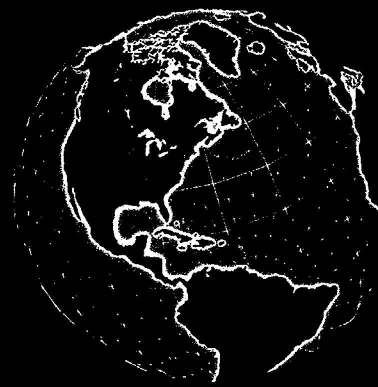
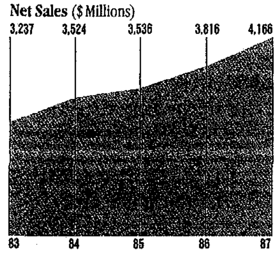


BUSINESS DESCRIPTION

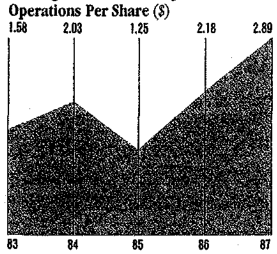
Cyanamid is a research-based biotechnology and chemical company which develops medical, agricultural, chemical and consumer products and manufactures and markets them throughout the world.

CYANAMID

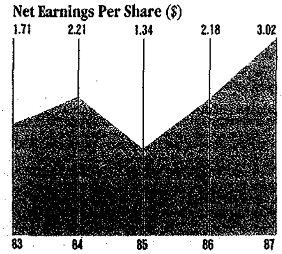
Net Sales ($ Millions)



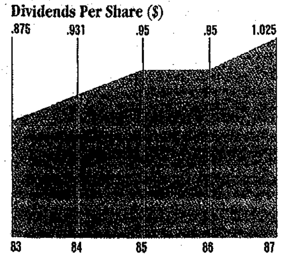
Earnings from Continuing Operations Per Share ($)



Net Earnings Per Share ($)



Dividends Per Share ($)



FINANCIAL HIGHLIGHTS

American Cyanamid Company and Subsidiaries
(All per share data for prior years in this annual report have been restated to reflect the 2-for-1 stock split distributed June 12, 1987.)

(Dollars in millions except per share amounts)

	1987	1986	1985
OPERATING RESULTS			
Net sales	**$4,166.1**	$3,815.9	$3,536.1
Earnings from continuing operations	**264.0**	202.5	120.2
Net earnings	**275.6**	202.5	129.1
Dividends	**93.4**	88.2	91.4
Per share of common stock:			
Earnings from continuing operations	**2.89**	2.18	1.25
Net earnings	**3.02***	2.18	1.34**
Dividends	**1.025**	.95	.95
Depreciation, depletion and amortization	**200.8**	190.2	179.8
Additions to plants, equipment and facilities	**268.1**	262.5	202.6
Research and process development expense	**313.6**	278.3	250.6

YEAR-END POSITION			
Total assets	**$4,129.0**	$3,667.0	$3,404.7
Funded debt	**563.1**	584.3	570.9
Stockholders' equity	**1,873.0**	1,720.6	1,644.3
Per share of common stock	**20.85**	18.71	17.53
December 31, closing stock price on the New York Stock Exchange Composite Listing	**41¼**	38⅞	28¾
Shares outstanding (adjusted for 2-for-1 stock split)	**89,829,165**	91,977,950	93,812,796
Number of stockholders	**51,304**	53,041	56,790
Number of employees	**34,267**	34,462	36,432

*Includes a gain of approximately $.13 from the sale of the Jacqueline Cochran businesses and a $.13 gain from discontinued operations. Excluding these items, net earnings per share were $2.76.

**Includes a net charge of $.24 related to the curtailment and consolidation of certain chemical and fertilizer businesses and specific environmental remediation projects, net of a gain from the sale of the company's U.S. titanium dioxide business. Also included is $.09 of income from discontinued operations. Excluding these items, net earnings per share were $1.49.

TO OUR STOCKHOLDERS

George J. Sella, Jr., Cyanamid Chairman, President and Chief Executive Officer

In 1987 your company set new sales and earnings records with strong results in all four of its businesses as each business continued to reap the benefits of its strategic plan for growth.

Key factors in the performance were the continued development and market acceptance of new products and technology from Cyanamid research, local currency sales increases in international markets and the favorable effect of foreign exchange. Continued emphasis on cost control, innovative marketing programs and new distribution efforts also played important roles in achieving your company's results in 1987.

Net earnings in 1987 were a record $275.6 million, or $3.02 per share, 36% higher than $202.5 million, or $2.18 per share, in 1986. Net earnings in 1987 include a gain from discontinued operations of $11.6 million, or $.13 per share, attributable to the early redemption of securities received in connection with the 1985 divestment of the *Formica* brand products business.

Earnings from continuing operations in 1987, also a record, were $264.0 million, or $2.89 per share, up 30% from $202.5 million, or $2.18 per share, in the previous year. Earnings from continuing operations in 1987 include a gain of approximately $.13 per share from the sale of the Jacqueline Cochran fine fragrance business in the United States and the worldwide *La Prairie* skin care business.

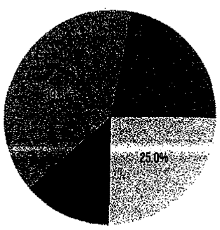
Net earnings per share for the year ended December 31, 1987, excluding the gain from the sale of the Jacqueline Cochran businesses and the gain related to discontinued operations, were $2.76 per share.

Total operating earnings of our business groups increased 33% to $466.8 million versus $351.4 million in 1986.

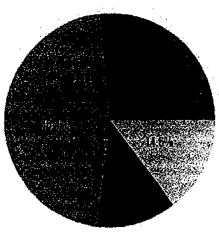
Cyanamid's worldwide sales reached a new milestone in 1987, rising 9% to a record $4.17 billion compared to $3.82 billion in the prior year.

The Medical Group set new worldwide sales and operating earnings records in 1987. In December 1987, we received U.S. Food and Drug Administration approval to market our new anticancer agent, *Novantrone* mitoxantrone, for the treatment of acute nonlymphocytic leukemia. During 1987, we acquired the assets constituting the Coburn Professional Products business

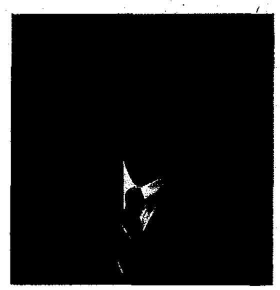
Worldwide Sales



Operating Earnings



Medical | Chemicals
Agricultural | Shulton



Frank V. AtLee, Executive Vice President

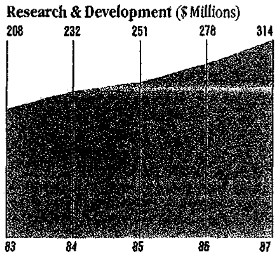
William A. Liffers, Vice Chairman

Albert J. Costello, Executive Vice President

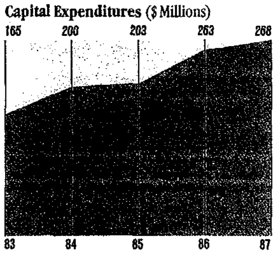
Cyanamid's Executive Committee is comprised of George Sella (pictured on page 4), Frank AtLee, William Liffers and Albert Costello (pictured above).

of Barnes-Hind,
Device Division.
We were disa
of the Vaccine In
which imposes a
diphtheria, tetan
poliovirus vaccin
dealing with the
claimants may re
The government
litigation costs, h
vaccine to consu
Worldwide c
substantially in 1
herbicides, partic
excellent growth
States, Brazil and
1987 showed onl
withdrawal from
feed minerals bus
The Chemica
international mar
operating earning
Group continued
facilities to manu
and reduce the co
projects is a new
melamine manuf
Orleans, Louisia
aliphatic isocyana
Worldwide c
dramatically in 1
the Jacqueline Co
restructuring as v
improved perfor
during the year a
growth. Excludi
Cochran busines
nificantly higher

Research & Development ($ Millions)



Capital Expenditures ($ Millions)



Consistent with our companywide strategy of growth through the discovery and development of new products, we continued our strong support for research and development, with costs of $313.6 million in 1987, a 13% increase over the $278.3 million in the previous year. In addition, over the next few years we are planning to spend approximately $350 million to expand and modernize the physical facilities at our medical, agricultural and chemical research centers, particularly in the discovery research and biotechnology areas.

In 1987, capital spending, exclusive of acquisitions, was $268.1 million compared to $262.5 million in 1986.

During the year, Anne Wexler was elected to the Board of Directors. She is chairman of Wexler, Reynolds, Harrison & Schule, Inc., consultants in government relations and public affairs. In January 1988, Charles E. Austin, vice president, retired. Mr. Austin made many contributions to Cyanamid's agricultural, chemical and international businesses during his 25-year career with the company.

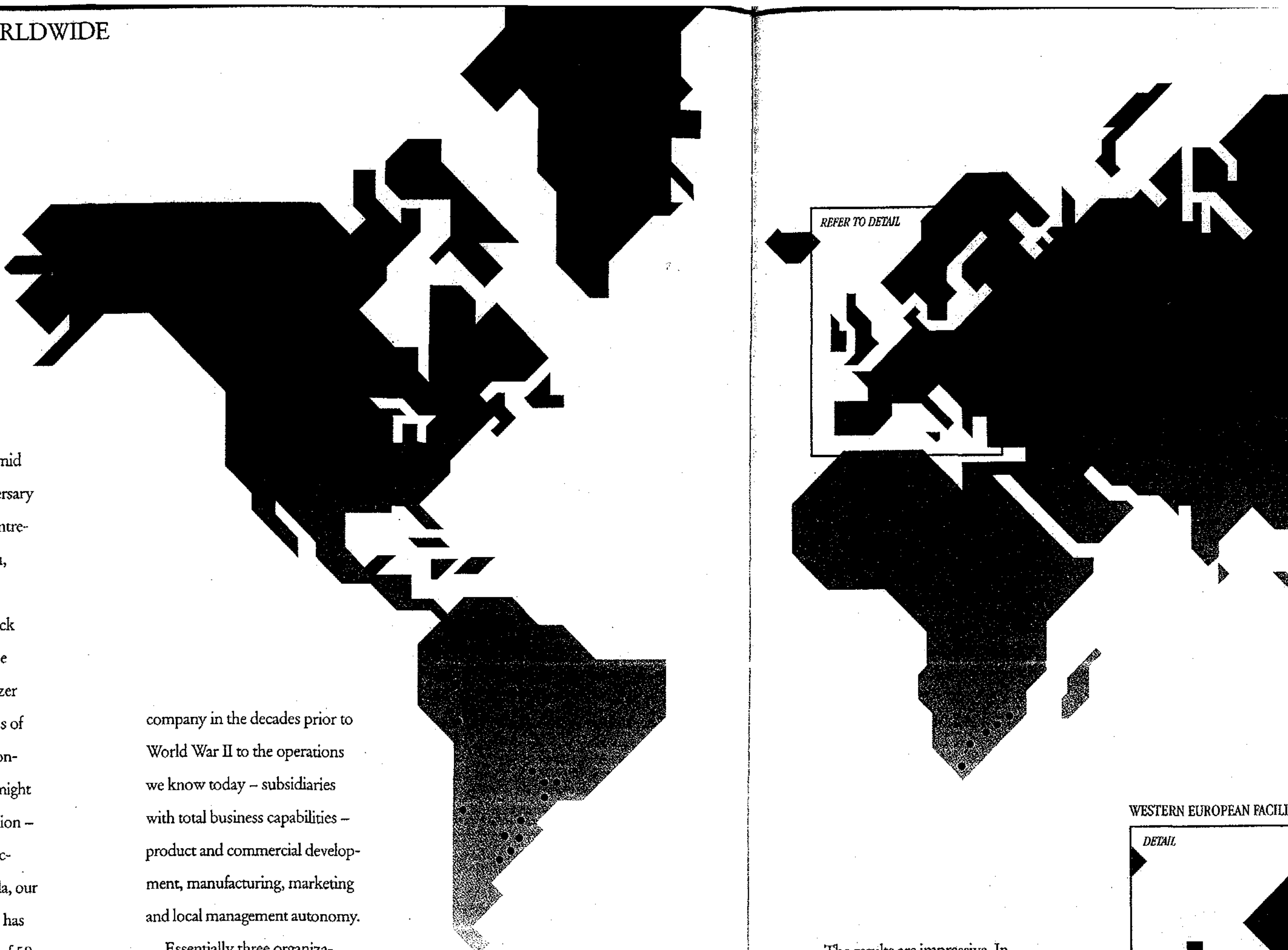
We are extremely proud of Cyanamid's performance in 1987. Despite the sobering effects of the October stock market crash and the resultant uncertainties surrounding world economic conditions, we are confident that the company will continue to achieve significant growth.

