American Cyanamid Company Report of the Board of Directors

Contents

About this report

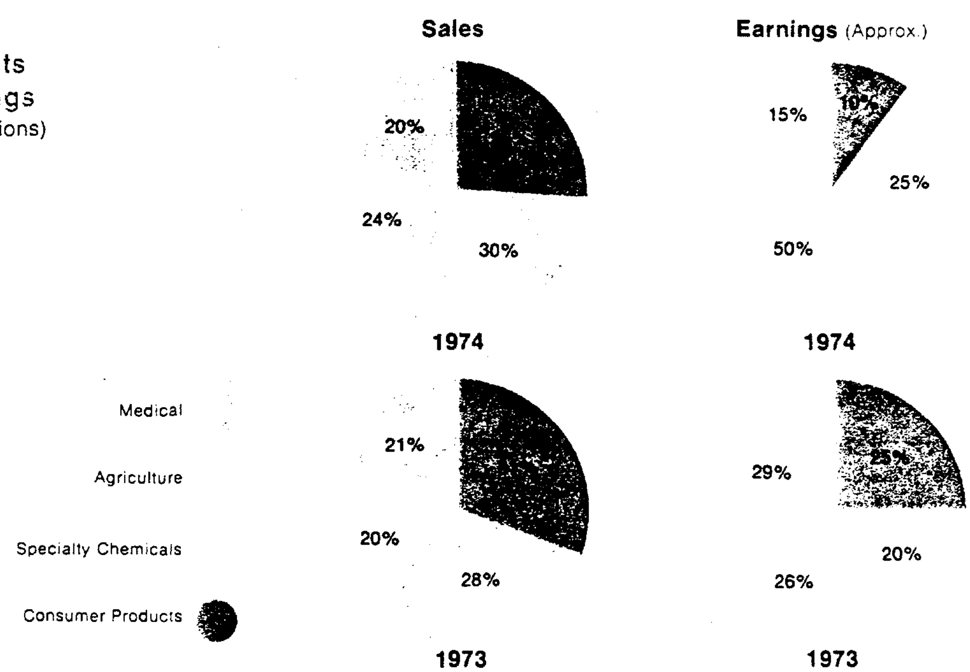
Cyanamid believes that a company's success must be measured as much by how its products and efforts helped to improve peoples' lives as by its financial performance. The theme of this annual report, therefore, is in part an explanation of how Cyanamid helped, in 1974, to serve the needs of the general public as well as the needs of its customers, employees and stockholders.

Financial Highlights

(Dollars in thousands except earnings and dividends per share)	1974	1973
OPERATING RESULTS		
Net sales	**$1,779,872**	$1,472,227
Earnings of consolidated companies before taxes on income	**233,618**	209,125
Taxes on income	**104,400**	93,300
Equity in net earnings of associated companies	**17,250**	8,651
Earnings from continuing operations	**146,468**	124,476
Net earnings	**154,724**	113,962
Dividends	**68,815**	63,185
Earnings per share	**3.24**	2.37
Dividends per share	**1.45**	1.32½
Depreciation and depletion	**71,961**	69,128
Additions to plants, equipment and facilities	**138,776**	83,751
YEAR-END POSITION		
Total assets	**$1,602,879**	$1,441,719
Funded debt	**243,615**	238,510
Stockholders' equity	**981,211**	895,179
Shares outstanding at end of year	**47,742,546**	47,738,417
Number of stockholders	**110,514**	105,309
Number of employees	**38,024**	39,496

Contributions of Major Segments to Sales & Earnings

(from continuing operations)



To Our Stockholders:

Cyanamid had an excellent year in 1974.

- Sales and earnings reached new highs. Sales were $1.78 billion, an increase of 21% over last year. Earnings per share reached $3.24, a 37% increase over the $2.37 earned in 1973.
- Agricultural sales and profits boomed, with fertilizers leading the way. Chemicals were strong. Medical and consumer products experienced higher sales, but suffered lower earnings.
- International operations contributed 36% of total sales, and our products were sold in 125 countries and territories around the world.
- We invested approximately $138 million in new capital projects, an increase of 66% over 1973, and spent $59 million on research and development, about 23% more than the previous year.
- We converted our U.S. inventory accounting method to last-in first-out from first-in first-out or average method. This method achieves better matching of current costs with current revenues. The change in the method of inventory costing reduced annual earnings by 54¢ per share.
- We made significant progress in our affirmative action program to ensure equal employment opportunity throughout the company and will increase our efforts in 1975.

Cyanamid earnings in 1974 were affected by two major decisions, each beneficial to the long-term goals of the company.

First, we sold our 50% interests in the Jefferson Chemical group to Texaco, owners of the other 50%, for a total of $80.7 million in cash. This resulted in an after-tax gain of $39.7 million, or 83¢ per share.

Chairman and Chief Executive Officer Clifford D. Siverd (left) chats with President James G. Affleck at the company's world headquarters in Wayne, New Jersey.

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Jefferson's petrochemicals business is highly capital intensive, and we were confronted with the need to commit ever-increasing funds to a business which is largely unrelated to the mainstream of Cyanamid's activities.

This move further reflects our strategy of concentrating our resources in our main business segments. We will use the proceeds from the disposition of our interests in Jefferson for aggressive capital investments in these businesses.

In another move designed to preserve our resources for our primary businesses, we decided after careful evaluation to withdraw from the real estate business. This decision was reached after considering the outlook for this industry, which is presently suffering one of the worst depressions in its history as a result of the high cost of money, the shortage of funds available for mortgages, and ever-accelerating construction costs.

Ervin Industries, Inc., our land development and building subsidiary, lost $11.3 million in 1974. However, the major consideration in this decision was the prospect of several more years of heavy cash drain on funds needed to finance the expansion of our main business segments.

As a result of this action, we provided for loss of our investment in Ervin and established a reserve of $14.6 million net of applicable tax in 1974 to allow Ervin to implement a program of orderly disposition of assets and related debt. This program was developed in cooperation with Ervin's major lending institutions and was designed to minimize the effects of this decision on the institutions and individuals involved. The reserve and the provisions for loss of investment and advances reduced earnings by $39.1 million, or 82¢ per share.

Excluding the operating results and gains and losses from these discontinued businesses, Cyanamid's earnings from continuing operations were $3.07, an increase of 18% over the earnings from comparable continuing operations in 1973.

In consideration of increased earnings in 1974, the Board of Directors increased the dividend for the third and fourth quarters from 35¢ to 37½¢ per share. This represents an annual rate of $1.50 per share, rather than the previous $1.40.

Cyanamid ended 1974 in a strong financial position with a full complement of investment opportunities. We expect to increase our capital spending in 1975 as much as 80% to a total of $250 million. To ensure the continuing flow of new products, we also plan to increase our spending for R&D in 1975 by 12% to a total of $66 million.

While it is difficult to predict when the current economic slowdown will end, we believe that in 1975 we will at least equal 1974's earnings. With some improvement in the world economy, we could do better.

We wish to express our sorrow at the deaths in 1974 of former Cyanamid directors Daniel J. O'Conor, Jr. and Sidney C. Moody. Mr. O'Conor, former president of Formica Corporation, was elected executive vice president of Cyanamid in 1964. He resigned at the end of 1967, following a serious accident. He had been with the company for 27 years.

Mr. Moody, who retired as a vice president in 1960, had worked for the company since 1919 and was instrumental in the post-World War II growth of our international operations.

Cyanamid recognizes its obligations to its stockholders, customers, employees and the public. Each plays a vital role in the continued successful operation of the company.

In serving their needs, we are serving the needs of the peoples of the world.

For the Board of Directors

President

Chairman and Chief Executive Officer

Wayne, New Jersey
February 4, 1975

Serving the needs of the peoples of the world **THE PUBLIC**

There are many ways in which Cyanamid products helped improve life around the world in 1974. We believe that our success during the year must be measured as much by what our products and our efforts achieved as by our financial performance.

In a year when food costs rose steadily and millions went hungry, Cyanamid agricultural products helped to increase the available food supply.

Phosphate fertilizer production was increased, and work started on a new phosphate mine which will double our capacity for phosphate rock when mining begins in 1977.

Our animal health products aided in the more efficient production worldwide of poultry, cattle and swine, making possible more meat from the grain fed.

Production of wheat and barley was up in Spain during the year, helped by Avenge®, a new herbicide developed by Cyanamid.

Our new granular insecticide, Cytrolane® 3G, helped increase rice yields in the Philippines.

A Cyanamid larvicide, Abate®, tested in Upper Volta, gave hope to Equatorial Africa of an escape from the dreaded River Blindness spread by the black fly.

In the medical field, our Myambutol® ethambutol continued the fight against tuberculosis, and Lederle's other anti-infectives helped treat other respiratory, gastrointestinal and urinary tract diseases.

Loxitane* loxapine succinate, a new antipsychotic drug, reached the final stages of development, and in 1975 will be available to help physicians manage the manifestations of schizophrenia.

Through development of an extensive immunization awareness campaign, we played a key role in efforts by the U.S. Center for Disease Control to reverse an alarming trend of declining immunization levels among pre-school age children.

Cyanamid Quimica do Brasil Ltda. developed a unique form of Gevral® protein nutritional supplement to assist the Brazilian government in improving the diets of children through a special school lunch program.

Food, medicine, shelter, clothing — Cyanamid products and services improve the quality of life for people everywhere.

Our industrial products also made their contribution to safety and health and better living in 1974. Flame-retardant chemicals developed by Cyanamid were used on sleepwear, reducing fire hazards among children.

American cities will have cleaner air and motorists will get better mileage because of the auto exhaust catalyst produced by a Cyanamid affiliate.

Air will also be cleaner because our HDS catalysts lowered the sulfur content in fuel oil. Many cities in the United States and abroad reduced water pollution with our polyacrylamide flocculants.

Cyanamid's response to public needs goes beyond our products. In 1974 the company contributed more than $815,000 to charitable funds, hospitals, educational institutions and health and welfare organizations, with primary emphasis on those communities in which the company has operations.

In assistance to education, we contributed $380,000. This included our program of Faculty Support Grants to selected colleges, chiefly to departments of chemistry, chemical engineering or business administration. Nine grants or scholarships were made available to minority students at various colleges.

