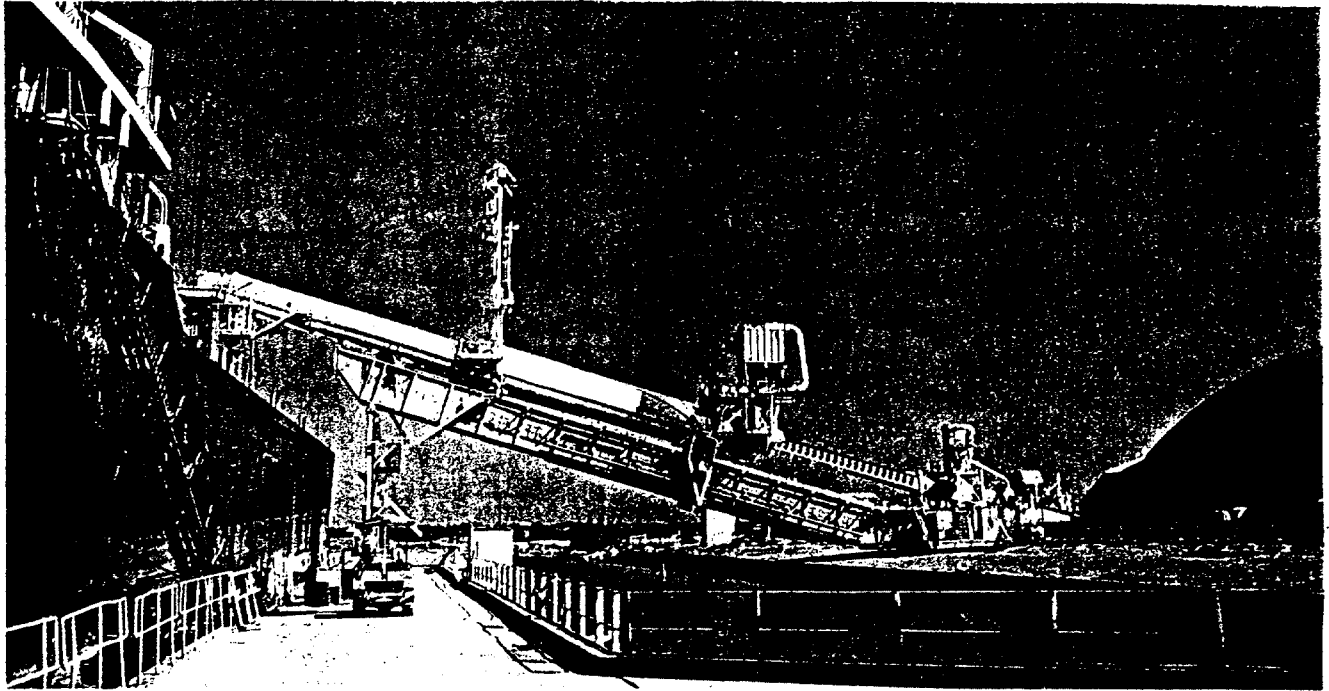
Long-term profitability in this business

is highly dependent on an advantageous raw materials position. Phosphate mining operations are conducted by Brewster Phosphates, a partnership in which we own 75%. Brewster provides us with a low-cost source of phosphate, and we are devoting a sizeable amount of capital to open a new Florida mine which will approximately double the partnership's phosphate rock capacity. Shipments from the new mine are scheduled to begin in 1977. We also have an advantageous raw material position in nitrogen, so that the costs of our total fertilizer operations are among the lowest in the industry.

The key to our long-term growth in agriculture is high technology. We are now entering the billion-dollar global herbicide market and are further developing our other pesticide and animal health products businesses.

Agricultural	1975	1974	1973	1972	1971
Worldwide sales (\$ in millions)	\$524	\$425	\$289	\$256	\$228
% Total sales (approx.)	27	24	20	19	18
Earnings (\$ in millions—approx.)*	\$ 95	\$ 73	\$ 33	\$ 23	\$ 15
% Total earnings (approx.)*	64	50	26	23	17

*Includes earnings from Associated Companies. See Financial Review section on page 16 for additional information.



Phosphate ore mined in Florida is loaded by conveyor belts from this terminal at Tampa Bay onto barges for U.S. fertilizer markets or

into ships for delivery overseas. Ore is mined by Brewster Phosphates in which Cyanamid is a 75% partner with Kerr-McGee Corp.



Cyanamid's development of the injectable form of Ripercol® L levamisole, shown in use in Guatemala, greatly simplifies adminis-

tration of this deworming agent for cattle. Ripercol L effectively controls both lung and gastrointestinal worms.

In late July, the U.S. Environmental Protection Agency registered Prowl®, one of our newly-developed herbicides, for use on corn and cotton. Approval for use on soybeans is expected for the 1977 season. A large plant under construction at Hannibal, Missouri, to supply worldwide needs, is scheduled to begin operations in 1977. Meanwhile, Prowl is being manufactured by contract suppliers. This product, sold as Stomp* or Herbadox* in markets abroad, is registered for use on a variety of major crops in Argentina, Brazil, Chile, France, New Zealand, Spain and West Germany.

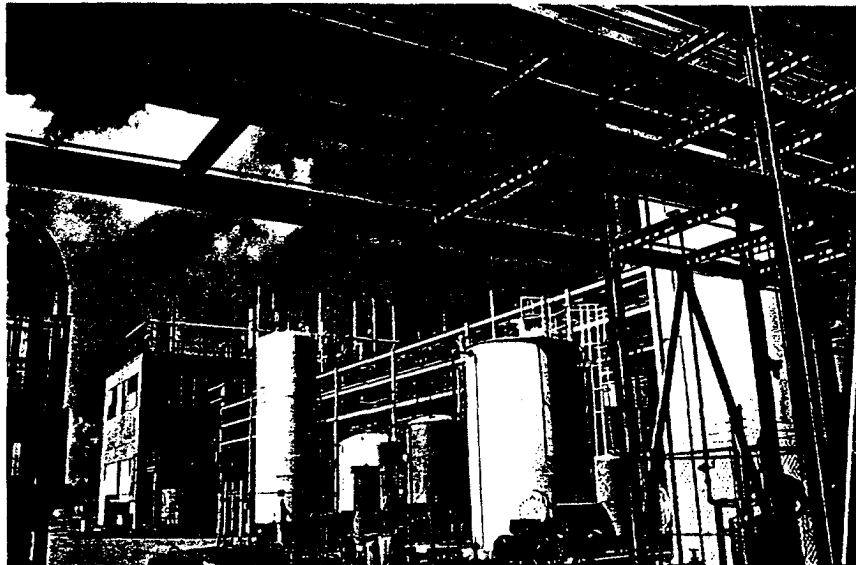
Another new herbicide, Avenge®, controls wild oats in wheat, barley and other small grains. Its major markets are in the United Kingdom, Europe and Canada. Registration in the United States is expected in 1976. We will complete a new plant for Avenge in 1976 at Botlek, Holland. The following year, a large facility for the manufacture of Thimet® and Counter®, Cyanamid insecticides that control insects attacking corn and other crops, will begin operations at Hannibal, Missouri.

Additional plants are under construction at Linden, New Jersey, and Resende, Brazil, for Malathion insecticide, extensively used in many countries to protect crops and control insect vectors in public health programs. Both units are scheduled for completion early in 1977.

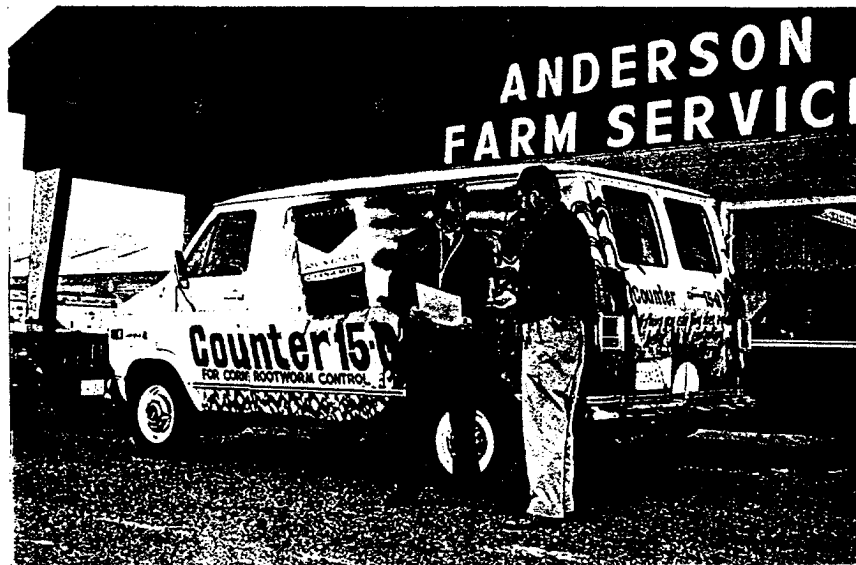
In the animal health field, production capacity has been increased for levamisole, a major Cyanamid product and the leading dewormer for swine, cattle and sheep in the United States and Latin America. Construction of a new plant for this product was completed late in 1975, at Manati in Puerto Rico, and our Brazilian plant for levamisole was expanded during the year.

Thus we have a significant number of major new plants scheduled to begin operations within the next 18 months. These units will transform recent Cyanamid research advances into commercial products vitally needed to help increase the world's food supply. As these plants come on stream, they will provide us with firm, new prospects for agricultural growth in the years ahead.

