Report of the Board of Directors of American Cyanamid Company, Wayne, New Jersey 07470, for the Year Ended December 31, 1980

Contents

Annual meeting of stockholders

The 1981 annual meeting of stockholders of American Cyanamid Company will be held at 11 a.m. on Monday, April 20, in the Phoenix Room of the Canal National Bank Building, 1 Canal Plaza, Portland, Maine.

Form 10-K available to stockholders

A copy of the company's 1980 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 Director of Investor Relations of the company.

Innovation

AVOCIN* . . . ASENDIN® . . .
CENTRUM® . . . PIPRIL* . . . AMDRO* . .
COUNTER® . . . PAY-OFF* . . .
PROWL® . . . BLUE STRATOS®. . .
LADY'S CHOICE* . . . BOWL GARD* . . .
CYANATROL® . . . CYCOM® . . .

*Trademark

The brand names above are in the lexicon of Cyanamid's innovations, the new products that will help increase the company's growth in the '80s. There are others, such as cetaben and mitoxantrone, that are still in clinical research, but which could be even more important.

Innovation is a key word at Cyanamid as we direct our course more and more toward high technology in the belief that those parts of our business based on creative research have the highest promise for the future. The company's reliance upon commodity products is diminishing and, indeed, the report that follows cites our effort to withdraw from several lines where growth is limited.

Much has been said and written with respect to high technology in American business. In many instances there are more words than deeds; many U.S. corporations are reducing their research and development activities, giving more emphasis to short-range "portfolio management" in their efforts to survive the debilitating effects of inflation.

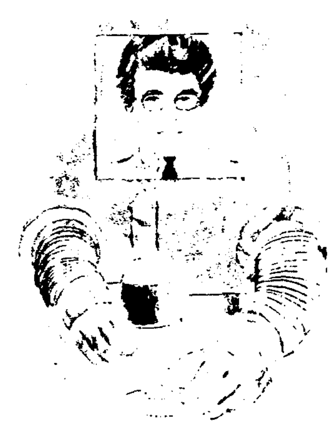
The lack of an environment that fosters research is a national problem in the United States as other nations take over leadership in industries that were once the preserve of American ingenuity. We have seen in recent times evidence that the U.S. government is concerned and that Congress is considering steps which may prove helpful to U.S. industry. The nation is moving in the right direction, and we are hopeful that the new administration may speed up the process.

Increased support for supply-side economics indicates there is some recognition of the legitimate needs of business for increased profits. Without the prospect of acceptable returns on investment, business cannot take the risks inherent in long-term research.

A major concern is with the obstacles to growth and investment. We are concerned, for example, with the philosophy that demands there be zero risk to human health and the environment from industrial activity. This has resulted in the diversion of significant technological resources from developmental research to meeting the requirements of high-cost, nonproductive regulations.

It is an unfortunate paradox that in our own company those businesses that offer the greatest benefit to mankind are those that are the most regulated and thus the most inhibited by government.

A prime example is in the development and testing of major new pharmaceutical products. The cost and time necessary to put new products on the market in the United States have increased significantly in the past decade, mostly because of our



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"... we are convinced that inventiveness is essential to long-term growth and have continued to invest heavily in research and development."

greater involvement with governmental bureaucracy. Our experience has shown that it now takes more than $50 million and 10 years to put a new medical product on the market in the United States.

The problem is compounded by the fact that we must assume that at least half the patent life of our successful products will have expired before we make the first sales. As a high-technology company, we endorse a proposal to remove some of this disincentive by restoring to the life of patents the time required to meet governmental review and regulation. We believe the government must not only recognize but act to revive the spirit of inventiveness that helped build our modern society. Despite the obstacles, we are convinced that inventiveness is essential to long-term growth and have continued to invest heavily in research and development.

In the past five years, we have become a leader in the development and manufacture of automobile exhaust catalysts, aerospace composite and adhesive systems, water treating and purification chemicals, and currently-needed enhanced

oil recovery chemicals.

Our position as a leading developer and manufacturer of animal feed and health products has been strengthened by the addition of new growth promoters. New products also have strengthened our pesticides operations in both the insecticide and herbicide markets.

Cyanamid was one of the first of the major companies in our industry to diversify into the consumer packaged goods business. In the past few years, we have developed several leadership positions for our personal care, toiletries, fragrances and household products. Research will play a major role in the growth of this business in the '80s.

Our medical business affords us our biggest opportunity. The medical section of this report reviews the status of several major new products that are now in clinical research. We have completed clinical research on Avocin* piperacillin, which is a licensed product, and it is now undergoing FDA review in the United States. It was introduced in West Germany in 1980 under the trademark Pipril*. During 1981, we should be able to confirm the clinical efficacy of most of the other compounds.

This report shows a changing Cyanamid, a company willing to take the risks involved in innovation.

We believe our ability to innovate will be the most important factor in the future growth of Cyanamid.

*Trademark

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To Our Stockholders

1980 was a year that demanded innovation in every phase of our business. The list of obstacles to progress was formidable: debilitating inflation, roller-coaster interest rates, consumer uncertainty, depressed automotive and housing markets, escalating energy costs, and proliferating government regulation.

In responding to these difficulties, we have made changes which we believe have positioned the company for a strong rebound when economic conditions improve. History will be the judge. Despite a slight decline in earnings, we are convinced that 1980 was a turning point for Cyanamid.

While worldwide sales in 1980 increased 8.4% to a record $3.45 billion, net earnings declined 5.5%, from $168.5 million to $159.2 million.

The comparison in earnings per share, $3.52 in 1979 and $3.32 this year, was affected by unusual charges, gains and credits. The bottom-line effect in 1979 was to add approximately 4¢ a share to earnings, while 1980's earnings were reduced by approximately 17¢ a share by provisions for plant consolidations and shutdowns.

The plant consolidations and shutdowns in both 1979 and 1980 eliminated product lines which did not fit in with the company's growth objectives.

There were several key developments during 1980 — many of which don't show up in the numbers — which will have a positive effect on growth. Among them:

- The company spent almost $142 million on research and development, up more than 14% from 1979. Over the past five years, Cyanamid has spent more than half a billion dollars to provide the new products and new technologies to stimulate future profitability;
- The payoff on this investment in R&D began to show up in 1980: two new pharmaceutical products were introduced, one domestically and one overseas; a new insecticide was launched; and two new consumer products with promising potential went into U.S. test markets;
- In the specialty chemicals business, the company strengthened its position in several markets which grew despite the recession, positioned itself in some new growth markets, and announced the withdrawal from certain commodity businesses with limited growth potential;
- Cyanamid continued in 1980 to maintain a strong financial position, including a prudent level of debt, adequate working capital, and a stable base from which to secure additional financing should it be needed;
- In 1980, the company strengthened its management development program, which includes use of both in-house and outside training courses, and the establishment of personalized career development programs for managers. Other programs designed to help supervisors communicate better with employees and to help employees develop specialized skills were also expanded last year; and
- The company's cost reduction program, designed to improve efficiency and reduce waste, was particularly effective in 1980. In the program year ended June 30, the projects implemented should reduce costs by $115 million on an annualized basis.

Operating earnings, as defined in our financial statements, (page 24, Note 10), were higher for two of our business segments, agricultural and medical, but were down for the other three: Formica® brand products, specialty chemicals and consumer products.

Several factors helped to boost agricultural sales and operating earnings. Market demand for the company's upgraded phosphates and nitrogen products was excellent. Increased sales of insecticides and herbicides also made a major contribution.

The improvement in the sales of the company's medical business primarily resulted from Davis & Geck sutures, the antibiotic, Minocin® minocycline, and Centrum® multivitamins. Operating earnings, although higher in 1980, were held down by substantial increases in research and development and the costs of launching two important new products in the latter part of the year.

Cyanamid's specialty chemicals business, which serves the industrial sector of the U.S. economy, proved especially vulnerable to the recession. Faced with reduced demand, it became increasingly difficult to pass higher raw material and production costs on to customers.

In addition, earnings were adversely affected by our withdrawal from the tire yarn business and the closing in August of our polyester yarn facility in Painesville, Ohio. The company also consolidated its dyes business by shutting down almost all of its dyes manufacturing operations at Bound Brook, New Jersey. Selected dyes will still be produced at the Marietta, Ohio, plant.

The divestiture in 1979 and early 1980 of two product lines — melamine component panels and vinyl coated wallcoverings — accounted for the sales decline of our Formica brand products business. Sales of Formica® brand decorative laminates also were affected by major declines in housing starts, residential remodeling, furniture shipments and commercial/industrial construction. Price increases, improvement in manufacturing efficiency and cost-cutting measures were not sufficient to maintain the historic levels of profitability of Formica brand products. As a result, earnings of this business were lower than in 1979.

Several factors combined to hold down operating earnings of the company's consumer products business. Heavy advertising and sales promotion spending was necessary to launch and test-market new products, and to maintain or improve market share of existing products. competition, particularly in the liquid cleaner market, became more intense; and retailers were determined to hold down inventories because of higher interest rates and the uncertainty of consumer spending. Sales of the company's fine fragrances, men's toiletries and household products, however, were well ahead of 1979 both domestically and outside the United States.

A number of management changes were made in 1980. David Carroll and Fredric E. Detoro, both former operating division presidents, were elected group vice presidents. Mr. Carroll has responsibility for the company's medical business and Dr. Detoro oversees the chemicals and fibers operations.

J. Clifford Blauvelt, a senior vice president and member of Cyanamid's board of directors, retired from the company on January 31, 1981, after a distinguished 40-year career.

Two members of the board of directors resigned: Ian K. MacGregor, who has become chairman of the British Steel Corporation, and Paul W. MacAvoy, Milton Steinbach Professor of Organization and Management and Economics at Yale University. The company appreciates the many valuable contributions made by Mr. MacGregor, who served on the board for 12 years, and by Dr. MacAvoy, who served for three years.

We were particularly pleased to add two members to our board. David M. Culver, president and chief executive officer of Alcan Aluminium Limited, joined the board in December, 1980. Lloyd M. Cutler was reelected to the board in February, 1981. Mr. Cutler originally became a board member in February, 1979, but resigned in October, 1979, to become counsel to the President of the United States.

Early in 1980, Cyanamid established a Public Responsibility Committee made up of outside members of the board of directors. This committee is reviewing company policies and practices in such areas as occupational safety and health, environmental affairs, equal employment opportunity, philanthropy, consumer issues and government relations.