Protection of the environment in and around our plants has been and continues to be an important facet of our responsibility to our employees and the public. Cyanamid's cumulative capital expenditures for pollution control through 1974 amount to $95 million, and we plan to commit another $37 million in 1975. Our operating expenses for these facilities were $15 million in 1974.

* Trademark

Serving the needs of the peoples of the world **OUR CUSTOMERS**

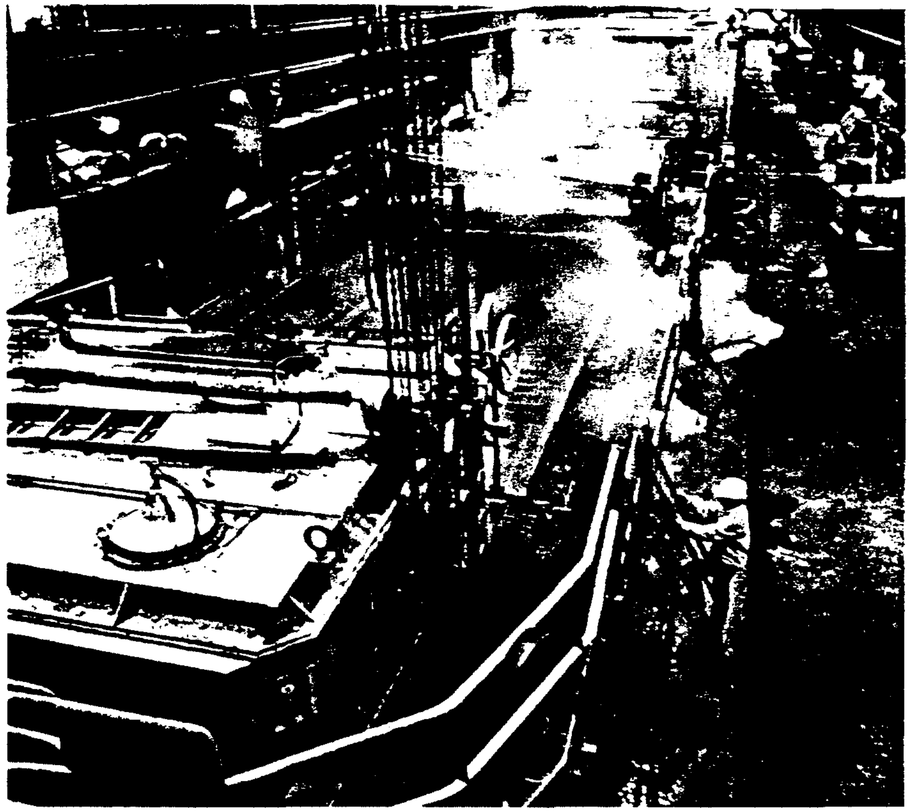
To be successful, a corporation must be innovative in meeting the needs of its customers. This calls for a steady flow of new and improved products, processes and services, as well as solving specific customer problems as they arise.

Wherever possible, we increased our capacity last year to satisfy customer requirements and used our worldwide capabilities to find new sources of scarce raw materials. Production was often rescheduled to help customers out of tight situations. Our technical service representatives assisted customers in developing processes to minimize costs and improve product performance. To develop new products for our customers Cyanamid spent $59 million on research and development in 1974, an increase of 23% over 1973, and will spend $66 million in 1975. Our transportation experts, using new techniques, minimized freight increases for our customers while our computers provided more detailed marketing data for our distributor and retail customer sales people.

Innovation took many other forms. In 1974, when U.S. paper companies could not keep up with demand, we developed a dry-strength resin called Accostrength® 100 UK-A, which increases production rates for unbleached kraft linerboard by about 10%.

Because of new Federal pollution-control guidelines, many companies are now beginning to shift to non-polluting, water-based coatings for products ranging from appliances to automobiles. Traditional organic-solvent based coatings present air pollution problems during application. Cyanamid pioneered the cross-linking agents that make the non-polluting coatings possible, and in 1974 began construction of a new plant at Kalamazoo, Michigan, to more than double our capacity for these agents, called Cymel® methylated melamine resins.

Our hydrodesulfurization catalysts are being used by the oil refining industry worldwide to remove sulfur from crude oil, a serious source of pollution. We also developed chemically-related products, called Cyrez® melamine resins, which improve the durability and performance of today's steel-belted radial tires.



Quality, technology, innovation—Cyanamid supplies customers with new and better processes and products such as a new resin to improve production of linerboard at this West Coast paper mill.

A synthetic compound called Red Mud Flocculant developed by Cyanamid was used on the island of Jamaica to cut the cost of recovering alumina, the basic raw material for production of aluminum.

Agronomists for Cyanamid de Mexico, S.A. de C.V., working with local farm co-operatives, developed a program to test pesticide residues to meet the requirements of export markets.

A unique insecticide combination sold under the trademark Cygard* has been developed to help cotton farmers in Colombia and Central America to increase yields by controlling caterpillar-type pests.

In September, 1974, Lederle introduced Gest ‡ State®, a new two-minute test for pregnancy. Gest ‡ State is a slide test which detects in urine the presence of a hormone which is excreted only during pregnancy.

Lederle plans to introduce early in 1975 a series of new ophthalmic preparations using an advanced method of administration. The sprays, to be offered under the trademark Mistura*, deliver precise amounts of medication by generation of a mist which contains no chemical propellants.

Also in 1975, West Germany will begin using our TB Tine Test® on all of its military recruits to check for the presence of tuberculosis.

During 1974, our Lederle Laboratories Division sponsored more than 50 symposia which received accreditation as continuing educational programs by medical and pharmaceutical associations. Seventeen new films were produced by Davis & Geck for the American College of Surgeons' Film Library.

* Trademark

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Serving the needs of the peoples of the world **OUR EMPLOYEES**

Cyanamid employees are the heartbeat of the company. The progress being reported is the sum of their vital contributions made on a daily basis.

At year-end Cyanamid had a total of 38,024 employees, including 14,026 outside the United States. Our payroll in 1974 was $408 million, an increase of 12% over 1973.

Cyanamid's long-standing policy toward its employees has included encouragement and assistance in career advancement, the provision of safe, functional working areas, and, of course, competitive wage and salary rates.

The employee benefits package, a significant part of the Cyanamid compensation program, is among the best in industry. In 1974, the package was improved in three major categories: the maximum benefits for weekly disability payments were increased, the limit on comprehensive medical benefits was raised, and, recognizing the erosive impact of inflation, monthly pension payments were increased by various amounts up to 25% for employees who retired prior to 1974.

In its continuing commitment to equal employment opportunity, Cyanamid has a corporate staff department to plan and implement its affirmative action program. And in a move which showed Cyanamid's leadership position in equal employment opportunity, all managers were informed early in 1974 that they would be held accountable and be judged in part on their achievement in equal employment opportunity.

This year's results show Cyanamid with gains in women and minority employment in the two major classifications: professional-technical and non-professional. Today about 7.5% of our managers and supervisors are women or minority group members.

Nationally, 1974 was marked by frequent and sometimes prolonged strikes in many industries, but Cyanamid successfully negotiated contracts with 31 local unions in the U.S. We had only two strikes, one of 10 weeks duration at Buchanan, N.Y., and a second, of six weeks, at Azusa, California. During these strikes the company was able to continue production and other operations at both plants with a cadre of salaried employees.

With greater emphasis placed on supervisory participation and safety training in 1974, Cyanamid achieved a company-wide safety performance goal of a disabling accident frequency of one per million-man-hours worked. This represented a 24% reduction from our rate of 1.31 in 1973.

Cyanamid's 1974 overall safety performance was approximately 10 times better than the all-industry average and four times better than the chemical industry average, based on National Safety Council 1973 statistics. Our employee safety and health programs continue to exceed in many respects requirements of the Federal Occupational Safety and Health Act. While we are pleased with the progress made in 1974, we are still not satisfied with the results. We will, therefore, continue to set challenging safety performance goals and strive to achieve them by introducing new programs and improving existing ones.

Cyanamid encourages its employees to continue their education with a tuition reimbursement program, and provides scholarships to employees' children who qualify under the National Merit Scholarship program.

Cyanamid considers the skill and dedication of its employees as the company's most valuable asset, and we will continue our efforts to meet their needs in the years ahead.

Challenge, opportunity, advancement — Cyanamid provides a stimulating and safe environment for all of its employees. At the Corporate Data Center in Wayne, Roger Poole, Edith Stover, Arlene Angell, and John Courts (left to right) check computer display.

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Serving the needs of the peoples of the world **OUR STOCKHOLDERS**

At year-end, based on holdings of record, Cyanamid had a total of 110,514 stockholders. They were located in every one of the 50 states and 44 foreign countries. About half of the 47.7 million shares of outstanding Cyanamid stock is held by individual investors, and their average holding is approximately 200 shares. Cyanamid employees may purchase company stock at market value through a monthly investment plan. In 1974, we established an Automatic Dividend Reinvestment Service for stockholders. This program gives our stockholders an opportunity to increase their investment in Cyanamid in a convenient and inexpensive way by automatically reinvesting their dividends in Cyanamid common stock.