* Trademark



This new Cyanamid plant in Manati, Puerto Rico, was completed late in 1975. It produces Tramisole® levamisole, a leading dewormer for cattle, swine and sheep. This plant is adjacent to Lederle's new Dexon suture plant which was opened in Manati in 1974.



Merchandising materials for Cyanamid's Counter soil insecticide are distributed to farm supply stores by a fleet of these "Counter Caravan" trucks. Cyanamid representative Jay Foss (left) discusses rootworm control with Russell Ness of Anderson Farm Service in Yorkville, Illinois.

- Sales down slightly, earnings significantly lower.
- Chemicals severely affected by the global recession. U.S. improvement under way. Overseas recovery expected in late 1976.
- Demand for water-treating chemicals and Cymel resins for water-based paints boosted by worldwide pollution control efforts.
- New beta naphthol complex in West Virginia makes Cyanamid the world's largest, most efficient producer of this intermediate.
- Sulfuric acid plants feature modern process to protect environment. New unit completed at Savannah, Georgia; another being built near New Orleans, Louisiana.



Cyanamid's Superfloc* RM30 red mud flocculant is used in this washer at Alcan Jamaica's plant near Mandeville, Jamaica. The flocculant speeds up the settling process in which alumina is separated from bauxite ore residue, one of the early steps in the manufacture of aluminum.

* Trademark

Our specialty chemicals provide significant cost, quality or performance advantages to customers in virtually all industries. Major markets include the automotive, dyes, mining, paint, paper, petroleum, pigments, plastics, rubber, textiles and water-treatment fields.

Chemicals are correlated with the general economies of the many nations in which Cyanamid operates. During 1974, sales and earnings moved sharply upward until the fourth quarter, when they dropped abruptly. Chemical sales did not fully recover until the fourth quarter of 1975.

Cyanamid ended 1974 with record performance in specialty chemicals. For

1975, worldwide sales were down slightly and earnings were significantly lower. Our domestic business has shown im-

provement since the third quarter upswing in the U.S. economy, and overseas recovery is anticipated in the latter part of 1976.

Specialty Chemicals	1975	1974	1973	1972	1971
Worldwide sales (\$ in millions)	\$512	\$530	\$419	\$388	\$372
% Total sales (approx.)	27	30	28	29	29
Earnings (\$ in millions—approx.)*	\$ 22	\$ 37	\$ 24	\$ 19	\$ 13
% Total earnings (approx.)*	15	25	20	19	15

*Includes earnings from Associated Companies. See Financial Review section on page 16 for additional information.

Our product research and production technology efforts in specialty chemicals are geared toward developing competitive advantages. Prime examples are beta naphthol (BN) and a derivative, beta oxy naphthoic acid (BON). Primarily used for dyes and color pigments, these products represent large markets for the company. We expended \$2 million and four years of research to develop the first largely



Many manufacturers of outdoor pool and patio furniture make table tops from Cyanamid's Acrylite® acrylic sheet.

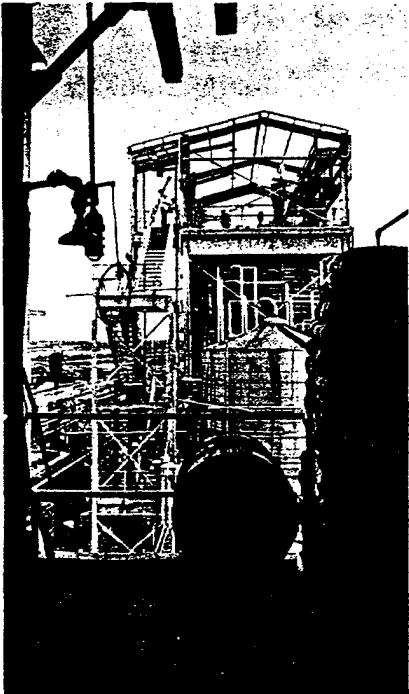
continuous processes for these products. A plant costing more than \$20 million, utilizing these processes, began operations at the Willow Island, West Virginia, complex at the end of 1975. This plant makes Cyanamid the world's largest and most efficient producer of both products, BN and BON.

Another example of innovation in specialty chemicals is our high-technology series of Cymel® 300 melamine resins. These make it possible for water to replace organic solvents in the newer water-based industrial paints. The first products were introduced in 1959, but this line is just now coming into widespread use because of the nation's concern with pollution control and the need to conserve energy supplies. Traditional

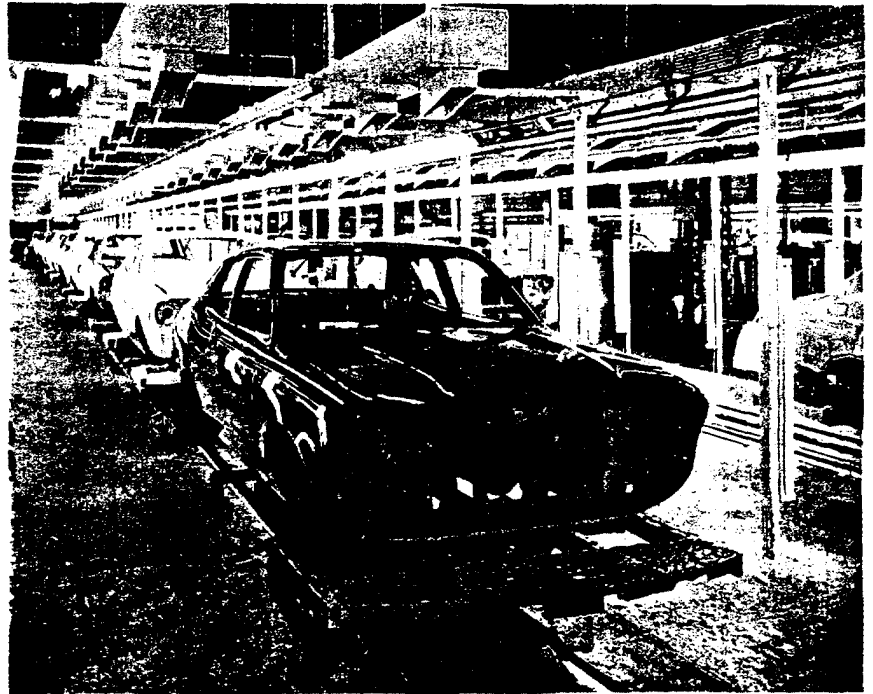


When you flex one of our Cyalume® lightsticks, the glass ampule inside the plastic tube breaks, and the activated chemicals provide safe light for up to 12 hours.

industrial paints are made with organic solvents which escape into the atmosphere when the paints are applied, contributing some 500 million gallons of solvents yearly to air pollution. Cyanamid will complete construction of a multi-million dollar plant for the Cymel 300 resins at Kalamazoo, Michigan, in mid-1976. The plant will complement present production units at Wallingford, Connecticut.



This new plant at Mobile, Alabama, was opened in 1975 to produce Alphasize® 20 sizing, an important papermaking chemical.



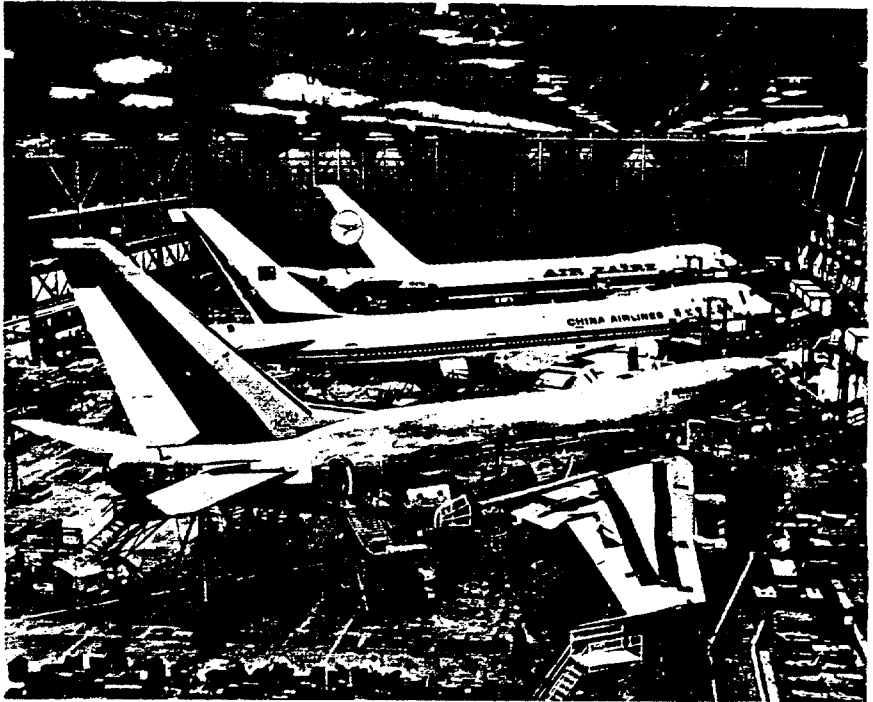
These Japanese automobiles are ready for the final heat-curing stage in the painting process. The primer paint used has a water base rather than an organic solvent base, which gives a higher quality finish. The water base formulation is made possible by our Cymel resins.