On behalf of the board of directors, we want to express our appreciation to the company's employees for their continuing efforts in what proved to be a challenging and uncertain year. We are confident that, with our dedication to innovation, our experienced personnel, a productive research program, efficient manufacturing facilities and quality products, we are entering a new era of growth for the company.

Wayne, New Jersey
February 3, 1981

For the Board of Directors

JAMES G. AFFLECK
Chairman and Chief Executive Officer

GEORGE J. SELLA, JR.
President

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Agricultural

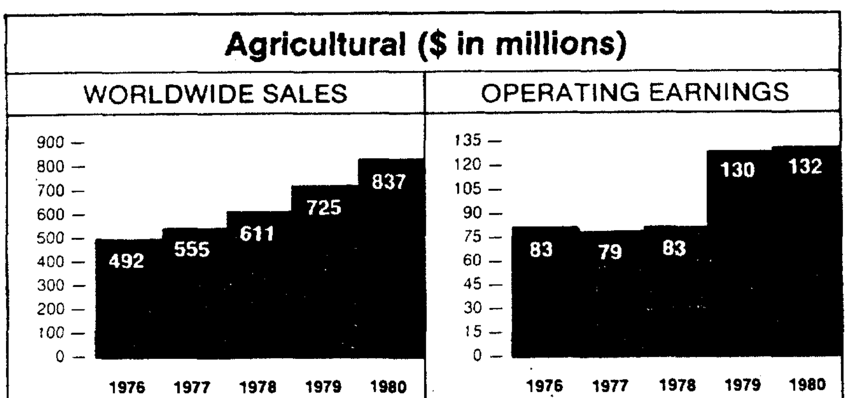
Agricultural sales advanced 15.5%, and operating earnings increased 1.4% in 1980.

Cyanamid's agricultural business consists of animal feed and health products; insecticides, fungicides and herbicides; and fertilizers. All of these products except fertilizers are made and marketed in the United States by the **Agricultural Division,** and outside the United States by the **Americas/Far East Division** and the **Europe/Mideast/ Africa Division.** Fertilizers are produced in the United States and Canada and marketed worldwide by the **Plant Food Division,** and include phosphate rock, upgraded phosphates, anhydrous ammonia and upgraded nitrogen products; the division also markets fertilizers in Canada through a network of retail Farm Supply Centers.

The substantial increase in Cyanamid's agricultural sales last year can be attributed to both increased demand for many of the company's traditional products and rising sales of innovative products discovered and developed by Cyanamid. The comparison between operating earnings in 1979 and 1980 was distorted by the fact that in 1979 operating earnings included the non-recurring gain of $11.8 million from the sale of a phosphate rock deposit.

Our fertilizer business worldwide had an outstanding year in 1980. Increased sales were registered in all areas, with the largest gains in diammonium phosphates. In 1979, we had enhanced our favorable raw material position for phosphates by adding to our processing capacity for upgraded phosphates.

With worldwide usage of upgraded phosphates increasing, and little additional capacity added by the industry since 1976, demand forced prices upward by more than 20% last year, more than offsetting sharply higher raw material costs. It is likely that worldwide demand and prices will continue to increase in 1981. However, these increases may not fully offset higher raw material and energy costs, thereby limiting profit growth.



	1976	1977	1978	1979	1980
% Total Sales	23	23	22	23	24
% Operating Earnings	34	29	27	39	41

"The substantial increase in Cyanamid's agricultural sales . . . can be attributed to both increased demand for . . . traditional products and rising sales of innovative products . . ."

Insecticides and herbicides also were among the company's sales leaders in 1980. Demand for Counter® soil insecticide-nematocide, which controls corn rootworms, continued high. In the United States, distributor and dealer inventories of Counter were depleted during the 1980 growing season, which resulted in large orders late in the year to assure adequate stocks for the increased corn crop anticipated in 1981.

"Insecticides and herbicides also were among the company's sales leaders in 1980."

Prowl®, our herbicide for cotton, soybeans, corn and barley, also registered a substantial sales increase in the United States last year. During the year, Prowl also was registered in the United States for use on tobacco, potatoes and sorghum. The product did well in overseas markets where it is sold under the Stomp and Herbadox trademarks; sales were particularly strong in Brazil, where it is used extensively on rice and soybean crops. We have now completed rebuilding our manufacturing facility for Prowl in Hannibal, Missouri, which will substantially improve the product's profitability.

Cycocel® plant growth regulant, which improves yields by strengthening wheat stalks against the tendency to bend in heavy rain or wind, recorded strong gains in overseas markets, especially in Europe. Avenge® wild oat herbicide, used on wheat and barley crops, improved its leadership position in European markets. Sales in the United States also increased.

Another excellent example of Cyanamid technology is Amdro* fire ant insecticide. Registration to market Amdro was received from the Environmental Protection Agency in August, and sales were significant in the last four months of the year. Since Amdro has some unique properties, including environmental acceptability and low mammalian toxicity, we are studying other market applications for this new product.

Worldwide sales of animal feed and health products were down slightly in 1980. Livestock producers experienced a considerable cost/price squeeze for hogs, cattle and poultry,

"Our fertilizer business worldwide had an outstanding year in 1980."

particularly in the second quarter of 1980, which in turn held down demand for our products. However, improvement in the economics of U.S. livestock production during the last six months of 1980 helped to return demand to more normal levels. In particular, the upturn helped increase domestic sales of Cyphos®, a phosphate feed supplement for swine, poultry and dairy cows, and of our feed supplements containing the antibiotic Aureomycin® chlortetracycline.

Avotan® avoparcin, a growth promoter for swine and poultry, is the market leader in Europe. It was successfully launched in Denmark and Italy last year. Plans are underway to extend the use of Avotan to beef cattle, lambs and rabbits.

*Trademark

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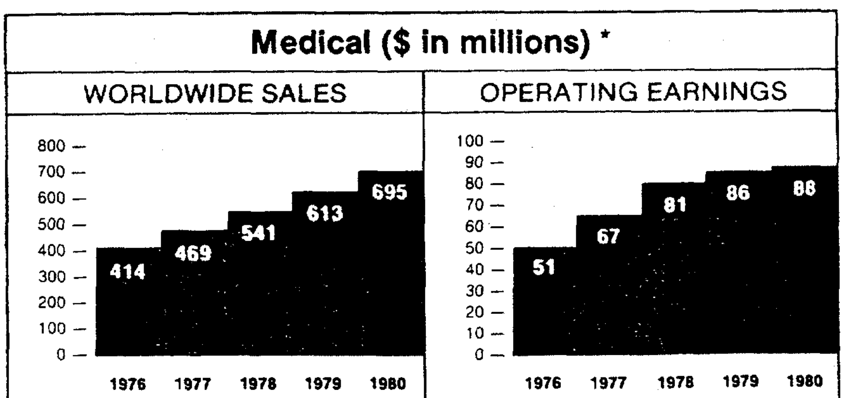
Medical

Medical sales rose 13.4%, while operating earnings were 3% higher than in 1979.

Cyanamid's medical business consists of pharmaceutical products for the treatment of infectious diseases, mental illness, cancer, skin disorders, glaucoma, arthritis, tuberculosis and other disease entities; adult and pediatric vaccines; vitamin and multivitamin/mineral products; Davis & Geck surgical sutures and other hospital products. These products are made and marketed in the United States by the **Lederle Laboratories Division**, and outside the United States by the **Americas/Far East Division**, and the **Europe/Mideast/Africa Division**.

Cyanamid launched the decade of the '80s in the medical business with the introduction of two important products.

Both Asendin® amoxapine, an anti-depressant which acts on most patients faster than competitive products, and Pipril* piperacillin, a broad-spectrum semi-synthetic penicillin for the treatment of life-threatening bacterial infections, were introduced in several markets in 1980.



% Total Sales	19	19	20	19	20	% Operating Earnings	21	24	26	26	27

*1976-1979 restated for comparative purposes.

Asendin, which was introduced in the United States, also is available to the medical profession in France and South Africa. Additional foreign introductions are anticipated in 1981.

Pipril was introduced in West Germany and Switzerland late in 1980, and a New Drug Application was filed with the U.S. Food and Drug Administration in December. We hope to be able to offer piperacillin to U.S. physicians, under the Avocin trademark, in 1982.

Cinopal® fenbufen, our anti-inflammatory drug for the treatment of arthritis, continued to make progress in overseas markets. It was introduced successfully in Japan in 1980, and we hope to be able to market this drug in the United States in 1982.

Overall, worldwide medical sales increased significantly in 1980, with a

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" . . . worldwide, medical sales increased significantly in 1980, with a moderate improvement in earnings."

moderate improvement in earnings. The growth in earnings was limited by increased research and development spending and the introduction of new products.

Aided by the medical profession's excellent acceptance of Dexon® S, our second-generation synthetic absorbable suture, our Davis & Geck sutures business in 1980 recorded its tenth year of uninterrupted sales growth.

Sales increases also were registered by Minocin® minocycline, our fourth-generation antibiotic; Methotrexate, our leading anti-cancer drug; Orimune® polio vaccine; and Centrum® multivitamin/mineral supplement. Centrum became America's fastest-growing multivitamin product in 1980 and complements the strong market position of our Stresstabs® vitamins.

". . . our Davis & Geck sutures business recorded its tenth year of uninterrupted sales growth."

The progress made by our Medical Research Division in 1980 gives us every expectation that we will have a steady stream of new medical products through the '80s. We are enthusiastic about the prospects for mitoxantrone, a new anti-cancer compound which has shown evidence of a wide spectrum of clinical use against both leukemias and solid tumors. Unlike many anti-cancer drugs on the market today, mitoxantrone has demonstrated only minimal and reversible side effects. It is now being widely tested in the United States, Europe and Japan to assess its effectiveness in man.

Several other major medical compounds have made varying degrees of progress through the long and expensive process of research and clinical testing.

Human trials are continuing on an anti-arthritic compound which appears to act through a unique mechanism. There is a possibility that it may be the first anti-arthritic drug to halt the progress of the disease. Another compound, cetaben, has proven its effectiveness in monkeys in preventing the build-up of atherosclerotic plaque in the arteries, but efficacy in man remains to be demonstrated. This will require extensive clinical testing over a number of years.

Tests are underway to determine the effectiveness of an anti-anxiety compound which is structurally unlike any product on the market today. It appears to have a highly selective effect on brain receptor sites, and may have fewer side effects than currently-available anxiolytic products. This compound replaces one described in earlier reports which has been eliminated from the testing process due to toxicity.

While our medical research program yielded several new compounds in 1980, including a vaccine for Haemophilus *influenzae* and an antihypertensive, it is too early in the testing process to comment on their potential commercialization.