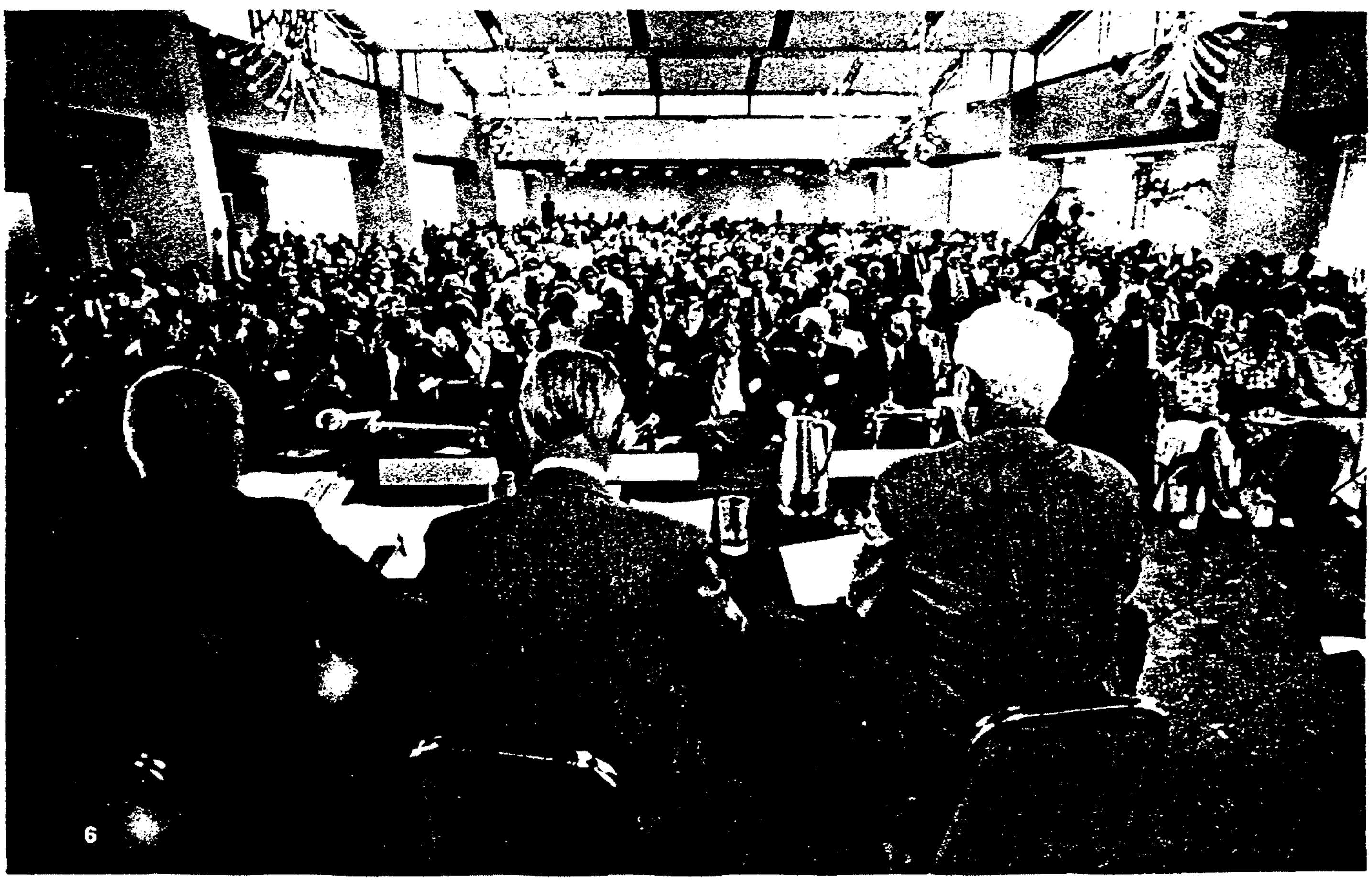
Cyanamid has two basic obligations to its stockholders.

The first is to manage the company in such a way that our financial performance will provide our stockholders an attractive total return on their investment in the form of dividend yield and growth in stock value. Last year, stockholders received a total of $68.8 million in dividends, and despite the severe drop in the securities market, the price of Cyanamid stock increased. The company has been paying dividends without interruption for 40 years, and the cumulative total of those payments exceeds $1 billion. In each of the last two years, the company has increased its dividends, and at year's end, the annual dividend rate was 20% higher than at the end of 1972. It is Cyanamid's practice to increase dividends as earnings grow.

The second obligation is to convey information about company activities as rapidly and accurately as possible. We do this through such normal communication channels as the annual report and interim reports, but we also use other techniques. This past year, for example, Cyanamid held stockholder information meetings at our world headquarters in Wayne, New Jersey, where our past performance and future plans were reviewed and stockholder questions were answered.

Regularly, we make presentations before security analysts groups. This past December we appeared before the Financial Analysts of Philadelphia, and a reprint of our presentation was sent to all stockholders in January, 1975.

Cyanamid stockholders learned about company's increased earnings and growth at stockholder information meetings held in Wayne.



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Business Performance

At Lederle's Pearl River, New York, laboratories, Drs. Harriet Kiltie and John F. Noble (right) and technician Louis Gorga check print-out of AutoAnalyzer used to test effects of Loxitane.

This child's eye shows no disfigurement after surgery and will cause little discomfort during healing thanks to new Dexon sutures developed by Lederle's Davis & Geck Department.

Worldwide sales of medical products increased in 1974 but earnings declined, reflecting higher expenditures in research and marketing and the inability of prices to keep pace with inflationary increases in the cost of production.

Since new products are the key to future growth of our medical business, expenditures were increased substantially to launch Lederle into the diagnostic, oral contraceptive and ophthalmic markets and to expand applications for Dexon® sutures. Lederle entered the domestic oral contraceptive market with the introduction of Zorane®, a series of low-estrogen tablets which help meet the differing hormonal requirements of women. The Lederle diagnostics line, already making inroads in the U.S., was launched in Germany in 1974 and will be introduced in 1975 in France, the Benelux countries and the United Kingdom. In 1974, Lederle strengthened its line of products for skin disease treatment with the introduction of a unique formulation, Aristocort® A with Aquatain* hydrophilic base, which received excellent professional acceptance. Continuing research with Dexon resulted in the introduction of a new suture for use in cataract operations and in other eye surgery. Loxitane* loxapine succinate, a new antipsychotic drug to manage the manifestations of schizophrenia, is scheduled for introduction in 1975.

Sales of medical products in 1974 were led by Myambutol® ethambutol, the largest-selling antituberculosis drug in the world, and by Minocin® minocycline, our fourth generation antibiotic. Myambutol sales' increased from $40 million in 1973 to $44 million in 1974, while sales of Minocin' increased from $34 million in 1973 to $43 million in 1974.

Sales of Dexon', the first synthetic absorbable suture on the market, increased to $22 million in 1974. A new plant that will double capacity for the manufacture of Dexon is in start-up in Puerto Rico. Joint ventures have been formed in Germany and France with leading local suture manufacturers to speed the product's introduction in these countries.

'Including sales of associated companies outside the U.S.

In 1975, in anticipation of increased product demands, construction will begin on a new pharmaceuticals plant and headquarters in Germany to replace our existing facilities there, and additional capacity for pharmaceuticals in Brazil will go into production. Construction has already begun on a new pharmaceutical and surgical products plant to replace our current facilities in Canada.

The future of our medical business will be shaped by our ability to meet the changing health care environment, including new systems of drug application, pricing, selling practices, and national health insurance programs. We are confident of our ability to adapt our operations to the needs of the marketplace.

* Trademark

Medical	1974	1973	1972	1971	1970
Worldwide sales ($ in millions)	$351	$309	$273	$256	$243
% Total sales (approx.)	20	21	20	20	19
Earnings ($ in millions—approx.)*	$ 22	$ 36	$ 35	$ 35	$ 33
% Total earnings (approx.)*	15	29	34	41	38

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

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Business Performance

AGRICULTURE

Cyanamid's elite in 1974 was its agricultural business. Sales and earnings were both far above last year's record levels as our products made significant contributions to the continuing global effort to increase food production.

We have a strong, and with some products, a leading position in pesticides, animal feed, health products and fertilizers. All lines participated in the upward surge of sales and earnings, with fertilizers setting the pace.

Cyanamid's plant food facilities operated at capacity throughout the year. World demand for our nitrogen and phosphate fertilizers continues to outstrip supply. Price improvements yielded an excellent return on invested capital for the first time in many years. The expanded crop acreage planted by U.S. farmers last spring broadened the market for Cyanamid's Thimet® soil and systemic insecticide and Cygon* systemic insecticide.

There was greatly increased demand for Cyolane® and Cytrolane® insecticides for use on Middle East cotton. There also was heavy use of Cycocel® plant growth regulant by European wheat farmers, and Malathion insecticide was used extensively in many countries to protect crops and control insect vectors in public health programs. Construction will begin in 1975 on a major Malathion plant in Brazil.

Sales of animal feed supplements also rose, particularly Payzone® nitrovin, a non-antibiotic growth promoter used principally by European raisers of poultry and swine. Levamisole, a broad-spectrum dewormer for swine, cattle and sheep, sold under the Tramisol® and Ripercol* L trademarks, is the leading anthelmintic in the United States and Latin America. A new unit for the production of levamisole is under construction in Puerto Rico, while expansions are under way in Brazil and Argentina.

Research has yielded several promising new products that will be marketed in 1975, further strengthening our agricultural business. Abequito* tickicide will be introduced in Brazil to control ticks on cattle, and avoparcin, an antibiotic growth promoter for animal use only, will be introduced in Europe.

Counter®, a new soil insecticide for control of rootworms in corn, has received final registration from the Environmental Protection Agency.

Prowl®, a promising new herbicide for corn and cotton, will be registered in a number of foreign markets in 1975, and an application has been filed with the EPA for registration in the United States.

Avenge®, an herbicide for control of wild oats in wheat, barley and other small grains, has been introduced abroad and a new unit to produce it is under construction in The Netherlands. U.S. registration of Prowl and Avenge is expected in time for the 1976 crop season.

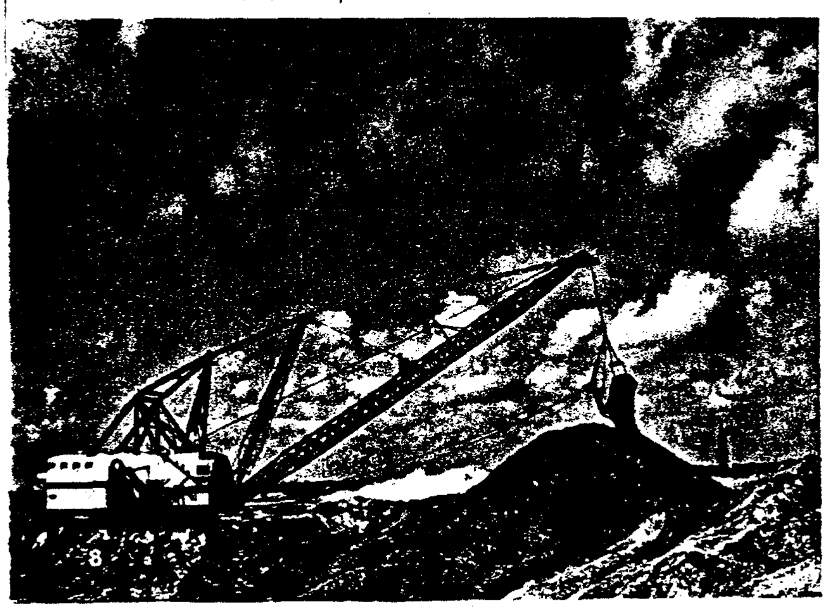
In order to build Cyanamid's productive capacity to capitalize on our technological advances in agriculture, we have begun work on plants and mining facilities around the world requiring an investment of some $160 million. These include a new phosphate mine in Florida and seven manufacturing plants for other products.