In still another high-technology field, Cyanamid's water-treating products prospered in spite of the downturn in global chemical markets during 1975 and offer strong growth prospects for the future. These are polyacrylamide and polyamine organic flocculants — chemicals which help alleviate environmental problems and improve processes for the utilization of mineral and water resources.

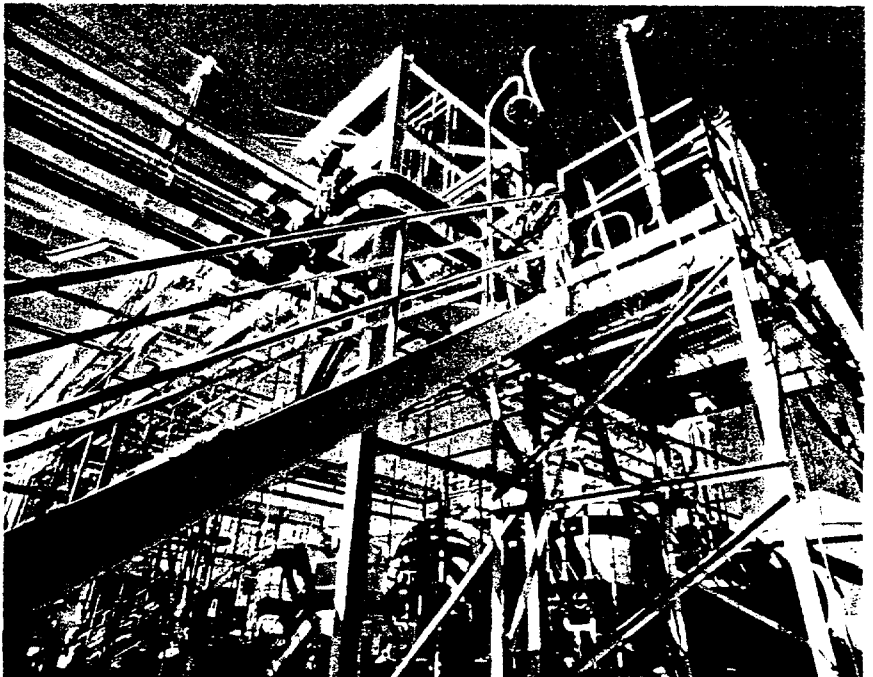
Cyanamid is now expanding capacity for one of their major building blocks, acrylamide monomer, utilizing a newly developed and highly efficient catalytic process. A 30-million-pound plant at Linden, New Jersey, is being replaced with a 60-million-pound facility, and capacity is also being doubled at a recently completed 10-million-pound monomer unit at Fortier, Louisiana. Both projects should be completed by mid-1977. A new plant is being built at Botlek, Holland, that will replace an older facility, in 1978, increasing capacity by 50%.

While the emphasis is on specialty products, we are not neglecting our basic chemicals. Sulfuric acid is the world's most widely used basic industrial chemical. Cyanamid produces it to satisfy large captive needs, as well as for the merchant market. Prior to 1970, our sulfuric acid plants were becoming outmoded by new technology and increasingly rigorous pollution-control regulations. That year, we closed down two units at Linden, New Jersey, and replaced them with a modern plant utilizing an entirely new process which established new sulfur-emission standards for the industry.

In mid-1975, we replaced two old units at Savannah, Georgia, with a plant similar to the Linden facility. At the year's end, we began construction of a facility which will cost more than \$20 million at our Fortier complex near New Orleans, Louisiana. This plant will bring our sulfuric acid capacity, featuring the new technology, to about one million tons per year in 1979.



In the construction of jet planes, including these Boeing 747's, adhesives and corrosion-resistant primers made by Cyanamid are used to bond aluminum skin to the honeycomb core of wing flaps and other movable control surfaces, engine covers, and passenger and landing gear doors.



This new organic flocculant plant at Kalamazoo, Michigan, went on-stream in 1975. The plant makes solution polyacrylamide, used by municipalities in water clarification and waste treatment operations. Another new plant at Kalamazoo, to make Cymel 300 resins, will open in 1976.

CONSUMER PRODUCTS

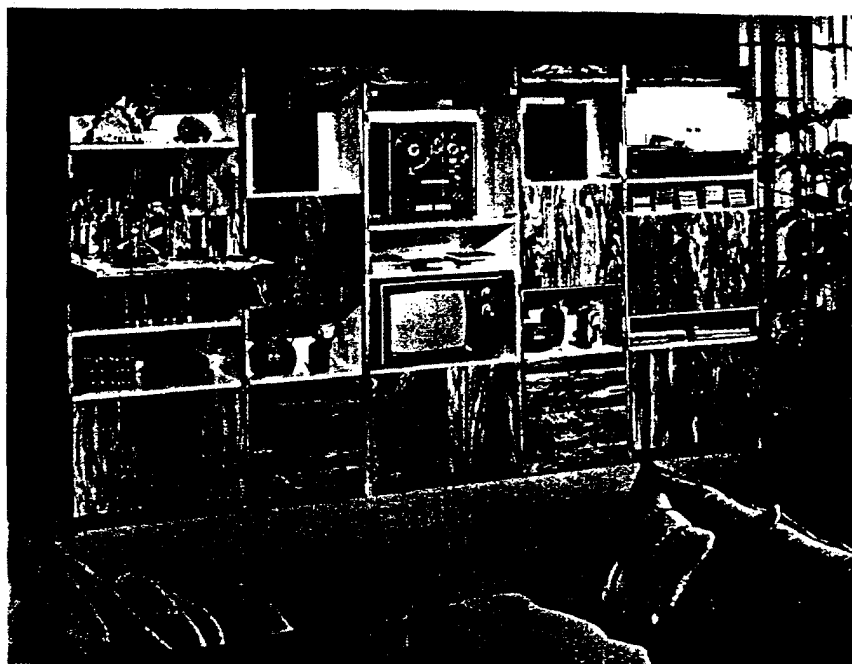
- Sales up, earnings sharply lower.
- Worldwide recession affected decorative laminates and fibers businesses.
- Shulton performed well. Christmas sales especially strong.
- Higher earnings for Breck hair-care and Pine-Sol household products.

Cyanamid's consumer products group includes decorative laminates, wall coverings, synthetic fibers, household products, toiletries, fragrances and hair-care products.

Worldwide sales of this segment increased slightly in 1975. Earnings, however, were significantly below a year ago, due to the effects of the worldwide recession on the decorative laminate and fibers businesses.

Earnings for Creslan® acrylic fibers for home furnishings and apparel were down worldwide, although our fibers business in the United States has shown vigorous improvement since mid-year, along with the textile industry.

Our U.S. performance for Formica® brand decorative laminates was better than last year, but heavy start-up costs were experienced in our new melamine component panel business. These panels were developed for vertical surfacing in



The versatility of new Formica® brand melamine component panels is demonstrated in this attractive wall system. The panels are manufactured at Formica's new facilities at Frankfort, Indiana, and Tarboro, North Carolina.

competition with wood, and we expect them to become major products in the furniture, kitchen cabinet and mobile home industries in future years.

Foreign exchange losses in the Latin American operations and a lengthy strike in Canada brought foreign laminate earnings down sharply. The laminate business and most of the fibers business in Europe are handled by associated companies, in which we have a 40% interest. These companies were particularly hard hit by the recession.

In contrast, Cyanamid's Shulton subsidiary performed well during 1975, with a particularly strong Christmas sales sea-



This Venezuelan supermarket shopper has a choice of three Cyanamid products: Pine-Sol, Furla® liquid ammoniated cleaner, and Liptol®, a new disinfectant-cleanser. •Trademark

Consumer Products	1975	1974	1973	1972	1971
Worldwide sales (\$ in millions)	\$492	\$474	\$455	\$442	\$427
% Total sales (approx.)	25	26	31	32	33
Earnings (\$ in millions—approx.)*	\$ 6	\$ 14	\$ 32	\$ 25	\$ 23
% Total earnings (approx.)*	4	10	25	24	27

*Includes earnings (loss) from Associated Companies. See Financial Review section on page 16 for additional information.



L'Air du Temps® by Nina Ricci (left rear), a long-popular perfume, was joined in 1975 by Farouche® by Nina Ricci, a successful new entry. New Shulton products joining standby Old Spice (right rear) in 1975 were Old Spice roll-on anti-perspirant deodorant and Pocket Cologne® flasks.

* Trademark

Breck salesman Richard Rezza sets up a supermarket aisle display featuring Miss Breck Lasting Hold, our new non-aerosol hair spray. Sales have been above expectations.

son. There were continuing gains in sales and earnings for Shulton's Old Spice® brand toiletries, Nina Ricci® fragrances for women and Pierre Cardin® men's toiletries.

Earnings increased for Breck® hair-care products and Pine-Sol® household products. Pine-Sol®, the largest selling liquid cleaner in the United States, continued to outpace its competition. With the exception of hair spray products, sales of the line of Breck shampoo, creme rinse and other hair-care specialties were lower in 1975, primarily due to poor performance in the first four months. Sales were on the upswing for the remainder of the year.

A new non-aerosol hair spray, Miss Breck® Lasting Hold®, was introduced nationally in the third quarter. Sales, to date, have been above expectations. Non-aerosols are gaining in popularity and accounting for an increasing portion of the hair spray market.

Breck Clean Rinse®, a new oil-free creme rinse, made its nationwide debut at the beginning of 1976, following a successful introduction on the West Coast in mid-1975.