"The progress made by our Medical Research Division gives us every expectation that we will have a steady stream of new medical products through the '80s."

That testing, however, will be conducted faster and more efficiently, thanks to Cyanamid's new multi-million-dollar toxicology laboratory at Pearl River, New York, which was dedicated in September. This totally modern facility, featuring extensive use of computers, will speed up the pharmaceutical research procedure and reduce the time required for FDA approval of new drugs.

*Trademark

Specialty Chemicals

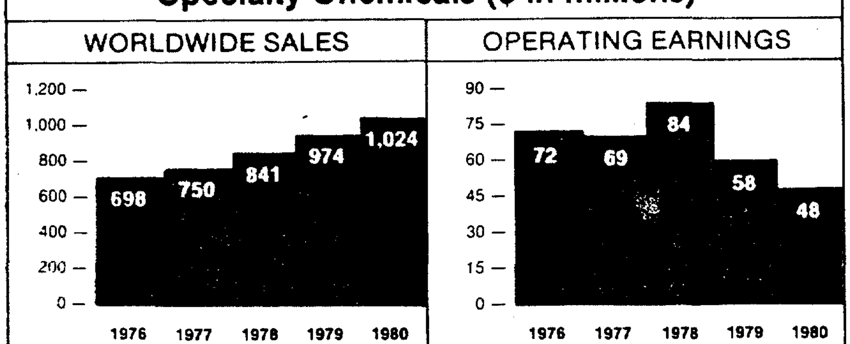
Sales of specialty chemicals advanced 5.1%, but operating earnings declined 16.5%.

Cyanamid's specialty chemicals business consists of more than 5,000 organic and inorganic chemicals and related products, and involves six different operating divisions. The **Industrial Products Division** makes and markets industria water treating, mining and paper chemicals, and molding compounds and resins in the United States, and has worldwide responsibility for enhanced oil recovery products. The **Chemical Products Division** makes and markets aerospace products, process chemicals and titanium dioxide in the United States, and has worldwide responsibility for catalysts. The **Organic Chemicals Division** makes and markets, in the United States, dyes, elastomers, intermediates, plastics additives, phosphine chemicals, fine chemicals, rubber chemicals, textile chemicals, textile resins, Cyalume® chemical light, inorganic and organic pigments, and from the Glendale Optical Co., industrial safety equipment. The **Fibers Division** makes and markets, world wide, Creslan® acrylic fibers for apparel, home furnishings and industrial applications. The **Americas/Far East Divisio** and the **Europe/Mideast/Africa Division** make or import and market these products outside the United States, excep for catalysts, fibers, and enhanced oil recovery products.

Although sales of specialty chemicals, aided by inflation, passed the $1 billion mark in 1980, unit volume and operating earnings were down because of the recession in the United States.

Of our five businesses, specialty chemicals is the one which historically has been most affected by economic downturns. The recession in 1980, however, affected our chemicals business more selectively than past recessions. Those of our products used by durable goods industries, such as automotive and housing, suffered severe setbacks, while other important parts of our business had a good year.

Specialty Chemicals ($ in millions) *



	1976	1977	1978	1979	1980
% Total Sales	33	31	30	31	30
% Operating Earnings	29	25	27	18	15

*1976-1979 restated for comparative purposes.

As part of the continuing evaluation of our specialty chemicals business, we withdrew in 1980 from the polyester tire yarn business and closed our polyester fiber plant in Painesville, Ohio. This action was taken because of the shrinking demand for polyester tire yarn. We also shut down those dyes manufacturing facilities at Bounc Brook, New Jersey, that had limited growth potential. We will continue to produce dyes for the paper, plastics, and writing inks industries, and for some specialty applications, at our plant at Marietta, Ohio. These two consolidations accounted for a reduction in operating earnings of $13.6 million in 1980. Operating earnings in

"New chemicals, and the technology to employ them, are being developed to supply several of the markets which will grow rapidly during the 1980s."

1979 were reduced by an unusual charge of $10.4 million, which also was the result of plant consolidations and the withdrawal from certain businesses.

Those parts of our business that had a good year in 1980 included oil and mining chemicals, aerospace products, textile chemicals and fibers.

"We are also working intently to develop new chemicals for a number of market applications."

We are a market leader in glyoxal and glyoxal reagents, used to provide wrinkle resistance to cotton textiles, and increases in both sales and earnings of these products helped us to maintain our position. Sales of sulphuric acid, ammonia and titanium dioxide were also higher in 1980. In addition, we increased our market share of aerospace products, including Dura-Core® honeycomb, adhesives, and Cycom® advanced composites.

Worldwide sales and earnings of acrylic fibers were up dramatically. In the United States, our Creslan® acrylic fibers benefited from the growing domestic popularity of fleeced garments.

In many overseas markets, rising demand for gold and other precious metals helped to raise sales of our mining reagents, particularly in Canada, South Africa, Mexico, Australia and the Philippines.

Later this year we are scheduled to start up a new carbide furnace in Canada. With this new capacity, we will be able to satisfy the increased demand for carbide desulphurization reagents, which increase blast furnace efficiency and allow steel manufacturers to use cheaper, high-sulphur coke to produce low-sulphur steel.

New chemicals, and the technology to employ them, are being developed to supply several of the markets which will grow rapidly during the 1980s.

One of these is the enhanced oil recovery business. In recent years, Cyanamid developed Cyanatrol® polymers, which are chemicals used to drive residual oil to the surface.

"Worldwide sales and earnings of acrylic fibers were up dramatically."

While this market has been relatively small to date, it has enormous potential, since the oil industry over the next decade will find enhanced oil recovery increasingly profitable.

We are also working intently to develop new chemicals for a number of market applications. For the oil industry, we are developing improved catalysts for upgrading high-sulphur and very heavy crude oils. For the automotive industry, we are concentrating on improved auto exhaust catalysts for smaller-displacement engines. Other chemical R&D projects are aimed at developing new and improved water treating and mining-reagent chemicals as well as advanced composites for the aerospace industry and industrial adhesives.

Consumer Products

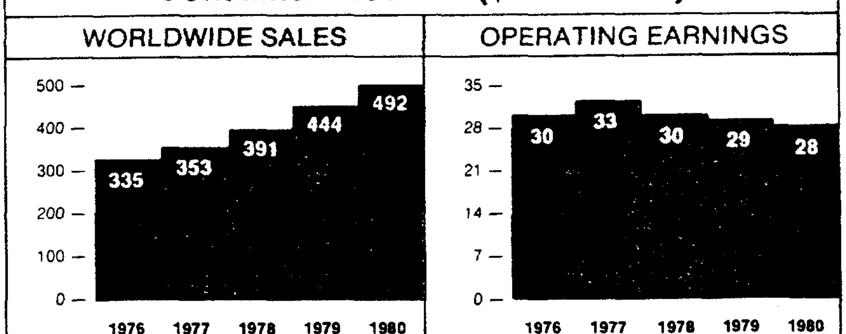
Sales of consumer products increased 10.7%, while operating earnings were off 3.4% from 1979.

Cyanamid's consumer products business is conducted by four operating divisions. The **Shulton, Inc. Toiletries Division** makes and markets, in the United States, personal care and grooming products, including Old Spice® and Blue Stratos® men's toiletries and Breck® and Miss Breck® hair care products. **Jacqueline Cochran, Inc.** makes and markets, in the United States, men's and women's prestige fragrances, including Parfums Nina Ricci® Paris, Parfums Pierre Cardin*, Geoffrey Beene® Grey Flannel® and Red* fragrances, Parfums Carven® and CIE® fragrances. The **Household Products Division** makes and markets, in the United States, household maintenance and cleaning aids, including Pine-Sol® cleaner-disinfectant-deodorizer and Bowl Gard* toilet bowl cleaner. The **Shulton, Inc. International Division** makes and markets, outside the United States, most of the above products plus Mandate* men's toiletries.

*Trademark

Our efforts in our consumer products business are designed to provide the basis for long-term growth, both in sales and operating earnings. This involves improving the market position of existing brands, and maintaining market leadership where we have it; the successful test-marketing and introduction of new products; and the generation from our research laboratories of even more new products with distinct competitive advantages.

Consumer Products ($ in millions)



% Total Sales	16	14	14	14	14	% Operating Earnings	12	12	10	9	9

Worldwide consumer products sales were ahead of 1979, but operating earnings were down, primarily because of the high cost of test-marketing new products and the one-time cost involved in the consolidation of Breck and Shulton manufacturing operations.

Despite adverse market conditions in certain product lines, the effects of inflation, and stiffer competition, our four market-leading consumer products increased sales in 1980 and maintained their number-one positions as well. They are Old Spice® men's toiletries, L'Air du Temps® fine fragrance, Miss Breck® hair spray and Pine-Sol® liquid household cleaner.

Old Spice toiletries currently account for about 20% of the men's fragrance market. To complement

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"Our efforts in our consumer products business are designed to provide the basis for long-term growth, both in sales and operating earnings."

Old Spice, we have completed successful market tests in the United States of a higher-priced line of men's toiletries called Blue Stratos®. This cologne-oriented line will be introduced nationally in 1981. Blue Stratos was first introduced in England in the mid-1970s, and is now sold in 32 countries, in some under the brand names Blue Sky* and Sky Trail*.

". . . our four market-leading consumer products increased sales in 1980 and maintained their number-one positions as well."

The deodorant and anti-perspirant market is one of the fastest growing in the United States, and the company is planning to build on the already strong base provided in this market by Old Spice® stick deodorant and several other new products. One of these is Lady's Choice*, a stick anti-perspirant developed specifically for women, which is doing well in test markets. Another new product just recently introduced into Western U.S. test markets is Old Spice® solid anti-perspirant, a complement to Old Spice stick deodorant.

L'Air du Temps, the premier French fragrance, continues to lead all of the company's prestige fragrances in sales volume. Moving up very rapidly, however, is our Pierre Cardin* fragrance for men, now ranked number two in the men's prestige fragrance market in the United States.

We acquired Geoffrey Beene® fragrances in 1980, and sales to date are most encouraging. We plan to build Grey Flannel®, for men, into a leading department store brand, while the strategy for Red*, the young women's fragrance, calls for an exclusive distribution. We have continued to broaden distribution of CIE®, a medium-priced fragrance for the contemporary woman.

Pine-Sol liquid cleaner, the best-selling brand in both the United States and Brazil, has maintained its leadership position despite heavy promotional spending by competitors. In 1980, in the United States, unit sales of the brand increased versus a year ago in every single period of the year. We expanded regional marketing of a new toilet bowl cleaner, Bowl Gard*, in the United States.

