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Report of the Board of Directors for the Year Ended December 31, 1977, of American Cyanamid Company, Wayne, N.J. 07470.

Cyanamid's Growing Markets

Cyanamid is involved in five major businesses, and the vigor of these businesses is the company's underlying strength. Our growth is closely tied to increasing world demand for food, for medical care, for chemicals essential to industrial production, and for both consumer products and decorative building products. Cyanamid's growing markets are reviewed on pages 4-6.

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FINANCIAL HIGHLIGHTS

(Dollars in thousands except per share amounts)

OPERATING RESULTS	1977	1976
Net sales	**$2,412,311**	$2,093,815
Earnings of consolidated companies before taxes on income	**216,371**	205,436
Taxes on income	**84,100**	80,900
Equity in net earnings of associated companies	**7,129**	11,234
Net earnings	**139,400**	135,766
Dividends	**71,347**	71,296
Per share of common stock		
Net earnings	**2.92**	2.84
Dividends	**1.50**	1.50
Depreciation and depletion	**104,370**	89,270
Additions to plants, equipment and facilities	**235,451**	231,844

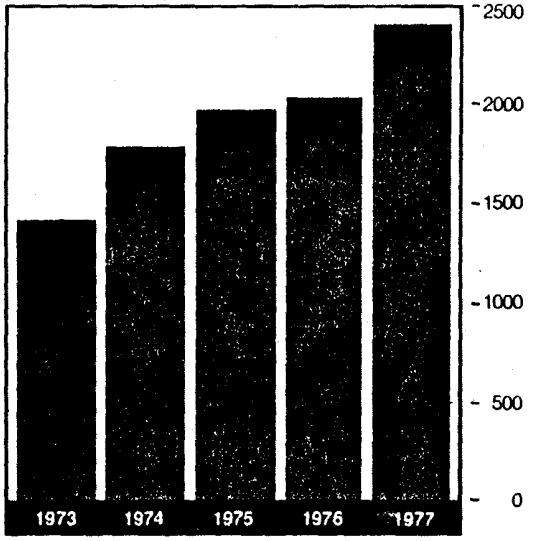
YEAR-END POSITION		
Total assets	**$2,222,251**	$2,002,423
Funded debt	**442,420**	417,849
Stockholders' equity	**1,168,891**	1,100,669
Per share of common stock	**24.47**	23.04
Shares outstanding at end of year	**47,771,594**	47,764,288
Number of stockholders	**99,294**	104,303
Number of employees	**43,750**	39,401

ANNUAL MEETING OF STOCKHOLDERS

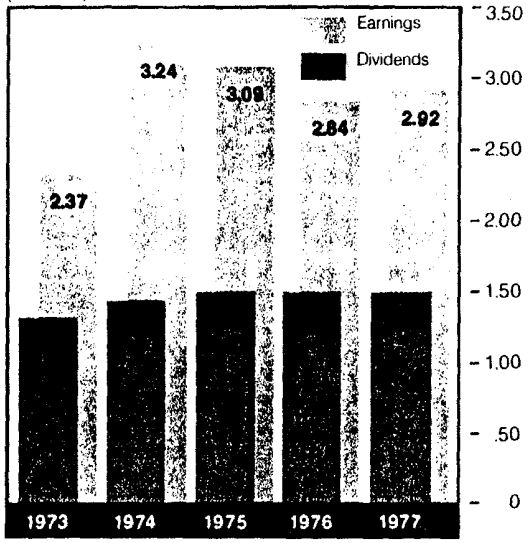
The 1978 annual meeting of stockholders of American Cyanamid Company will be held at 11 a.m. on Monday, April 17, in the Phoenix Room of the Canal National Bank Building, 1 Canal Plaza, Portland, Maine.

American Cyanamid Company and Subsidiaries

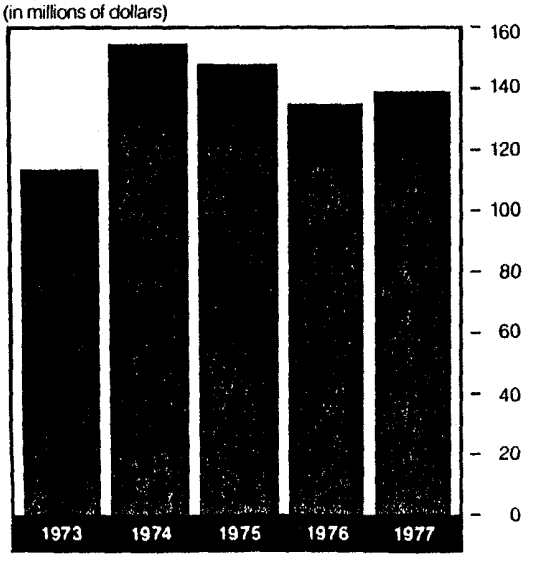
CONSOLIDATED SALES
(in millions of dollars)



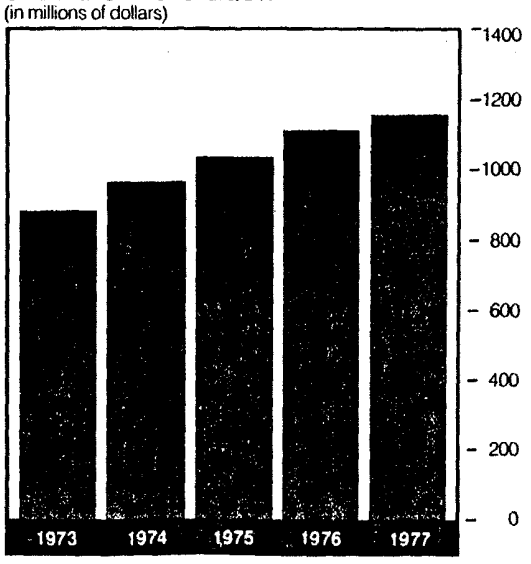
EARNINGS & DIVIDENDS PER SHARE
(in dollars)



NET EARNINGS
(in millions of dollars)



STOCKHOLDERS' EQUITY
(in millions of dollars)



To Our Stockholders:

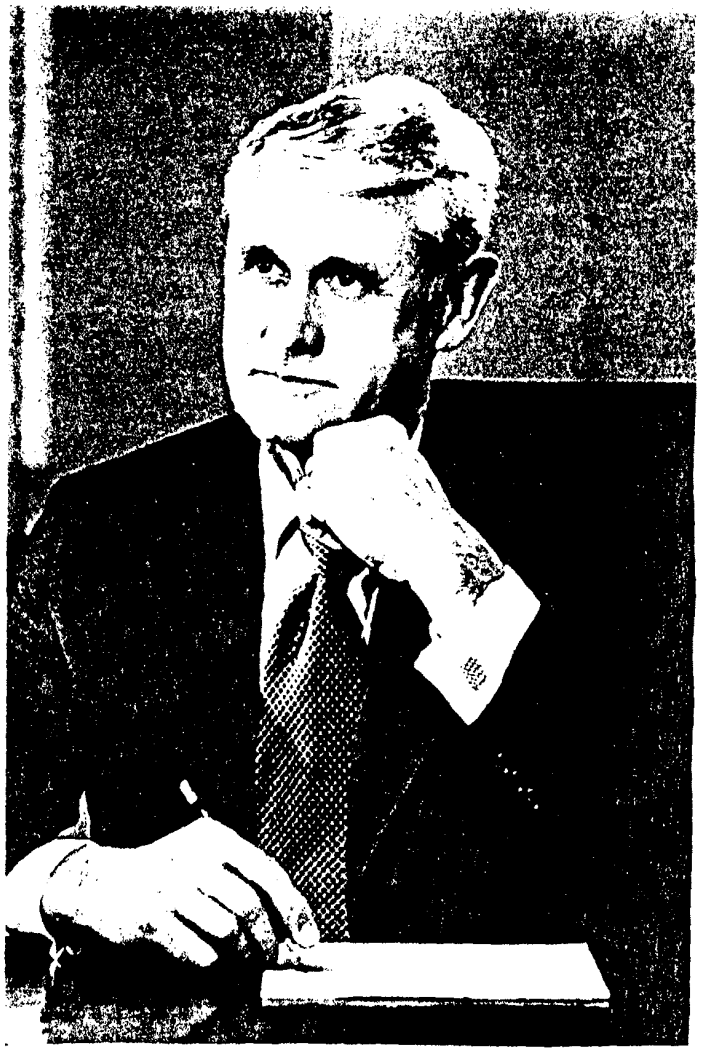
During 1977, Cyanamid increased its worldwide sales to a record $2.41 billion, 15.2% ahead of 1976.

Net earnings were also up, but added costs, including interest expense on additional debt to finance accelerated growth, held our increase to 2.7% over the previous year. Net earnings were $139.4 million or $2.92 per share.

All of our five businesses contributed to the sales increase. Agricultural sales were up 13%; medical 14%; specialty chemicals 7%; consumer products 7%; Formica products 68%. The sharp rise in Formica sales reflected the purchase in April of full ownership of Formica International Limited, of which we had owned 40%. Without FIL, Formica sales would have been up 17%.

Emphasis during the year continued on our program to build for the future. Capital spending for 1977 was $235 million. During the year, we brought on stream plants valued at about $130 million, and the total for 1978 should be approximately $200 million. During the past three years, our capital spending of more than $670 million has increased our total plant investment by almost 50%.

Mr. James G. Affleck,
Chairman of the Board,
President and Chief Executive Officer



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We also continued to expand our research and development activities, and 1977 provided some evidence that increased expenditures will be more than justified by new products in the future. We spent $96 million on R&D in 1977, an increase of 16% above the $83 million spent in 1976. We believe we have several promising leads for major product innovations in the agricultural and pharmaceutical fields, in which most of our research is concentrated.

A by-product of our process development research has been a major reduction in the United States and Canada in our energy consumption per pound of end product. In 1977, despite a significant increase in production volume, Cyanamid consumed less energy in these operations than it did five years ago.

Our major setback of the year occurred when an explosion destroyed a key production unit of our first commercial plant for Prowl® herbicide in Hannibal, Missouri. Fortunately there were no fatalities. Profits from this important new product will be adversely affected for the next two years.

Last August, Dr. Paul W. MacAvoy, professor of economics at Yale University, was elected to our board.

In February, 1978, the Executive Committee was dissolved and the Office of the Chairman was established, consisting of the chairman and two newly-elected vice chairmen, William A. Liffers and George J. Sella, Jr. Both Messrs. Liffers and Sella had previously been elected senior vice presidents in June and members of the board in November.

Also in February, 1978, Charles E. Austin and George P. Bywater were elected group vice presidents, and Edmund G. Vimond, Jr., joined the company in a similar capacity. In January, 1978, Richard L. Martino was elected treasurer, succeeding Leonard T. Murphy, who retired.

We deeply regret the deaths of a former chief executive and two other officers and directors during the past several months. Kenneth C. Towe, who served as president from 1952 to 1957 and then as chairman until his retirement the following year, died in January, 1978. Lewis C. Perkinson, a former financial vice president and member of the board of directors, died in September. George W. Russell, a senior vice president and director, died in December after a short illness.

The corporation owes a deep debt of gratitude to each of these gentlemen, who contributed so much to the company's growth. Each served with distinction for many years in directing and guiding the company's destiny.

As we look ahead, with prospects for continued moderate advances in the world economies, we are confident that our growth program will yield a considerably higher rate of net earnings advance in future years.

We are most appreciative of the efforts and enthusiasm of our employees, the good relationships built through the years with customers, and the support of our stockholders. Each is vital to our plans, and together, these are our basic resources for shaping the future.

For the Board of Directors

Chairman and President

Wayne, New Jersey
February 7, 1978

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CYANAMID'S GROWING MARKETS

Our plans for growth begin with the health of our markets. Cyanamid's five businesses are geared to prosper with increasing world demand for food, the prevention and treatment of disease, chemicals that support industrial production, consumer products and decorative building products. These are our major markets, and their vigor provides our underlying strength.