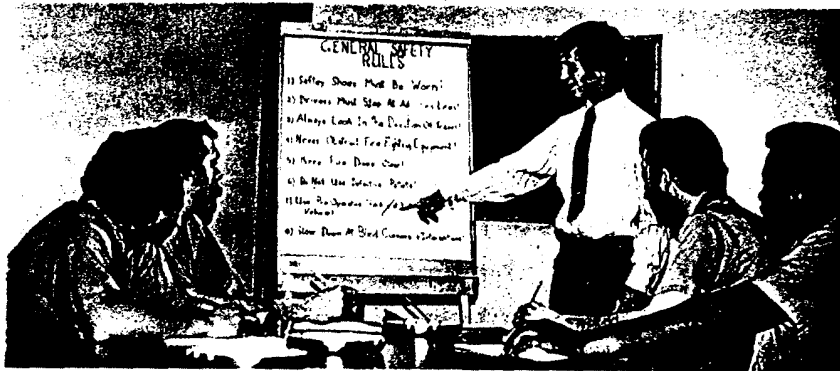
* Trademark



It takes a tough fabric to stand up to Mean Joe Greene of the Super Bowl-winning Pittsburgh Steelers and his children, but sports socks made of Creslan fiber fill the bill. Photo is from an advertisement run by our Fibers Division in a leading sports magazine.

SERVING SOCIETY

- Pioneering program launched with National Education Association.
- \$22 million devoted to pollution control facilities.
- Employee safety, benefits among best in industry.
- Continued gains in employment for women and minorities.



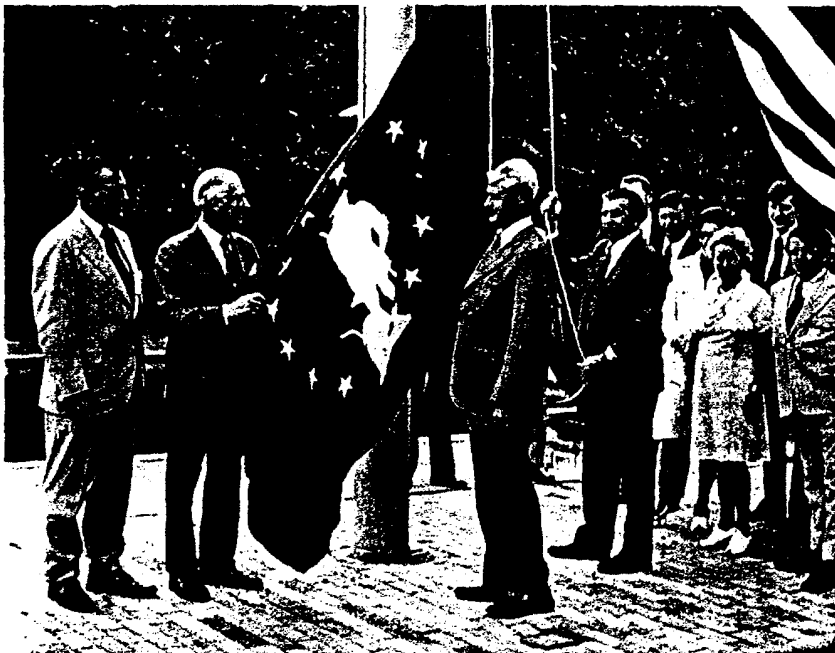
Safety supervisor Michael Wolk of Breck's plant in West Springfield, Massachusetts, conducts a training program for fork lift operators. Cyanamid in 1975 had its best safety record ever.

Meeting social and employee needs is vital to any company concerned with long-term profitability and growth. At Cyanamid, social responsibility is a key facet of our continuing business planning.

A pioneering program was launched

in education to dispel the distrust which exists between the educational and business communities. The National Education Association has a membership of 1,700,000 elementary and high school teachers in the United States, and early in the year we met with leaders of this

organization to explore how Cyanamid and other concerned companies could systematically aid the classroom teacher in better educating our nation's children. One of our key goals is to acquaint children with the challenge of the business world and the career opportunities that will be available to them.

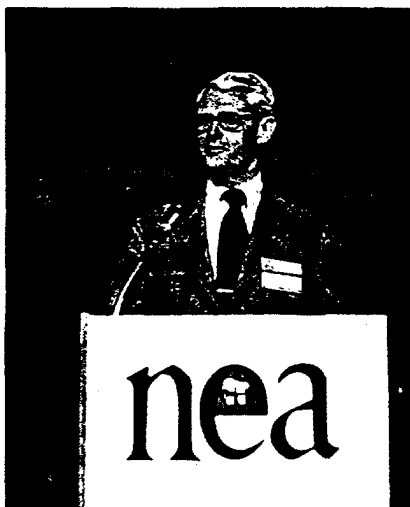


When more than half of Wayne employees joined the U.S. Savings Bond payroll plan, U.S. Treasury Dept. awarded Cyanamid this Minuteman flag. Raising the flag are (left to right) Robert W. Kleinert, president of New Jersey Bell and 1975 New Jersey Industrial Chairman of the U.S. Savings Bond drive; retired board chairman C. D. Siverd; board chairman J. G. Affleck; and Wayne employees.

In July, at the NEA national convention in Los Angeles, Dr. Affleck announced agreement with this major educational association to work on a jointly developed "NEA-Industry Proposal." In November, a meeting was held with 100 businessmen and NEA leaders in Washington to chart specific plans of action. These will be submitted to the next NEA national convention in June, 1976.

This program should provide dual benefits. On the one hand, the business community has expertise in the practical applications of science, technology and economics which can be put to work to enrich school curricula. On the other, industry needs well-educated youth to carry on in the future — and the better their preparation, the better we can expect to do.

Protecting the environment around our production plants is another important aspect of social responsibility. In 1975, \$22 million was spent for facilities to control pollution. Our cumulative capital expenditures for environmental protection through 1975 amount to \$117 million, and we expect to commit about \$50 million in 1976.



Speaking at National Education Assn. convention, board chairman Affleck announces Cyanamid's industry-education program.

Major developments in 1975 were the completion of a \$24 million effluent treatment unit at the titanium dioxide pigment plant at Savannah, Georgia, and the beginning of construction of a \$23 million treatment facility at the Bound Brook, New Jersey, organic chemicals complex.

Employee safety is a prime business goal, and we continued to improve our record in 1975. The frequency of disabling accidents is now less than one per million-man-hours — or 12 times better than the average for all U.S. industry.

Our employee benefits package is one of the best in the industry and during the year was improved to provide better maternity and surgical coverage. In spite of the recession, we continued to make gains in women and minority employment, and today about 8% of our managers and supervisors are women or minority group members.

Contributions to charitable funds, hospitals, educational and other institutions totaled \$732,000 in 1975, with emphasis on the communities in which we operate. The contributions to education amounted to \$335,000. These range from Faculty Support Grants to a tuition reimbursement program for employees and aid to a number of minority students at colleges.

Antibiotics Litigation

On January 12, 1976, the U.S. Court of Appeals for the Fourth Circuit affirmed the dismissal in 1974 by the U.S. District Court in North Carolina of the antitrust treble damage suit by the State of North Carolina and its consumers class against the company and four other drug companies in connection with tetracycline and other broad spectrum antibiotics. The State has petitioned the District Court for a new trial and has indicated it will seek review by the U.S. Supreme Court.

On August 14, 1975, a settlement was concluded in the suit by International Rectifier Corporation. Subsequently twelve other suits, including the class suit on behalf of union health and welfare funds, were also settled. The company's share of all these settlements was approximately \$15 million before giving effect to related tax reductions.

These settlements, as with the earlier civil settlements during 1969-74, were concluded for amounts substantially less than those claimed by plaintiffs' counsel.

There are 17 other suits remaining. The company's share of the claims asserted in them would be approximately \$100 million, but the company believes the claims are grossly exaggerated. Three of the remaining suits, including the suit for single damages by the Federal government, have been on trial in the U.S. District Court in Minnesota since November, 1974. However, agreement has been reached to settle the other two suits on trial. One settlement, the class suit on behalf of health insurance companies, is subject to court approval. The company's share of the additional settlements would be \$5.3 million.

Provisions for the above-mentioned settlements have been made in the 1975 financial statements.

No trial date has yet been set for suits brought by certain other claimants, including the governments of Iran, South Vietnam, the Philippines, West Germany, India, Colombia and South Korea. A suit by the government of Spain has been voluntarily dismissed. In August, 1975, the Court of Appeals for the 8th Circuit denied the right of such governments to sue as "parens patriae" under the U.S. antitrust laws for damages to their citizens and now has before it the question of their standing to sue based on their own purchases. The plaintiffs have petitioned the U.S. Supreme Court to review the decision.

The Minnesota trial also does not in-

clude the civil suit brought by the Federal government in January, 1974, against the company alone which asks for cancellation of four of the company's patents covering antibiotics on the basis of alleged fraud on the Patent Office and for damages based on prices for broad-spectrum antibiotics purchased or paid for by the government over a period going back 25 years. Three of the patents have expired and the fourth has previously been made available for license.

Due to the uncertainty necessarily inherent in litigated matters of this sort, the eventual cost of this litigation to the company, and its disposition, cannot be accurately predicted, and therefore the company has not accrued any additional amounts with respect thereto despite the possibility that large amounts may eventually be paid. Any additional amounts which may become payable by the company with respect to these claims would be charged against earnings of appropriate years prior to 1967, after giving effect to related tax reductions. However, the company believes, on the basis of information and advice presently available, that any additional liability with respect to this litigation will be substantially less than the amounts claimed and will not have a material adverse effect upon the consolidated financial position of the company and its subsidiaries.