In overseas markets, sales and operating earnings were well ahead of 1979, with the biggest growth achieved in Canada, South Africa, Argentina, Brazil and Mexico. We have been successful in expanding the market position of both our men's toiletries and our fine fragrances. Mandate*, a new men's fragrance first introduced in England in 1978, was launched in several other markets last year, and will be extended to even more in 1981. CIE fragrance also has been doing well in international markets.

"Pine-Sol® liquid cleaner, the best-selling brand in both the United States and Brazil, has maintained its leadership position . . ."

During 1980, as part of the consolidation of the Breck and Shulton businesses that was started in 1979, the Breck and Shulton sales staffs were combined, and the Fort Madison, Iowa, plant was closed. This closing, and the transfer of Breck production and distribution operations there to other company locations, resulted in a one-time reduction in operating earnings of about $2 million, but it should provide a long-term benefit to the company.

*Trademark

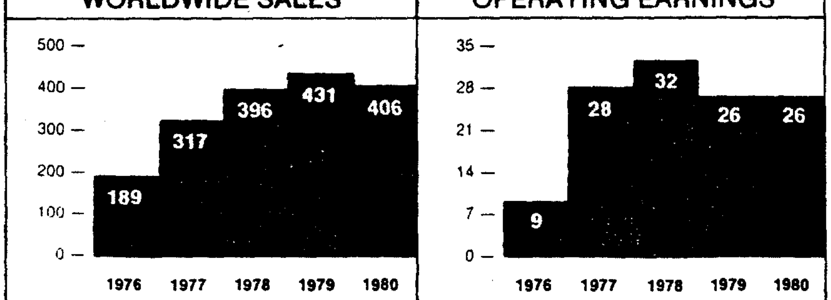
Formica® Produc
BRAND

Sales of Formica® brand products declined 5.8%, and operating earnings were off 3.7% 1980.

Cyanamid's business in this segment consists of Formi brand high-pressure decorative laminates which are m and marketed in the United States by **Formica Corpor** and outside the United States by the **Americas/Far Eas Division** and the **Europe/Mideast/Africa Division**. In a tion, decorative-faced panels and boards are made and marketed in selected countries by both international divisions.

Two factors affected the sales of Formica® brand products in 1980. The first was the divestiture, at the end of 1979 and early in 1980, of two product lines: melamine component panels and vinyl coated wallcoverings, both of which had limited long-term profit potential. These divestitures accounted for the sales decline in this business in 1980.

Formica® Brand Products ($ in millions)



	1976	1977	1978	1979	1980
% Total Sales	9	13	14	13	12
% Operating Earnings	4	10	10	8	8

The second factor which affecte operations was the slump in the ec omies of the United States and the United Kingdom. A sharp decline in housing starts and furniture shipme in both countries, combined with restricted industrial and commercial construction, hurt sales of our decor tive laminates. Operating earnings ir 1980 were lower despite price increases and the most stringent co reduction efforts. In 1979, operating earnings were reduced by $7.7 millic as a result of plant consolidations an the downward revision of our investments in some assets.

Continued emphasis on operating efficiency and important new produc designs have positioned this busines for growth as soon as the economy turns upward.

Formica Corporation introduced th Design Concepts group of decorative

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"Continued emphasis on operating efficiency and important new product designs have positioned this business for growth as soon as the economy turns upward."

laminates for commercial construction in the United States in 1980, and it is being introduced in Canada and

"... the Design Concepts laminates won the prestigious Institute of Business Designers 'best-in-show' award."

Europe this year. Developed in cooperation with the 17 nationally-recognized designers and architects who comprise Formica Corporation's Design Advisory Board, the new laminates feature integrated solid colors and both high-gloss and dimensional-matte surfaces. In October, the Design Concepts laminates won the prestigious Institute of Business Designers "best-in-show" award.

While these developments and others bode well for the future of the Formica decorative laminates business, severe declines in major world markets, combined with flat performance in others, resulted in the earnings decline. While sales in Europe were about even with last year, worsening economic conditions cut profit margins. This was especially true in the United Kingdom, as that nation faced its highest level of unemployment since the end of World War II, and interest rates soared under government programs to control inflation.

Our restructuring of the European Formica laminate business is just about completed, as we continue to build the laminate side of the business and to withdraw from less profitable product lines.

Recessionary factors affected earnings in most of Latin America, although sales gains were achieved in Argentina and Mexico. Sales also increased in Australia and Canada.

We have strengthened our position in Latin American and Far Eastern markets with expanded manufacturing

"With modern manufacturing equipment and successful new designs, we are determined to maintain our worldwide leadership position in this business."

facilities in Mexico and the start of construction of a new plant in Taiwan.

With modern manufacturing equipment and successful new designs, we are determined to maintain our worldwide leadership position in this business.

Financial Review

Operating Results — Cyanamid's consolidated sales in 1980 were $3.45 billion, up 8.4% from $3.19 billion in 1979. Sales in 1979 represented a 14.6% increase over the $2.78 billion in 1978. Net earnings of $159.2 million in 1980 were 5.5% below the $168.5 million of 1979 which were 8.1% above the $155.9 million in 1978. Net earnings per share for 1980 were $3.32 compared to $3.52 in 1979 and $3.26 in 1978 based on the average number of shares of common stock (excluding treasury shares) outstanding for each year.

Common Stock and Dividends Paid — Reported comparative high and low market prices on the New York Stock Exchange Composite Tape and dividends paid per share of the common stock by quarter for 1980 and 1979 were:

	1980			1979		
	Market price		Dividends	Market price		Dividends
Quarter	High	Low	paid	High	Low	paid
First	$38	$20⅝	$ .40	$26⅝	$24⅜	$ .40
Second	32½	22⅜	.40	27½	25⅛	.40
Third	33¼	26	.40	32⅞	24½	.40
Fourth	34¾	26⅝	.40	36⅛	23¾	.40
			$1.60			$1.60

As of February 13, 1981, the most recent dividend date of record, there were 81,844 holders of the company's common stock. See Note 5 to the Consolidated Financial Statements regarding limitations on the payment of dividends.

Quarterly Results — Quarterly net sales, gross profits, net earnings and net earnings per share for 1980 and 1979 were as follows:

Amounts in thousands

1980 Quarter	Net sales	Gross profit	Net earnings	Net earnings per share
First	$ 829,987	$ 323,497	$ 37,951	$ .79
Second	837,009	321,042	32,648	.68
Third	869,253	349,207	40,217	.84
Fourth	917,685	375,390	48,379	1.01
	$3,453,934	$1,369,136	$159,195	$3.32

1979 Quarter	Net sales	Gross profit	Net earnings	Net earnings per share
First	$ 753,338	$ 302,814	$ 40,677	$ .85
Second	794,616	319,869	43,193	.90
Third	782,079	316,616	39,145	.82
Fourth	856,965	339,525	45,480	.95
	$3,186,998	$1,278,824	$168,495	$3.52

Gross profit is derived by subtracting manufacturing cost of sales from net sales. See Notes 8 and 10 to the Consolidated Financial Statements regarding unusual charges and credits arising in certain of the 1980 and 1979 Quarters.

Management Statement

Your management has prepared and is responsible for the accompanying consolidated financial statements. These statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances and necessarily include some amounts based on management's best estimates and judgements. All other financial information in this annual report is consistent with that in the consolidated financial statements.

The company maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, transactions are executed in accordance with management's authorization, and accounting records may be relied upon for the preparation of financial statements. The concept of reasonable assurance is based upon the premise that the costs of controls should not exceed benefits derived from them. The system is monitored by a corporate staff of traveling internal auditors.

The consolidated financial statements have been examined by our independent certified public accountants, Peat, Marwick, Mitchell & Co. Their examination was conducted in accordance with generally accepted auditing standards and included a review of the system of internal accounting controls to the extent necessary to support their report, which appears on this page, as to the fair presentation, in the consolidated financial statements, of the company's financial position, results of operations and changes in financial position.

The Audit Committee of the Board of Directors, composed solely of non-management directors, meets periodically with management, the internal auditors and the independent certified public accountants to review internal accounting control, auditing and financial reporting matters. Both the internal auditors and the independent certified public accountants have full and free access to the Audit Committee.

Accountants' Opinion

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, 1980 and 1979 and the related consolidated statements of earnings and earnings employed in the business and changes in financial position for each of the years in the three-year period ended December 31, 1980. 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, 1980 and 1979 and the results of their operations and the changes in their financial position for each of the years in the three-year period ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

PEAT, MARWICK, MITCHELL & CO.

New York, NY
February 3, 1981

Earnings Statements

American Cyanamid Company and Subsidiaries

Consolidated Statements of Earnings and Earnings Employed in the Business

Years Ended December 31, 1980, 1979 and 1978

	1980	1979	1978
	(Thousands of dollars except per share amounts)		
NET SALES	**$3,453,934**	$3,186,998	$2,780,170
Expenses:			
Manufacturing cost of sales less depreciation and depletion	**2,084,798**	1,908,174	1,647,220
Selling and advertising	**625,349**	582,954	509,837
Administrative and general	**173,220**	162,256	134,821
Depreciation and depletion	**156,209**	140,594	120,150
Research and process development	**141,831**	124,135	108,148
	3,181,407	2,918,113	2,520,176
EARNINGS FROM OPERATIONS	**272,527**	268,885	259,994
Interest, royalties and other income, net	**40,740**	43,294	29,579
	313,267	312,179	289,573
Interest expense	**62,854**	62,856	50,498
EARNINGS OF CONSOLIDATED COMPANIES BEFORE TAXES ON INCOME	**250,413**	249,323	239,075
Taxes on income (Note 8)	**103,800**	91,600	90,000
EARNINGS OF CONSOLIDATED COMPANIES	**146,613**	157,723	149,075
Equity in net earnings of associated companies	**12,582**	10,772	6,868
NET EARNINGS	**159,195**	168,495	155,943
EARNINGS EMPLOYED IN THE BUSINESS AT BEGINNING OF YEAR	**1,093,598**	1,001,347	916,826
Deduct dividends of $1.60 per share ($1.60 in 1979 and $1.50 in 1978)	**(76,464)**	(76,244)	(71,422)
EARNINGS EMPLOYED IN THE BUSINESS AT END OF YEAR	**$1,176,329**	$1,093,598	$1,001,347
NET EARNINGS PER SHARE OF COMMON STOCK	**$3.32**	$3.52	$3.26