Over the years, however, our greatest successes have come not only from existing markets, but from new markets that we helped to create through product innovation. For new products, backed by efficient production capacity, are needed to generate the leadership positions that allow a company to excel in its fields and maximize its growth.

All of our businesses are rooted in strong, global markets with good growth prospects in real terms, exclusive of inflation. The world market for agricultural chemicals and animal health products is approximately $35 billion. We are a major producer of pesticides. In this $5.5 billion market at the manufacturer's level, insecticides should advance at a real rate of about 6% and herbicides at some 8% over the next several years. Cyanamid has only recently entered the herbicide market, and our new products should grow at a considerably faster pace than the market as a whole. We also have a share in the fertilizer market, where industry shipments, now valued in excess of $25 billion, are expected to advance by 4% to 6% yearly over the long term, before taking inflation into account. With recent additions to our production capacity, we are in a position to grow more rapidly.

The global market for antibiotic feed additives, feed supplements and animal health products amounts to $3 billion, of which the United States accounts for some $1.2 billion. Cyanamid created a large share of this market through product innovation, and we expect to continue to pioneer in this field in the years ahead.

The pharmaceutical market in the free world totals about $40 billion and is expected to grow, in constant dollars, at about 7% yearly over the next several years. The United States leads the way, accounting for approximately one out of every six sales dollars. Major countries, which together with the United States comprise more than 90% of the total market, include Japan, West Germany, France, Italy, Brazil, Spain, England, Mexico, Canada, India and Belgium. We have a major position in each of these countries, and in more than 100 others with smaller pharmaceutical markets.

An increasing world population means a constantly increasing demand for food. Two of Cyanamid's major product lines – crop protection chemicals and products for animal agriculture – will help to meet that demand in the years ahead.

Developing markets for cardiovascular drugs, antibiotics active against gram-negative organisms, non-steroid antiarthritics, and bronchodilators — the targets of some of our experimental drugs — are growing at a considerably faster pace than the total pharmaceutical field.

The other medical marketplace in which we participate is sutures. The total sutures market is now about $350 million worldwide and is growing at approximately 10% per year in constant dollars. The fastest growing segment of this market is in synthetic absorbable sutures, a category created by the development of our line of Dexon® sutures.

The Cyanamid market most directly related to the economy — industrial chemicals and upgraded specialty products — has free-world sales of close to $150 billion.

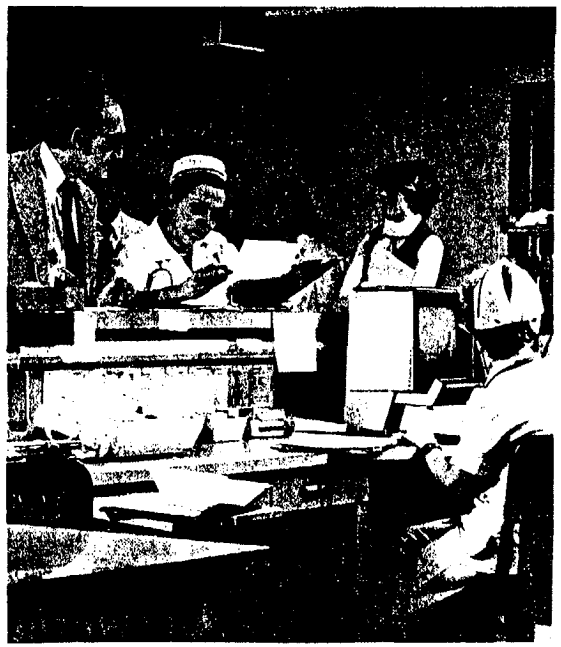
The United States produces about one-third of the total world output of chemicals. Next in size are Western Europe, Asia and Latin America. While Cyanamid has sizable operations in all of these areas, the bulk of our chemicals business is in the United States, where growth should be faster than for the world at large.

The specialty chemicals segment, in which we are heavily concentrated, should advance at an inflation-adjusted rate of 8% to 9% for the next several years. World environmental needs are a major factor in the projected growth of this business area. Flocculants for the control of municipal and industrial water pollution, catalysts to remove sulfur from oil and a number of contaminants from auto exhaust, and cross-linking agents for pollution-abating, water-based industrial paints, are all part of the specialties growth scene.

Our consumer packaged goods, like the specialty chemicals, have their primary markets in the United States, where the total market for our consumer products amounts to nearly $2 billion at the factory level. Hair-care preparations account for half of the total market. These include shampoos, hair-conditioning and hair-holding products. Household cleaners make up 10% of the market. The remaining 40% is in men's and women's fragrances and toiletries.

U.S. growth for our hair-care, household and fragrance markets is running at an average rate of about 5% yearly in constant dollars, and is expected to continue at about that pace for the next several years.

Outside of the United States, we have developed important positions for our consumer products in Latin America, Canada, Europe and



The free world market for pharmaceuticals totals some $40 billion, most of it concentrated in 12 countries in which Cyanamid has a major position. Prevention and treatment of disease is one of Cyanamid's five major markets.

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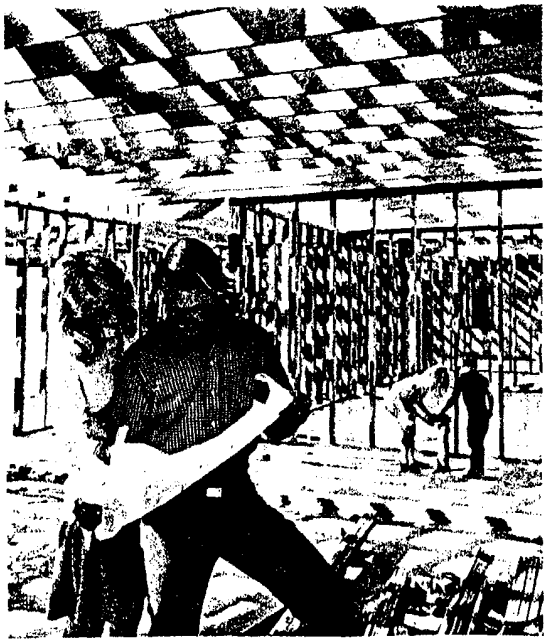


the Far East, particularly Great Britain, Germany, Brazil, Mexico and Japan. On average, these markets are growing at roughly the domestic rate. Through our product development and marketing programs, several of our consumer products are achieving well above average growth in many countries.

Decorative plastic laminates constitute a Cyanamid market with exceptional global growth prospects. Shaped by people's needs for homes and furniture, the worldwide market for traditional, high-pressure decorative laminates amounts to more than $1 billion, with the United States accounting for about 30% of the total. There is also a world market of about $1 billion for products such as our melamine component panels.

With the exception of the burgeoning Latin American market, worldwide laminate sales were severely affected by sharply reduced construction activities and furniture production throughout the 1973-1976 period. In 1977, increased new home construction efforts, coupled with a strong remodeling market and rising furniture shipments, contributed to higher laminate sales in the United States.

People's needs for new homes will result in higher worldwide demand for decorative laminates. The growing home remodeling and furniture markets will also spur demand for laminates.

Unit growth of traditional high-pressure decorative laminates is projected at 6% worldwide for the next several years, and as the leader in the field we expect to exceed this rate. Growth of the worldwide market for the newer component panels is forecast at about 15% per year.

The real growth rate for remodeling in the United States has run at 13% yearly since 1975, the low point of the recession, with furniture recovering at a 9% yearly rate. For the future, we would expect home remodeling to continue at a strong pace, owing to the rising cost of new construction and the aging of the housing stock.

Over the years, we have pioneered in broad-spectrum antibiotics, non-persistent insecticides, chemicals that abate pollution and others that improve the properties of paper, plastics, rubber and textiles, and in the development of the laminates industry, among others. Each of these efforts has contributed significantly to our long-term progress.

Today, we have several important leads which promise to open vistas to the company in the same way that Achromycin® tetracycline, Malathion insecticide and Formica® brand decorative laminates did in the past. These innovations are the result of a research and development effort which has been expanded over the past several years. With them, we shall create Cyanamid's fastest-growing businesses of the 1980's.

SERVING SOCIETY

There are many facets to serving society. Some of the most important are our efforts, described throughout this report, to ensure Cyanamid's continued growth. Our successes lead to new and better jobs, innovative products, our ability to pay taxes and the welfare of our stockholders. Overall, our progress, and that of others in the industrial sector, is instrumental in creating the sound economy needed for widespread social improvements.

We are also vitally concerned with employee safety, the environment and the possible long-term effects of our products.

We made good progress in the latter two areas during 1977, but are not satisfied with our safety record for the year, which did not match that of 1976. Our frequency of disabling injuries is still below one per million man hours, or considerably better than the average for all U.S. industry, and we are working to resume the progress made in recent years toward an accident-free performance.

Our efforts to protect the environment in our plant communities led to expenditures of $34 million for pollution control facilities and equipment during 1977. Cyanamid's cumulative capital investment for pollution control through 1977 totals $182 million, and we expect to spend another $26 million in 1978. Operating costs of these facilities are now running at about $36 million yearly.

At the end of 1977, our $23 million advanced waste water treatment plant began operation at Bound Brook, New Jersey. At that site we manufacture some 1,000 products with highly varied effluent streams. Its filters and carbon absorption system further remove solid and organic matter present after biological treatment of the plant's 15 million to 20 million gallons of waste water per day.

We were able to install pollution controls as an integral part of our new soil-insecticide plant at Hannibal, Missouri, and thus deal effectively with contaminants at the source. Here, an incinerator completely destroys all manufacturing fumes and burns aqueous and organic wastes.

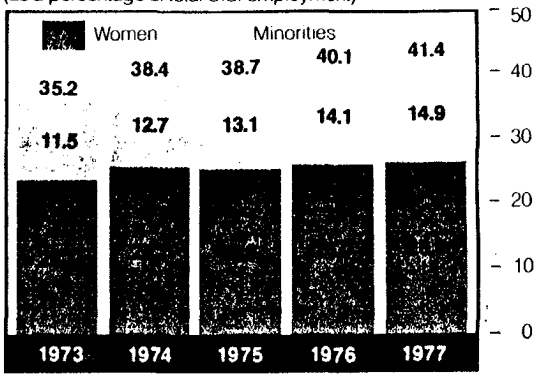
During the year, we had approximately $35 million in environmental projects either completed or under construction. These include treatment units in Brazil, Canada and Italy, as well as the United States.

In the four years since 1973 we have achieved a 16.3% reduction in energy usage in BTU per pound of product at major U.S. and Canadian plants. Our goal for 1980 is a reduction of 30%.

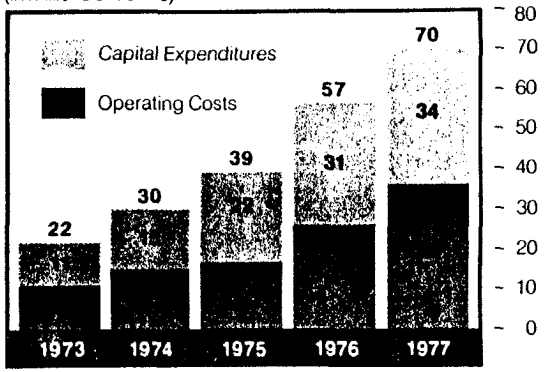
We have also made good progress in our efforts to employ more women and minorities. The percentages of these groups to total employees rose from 35% in 1973 to 41% in 1977. At the same time, we have increased our purchases from minority vendors.

Cyanamid's social programs include contributions to charitable funds, hospitals, educational and other institutions. We place special emphasis on our plant communities and universities with strong technology and business programs.