The company emphatically denies that it has violated the antitrust laws or engaged in any wrongdoing before the Patent Office.

Dyes Litigation

Several treble damage suits have been brought by purchasers of dyestuffs from the company and eight other manufacturers, based upon the matters referred to in a criminal proceeding charging conspiracy to fix dye prices in December 1970, in which the defendants pleaded *nolo contendere*. The company was fined \$43,500. A companion government civil suit for an injunction is still pending in Federal Court in Newark, New Jersey. In December, 1975, the U.S. District Court for the Southern District of New York approved a settlement by the nine companies for a total of \$15 million of the damage claims of dyestuffs purchasers; almost all class members elected to participate in the settlement. The company has provided for its share of the settlement which is not material to its consolidated financial position or results of 1975 operations.

Financial Review

Sales Volume—Consolidated sales in 1975 were \$1,928,444,000 compared with \$1,779,872,000 in 1974. Comparative quarterly sales for the two years were:

Quarter	1975		1974	
	Amounts in thousands	% of total	Amounts in thousands	% of total
First	\$ 462,104	24	\$ 410,501	23
Second	496,580	26	448,752	25
Third	473,534	24	463,471	26
Fourth	496,226	26	457,148	26
	<u>\$1,928,444</u>	<u>100%</u>	<u>\$1,779,872</u>	<u>100%</u>

Capital Stock—As of December 31, 1975 there were 47,747,212 shares of common stock outstanding compared to 47,742,546 shares outstanding at the end of 1974 after excluding treasury stock of 1,158,126 shares at December 31, 1975 and 1,162,792 shares at December 31, 1974. During the year 1,358 such shares were issued pursuant to stock option plans and 3,308 shares were issued to retired participants under the incentive compensation plan.

Earnings—Earnings of consolidated companies for 1975 were \$143,026,000 compared with \$129,218,000 in 1974. Net earnings were \$147,675,000 in 1975 compared with \$154,724,000 in 1974, which (as more fully described in Note 9 to the consolidated financial statements) includes earnings of discontinued

Quarter	1975	
	Amounts in thousands	Per share
	Net earnings	
First	\$ 38,583	\$.81
Second	39,589	.83
Third	30,998	.65
Fourth	38,505	.80
	<u>\$147,675</u>	<u>\$3.09</u>

Business Segment Information—Approximate consolidated earnings and earnings of associated companies by business segment were as follows:

Medical (\$ in millions)	1975	1974	1973	1972	1971
Consolidated earnings	\$ 23	\$ 19	\$ 34	\$ 33	\$ 33
Earnings of assoc. co.'s	2	3	2	2	2
% Assoc. co.'s to total earnings	8	14	6	6	6
Agriculture (\$ in millions)					
Consolidated earnings	\$ 94	\$ 72	\$ 33	\$ 23	\$ 15
Earnings of assoc. co.'s	1	1	0	0	0
% Assoc. co.'s to total earnings	1	1	—	—	—

The average number of shares (excluding treasury shares) outstanding for 1975 was 47,744,681 compared to 47,740,004 for 1974.

Common Stock Prices—Reported comparative high and low sales prices on the New York Stock Exchange and the dividends paid per share of the common stock by quarter for the two years were:

Quarter	1975		Dividends paid	1974		Dividends paid
	Sales price High	Sales price Low		Sales price High	Sales price Low	
First	\$27 $\frac{1}{8}$	\$20 $\frac{3}{8}$	\$.37 $\frac{1}{2}$	\$25	\$18 $\frac{7}{8}$	\$.35
Second	30 $\frac{7}{8}$	24 $\frac{3}{4}$	.37 $\frac{1}{2}$	24 $\frac{5}{8}$	19 $\frac{1}{4}$	.35
Third	28 $\frac{1}{8}$	22 $\frac{3}{4}$	.37 $\frac{1}{2}$	20 $\frac{1}{2}$	17 $\frac{1}{8}$	.37 $\frac{1}{2}$
Fourth	26 $\frac{7}{8}$	22 $\frac{3}{4}$	.37 $\frac{1}{2}$	23 $\frac{5}{8}$	17 $\frac{1}{4}$	.37 $\frac{1}{2}$
			<u>\$1.50</u>			<u>\$1.45</u>

Cash dividends paid in 1975 and 1974 amounted to \$71,234,000 and \$68,815,000, respectively.

operations of \$8,256,000 (17¢ per share). Net earnings per share for 1975 was \$3.09 compared to \$3.24 in 1974 based on the average number of shares of common stock (excluding treasury shares) outstanding for each year.

Comparative data by quarter for the two years were:

Quarter	1975		1974	
	Amounts in thousands	Per share	Amounts in thousands	Per share
	Earnings from continuing operations		Net earnings	
First	\$ 34,880	\$.73	\$ 34,885	\$.73
Second	38,124	.80	41,956	.88
Third	39,124	.82	42,229	.88
Fourth	34,340	.72	35,654	.75
	<u>\$146,468</u>	<u>\$3.07</u>	<u>\$154,724</u>	<u>\$3.24</u>

Specialty Chemicals (\$ in millions)	1975	1974	1973	1972	1971
Consolidated earnings	\$ 19	\$ 27	\$ 22	\$ 19	\$ 12
Earnings of assoc. co.'s	3	10	2	0	1
% Assoc. co.'s to total earnings	14	27	8	—	8

Consumer Products (\$ in millions)	1975	1974	1973	1972	1971
Consolidated earnings	\$ 7	\$ 10	\$ 27	\$ 23	\$ 20
Earnings of assoc. co.'s	(1)	4	5	2	3
% Assoc. co.'s to total earnings	—	29	16	8	13

Years Ended December 31, 1975 and 1974

	1975	1974
	(Thousands of dollars except per share amounts)	
NET SALES	\$1,928,444	\$1,779,872
Expenses:		
Manufacturing cost of sales less depreciation and depletion	1,050,757	972,483
Selling and advertising expenses	328,409	303,837
Administrative and general expenses	101,520	82,788
Depreciation and depletion	77,642	71,961
Research and process development expenses	67,181	58,807
Employees' benefits (Note 8)	66,786	59,399
	<u>1,692,295</u>	<u>1,549,275</u>
EARNINGS FROM OPERATIONS	236,149	230,597
Interest, dividends, royalties and other income, net—less interest expense of \$22,403 in 1975 (\$17,894 in 1974)	7,477	3,021
EARNINGS OF CONSOLIDATED COMPANIES BEFORE TAXES ON INCOME	243,626	233,618
Provision for taxes on income (Note 10):		
Federal	45,700	48,600
Foreign and other	54,900	55,800
	<u>100,600</u>	<u>104,400</u>
EARNINGS OF CONSOLIDATED COMPANIES	143,026	129,218
Equity in net earnings of associated companies	4,649	17,250
EARNINGS FROM CONTINUING OPERATIONS	147,675	146,468
DISCONTINUED OPERATIONS (Note 9)	—	8,256
NET EARNINGS (Note 3)	<u>\$ 147,675</u>	<u>\$ 154,724</u>
PER SHARE OF COMMON STOCK (Note 3):		
Earnings from continuing operations	<u>\$3.09</u>	<u>\$3.07</u>
Net earnings	<u>\$3.09</u>	<u>\$3.24</u>

See accompanying Notes to Consolidated Financial Statements

**THE BOARD OF DIRECTORS AND STOCKHOLDERS
AMERICAN CYANAMID COMPANY:**

We have examined the consolidated balance sheets of American Cyanamid Company and subsidiaries as of December 31, 1975 and 1974 and the related consolidated statements of earnings, earnings employed in the business and changes in financial position for the years 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 aforementioned consolidated financial statements present fairly the financial position of American Cyanamid Company and subsidiaries at December 31, 1975 and 1974, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

New York, N.Y.
February 3, 1976

PEAT, MARWICK, MITCHELL & CO.

Consolidated Balance Sheets

December 31, 1975 and 1974

ASSETS	1975	1974
	(Thousands of dollars)	
CURRENT ASSETS		
Cash	\$ 63,087	\$ 52,358
Marketable securities and time deposits, at market and accrued interest (approximates cost)	91,031	127,050
Accounts receivable, less allowance for doubtful accounts of \$10,287 (\$7,172 in 1974)	329,157	300,898
Inventories (Note 3)	314,171	322,036
TOTAL CURRENT ASSETS	<u>797,446</u>	<u>802,342</u>
INVESTMENTS AND ADVANCES		
Equity in net assets of and advances to associated companies	56,102	53,544
Other investments and advances	39,113	43,021
TOTAL INVESTMENTS AND ADVANCES	<u>95,215</u>	<u>96,565</u>
PLANTS, EQUIPMENT AND FACILITIES, at cost (Note 4)	1,488,400	1,311,145
Less accumulated depreciation and depletion	703,168	652,110
NET PLANT INVESTMENT	<u>785,232</u>	<u>659,035</u>
INTANGIBLES RESULTING FROM BUSINESS ACQUISITIONS	17,717	17,709
PREPAID EXPENSES AND DEFERRED CHARGES	26,564	27,228
	<u>\$1,722,174</u>	<u>\$1,602,879</u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 267,074	\$ 273,869
Short-term borrowings (Note 10)	31,596	40,979
Funded debt installments due within one year	3,699	2,877
Income taxes	32,973	17,020
TOTAL CURRENT LIABILITIES	<u>335,342</u>	<u>334,745</u>
FUNDED DEBT NOT DUE WITHIN ONE YEAR (Note 5)	282,176	243,615
DEFERRED INCOME TAXES	40,000	39,600
OTHER NON-CURRENT LIABILITIES (Note 10)	20,380	17,208
STOCKHOLDERS' EQUITY (Note 6)		
Common stock—par value \$5 per share		
Authorized—60,000,000 shares		
Issued —48,905,338 shares	244,527	244,527
Additional paid-in capital	38,942	38,940
Earnings employed in the business (Note 5)	792,803	716,362
	<u>1,076,272</u>	<u>999,829</u>
Less cost of 1,158,126 shares of common stock held in treasury (1,162,792 shares in 1974)	31,996	32,118
TOTAL STOCKHOLDERS' EQUITY	<u>1,044,276</u>	<u>967,711</u>
	<u>\$1,722,174</u>	<u>\$1,602,879</u>
CONTINGENT LIABILITIES AND COMMITMENTS (Note 7)		