See accompanying Notes to Consolidated Financial Statements

Balance Sheets

American Cyanamid Company and Subsidiaries

Consolidated Balance Sheets

December 31, 1980 and 1979

	1980	1979
ASSETS	(Thousands of dollars)	
CURRENT ASSETS		
Cash	$ 66,799	$ 78,612
Marketable securities and time deposits, at cost (approximates market)	113,843	67,550
Accounts receivable, less allowance for doubtful accounts of $16,376 ($13,649 in 1979)	731,622	689,948
Inventories (Note 3)	495,348	515,379
TOTAL CURRENT ASSETS	1,407,612	1,351,489
INVESTMENTS AND ADVANCES		
Equity in net assets of and advances to associated companies	62,019	57,740
Other investments and advances	54,072	43,644
TOTAL INVESTMENTS AND ADVANCES	116,091	101,384
PLANTS, EQUIPMENT AND FACILITIES, at cost (Note 4)	2,443,014	2,310,485
Less accumulated depreciation and depletion	1,114,323	1,007,177
NET PLANT INVESTMENT	1,328,691	1,303,308
INTANGIBLES RESULTING FROM BUSINESS ACQUISITIONS	16,274	16,037
PREPAID EXPENSES AND DEFERRED CHARGES	47,895	54,544
	$2,916,563	$2,826,762
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 615,477	$ 569,739
Short-term borrowings, including commerical paper of $35,752 ($114,614 in 1979)	78,164	183,269
Funded debt installments due within one year	11,597	17,446
Income taxes	73,781	57,380
TOTAL CURRENT LIABILITIES	779,019	827,834
FUNDED DEBT NOT DUE WITHIN ONE YEAR (Note 5)	545,089	522,572
DEFERRED INCOME TAXES	104,000	85,500
OTHER NON-CURRENT LIABILITIES	53,108	43,689
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	39,985	39,139
Earnings employed in the business	1,176,329	1,093,598
	1,460,841	1,377,264
Less cost of 954,668 shares of common stock held in treasury (1,089,184 shares in 1979)	25,494	30,097
TOTAL STOCKHOLDERS' EQUITY	1,435,347	1,347,167
	$2,916,563	$2 826,762

CONTINGENT LIABILITIES AND COMMITMENTS (Note 7)

See accompanying Notes to Consolidated Financial Statements

Changes in Financial Position

American Cyanamid Company and Subsidiaries

Consolidated Statements of Changes in Financial Position

Years Ended December 31, 1980, 1979 and 1978

	1980	1979	1978
SOURCES OF WORKING CAPITAL		(Thousands of dollars)	
Net earnings	$159,195	$168,495	$155,943
Items not requiring the use of funds:			
Depreciation and depletion	156,209	140,594	120,150
Deferred income taxes	18,500	4,200	10,500
Equity in undistributed net earnings of associated companies	(6,858)	(1,988)	(2,215)
Funds derived from operations	327,046	311,301	284,378
Issuance of funded debt not due within one year	43,951	15,865	160,040
Decrease (increase) in prepaid expenses and deferred charges	6,649	(20,555)	(73)
Increase (decrease) in other non-current liabilities	9,419	12,487	(688)
Equity arising from common stock transactions - net (including $4,327 relating to the acquisition of a company in 1980)	5,449	409	1,095
All others - net	13,990	4,395	762
	406,504	323,902	445,514
USES OF WORKING CAPITAL			
Additions to plants, equipment and facilities	195,819	235,416	251,034
Cash dividends on stock	76,464	76,244	71,422
Reduction in funded debt not due within one year	21,434	13,477	82,276
Increase (decrease) in investments and advances - net	7,849	(5,575)	25,929
	301,566	319,562	430,661
INCREASE IN WORKING CAPITAL	$104,938	$ 4,340	$ 14,853
INCREASE (DECREASE) IN THE COMPONENTS OF WORKING CAPITAL			
Cash, marketable securities and time deposits	$ 34,480	$ 48,485	$ (13,021)
Accounts receivable	41,674	119,082	108,329
Inventories	(20,031)	25,651	50,251
Accounts payable and accrued expenses	(45,738)	(109,112)	(75,827)
Short-term borrowings	105,105	(72,811)	(36,717)
Funded debt installments due within one year	5,849	12,026	(13,171)
Income taxes	(16,401)	(18,981)	(4,991)
INCREASE IN WORKING CAPITAL	$104,938	$ 4,340	$ 14,853

See accompanying Notes to Consolidated Financial Statements

Notes

American Cyanamid Company and Subsidiaries

Notes to Consolidated Financial Statements of 1980, 1979 and 1978

(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 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). The aggregate cost of these investments was $23,620 at December 31, 1980 ($23,580 at December 31, 1979). Dividends of $5,724 were received from these companies in 1980 ($8,784 in 1979 and $4,653 in 1978). At December 31, 1980, principal associated companies are (% 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%)
Societe des Sutures Chirurgicales Robert & Carriere-Lederle (47%)
TDF Tiofine B.V. (50%)

Currency Translation — Foreign currency financial statements and transactions are translated into U.S. dollars in accordance with Statement of Financial Accounting Standards No. 8. Earnings before taxes on income were reduced by exchange adjustments of $19,100 in 1980 ($22,800 in 1979 and $600 in 1978). Manufacturing cost of sales included foreign exchange losses of $8,600 in 1980 ($3,400 loss in 1979 and $7,500 gain in 1978) and administrative and general expenses included exchange losses of $10,500 in 1980 ($19,400 in 1979 and $8,100 in 1978).

Depreciation and Amortization — Depreciation is provided on a straight-line composite method over the estimated remaining useful lives of various classes of assets. 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 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.

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 (FIFO) 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.

The company provides taxes on the undistributed earnings of subsidiaries and associated companies where the remittance of such earnings is not considered to be indefinitely postponed. At December 31, 1980, the company has no present intention of remitting undistributed earnings of subsidiaries and associated companies aggregating $520,100.

Earnings Per Share — Earnings per share of common stock is based on the average number of shares outstanding during the year, 47,926,114 in 1980 (47,813,260 in 1979 and 47,792,323 in 1978). 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:

	1980	1979
Net current assets	$379,100	$273,700
Net other assets (principally plants, equipment and facilities)	296,200	320,300
Equity in undistributed earnings of foreign subsidiaries	438,600	393,000

Net earnings of foreign subsidiaries were $114,700 in 1980 ($118,300 in 1979 and $78,700 in 1978).

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3. Inventories — At December 31, 1980, estimated current cost exceeded the LIFO value of the inventories by approximately $165,900 (1979 - $137,500). It is not practicable to determine the major components of inventory under the dollar value LIF(inventory method.

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

	1980	1979
Land, including mining land	$ 50,959	$ 49,018
Buildings	444,796	395,902
Machinery and equipment	1,842,173	1,715,296
Construction in progress	105,086	150,269
	$2,443,014	$2,310,485

An insignificant amount of interest costs incurred in 1980 has been ca[talized in accordance with Statemen of Financial Accounting Standards N 34. Prior to 1980, all interest costs were charged against earnings.

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

	1980	1979
Sinking fund debentures		
7⅜% due 2001	$ 96,000	$100,000
8⅜% due 2006	99,607	99,585
Promissory notes, 3¾% due 1982 to 1987	52,500	57,000
Promissory notes, 8¾% due 1988 to 1998	150,000	150,000
Pollution control bonds		
6.8% due 2000	21,000	21,000
6.5% due 2006	22,400	22,400
5.5% to 8¾% due at various dates through 2009	55,193	44,690
Sundry obligations	48,389	27,897
	$545,089	$522,572

Annual maturities of funded debt and sinking fund requirements for the four years subsequent to December 31, 1981, are as follows: 1982 -$32,877; 1983 -$9,908; 1984 -$11,572; and 1985 -$24,070.

The principal ($21,900 at December 31, 1980 and $23,500 at December 31, 1979) and interest ($1,549 in 1980, $1,520 in 1979, and $1,488 in 1978) on certain parallel loans have been netted against the corresponding assets and income items in the consolidated financial statements, reflecting the financial consequences in the event of a default by any obligor. Interest rates on these loan arrangements vary according to agreement and are subject to adjustment under certain conditions. Maturity dates of the loans range from 1985 through 1987.

The 3¾% and 8¾% promissory notes contain certain restrictions, including limitations on the payment of dividends. Under the most restrictive of such limitations, the amount o earnings employed in the business a December 31, 1980, which may be applied to the payment of such cash dividends, is limited to $154,500.

6. Stockholders' Equity

Authorized Capital at December 31, 1980, includes 650,000 shares of preferred stock with a par value of $1 per share, none of which is outstanding.

On February 3, 1981, the Board of Directors authorized an additional 40,000,000 shares of common stock and 9,350,000 shares of preferred stock, subject to approval by the company's stockholders at their annual meeting on April 20, 1981.

Stock Options — Under the company's stock option plan, key employees may be granted ten-year non-qualified options to purchase common stock at not less than 100% of market value on the date of grant; 2,300,000 shares were reserved for stock options under the plan. 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.

Upon exercise of options, the difference between the proceeds and the par value of shares issued or cost of treasury stock is recorded in additional paid-in capital.

Selected stock option data are as follows:

	1980	1979	1978
Options exercised during year:			
Number of shares	99,102	72,499	118,682
Option price per share	$24.00-31.25	$24.00-31.25	$24.00-28.5(
Options outstanding at December 31:			
Number of shares	1,753,213	1,636,111	1,421,422
Option price per share	$24.00-37.25	$24.00-37.25	$24.00-37.25
Options outstanding which were exercisable at December 31	1,084,534	1,021,561	870,815

Additional Paid-In Capital changes are attributable to the issuance of shares for:

	1980	1979	1978
Stock options	$250	$124	$117
Acquisition of a company	596	—	—
Increase in additional paid-in capital	$846	$124	$117

Treasury Stock is acquired from time to time and used to fulfill obligations under the company's incentive compensation and stock plans. Shares were acquired (issued) as follows:

	1980	1979	1978
Acquired	66,240	33,121	—
Acquisition of a company	(120,634)	—	—
Pursuant to stock option plan	(77,387)	(31,864)	(40,734)
Pursuant to incentive compensation plan	(2,735)	(2,829)	(2,254)
Decrease in treasury stock	(134,516)	(1,572)	(42,988)

7. Contingent Liabilities and Commitments — Rental expense under property and equipment leases in 1980 was $43,300 ($39,300 in 1979 and $35,200 in 1978). 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, 1980, are: 1981 - $12,200; 1982 - $8,500; 1983 -$6,300; 1984 -$4,900; 1985 -$3,200; later years -$13,100 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.