We have identified and are building on the strengths of each of our four businesses. Our strategies for each business are well defined, and with the continued dedication of our employees throughout the world, Cyanamid will achieve new levels of profitable growth as it serves the aspirations of people everywhere for a quality standard of living.

For the Board of Directors,

George J. Sella, Jr.
Chairman, President and Chief Executive Officer
February 2, 1988, Wayne, New Jersey

CYANAMID WORLDWIDE



Frank Washburn would marvel at American Cyanamid Company in its 80th anniversary year. Our founder was an entrepreneur and a man of vision, sailing off to Europe in the summer of 1907 to bring back the rights to manufacture the world's first synthetic fertilizer for the developing farmlands of North America. But envisioning the Cyanamid of today might even be beyond his imagination – that from one plant manufacturing one product in Canada, our international business alone has grown into a global family of 59 operating subsidiary companies with 15,000 employees and 34 manufacturing plants, 13 major joint ventures and sales in 135 nations.

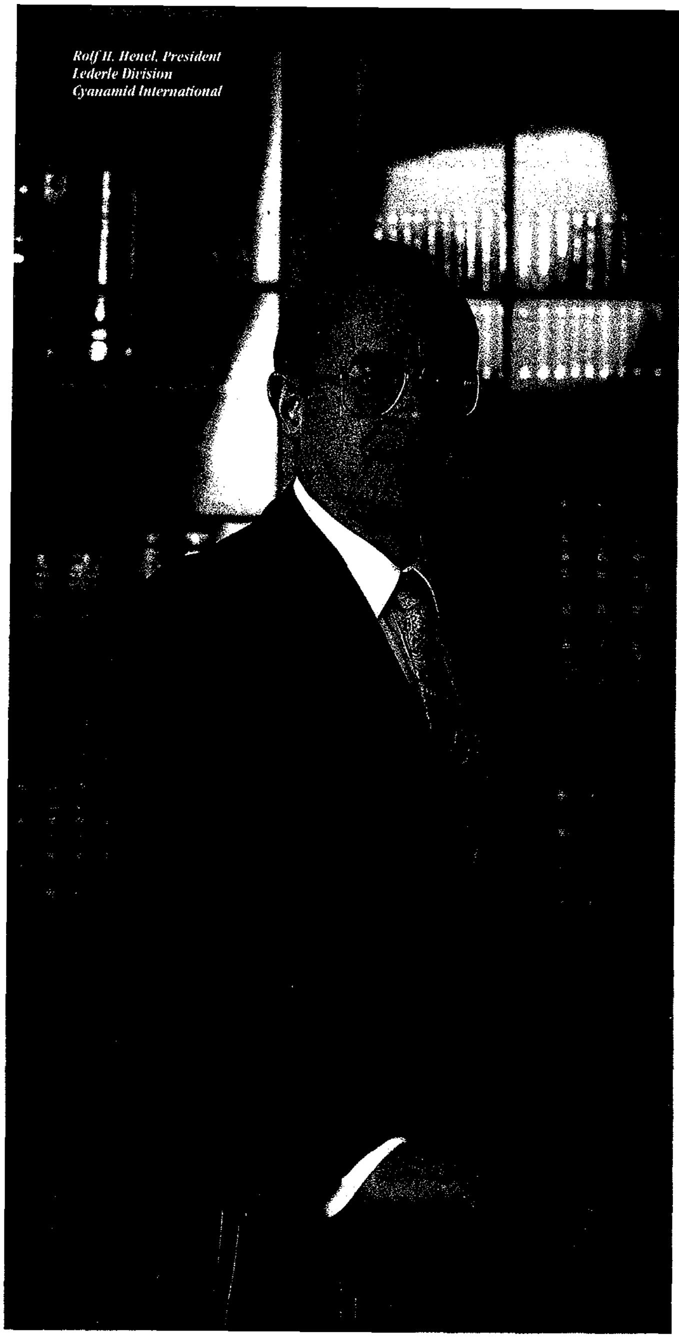
The story of Cyanamid's international business is one of evolution from largely an export company in the decades prior to World War II to the operations we know today – subsidiaries with total business capabilities – product and commercial development, manufacturing, marketing and local management autonomy.

Essentially three organizations – Cyanamid International, the Latin America Group and Shulton, Inc. International – are responsible for our businesses outside the United States in concert with the managing directors and general managers of our local subsidiary companies.

Our subsidiary managers are an exceptional group of individuals with proven records of operating excellence and the entrepreneurial instinct and drive to expand the company's operations.

The results are impressive. In 1987, the men and women of our international operations accounted for approximately 40% of total Cyanamid sales. If they stood alone as a separate company, they would have ranked about 220th on the 1986 Fortune 500 list.

WESTERN EUROPEAN FACILI

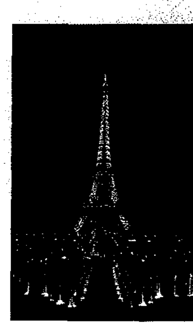


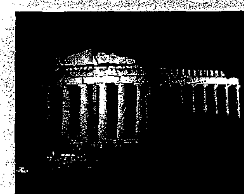
Rolf H. Henel, President
Lederle Division
Cyanamid International

The people who are responsible for the international divisions, the Latin America Group and the subsidiaries of each organization are as diverse as the nations in which they operate.

Rolf H. Henel, president of the Lederle Division, Cyanamid International, was born in Canada, received his bachelor's degree in Russian Area Studies from Yale, his MBA from New York University, and is fluent in five languages.

Lederle International is now one of the fastest-growing pharmaceutical companies outside the United States. Since 1980, Lederle International has been growing at 14% per year while the industry has grown at 11% per year. According to Mr. Henel, "We have made excellent progress because we have closely defined our strategies





and gathered the resources to implement them."

Lederle International's business objectives concentrate on leadership in oncology, infectious diseases, geriatrics and dermatologicals through Cyanamid-discovered products as well as product licensing and acquisition. Biotechnology will play an increasingly important role.

Over the short term, the division is launching bisoprolol, a highly selective beta blocker for use in the treatment of hypertension and angina; *Suprax* cefixime, a third-generation oral cephalosporin for the treatment of a variety of infections; and felbinac, a topical nonsteroidal anti-inflammatory.

Lederle International also is

aggressively pursuing t
of recently introduced
ceuticals, such as the an
agent, *Novantrone* mito
and developing new ap
tions, formulations and
positions for its establis
pharmaceuticals.

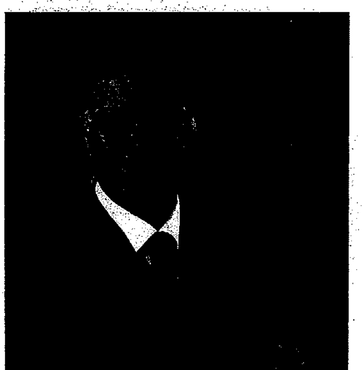
While each Cyanam
sidiary or affiliate is a su
story, Lederle (Japan), L
venture of Cyanamid a
Chemical Industries, L
unique example of inte
cooperation and growt
in 1953, Lederle Japan
first joint American-Ja
business enterprise in t
maceutical industry fol
World War II. Today, b
the exceptional capabil
performance of its emp
the research and develo
capabilities of the paren
panies, Lederle Japan is
largest foreign-affiliated
ceutical company in Ja

While growth oppo
in existing markets, suc
Japan, are priorities for

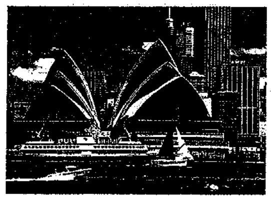
"Our headquarters-based people understand that their role is to support the people in the markets by working with them to identify and fulfill the needs of those markets."

Mr. Henel backs his belief in the human element of business success with specific incentive, training and communications programs for people based both abroad and at headquarters.

Lederle International is organized to facilitate growth through attention to national needs, protection and enhancement of the current business, aggressive promotion of selected products and excellence in manufacturing.



Giorgio Giombini
Vice President and Managing Director
Cyanamid Italia S.p.A.



John W. Jackson is building a new international medical business for Cyanamid in the specialized field of medical devices, including high-technology instruments and equipment for surgeons and end products for surgical patients. Utilizing Cyanamid's traditional Davis & Geck wound closure business as a base, Mr. Jackson and his team have the mission to expand Cyanamid's global medical device business through internal research and development and selective acquisitions.

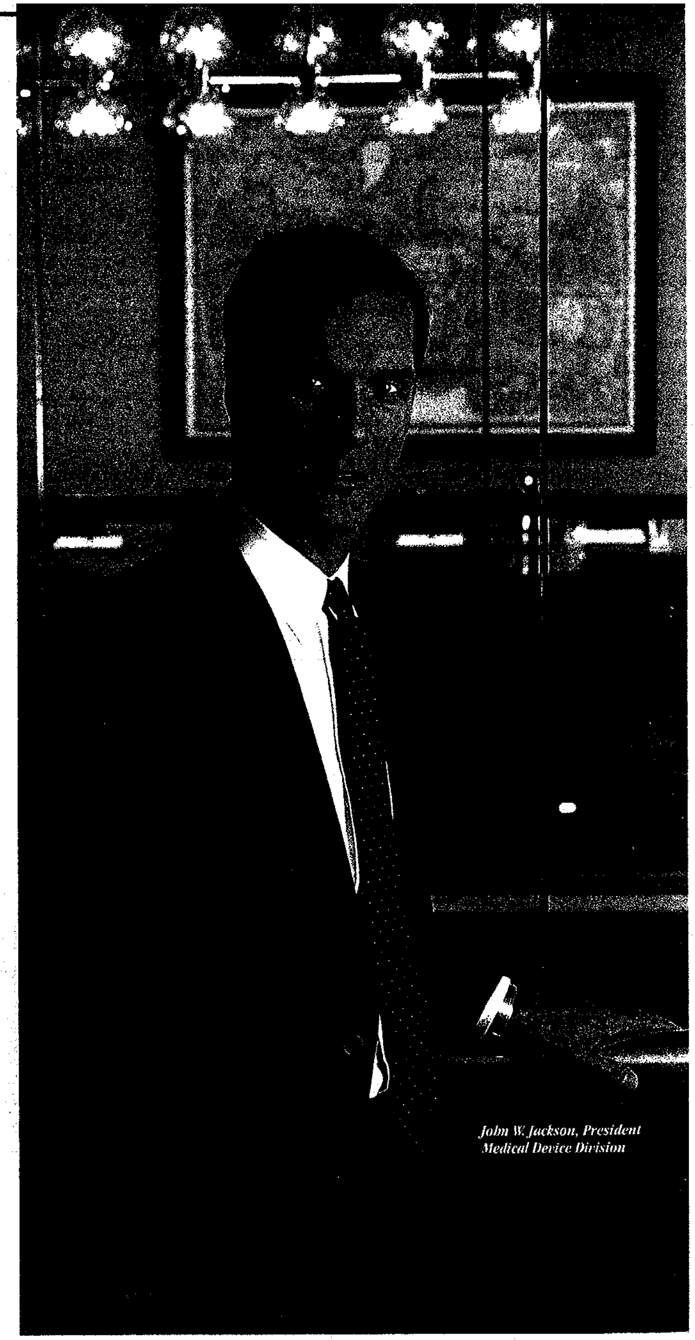
Mr. Jackson, a native of Texas, a graduate of Yale, an MBA graduate of France's prestigious INSEAD – the European Institute of Business Administration – and a Marine Corps veteran of Vietnam, sees tremendous synergistic opportunities between Cyanamid's traditional surgical business and new acquisitions.

"We are taking the strong global position of Davis & Geck in the wound management area and expanding that into surgical devices for the orthopaedic and ophthalmic markets," Mr. Jackson explains. As president of the Medical Device Division, which was created in 1986, Mr. Jackson and his management team are positioning the business to respond to pressures to reduce health care costs in developed nations and to capitalize both on growing surgical and medical device markets for an aging population and opportunities in the areas of trauma and sports-related injuries.