See accompanying Notes to Consolidated Financial Statements

Consolidated Statements of Earnings Employed in the Business
Years Ended December 31, 1975 and 1974

	1975	1974
	(Thousands of dollars)	
Balance at beginning of year as previously reported	\$729,862	\$643,953
Provision for settlement of litigation (Note 7)	13,500	13,500
Balance at beginning of year as restated	716,362	630,453
Add net earnings	147,675	154,724
Deduct dividends of \$1.50 per share in 1975 (\$1.45 per share in 1974)	(71,234)	(68,815)
Balance at end of year (Note 5)	<u>\$792,803</u>	<u>\$716,362</u>

Consolidated Statements of Changes in Financial Position
Years Ended December 31, 1975 and 1974

	1975	1974
	(Thousands of dollars)	
SOURCES OF WORKING CAPITAL		
Earnings from continuing operations	\$147,675	\$146,468
Items not requiring the use of funds:		
Depreciation and depletion	77,642	71,961
Deferred income taxes	400	4,000
Equity in undistributed earnings or loss for the year of associated companies	523	(6,594)
Funds derived from continuing operations	226,240	215,835
Net funds derived from discontinued operations	—	47,730
Funds derived from operations	226,240	263,565
Disposal of associated company less net gain included in discontinued operations	—	18,800
Increase in funded debt not due within one year	38,561	5,105
Increase in other non-current liabilities	3,172	3,437
Reductions (additions) to investments and advances—net	827	(7,465)
Decrease (increase) in prepaid expenses and deferred charges	664	(6,785)
Equity arising from issuance of common stock	124	123
	<u>269,588</u>	<u>276,780</u>
USES OF WORKING CAPITAL		
Additions to plants, equipment and facilities—net	203,839	138,346
Cash dividends on stock	71,234	68,815
All others—net	8	(986)
	<u>275,081</u>	<u>206,175</u>
(DECREASE) INCREASE IN WORKING CAPITAL	<u>\$ (5,493)</u>	<u>\$ 70,605</u>
(DECREASES) INCREASES IN THE COMPONENTS OF WORKING CAPITAL		
Cash, marketable securities and time deposits*	(25,290)	6,942
Accounts receivable	28,259	48,571
Inventories	(7,865)	77,678
Accounts payable and accrued expenses*	6,795	(32,209)
Short-term borrowings	9,383	(29,479)
Funded debt installments due in one year	(822)	(2,262)
Income taxes payable	(15,953)	1,364
(DECREASE) INCREASE IN WORKING CAPITAL	<u>\$ (5,493)</u>	<u>\$ 70,605</u>

*Includes effect of payments regarding treble damage litigation of \$36,882 and \$19,496 in 1974 and 1975 respectively.

See accompanying Notes to Consolidated Financial Statements

(Thousands of dollars)

1. Summary of Accounting Policies

Consolidation—The consolidated financial statements include the accounts of American Cyanamid Company and all subsidiaries except real estate subsidiaries (see Note 9). All significant intercompany transactions and balances have been eliminated upon consolidation. Subsidiaries operating outside the United States and Canada are included on a fiscal-year basis ending November 30.

The equity method of accounting is used for investments in associated companies (20% to 50% owned). Aggregate cost of these investments was \$30,225 at December 31, 1975 (\$26,796 at December 31, 1974). Dividends of \$5,172 were received from these companies in 1975 (\$10,657 in 1974). At December 31, 1975, principal associated companies are comprised of the following (% owned):

Arizona Chemical Company (50%)	Formica International Limited (40%)
B. Braun-Dexon G.m.b.H. (50%)	Lederle (Japan), Ltd. (50%)
Cyanamid-Ketjen Katalysator B.V. (50%)	Sherkat Sahami Cyanamid-KBC (50%)
Cyanaquim, S.A. de C.V. (40%)	Societe des Sutures Chirurgicales
Cyanenka S.A. (40%)	Robert & Carriere—Lederle (50%)
	TDF Tiofine B.V. (50%)

Currency translation—Assets, other than plants, equipment and facilities, and liabilities of foreign subsidiaries are included in the consolidated balance sheets at official or prevailing rates of exchange at year-end; foreign plants, equipment and facilities are included at the exchange rates in effect at the time of acquisition. Statement of earnings accounts are translated at the average rates of exchange in effect during the year except for depreciation and amortization which are translated at historical exchange rates. Gains on forward exchange contracts are recognized as contracts are settled. Anticipated losses are recognized currently. Exchange adjustments (\$21,000 loss in 1975, \$7,200 loss in 1974) are included in earnings of the respective years. Implementation of Statement of Financial Accounting Standards No. 8 in 1976 does not have a material effect on the consolidated financial statements.

Depreciation and amortization—Depreciation is provided on a straight-line composite method over the estimated remaining useful lives of various classes of assets. In view of the variety of plants, equipment and facilities, it is not considered practicable to list the rates used in making the computations. However, the aggregate charge for depreciation was equivalent to 6.7% in 1975 and 6.6% in 1974, of the average amount of depreciable plants, equipment and facilities. When depreciable assets are sold or otherwise retired from service, their cost, less amounts realized on sale or salvage, is charged or credited to the accumulated depreciation account. Expenditures for maintenance and repairs are charged to current operating expenses. Acquisitions, additions and betterments for increasing productive capacity or prolonging service lives of the plants, equipment and facilities are capitalized. Intangibles resulting from business acquisitions are carried at cost and amortized over a period of forty years unless, in the opinion of management, their lives are limited, or they have sustained a permanent diminution in value in which case they are amortized over ap-

propriate periods.

Income Taxes—The company files a consolidated Federal income tax return with its domestic subsidiaries. The provision for Federal taxes on income has been reduced by the investment tax credit using the flow-through method (\$10,000 in 1975 and \$4,000 in 1974). Deferred income taxes equal to \$400 in 1975 (\$4,000 in 1974) have been provided to recognize the effect of timing differences between financial statement and income tax accounting, principally differences in depreciation methods and rates. Other taxes on income represent various state and local income taxes aggregating \$7,000 in 1975 (\$5,200 in 1974).

Earnings per share—Earnings per share of common stock is based on the average number of shares outstanding during the year; 47,744,681 in 1975 (47,740,004 in 1974). The stock options described in Note 6 do not result in dilution of earnings per share.

2. Foreign Operations included in the consolidated financial statements are as follows:

	1975	1974
Net current assets	\$197,700	\$160,600
Net other assets (principally plants, equipment and facilities)	158,000	118,100
Net earnings of foreign subsidiaries	61,100	77,600
Equity in undistributed earnings of foreign subsidiaries	238,600	202,800

The company provides for taxes on the undistributed earnings of subsidiaries and associates where the remittance of such earnings is not considered to be indefinitely postponed. At December 31, 1975, the company has no present intention of remitting undistributed earnings of subsidiaries and associated companies aggregating \$273,900 (\$212,700 in 1974).

3. Inventories—Inventories are carried at the lower of cost or market. Cost is determined on the last-in, first-out (LIFO) method for substantially all inventories in the United States with the remainder determined on the first-in, first-out or average method.

The LIFO method was adopted in 1974 resulting in a reduction in inventories at December 31, 1974, by approximately \$50,000 and net earnings by \$26,000 (\$.54 per share). At December 31, 1975 estimated current cost exceeded LIFO value of the inventories by approximately \$65,000. It is not practicable to determine the major components under the dollar value LIFO inventory method.

4. Plants, Equipment and Facilities are comprised of the following:

	1975	1974
Land, including mining land	\$ 45,755	\$ 45,176
Buildings	280,934	253,540
Machinery and equipment	1,028,821	922,114
Construction in progress	132,890	90,315
	<u>\$1,488,400</u>	<u>\$1,311,145</u>

5. Funded Debt, excluding the current portion, is as follows:

	1975	1974
3¾% promissory notes due 1977 to 1987	\$ 75,000	\$ 75,000
5¾% sinking fund debentures due 1980	10,000	11,050
5½% Swiss franc debentures due 1987	38,150	39,000
5½% to 6.8% pollution control revenue bonds due at various dates through 2000	31,600	10,600
7¾% sinking fund debentures due 2001	100,000	100,000
Sundry obligations	27,426	7,965
	<u>\$282,176</u>	<u>\$243,615</u>

Annual maturities of funded debt and sinking fund requirements for the four years subsequent to December 31, 1976, are as follows: 1977—\$16,371; 1978—\$11,171; 1979—\$11,186 and 1980—\$12,390.