* Trademark

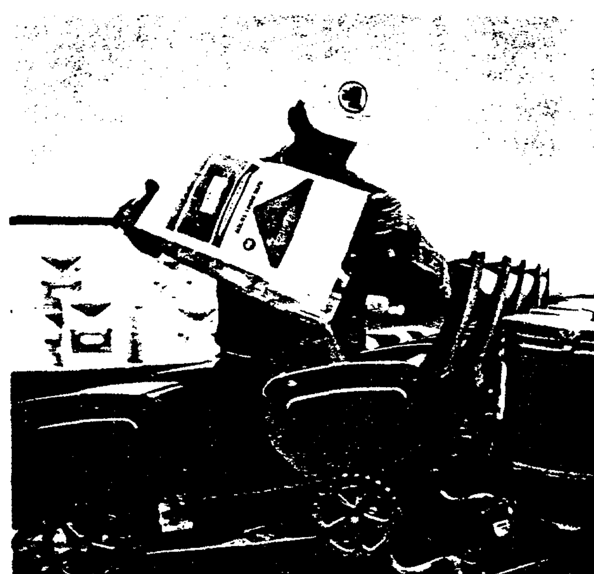
Agricultural	1974	1973	1972	1971	1970
Worldwide sales ($ in millions)	$425	$289	$256	$228	$229
% Total sales (approx.)	24	20	19	18	18
Earnings ($ in millions—approx.)*	$ 73	$ 33	$ 23	$ 15	$ 16
% Total earnings (approx.)*	50	26	23	17	18

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

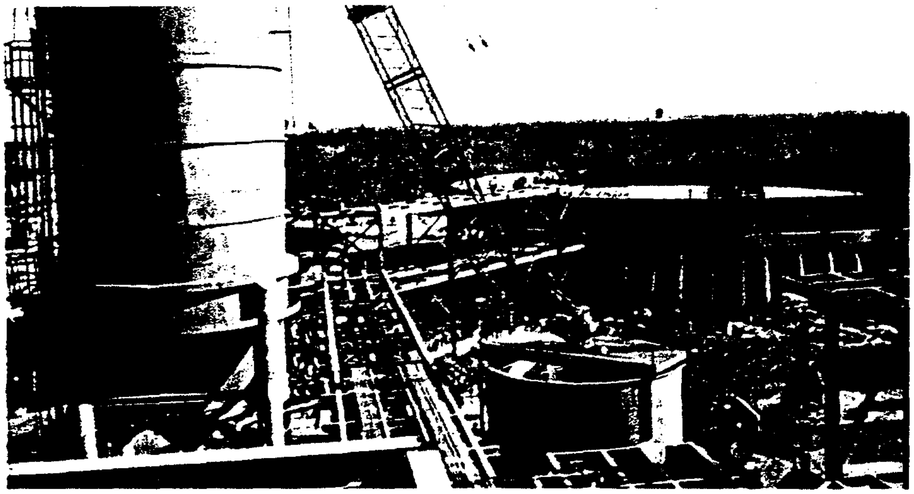
At Brewster, Florida, draglines mine phosphate rock for use in production of fertilizers.



Counter 15-G soil insecticide prevents losses to corn crops from corn rootworms.



Business Performance



This waste acid neutralization facility, currently under construction at Savannah, Georgia, is part of Cyanamid's pollution control program.

Significant increases in worldwide specialty chemicals sales and earnings for 1974 were spurred by strong customer demand. These lines of high-technology products improve processing efficiency and product quality in a wide range of industries, such as chemicals, mining, paint, paper, petroleum refining, plastics, rubber and textiles. Our customers, faced with shortages and rising costs of materials, intensified their applications of these products, and prices were good. Ecological concerns in the energy and water-treating fields further enhanced specialty chemicals growth.

Through continuing process improvements and debottlenecking operations, we operated many of our plants beyond original design capacities for most of the year. Our cost-control programs, together with the absence of significant labor difficulties, further contributed to profitability.

Noteworthy among new products contributing to 1974's record results was Aero-Ban® auto exhaust catalyst. Production began in April at our Azusa, California, plant. The product, produced by a joint venture of Cyanamid and Japan Catalytic International, Inc., is being supplied to General Motors Corporation under a three-year contract for use beginning with 1975 model cars.

Another new product, Accostrength® 100 UK-A, was introduced during the final quarter of 1974. This dry-strength resin boosts production rates for unbleached kraft linerboard by about 10% and assists in reducing pollution by lowering the need for other additives. Accostrength 100 UK-A is being used successfully in U.S. West Coast mills. Further development work is proceeding to extend its use to Southern mills, where wood pulp — the basic raw material — differs in composition from that on the West Coast.

Since 1964, production of melamine, one of our more important traditional products, had been limited by a consent decree. This production limitation terminated on November 1, 1974, and we can now operate our 70-million-pound plant at capacity. Melamine and its derivatives are widely used in coating, paper and laminating resins, adhesives, molding compounds and textile finishes.

An important contribution to increased earnings was also made by Arizona Chemical Company, which we own jointly with International Paper Company. Arizona Chemical had another record year with worldwide sales sharply above the 1973 level.

Although there was a softening in demand for our specialty chemicals at the year's end due to stagnant economic conditions, the long-term outlook remains most encouraging. We are investing approximately $70 million in several new or expanded chemical plants in those product areas where we feel we have our greatest growth potential.

Our Willow Island, West Virginia, facility for beta naphthol and related products is the largest of these new domestic projects. This complex, scheduled to begin production in 1975, will have a capacity in excess of 30 million pounds per year.

Alphasize* sizing emulsion to be produced at this Mobile, Alabama, plant makes paper and paperboard products more water-resistant and stronger.

* Trademark

Specialty Chemicals	1974	1973	1972	1971	1970
Worldwide sales ($ in millions)	**$530**	$419	$388	$372	$372
% Total sales (approx.)	**30**	28	29	29	30
Earnings ($ in millions—approx.)*	**$ 37**	$ 24	$ 19	$ 13	$ 20
% Total earnings (approx.)*	**25**	20	19	15	23

*Includes earnings from Associated Companies with the exception of the discontinued Jefferson Chemical group. See Financial Review section on page 16 for additional information.

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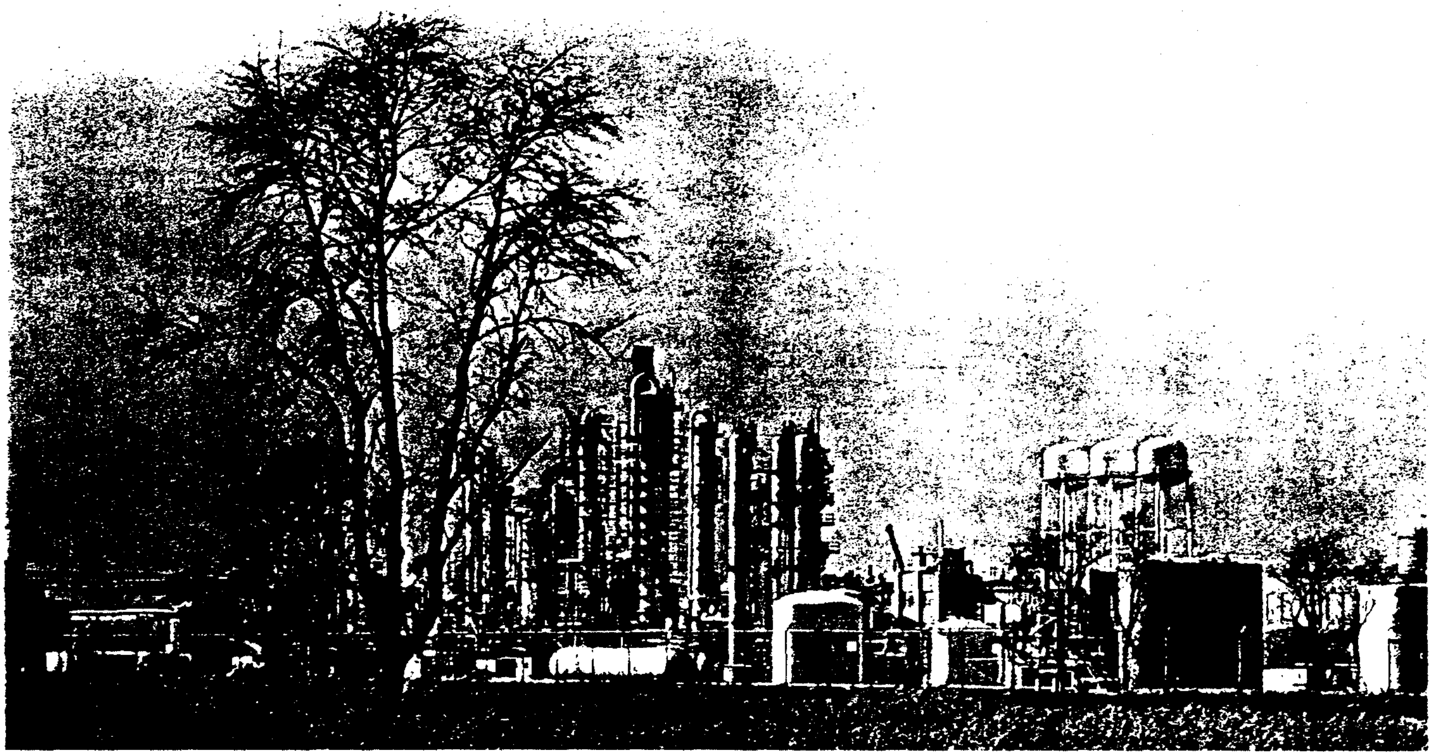


This facility at Willow Island, West Virginia, expected to come on-stream in 1975, will produce beta naphthol and beta oxynaphthoic acid, a derivative of beta naphthol. Both are used in dyes and color pigments.

A derivative of beta naphthol called beta oxynaphthoic acid (BON) will also be produced at this complex in 1975. Both products are primarily used in dyes and color pigments. The new beta naphthol and BON plants will be the world's largest for these products and will utilize an efficient continuous process developed by our research.