"Davis & Geck will continue to be the Medical Device Division's key business in international markets based on continued growth of established products and introductions of new products from research," Mr. Jackson says. Continued sales growth of *Dexon* synthetic absorbable sutures will be tied to special surgical proce-

dures in the gastrointestinal and orthopaedic areas. New products from Cyanamid research also have excellent potential in international markets. These include *Maxon* monofilament suture, which is ideal for surgical techniques in soft and growing tissue but also has application in almost all surgical specialties.

The 1986 acquisitions of Storz Instrument Company and Acufex Microsurgical, Inc., and



John W. Jackson, President
Medical Device Division

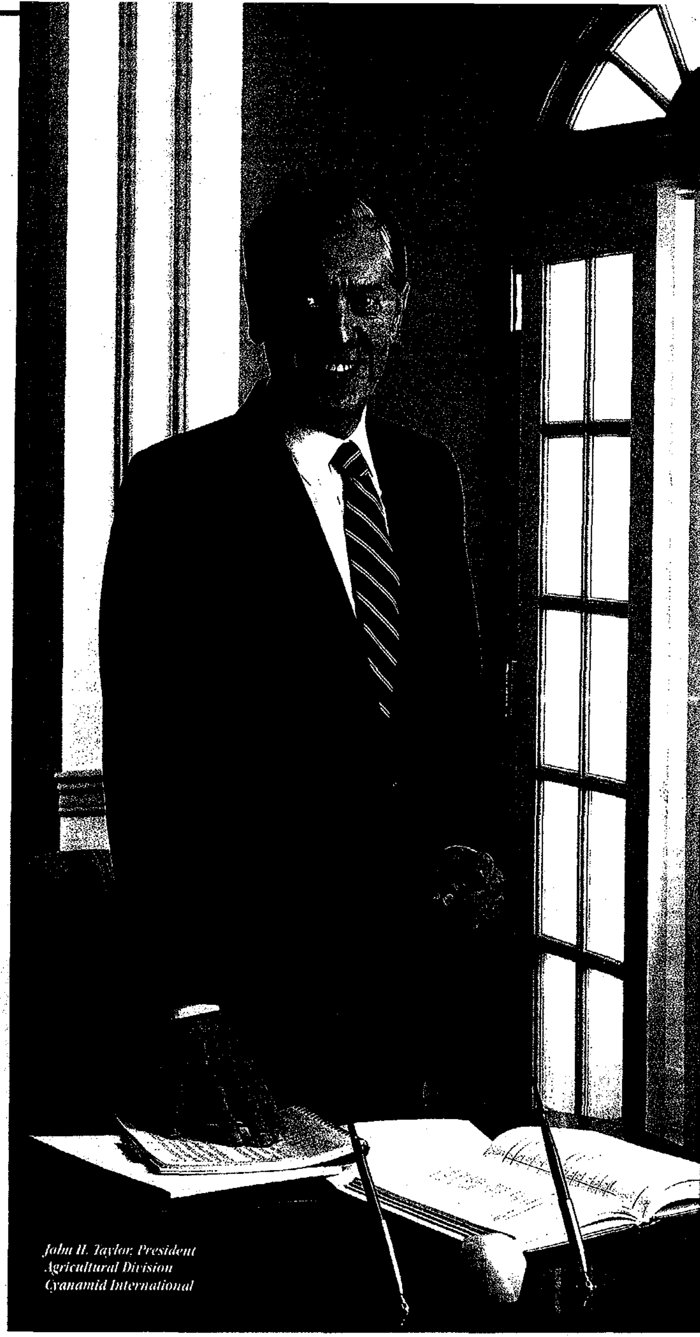
the 1987 purchase of the assets constituting the Coburn Professional Products business of Barnes-Hind, Inc., willl provide strong opportunities to expand the international medical device business.

Storz is a U.S. leader in ophthalmic and ear, nose and throat surgical instruments.

Acufex is a pioneer in the development of products for arthroscopic surgery, including hand-operated and power-driven instruments, scopes, fiber-optic light sources and television imaging systems.

The Coburn product line, which includes intraocular lenses, will be added to the ophthalmic instrument and equipment business of Storz.

"With the established strength of Davis & Geck and the potential of Storz, Acufex and Coburn, we expect excellent growth in international markets for the medical device business," Mr. Jackson says.



John H. Taylor, President
Agricultural Division
Cyanamid International

Knowing the market and anticipating new trends is the key to any successful business, and Cyanamid's International Agricultural *Division is a leader in* both areas, achieving a 32% annual compound growth rate in earnings since it was formed four years ago.

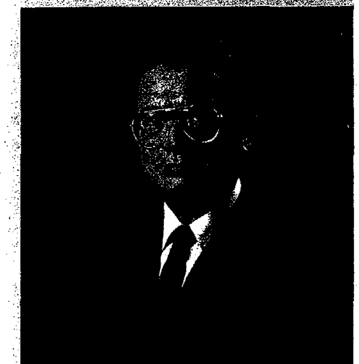
Doctor of philosophy and doctor of veterinary medicine, born and educated in Great Britain, a 32-year veteran of Cyanamid's agricultural business at both the subsidiary and divisional levels, Dr. John H. Taylor is president of the International Agricultural Division. He is responsible for a business which serves markets with tremendous

differences in agriculture, government regulations and economic sophistication.

Because of different farming and livestock production methods, a wide range of economically important crops, and crop and livestock surpluses in major countries, the strategy of the International Agricultural Division is to segment markets and to launch both new single-entity and combination products tailored to individual market needs.

"In Europe, farms are small by American standards, and farmers have very sophisticated practices in the use of agrichemicals," Dr. Taylor says. "Our new imidazolinone herbicides and other new Cyanamid discoveries provide us with unique opportunities, particularly in cereal herbicide markets," Dr. Taylor explains.

He believes Cyanamid's subsidiaries have done an excellent job at studying market opportunities and niches in each country, and in cooperation with the agricultural formulation development groups in England and Japan, and the division's



Frank S. T. Chen, President
Cyanamid (Far East)
Limited

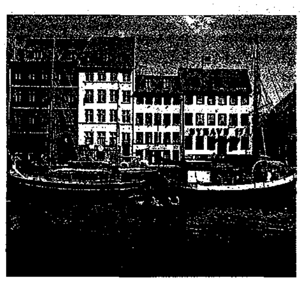
headquarters-based staff, have developed products and tailored marketing programs to meet those local needs. These efforts are supported by agricultural manufacturing facilities in the United Kingdom, The Netherlands, Spain, Italy, India and Taiwan and will be further strengthened by a plant under construction in France.

Prowl herbicide, which is marketed under the *Stomp*

Matthew J. Reynders
Managing Director
Cyanamid B.V.

trademark in many international markets, is a good example of this effort. *Stomp* was introduced in the early '80s for treatment of winter wheat in Europe. However, agricultural specialists at both Cyanamid France and Cyanamid Italia S.p.A. saw additional growth opportunities for *Stomp* herbicide in various combinations with other herbicides. *Stomp* is now available in many combination products that meet the widely differing national market requirements for effective weed control. The division also is developing novel combination products based on three of the new Cyanamid imidazolinones – *Assert, Arsenal* and *Pursuit* herbicides.

In the Far East and Pacific Basin, Dr. Taylor is looking to the imidazolinones and key established products for continued growth in the pesticides business. "We see good opportunities for *Arsenal* in industrial and plantation weed control and the forestry market in various countries and for *Pursuit* herbicide for control of weeds in leguminous crops. We also are continuing to realize good sales growth for *Avenge* wild oat herbicide in the People's Republic of China and have succeeded in establishing both *Counter* and *Thimet* as key soil insecticides in important Asian agricultural markets," Dr. Taylor reports. "With our present strategic approach and the continued innovative teamwork of everyone in the division and in our subsidiaries, I'm confident we will continue to increase our share of the $11 billion international pesticide market that we serve."



Dr. Taylor says he also is enthusiastic about the future of the animal nutrition and health business, despite increasing government requirements for chemicals used in livestock production.

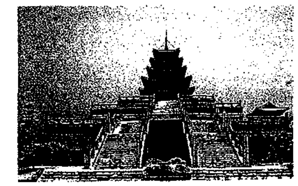
As he explains, "While the growth of this market has remained minimal, it is more than a $3.4 billion market, and we see an excellent opportunity for Cyanamid in products which increase the efficiency of producing healthy livestock."

The leading products in Cyanamid's international animal business are antibiotic feed supplements and *Avotan* avoparcin growth promoter for ruminants, such as cattle and sheep, as well as swine and poultry.

Based on sales results to date, the division also is optimistic about the future of *Cygro* coccidiostat in the poultry market. This product of Cyanamid research prevents a serious intestinal disease in poultry.

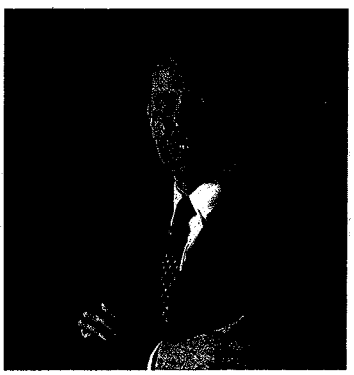
William G. Paxton, President
Chemicals Division
Cyanamid International

To recognize the increasing role of veterinarians in key markets, the division acquired Laboratorios Sobrino S.A. in Spain in 1986 and a year earlier purchased slightly less than 50% of Langford Inc., in Canada. Both firms are leaders in veterinary pharmaceuticals and biological products and will form the base for expanding the veterinary business in these and other markets.



Identifying and developing market niches, heavy emphasis on developing projects to improve earnings and an unusual operating structure are the principal reasons for the growing profitability of the International Chemicals Division. William G. Paxton, president of the division, knows the business from the ground up. A Princeton chemical engineering graduate, he worked in manufacturing at the plant level early in his career, and since 1983 has held various management positions in the international chemicals business.

In the highly competitive European chemical industry, Cyanamid enjoys market leadership in structural adhesives for



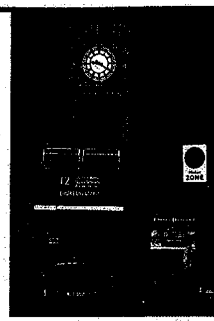
S. Nicholas Kohn
Area Director
Shulton (Great Britain) Limited

the aerospace industry and adhesives for tire manufacturing as well as strong positions in a host of chemical products.

"Our decision to set up a European chemical operation with headquarters at Cyanamid B.V. in Rotterdam to run the business in both Western and Eastern Europe, the Middle East, Scandinavia and North Africa has really paid dividends," Mr. Paxton says. "That gives them the flexibility to run every aspect of the business and to play a key role in working with the headquarters-based staff on new business development."

Another highly successful subsidiary is Cyanamid Aerospace Products Limited. Formed as a joint venture company in 1981, the company became a wholly-owned Cyanamid subsidiary in 1987. Today, the subsidiary is a leading supplier of advanced composites and aluminum honeycomb core as well as structural adhesives to the European aerospace industry. The International Chemicals Division also sees excellent growth prospects for Cyanamid's aerospace business in the Far East.

Mr. Paxton's emphasis on encouraging innovative thinking in the division has resulted in successful new business projects,



including expanding the mining chemicals business in Australia, Canada and Eastern Europe.

Another divisional strategy which has reaped benefits is the joint venture approach to manufacturing and marketing.

"Dyno Cyanamid, which is owned by Cyanamid and Dyno Industrier of Norway, is a good example of a successful partnership," Mr. Paxton explains. Cyanamid is recognized as the world's leading supplier of high performance resins for industrial coatings and automotive finishes, and with Dyno's manufacturing plant in Norway, the joint venture is well positioned for growth.

Mr. Paxton thinks the future of the international chemicals business is bright. As he puts it, "With the subsidiaries involved in the decision-making and business-building process and everyone in the division committed to generating new ideas, the division is on track for consistent, profitable growth."