The 3¾% promissory notes due 1977 to 1987 contain certain restrictions including limitations on the payment of dividends. As a result, the amount of earnings employed in the business at December 31, 1975, which may be applied to the payment of cash dividends, is limited to \$308,500.

6. Stockholders' Equity

Authorized Capital includes 650,000 shares of preferred stock with a par value of \$1 per share, none of which is outstanding.

Stock Options—Under the company's stock option plan key employees may be granted five-year and ten-year qualified and non-qualified options to purchase common stock at not less than 100% of market value on the date of grant. 1,500,000 shares were originally reserved for stock options. All options are exercisable in cumulative installments of one-third of the number of shares commencing one year after date of grant and annually thereafter.

Details of stock option activity for 1975 and 1974 follow:

	Number of shares	Option Price		Market Value	
		Per share	Total	Per share	Total
<i>Options granted:</i>					
1975	190,265	\$27.50	\$ 5,232	\$27.50	\$ 5,232
1974	186,365	24.00	4,473	24.00	4,473
<i>Options which became exercisable:</i>					
				(at dates exercisable)	
1975	166,455	\$24.00-37.25	\$ 4,896	\$25.88-28.69	\$ 4,532
1974	157,111	28.50-37.25	5,052	19.56-23.88	3,433
<i>Options exercised:</i>					
				(at dates exercised)	
1975	868	\$24.00-28.50	\$ 21	\$26.75-30.44	\$ 25
1974	None				
<i>Options outstanding:</i>					
				(at dates of grant)	
Dec. 31, 1975	998,963	\$24.00-37.25	\$29,649	\$24.00-37.25	\$29,649
Dec. 31, 1974	828,418	24.00-37.25	25,011	24.00-37.25	25,011

At December 31, 1975, options to purchase 635,840 shares (475,835 shares at December 31, 1974) were exercisable, and 314,851 shares (486,264 shares at December 31, 1974) were available for option.

In connection with the Shulton, Inc., merger in 1971, the company assumed obligations under various stock option and purchase plans of Shulton. At December 31, 1975, all such options to purchase shares of Cyanamid stock had expired. During 1975 options for 490 shares were exercised (none in 1974).

Upon exercise of options, the excess of proceeds over the par value of shares issued or cost of treasury stock (\$2 in 1975 and none in 1974) is credited to additional paid-in capital.

Additional Paid-in Capital increases during 1975 were attributable solely to the issuance of shares under stock options (see above).

Treasury Stock is acquired from time to time and used to fulfill obligations under the company's incentive compensation and stock option plans. During 1975, no such shares were acquired (417 in 1974). In 1975, 1,358 shares were issued pursuant to the above stock options (none in 1974) and 3,308 shares were issued to retired participants under the incentive compensation plan (4,546 shares in 1974).

7. Contingent Liabilities and Commitments—Rental expense under property and equipment leases in 1975 was \$25,427 (\$22,734 in 1974). Estimated future rental expense under property and equipment leases expiring between 1976 and 2059 are: 1976—\$11,870; 1977—\$6,816; 1978—\$3,220; 1979—\$2,453; 1980—\$1,465; 1981-1985—\$3,638; 1986-1990—\$555; 1991-1995—\$10; and for 1996-2059—\$154, all in the aggregate.

The present status of significant litigation is disclosed in the section entitled "Litigation". As more fully explained therein, certain settlement agreements regarding treble-damage litigation were made during 1975. In connection therewith a provision in the amount of \$13,500 (after taxes of \$13,500) was made against earnings employed in the business, as such amounts relate to years prior to 1967. Included in the above provision are related legal fees and settlements in excess of amounts previously provided.

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 generally is to accrue and fund pension costs over the service lives of the covered employees. The total pension expense was \$19,423 for 1975 and \$14,403 for 1974. The Employee Retirement Income Security Act of 1974 is not expected to have any material effect on the company's funding and pension expense.

9. Discontinued Operations—As of December 2, 1974, Cyanamid sold its 50% equity interests in the Jefferson Chemical Group realizing a profit of \$39,676 (after applicable taxes of \$21,600). The equity in net earnings of these companies until their sale (\$19,025) is included in the results from discontinued operations in 1974.

In December, 1974, the unconsolidated real estate subsidiaries (Ervin Industries, Inc. and its subsidiaries) commenced a program of orderly disposition of both their assets and related debt. Accordingly, Cyanamid management considered it appropriate to account for Ervin as a discontinued operation necessitating a provision for the loss of its investment in and advances to these wholly-owned subsidiaries (\$39,100, after applicable taxes of \$36,200) including a provision of \$28,000 less applicable income taxes of \$13,400 for additional funds required by Ervin in connection with the disposition. These funds

Notes to Consolidated Financial Statements of 1975 and 1974 (continued)
(Thousands of dollars)

were disbursed to Ervin in 1975 and the disposition has been substantially completed. Ervin's operating results through December 31, 1974 (\$11,345 loss for 1974), are included in the results from discontinued operations.

10. Other financial statement information is as follows: The weighted average interest rate of short-term (principally foreign) borrowings was 12% at both December 31, 1975 and 1974 and the approximate weighted average interest rate was 13% for both 1975 and 1974. The maximum amount of aggregate short-term borrowing outstanding at any month end during 1975 was \$31,600 (\$42,000 in 1974) and the approximate average aggregate short-term borrowing outstanding during 1975 was \$27,000 (\$22,000 in 1974).

Other non-current liabilities at December 31, 1975, include incentive compensation to officers and other employees of \$10,272 (\$8,228 at December 31, 1974). 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 1975, the portion so contingently payable in common stock is not determinable. Another portion of such amount is similarly contingently payable based on the performance of the company over a four-year period.

Maintenance and repairs for 1975 were \$70,499 (\$67,112 in 1974). Social security taxes for 1975 were \$29,571 (\$27,765 in 1974). Taxes other than income taxes for 1975 were \$21,428 (\$22,184 in 1974). Advertising in 1975 was \$105,687 (\$104,341 in 1974).

Total income tax expense of consolidated companies was \$100,600 in 1975 and \$104,400 in 1974 (effective rates of 41.3% and 44.7%, respectively). Explanation of the difference between these rates and the U.S. Federal income tax rate of 48% is as follows:

	1975		1974	
	Amount	% of pretax income	Amount	% of pretax income
Computed expected tax expense	\$116,900	48.0%	\$112,100	48.0%
Foreign income subject to foreign income tax, at less than 48%, but not expected to be subject to U.S. tax in the foreseeable future	(5,000)	(2.1)	(4,900)	(2.1)
Investment tax credit on assets purchased during the year	(10,000)	(4.1)	(4,000)	(1.7)
State income taxes included in other income taxes (net of Federal taxes)	3,600	1.5	2,700	1.1
Other miscellaneous items	(4,900)	(2.0)	(1,500)	(.6)
	<u>\$100,600</u>	<u>41.3%</u>	<u>\$104,400</u>	<u>44.7%</u>

Discussion and Analysis of the Summary of Earnings (See opposite page)

Net Sales of \$1.93 billion for 1975 were 8% higher than \$1.78 billion in 1974. The latter was up 21% from 1973. In both years medical sales increased by 14%, with significant increases in such important products as Minocin minocycline and Dexon sutures. Agricultural sales increased 23% in 1975 and 47% in 1974, with fertilizers leading the way because of strong worldwide demand and higher selling prices. Specialty chemicals were strong in 1974 with sales up 27%, but declined 3% in 1975 due largely to depressed business conditions. Sales of consumer products, which include Formica decorative laminates, wall coverings, synthetic fibers, household products, toiletries, fragrances and hair-care products, increased 4% in 1975 and 1974.

Manufacturing Cost of Sales—Added volume and higher raw material and labor costs were the primary reasons for the 8% increase over 1974 and 25% increase over 1973. Also see the last paragraph of this section regarding the change in 1974 in the method of valuing inventories in the United States.

Selling, Administrative, Research and Employees' Benefit Expenses increased by 12% in 1975 as compared with an 18% increase in 1974. Much of these increases resulted from higher payroll costs. Advertising and sales promotion expenses continued at increased levels in the consumer businesses in our determined effort to strengthen market position for key products. Exchange losses constituted a substantial portion of the increase in administrative expenses, increasing to \$21.0 million in 1975 from \$7.2 million in 1974. To insure the continuing flow of new products, research expenditures rose 14% to \$67 million in 1975 following a 23% gain the preceding year, with major increases in the medical and agricultural segments. The increases in employee benefits were due to higher costs of pension, group insurance and social security programs.

Interest Expense increased in 1975 due to increased indebtedness and rates which in some cases are based on current borrowing rates.

Taxes on Income for 1975 declined from the preceding year, principally because of increased investment tax credits. In 1974, taxes were 12% higher than in 1973 due to higher earnings before taxes.

Earnings of Consolidated Companies increased 11% in 1975 and 12% in 1974. This reflected very strong performances in both years by the agricultural business, and in 1974 by the chemical business as well. The medical business had increased earnings in 1975 while the consumer business had lower earnings that year. As a result, the approximate percentage contribution to total earnings on a worldwide basis of the major business segments showed a significant change during the past few years. For example, agricultural earnings have continued to rise as a percentage of earnings of consolidated companies, while consumer earnings have declined.