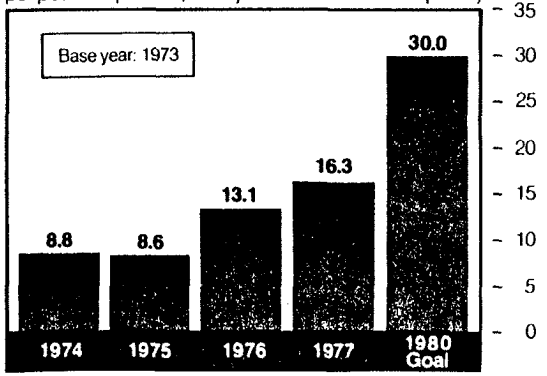
WOMEN and MINORITIES
(as a percentage of total U.S. employment)



POLLUTION CONTROL EXPENDITURES
(in millions of dollars)



ENERGY CONSERVATION
(percent reduction in energy usage, in BTU per pound of product, at major U.S. and Canadian plants)



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AGRICULTURE

Agricultural sales rose 13% but operating earnings were about 5% lower than in 1976.

Our pesticides sales were strong, but their growing contribution to operating earnings was more than offset by lower profit margins in fertilizer and animal industry products.

Success in pesticides depends on our ability to penetrate significant world markets for corn, cotton, soybeans, grain sorghum, wheat, barley, rice and many other crops. Pesticide sales and profits were outstanding in 1977. Counter® soil insecticide, which controls corn rootworms, led the way, more than doubling in sales. Our new Hannibal, Missouri, plant for Counter and Thimet® soil and systemic insecticide, a more mature but still successful product, is now operating and producing well, backed up by our older facility at Linden, New Jersey.

AGRICULTURE ($ in millions)	1977	1976	1975	1974	1973
Worldwide sales	$555	$492	$524	$425	$289
% Total sales	23	24	27	24	20
Operating earnings	$ 79	$ 83	$162	$129	$ 63
% Total operating earnings	29	34	61	48	27

Prowl® herbicide showed similar sales progress in 1977, although its profitability is limited by the higher costs of contract manufacturing. Last October, an explosion destroyed an important processing unit of our new plant for Prowl at Hannibal. We will rebuild, and we expect to have our own product available for the market by the 1980 spring planting season. In the interim, we have arranged for adequate contract production of Prowl to support further penetration into its major markets — corn, cotton, soybeans and barley.

Good sales gains were made with Avenge® wild oat herbicide, which kills wild oats, a weed infesting wheat, barley and rye. This weed problem is prevalent in England, Scandinavia, Canada and the northern United States. Avenge offers considerable potential because worldwide only one-quarter of infested areas are now treated. We expanded capacity for Avenge by 40% at Botlek, Holland, during the year, to keep pace with its growing market.

Our animal feed and health products depend upon the world market for cattle, swine, sheep and poultry. While the numbers of livestock and poultry increased in most countries, the U.S. farmer reduced his use of commercial feeds and animal health products during the first eight months of 1977 because of high feed grain prices and poor return. This situation began to improve in the fall, but on the whole, the sluggish U.S. market for the year offset gains in Europe and Latin America. Therefore, our sales of animal feed and health products were about the same as in 1976.

Our new animal growth promoter, Avotan® avoparcin, contributed to the sales gains in Europe by making good inroads in the swine and poultry market during 1977.

Cyanamid's fertilizers and pesticides help increase crop yields, providing food for human consumption and feeds for animals, all of which end up gracing family dinner tables around the world.

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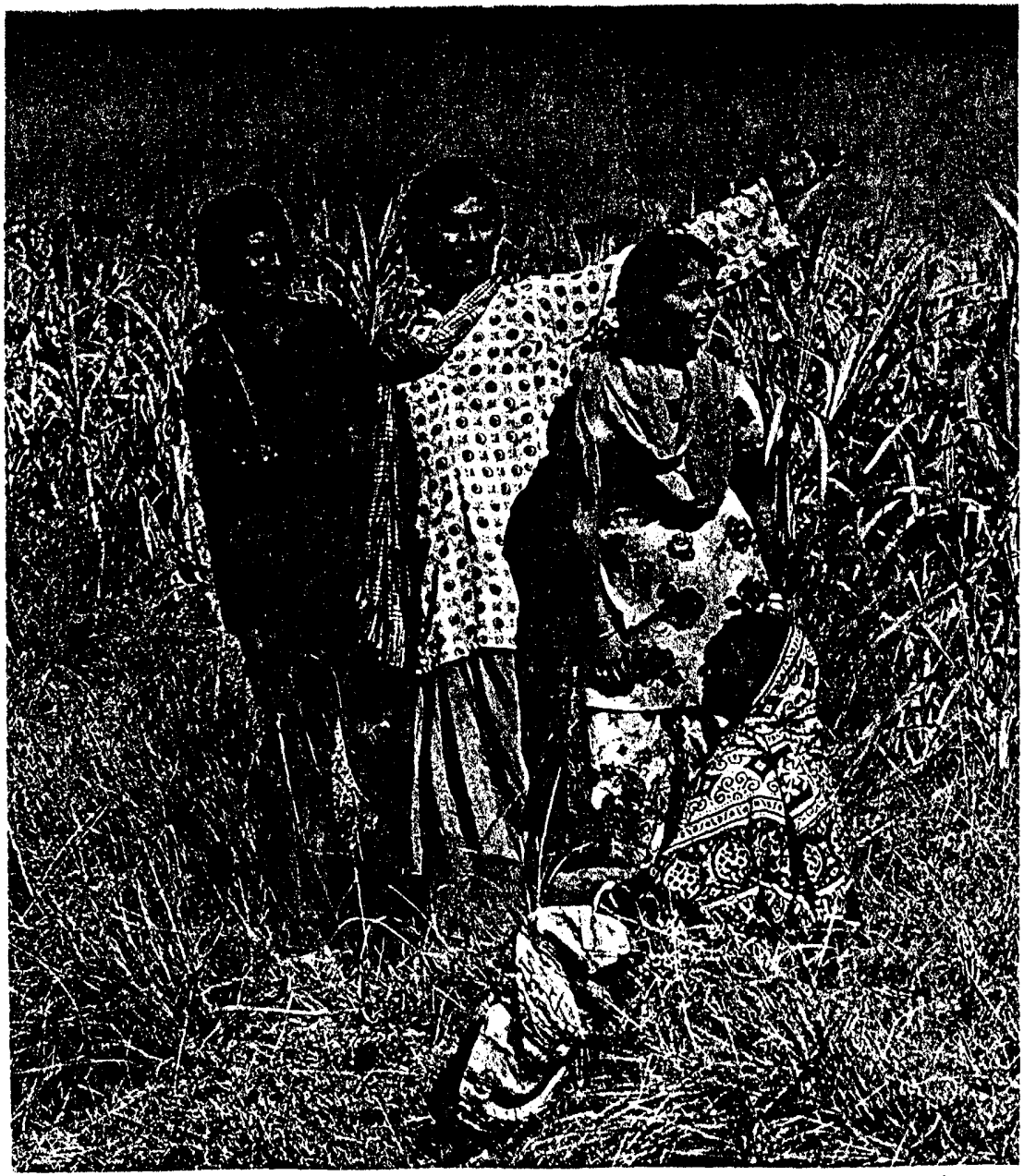

Our established chlortetracycline feed additives prevent disease and promote animal growth. These feed additives are extensively used in the United States and some parts of Europe and the Far East, where efficient production techniques, such as cattle feedlots and intensive swine and poultry production units, have animals closely confined, making them especially vulnerable to disease. Over the past several months, the U.S. Food and Drug Administration proposed severe restrictions in the use and distribution of penicillin and tetracycline antibiotics for livestock and poultry feeds because of a theoretical hazard to humans. We believe 27 years of safe usage without evidence of hazard sustains our position that these products are safe and of considerable benefit. The extent of this benefit has been documented by the FDA itself. They estimate that without any antibiotics in animal feeds, consumers would pay an additional $1.9 billion per year for meat. Cyanamid and several other manufacturers have requested hearings on the FDA proposals.

The world farming situation in 1977 was brighter overseas than in the United States, where farmers were caught up in a profit squeeze caused by increasing costs and relatively low prices for crops as well as livestock. One result was that while our fertilizer exports were at a high level throughout the year, North American sales dropped significantly toward the year's end, causing further erosion of prices. This, coupled with rising energy and other production costs, resulted in lower fertilizer earn-

Malaria is still a major problem in many parts of the world, particularly Southwest Asia. Thanks to Cyanamid's Malathion, an insecticide which kills the Anopheles mosquito, this Pakistani family has a better chance of avoiding the dread disease.

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ings for the year. Still, the profitability of our fertilizer products is good because of our low-cost supplies of phosphate and ammonia raw materials.

Our new 75%-owned phosphate mine in central Florida became operational during the year and the ammonia plant we are building at Fortier, Louisiana, remains on schedule for completion in the fourth quarter of 1978. Both should contribute significantly to profits in the years ahead.

Overall, the progress of the agricultural chemicals market is assured by the basic need of a growing world population for a more abundant food supply. Cyanamid's long-term progress in this market depends upon scientific innovation — our ability to develop the high-technology products that can provide a competitive advantage.

Our researchers now have promising leads for a corn herbicide which might complement Prowl herbicide and are working on three new insecticides, an animal growth promoter and a new product to combat ticks.

We are also studying the unusual possibilities presented by triacontanol, an alcohol originally extracted from alfalfa. Scientists from Michigan State University, who discovered this product, have reported that their initial tests indicate it increases yields of a variety of crops by up to 30%. Cyanamid has obtained an option to acquire an exclusive worldwide license. We are evaluating the product, but at this stage it is too early to predict the outcome.

Corn is one of the world's most popular foods. But corn crops would not be so abundant if farmers did not have modern crop production tools such as Cyanamid's Counter, to protect corn against corn rootworms.

Upper left: *Davis & Geck's Dexon synthetic absorbable sutures are used by a wide range of surgical specialists, including orthopedists who use them in surgery to correct sports-related injuries.*

Left: *Polio, still a problem in many parts of the world, could make a comeback in this country. Immunization programs are underway in the U.S. with a goal of immunizing all children against polio and other childhood diseases by 1980.*

Above: *Healthy Japanese children reflect the control of tuberculosis in parts of Asia. Therapy with drugs, including Cyanamid's Myambutol® ethambutol, has helped reduce the TB mortality rate in Japan alone from 146.4 per 100,000 in 1950 to 8.5 in 1976.*

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MEDICAL

Medical sales increased 14% and operating earnings were up 31% in 1977.

Dexon® sutures created a new market category — synthetic absorbable products — when they were launched from Lederle research in 1970. Today, they have completed their seventh year of uninterrupted global sales gains.

During the year, the sales pace was also set by such Lederle innovations as the antibiotic Minocin® minocycline and our anti-cancer agents.

Our mass-marketing promotion for Stresstabs® vitamin formulations brought sales up more than 50% in the United States, and the value of the Lederle name and its guarantee of quality control was apparent in the excellent progress of our line of standard products which are prescribed generically.

MEDICAL ($ in millions)	**1977**	1976	1975	1974	1973
Worldwide sales	**$484**	$426	$400	$351	$309
% Total sales	**20**	20	21	20	21
Operating earnings	**$ 70**	$ 54	$ 46	$ 47	$ 68
% Total operating earnings	**25**	22	17	18	29

Over the past few years, we have placed sharply increasing emphasis on research as our prime growth route in the medical field. Since 1973, Cyanamid's total research budget has nearly doubled, and close to half of the total expenditure is now devoted to the medical business.

There are a number of encouraging signs that this effort will lead to a wave of important commercial successes in the 1980's. This is our goal.

The world market for drugs used in the treatment of cardiovascular disease exceeds $3.5 billion at the factory sales level, and its real growth, exclusive of inflation, is running at about 9% yearly. Most cases of heart disease are caused by atherosclerosis, and one of our new experimental drugs is designed to treat this condition. Last summer, Dr. William Hollander of the Boston University Medical Center conducted studies with monkeys showing that this drug inhibited the growth of fatty deposits in the coronary and other major arteries, while plaque buildup was also retarded in the smaller, peripheral arteries. The drug worked to inhibit these effects of obstructive vascular disease in a unique way. It increased the ratio of high-density lipoproteins in the blood relative to low-density lipoproteins. The former are believed to clear away fatty deposits from the arteries, while the latter cause plaque to form. In addition, the drug significantly retarded the growth of fibrous components of the plaque.