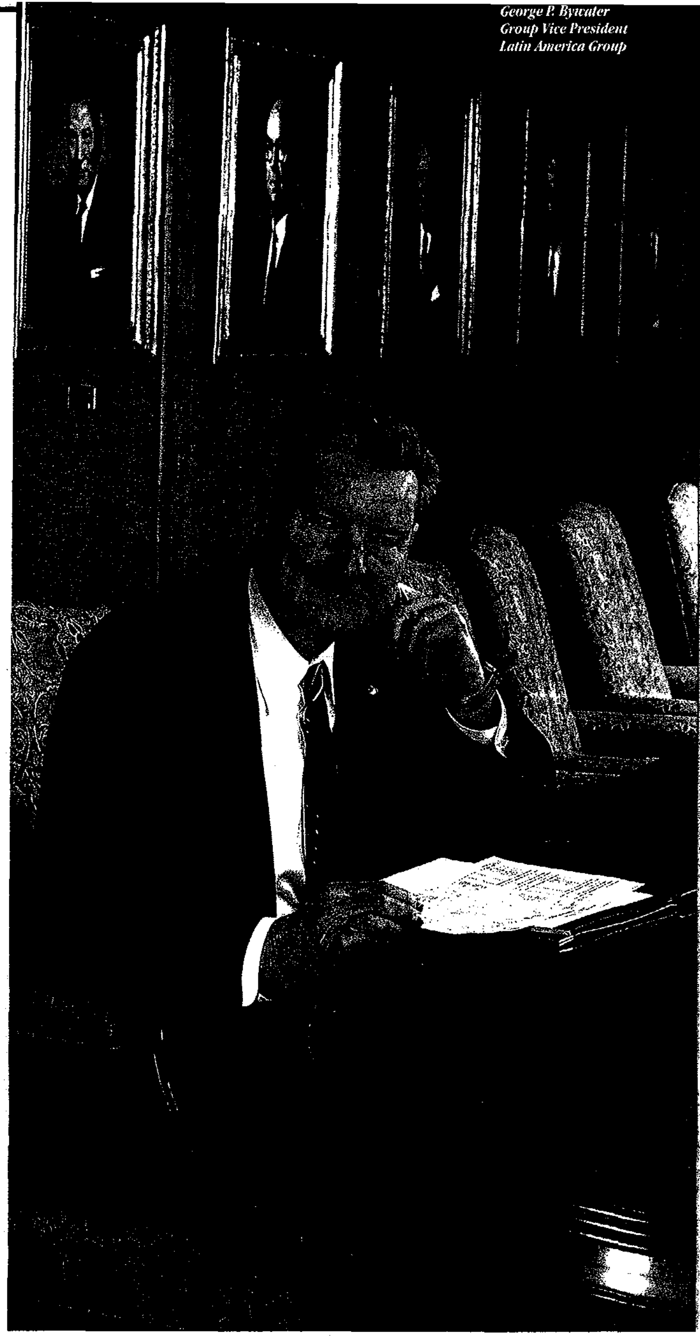
With more than 20 years of international experience in the consumer products business, William H. Lash, president of Shulton, Inc. International, has served in marketing and business management for Shulton in Thailand and Hong Kong. A graduate of Notre Dame, Mr. Lash received his MBA from Indiana University.

As he describes it, "The key to Shulton International's future is improving profits by launching new products and major line extensions in key markets, accelerating growth in underdeveloped markets and managing the Latin American business to control the impact of inflation and poor economic conditions." Shulton International's two greatest strengths are its number-one

position in men's toiletries as well as its strong household products business based on *Pine-Sol* liquid cleaner in Latin America, particularly Brazil, and in Canada.

"In men's toiletries, the *Old Spice* brand is the leader, but we also have good positions in various countries with other fragrances, including *Blue Stratos, Mandate* and *Insignia*," he reports. "We're particularly pleased with the market penetration and growth of *Insignia* in the U.K., where it is now among the leaders in the men's fragrance and toiletry category, and still growing."

The success of Shulton International in men's fragrances is based on segmenting the market in Europe based on lifestyle, attitude and income and positioning brands to attract buyers in each group. According to Mr. Lash, "We pioneered this marketing concept in men's fragrances, and together with our breadth of products, the combination has spelled success."



George P. Bywater
Group Vice President
Latin America Group

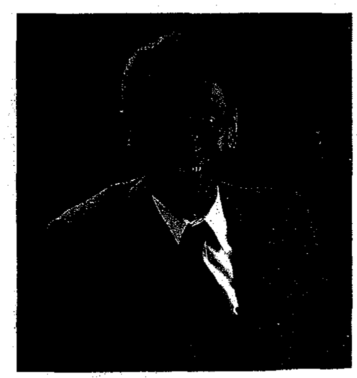
In household products, *Pine-Sol* is the division's most successful product. In Brazil, *Pine-Sol* – sold under the *Pinho-Sol* trademark – is the number-one selling liquid cleaner. A primary growth strategy for the household products business in international markets is the successful expansion of the line of *Combat* pest control products.

"We look at *Combat* not only as a new product line to fuel the growth of our existing household products business, but also as an entry into the business in new markets in Europe and the Far East," Mr. Lash explains.

In 1983, with business in Latin America caught between staggering rates of inflation and currency devaluations, the decision was made to organize a separate business group to manage the company's medical, agricultural, chemicals and *Formica* brand products businesses.

George P. Bywater, corporate group vice president, an engineering graduate of Tulane University and a 33-year Cyanamid veteran of the international, chemicals and medical businesses, was named to head up the Latin America Group. Mr. Bywater attributes the success of the group to strict financial management, delegation of operating authority to subsidiary management and the introduction of new products from Cyanamid research.

"In Latin America, with high inflation and declining exchange rates, we had to recognize that an order placed today could be less profitable, or even a loss, by the time the customer paid for it," Mr. Bywater explains. To counter that reality, the group instituted a strong balance-sheet-oriented management policy at both the subsidiary and headquarters levels. Mr. Bywater also delegated more decision-making capability to the subsidiary general managers in Latin America because of fast changing conditions in local markets and turned the attention of the headquarters-based staff to new business development.



Jesus Ramirez, President
and General Manager
Cyanamid Quimica
do Brasil Ltda.

"The results of this effort not only have translated to the bottom line – we are now a good contributor to Cyanamid's earnings – but also, we're optimistic about building the business based on Cyanamid technology, especially in the agricultural and chemicals businesses and as a global manufacturing center for the company, which complements host country objectives to strengthen exports," Mr. Bywater says.

While Cyanamid sold the major portion of its worldwide *Formica* brand decorative laminate business in 1985, the Latin America Group still manufactures and markets *Formica* decorative laminates in Latin America. It is a profitable business for the company in the region.

However, government price controls on the pharmaceutical industry have forced many multinationals, including Cyanamid, to withdraw from or scale down that business in some countries. The nations of the Caribbean are an exception, as evidenced by the market acceptance of *Pipracil* piperacillin, the semisynthetic penicillin; the potassium-sparing diuretic, *Maxzide* triamterene hydrochlorothiazide; and *Caltrate* calcium supplement.

Since Latin America is a major agricultural region, the group is aggressively building that business with new products from Cyanamid research. *Scepter* herbicide was first manufactured in Brazil and is now the leading herbicide in that nation's major soybean market. *Pursuit* herbicide, the newest imidazolinone, is entering the world market via Brazil and Argentina. Another success story for the Latin America Group is *Cygro* coccidiostat. This new product for poultry, first manufactured in Brazil, has been successfully introduced and is rapidly gaining market share throughout the region.

"We are confident that we've found the right blend of management control and entrepreneurial spirit in the Latin America Group," Mr. Bywater says, "and we're confident that we can achieve continued profitable growth."

BUSINESS PERFORMANCE

BUSINESS GROUPS – 1987 PERFORMANCE REVIEW

MEDICAL GROUP

The year 1987 was a record for the Medical Group. Worldwide operating earnings rose 18% to $216.4 million compared to $184.0 million in 1986. Medical Group sales reached $1.638 billion, a 14% increase from $1.440 billion in the prior year.

Higher worldwide sales of ethical pharmaceuticals and standard products – those sold by their generic names – led the performance of the Medical Group.

In December 1987, we were pleased to receive approval from the U.S. Food and Drug Administration (FDA) to market *Novantrone* mitoxantrone for the treatment of acute nonlymphocytic leukemia. This new anticancer agent from Cyanamid research will be introduced to U.S. oncologists in the first quarter of 1988. Outside the United States, *Novantrone* is available to oncologists in 38 countries for the treatment of various malignancies. They include advanced breast cancer, leukemias, lymphomas and hepatomas. *Novantrone* registered strong sales gains in international markets in 1987.

"The year 1987 was a record for the Medical Group. Worldwide operating earnings rose 18% to $216.4 million compared to $184.0 million in 1986. Medical Group sales reached $1.638 billion, a 14% increase from $1.440 billion in the prior year."

Minocin minocycline, our established tetracycline antibiotic, had another banner year in 1987 as it continued to meet physician acceptance worldwide as an effective treatment for sexually transmitted diseases, respiratory infections and teenage acne. Sales of *Asendin* amoxapine and *Loxitane* loxapine, both of which are used in the treatment of mental illness, increased in 1987.

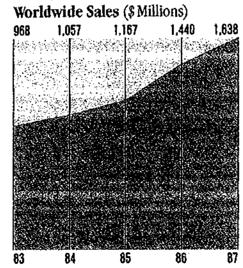
U.S. sales of *Maxzide* triamterene hydrochlorothiazide, a potassium-sparing diuretic, rose as a result of the product's growing superior reputation for bioequivalence and bioavailability in the treatment of hypertension.

Pharmaceutical sales leaders in our international markets in 1987 included *Pipracil* piperacillin, our semisynthetic penicillin, due to the antibiotic's increasing use following general surgery, and our anticancer agents, Methotrexate and leucovorin calcium.

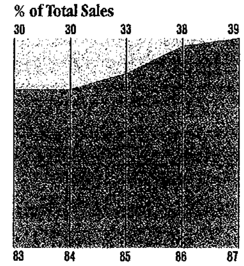
U.S. sales of vaccines, biologicals and standard products rose in 1987. As discussed in the letter to stockholders (see page 5), we are concerned about the passage and implementation of the Vaccine Injury Act in the United States and its inability to provide a satisfactory solution to the dilemma of supplying vital

MEDICAL GROUP

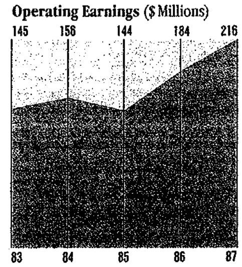
Worldwide Sales ($ Millions)



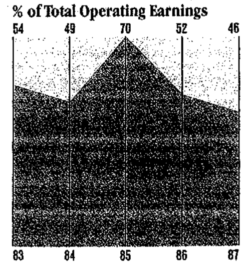
% of Total Sales



Operating Earnings ($ Millions)



% of Total Operating Earnings



vaccines for th
adequate prod
As a result
supplements a
consumer hea
introduced tw
States – *Fiber*(
laxative in tabl
the estimated
calcium in the
In the med
wound closur
absorbable sut
microsurgical
good gains du
ticipation in th
of the assets co
ness of Barnes
include intrao
instrument an
Company. Sto
Lederle's *Diar*
which are used
& Geck has a
surgeon. Toge
opportunity f
ophthalmic pr
Looking t
tory approval
are in various
In Decem
of the FDA re
treatment of o
primarily you
used to impro
is considering
an indication
medical comn
The FDA i

cefixime, the third-generation oral cephalosporin licensed from Fujisawa Pharmaceutical Company of Japan. *Suprax* will be used for the treatment of various infections and childhood diseases.

Bisoprolol, a cardioselective beta blocker for use in the treatment of hypertension and angina, is currently being introduced in Europe. It is in Phase III clinical trials in the United States. Bisoprolol, which was licensed from E. Merck of West Germany, has been successfully introduced there by that company.

We have several promising cardiovascular and anticancer agents in various stages of clinical trials. Nilvadipine, a calcium channel blocker, is in Phase II clinical trials for evaluation in the treatment of hypertension and angina. There are two hypolipidemic agents in Phase I clinical trials. One, discovered by our scientists, blocks absorption and uptake of dietary cholesterol. The other hypolipidemic, which we licensed from Rice University, lowers serum lipid levels by interfering with the body's ability to synthesize endogenous cholesterol. A cardioprotective compound, also in Phase I trials, may be useful in the treatment of congestive heart failure, arrhythmia and hypertension.

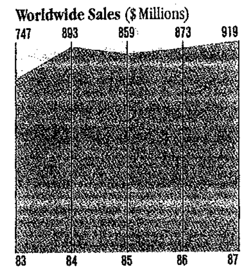
"Bisoprolol, a cardioselective beta blocker for use in the treatment of hypertension and angina, is currently being introduced in Europe. It is in Phase III clinical trials in the United States."