Among projects scheduled for completion in 1976 is a 50% increase in capacity at Wallingford, Connecticut, for XT® polymer, used in food packaging and appliances. Also under construction is a 50% expansion of our organic pigment manufacturing facilities at Bound Brook, New Jersey. This will increase the supply of Cyanamid's azo color pigments used in the graphic arts, paint and plastics industries.

On the environmental front, we will begin production of organic flocculants at Kalamazoo, Michigan, in 1975. These water-treating chemicals serve both municipal and industrial needs. We are also planning to expand capacity at Bradford, England, for polyacrylamide, another water-treating chemical. Our capacity for acrylamide monomer, used in the production of polyacrylamide, will be expanded at Linden, New Jersey. In the second half of 1975, we will complete construction doubling the size of our hydrodesulfurization catalyst units at Michigan City, Indiana. HDS catalysts are used in the production of low sulfur heating oils and fuels.

A new plant for production of methylated resins at Kalamazoo is expected to come on-stream in 1976. These cross-linking agents are used in water-based resins, primarily for appliance coatings. The market for these products is growing because they reduce air pollution associated with the application of coatings containing organic solvents.

Our construction program is equally concerned with pollution abatement at some of our plants. In a major effort, now under way, we are building new facilities at our titanium dioxide plant in Savannah, Georgia, which will solve persistent and difficult air and water pollution problems. Air quality will be improved, and spent sulfuric acid will be neutralized, resulting in a clear effluent which will meet all Federal and state water quality standards. Other major pollution control projects are under way at plants in Pensacola, Florida; Bound Brook and Linden, New Jersey; and Willow Island, West Virginia.

Discussions were begun with Mitsui Toatsu Chemicals, Inc. to explore the feasibility of organizing a joint venture in Japan for production of specialty chemicals.

Business Performance

This business segment includes decorative laminates, wallcoverings, synthetic fibers, fragrances, hair care products and household products.

Sales of Cyanamid's consumer products were somewhat higher than a year ago, but earnings were depressed. The lower profitability resulted from a substantial increase in costs that could not be passed on to the consumer, a poor housing market, and from additional advertising and sales promotion expenditures undertaken to strengthen our market positions.

Cyanamid's Shulton subsidiary performed well during 1974, with sales increases recorded by its Old Spice® brand toiletries, Nina Ricci® fragrances for women and Pierre Cardin* toiletries for men. Three new products introduced in 1974 were Old Spice musk and Old Spice Herbal cologne for men, and Farouche®, a new Nina Ricci perfume for women.

In the Consumer Products Division, Breck® shampoo and Breck® creme rinse enjoyed increased sales. Miss Breck® hair spray increased its market share, maintaining its position as the number one selling hair spray. Market testing of a wide range of personal care products is under way to provide further growth opportunities in the future. Pine-Sol®, the nation's best-selling liquid cleaner, continued to outpace the market.

Buoyed by gains early in 1974, sales of Creslan® acrylic fibers for carpets, blankets and wearing apparel were above those of 1973, although demand fell sharply toward the year's end. Cyanenka, S.A., in Barcelona, Spain's leading supplier of acrylic fibers, experienced a strong early demand for its products, although it, too, softened late in the year. Cyanamid holds a 40% interest in this company, with the remainder held by the Dutch firm AKZO and its Spanish affiliates.

Consumer Products	1974	1973	1972	1971	1970
Worldwide sales ($ in millions)	**$474**	$455	$442	$427	$413
% Total sales (approx.)	**26**	31	32	33	33
Earnings ($ in millions—approx.)*	**$ 14**	$ 32	$ 25	$ 23	$ 18
% Total earnings (approx.)*	**10**	25	24	27	21

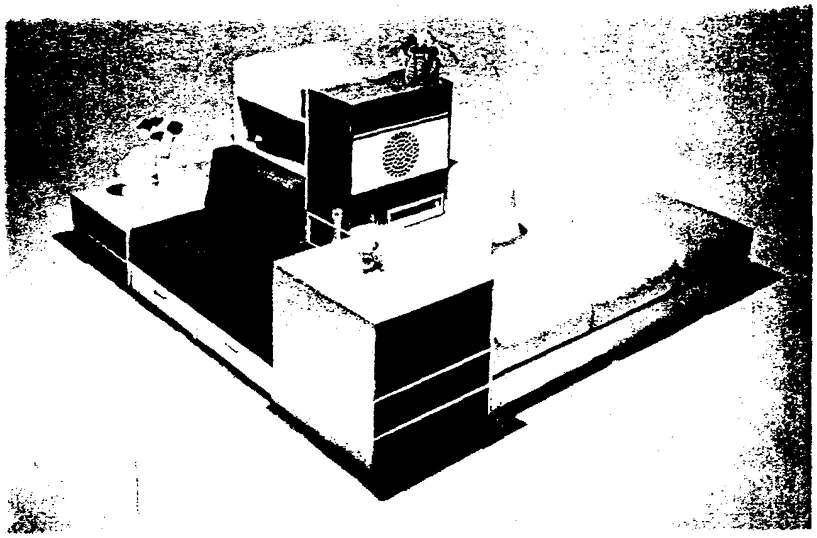
*Includes earnings from Associated Companies. See Financial Review section on page 16 for additional information.

Our sales of filament polyester for tire cord and industrial applications were only about level with 1973 due to a severe drop in demand toward year-end resulting from curtailed auto and tire production.

The drastic downturn in the housing and commercial construction industries severely affected sales of Formica® brand products in the United States.

* Trademark

Cyanamid's consumer products serve a variety of markets: Breck hair-care products (above); Old Spice musk for men, a new Shulton cologne; and Pine-Sol liquid cleaner.



Versatile Formica brand melamine component panels are used here in the construction of this ready-to-assemble "sleep-and-store" unit for dormitory or juvenile rooms.

However, sales in Latin America rose significantly, enhanced by building booms in Brazil and Venezuela along with continuing strong performance in Argentina and Mexico. Capacity is being increased by a new plant in Colombia now under construction and a major plant expansion in Brazil, both to be completed in 1975. In Canada, sales were higher as a result of increased use in commercial and industrial construction.

Formica Corporation's new melamine component panels show considerable promise for the future. These panels should achieve major status in the furniture, kitchen cabinet and mobile home industries since they were engineered for vertical surfacing in competition with wood.

Three new plants to produce melamine component panels will be in production in 1975. They are located at Tarboro, North Carolina; Frankfort, Indiana; and St. Jean, Quebec.

Formica International Limited, an associated company in which Cyanamid owns 40% and The De La Rue Company of the United Kingdom 60%, is responsible for the manufacture and sale of Formica brand products throughout the Eastern Hemisphere. Formica International Limited enjoyed sales increases in 1974 and has launched a major capital program, leading to production of decorative panels in the United Kingdom, France, Spain and South Africa.

Colorful hand-knitting yarns of Creslan acrylic fiber add luster to today's fashions.

Business Performance

Agronomists in the Philippines inspect a plant from a rice field treated with Cytrolane 3-G insecticide.

Cyanamid continued to set new records in sales and earnings in all product lines outside the United States in 1974, and this growth is expected to continue in 1975.

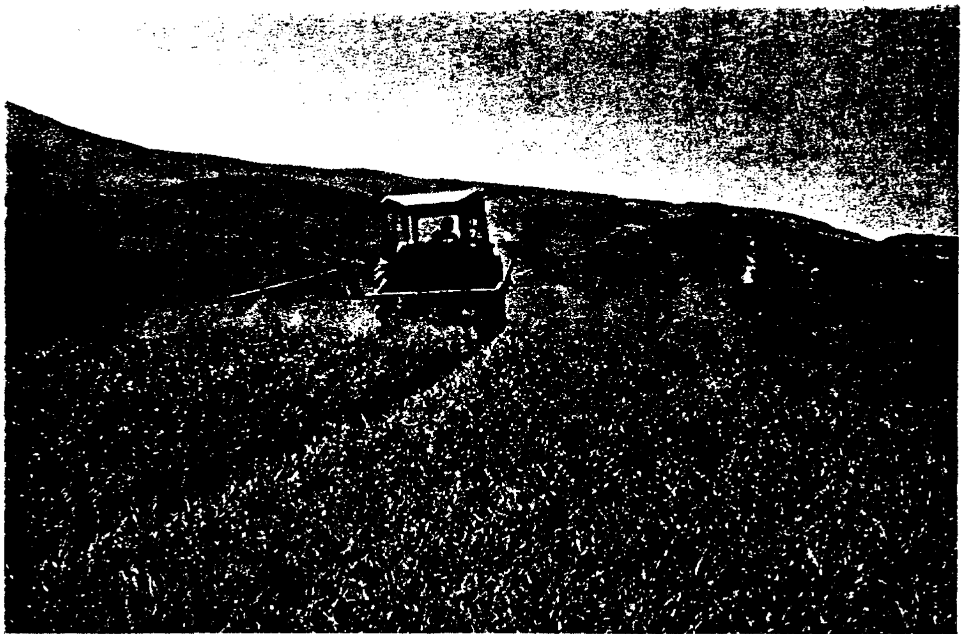
Sales rose to $631 million, and accounted for 36% of Cyanamid's total.

A significant contribution also was made to our business by international associated companies outside the United States. Nine associated companies, in which Cyanamid has 40-50% ownership, operate outside the United States and Canada. Total 1974 sales of such companies, which are not included in the consolidated revenues of Cyanamid, were almost $307 million, as compared to approximately $250 million in 1973.

Medical products continue to be the most important business segment outside the United States, although the product mix is broadening rapidly because of accelerated demand for agricultural products worldwide and for Formica® decorative laminates in Canada and Latin America. Strong performances have also been registered by specialty chemicals, particularly in Canada and Europe.

This is a desirable and significant trend because our medical products business is facing a cost-price squeeze in many markets created by rapidly rising production costs and inflexible price ceilings set by government regulation.

International markets are often the first to benefit from the introduction of new products and some of these, particularly in the agricultural field, should provide significant new sales in 1975.



Avenge herbicide is sprayed on a barley crop in Greece to control wild oats.

Brazilian youngsters enjoy Gevral "sodas," a Lederle protein supplement used in a government school lunch program to raise nutritional levels.