The present status of significant litigation is disclosed in the section entitled "Antibiotics Litigation" elsewhere in this report.

8. Taxes on Income are based on earnings of consolidated companies before taxes on income as follows:

	1980	1979	1978
Domestic	$ 74,614	$ 77,375	$103,670
Foreign	175,799	171,948	135,405
	$250,413	$249,323	$239,075

The components of the provision are:

	1980	1979	1978
Current:			
Federal	$ 14,100	$ 22,900	$ 13,300
Foreign	64,200	59,300	62,400
Other	7,000	5,200	3,800
	85,300	87,400	79,500
Deferred:			
Federal	10,800	4,900	11,200
Foreign and other	7,700	(700)	(700)
	18,500	4,200	10,500
Total taxes on income	$103,800	$ 91,600	$ 90,000

Domestic and foreign earnings of consolidated companies before taxes on income include all income generated by operations in the respective U.S. and foreign geographic areas, whereas provisions for taxes on income include all income taxes payable to U.S., foreign and other governments as applicable, regardless of the situs in which the taxable income is generated.

The principal component of the 1980 deferred tax provision is the excess of tax over book depreciation ($19,200).In 1979, the principal components of the deferred tax provision are the excess of tax over book depreciation ($9,100) partially offset in the third quarter of 1979 by the reversal of deferred income tax liabilities ($3,400, approximately 7¢ per share) in the United Kingdom, occasioned by a change in U.K. tax laws. In 1978, the principal components of the deferred tax provision are the excess of tax over book depreciation ($20,000) partially offset by investment tax credit ($8,500) carried forward to subsequent years.

A reconciliation between the company's effective tax rate and the U.S. Federal income tax rate is as follows:

	1980	1979	1978
Federal income tax rate	46.0%	46.0%	48.0%
Investment tax credit on assets purchased during the year	(4.4)	(5.6)	(8.4)
Income subject to income tax at less than U.S. rates, and not expected to be subject to U.S. tax in the foreseeable future	(4.0)	(4.3)	(1.9)
Reversal of U.K. deferred taxes	—	(1.4)	—
Other, net	3.9	2.0	(0.1)
Effective tax rate	41.5%	36.7%	37.6%

9. Other Financial Statement Information

Included in accounts payable and accrued expenses at December 31, 1980, are trade payables of $282,718 ($267,357 at December 31, 1979), pensions and other employee benefits of $75,301 ($69,816 at December 31, 1979), checks outstanding in excess of certain domestic cash balances of $30,981 ($29,289 at December 31, 1979) and other accrued expenses of $226,477 ($203,277 at December 31, 1979).

At December 31, 1980, the company had $215,000 of domestic short-term lines of credit, of which $200,000 was available without restriction as to use.

Maintenance and repairs in 1980 were $176,800 ($155,100 in 1979 and $138,000 in 1978). Taxes other than income and payroll taxes for 1980 were $37,500 ($33,800 in 1979 and $31,700 in 1978). Advertising in 1980 was $211,000 ($198,000 in 1979 and $178,900 in 1978).

The company and its consolidated subsidiaries have various pension plans covering substantially all employees in the United States and Canada and 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 for 1980 was $47,500 ($40,400 in 1979 and $33,600 in 1978). Using an assumed rate of return of 8.5%, the actuarial present value of accumulated benefits under the principal plans of the company, at the most recent valuation date (January 1, 1980), was computed to be $413,600. Of this amount, $404,200 represents vested plan benefits and $9,400 represents nonvested plan benefits. The corresponding total of net assets available for plan benefits was $418,700.

10. Information About Operations by Businesses and Geographic Areas

The following commentary relates to the tables appearing on pages 25 and 26.

The company is engaged primarily in the manufacture and sale of a highly diversified line of agricultural, medical, specialty chemical, consumer and Formica® brand products.

In 1980, the company made a reclassification between the specialty chemicals and medical businesses to more appropriately reflect such operations. Prior years' data have been restated for comparability purposes.

Total sales between businesses were approximately $91,800 in 1980 ($90,600 in 1979 and $76,400 in 1978). These intersegment sales, which are made at cost, were not significant for any of the businesses except medical ($22,600 for 1980, $31,900 for 1979 and $23,900 for 1978) and specialty chemicals ($67,400 for 1980, $57,400 for 1979 and $51,100 for 1978).

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 used in the company's operations in each business or geographic area. Corporate assets are primarily cash, marketable securities and construction in progress.

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.

Third-quarter 1980 operating earnings were reduced by $13,600 in the specialty chemicals business as the result of several provisions for curtailment or withdrawal from certain product lines. Operating earnings of the consumer products business were also reduced in the third quarter of 1980 because of a $2,000 provision for consolidating certain manufacturing and distribution operations.

The agricultural business reflected the non-recurring gain of $11,800 in operating earnings realized from the sale of a Florida phosphate rock deposit in the fourth quarter of 1979. Fourth-quarter 1979 operating earnings were reduced in the specialty chemicals and Formica brand products businesses, $10,400 and $7,700, respectively, by provisions for consolidating certain manufacturing operations and a downward revision in the company's investments in some assets.

Businesses:	Agricultural	Medical	Specialty Chemicals	Consumer Products	Formica® Brand Products	Corporate	Consolidated
1980							
Net sales	$837,158	$695,167	$1,023,560	$492,230	$405,819		$3,453,934
Operating earnings	132,301	88,456	48,193	27,830	25,517		322,297
General corporate expenses						$(30,964)	(30,964)
Interest expense, net						(40,920)	(40,920)
Earnings of consolidated companies before taxes on income							250,413
Equity in net earnings of associated companies	482	5,281	6,535		284		12,582
Identifiable assets	649,879	426,711	774,586	212,820	297,473		2,361,469
Equity in net assets of and advances to associated companies	2,031	13,189	44,249		2,550		62,019
Corporate assets						493,075	493,075
Total assets							2,916,563
Depreciation and depletion	28,990	20,894	78,462	4,932	15,803	7,128	156,209
Capital additions	45,959	35,806	86,951	6,849	14,911	5,343	195,819
1979							
Net sales	$724,854	$612,779	$974,073	$444,513	$430,779		$3,186,998
Operating earnings	130,523	85,870	57,685	28,820	26,485		329,383
General corporate expenses						$(31,972)	(31,972)
Interest expense, net						(48,088)	(48,088)
Earnings of consolidated companies before taxes on income							249,323
Equity in net earnings of associated companies	416	4,315	5,769		272		10,772
Identifiable assets	598,888	380,505	798,302	189,375	315,377		2,282,447
Equity in net assets of and advances to associated companies	2,098	12,011	41,650		1,981		57,740
Corporate assets						486,575	486,575
Total assets							2,826,762
Depreciation and depletion	21,331	18,405	75,287	4,298	15,110	6,163	140,594
Capital additions	59,623	50,413	80,520	9,158	23,337	12,365	235,416
1978							
Net sales	$611,613	$540,482	$841,026	$391,254	$395,795		$2,780,170
Operating earnings	82,523	81,274	83,787	30,276	32,498		310,358
General corporate expenses						$(32,062)	(32,062)
Interest expense, net						(39,221)	(39,221)
Earnings of consolidated companies before taxes on income							239,075
Equity in net earnings of associated companies	421	5,857	661		(71)		6,868
Identifiable assets	535,577	337,721	764,663	135,183	304,537		2,077,681
Equity in net assets of and advances to associated companies	2,159	14,406	39,653		1,792		58,010
Corporate assets						390,458	390,458
Total assets							2,526,149
Depreciation and depletion	20,271	16,338	61,378	3,772	13,526	4,865	120,150
Capital additions	41,598	32,204	134,636	6,165	23,037	13,394	251,034

Geographic areas:	United States	Other Western Hemisphere	Eastern Hemisphere	Adjustments and Eliminations	Consolidated
1980					
Net sales to unaffiliated customers	$2,223,794	$450,134	$780,006		$3,453,934
Intergeographic sales	135,085	32,886	23,527	$(191,498)	
Total net sales	2,358,879	483,020	803,533	(191,498)	3,453,934
Operating earnings	154,541	47,023	120,733		322,297
General corporate expenses					(30,964)
Interest expense, net					(40,920)
Earnings of consolidated companies before taxes on income					250,413
Equity in net earnings of associated companies	5,559	439	6,584		12,582
Identifiable assets	1,552,309	306,697	502,463		2,361,469
Equity in net assets of and advances to associated companies	31,328	2,031	28,660		62,019
Corporate assets					493,075
Total assets					2,916,563
1979					
Net sales to unaffiliated customers	$2,061,617	$422,139	$703,242		$3,186,998
Intergeographic sales	116,319	26,605	19,039	$(161,963)	
Total net sales	2,177,936	448,744	722,281	(161,963)	3,186,998
Operating earnings	158,911	52,679	117,793		329,383
General corporate expenses					(31,972)
Interest expense, net					(48,088)
Earnings of consolidated companies before taxes on income					249,323
Equity in net earnings of associated companies	5,290	361	5,121		10,772
Identifiable assets	1,515,450	295,157	471,840		2,282,447
Equity in net assets of and advances to associated companies	26,082	1,952	29,706		57,740
Corporate assets					486,575
Total assets					2,826,762
1978					
Net sales to unaffiliated customers	$1,821,246	$355,861	$603,063		$2,780,170
Intergeographic sales	111,244	32,041	9,428	$(152,713)	
Total net sales	1,932,490	387,902	612,491	(152,713)	2,780,170
Operating earnings	151,412	43,404	115,542		310,358
General corporate expenses					(32,062)
Interest expense, net					(39,221)
Earnings of consolidated companies before taxes on income					239,075
Equity in net earnings of associated companies	4,035	358	2,475		6,868
Identifiable assets	1,429,005	262,500	386,176		2,077,681
Equity in net assets of and advances to associated companies	22,397	1,916	33,697		58,010
Corporate assets					390,458
Total assets					2,526,149

11. Supplemental Information on Inflation and the Effects of Changing Costs (Unaudited)

The United States has experienced rapid inflation in the last decade as contrasted to the relatively low level of inflation existing earlier. This experience has led to the general belief that the historical cost measurements used for the financial statements and other financial information included in annual reports to stockholders fail to reflect fully the economic reality of a business' financial condition and operating results. The Financial Accounting Standards Board (FASB), in an effort to produce financial information that discloses the effects of inflation, issued Statement No. 33, Financial Reporting and Changing Prices, which requires that certain supplemental financial data be provided to readers of financial statements.