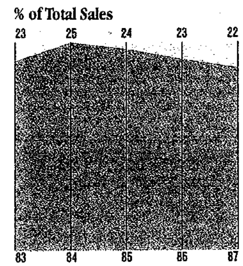
In the anticancer area, compounds under development range from traditional chemotherapeutants to genetically engineered materials. In the first category are bisantrene for the treatment of leukemia and solid tumors; two platinum-based agents which appear to have a lower side-effect profile than traditional platinum agents used in the treatment of cancers of the head, neck, testes, ovaries and bladder; and an immunomodulator, which may enhance the ability of the body's immune system to fight cancer. In addition, there are three genetically engineered monoclonal antibodies under development. They are designed to carry chemotherapeutants directly to cancer cells with minimal damage to normal, healthy cells.

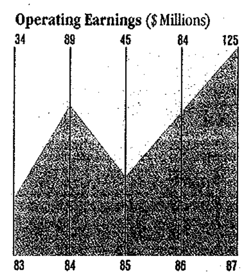
Cyanamid medical research scientists also are developing a beta-lactamase inhibitor, licensed from Taiho Pharmaceutical Company, for use in conjunction with *Pipracil* piperacillin, our semisynthetic penicillin, to broaden the spectrum of the product and to enhance its bacterial susceptibility.

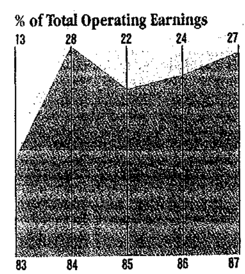
Viprostol continues in clinical trials designed to evaluate its effectiveness in the treatment of male pattern baldness, with definitive results expected in 1988. Cyanamid considers product

AGRICULTURAL GROUP









efficacy as the essential requirement of all products it develops and which bear its name. This type of medication, which will be judged on cosmetic as well as therapeutic effects, will undergo the stringent evaluations we require for all pharmaceutical products.

AGRICULTURAL GROUP

Marked by the continuing introductions and market growth of the imidazolinone herbicides, particularly *Scepter* herbicide, strong sales of key crop protection chemicals, the launch of an innovative new marketing and distribution system in the United States, and progress in the research and development of new products, the Agricultural Group registered an excellent performance in 1987 and also strengthened its foundation for continued growth.

Worldwide operating earnings rose 48% to $124.7 million versus $84.1 million in 1986. Sales increased only 5% to $919 million compared to $873 million in the prior year as a result of our strategic decision to withdraw from the upgraded phosphate fertilizer and animal feed minerals businesses in mid-1986.

Scepter herbicide was the star performer of the Agricultural Group in 1987, with exceptional sales and market share growth in the major soybean-growing nations – the United States, Brazil and Argentina.

Capitalizing on the need of growers for specialized products to serve particular needs, we successfully developed and introduced new products in the United States and abroad. They include *Squadron* herbicide, a combination of *Scepter* and *Prowl* herbicides, to control grasses in soybeans; *Image* herbicide, an imidazolinone herbicide to combat certain weeds in warm-season turf; and *Chopper* herbicide, a unique formulation of *Arsenal* industrial herbicide for brush control. *Arsenal* also achieved good sales gains in both domestic and international markets. Another imidazolinone, *Assert* herbicide, for control of wild oats and blackgrass in wheat and barley, also showed good sales growth, both alone and in combination products, in Europe and the Far East. These combination products include

"Cygro coccidiostat... which prevents a debilitating and often fatal intestinal disease in poultry, is now available in 20 countries. We are hopeful Cygro will be approved for sale in the United States and all remaining nations of the European Economic Community by 1989."

Megaplus, a combination of *Assert* and *Stomp*, as well as *Meganet*, which combines *Assert* with *Avenge*. Both are used by farmers in France to control weeds and grasses in wheat and barley. *Pursuit* herbicide, our broad-spectrum imidazolinone for use on weeds in leguminous crops, was successfully launched in Argentina, its first market.

Our established crop protection chemicals also contributed to the performance of the Group in 1987. As a result of the versatility of *Prowl* herbicide, sales of the product, which is sold under the *Stomp* trademark overseas, increased in international markets through successful expansion into additional crops through its use in combination products. These include combinations of *Stomp* and isoproturon marketed under the *Trump* trademark in the U.K. and the *Aradon* trademark in France, both of which are used to control broadleaf weeds in various crops. In the United States, *Counter* soil insecticide for control of rootworms in corn, and *Avenge* herbicide for weed control in wheat and small grains, also achieved good sales gains during the year.

In animal nutrition and health, we were particularly pleased with the growth of *Cygro* coccidiostat. This product, which prevents a debilitating and often fatal intestinal disease in poultry, is now available in 20 countries. We are hopeful that *Cygro* will be approved for sale in the United States and all remaining nations of the European Economic Community by 1989.

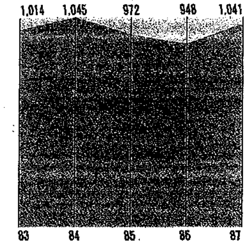
A successful new U.S. marketing and distribution system for crop protection chemicals was introduced in 1987. Under the new system, our products are sold directly to dealers across the country, who became known as *Agricenter* dealers for Cyanamid, and we assumed direct responsibility for various business services, including technical assistance. The program is designed to bring Cyanamid's high-technology agricultural business closer to our ultimate customer, the farmer.

Building for the future of the Agricultural Group, we made major capital spending commitments to the business in 1987, including an expansion of our Princeton, New Jersey, research center and new or expanded manufacturing facilities at our agrichemical manufacturing complex in Hannibal, Missouri, for *Arsenal, Scepter, Assert* and *Prowl*.

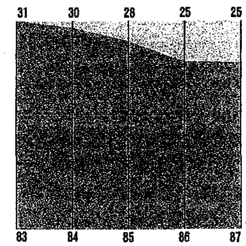
Our agricultural research and development staff continued

CHEMICALS GROUP

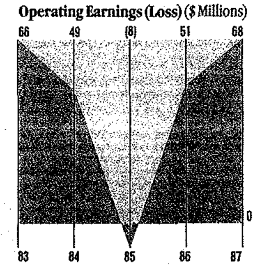
Worldwide Sales ($ Millions)



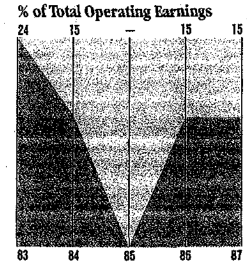
% of Total Sales



Operating Earnings (Loss) ($ Millions)



% of Total Operating Earnings



to demonstrate that they are at the forefront of the industry in discovering and bringing new products to global markets. In 1987 they made substantial progress in the development of current projects and in the discovery of entirely new and potentially important classes of agricultural chemicals.

Like our medical research effort, Cyanamid's agricultural research effort is based on both traditional and new biotechnological approaches to new product development.

We continued to make progress in the development of a bovine somatotropin (BST) product, a porcine somatotropin (PST) and herbicide resistant corn, all of which are bioengineered products.

BST significantly increases commercial milk production and efficiency in dairy cows. The second somatotropin, PST, will enhance meat production and reduce fat content in pigs. Our animal research scientists also have discovered a parasiticide to control both internal and external pests in cattle, sheep, hogs, horses and companion animals.

In addition to our ongoing development of lines of corn resistant to the imidazolinone herbicides, we have initiated similar herbicide-resistance research for other major crops, such as wheat, barley, rice and cotton as well as important vegetables. Our scientists have discovered two new classes of chemicals which show unusual promise for use in the control of weeds, pests and fungus. In addition, we have discovered a rice herbicide, which could lead to Cyanamid's first entry into this important crop market.

In 1987, the Agricultural Group purchased Pennwalt Corporation's cotton hybridization technology, which in field evaluations has demonstrated significantly higher cotton yields.

CHEMICALS GROUP

Led by an excellent performance in international markets, our Chemicals Group registered a strong increase in worldwide operating earnings on higher sales in 1987 and continued to make progress in building its business base for the future.

Worldwide operating earnings of the Group rose 35% to $68.2 million compared to $50.5 million in 1986. Sales were

"In 1987, the Chemicals Group moved forward with its growth strategies based on new technologies and selective investment in plants and equipment designed to reduce costs and maximize product yields."

$1.041 billion, up 10% from $948 million in the prior year.

International results reflected higher local sales overseas of mining chemicals, plastics additives, water treating chemicals and methylated crosslinking resins used by the coatings industry, as well as increased exports from U.S. manufacturing facilities of engineered materials, acrylonitrile, acrylic fibers, glyoxal for textiles and our Glendale protective equipment.

The results of the Group also included the first full year of sales of Applied Solar Energy Corporation, in which Cyanamid acquired about a 75% interest in 1986. Applied Solar is a leading developer and manufacturer of industrial photodetectors and of gallium arsenide solar cells for satellites.

Other U.S. sales leaders were specialty paper resins, metal-coated fibers for shielding electronic equipment, specialty elastomers and methylated crosslinking resins.

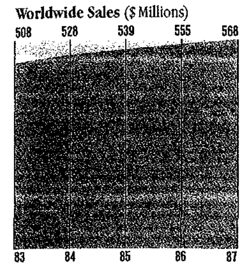
In 1987, the Chemicals Group moved forward with its growth strategies based on new technologies and selective investment in plants and equipment designed to reduce costs and maximize product yields.

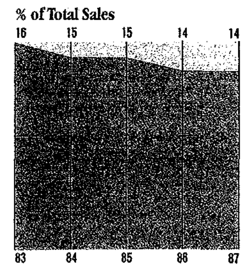
The Group introduced *PAA-Core* aluminum honeycomb to the aerospace industry for use in primary structural parts in aircraft. This technologically advanced product is a breakthrough in aluminum core construction because it is not vulnerable to damage from hostile fluid environments. The Chemicals Group also launched the Performance Series polyacrylamides, chemicals which provide improved efficiency in industrial waste treatment.

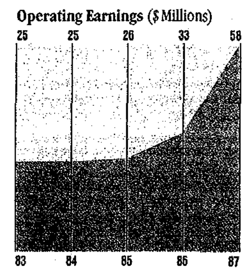
We completed construction and began start-up of a new facility at our Willow Island, West Virginia, plant to manufacture aliphatic isocyanates, which provide improved light stability and physical characteristics in a variety of products, including paints, powder coatings, roofing and flooring products.

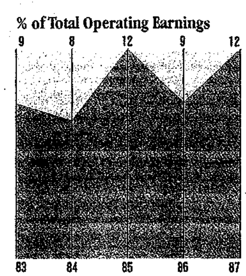
Ground was broken for a new melamine manufacturing facility at our Fortier plant near New Orleans, Louisiana, which will be owned by a new joint venture company, AMEL, formed by Cyanamid and Dutch State Mines. We began improvements in Fortier's acrylonitrile and ammonia plants to reduce costs and increase yields. Planning also began for a new unit at Fortier to produce a key intermediate chemical used in the manufacture

SHULTON GROUP









of the Agricultural Group's *Arsenal* and *Scepter* herbicides.

To strengthen the position of our engineered materials business in Europe, we acquired Fothergill & Harvey's 50% interest in Cyanamid Fothergill Limited, creating the 100%-owned Cyanamid subsidiary, Cyanamid Aerospace Products Limited. In the electronic chemicals area, we completed production units at our Welland, Ontario, plant to manufacture these Cyanamid-discovered products.

In 1987, our chemical research program made progress in the development of new specialty and high-technology products. We continued work on new paper chemicals, catalysts and urethane products. We also intensified our efforts in industrial bioseparations, metal-coated fibers and semiconductors. In the semiconductor area, we are developing new technology in the development and use of vapor deposition chemicals, compound semiconductor materials and optoelectronic devices for use in satellites, communications and medicine.

SHULTON GROUP

Sales growth of key brands, a major restructuring of the business and continued emphasis on cost control all contributed to the performance of the Shulton Group in 1987.

Worldwide operating earnings of the Group rose 75% to $57.5 million compared with $32.8 million in 1986. Without the $12 million gain from the sale of the Jacqueline Cochran fine fragrance business in the United States and the worldwide *La Prairie* skin care business, operating earnings were $45.5 million, 39% higher than in 1986. The divestment reflected a strategic decision to concentrate on building those categories of consumer products which we believe offer the greatest growth potential. Total Shulton sales were $568 million, up only 2% versus $555 million in the prior year, reflecting the divestiture of the Jacqueline Cochran businesses.

The Shulton Group was very successful in 1987 in protecting and expanding its key toiletry and household brands and in continuing the sales and market share growth of new products.