Extensive use of bright, attractive Formica laminates in this Latin American supermarket makes shopping a visual pleasure.

While Cyanamid subsidiaries are well established in most major countries, certain geographic markets have not yet been developed to their full potential. Groundwork has been established for increased Cyanamid activity in such places as Eastern Europe, the Andean Common Market, Scandinavia, the Middle East and mid-Africa, where there is growing demand for our products.

Doctor in West Germany gets information on Minocin, Lederle's fourth generation antibiotic, from Lederle representative.

LITIGATION

Antibiotics Litigation

On June 26, 1974, the antitrust treble-damage suit of 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 was dismissed after trial in the U.S. District Court in North Carolina. This decision is now on appeal. Also during 1974, the settlements of the suits by purchasers of animal feed and veterinary products and the suits by six states covering purchases of antibiotics for human use by governmental agencies and individual consumers were approved by the court, and payment of the company's share, approximately $40 million before giving effect to related tax reductions, was made. Provisions for these settlements had been made in the 1973 financial statements.

These settlements, as with the earlier civil settlements during 1969-1971, were concluded for amounts substantially less than those claimed by plaintiffs' counsel.

There are now 33 suits pending. The company's share of the claims asserted in them would be several hundred million dollars, but the company believes the claims are grossly exaggerated. Trial of certain suits, including suits in which the Federal government, certain health benefit and insurance organizations, and certain competitors are plaintiffs, began in the District of Minnesota in November, 1974. This trial is expected to be lengthy.

No trial date has yet been set for suits brought by certain other claimants, including the governments of Iran, Vietnam, the Philippines, West Germany, India, Colombia, Spain and Korea. The question of the right of foreign governments to sue under the U.S. antitrust laws is now on appeal to the Court of Appeals for the 8th Circuit. The Minnesota trial also does not include the civil suit brought by the Federal government in January, 1974, against Cyanamid 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

In November, 1974, the company and seven other manufacturers pleaded *nolo contendere* to an indictment which charged them with conspiring to fix dyes prices in December, 1970. The company was fined $43,500. A companion government civil suit for an injunction is still pending in Federal court in Newark, New Jersey. Treble-damage suits with respect to the matters referred to in the criminal case are presently pending. While the eventual cost of this litigation to the company cannot be accurately predicted, the company does not believe that any substantial amounts will be paid by it as a result of these suits.

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Financial Review

Sales Volume—Consolidated sales in 1974 were $1,779,872,000 compared with $1,472,227,000 in 1973. Comparative quarterly sales for the two years were:

	1974		1973	
Quarter	Amounts in thousands	% of total	Amounts in thousands	% of total
First	$ 410,501	23	$ 356,636	24
Second	448,752	25	372,115	25
Third	463,471	26	363,190	25
Fourth	457,148	26	380,286	26
	$1,779,872	100%	$1,472,227	100%

Capital Stock—As of December 31, 1974 there were 47,742,546 shares of common stock outstanding compared to 47,738,417 shares outstanding at the end of 1973 after excluding treasury stock of 1,162,792 shares at December 31, 1974 and 1,166,921 shares at December 31, 1973. During the year 4,546 such shares were issued to retired participants under the incentive compensation plan.

The average number of shares (excluding treasury shares) outstanding for 1974 was 47,740,004 compared to 48,090,655 for 1973.

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:

	1974			1973		
	Sales price			Sales price		
Quarter	High	Low	Dividends paid	High	Low	Dividends paid
First	$25	$18⅞	$ .35	$32⅛	$26⅝	$ .31¼
Second	24⅝	19¼	.35	29⅝	22½	.31¼
Third	20½	17⅛	.37½	25⅞	20¾	.35
Fourth	23⅝	17¼	.37½	28½	17¾	.35
			$1.45			$1.32½

Cash dividends paid in 1974 and 1973 amounted to $68,815,000 and $63,185,000, respectively.

Earnings—Earnings of consolidated companies for 1974 were $129,218,000 compared with $115,825,000 in 1973. Net earnings were $154,724,000 in 1974 compared with $113,962,000 in 1973 and (as more fully described in Note 3 to the consolidated financial statements) include results of discontinued operations: earnings of $8,256,000 in 1974 (17¢ per share) and losses of $10,514,000 in 1973 (22¢ per share). Net earnings per share for 1974 was $3.24 compared to $2.37 in 1973 based on the average number of shares of common stock (excluding treasury shares) outstanding for each year.

After restatement of 1974 amounts for the change in method of inventory pricing made during the fourth quarter (as more fully described in Note 4 to the consolidated financial statements) comparative data by quarter for the two years were:

1974	Earnings from continuing operations		Net earnings	
Quarter	Amounts in thousands	Per share	Amounts in thousands	Per share
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
	$146,468	$3.07	$154,724	$3.24

1973	Earnings from continuing operations		Net earnings	
Quarter	Amounts in thousands	Per share	Amounts in thousands	Per share
First	$ 29,741	$ .61	$ 29,443	$ .61
Second	35,133	.73	28,808	.60
Third	28,140	.59	26,872	.56
Fourth	31,462	.66	28,839	.60
	$124,476	$2.59	$113,962	$2.37

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

Medical ($ in millions)	1974	1973	1972	1971	1970
Consolidated earnings	$ 19	$ 34	$ 33	$ 33	$ 31
Earnings of assoc. co.'s	3	2	2	2	2
% Assoc. co.'s to total earnings	14	6	6	6	6

Agricultural ($ in millions)	1974	1973	1972	1971	1970
Consolidated earnings	$ 72	$ 33	$ 23	$ 15	$ 16
Earnings of assoc. co.'s	1	0	0	0	0
% Assoc. co.'s to total earnings	1	—	—	—	—

Specialty Chemicals ($ in millions)	1974	1973	1972	1971	1970
Consolidated earnings	$ 27	$ 22	$ 19	$ 12	$ 17
Earnings of assoc. co.'s	10	2	0	1	3
% Assoc. co.'s to total earnings	27	8	—	8	15

Consumer Products ($ in millions)	1974	1973	1972	1971	1970
Consolidated earnings	$ 10	$ 27	$ 23	$ 20	$ 17
Earnings of assoc. co.'s	4	5	2	3	1
% Assoc. co.'s to total earnings	29	16	8	13	6

Consolidated Statements of Earnings and Earnings Employed in the Business

Years Ended December 31, 1974 and 1973

	1974	1973
	(Thousands of dollars except per share amounts)	
NET SALES	**$1,779,872**	$1,472,227
Expenses:		
Manufacturing cost of sales less depreciation and depletion	**972,483**	775,512
Selling and advertising expenses	**303,837**	270,584
Administrative and general expenses	**82,788**	60,683
Depreciation and depletion	**71,961**	69,128
Research and process development expenses	**58,807**	47,918
Employees' benefits (Note 9)	**59,399**	48,919
	1,549,275	1,272,744
EARNINGS FROM OPERATIONS	**230,597**	199,483
Interest, dividends, royalties and other income, net—less interest expense of $17,894 in 1974 ($16,186 in 1973)	**3,021**	9,642
EARNINGS OF CONSOLIDATED COMPANIES BEFORE TAXES ON INCOME	**233,618**	209,125
Provision for taxes on income (Note 10):		
Federal	**48,600**	49,300
Foreign and other	**55,800**	44,000
	104,400	93,300
EARNINGS OF CONSOLIDATED COMPANIES	**129,218**	115,825
Equity in net earnings of associated companies	**17,250**	8,651
EARNINGS FROM CONTINUING OPERATIONS	**146,468**	124,476
DISCONTINUED OPERATIONS (Note 3):		
Jefferson Chemical Companies:		
Equity in net earnings	**19,025**	3,026
Gain on disposal less applicable income taxes ($21,600)	**39,676**	—
Unconsolidated real estate subsidiaries:		
Net loss	**(11,345)**	(13,540)
Provision for loss on investment and advances less applicable income taxes ($36,200)	**(39,100)**	—
NET EARNINGS (Note 4)	**154,724**	113,962
EARNINGS EMPLOYED IN THE BUSINESS AT BEGINNING OF YEAR	**643,953**	593,176
Deduct dividends of $1.45 per share in 1974 ($1.32½ per share in 1973)	**68,815**	63,185
EARNINGS EMPLOYED IN THE BUSINESS AT END OF YEAR	**$ 729,862**	$ 643,953
PER SHARE OF COMMON STOCK (Note 4):		
Earnings from continuing operations	**$3.07**	$2.59
Net earnings	**$3.24**	$2.37

See accompanying Notes to Consolidated Financial Statements

Consolidated Balance Sheets

December 31, 1974 and 1973

ASSETS	1974	1973
	(Thousands of dollars)	
CURRENT ASSETS		
Cash	$ 52,358	$ 51,011
Marketable securities and time deposits, at cost and accrued interest (approximates market)	127,050	121,455
Accounts receivable, less allowance for doubtful accounts of $7,172 ($5,616 in 1973)	300,898	252,327
Inventories (Note 4)	322,036	244,358
TOTAL CURRENT ASSETS	802,342	669,151
INVESTMENTS AND ADVANCES		
Equity in net assets of and advances to (Note 3):		
Associated companies	53,544	64,464
Unconsolidated real estate subsidiaries	—	41,799
Other investments and advances	43,021	34,517
TOTAL INVESTMENTS AND ADVANCES	96,565	140,780
PLANTS, EQUIPMENT AND FACILITIES, at cost (Note 5)	1,311,145	1,198,557
Less accumulated depreciation and depletion	652,110	605,907
NET PLANT INVESTMENT	659,035	592,650
INTANGIBLES RESULTING FROM BUSINESS ACQUISITIONS	17,709	18,695
PREPAID EXPENSES AND DEFERRED CHARGES	27,228	20,443
	$1,602,879	$1,441,719

LIABILITIES AND STOCKHOLDERS' EQUITY	1974	1973
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 246,869	$ 214,660
Short-term borrowings (Note 11)	40,979	11,500
Funded debt installments due within one year	2,877	615
Income taxes	30,520	31,884
TOTAL CURRENT LIABILITIES	321,245	258,659
FUNDED DEBT NOT DUE WITHIN ONE YEAR (Note 6)	243,615	238,510
DEFERRED INCOME TAXES	39,600	35,600
OTHER NON-CURRENT LIABILITIES (Note 11)	17,208	13,771
STOCKHOLDERS' EQUITY (Note 7)		
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	38,940	38,940
Earnings employed in the business (Note 6)	729,862	643,953
	1,013,329	927,420
Less cost of 1,162,792 shares of common stock held in treasury (1,166,921 shares in 1973)	32,118	32,241
TOTAL STOCKHOLDERS' EQUITY	981,211	895,179
	$1,602,879	$1,441,719