A second series of studies with monkeys, now being evaluated, will determine whether this drug can actually reverse the artery-hardening or plaque-buildup process once it has begun. We are now beginning the first stages of clinical trials.

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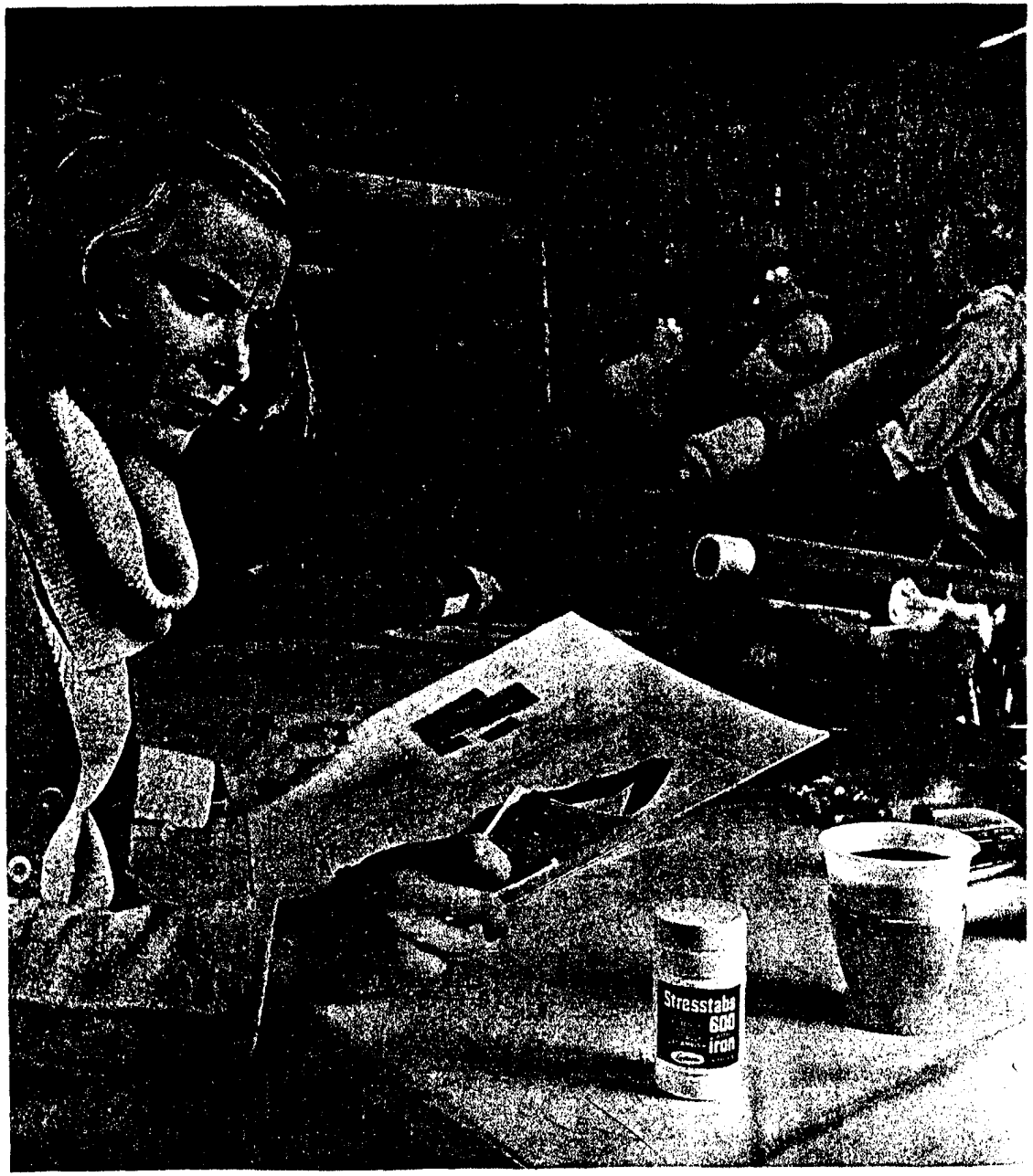

Gram-negative and anaerobic microorganisms, responsible for difficult-to-control hospital infections, bacterial blood infections and other serious conditions, are the target of another experimental drug called piperacillin. We have an option to acquire an exclusive worldwide license, except for Japan, from Toyama Chemical Company, which discovered the compound. This semisynthetic penicillin has shown excellent activity and we have moved ahead with clinical testing in the United States and overseas. The world market for parenteral anti-infectives totals about $1.5 billion, with a growth rate of approximately 12% per year.

We are also working with a prostaglandin derivative which may serve as a bronchodilator for asthmatics. This product is in clinical trials . . Belgium. Other experimental leads include antianxiety agents, analgesics, antiarthritics and anticancer drugs. Several are now about to enter clinical trials.

To keep pace with long-term market growth, our new and expanded pharmaceutical plant near Munich in West Germany and our synthetic drug plant at Gosport, England, became operational during the year.

Many working people, like this dress designer, have jobs which keep them constantly on the run, and as a result they may fail to maintain an adequate daily diet. Lederle's Stresstabs are a highly successful multiple vitamin specifically formulated to help insure a good nutritional balance.

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SPECIALTY CHEMICALS

Sales of specialty chemicals, which now include fibers, rose 7% to a new high, but operating earnings were down about 5%.

This business begins with a number of basic chemical building blocks which serve virtually all industries. Our principal basics are acrylonitrile, aniline, beta naphthol, melamine and sulfuric acid. Cyanamid's niche in specialty products is created by upgrading these basics into chemicals which excel in particular applications for water and air pollution control, paper making and mining, and the automobile, paint, petroleum, plastics, rubber, synthetic elastomer and textile industries.

The world market for organic flocculants, used in the control of water pollution, grew 15% to 20% in sales during 1977. This contributed to an almost 50% increase in our flocculant sales. Cyanamid's other exceptional performers included paper resins, auto exhaust and refinery catalysts, plastics additives, and mining, rubber and industrial process chemicals.

SPECIALTY CHEMICALS ($ in millions)	**1977**	1976	1975	1974	1973
Worldwide sales	**$735**	$686	$586	$610	$498
% Total sales	**31**	33	30	34	34
Operating earnings	**$ 66**	$ 69	$ 42	$ 75	$ 58
% Total operating earnings	**24**	28	16	28	25

Cyanamid's water-treating organic flocculants, used by both municipalities and industry to treat waste water, help to keep water cleaner for all uses.

CY0005614

CY0005615

Our Creslan® acrylic fibers and polyester tire yarn recorded a small sales increase. However, the supply and demand picture for fibers continues to be dominated by worldwide overcapacity, and the return on these products remains unsatisfactory.

With the exception of fibers, we look forward to excellent specialty chemicals earnings growth. The total production of chemicals and related products in our major market — the United States — is expected to increase by about 6½% in 1978, contributing to higher operating rates in our plants and improved profit margins.

Equally important, we have developed leadership positions in a number of fields which augur well for above-average performance. Starting with a small base in the early 1960's, Cyanamid innovated in polyacrylamide and polyamine organic flocculants which now enjoy first place in the U.S. market and are major factors in Europe and Latin America.

We are the world's largest producer of azo red pigments for printing inks, paints and plastics, and the major U.S. supplier of nigrosine black dyes for plastics, paper, inks and leather.

Above left: *Cyanamid products end up in many of today's new cars in the form of better paint finishes, longer-lasting parts, safer tires, more attractive interiors, more visible stoplights, and lower exhaust emissions.*

Far left: *Rainy weather doesn't bother campers whose sleeping bags have nylon covers treated with Cyanamid's Aerotex® 96 water repellent. Aerotex is also used by makers of raincoats and sportswear.*

Left: *Many roller skate wheels today are made from Cyanaprene® thermoplastic urethanes. Skaters enjoy a smoother ride, the wheels have superior abrasion resistance and they wear longer.*

We created the markets for wet-strength paper resins and the cross-linking agents that make possible the newer water-based industrial paints, and are first in the United States in dry-strength paper resins, aerospace adhesives and petroleum reforming catalysts.

Our efforts to maintain our strengths and build new areas of market leadership start in the research laboratory. Today, we have promising leads for new processes to make additional beta naphthol derivatives for dyes and color pigments, more effective water-treatment flocculants, and more efficient petroleum and auto exhaust catalysts. Also in the laboratories are new mining reagents for coal and other non-metallic minerals, and chemicals which may some day enhance tertiary oil recovery.

These efforts continue with the construction of efficient new productive capacity. Late in 1977, we completed a major catalytic acrylamide facility in Linden, New Jersey. During 1978, major plants scheduled to begin operations include acrylamide, aniline, nigrosine dye, sulfuric acid and Tobias acid facilities in the United States, and another catalytic acrylamide unit in Holland.

A number of companies making polypropylene fiber use Cyanamid's Cyasorb® UV 1084 light absorber which gives polypropylene carpeting light and heat stability, and also permits the fiber to be dyed and printed.

CY0005616

CONSUMER PRODUCTS

Sales of our consumer products were up 7% and operating earnings rose 12%.

This business is comprised of our consumer packaged goods — Pine-Sol® liquid cleaner; Shulton's Old Spice® toiletries; Nina Ricci®, Pierre Cardin* and Cardin de Pierre Cardin* fragrances; and Breck® hair-care products.

Pine-Sol strengthened its position as the best selling liquid household cleaner in the United States. As in the previous year, this product achieved three times the overall market growth. Pine-Sol is also a strong entry in Canada and a number of Latin American markets, and the leading liquid cleaner in Brazil. Expansion of Cyanamid's position in the cleaner-disinfectant market is being tested via the introduction of a new, distinctively fragranced product, Lemon-Sol®. Test marketing commenced in November.

*Trademark

CONSUMER PRODUCTS ($ in millions)	1977	1976	1975	1974	1973
Worldwide sales	$321	$301	$266	$241	$226
% Total sales	13	14	14	13	15
Operating earnings	$ 33	$ 30	$ 21	$ 14	$ 24
% Total operating earnings	12	12	8	5	11

Breck® shampoo sales increased in this highly competitive market. To accelerate sales growth, definitive improvements have been made in the formulas. National distribution of this improved shampoo started in September, after being test marketed. Improved Breck® creme rinse formulas were also introduced at the end of the year to meet intense competition from new entries that impacted on sales.

Higher sales were enjoyed by Breck® Lasting Hold® non-aerosol hair spray. In the aerosol segment, Miss Breck® increased its market share as the leading brand, but sales were off due to the decline of the total aerosol market. After test marketing, a non-fluorocarbon aerosol system was introduced nationally in September, well ahead of 1980 federal compliance requirements.

Our Shulton and Jacqueline Cochran products were up significantly in sales, outpacing market growth. Shulton's largest line, Old Spice men's toiletries, continued to gain in market share and strengthened its leadership position in the United States and several major countries overseas.