In the men's toiletries area, sales of *Old Spice* fragrance

"The Shulton Group was very successful in 1987 in protecting and expanding its key toiletry and household brands and in continuing the sales and market share growth of new products. . . Building on consumer acceptance of **Combat**, *we expanded the line in the United States. . ."*

increased in 1987, and sales of *Old Spice* deodorant and antiperspirant also rose as a result of the successful introduction of new wide oval deodorant products. To capitalize on the strength of the *Old Spice* brand in the United States, in the third quarter of 1987 we introduced *Night Spice*, a premium-priced men's fragrance. We are pleased with initial sales of the product which has been targeted to young men and positioned for evening use. Based on the success of our new *Insignia* men's toiletries in the United Kingdom, we are expanding the line into additional international markets.

Worldwide sales of *Pine-Sol* liquid cleaner were higher in 1987 as a result of the successful 1986 launch of an improved product formulation in the United States and sales gains in Brazil and Canada. The product, which is the number-one selling liquid cleaner in both the United States and Brazil, has continued to increase its U.S. market share since the 1986 relaunch.

In the new product area, 1987 was another year of sales and market share growth for our *Combat Roach Control System*. This performance was achieved in the face of new competitive product entries. Building on consumer acceptance of *Combat*, we expanded the line in the United States to include aerosol products for ants, roaches and flying insects and a bait station for rodents. The *Roach Control System* was successfully expanded into Brazil, Canada and Mexico.

In the research area, we are continuing to focus on the creation of new consumer product entries based on technology developed by Cyanamid's agricultural, medical and chemical research units. Our emphasis is on the development of new household products, particularly insecticides and cleaning agents. We also are continuing research to develop line extensions for our major brands in both toiletries and household products.

FINANCIALS

FINANCIAL REVIEW

OPERATING RESULTS – Cyanamid's consolidated sales in 1987 were $4.17 billion, an increase of 9% from the $3.82 billion in 1986. Sales in 1986 were 8% higher than the $3.54 billion in 1985. Earnings from continuing operations in 1987 were $264.0 million or $2.89 per share, up 30% from the $202.5 million or $2.18 per share in 1986, which were 68% above the $120.2 million or $1.25 per share in 1985. Net earnings of $275.6 million in 1987 were 36% above the $202.5 million in 1986, which were 57% above the $129.1 million in 1985. Net earnings per share in 1987 were $3.02 compared to $2.18 in 1986 and $1.34 in 1985.

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 common stock by quarter for 1987 and 1986 were:

	1987			1986		
	Market Price		Dividends	Market Price		Dividends
Quarter	High	Low	paid	High	Low	paid
First	$49¼	$39	$ .2375	$36	$27⅛	$.2375
Second	54	42⅜	.2625	39	31½	.2375
Third	57	48¼	.2625	44⅞	35¾	.2375
Fourth	51¾	29	.2625	42	36½	.2375
			$1.025			$.95

As of February 18, 1988, the most recent record date, there were 51,585 record holders of the company's common stock. See Note 7 to the Consolidated Financial Statements regarding limitations on the payment of dividends.

QUARTERLY RESULTS – Quarterly results for 1987 and 1986 were as follows:

In millions except per share amounts

	1987					1986				
	First	Second	Third	Fourth	Total	First	Second	Third	Fourth	Total
Net sales	$1,014.1	$1,087.3	$1,039.4	$1,025.3	$4,166.1	$917.9	$1,027.0	$921.4	$949.6	$3,815.9
Gross profit	485.4	536.8	496.4	516.2	2,034.8	407.5	448.5	426.7	447.0	1,729.7
Earnings from continuing operations	61.5	87.6	54.7	60.2	264.0	49.1	56.5	44.8	52.1	202.5
Discontinued operations	–	–	11.6	–	11.6	–	–	–	–	–
Net earnings	61.5	87.6	66.3	60.2	275.6	49.1	56.5	44.8	52.1	202.5
Per share of common stock:										
Earnings from continuing operations	.67	.96	.59	.67	2.89	.53	.60	.49	.56	2.18
Net earnings	.67	.96	.72	.67	3.02	.53	.60	.49	.56	2.18

Earnings from continuing operations for the second quarter of 1987 include a gain from the sale of the company's Jacqueline Cochran fine fragrance and skin care businesses. (See Note 3 to the Consolidated Financial Statements.)

Gross profit is derived by subtracting manufacturing cost of sales from net sales.

EARNINGS STATEMENTS

American Cyanamid Company and Subsidiaries
CONSOLIDATED STATEMENTS OF EARNINGS

(Millions of dollars except per share amounts)

Years Ended December 31,	1987	1986	1985
NET SALES	$4,166.1	$3,815.9	$3,536.1
Expenses:			
Manufacturing cost of sales	2,131.3	2,086.2	2,085.2
Selling and advertising	1,076.1	951.2	864.5
Research and process development	313.6	278.3	250.6
Administrative and general	263.9	228.3	200.9
	3,784.9	3,544.0	3,401.2
EARNINGS FROM OPERATIONS	381.2	271.9	134.9
Interest, royalties and other income, net	78.3	89.7	82.8
	459.5	361.6	217.7
Interest expense	84.6	86.3	83.7
EARNINGS OF CONSOLIDATED COMPANIES BEFORE TAXES ON INCOME – CONTINUING OPERATIONS	374.9	275.3	134.0
Taxes on income (Note 10)	131.6	87.7	24.4
EARNINGS OF CONSOLIDATED COMPANIES – CONTINUING OPERATIONS	243.3	187.6	109.6
Equity in net earnings of associated companies	20.7	14.9	10.6
EARNINGS FROM CONTINUING OPERATIONS	264.0	202.5	120.2
DISCONTINUED OPERATIONS (Note 2):			
Earnings (after taxes of $6.4)	–	–	5.9
Gain on sale (after taxes of $2.8 in 1987 and $4.9 in 1985)	11.6	–	3.0
NET EARNINGS	$ 275.6	$ 202.5	$ 129.1
Per share of common stock (Note 1):			
EARNINGS FROM CONTINUING OPERATIONS	$2.89	$2.18	$1.25
DISCONTINUED OPERATIONS	.13	–	.09
NET EARNINGS PER SHARE OF COMMON STOCK	$3.02	$2.18	$1.34

CONSOLIDATED STATEMENTS OF EARNINGS EMPLOYED IN THE BUSINESS

(Millions of dollars except per share amounts)

Years Ended December 31,	1987	1986	1985
EARNINGS EMPLOYED IN THE BUSINESS AT BEGINNING OF YEAR	$1,703.2	$1,588.9	$1,551.2
Adjustment for stock split (Note 1)	(200.3)	–	–
Net earnings	275.6	202.5	129.1
Deduct dividends of $1.025 per share in 1987, and $.95 per share in 1986 and 1985	(93.4)	(88.2)	(91.4)
Other, net (Note 8)	(2.2)	–	–
EARNINGS EMPLOYED IN THE BUSINESS AT END OF YEAR	$1,682.9	$1,703.2	$1,588.9

See accompanying Notes to Consolidated Financial Statements.

BALANCE SHEETS

American Cyanamid Company and Subsidiaries
CONSOLIDATED BALANCE SHEETS

(Millions of dollars)

December 31,	1987	1986
ASSETS		
CURRENT ASSETS		
Cash	**$ 90.1**	$ 37.9
Marketable securities and time deposits, at cost (approximates market)	**443.3**	408.5
Accounts receivable, less allowance for doubtful accounts of $33.7 in 1987 and $27.7 in 1986	**931.8**	864.3
Inventories (Note 5)	**676.8**	580.5
TOTAL CURRENT ASSETS	**2,142.0**	1,891.2
INVESTMENTS AND ADVANCES		
Equity in net assets of and advances to associated companies	**111.9**	87.2
Other investments and advances	**135.0**	144.9
TOTAL INVESTMENTS AND ADVANCES	**246.9**	232.1
PLANTS, EQUIPMENT AND FACILITIES, at cost (Note 6)	**2,891.0**	2,676.0
Less accumulated depreciation and depletion	**1,499.1**	1,408.3
NET PLANT INVESTMENT	**1,391.9**	1,267.7
INTANGIBLES RESULTING FROM BUSINESS ACQUISITIONS, net of accumulated amortization	**250.6**	184.6
OTHER ASSETS	**97.6**	91.4
	$4,129.0	$3,667.0

See accompanying Notes to Consolidated Financial Statements.

(Millions of dollars)

December 31,	1987	1986
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	**$ 989.5**	$ 856.5
Short-term borrowings, including commercial paper of $298.8 in 1987 and $124.8 in 1986	**359.5**	213.1
Funded debt installments due within one year	**43.0**	36.7
Income taxes payable	**15.5**	20.2
TOTAL CURRENT LIABILITIES	**1,407.5**	1,126.5
FUNDED DEBT (Note 7)	**563.1**	584.3
DEFERRED INCOME TAXES	**109.5**	105.6
OTHER NON-CURRENT LIABILITIES	**175.9**	130.0
STOCKHOLDERS' EQUITY (Notes 1, 7, and 8)		
Common stock – par value $5 per share		
Authorized – 200,000,000 in 1987 and 100,000,000 in 1986		
Issued – 98,214,946 in 1987 and 49,107,473 in 1986	**491.1**	245.5
Additional paid-in capital	**–**	45.2
Earnings employed in the business	**1,682.9**	1,703.2
Accumulated translation adjustments	**(18.4)**	(89.2)
Less treasury stock, at cost	**(282.6)**	(184.1)
TOTAL STOCKHOLDERS' EQUITY	**1,873.0**	1,720.6
	$4,129.0	$3,667.0

CONTINGENT LIABILITIES AND COMMITMENTS (Note 9)

See accompanying Notes to Consolidated Financial Statements.

CHANGES IN FINANCIAL POSITION

American Cyanamid Company and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

(Millions of dollars)

Years Ended December 31,	1987	1986	1985
FUNDS PROVIDED BY (USED FOR)			
Internal sources:			
Earnings from continuing operations	**$264.0**	$ 202.5	$120.2
Items not requiring the use of funds:			
Depreciation, depletion and amortization	**200.8**	190.2	179.8
Deferred income taxes	**(2.2)**	(.8)	(6.1)
Equity in undistributed net earnings of associated companies	**(14.6)**	(4.4)	(3.3)
Funds from continuing operations	**448.0**	387.5	290.6
Funds from discontinued operations	**11.6**	–	5.0
Total funds from operations	**459.6**	387.5	295.6
Plants, equipment and facilities sold	**4.2**	6.5	155.9
Additions to plants, equipment and facilities	**(268.1)**	(262.5)	(202.6)
Acquisitions of businesses (excluding working capital):			
Plants, equipment and facilities	**(5.6)**	(50.3)	–
Intangibles	**(78.6)**	(164.7)	–
Other, net	**.1**	8.9	–
Reductions (additions) to intangibles and investments and advances	**13.7**	1.4	(38.7)
Change in: Accounts receivable	**(67.5)**	(62.5)	(24.2)
Inventories	**(96.3)**	26.1	(27.7)
Accounts payable and accrued expenses	**133.0**	133.9	23.0
Income taxes payable	**(4.7)**	8.7	(29.0)
Net funds from internal sources	**89.8**	33.0	152.3
Financing transactions:			
Short-term borrowings	**146.4**	(42.3)	57.6
Funded debt:			
Additions	**22.6**	59.3	67.2
Reductions	**(64.7)**	(22.4)	(27.1)
Net funds from financing transactions	**104.3**	(5.4)	97.7
Capital transactions:			
Purchase of treasury stock	**(119.3)**	(91.9)	(109.6)
Equity arising from other common stock transactions – net	**18.7**	18.8	12.4
Dividends	**(93.4)**	(88.2)	(91.4)
Net funds from capital transactions	**(194.0)**	(161.3)	(188.6)
Other transactions:			
Effect of foreign translation adjustments	**60.8**	11.6	21.2
All others – net	**26.1**	16.4	20.9
Net funds from other transactions	**86.9**	28.0	42.1
Net increase (decrease) in cash and marketable securities	**$ 87.0**	$(105.7)	$103.5

See accompanying Notes to Consolidated Financial Statements.

NOTES

American Cyanamid Company and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF 1987, 1986 AND 1985

(Millions of dollars except per share amounts)

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 $25.4 and $20.2 at December 31, 1987, and 1986, respectively. Dividends of $6.1 in 1987, $10.5 in 1986 and $7.3 in 1985 were received from these companies. At December 31, 1987, the principal associated companies are CYRO Industries and TDF Tiofine B.V. (both 50% owned).