The Statement attempts to deal with the measurement of the effects of general price level changes (purchasing power) and of changes in specific costs (current costs) of the resources used in manufacturing products. Net earnings adjusted for the effects of inflation illustrates the overstatement of earnings and resulting overpayment of income taxes, whereas historical dollar accounting does not reflect the cumulative effects of increasing costs and changes in the purchasing power of the dollar during times of significant and continued inflation.

The effects of inflation are particularly important to the investment in plants, equipment and facilities, made over an extended period of time, and the related depreciation and depletion expense. Since the purchasing power of the dollar has declined significantly from the time these investments were made, their value on the balance sheet is at a lesser amount than would be required to acquire such investments today. The differential may be considered the estimated effect of inflation on the financial statements.

Statement No. 33 requires that the effect of general inflation on our operations be measured by the U.S. Consumer Price Index for All Urban Consumers (CPI-U). This measure of inflation includes many items and, therefore, is not necessarily representative of changes in our worldwide manufacturing costs. The effect of specific cost changes on our operations is required to be measured by current amounts which are applicable to the company. This measure of costs is highly subjective and, while based on the best judgments of management, may not accurately reflect the effects of inflation. Consequently, the company believes that while it is important for financial statement users to develop an understanding of the more significant impacts of inflation, the dominant focus should continue to be on the financial statements based upon historical costs. The required supplemental inflation data must be viewed with caution since, as indicated above, it is not certain whether it is a fair representation of the impact of inflation upon the company.

The condensed consolidated statements of earnings presented on page 28 are based on historical results of operations adjusted for changing cost factors relating to plants, equipment and facilities and inventories. Except for the adjustment of net-monetary liabilities to arrive at the purchasing power gain, which is not included in adjusted net earnings, no other balance sheet or income and expense items have been restated for changes in either general inflation or current costs.

In the first instance, the 1980 and 1979 results of operations have been adjusted for the general effects of the change in purchasing power using the CPI-U (constant dollar accounting) required by the FASB. The 1980 results are presented in 1980 average dollars and the 1979 results are presented in 1979 average dollars. Depreciation and depletion expense for both years reflects a higher present cost of plant, equipment and facilities. For both years, the inflationary impact on inventories affects manufacturing cost of sales to a lesser extent since the company uses the LIFO method of costing for a substantial portion of such inventories and therefore reflects to a large degree present costs in the historical financial statements. It should be recognized that the resultant amounts do not purport to represent appraised values or any other measure of current value.

In the second instance, the 1980 and 1979 results have been adjusted for changes in specific costs. Current costs have been determined by various methods. The FIFO method was used to approximate the current cost of inventories. The LIFO method, or methods yielding results approximating the LIFO method, were used to estimate the current manufacturing cost of sales. As in the case with constant dollar adjusted manufacturing cost of sales, the current manufacturing cost of sales for both 1980 and 1979 only slightly exceed historical costs because the LIFO inventory method is used for a substantial portion of the company's inventories. The current cost of plants, equipment and facilities was generally determined by use of externally developed construction and equipment indices. It should be recognized that the resultant amounts are not indicative of the company's results of operations from replacement of its productive capacity because such replacement would contemplate technological improvements to increase efficiency and reduce costs of operations. Current cost adjustments only contemplate replacing inventories and existing facilities with identical assets at year end.

For both the constant dollar and current cost adjustments, depreciation expense was calculated using the same methods and rates of depreciation as used in the historical consolidated financial statements. Since the company is not permitted deductions for tax purposes of adjustments for inflation in manufacturing cost of sales or depreciation and depletion, taxes on income have not been modified for the effects of changes in purchasing power or specific costs. Because income taxes are not levied solely on economic gain, the effective tax rate is greater than indicated by statutory rates.

The five-year table presented on page 29 sets forth a comparison of selected financial data relating to changes in both purchasing power and specific costs. All amounts in the table have been determined in units of common purchasing power using the 1980 average CPI-U. Certain information relating to years prior to 1979 is omitted, as it is impractical to obtain such information.

Condensed Consolidated Statement of Earnings Adjusted for Changing Costs for the Year Ended December 31, 1980 (Unaudited)

(Millions of dollars)

	As Reported in Consolidated Statement of Earnings	Adjusted for General Inflation (Constant Dollar)	Adjusted for Changes in Specific Costs (Current Costs)
Net Sales	$3,454	$3,454	$3,454
Expenses:			
Manufacturing cost of sales	2,085	2,132	2,121
Selling, administrative and research	940	940	940
Depreciation and depletion	156	266	293
	3,181	3,338	3,354
Earnings from operations	273	116	100
Other expenses, net	22	22	22
Earnings before taxes on income	251	94	78
Taxes on income	104	104	104
Earnings of consolidated companies	147	(10)	(26)
Equity in net earnings of associated companies	12	12	12
Net earnings (loss)	$ 159	$ 2	$ (14)
Effective tax rate	41.5%	110.8%	133.7%
Gain from decline in purchasing power of net amounts owed		$ 62	$ 62
Increase in general price level of inventories and plants, equipment and facilities held during the year*			$ 383
Increase in specific costs (current cost)			262
Excess of increase in general price level over increase in specific costs			$ 121

*At December 31, 1980 current cost of inventory was $671 and current cost of plants, equipment and facilities, net of accumulated depreciation was $2,628.

Condensed Consolidated Statement of Earnings Adjusted for Changing Costs for the Year Ended December 31, 1979 (Unaudited)

(Millions of dollars)

	As Reported in Consolidated Statement of Earnings	Adjusted for General Inflation (Constant Dollar)	Adjusted for Changes in Specific Costs (Current Costs)
Net Sales	$3,187	$3,187	$3,187
Expenses:			
Manufacturing cost of sales	1,908	1,946	1,931
Selling, administrative and research	869	869	869
Depreciation and depletion	141	214	254
	2,918	3,029	3,054
Earnings from operations	269	158	133
Other expenses, net	20	20	20
Earnings before taxes on income	249	138	113
Taxes on income	91	91	91
Earnings of consolidated companies	158	47	22
Equity in net earnings of associated companies	11	11	11
Net earnings	$ 169	$ 58	$ 33
Effective tax rate	36.7%	65.9%	80.8%
Gain from decline in purchasing power of net amounts owed		$ 66	$ 66
Increase in general price level of inventories and plants, equipment and facilities held during the year*			$ 499
Increase in specific costs (current cost)			340
Excess of increase in general price level over increase in specific costs			$ 159

*At December 31, 1979 current cost of inventory was $677 and current cost of plants, equipment and facilities, net of accumulated depreciation was $2.527

Five-Year Comparison of Selected Financial Data
Adjusted for Effects of Changing Costs in Average 1980 Dollars (Unaudited)
(Millions of dollars except per share amounts)

	Years ended December 31				
	1980	1979	1978	1977	1976
Net Sales	$3,454	$3,618	$3,511	$3,323	$3,080
Historical cost information adjusted for:					
General inflation:					
Net earnings	2	66			
Net earnings per share of common stock	.05	1.35			
Stockholders' equity at year end	2,422	2,429			
Current cost information:					
Net earnings (loss)	(14)	37			
Net earnings (loss) per share of common stock	(.28)	.77			
Stockholders' equity at year end	2,783	2,927			
Excess of increase in general price level over increase in specific costs	121	181			
Gain from decline in purchasing power of net amounts owed	62	75			
Per share of common stock:					
Cash dividends	1.60	1.82	1.89	2.04	2.17
Market price at year end	32.63	38.60	32.05	36.37	40.35
Average consumer price index	246.8	217.4	195.4	181.5	170.5

Litigation

Antibiotics Litigation — On October 10, 1980, the Federal District Court in Philadelphia entered final judgment against the United States government in its civil suit against the company and four other drug manufacturers for damages based upon the government's payments for broad-spectrum antibiotics purchases. After a trial that began in 1978, the Court found that the government had failed to prove the allegations of patent fraud upon which the government's case was based. The government has filed a notice of appeal.

The government's separate suit seeking cancellation of four of the company's patents relating to antibiotics on the basis of alleged patent fraud also remains pending. All four of the patents have expired.

The Court has fixed June 1, 1981, as the trial date for the suits by the governments of Iran, the Philippines, West Germany, India and Colombia against the five drug manufacturers for damages based upon their payments for purchases of broad-spectrum antibiotics during the period 1953-1975. The claimants have not specified the amount of damages allegedly suffered.

Due to the uncertainties necessarily inherent in litigated matters of this sort, the eventual cost of all of the above litigation to the company, and its disposition, cannot be accurately predicted. During 1977, the company made a provision in the amount of $17 million, which was charged to earnings of appropriate years prior to 1967, after giving effect to related tax reductions, based upon the prediction that the cost to the company of achieving an ultimate final disposition of the then pending antibiotics litigation would be at least that amount. Expenses incurred during 1980 were charged against this provision. The company believes that any additional liability with regard to all of this litigation above and beyond the amount of the reserve would 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 anti-trust laws or engaged in any wrongdoing before the Patent Office.

Formica® Trademark Litigation — On June 13, 1980, the Federal Trade Commission's petition attacking the registration of the Formica® trademark on the ground that it was generic was dismissed.

Five-Year Summary

Five-Year Summary

(Millions of dollars except per share amounts)	**1980**	1979	1978	1977	1976
Earnings					
Net sales	**$3,454**	$3,187	$2,780	$2,444	$2,12
Manufacturing cost of sales less depreciation and depletion	**2,085**	1,908	1,647	1,461	1,25
Depreciation and depletion	**156**	141	120	104	8
Selling, administrative and research expenses	**940**	869	753	653	58
Interest expense	**63**	63	51	44	3
Taxes on income	**104**	92	90	84	81
Earnings of consolidated companies	**147**	157	149	132	12
Equity in net earnings of associated companies	**12**	11	7	7	11
Net earnings	**159**	168	156	139	136
Per share of common stock					
Net earnings	**3.32**	3.52	3.26	2.92	2.8
Dividends	**1.60**	1.60	1.50	1.50	1.5
Average number of shares of common stock outstanding (used in calculating earnings per share)	**47.9**	47.8	47.8	47.8	47.8
Other Data					
Additions to plants, equipment and facilities	**196**	235	251	235	232
Current assets	**1,408**	1,351	1,158	1,013	923
Current liabilities	**779**	828	639	508	417
Working capital	**629**	523	519	505	506
Plants, equipment and facilities — at cost	**2,443**	2,310	2,123	1,908	1,676
Net depreciated cost	**1,329**	1,303	1,213	1,082	917
Total assets	**2,917**	2,827	2,526	2,222	2,002
Funded debt not due within one year	**545**	523	520	442	418
Stockholders' equity:					
Common stock	**244**	244	244	244	244
Additional paid-in capital	**40**	39	39	39	39
Earnings employed in the business	**1,176**	1,094	1,001	917	849
Less treasury stock	**(25)**	(30)	(30)	(31)	(31
Total stockholders' equity	**1,435**	1,347	1,254	1,169	1,101

Discussion and Analysis

American Cyanamid Company and Subsidiaries

Discussion and Analysis of Financial Condition and Results of Operations

Financial condition — A company's liquidity may be measured by its liquid asset position, its ability to generate funds from operations, and its ability to arrange external financing.