CONTINGENT LIABILITIES AND COMMITMENTS (Note 8)

See accompanying Notes to Consolidated Financial Statements

Consolidated Statements of Changes in Financial Position

Years Ended December 31, 1974 and 1973

	1974	1973
	(Thousands of dollars)	
SOURCES OF WORKING CAPITAL		
Earnings from continuing operations	**$146,468**	$124,476
Items not requiring the use of funds:		
Depreciation and depletion	**71,961**	69,128
Deferred income taxes	**4,000**	2,400
Equity in undistributed earnings or loss for the year of associated companies	**(6,594)**	(3,026)
Funds derived from continuing operations	**215,835**	192,978
Net gain (loss) from discontinued operations	**8,256**	(10,514)
Discontinued operations not requiring the use of funds	**39,474**	10,514
Funds derived from operations	**263,565**	192,978
Disposal of associated company less net gain included in discontinued operations	**18,800**	—
Increase in funded debt not due within one year	**5,105**	1,931
Increase in other non-current liabilities	**3,437**	1,992
All other—net	**1,109**	1,285
	292,016	198,186
USES OF WORKING CAPITAL		
Cash dividends on stock	**68,815**	63,185
Additions to plants, equipment and facilities—net	**138,346**	64,031
Additions to investments and advances—net	**7,465**	27,615
Purchase of treasury stock	**—**	27,144
Increase in prepaid expenses and deferred charges	**6,785**	(2,034)
	221,411	179,941
INCREASE IN WORKING CAPITAL	**$ 70,605**	$ 18,245
INCREASES (DECREASES) IN THE COMPONENTS OF WORKING CAPITAL:		
Cash, marketable securities and time deposits	**6,942**	10,865
Accounts receivable	**48,571**	18,283
Inventories	**77,678**	16,517
Accounts payable and accrued expenses	**(32,209)**	(24,195)
Short-term borrowings	**(29,479)**	(321)
Funded debt installments due in one year	**(2,262)**	4,797
Income taxes payable	**1,364**	(7,701)
INCREASE IN WORKING CAPITAL	**$ 70,605**	$ 18,245

See accompanying Notes to Consolidated Financial Statements

Opinion of Independent Certified Public Accountants

THE BOARD OF DIRECTORS
AMERICAN CYANAMID COMPANY:

We have examined the consolidated balance sheets of American Cyanamid Company and subsidiaries as of December 31, 1974 and 1973 and the related consolidated statements of earnings and 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, 1974 and 1973, 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, except for the change in 1974, with which we concur, in the method of valuing certain inventories as described in Note 4 to the consolidated financial statements.

New York, N.Y.
February 4, 1975

PEAT, MARWICK, MITCHELL & CO.

(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 3). 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 $26,796 at December 31, 1974 ($31,907 at December 31, 1973). Dividends of $10,657 were received from these companies in 1974 ($5,625 in 1973). At December 31, 1974, principal associated companies comprised the following (% owned):

Arizona Chemical Company (50%)
B. Braun-Dexon G.m.b.H. (50%)
Cyanamid-Ketjen Katalysator B.V. (50%)
Cyanaquim, S.A. de C.V. (40%)
Cyanenka S.A. (40%)
Formica International Limited (40%)
Lederle (Japan), Ltd. (50%)
Sherkat Sahami Cyanamid-KBC (50%)
Shulton Africa Ltd. (40%)
Societe des Sutures Chirurgicales 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 ($7,200 loss in 1974, $1,800 gain in 1973) are included in earnings of the respective years.

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 6.6% in both 1974 and 1973, 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 appropriate periods.

Earnings per share—Earnings per share of common stock is based on the average number of shares outstanding during the year; 47,740,004 in 1974 (48,090,655 in 1973). The stock options described in Note 7 do not result in dilution of earnings per share.

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

	1974	1973
Net current assets	$160,600	$136,700
Net other assets (principally plants, equipment and facilities)	118,100	95,400
Net earnings of foreign subsidiaries	77,600	56,000
Equity in undistributed earnings of foreign subsidiaries	202,800	152,900

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, 1974, the company has no present intention of remitting undistributed earnings of subsidiaries and associated companies aggregating $212,700 ($166,500 in 1973).

3. Discontinued Operations—As of December 2, 1974, Cyanamid sold its 50% equity interests in the Jefferson Chemical Companies for $80,700 in cash. The equity in net earnings of these companies until their sale is included in the results from discontinued operations.

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 has 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, as well as a provision ($14,600, after applicable income taxes of $13,400) for estimated additional funds required by Ervin as advances for operations until anticipated dates of disposition. The net loss of Ervin until December 31, 1974, is included in the results from discontinued operations.

The 1973 financial statements have been reclassified to conform with the 1974 presentation.

4. Inventories—Inventories are carried at the lower of cost or market. Cost at December 31, 1974, was 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 because the company believes it more fairly presents earnings by relating current costs with current revenues. This change in accounting from the first-in, first-out or average method reduced inventories at December 31, 1974, by approximately $50,000 and net earnings by $26,000 ($.54 per share). Pro forma effects of retroactive application of the LIFO method are not determinable and there is no cumulative effect of the change on prior years since the December 31, 1973 inventories are also the beginning inventories under the LIFO method.

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

	1974	1973
Land, including mining land	$ 45,176	$ 42,215
Buildings	253,540	250,605
Machinery and equipment	922,114	856,210
Construction in progress	90,315	49,527
	$1,311,145	$1,198,557

(Thousands of dollars)

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

	1974	1973
5¾% notes payable in installments of $2,000 on March 1, 1976 and 1977	$ 4,000	$ 6,000
3¾% promissory notes due 1977 to 1987	75,000	75,000
5¾% sinking fund debentures due 1980	11,050	12,765
5½% Swiss franc debentures due 1987	39,000	30,500
5½% pollution control revenue bonds due 1997	9,300	9,300
7⅜% sinking fund debentures due 2001	100,000	100,000
Sundry obligations	5,265	4,945
	$243,615	$238,510

Annual maturities of funded debt and sinking fund requirements for the four years subsequent to December 31, 1975,are as follows: 1976—$3,948; 1977—$9,473; 1978—$7,475; 1979—$7,481.

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, 1974,which may be applied to the payment of cash dividends,is limited to $120,800.

7. 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 1974 and 1973 follow:

	Number of shares	Option Price: Per share	Option Price: Total	Market Value: Per share	Market Value: Total
Options granted:				(at date of grant)	
1974	186,365	$24.00	$ 4,473	$24.00	$ 4,473
1973	168,275	28.50	4,796	28.50	4,796
Options which became exercisable:				(at date exercisable)	
1974	157,111	$28.50-37.25	$ 5,052	$19.56-23.88	$ 3,433
1973	171,436	31.00-37.25	5,681	18.44-25.00	3,619
Options exercised:				(at date exercised)	
1974	None	—	—	—	—
1973	210	$25.75-33.50	$ 6	$21.62-31.19	$ 6
Options outstanding:				(at date of grant)	
Dec. 31, 1974	828,418	$24.00-37.25	$25,011	$24.00-37.25	$25,011
Dec. 31, 1973	688,158	25.75-37.25	22,001	25.75-37.25	22,001

At December 31, 1974, options to purchase 475,835 shares (331,739 shares at December 31, 1973) were exercisable, and 486,264 shares (626,524 shares at December 31, 1973) were available for option.

In connection with the Shulton, Inc., merger in 1971, the company assumed the obligations under various stock option and purchase plans of Shulton. At December 31, 1974, there were options outstanding to purchase 5,587 shares of Cyanamid's stock at $37.21 per share. All such options were exercisable. No such options were exercised during 1974 or 1973.

Upon exercise of options, the excess of proceeds over the par value of shares issued or cost of treasury stock (none in 1974 and $5 in 1973) is credited to additional paid-in capital.

Additional Paid-in Capital increases during 1973 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 1974, 417 such shares were acquired (1,000,444 in 1973), and 4,546 shares were issued to retired participants under the incentive compensation plan (5,807 shares in 1973).

8. Contingent Liabilities and Commitments—Rental expense under property and equipment leases in 1974 was $22,734 ($20,184 in 1973). Estimated future rental expense under property and equipment leases expiring between 1975 and 2059 are: 1975—$11,245; 1976—$6,774; 1977—$2,677; 1978—$2,263; 1979—$1,576; 1980 to 1984—$3,552; 1985-1989—$482; 1990 to 1994—$25; and for 1995 to 2059—$156 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 1973. In connection therewith a provision in the amount of $21,500 (after taxes of $21,500) was made against earnings employed in the business as such amount relates to years prior to 1967. Included in the above provision are related legal fees and $3,000 representing the excess over amounts previously provided.

9. 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 actuarially computed value of vested benefits at the most recent valuation date under the principal pension plans of the company exceeds the current market value of fund assets and balance sheet accruals by approximately $30,000. The total pension expense was $14,403 for 1974 and $10,386 for 1973.

10. 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 ($4,000 in 1974 and $3,200 in 1973). Deferred income taxes equal to $4,000 in 1974 ($2,400 in 1973) 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 $5,200 in 1974 ($6,400 in 1973).

(Thousands of dollars)

Total income tax expense of consolidated companies was $104,400 in 1974 and $93,300 in 1973 (effective rates of 44.7% and 44.6%, respectively). Explanation of the difference between these rates and the U.S. Federal income tax rate of 48% is as follows:

	1974		1973	
	Amount	% of pretax income	Amount	% of pretax income
Computed expected tax expense	$112,100	48.0%	$100,400	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	(4,900)	(2.1)	(4,400)	(2.1)
Investment tax credit on assets purchased during the year	(4,000)	(1.7)	(3,200)	(1.5)
State income taxes included in other income taxes (net of Federal taxes)	2,700	1.1	3,300	1.5
Other miscellaneous items	(1,500)	(.6)	(2,800)	(1.3)
	$104,400	44.7%	$ 93,300	44.6%

11. Other financial statement information is as follows: The average interest rate of short-term borrowings was 12% at

(continued)

December 31, 1974 (11% at December 31, 1973), and the approximate weighted average interest rate was 13% for 1974 (9¼% for 1973). The maximum amount of aggregate short-term borrowing outstanding at any month end during 1974 was $42,000 ($13,000 in 1973) and the approximate average aggregate short-term borrowing outstanding during 1974 was $22,000 ($11,400 in 1973).