CURRENCY TRANSLATION – For most of the company's international operations, all elements of financial statements are translated into U.S. dollars using current exchange rates, with translation adjustments accumulated in stockholders' equity. For the other international operations, certain financial statement amounts are translated at historical exchange rates and translation adjustments are included in the results of operations. These international operations are generally in hyperinflationary economies, principally Latin America.

Earnings of consolidated companies before taxes on income – continuing operations were reduced by net foreign exchange losses of $37.4 in 1987, $9.1 in 1986 and $27.3 in 1985. Of these amounts, manufacturing cost of sales included foreign exchange losses of $28.3 in 1987, $14.1 in 1986 and $24.1 in 1985. The remaining foreign exchange gains or losses are included in administrative and general expenses.

DEPRECIATION AND AMORTIZATION – Depreciation is provided primarily on a straight-line composite method over the estimated remaining useful lives of various classes of assets. When such 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 up to 40 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 lesser 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 all other inventories determined on the first-in, first-out (FIFO) or average methods.

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.

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, 1987, the company has no present intention of remitting undistributed earnings of subsidiaries (including those in Puerto Rico) and associated companies aggregating $965.7.

STOCK SPLIT – On February 17, 1987, the Board of Directors declared a 2-for-1 split of the common stock which was effected in the form of a 100% stock dividend on June 12, 1987, to stockholders of record on May 8, 1987. All per share data included in the financial statements and notes have been adjusted for the stock split. An amount equal to the $5 per share par value of the additional common shares has been transferred from additional paid-in capital and earnings employed in the business to common stock as of January 1, 1987.

EARNINGS PER SHARE – Earnings per share of common stock is based on the average number of shares outstanding during the year, 91,274,850 in 1987, 92,850,710 in 1986 and 96,382,712 in 1985. The stock options described in Note 8 do not result in a material dilution of earnings per share.

ACCOUNTING CHANGE – In the first quarter of 1987, the company adopted Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions," for all U.S. pension plans. The effect of this change was not material to the Consolidated Financial Statements. Earnings for 1986 and 1985 have not been restated.

2. DISCONTINUED OPERATIONS

During 1985 a major portion of the Formica Brand Products Group business was sold for approximately $200 in cash and securities to a new corporation formed by Formica management and Shearson Lehman/American Express. In the third quarter of 1987, the company realized an additional net gain associated with this sale. The gain was attributable to the early redemption of securities by Formica Corporation, the proceeds from which were in excess of the values initially ascribed to such items.

Net sales of the discontinued segment were $129.8 for the period prior to sale in 1985.

The Consolidated Statements of Earnings and Changes in Financial Position reflect discontinued operations separately.

3. ACQUISITIONS, DISPOSITIONS, SPECIAL ITEMS

During 1987 the company acquired several businesses for approximately $100. The most significant was the acquisition of the assets constituting the Coburn Professional Products business of Barnes-Hind, Inc., which primarily manufactures and sells intraocular lenses. The company also acquired two smaller medical related businesses. The acquisitions were accounted for as purchases and did not have a material effect either individually or in the aggregate on operating results.

Also in 1987, the company sold its Jacqueline Cochran fine fragrance and skin care businesses. Earnings of consolidated companies before taxes on income – continuing operations for 1987 include a gain of $12.0 from this sale. The effect of this item on earnings per share from continuing operations was approximately $.13.

In 1986 the company acquired several entities for approximately $240. The more significant of these were Durachemie GmbH and Co., KG, a marketer of generic pharmaceuticals in West Germany; Storz Instrument Company, a supplier of ophthalmic, ear, nose and throat surgical devices; and approximately 75% of Applied Solar Energy Corporation, a producer of solar cells and custom-designed photodetectors for industrial applications. The acquisitions were accounted for as purchases and did not have a material effect either individually or in the aggregate on operating results.

In 1985 the company initiated a plan to curtail and consolidate certain chemical and fertilizer businesses and provided for specific environmental remediation projects. Accordingly, pretax provisions of $54.3 were recorded to cover the estimated cost of these actions. Also included in 1985 earnings of consolidated companies before taxes on income – continuing operations, is a $9.2 gain resulting from the disposal of the company's U.S. titanium dioxide business. After giving effect to estimated tax benefits of $22.4, the net effect of these special items was to reduce earnings from continuing operations by approximately $22.7 or $.24 per share.

4. FOREIGN OPERATIONS:

	1987	1986
Net current assets	$442.8	$371.5
Net other assets (principally plants, equipment and facilities)	347.8	300.2
Equity in undistributed earnings	562.3	498.6

Net earnings of foreign subsidiaries, including equity in net earnings of foreign associated companies, were $143.1 in 1987, $111.4 in 1986 and $77.9 in 1985.

5. INVENTORIES

At December 31, 1987, and 1986, estimated replacement cost exceeded the LIFO value of the inventories by approximately $157.8 and $152.2, respectively. It is not practicable to determine the major components of inventory under the dollar value LIFO inventory method.

6. PLANTS, EQUIPMENT AND FACILITIES are composed of the following:

	1987	1986
Land, including mining land	$ 56.1	$ 52.4
Buildings	562.9	498.2
Machinery and equipment	2,108.0	1,997.2
Construction in progress	164.0	128.2
	$2,891.0	$2,676.0

7. FUNDED DEBT, excluding the current portion, is as follows:

	1987	1986
Sinking fund debentures		
7.375% due 2001	$ 63.7	$ 69.0
8.375% due 2006	87.8	89.0
Promissory notes		
8.75% due 1988 to 1998	136.5	150.0
Pollution control and industrial revenue bonds		
6.8% due 2000	21.0	21.0
6.5% due 2006	22.4	22.4
8.75% due 2013	18.0	18.0
5.5% to 8.75% due at various dates through 2020	73.1	73.8
Eurosterling notes, 9.0% due 1991	54.9	43.1
Sundry obligations	85.7	98.0
	$563.1	$584.3

Annual maturities of funded debt and sinking fund requirements for the four years subsequent to December 31, 1988, are as follows: 1989 – $79.8; 1990 – $25.5; 1991 – $80.8; and 1992 – $26.9.

For consolidated financial statement reporting purposes the principal ($12.1 at December 31, 1987, and $11.2 at December 31, 1986) and interest ($0.3 in 1987, $0.6 in 1986 and $0.8 in 1985) on certain parallel type loans have been netted against the corresponding assets and income items in the consolidated financial statements. Interest rates on these loan arrangements vary according to agreement and are subject to adjustment under certain conditions. The loans outstanding at December 31, 1987, are payable through 1991.

The 8.75% promissory note contains certain restrictions, including limitations on the payment of dividends. Under the most restrictive of such limitations, the amount of earnings employed in the business at December 31, 1987, which may be applied to the payment of cash dividends is limited to $643.4.

8. STOCKHOLDERS' EQUITY

AUTHORIZED CAPITAL includes 10,000,000 shares of preferred stock with a par value of $1 per share, none of which is outstanding, and 300,000 shares of which are reserved for issuance as Series A Junior Participating Preferred Stock in connection with the Stockholder Rights Plan described elsewhere in this note.

COMMON STOCK AND TREASURY STOCK activity is as follows:

	Common Stock		Treasury Stock	
	Shares	Amount	Shares	Amount
Balance at January 1, 1985	49,107,473	$245.5	407,694	$ (18.7)
Purchased	–	–	2,104,000	(109.6)
Issued pursuant to stock option plan	–	–	(303,646)	14.9
Issued pursuant to incentive compensation plan	–	–	(6,973)	.2
Balance at December 31, 1985	49,107,473	245.5	2,201,075	(113.2)
Purchased	–	–	1,300,600	(91.9)
Issued pursuant to stock option plan	–	–	(377,837)	20.8
Issued pursuant to incentive compensation plan	–	–	(5,340)	.2
Balance at December 31, 1986	49,107,473	245.5	3,118,498	(184.1)
Adjustment for 2-for-1 stock split (Note 1)	49,107,473	245.6	3,118,498	–
Purchased	–	–	2,745,419	(119.3)
Issued pursuant to stock option plan	–	–	(589,211)	20.5
Issued pursuant to incentive compensation plan	–	–	(7,423)	.3
Balance at December 31, 1987	98,214,946	$491.1	8,385,781	$(282.6)

continued

Note 8 continued

In 1985 the company announced its intention to purchase eight to ten million shares (on a post-split basis) of its outstanding common stock. In addition, the company is repurchasing treasury shares over a period of time to fulfill its obligations under its stock option plans. Common stock at December 31, 1987, 1986 and 1985, respectively, excludes 194,208 issued shares held by a subsidiary (adjusted for 2-for-1 stock split).

STOCK OPTIONS – Under the company's stock option plans, key employees may be granted ten-year options to purchase common stock at not less than 100% of market value on the date of grant. At December 31, 1987, 7,253,014 shares were reserved for stock options outstanding or available to be granted. The majority of options are exercisable in cumulative installments of one-third of the number of shares commencing one year after date of grant and annually thereafter.

For options exercised during 1987, the difference between the proceeds and cost of treasury stock utilized to satisfy the options is recorded in earnings employed in the business, net of related tax benefits of $1.3. Differences arising in 1986 and 1985 were recorded in additional paid-in capital.

Selected stock option data, as adjusted for 2-for-1 stock split (Note 1), are as follows:

	1987	1986	1985
Options exercised during year:			
Number of shares	652,974	870,332	777,400
Option price per share	$12.75-34.75	$12.375-26.25	$12.375-24.125
Options outstanding at December 31:			
Number of shares	3,267,664	3,170,718	3,328,774
Option price per share	$12.75-46.25	$12.75-42.125	$12.375-28.125
Options exercisable at December 31	1,684,897	1,464,060	1,549,066

ADDITIONAL PAID-IN CAPITAL changes in 1987 are attributable to the issuance of shares for the stock split. Changes in 1986 and 1985 are attributable to the issuance of shares for stock options including related tax benefits of $2.6 in 1986 and $.8 in 1985.

ACCUMULATED TRANSLATION ADJUSTMENT changes are composed of the following:

	1987	1986	1985
By category:			
Translation adjustments	$(70.6)	$(35.1)	$(10.5)
Adjustment for sale of discontinued operations	–	–	(23.8)
Hedge transactions and other, net	(.2)	–	(1.4)
Increase (decrease) in accumulated translation adjustments	$(70.8)	$(35.1)	$(35.7)
By geographic area:			
Western Hemisphere	$ (3.7)	$ 3.2	$ 8.6
Eastern Hemisphere	(67.1)	(38.3)	(44.3)
Increase (decrease) in accumulated translation adjustments	$(70.8)	$(35.1)	$(35.7)

continued

Note 8 continued

STOCKHOLDER RIGHTS PLAN – In 1986 the company issued, in respect of each share of its Common Stock, one-half of a Right (as adjusted for the 2-for-1 stock split) entitling the holder to purchase, at an exercise price of $200.00 for a full Right, one two-hundredth of a share of Series A Junior Participating Preferred Stock (subject to adjustment to prevent dilution). In the event an acquiring person obtains ownership of 20% or more, or makes a tender offer which would give the acquiring person ownership of 30% or more, of the Common Stock, the Rights become transferable apart from the Common Stock, and in the event of a subsequent merger or acquisition of the company, each full Right (other than those held by an acquiring person) will entitle the holder to purchase four shares of the Common Stock of the company at a price equal to 25% of its then market value or common stock of the acquiring company having a value equal to twice the then exercise price of the Right. The Board may redeem the Rights prior to the time they become separately transferable at a price of $.02 per Right. The Rights will expire at the close of business March 25, 1996. This description of the Plan is qualified and governed by the terms and conditions of the Rights Agreement, as amended in 1987 by the Board of Directors to account for the company's stock split.

9. CONTINGENT LIABILITIES AND COMMITMENTS

Rental expense under property and equipment leases was $49.9 in 1987, $50.4 in 1986 and $54.3 in 1985. Estimated future minimum rental expenses under property and equipment leases that have initial or remaining non-cancellable lease terms in excess of one year as of December 31, 1987, are: 1988 – $22.8; 1989 – $14.9; 1990 – $9.4; 1991 – $5.8; 1992 – $3.4; later years – $18.5 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 company and its subsidiaries are parties to numerous suits and claims arising out of the conduct of business. Included among such suits are approximately 245 involving personal injury or death occurring in connection with administration of the company's DTP and oral polio vaccines. Also included are approximately 340 suits (200 of which involve about 1,400 claimants represented jointly by a group of lawyers) involving staining of teeth by the administration of tetracycline antibiotics to young children in the 1960's. The company is currently a party to, or otherwise involved in legal proceedings directed at clean-up of 48 Superfund sites. Many of the foregoing cases involve very large damage claims, including claims for punitive damages. In the opinion of management, the ultimate liability resulting from all pending suits and claims (after taking into account insurance coverage applicable to the events giving rise to such pending suits and claims) will not have a material adverse effect upon the consolidated financial position of the company and its subsidiaries.