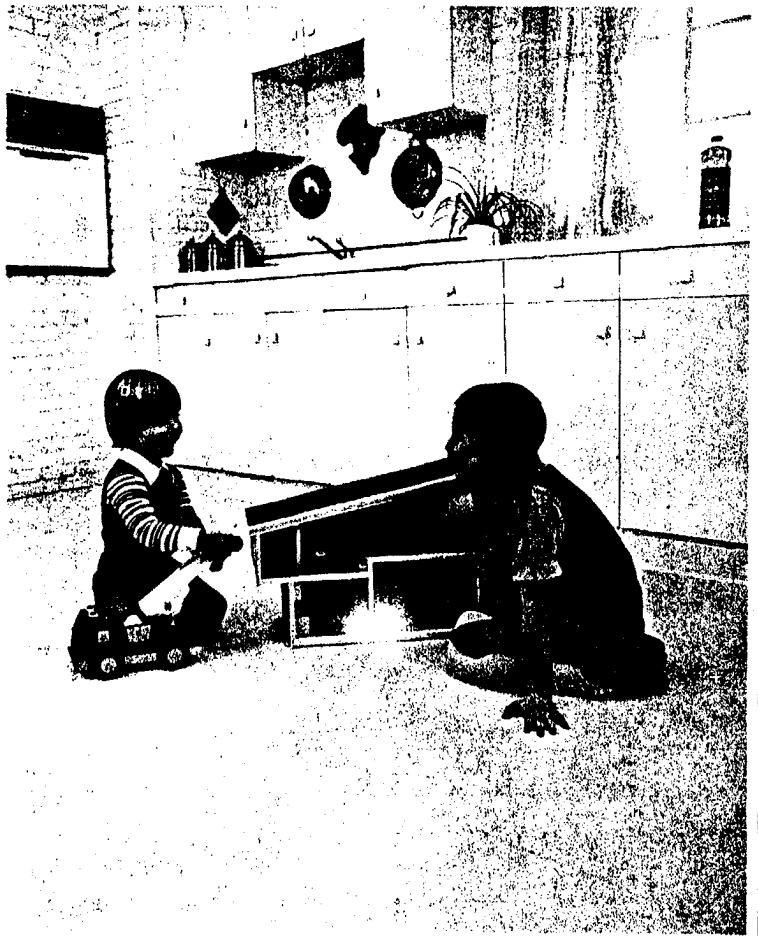
In 1977, L'Air du Temps® by Nina Ricci achieved U.S. market leadership in prestige outlets for French fragrances. In addition, Shulton launched CIE®, a popularly-priced fragrance to meet the lifestyles of today's women, as exemplified by the product's spokeswoman, Candice Bergen. CIE, introduced with one of the largest advertising budgets in fragrance history, was an outstanding success in its initial markets — Los Angeles and New York — and is now being sold throughout the nation.

Fragrances marketed under the Pierre Cardin name also made excellent progress during 1977. Pierre Cardin for men, the number two men's prestige fragrance in the United States, increased its market share substantially. Cardin de Pierre Cardin for women, introduced in 1976, is achieving a good foothold in its market.

CY0005617

Right: *For more beautiful hair, Breck shampoo has been completely reformulated: thicker formulas, richer, more luxurious lather and fresh new fragrances. Creme rinse has also been improved, continuing Breck's tradition of offering the finest in hair care products.*

Below: *Many future homeowners grow up in Pine-Sol homes. The rooms they spend most of their time in – kitchen, bath and nursery – are refreshingly cleaner because Pine-Sol not only cleans but also disinfects and deodorizes. Pine-Sol is the country's number one liquid cleaner.*



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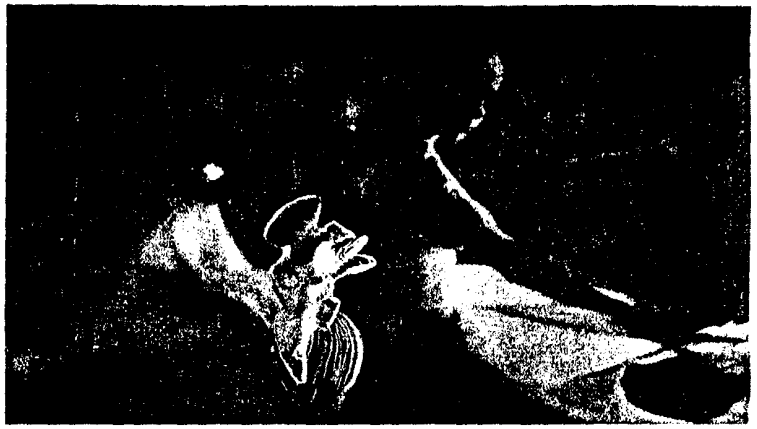
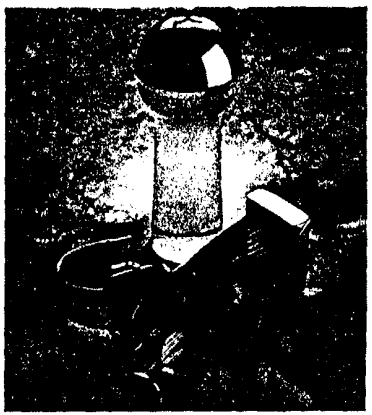




Above left: *In a London drugstore, a demonstrator for Old Spice (right) persuades a young English couple to sample Old Spice after shave lotion. The U.K. is the largest market for Old Spice outside the U.S.*

Left: *Candice Bergen is the spokeswoman for CIE, Shulton's new lifestyle fragrance, successfully introduced in New York and Los Angeles last year. CIE is now being marketed nationally with an advertising budget in excess of $5 million.*

Top right: *L'Air du Temps by Nina Ricci, Paris, one of the largest volume brands in the U.S., continued to gain share of market. It became the top-selling French fragrance in prestige outlets in the U.S. in 1977.*

Above: *Two Pierre Cardin lines showed impressive sales growth in 1977. The Pierre Cardin men's line has become one of the most important designer lines in the prestige market. Cardin de Pierre Cardin, a new prestige women's fragrance, continued last year to show good trade and consumer acceptance and good future potential.*

CY0005619

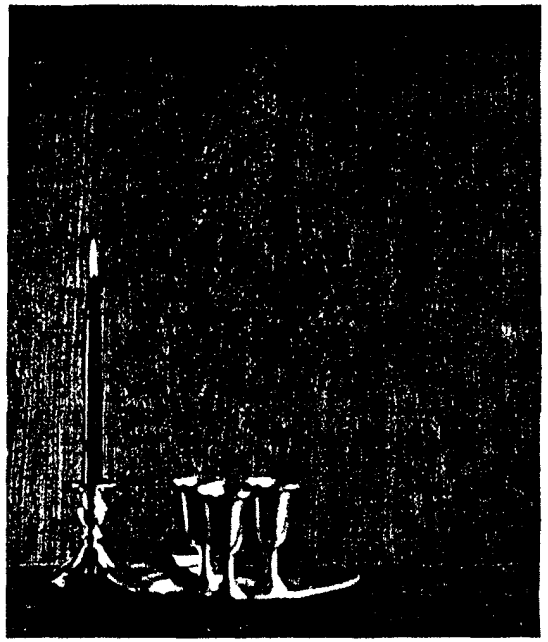
FORMICA PRODUCTS

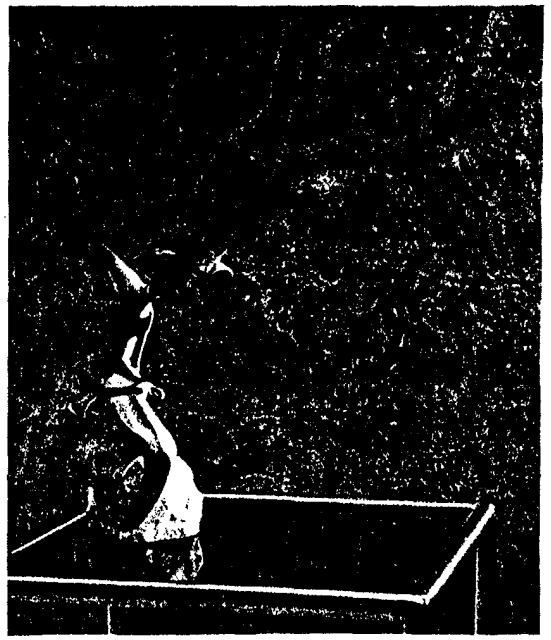
Formica products sales were up 68% and operating earnings were about triple those of 1976.

These products, making up our fifth business, include Formica® brand decorative laminates, melamine component panels and coated wall fabrics.

In the late 1950's, just after Formica laminates became a part of Cyanamid's operations, we expanded their markets from the United States to Latin America and Canada. And, together with Britain's De La Rue Company, we established a firm to serve Europe and the rest of the world. This unit, Formica International Limited, has plants in Australia, England, France, New Zealand, South Africa and Spain, and accounts for a major part of the laminates market in each of these areas. In April, we purchased De La Rue's 60% share, making FIL a wholly-owned Cyanamid subsidiary. We can now manage the business for growth on a worldwide scale.

FORMICA PRODUCTS ($ in millions)	1977	1976	1975	1974	1973
Worldwide sales	$317	$189	$152	$153	$150
% Total sales	13	9	8	9	10
Operating earnings	$ 28	$ 9	$ (5)	$ 3	$ 19
% Total operating earnings	10	4	(2)	1	8





A new international collection of premier woodgrain designs was created last year and is now available in both Formica decorative laminates and melamine component panels. The finest woodgrain reproductions ever done in the industry, they will open new markets for Formica decorative laminates in furniture and architectural applications. Shown are Colonial Cherry (top) and Camphor Burl.

CY0005620

The major components of the total laminate market are construction — residential and non-residential — home remodeling and furniture. The turnaround in the home construction market during 1977, when U.S. housing starts rose by 29% to just below the 2 million mark, combined with further progress in remodeling and furniture, contributed to the sales gain for Formica decorative laminates.

Our experience has shown that the appeal of the Formica brand name, and its reputation for design leadership, quality and durability, carry strong prospects for above-average growth. During 1977, we enhanced these prospects with new high fidelity prints, metallics and textures, and by extending our marketing and distribution programs to better service the do-it-yourself trade.

The expansion of our main U.S. plant for Formica decorative laminates at Evendale, Ohio, will be completed as scheduled by mid-1978, boosting capacity there by more than 40%. And in the rapidly growing Venezuelan market, we are in the process of doubling capacity at our plant in Caracas.

A related product, melamine component panels, was introduced in recent years in the United States and Canada to broaden the use of Formica decorative laminates in vertical surfacing applications. Sales to manufacturers of wall storage systems, kitchen cabinets and furniture moved ahead rapidly in both countries during 1977.

***Left:** Orly Airport in Paris, one of the busiest airports in the world, has more than 18,000 square yards of both horizontal and vertical surfaces of Formica decorative laminates. The white surface shown here is Formica's Blanc Cassé Satiné.*

***Right:** There is a strong and growing market for modular wall systems and other residential furniture applications made of Formica melamine component panels. This decorative wall system is used to display a collection of fine china.*

CY0005622

ANTIBIOTICS LITIGATION

There were several important developments during 1977 in the broad-spectrum antibiotics antitrust litigation in which the company has been engaged. On August 5, 1977, the U. S. Court of Appeals for the Eighth Circuit affirmed the ruling of the U. S. District Court in Minneapolis dismissing the Count II fraud claim of the United States government's complaint for damages in connection with its purchase of antibiotics and its reimbursing and financing of purchases by others. This ruling, from which no further appeal was taken, should substantially reduce the amount of damages claimed by the government. The Court of Appeals also reversed the ruling of the District Court denying the defendants' claim to a jury for a retrial of the case. The original trial, which began in November 1974, ended in a mistrial in August of 1976. The case has been assigned to a new judge and may be set for a new trial beginning in April or May 1978.

Presently pending before the District Court is defendants' motion, based upon the U. S. Supreme Court's "Illinois Brick" decision that in most circumstances only the first purchaser may sue for damages under the antitrust laws, to dismiss the government's claims for damages in connection with reimbursements and financing of purchases by others.

Also pending without a trial date is 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.

On January 10, 1978, the U. S. Supreme Court affirmed the ruling of the Court of Appeals that foreign governments have standing to sue based upon their own purchases; the Court of Appeals previously ruled that foreign governments have no right to sue as "parens patriae" under the U. S. antitrust laws for damages to their citizens, and the Supreme Court previously declined to review that decision. Suits by the governments of Iran, the Philippines, West Germany, India and Colombia are pending. No trial date has been set and the amounts of damages claimed have not been specified.