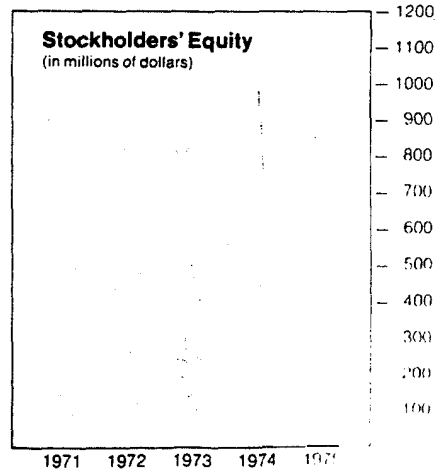
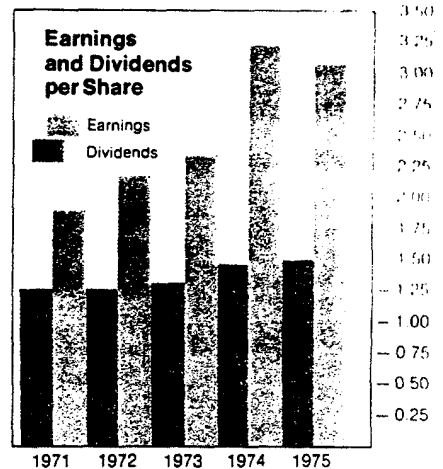
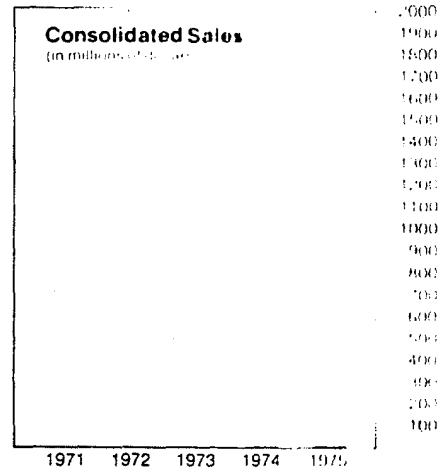
Equity in Net Earnings of Associated Companies declined 73% in 1975 as compared to a 99% increase in 1974. The decrease in 1975 was due principally to depressed conditions in the specialty chemicals and certain consumer businesses. The increase in 1974 was due to an overall higher level of earnings from most associated companies, particularly those in the specialty chemicals segment.

Adoption of Last-in, First-out (LIFO) Method of Valuing Inventories—In 1974 the company adopted the LIFO method of valuing substantially all the inventories in the United States. This change in accounting reduced net earnings in 1974 by approximately \$26 million (54¢ per share).

(Amounts in millions except earnings and dividends per share)

	1975	1974	1973	1972	1971
Earnings					
Net sales	\$1,928	\$1,780	\$1,472	\$1,359	\$1,283
Manufacturing cost of sales less depreciation and depletion ...	1,051	972	776	726	697
Depreciation and depletion	78	72	69	68	64
Selling, administrative, research and employees' benefit expenses	564	505	428	395	380
Interest expense	22	18	16	16	14
Taxes on income	101	104	93	81	66
Earnings of consolidated companies	143	129	116	97	78
Equity in net earnings of associated companies	5	17	9	6	8
Earnings from continuing operations	148	146	125	103	86
Discontinued operations, less applicable income taxes	—	9	(11)	4	6
Net earnings	148	155	114	107	92
Per share of common stock					
Earnings from continuing operations	3.09	3.07	2.59	2.12	1.77
Net earnings	3.09	3.24	2.37	2.19	1.90
Dividends	1.50	1.45	1.32½	1.25	1.25
Average number of shares of common stock outstanding (used in calculating earnings per share)					
	47.7	47.7	48.1	48.6	48.3
Other Statistics					
Gross additions to plants, equipment and facilities (includes acquisitions)	204	139	83	72	111
Current assets	797	802	669	623	546
Current liabilities	335	335	272	245	217
Working capital	462	467	397	378	329
Plants, equipment and facilities— at cost	1,488	1,311	1,199	1,176	1,157
Net depreciated cost	785	659	593	598	596
Funded debt not due within one year	282	244	238	237	213
Stockholders' equity:					
Common stock	244	244	244	244	243
Additional paid-in capital	39	39	39	39	35
Earnings employed in the business	793	716	630	580	534
Deduct treasury stock	(32)	(32)	(32)	(5)	(6)
Total equity	1,044	967	881	858	806

Note—The above data has been adjusted to reflect the settlements of litigation as described in the Notes to Consolidated Financial Statements.



Organizational Units

Operations

AGRICULTURAL DIVISION

Philip G. Connell, Jr., *President*

Animal feed, health and veterinary products, insecticides, fungicides, herbicides, nitrogen and phosphate fertilizer products.

CONSUMER PRODUCTS DIVISION

John H. Dietze, *President*

Breck® preparations for care of the hair; Pine-Sol® cleaner-disinfectant-deodorizer; and other household maintenance and cleaning aids. Markets these and Shulton products in Canada.

CYANAMID EUROPE-MIDEAST-AFRICA

George J. Sella, Jr., *President*

Manufactures, imports and markets Cyanamid's products, except for Consumer and Shulton products and fertilizers, through subsidiaries and distributors in Europe, Africa and the Middle East.

CYANAMID LATIN AMERICA-ASIA

William A. Liffers, *President*

Manufactures, imports and markets Cyanamid's products, except for Consumer and Shulton products and fertilizers, through subsidiaries and distributors in Latin America, Asia and the Pacific.

CYANAMID OF CANADA LIMITED

T. Dean Smith, *President*

Produces for sale in Canada and for export and also imports and markets in Canada the products of Cyanamid and its subsidiaries.

FIBERS DIVISION

Howard E. Nehms, *President*

Creslan® acrylic fibers for apparel, home furnishings and industrial applications; filament polyester for tire cord.

FORMICA CORPORATION

Martin B. Friedman, *President*

Formica® brand decorative laminates; melamine component panels for architectural and residential applications; adhesives; Formica® coated wall fabric; Sanitas® and Wallclad® coated wall fabrics from Standard Coated Products.

INDUSTRIAL CHEMICALS AND PLASTICS DIVISION

Gerard A. Forlenza, *President*

Industrial products for paper-making and mining; flocculants and related chemical agents for industrial and municipal water and waste treatment. Chemical products for the chemical process industry; heavy chemicals, surfactants, acrylamide, acrylonitrile, melamine and specialty monomers. Plastics and resins for coatings; thermosetting and acrylic molding compounds; high performance bonding agents and adhesives; and Acrylite® acrylic sheet.

LEDERLE LABORATORIES DIVISION

Jan Dlouhy, *President*

Antibiotics, steroids, pharmaceuticals, vitamins and hematinics, vaccines; Davis & Geck surgical sutures and hospital products, clinical laboratory diagnostic aids; fine chemicals and bulk pharmaceuticals.

ORGANIC CHEMICALS DIVISION

Ben H. Loper, *President*

Catalysts, dyes, elastomers, intermediates, plastic additives, refinery chemicals, rubber chemicals, textile chemicals, textile resins, chemical light, inorganic and organic chemical colors, Unitane® titanium dioxide; and industrial safety equipment from Glendale Optical Co., Inc.

SHULTON, INC.

Albert L. Munsell, *President*

Old Spice® men's toiletries; Desert Flower® fragrances and toiletry products; Corn Silk® cosmetics; imported Nina Ricci®, Carven® perfumes for women and Pierre Cardin® toiletries for men. Produces and markets Consumer and Shulton products outside the U.S. and Canada.

*Trademark

Services

Chemical Research Division

Jason M. Salsbury, *Director*

Commercial Development Division

Kent L. Aldershof, *Director*

Controller's Division

Cameron H. Calder, *Controller*

Engineering and Construction Division

George P. Ferrigni, *Director*

Investor Relations

Wallace G. Taylor, *Director*

Law Division

James I. Wyer, *Director*

Personnel Division

Clair L. Brandrup, *Director*

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Theodore E. Hazell, *Director*

Transportation and Distribution Division

Arthur C. Fennimore, *Director*

Treasury Division

Leonard T. Murphy, *Treasurer*

Washington Office

Don A. Goodall, *Corporate Representative*

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President and Chief Executive Officer
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James B. Fisk *Retired Chairman of the Board
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Mining, processing and fabricating of
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American Cyanamid Company*

Nolan B. Sommer *Senior Vice President
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Chief Executive Officer
Ingersoll-Rand Company
Diversified manufacturer of machinery
and equipment*

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President and Chief Executive Officer*

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Thomas P. Forbath *Senior Vice President*

Morgan V. Hunter *Senior Vice President*

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L. Emery Katzenbach

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George L. Schultz

William L. Wearly

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George W. Russell

Nolan B. Sommer

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James B. Fisk

L. Emery Katzenbach

William L. Wearly

Transfer Agent and Registrar

The Chase Manhattan Bank, N.A.
New York, N.Y. 10015

Form 10-K available to stockholders

A copy of the company's 1975 annual report on Form 10-K, including financial statements and schedules, as filed with the Securities and Exchange Commission, will be made available free of charge to Cyanamid stockholders. Copies of exhibits attached to the Form 10-K will also be made available at a charge. Requests should be addressed to the Secretary of the company.

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ANNUAL REPORT 1975

CYANAMID

American Cyanamid Company
Wayne, New Jersey 07470

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