Maintenance and repairs for 1974 were $67,112 ($59,046 in 1973). Social security taxes for 1974 were $27,765 ($21,703 in 1973). Taxes other than income taxes for 1974 were $22,184 ($18,351 in 1973). Advertising in 1974 was $113,549 ($102,067 in 1973).

Other non-current liabilities at December 31, 1974, include incentive compensation to officers and other employees of $8,228 ($6,292 at December 31, 1973). 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 1974, 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.

(See opposite page)

Net Sales for 1974 were $1.78 billion, 21% higher than $1.47 billion a year earlier. Medical sales increased 14%, led by significant increases in such important products as Minocin® minocycline, Myambutol® ethambutol, and Dexon® sutures. Agricultural sales were up 47%, with fertilizers leading the way because of strong worldwide demand and higher selling prices. Chemicals were strong with sales up 27%. Sales of consumer products, which include Formica® decorative laminates, wallcoverings, synthetic fibers, fragrances, hair care products and household products, increased by 4%.

Manufacturing Cost of Sales—Added volume and higher raw material and labor costs were the primary reasons for the 25% increase over 1973. Also see Note 4 to the consolidated financial statements regarding the change in 1974 in the method of pricing inventories in the United States.

Selling, Administrative, Research and Employees' Benefit Expenses increased by 18% in 1974. Much of this increase resulted from higher payroll costs. Advertising and sales promotion expenses were increased in the consumer businesses as the company made a determined effort to strengthen its market position for key products. To ensure the continuing flow of new products, research expenditures rose 23% to $59 million in 1974, with major increases in the medical and agricultural segments. The increase in employees' benefits was due to higher costs of pension, group insurance and social security programs.

Taxes on Income increased 15% in 1973 and 12% in 1974. Each of these increases was due to higher earnings before taxes.

Earnings of Consolidated Companies increased 20% in 1973 and 12% in 1974. In both years this reflected strong performances by the agricultural and chemical businesses. The medical and consumer businesses had increased earnings in 1973, but lower earnings in 1974. 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 two years. Agricultural and chemical earnings rose as a percentage of earnings of consolidated companies from 1972 to 1974, while medical and consumer earnings declined. The change generally reflected increased demand and higher prices in the agricultural and chemical businesses and increased manufacturing costs in the medical and consumer segments. Consumer earnings were also affected by the increase in advertising and sales promotion, and medical earnings by higher research expenditures.

Equity in Net Earnings of Associated Companies increased 50% in 1973 and 99% in 1974. The increase in 1973 and 1974 was due to an overall higher level of earnings from most associated companies.

Discontinued Operations, Less Applicable Income Taxes—Cyanamid sold its 50% interests in the Jefferson Chemical group to the other stockholder, Texaco, Inc., in December, 1974, realizing an after-tax gain of $39.7 million on the transaction. Also in 1974, the company withdrew from the real estate business and provided for loss of its investment in the unconsolidated real estate subsidiaries (Ervin Industries, Inc. and its subsidiaries). In addition, a reserve of $14.6 million net of applicable tax was established to allow Ervin to implement a program of orderly disposition of assets and related debt. Also included are Ervin losses of $13.5 million in 1973 and $11.3 million in 1974, as well as equity earnings from Jefferson of $3 million in 1973 and $19 million in 1974. The earnings of Jefferson and Ervin in 1972 totaled $4 million.

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 by approximately $26 million (54¢ per share). Also see Note 4 to the consolidated financial statements.

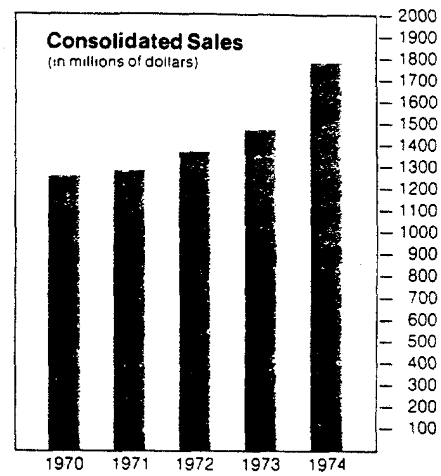
Five-Year Summary

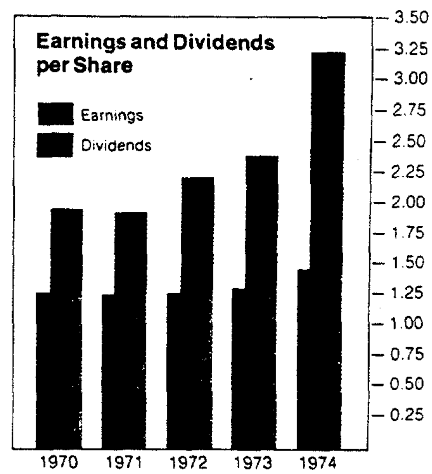
(Amounts in millions except earnings and dividends per share)

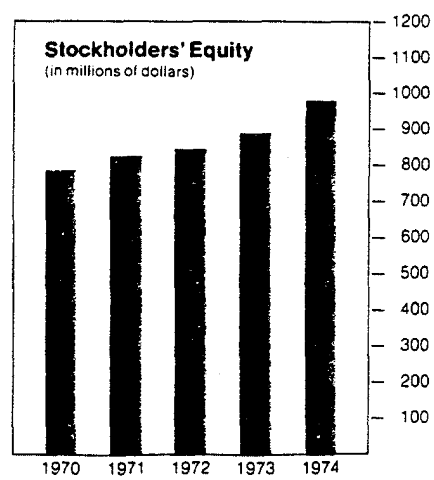
	1974	1973	1972	1971	1970
Earnings					
Net sales	**$1,780**	$1,472	$1,359	$1,283	$1,257
Manufacturing cost of sales less depreciation and depletion	**972**	776	726	697	671
Depreciation and depletion	**72**	69	68	64	60
Selling, administrative, research and employees' benefit expenses	**505**	428	395	380	378
Interest expense	**18**	16	16	14	9
Taxes on income	**104**	93	81	66	72
Earnings of consolidated companies	**129**	116	97	78	79
Equity in net earnings of associated companies	**17**	9	6	8	8
Earnings from continuing operations	**146**	125	103	86	87
Discontinued operations, less applicable income taxes	**9**	(11)	4	6	11
Net earnings	**155**	114	107	92	98
Per share of common stock					
Earnings from continuing operations	**3.07**	2.59	2.12	1.77	1.80
Net earnings	**3.24**	2.37	2.19	1.90	2.04
Dividends	**1.45**	1.32½	1.25	1.25	1.25
Average number of shares of common stock outstanding (used in calculating earnings per share)	**47.7**	48.1	48.6	48.3	48.0

Note—The above information has been reclassified to reflect the discontinued operations described in Note 3 to the 1974 consolidated financial statements, and the reclassification in 1970 of an extraordinary credit as a component of discontinued operations.

	1974	1973	1972	1971	1970
Other Statistics					
Gross additions to plants, equipment and facilities (includes acquisitions)	**139**	83	72	111	94
Current assets	**802**	669	623	546	506
Current liabilities	**321**	259	231	203	231
Working capital	**481**	410	392	343	275
Plants, equipment and facilities—at cost	**1,311**	1,199	1,176	1,157	1,121
Net depreciated cost	**659**	593	598	596	550
Funded debt not due within one year	**244**	238	237	213	118
Stockholders' equity:					
Common stock	**244**	244	244	243	242
Additional paid-in capital	**39**	39	39	35	37
Earnings employed in the business	**730**	644	593	547	518
Deduct treasury stock	**(32)**	(32)	(5)	(6)	(13)
Total equity	**981**	895	871	819	784







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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; Formica® Floor Shine finish; and other household maintenance and cleaning aids. Markets these and Shulton products in Canada.

CYANAMID EUROPE-MIDEAST-AFRICA
Harry F. Bliss, Jr., *President*
Manufactures, imports and markets Cyanamid's products, except for Consumer and Shulton products, 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, 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 and industrial applications.

FORMICA CORPORATION
Martin B. Friedman, *President*
Formica® brand decorative laminates; laminate cabinet surfacing; laminate-clad doors and compartments; architectural and residential component panels; 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 the paper-making industry and mining industry; 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, biologicals, pharmaceuticals, vitamins and hematinics, vaccines; clinical laboratory diagnostic aids; fine chemicals and bulk pharmaceuticals; Davis & Geck surgical sutures and hospital products, including germicides and scrub sponges.

ORGANIC CHEMICALS DIVISION
Ben H. Loper, *President*
Catalysts, chemical light, dyes, elastomers, intermediates, plastic additives, refinery chemicals, rubber chemicals, textile chemicals, textile resins; industrial safety equipment from Glendale Optical Co., Inc.

PIGMENTS DIVISION
John Ludden, *President*
Inorganic and organic chemical colors, Unitane® titanium dioxide.

SHULTON, INC.
Albert L. Munsell, *President*
Old Spice® men's toiletries; Desert Flower® fragrances, skincare and toiletry products; Corn Silk® cosmetics; Flowing Velvet® skin lotions; imported Nina Ricci® and Carven® perfumes for women; Pierre Cardin* toiletries for men. Produces and markets Consumer and Shulton products outside the U.S. and Canada.

* Trademark

Services

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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*

Public Affairs Division
Joseph C. Calitri, *Manager*

Purchasing Division
Philip K. Langford, *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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Nolan B. Sommer	*Senior Vice President* *American Cyanamid Company*
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Clifford D. Siverd	*Chairman of the Board and Chief Executive Officer*
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James F. Bourland	*Senior Vice President*
Thomas P. Forbath	*Senior Vice President*
Borden R. Putnam	*Senior Vice President*
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Nolan B. Sommer	*Senior Vice President*
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Thomas P. Forbath
Borden R. Putnam
George W. Russell
Nolan B. Sommer

Audit Committee

Ian K. MacGregor *Chairman*
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 1974 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 1974

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Wayne, New Jersey 07470