The company's share of the claims asserted in the nine remaining suits would be approximately $100 million, but the company believes the claims are grossly exaggerated.

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. However, at this point, the company is able to predict with reasonable certainty that the cost to the company of achieving an ultimate final disposition of the remaining antibiotics litigation will be at least $17 million (including expenses already incurred). In 1977 the company made a provision in that amount, which has been charged to earnings of appropriate years prior to 1967, after giving effect to related tax reductions. While the possibility exists that large amounts may eventually be paid, the company believes, on the basis of information and advice presently available, that any additional liability with regard to this litigation will be substantially less than the amounts claimed and will not have a material adverse effect upon the financial position of the company and its subsidiaries. Under present accounting standards, any such additional amounts would be charged against current earnings.

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

CY0005623

FINANCIAL REVIEW

Operating Results — Cyanamid's consolidated sales in 1977 were $2.41 billion, the highest in its history, up 15.2 percent from the previous record of $2.09 billion in 1976. Sales for 1977 included $96 million in revenues of Formica International Limited, which became a 100 percent owned subsidiary during the year. Net earnings of $139.4 million in 1977 were 2.7 percent above 1976. Net earnings per share for 1977 were $2.92 compared to $2.84 in 1976 based on the average number of shares of common stock (excluding treasury shares) outstanding for each year.

Quarterly net sales, gross profit, net earnings and net earnings per share for 1977 and 1976 were as follows:

	Amounts in thousands			
1977 Quarter	Net sales	Gross profit	Net earnings	Net earnings per share
First	$ 564,491	$221,735	$ 31,573	$ .66
Second	600,709	241,362	39,322	.82
Third	604,618	243,143	31,918	.67
Fourth	642,493	259,731	36,587	.77
	$2,412,311	$965,971	$139,400	$2.92
1976 Quarter	Net sales	Gross profit	Net earnings	Net earnings per share
First	$ 518,369	$212,959	$ 40,197	$ .84
Second	539,399	220,613	34,930	.73
Third	498,341	203,708	29,140	.61
Fourth	537,706	215,311	31,499	.66
	$2,093,815	$852,591	$135,766	$2.84

For presentation purposes, gross profit is derived by subtracting manufacturing cost of sales from net sales.

Implementation of Statement of Financial Accounting Standards No. 8 had the cumulative effect of increasing 1976 first quarter net earnings by $3,900 or $.08 per share.

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

	1977			1976		
	Sales price		Dividends	Sales price		Dividends
Quarter	High	Low	paid	High	Low	paid
First	$29¾	$25⅛	$ .37½	$28⅛	$24⅛	$ .37½
Second	28¼	25⅛	.37½	26¾	23½	.37½
Third	27⅜	25	.37½	27⅞	24½	.37½
Fourth	27¾	23	.37½	28	24¾	.37½
			$1.50			$1.50

OPINION OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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, 1977 and 1976 and the related consolidated statements of earnings, earnings employed in the business and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of American Cyanamid Company and subsidiaries at December 31, 1977 and 1976, 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 7, 1978

PEAT, MARWICK, MITCHELL & CO.

CY0005624

American Cyanamid Company and Subsidiaries

CONSOLIDATED STATEMENTS OF EARNINGS

Years Ended December 31, 1977 and 1976

	1977	1976
	(Thousands of dollars except per share amounts)	
NET SALES	**$2,412,311**	$2,093,815
Expenses:		
Manufacturing cost of sales less depreciation and depletion	**1,446,340**	1,241,224
Selling and advertising expenses	**420,031**	386,564
Administrative and general expenses	**118,966**	91,097
Depreciation and depletion	**104,370**	89,270
Research and process development expenses	**96,381**	83,246
	2,186,088	1,891,401
EARNINGS FROM OPERATIONS	**226,223**	202,414
Interest, dividends, royalties and other income, net	**37,403**	38,432
	263,626	240,846
Interest expense	**47,255**	35,414
EARNINGS OF CONSOLIDATED COMPANIES BEFORE TAXES ON INCOME	**216,371**	205,432
Taxes on income (Note 8)	**84,100**	80,900
EARNINGS OF CONSOLIDATED COMPANIES	**132,271**	124,532
Equity in net earnings of associated companies	**7,129**	11,234
NET EARNINGS (Note 1)	**$ 139,400**	$ 135,766
NET EARNINGS PER SHARE OF COMMON STOCK (Note 1)	**$2.92**	$2.84

CONSOLIDATED STATEMENTS OF EARNINGS EMPLOYED IN THE BUSINESS

Years Ended December 31, 1977 and 1976

	1977	1976
	(Thousands of dollars)	
BALANCE AT BEGINNING OF YEAR AS PREVIOUSLY REPORTED	**$857,273**	$792,803
Provision for disposition of litigation (Note 7)	**8,500**	8,500
BALANCE AT BEGINNING OF YEAR AS RESTATED	**848,773**	784,303
Add net earnings	**139,400**	135,766
Deduct dividends of $1.50 per share in 1977 and 1976	**(71,347)**	(71,296)
BALANCE AT END OF YEAR	**$916,826**	$848,773

See accompanying Notes to Consolidated Financial Statements

CY0005625

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Years Ended December 31, 1977 and 1976

	1977	1976
	(Thousands of dollars)	
SOURCES OF WORKING CAPITAL		
Net earnings from operations	**$139,400**	$135,766
Items not requiring the use of funds:		
Depreciation and depletion	**104,370**	89,270
Deferred income taxes	**26,200**	4,600
Equity in undistributed net earnings of associated companies	**(1,031)**	(4,566)
Funds derived from operations	**268,939**	225,070
Issuance of funded debt not due within one year	**71,740**	150,458
Reductions (additions) to investments and advances - net	**41,884**	(17,899)
Increase in other non-current liabilities	**1,363**	1,440
Equity arising from issuance of common stock	**169**	423
All others - net	**410**	419
	384,505	359,911
USES OF WORKING CAPITAL		
Additions to plants, equipment and facilities less transfer to investments in 1976 of $11,963, net	**229,613**	220,746
Cash dividends on stock	**71,347**	71,296
Non-current net assets consolidated, principally plants, equipment and facilities (Note 1)	**24,962**	—
Reduction in funded debt not due within one year	**53,457**	14,785
Increase in prepaid expenses and deferred charges	**6,188**	1,164
	385,567	307,991
(DECREASE) INCREASE IN WORKING CAPITAL	**$ (1,062)**	$ 51,920
(DECREASES) INCREASES IN THE COMPONENTS OF WORKING CAPITAL		
Cash, marketable securities and time deposits	**$(38,218)**	$ (5,202)
Accounts receivable	**60,972**	72,408
Inventories	**66,949**	58,357
Accounts payable and accrued expenses	**(74,124)**	(26,602)
Short-term borrowings	**(25,530)**	(16,615)
Funded debt installments due within one year	**(1,439)**	(11,163)
Income taxes	**10,328**	(19,263)
(DECREASE) INCREASE IN WORKING CAPITAL	**$ (1,062)**	$ 51,920

See accompanying Notes to Consolidated Financial Statements

CY0005626

American Cyanamid Company and Subsidiaries

CONSOLIDATED BALANCE SHEETS

December 31, 1977 and 1976

	1977	1976
	(Thousands of dollars)	
ASSETS		
CURRENT ASSETS		
Cash	**$ 52,685**	$ 56,043
Marketable securities and time deposits, at cost (approximates market)	**58,013**	92,873
Accounts receivable, less allowance for doubtful accounts of $10,810 ($10,991 in 1976)	**462,537**	401,565
Inventories (Note 3)	**439,477**	372,528
TOTAL CURRENT ASSETS	**1,012,712**	923,009
INVESTMENTS AND ADVANCES		
Equity in net assets of and advances to associated companies	**54,246**	72,623
Other investments and advances	**22,581**	45,057
TOTAL INVESTMENTS AND ADVANCES	**76,827**	117,680
PLANTS, EQUIPMENT AND FACILITIES, at cost (Note 4)	**1,908,236**	1,676,434
Less accumulated depreciation and depletion	**826,328**	759,726
NET PLANT INVESTMENT	**1,081,908**	916,708
INTANGIBLES RESULTING FROM BUSINESS ACQUISITIONS	**16,888**	17,298
PREPAID EXPENSES AND DEFERRED CHARGES	**33,916**	27,728
	$2,222,251	$2,002,423

CY0005627

LIABILITIES AND STOCKHOLDERS' EQUITY	1977	1976
	(Thousands of dollars)	
CURRENT LIABILITIES		
Accounts payable and accrued expenses	**$ 384,800**	$ 310,676
Short-term borrowings, including commercial paper of $9,968 in 1977 (Note 9)	**73,741**	48,211
Funded debt installments due within one year	**16,301**	14,862
Income taxes	**33,408**	43,736
TOTAL CURRENT LIABILITIES	**508,250**	417,485
FUNDED DEBT NOT DUE WITHIN ONE YEAR (Note 5)	**442,420**	417,849
DEFERRED INCOME TAXES	**70,800**	44,600
OTHER NON-CURRENT LIABILITIES (Note 9)	**31,890**	21,820
STOCKHOLDERS' EQUITY (Notes 5 and 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	**38,898**	38,891
Earnings employed in the business	**916,826**	848,773
	1,200,251	1,132,191
Less cost of 1,133,744 shares of common stock held in treasury (1,141,050 shares in 1976)	**31,360**	31,522
TOTAL STOCKHOLDERS' EQUITY	**1,168,891**	1,100,669
	$2,222,251	$2,002,423

CONTINGENT LIABILITIES AND COMMITMENTS (Notes 5 and 7)

See accompanying Notes to Consolidated Financial Statements

CY0005628

American Cyanamid Company and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF 1977 and 1976

(Thousands of dollars)

CY0005629

1. Summary of Accounting Policies

Consolidation — The consolidated financial statements include the accounts of American Cyanamid Company and all subsidiaries, except real estate subsidiaries whose operations were discontinued in 1974. All significant intercompany transactions and balances have been eliminated. 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 $23,640 at December 31, 1977 ($36,162 at December 31, 1976). Dividends of $6,098 were received from these companies in 1977 ($6,668 in 1976). At December 31, 1977, principal associated companies are comprised of the following (% owned):

Arizona Chemical Company (50%)
B. Braun-Dexon G.m.b.H. (50%)
Cyanamid-Ketjen Katalysator B.V. (50%)
Cyanenka S.A. (40%)
CY/RO Industries (50%)
Lederle (Japan) Ltd. (50%)
Mitsui Cyanamid, Ltd. (50%)
Sherkat Sahami Cyanamid-KBC (50%)
Societe des Sutures Chirurgicales Robert & Carriere-Lederle (50%)
TDF Tiofine B.V. (50%)

Formica International Limited (FIL) became a wholly owned subsidiary in April, 1977, after the remaining 60% interest was acquired for $13,800. The company's total investment in FIL approximates the fair value of the net assets of the subsidiary. This acquisition was accounted for as a purchase and accordingly the 1977 consolidated earnings statement includes eight months of FIL sales aggregating $96,000. Net earnings for that period were negligible. Prior to April, 1977, the consolidated earnings statements included only the equity in net earnings of FIL as a 40% owned associated company. Had FIL been acquired as of the beginning of 1976, there would not have been any material effect on the company's reported consolidated net earnings for 1977 and 1976.

Currency translation — Foreign currency financial statements and transactions are translated into U.S. dollars in accordance with Statement of Financial Accounting Standards No. 8. Implementation of the Statement in 1976 had the effect of increasing net earnings by $5,100 or $.11 per share, including $3,900 or $.08 per share recorded as of January 1, 1976 applicable to prior years which have not been restated since the effect is not material. The major reason for the increase was the adoption of the prescribed translation method for inventories denominated in foreign currencies. Exchange adjustments before tax effect ($25,400 loss in 1977, $15,700 loss in 1976) 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 7.1% in 1977, and 6.9% in 1976 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 plant, 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.