At December 31, 1980, the company had available for its operations $180.6 million in cash, marketable securities and time deposits. This significant source of liquidity, combined with accounts receivable of $731.6 million, convertible to cash over a relatively short period of time, provides the company the capability to satisfy normal cash requirements from its own resources. The ratio of current assets to current liabilities is generally perceived to be a useful measure of liquidity. The company's 1.8 to 1 ratio is judged to be very adequate.

Funds derived from operations in 1980 totaled $327 million. This amount, combined with funds derived from increases in funded debt of $44 million, provided the company with adequate resources for capital expenditures of $195.8 million, dividend payments to shareholders of $76.5 million and other cash requirements.

In addition to the operating cash flow and liquid assets discussed above, the company has $215 million in unutilized lines of credit in the United States. These lines are available to satisfy cash requirements, should such a need arise, or to support commercial paper borrowings and are supplemented by a variety of other credit facilities maintained by foreign subsidiaries.

The company has maintained a relatively consistent level of debt financing. At December 31, 1980, aggregate debt financing was $634.9 million equal to 30.7% of total debt and equity and comprised of short-term borrowings and commercial paper of $78.2 million and funded debt, including the portion due within one year, of $556.7 million.

The company believes it is capable of raising substantial amounts of short-term and long-term debt in the United States and other financial markets, if necessary. Based on projected internal cash generation, current levels of liquid assets and the credit capacity to support additional financing, the company expects to continue to be able to competitively finance operating cash requirements and planned capital expenditures for 1981, including the amount already committed at December 31, 1980, of about $36 million. All planned capital expenditures are intended to provide necessary capacity to improve efficiency of production units, to modernize or replace older facilities, and to install equipment required for protection of the environment.

The company considers its December 31, 1980, financial condition and anticipated 1981 operating results to be of the most significance in assessing its liquidity. Importance can also be attached to prior years' data which evidence an ability to maintain liquidity over a period of time. Data for 1979 and 1978 corresponding to the 1980 data discussed above are readily obtainable from the Consolidated Financial Statements included in this annual report.

Results of operations — Consolidated net sales in 1980 were $3.45 billion; sales were $3.19 billion and $2.78 billion in 1979 and 1978, respectively. Net earnings for 1980 were $159.2 million, or $3.32 a share, 5.5% lower than earnings of $168.5 million, or $3.52 a share, in 1979. Net earnings for 1978 were $155.9 million, or $3.26 a share. 1980 earnings reflect certain charges and provisions (before income taxes) of $15.6 million or approximately 17¢ a share for plant consolidations and shutdowns. In 1979, earnings before income taxes were reduced by the effect of unusual provisions totaling $18.1 million or approximately 20¢ a share for consolidating certain manufacturing operations and the downward revision in the company's investments in some assets. 1979 earnings also included a non-recurring gain of $11.8 million or 17¢ a share realized from the sale of a phosphate rock deposit in Florida and an income tax credit of $3.4 million or 7¢ a share resulting from a change in the tax laws of the United Kingdom. The net effect of these unusual charges and credits was to increase 1979 net earnings by approximately 4¢ per share.

Note 10 to the Consolidated Financial Statements sets forth for each of the last three years the net sales, operating earnings and certain other financial data relating to each of the company's five businesses.

Agricultural sales and operating earnings increased in both 1980 and 1979 from prior year levels. These increases resulted, in 1980, from increased demands for fertilizers, insecticides and herbicides, and in 1979, from increased sales of animal feed and health products as the rebuilding of livestock herds increased the demand for our products. Increased demand and limited global capacity for fertilizers resulted in higher prices than in previous years and contributed to the sales and operating earnings gains. 1979 operating earnings reflect the non-recurring gain of $11.8 million referred to above.

Medical sales and operating earnings also increased in both 1980 and 1979 from previous year levels. In 1980, sales of synthetic absorbable sutures, antibiotics and multivitamins increased; 1979 sales gains were achieved in the areas of major mature products and by expanding the lines of generics and multivitamins. Increased promotion expense and higher levels of research funding to support the clinical testing of new products had a leveling effect on operating earnings in both 1980 and 1979.

Sales of specialty chemicals increased in both 1980 and 1979 over the previous year levels but operating earnings decreased. In 1980, the recession in the durable goods sector of the U.S. economy particularly affected this business. Price increases in 1979 lagged behind soaring energy and raw material costs resulting in

Discussion and Analysis (con't.)

significantly lower profit margins and declining operating earnings. 1980 earnings were reduced $13.6 million as a result of curtailment or withdrawal from certain product lines; 1979 earnings were reduced $10.4 million by provisions for consolidating certain manufacturing operations.

Consumer product sales increased in both 1980 and 1979 as compared to the previous year; 1980 sales increases were inhibited by high interest rates resulting in retailer inventory reductions. Operating earnings decreased during both periods. Factors causing the declines were high costs of test marketing and introducing new products; heavy brand maintenance expenditures and intense competition. 1980 results were impacted by relatively weak fourth quarter sales of prestige fragrances, as well as an unusual charge of $2 million resulting from a consolidation of manufacturing and distribution operations. Sales of Breck® shampoo and conditioner declined in both 1980 and 1979.

Formica® brand products sales declined in 1980 from the 1979 levels primarily due to the divestiture in 1979 and 1980 of two product lines. Both sales and operating earnings in 1980 were further held down as a result of sharp declines in housing starts, remodeling and furniture shipments, combined with restricted industrial and commercial construction. During both 1980 and 1979, the adverse effects in the United States of higher interest rates, declining mortgage funds and rising energy and raw material costs caused operating earnings to decline. Operating earnings in 1979 were further depressed $7.7 million by provisions for consolidating certain manufacturing operations and by a downward revision in our investments in some assets. 1980 operating earnings also were affected by the lower level of economic activity in the United Kingdom.

To properly assess its operations, the company believes that its research and development efforts should be recognized along with its sales and operating earnings performance. A discussion of these efforts appears on page 4 of this annual report.

Note 11 to the Consolidated Financial Statements presents certain supplemental information on inflation and changing costs. This information attempts to measure the impact of inflation and changing costs on the company's results of operations and certain other historical financial information.

Organization Units

Operations

Agricultural Division
Joseph J. Garbarino, *President*

Chemical Products Division
William G. Paxton, *President*

Cyanamid Americas/Far East Division
John H. Schriever, *President*

Cyanamid Europe/Mideast/Africa Division
Ben H. Loper, *President*

Fibers Division
Martin B. Friedman, *President*

Formica Corporation
William L. Berry, *President*

Household Products Division
Gordon M. Garrett, *President*

Industrial Products Division
Edgar E. Standring, *President*

Jacqueline Cochran, Inc.
Carlo F. Bilotti, *President*

Lederle Laboratories Division
Jack L. Bowman, *President*

Organic Chemicals Division
Gordon D. Sterling, *President*

Plant Food Division
T. Dean Smith, *President*

Shulton, Inc. International Division
William H. Lash, *President*

Shulton, Inc. Toiletries Division
Melvin E. Cruger, *President*

Research Divisions

Agricultural Research Division
Robert H. Becker, *Director*

Chemical Research Division
George L. Sutherland, *Director*

Consumer Products Research Division
Lantz S. Crawley, *Director*

Formica Products Research Division
Leo A. Landers, *Director*

Medical Research Division
George L. Sutherland, *Director*

Services

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

Corporate Development and Planning Division
Frederick W. Armstrong, *Director*

Engineering and Construction Division
Herbert H. Hofmaier, *Director*

Environmental Services Division
Jason M. Salsbury, *Director*

Federal Government Relations
Don A. Goodall, *Director*

Information Services Division
Edward A. Lustig, *Director*

Investor Relations
Wallace G. Taylor, *Director*

Law Division
Donald C. Droste, *Director*

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

Personnel Division
W. Perry Brown, *Director*

Public Affairs Division
Joseph C. Calitri, *Director*

Tax Division
Alan M. Breitman, *Director*

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

Treasury Division
George A. Midwood, *Treasurer*

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Lloyd N. Cutler	*Partner Wilmer, Cutler & Pickering Attorneys*
James B. Fisk	*Retired Chairman of the Board Bell Telephone Laboratories, Incorporated*
L. Emery Katzenbach	*Member of the Investment Banking Committee and Vice President Merrill Lynch, Pierce, Fenner & Smith Incorporated Investment bankers and securities broker/dealers*
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Borden R. Putnam	*Senior Vice President American Cyanamid Company*
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William L. Wearly	*Director and Chairman of the Executive Committee Ingersoll-Rand Company Diversified manufacturer of machinery and equipment*

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Borden R. Putnam	*Senior Vice President*
Charles E. Austin	*Group Vice President*
Paul C. Baker	*Group Vice President*
George P. Bywater	*Group Vice President*
David Carroll	*Group Vice President*
Fredric E. Detoro	*Group Vice President*
James I. Wyer	*Vice President and General Counsel*
W. Perry Brown	*Vice President*
Richard L. Martino	*Vice President*
George A. Midwood	*Treasurer*
Robert D. Reisman	*Controller*
John K. Bangs	*Secretary*

Office of the Chairman

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

Finance Committee

Clifford D. Siverd *Chairman*
James G. Affleck
L. Emery Katzenbach
William A. Liffers
George L. Schultz
George J. Sella, Jr.

Audit Committee

James B. Fisk *Chairman*
L. Emery Katzenbach
William L. Wearly

Compensation Committee

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

Nominating Committee

William L. Wearly *Chairman*
George L. Schultz
Clifford D. Siverd
James G. Affleck *ex officio*

Public Responsibility Committee

George L. Schultz *Chairman*
Alexander M. Schmidt

Transfer Agent and Registrar

The Chase Manhattan Bank, N.A.
New York, NY 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.

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