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.

Taxes on Income — The provision for Federal taxes on income is reduced by the investment tax credit using the flow-through method. Deferred income taxes are provided to recognize the effect of timing differences between financial statement and income tax accounting, principally differences in depreciation methods and rates.

Earnings per share — Earnings per share of common stock is based on the average number of shares outstanding during the year, 47,768,905 in 1977 (47,758,957 in 1976). The stock options described in Note 6 do not result in a material dilution of earnings per share.

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

	1977	1976
Net current assets	$189,300	$191,800
Net other assets (principally plants, equipment and facilities)	289,500	217,800
Net earnings of foreign subsidiaries	62,900	55,600
Equity in undistributed earnings of foreign subsidiaries	267,700	226,600

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, 1977, the company has no present intention of remitting undistributed earnings of subsidiaries and associated companies aggregating $306,400 ($261,200 in 1976).

3. Inventories — At December 31, 1977 estimated current cost exceeded LIFO value of the inventories by approximately $85,000 (1976 — $73,000). 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:

	1977	1976
Land, *including mining land*	$ 52,001	$ 46,155
Buildings	343,296	293,520
Machinery and equipment	1,337,774	1,152,402
Construction in progress	175,165	184,357
	$1,908,236	$1,676,434

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

	1977	1976
Sinking fund debentures		
5¾% due 1980	$ 5,000	$ 7,500
7⅜% due 2001	100,000	100,000
8⅜% due 2006	99,540	99,518
Promissory notes, 3¾% due 1979 to 1987	66,000	70,500
Swiss franc debentures, 5½% due 1987 (see below)	—	41,000
Commercial paper (see below)	51,826	—
Pollution control bonds		
6.8% due 2000	21,000	21,000
6.5% due 2006	22,400	22,400
5½% to 6½% due at various dates through 2006	32,307	32,304
Sundry obligations	44,347	23,627
	$442,420	$417,849

On December 28, 1977, the company entered into an agreement with a third party to assume the principal, interest, and prepayment obligations of the Swiss franc debentures due in 1987 at a cost of $52,547 which was financed by issuance of commercial paper. The company is contingently liable until the third party discharges the assumed obligation in April 1978. The company also entered into a loan agreement with a commercial bank to borrow $52,500 for up to eighteen months. The company retired the commercial paper in January 1978. Interest on the loan is payable quarterly commencing May 1, 1978 at rates ranging from 6⅞% to 112% of prime and with repayment permitted without a penalty. The loan agreement requires the company to maintain a minimum consolidated stockholders' equity of one billion dollars.

Annual maturities of funded debt and sinking fund requirements for the four years subsequent to December 31, 1978, are as follows: 1979 — $80,900; 1980 — $13,500; 1981 — $14,400; and 1982 — $15,100.

The 3¾% promissory notes due 1979 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, 1977, which may be applied to the payment of such cash dividends, is limited to $329,000.

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 plans 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. 3,800,000 shares were reserved for stock options under the plans. 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 1977 and 1976 follow:

	Number of shares	Option price Per share	Option price Total	Market value Per share	Market value Total
Options granted:				(at date of grant)	
1977	273,079	$27.75	$ 7,578	$27.75	$ 7,578
1976	255,071	24.75	6,313	24.75	6,313
Options which became exercisable:				(at dates exercisable)	
1977	183,840	$24.00-27.50	$ 4,648	$26.82-27.62	$ 5,016
1976	155,887	24.00-28.50	4,124	24.56-24.75	3,847
Options exercised:				(at dates exercised)	
1977	7,181	$24.00-27.50	$ 173	$25.31-29.12	$ 195
1976	14,515	24.00-27.50	348	24.56-27.31	386
Options outstanding:				(at dates of grant)	
Dec. 31, 1977	1,334,746	$24.00-37.25	$37,919	$24.00-37.25	$37,919
Dec. 31, 1976	1,165,609	24.00-37.25	33,354	24.00-37.25	33,354

At December 31, 1977, options to purchase 855,803 shares (734,468 shares at December 31, 1976) were exercisable and 2,257,372 shares (133,690 shares at December 31, 1976) were available for option.

Upon exercise of options, the difference between the proceeds and the par value of shares issued or cost of treasury stock, $7 in 1977 and $(51) in 1976, is recorded in additional paid-in capital.

Additional Paid-in Capital changes during 1977 and 1976 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 1977, 2,301 shares were acquired (none in 1976). In 1977, 5,848 shares were issued pursuant to the above stock options (14,515 in 1976) and 3,759 shares were issued to retired participants under the incentive compensation plan (2,561 in 1976).

7. Contingent Liabilities and Commitments — Rental expense under property and equipment leases in 1977 was $29,826 ($27,571 in 1976). Estimated future minimum rental expenses under property and equipment leases that have initial or remaining noncancellable lease terms in excess of one year as of December 31, 1977 are: 1978 — $11,700; 1979 — $7,200; 1980 — $4,300; 1981 — $2,800; 1982 — $1,800; later years — $7,200, all in the aggregate. The company accounts for leases as operating leases, which in all material respects complies with Statement of Financial Accounting Standards No. 13.

CY0005630

The present status of significant litigation is disclosed in the section entitled "Antibiotics Litigation" elsewhere in this report. In connection therewith a provision in the amount of $8,500 (after taxes of $8,500) was made against earnings employed in the business, as such amounts relate to years prior to 1967. This provision includes costs incurred as well as estimated additional costs of disposing of these matters. Statement of Financial Accounting Standards No.16 requires that any additional costs be charged against current earnings rather than against earnings employed in the business.

8. Taxes on Income — The components of the provision are:

	1977	1976
Current:		
Federal	$ 8,500	$29,100
Foreign	44,800	42,100
Other	4,600	5,100
	57,900	76,300
Deferred:		
Federal	18,300	3,100
Foreign and other	7,900	1,500
	26,200	4,600
Total taxes on income	$84,100	$80,900

The principal components of the 1977 deferred tax provision are the excess of tax over book depreciation ($11,200) and the realization for tax purposes of deductions resulting from foreign currency fluctuations ($7,200).

The explanation of the difference between the company's effective tax rate and the U.S. Federal income tax rate of 48% is as follows:

	1977		1976	
	Amount	% of pretax income	Amount	% of pretax income
Computed expected tax expense	$103,800	48.0%	$98,600	48.0%
Investment tax credit on assets purchased during the year	(15,200)	(7.0)	(14,000)	(6.8)
Other	(4,500)	(2.1)	(3,700)	(1.8)
Total	$84,100	38.9%	$80,900	39.4%

9. Other financial statement information is as follows: Details of short-term borrowings at December 31, 1977 and 1976 are as follows:

	1977			1976
	Domestic	Foreign	Total	Foreign
Average borrowings during the year	$ 5,600	$49,100	$54,700	$42,200
Weighted average interest rate during the year	7%	17%	16%	13%
Highest level of borrowings at any month-end during the year	$25,000	$59,400	$84,400	$56,000
Weighted average interest rate at December 31	7%	18%	16%	13%
Balance, December 31	$19,968	$53,773	$73,741	$48,211

At December 31, 1977 the company had $85,000 of domestic short-term lines of credit that were available for general corporate purposes.

Other non-current liabilities at December 31, 1977 include incentive compensation to officers and other employees of $11,083 ($10,826 at December 31, 1976). 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 1977, 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 1977 were $113,432 ($98,907 in 1976). Social security taxes for 1977 were $42,038 ($33,882 in 1976). Taxes other than income taxes for 1977 were $26,900 ($26,035 in 1976). Advertising in 1977 was $138,882 ($134,495 in 1976).

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 $27,750 for 1977 and $26,170 for 1976. 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 $15,000.

10. Quarterly Results (Unaudited) — Net sales, gross profit, net earnings and net earnings per share data for the quarters of 1977 and 1976, which are unaudited, are included in the "Financial Review" section.

11. Supplemental Information on Replacement Cost (Unaudited) — The company's annual report on Form 10-K contains specific information with respect to year-end 1977 and 1976 replacement cost of inventories and productive capacity and the approximate effect which replacement cost would have had on the computation of cost of sales and depreciation and depletion expense for the years. Since the company's investment in plants, equipment and facilities is substantial and was made over an extended number of years, the cost to replace these assets (and the related depreciation expense) is significantly higher than the historical cost. Because inventories are of a current nature and because substantially all inventories in the U.S. are recorded on the LIFO basis of accounting, cost of sales on a replacement cost basis approximates the amount in the statements of earnings while the replacement cost of year-end inventories is greater than the amount in the balance sheets.

The amounts reported in the Form 10-K as replacement cost data are based primarily on indices and are not necessarily indicative of either the value which could be received for such assets or management's intention to replace such assets. Similarly, the use of indices results in costs which are not necessarily representative of those which might be incurred in any future period. The data presented in the Form 10-K pertains only to selected balance sheet items and not to monetary or other non-monetary assets or liabilities. It is management's view that the replacement cost data presented in the Form 10-K cannot be used to assess the total effect of inflation on reported results of operations.

CY0005631

12. Information about Operations by Businesses and Geographic Areas in accordance with the provisions of Statement of Financial Accounting Standards No. 14 for the year ended December 31, 1977 is summarized below:

Businesses:	Agriculture	Medical	Specialty Chemicals	Consumer Products	Formica	Adjustments and Eliminations	Consolidated
Net sales to unaffiliated customers	$555,068	$484,044	$735,322	$320,732	$317,145		$2,412,311
Intersegment sales		27,841	58,944	630		$ (87,415)	
Total net sales	$555,068	$511,885	$794,266	$321,362	$317,145	$ (87,415)	$2,412,311
Operating earnings	$ 79,067	$ 70,242	$ 65,890	$ 33,513	$ 27,595		$ 276,307
General corporate expenses							(26,777)
Interest (expense) income, net							(33,159)
Earnings of consolidated companies before taxes on income							$ 216,371
Equity in net earnings of associated companies	$ 437	$ 3,254	$ 4,524		$ (1,086)		$ 7,129
Identifiable assets at December 31, 1977	$422,294	$324,373	$627,612	$124,560	$266,913		$1,765,752
Equity in net assets of and advances to associated companies	$ 1,994	$ 12,036	$ 40,216				54,246
Corporate assets							402,253
Total assets at December 31, 1977							$2,222,251

The company is engaged primarily in the manufacture and sale of a highly diversified line of agriculture, consumer, Formica, medical and specialty chemicals products.

Total net sales by business include both net sales to unaffiliated customers, as reported in the Consolidated Statement of Earnings, and intersegment sales which are made at cost.

Operating earnings consist of total net sales less operating expenses. In computing operating earnings, none of the following items has been added or deducted: general corporate expenses, interest expense, interest income, equity in net earnings of associated companies, and income taxes.

Identifiable assets are those assets that are used in the company's operations in each business or geographic area. Corporate assets are primarily cash, marketable securities and construction-in-progress. Depreciation and depletion by business is as follows: Agriculture — $12,961; Medical — $14,847; Specialty Chemicals — $57,593; Consumer Products — $3,452; Formica — $11,367 and Corporate — $4,150. Capital additions by business are as follows: Agriculture — $39,892; Medical — $29,026; Specialty Chemicals — $121,933; Consumer Products — $6,442; Formica — $26,530 and Corporate — $11,628.

Intergeographic sales are made at prices which provide reasonable and appropriate returns based upon the respective properties employed and the businesses conducted, and applicable eliminations have been applied to the intergeographic transactions.

Geographic areas:	United States	Other Western Hemisphere	Eastern Hemisphere	Adjustments and Eliminations	Consolidated
Net sales to unaffiliated customers	$1,612,832	$333,942	$465,537		$2,412,311
Intergeographic sales	93,464	27,345	7,501	$(128,310)	
Total net sales	$1,706,296	$361,287	$473,038	$(128,310)	$2,412,311
Operating earnings	$ 155,917	$ 44,892	$ 75,498		$ 276,307
General corporate expenses					(26,777)
Interest (expense) income, net					(33,159)
Earnings of consolidated companies before taxes on income					$ 216,371
Equity in net earnings of associated companies	$ 4,078	$ 437	$ 2,614		$ 7,129
Identifiable assets at December 31, 1977	$1,247,454	$188,728	$329,570		$1,765,752
Equity in net assets of and advances to associated companies	$ 19,321	$ 1,994	$ 32,931		54,246
Corporate assets					402,253
Total assets at December 31, 1977					$2,222,251

CY0005632

American Cyanamid Company and Subsidiaries

DISCUSSION AND ANALYSIS OF THE SUMMARY OF EARNINGS

CY0005633

Net Sales of $2.41 billion for 1977 were 15.2% higher than the $2.09 billion in 1976 as compared to an 8.6% increase in 1976 over 1975. Sales gains were achieved in each of the five businesses. Medical sales increased at a faster pace in 1977, 14% as compared to 7% in 1976. Agricultural sales increased 13% in 1977 as compared to a sales decline of 6% in 1976. Sales of specialty chemicals, which now include fibers, increased 7% as compared with a 17% increase in 1976. Consumer products sales, which include household cleaning products, hair care products, toiletries and fragrances, increased 7% in 1977 compared to 13% in 1976. Formica products sales were up 68% in 1977. The sharp rise in Formica sales reflects the purchase in April 1977 of full ownership of Formica International Limited (FIL). Exclusive of FIL, Formica sales would have been up 17% in 1977 as compared to 24% in 1976.

Manufacturing Cost of Sales reflects added volume (including in 1977 FIL manufacturing cost of sales) and the continuing higher raw material, payroll and maintenance costs as the primary reasons for the 17% increase in 1977 and 14% increase in 1976. The 1976 increase also reflected the inclusion of foreign exchange fluctuations, pursuant to Statement of Financial Accounting Standards No. 8 (See Note 1 to the Consolidated Financial Statements).

Depreciation and Depletion increased 17% in 1977 as compared to 14% in 1976. Exclusive of the acquisition of FIL the increases in both years were the result of the continued capital investments needed to provide necessary capacity, improve efficiency of production units and modernize or replace older facilities.

Selling, Administrative and Research Expenses increased by 13% in 1977 as compared with a 7% increase in 1976. Much of these increases resulted from higher payroll costs and the inclusion of FIL expenses since April 1977. Advertising and sales promotion expenses continued at increased levels in the consumer business in a continuing effort to improve and strengthen our consumer market positions. Administrative expenses were higher in 1977 also because of higher foreign exchange losses. Such expenses were lower in 1976 than in 1975 primarily because starting in 1976, pursuant to Statement of Financial Accounting Standards No. 8, portions of foreign exchange fluctuations were included in manufacturing cost of sales rather than in administrative expenses. Research expenditures increased 16% to $96 million in 1977 following a 15% gain in 1976, reflecting our continued effort to insure the flow of new products and processes.

Interest Expense increased by 34% in 1977 as compared with a 59% increase in 1976, reflecting increased indebtedness and a higher overall interest rate on foreign indebtedness.

Equity in Net Earnings of Associated Companies decreased 37% to $7.1 million in 1977 as compared to $11.2 million in 1976. This decrease in equity earnings principally was due to FIL becoming a consolidated subsidiary in April 1977 whereas formerly it was an associated company, and to decreased earnings of various associated companies. The increase in 1976 resulted primarily from earnings advances in certain of the associated companies.

FIVE-YEAR SUMMARY

(Amounts in millions except earnings and dividends per share)	**1977**	1976	1975	1974	1973
Earnings					
Net sales	**$2,412**	$2,094	$1,928	$1,780	$1,472
Manufacturing cost of sales less depreciation and depletion	**1,446**	1,241	1,089	1,003	802
Depreciation and depletion	**104**	89	78	72	69
Selling, administrative and research expenses	**635**	561	526	474	402
Interest expense	**47**	35	22	18	16
Taxes on income	**84**	81	101	104	93
Earnings of consolidated companies	**132**	125	143	129	116
Equity in net earnings of associated companies	**7**	11	5	17	9
Earnings from continuing operations	**139**	136	148	146	125
Discontinued operations, less applicable income taxes	**—**	—	—	9	(11)
Net earnings	**139**	136	148	155	114
Per share of common stock					
Earnings from continuing operations	**2.92**	2.84	3.09	3.07	2.59
Net earnings	**2.92**	2.84	3.09	3.24	2.37
Dividends	**1.50**	1.50	1.50	1.45	1.32½
Average number of shares of common stock outstanding (used in calculating earnings per share)	**47.8**	47.8	47.7	47.7	48.1
Other Data					
Additions to plants, equipment and facilities	**235**	232	204	139	83
Current assets	**1,013**	923	797	802	669
Current liabilities	**508**	417	344	343	281
Working capital	**505**	506	453	459	388
Plants, equipment and facilities — at cost	**1,908**	1,676	1,488	1,311	1,199
Net depreciated cost	**1,082**	917	785	659	593
Funded debt not due within one year	**442**	418	282	244	238
Stockholders' equity:					
Common stock	**244**	244	244	244	244
Additional paid-in capital	**39**	39	39	39	39
Earnings employed in the business	**917**	849	784	708	622
Deduct treasury stock	**(31)**	(31)	(32)	(32)	(32)
Total equity	**1,169**	1,101	1,035	959	873

See Note 1 to the Consolidated Financial Statements regarding the effect on 1976 earnings of implementation of Statement of Financial Accounting Standards No. 8.
The above data has been adjusted to reflect the provisions for litigation as described in the Notes to Consolidated Financial Statements.

CY0005634

ORGANIZATION UNITS

Operations

AGRICULTURAL DIVISION
Joseph J. Garbarino, *President*
Animal feed, health and veterinary products, insecticides, fungicides and herbicides.

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 AMERICAS/FAR EAST
John H. Schriever, *President*
Manufactures, imports and markets Cyanamid's products, except for Consumer and Shulton products, and fertilizers, fibers and catalysts, through subsidiaries and distributors in Canada, Latin America, Asia and the Pacific.

CYANAMID EUROPE/MIDEAST/AFRICA
Ben H. Loper, *President*
Manufactures, imports and markets Cyanamid's products, except for Consumer and Shulton products, and fertilizers, fibers and catalysts, through subsidiaries and distributors in Europe, Africa and the Middle East.

FIBERS DIVISION
Philip G. Connell, Jr., *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 residential and commercial construction; adhesives; Sanitas® and Wallclad® coated wall fabrics from Standard Coated Products.

INDUSTRIAL CHEMICALS DIVISION
Fredric E. Detoro, *President*
Industrial products for papermaking and mining; flocculants and related chemicals for industrial and municipal water and waste treatment and oil field chemicals. Chemical products for the chemical process industry; surfactants, acrylamide, acrylonitrile, melamine, and specialty monomers. Resins for coating and high performance bonding agents and adhesives. Catalysts for oil refineries and auto exhausts. General products consisting of thermosetting molding compounds as well as adhesive systems and aluminum core for aircraft applications.

LEDERLE LABORATORIES DIVISION
Robert P. Luciano, *President*
Antibiotics, steroids, vitamins, hematinics and other pharmaceuticals; vaccines; Davis & Geck surgical sutures and hospital products; fine chemicals and bulk pharmaceuticals.

ORGANIC CHEMICALS DIVISION
Gerard A. Forlenza, *President*
Dyes, elastomers, intermediates, plastics additives, rubber chemicals, textile chemicals, textile resins, Cyalume® chemical light, inorganic and organic pigment colors, Unitane® titanium dioxide; and industrial safety equipment from Glendale Optical Co., Inc.

PLANT FOOD DIVISION
T. Dean Smith, *President*
Produces in the U.S. and Canada, and markets worldwide, phosphate rock, upgraded phosphates, anhydrous ammonia and upgraded nitrogen products. In Canada, markets a full line of blended fertilizers through a network of Farm Service Centers.

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

*Trademark

Services

Chemical Research Division
Jason M. Salsbury, *Director*

Controller's Division
Robert D. Reisman, *Controller*

Corporate Development and Planning Division
Kent L. Aldershof, *Director*

Engineering and Construction Division
George P. Ferrigni, *Director*

Federal Government Relations
Don A. Goodall, *Director*

Investor Relations
Wallace G. Taylor, *Director*

Law Division
James I. Wyer, *Director*

Materials Planning and Procurement Division
Theodore E. Hazell, *Director*

Personnel Division
Clair L. Brandrup, *Director*

Public Affairs Division
Joseph C. Calitri, *Director*

Tax Division
Alan M. Breitman, *Director*

Transportation and Distribution Division
Arthur C. Fennimore, *Director*

Treasury Division
Richard L. Martino, *Treasurer*

CY0005635

Board of Directors

James G. Affleck	*Chairman of the Board, President and Chief Executive Officer American Cyanamid Company*
James B. Fisk	*Retired Chairman of the Board Bell Telephone Laboratories, Incorporated*
Thomas P. Forbath	*Senior Vice President American Cyanamid Company*
L. Emery Katzenbach	*Chairman of White Weld Holdings, Inc. International investment bankers*
William A. Liffers	*Vice Chairman American Cyanamid Company*
Paul W. MacAvoy	*Professor of Economics Yale University*
Ian K. MacGregor	*Honorary Chairman of the Board and Chairman of the Finance Committee AMAX Inc. Mining, processing and fabricating of metals and minerals*
Borden R. Putnam	*Senior Vice President American Cyanamid Company*
George L. Schultz	*Private investments*
George J. Sella, Jr.	*Vice Chairman American Cyanamid Company*
Clifford D. Siverd	*Retired Chairman of the Board and Chief Executive Officer American Cyanamid Company*
Nolan B. Sommer	*Senior Vice President American Cyanamid Company*
William L. Wearly	*Chairman of the Board and Chief Executive Officer Ingersoll-Rand Company Diversified manufacturer of machinery and equipment*

Officers

James G. Affleck	*Chairman of the Board, President and Chief Executive Officer*
William A. Liffers	*Vice Chairman*
George J. Sella, Jr.	*Vice Chairman*
J. Clifford Blauvelt	*Senior Vice President*
Thomas P. Forbath	*Senior Vice President*
Borden R. Putnam	*Senior Vice President*
Nolan B. Sommer	*Senior Vice President*
Charles E. Austin	*Group Vice President*
George P. Bywater	*Group Vice President*
Edmund G. Vimond, Jr.	*Group Vice President*
James I. Wyer	*Vice President, Secretary and General Counsel*
Richard L. Martino	*Treasurer*
Robert D. Reisman	*Controller*

Office of the Chairman

James G. Affleck *Chairman*
William A. Liffers
George J. Sella, Jr.

Finance Committee

Clifford D. Siverd *Chairman*
James G. Affleck
James B. Fisk
Thomas P. Forbath
L. Emery Katzenbach
Ian K. MacGregor
George L. Schultz
George J. Sella, Jr.
William L. Wearly

Audit Committee

Ian K. MacGregor *Chairman*
James B. Fisk
L. Emery Katzenbach
William L. Wearly

Compensation Committee

L. Emery Katzenbach *Chairman*
James B. Fisk
Ian K. MacGregor
Clifford D. Siverd
William L. Wearly

Nominating Committee

William L. Wearly *Chairman*
Ian K. MacGregor
George L. Schultz
James G. Affleck *ex officio*

Transfer Agent and Registrar

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

Stock Exchanges

Cyanamid's common stock is listed on the New York Stock Exchange as well as on stock exchanges in Amsterdam, Basle, Frankfurt, Geneva, Lausanne and Zurich.

Form 10-K available to stockholders

A copy of the company's 1977 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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