10. TAXES ON INCOME are based on earnings of consolidated companies before taxes on income – continuing operations as follows:

	1987	1986	1985
Domestic	$141.1	$102.9	$ 6.8
Foreign	233.8	172.4	127.2
	$374.9	$275.3	$134.0

The components of the provision are:

	1987	1986	1985
Current:			
Federal	$ 15.4	$ 6.4	$(27.0)
Foreign	105.1	75.5	54.2
Other	13.3	6.6	3.3
	133.8	88.5	30.5
Deferred:			
Federal	(6.8)	(4.1)	(7.5)
Foreign and other	4.6	3.3	1.4
	(2.2)	(.8)	(6.1)
Total taxes on income	$131.6	$87.7	$ 24.4

Domestic and foreign earnings of consolidated companies before taxes on income – continuing operations include all income derived from continuing operations in the respective U.S. and foreign geographic areas, whereas provisions for taxes on income include all income taxes

continued

Note 10 continued

payable to U.S., foreign and other governments as applicable, regardless of the situs in which the taxable income is generated.

The major item which affected the deferred tax provision in both 1987 and 1986 relates to provisions for estimated litigation costs not currently deductible for tax purposes. In 1985 the major item was attributable to the disposal of the company's U.S. titanium dioxide business. Except for these items, the principal component of deferred tax provisions is the excess of tax over book depreciation (1987 – $3.5, 1986 – $2.5, 1985 – $7.8).

A reconciliation between the company's effective tax rate and the U.S. federal income tax rate for continuing operations is as follows:

	1987	1986	1985
Federal income tax rate	40.0%	46.0%	46.0%
Investment tax credit on assets purchased during the year and research credits	(1.3)	(2.8)	(9.8)
Income subject to income tax at less than federal rates, and not expected to be subject to federal tax in the foreseeable future	(5.4)	(13.6)	(16.5)
Other, net	1.8	2.3	(1.5)
Effective tax rate	35.1%	31.9%	18.2%

11. OTHER FINANCIAL INFORMATION

Included in accounts payable and accrued expenses at December 31, 1987, and 1986, respectively, are trade payables of $343.0 and $325.2, pensions and other employee benefits of $67.8 and $80.5, checks outstanding in excess of certain domestic cash balances of $49.5 and $35.6 and other accrued expenses of $529.2 and $415.2.

At December 31, 1987, the company had $190.0 of domestic short-term lines of credit available.

Maintenance and repairs were $142.1 in 1987, $142.9 in 1986 and $147.0 in 1985. Taxes other than income and payroll taxes were $60.8 in 1987, $62.9 in 1986 and $58.7 in 1985. Advertising was $378.8 in 1987, $341.1 in 1986 and $339.5 in 1985.

12. RETIREMENT PLANS AND POSTRETIREMENT BENEFITS

The company and its subsidiaries have various pension plans covering substantially all employees in the United States and Canada and certain employees in foreign countries. Plans covering most employees provide benefits based on years of service and the employee's final average compensation. The company generally makes contributions to the plans at least equal to the amounts accrued for pension expense to the extent such contributions are currently deducted for tax purposes or as required by local employee benefit and tax laws.

Effective January 1, 1987, the company adopted Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions," for all U.S. pension plans. Under the previous standards, 1987 pension expense for these plans would have been $33.5. The net pension expense for 1987 for plans covering U.S. employees included the following components:

Service cost – benefits earned during the period	$ 23.4
Interest cost on projected benefit obligation	79.7
Actual return on assets	(5.0)
Net amortization and deferral	(73.7)
Net pension expense	$ 24.4

The following table sets forth the plans' funded status and amounts recognized in the company's consolidated balance sheet at December 31, 1987:

Actuarial present value of benefit obligations:	
Vested benefit obligation	$817.1
Accumulated benefit obligation	$840.9
Projected benefit obligation	$942.8
Plan assets at fair value, primarily listed stocks and U.S. bonds	856.2
Excess of projected benefit obligation over plan assets	86.6
Unrecognized net loss	(62.7)
Unrecognized prior service cost	(22.0)
Unrecognized transition asset	16.6
Accrued pension cost recognized on balance sheet	$ 18.5

continued

Note 12 continued

The projected benefit obligation was determined using an assumed discount rate of 9.5% at December 31, 1987. Assumed rates of increases for future compensation levels vary from 4.5% to 9.5%. The expected long-term rate of return on assets is 9%. The measurement date used for the company's U.S. plans was November 30.

International pension expense amounted to $7.7 in 1987, $7.6 in 1986 and $8.3 in 1985. Foreign plans generally are insured or otherwise fully funded.

Total pension expense was $32.1 in 1987, $50.9 in 1986 and $52.4 in 1985.

In addition to pension benefits, employees may become eligible for postretirement health care and life insurance benefits. The expense of such retiree benefits is recognized as the related costs are paid. For 1987 such expense totaled $17.4, as compared with $16.3 in 1986 and $15.5 in 1985.

13. OPERATIONS BY BUSINESS GROUPS AND GEOGRAPHIC AREAS

The following commentary relates to the tables appearing on pages 46 and 47.

The company and its subsidiaries are engaged primarily in the manufacture and sale of a highly diversified line of medical, agricultural, chemical and consumer products (Shulton Group).

Total sales between business groups were approximately $55.0 in 1987, $78.7 in 1986 and $88.9 in 1985. These intersegment sales, which are made at cost, were not significant for any of the business groups except medical ($10.2 in 1987, $12.0 in 1986 and $17.7 in 1985) and chemicals ($42.3 in 1987, $54.0 in 1986 and $61.5 in 1985).

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

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, investment income, equity in net earnings of associated companies and taxes on income. 1987 operating earnings of the Shulton Group include a gain of $12.0 from the sale of the company's Jacqueline Cochran fine fragrance and skin care businesses. 1985 operating earnings include a $54.3 provision ($40.1 included in the Chemicals Group, $12.7 in the Agricultural Group and $1.5 in the Medical Group) for costs related to the curtailment and consolidation of certain chemicals and fertilizer businesses and specific environmental remediation projects. In addition, 1985 operating earnings of the Chemicals Group include a gain of $9.2 from the disposal of the company's U.S. titanium dioxide business.

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

BUSINESS GROUPS

	1987	1986	1985
NET SALES			
Medical	**$1,638.1**	$1,440.0	$1,166.8
Agricultural	**918.7**	872.9	858.6
Chemicals	**1,041.5**	948.1	971.7
Shulton	**567.8**	554.9	539.0
	$4,166.1	$3,815.9	$3,536.1
OPERATING EARNINGS			
Medical	**$216.4**	$184.0	$143.6
Agricultural	**124.7**	84.1	45.2
Chemicals	**68.2**	50.5	(8.1)
Shulton	**57.5**	32.8	25.7
	466.8	351.4	206.4
GENERAL CORPORATE EXPENSES	**(57.7)**	(46.3)	(50.6)
INTEREST EXPENSE, NET OF INVESTMENT INCOME	**(34.2)**	(29.8)	(21.8)
EARNINGS OF CONSOLIDATED COMPANIES BEFORE TAXES ON INCOME – CONTINUING OPERATIONS	**$374.9**	$275.3	$134.0
EQUITY IN NET EARNINGS OF ASSOCIATED COMPANIES			
Medical	**$ 3.0**	$ .9	$ .8
Agricultural	**.5**	.3	.5
Chemicals	**17.2**	13.7	9.3
	$20.7	$14.9	$10.6
IDENTIFIABLE ASSETS			
Medical	**$1,292.7**	$1,074.0	$ 805.1
Agricultural	**701.2**	663.7	690.0
Chemicals	**685.9**	611.3	563.5
Shulton	**217.2**	222.0	236.8
	2,897.0	2,571.0	2,295.4
EQUITY IN NET ASSETS OF AND ADVANCES TO ASSOCIATED COMPANIES			
Medical	**27.5**	19.5	14.9
Agricultural	**4.4**	1.6	1.9
Chemicals	**80.0**	66.1	53.7
	111.9	87.2	70.5
CORPORATE ASSETS	**1,120.1**	1,008.8	1,038.8
TOTAL ASSETS	**$4,129.0**	$3,667.0	$3,404.7
DEPRECIATION, DEPLETION AND AMORTIZATION			
Medical	**$ 64.8**	$ 56.7	$ 44.7
Agricultural	**45.2**	44.5	43.5
Chemicals	**72.2**	71.3	75.2
Shulton	**8.4**	8.3	7.9
Corporate	**10.2**	9.4	8.5
	$200.8	$190.2	$179.8
CAPITAL ADDITIONS			
Medical	**$102.8**	$ 89.8	$ 83.2
Agricultural	**47.0**	62.9	34.4
Chemicals	**97.3**	85.3	57.5
Shulton	**15.4**	17.0	13.9
Corporate	**5.6**	7.5	13.6
	$268.1	$262.5	$202.6

GEOGRAPHIC AREAS

	1987	1986	1985
NET SALES TO UNAFFILIATED CUSTOMERS			
United States	**$2,618.4**	$2,535.5	$2,489.1
Other Western Hemisphere	**433.1**	389.3	387.9
Eastern Hemisphere	**1,114.6**	891.1	659.1
	$4,166.1	$3,815.9	$3,536.1
INTERGEOGRAPHIC SALES			
United States	**$211.4**	$207.3	$203.6
Other Western Hemisphere	**85.5**	87.7	52.7
Eastern Hemisphere	**61.1**	69.2	44.7
Eliminations	**(358.0)**	(364.2)	(301.0)
	–	–	–
OPERATING EARNINGS			
United States	**$189.8**	$150.9	$ 62.4
Other Western Hemisphere	**74.5**	40.2	33.0
Eastern Hemisphere	**202.5**	160.3	111.0
	466.8	351.4	206.4
GENERAL CORPORATE EXPENSES	**(57.7)**	(46.3)	(50.6)
INTEREST EXPENSE, NET OF INVESTMENT INCOME	**(34.2)**	(29.8)	(21.8)
EARNINGS OF CONSOLIDATED COMPANIES BEFORE TAXES ON INCOME – CONTINUING OPERATIONS	**$374.9**	$275.3	$134.0
EQUITY IN NET EARNINGS OF ASSOCIATED COMPANIES			
United States	**$ 7.5**	$ 6.1	$ 5.7
Other Western Hemisphere	**.6**	.2	.4
Eastern Hemisphere	**12.6**	8.6	4.5
	$20.7	$14.9	$10.6
IDENTIFIABLE ASSETS			
United States	**$1,842.0**	$1,682.0	$1,551.3
Other Western Hemisphere	**283.3**	279.6	278.2
Eastern Hemisphere	**771.7**	609.4	465.9
	2,897.0	2,571.0	2,295.4
EQUITY IN NET ASSETS OF AND ADVANCES TO ASSOCIATED COMPANIES			
United States	**53.1**	46.4	42.3
Other Western Hemisphere	**2.7**	2.2	2.6
Eastern Hemisphere	**56.1**	38.6	25.6
	111.9	87.2	70.5
CORPORATE ASSETS	**1,120.1**	1,008.8	1,038.8
TOTAL ASSETS	**$4,129.0**	$3,667.0	$3,404.7

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 estimates and judgments. All 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 that 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 the 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 Main & Co. As indicated in the Auditors' Report appearing on page 49, their examinations were conducted in accordance with generally accepted auditing standards, including a review and testing of the system of internal accounting controls to the extent necessary to form a basis for their opinion 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 nonmanagement 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.

AUDITORS' REPORT

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, 1987 and 1986 and the related consolidated statements of earnings, earnings employed in the business and changes in financial position for each of the years in the three-year period ended December 31, 1987. 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, 1987 and 1986 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, 1987, in conformity with generally accepted accounting principles applied on a consistent basis.

PEAT MARWICK MAIN & CO.

Short Hills, NJ
February 2, 1988

FIVE-YEAR SUMMARY

(Millions, except per share amounts)

	1987	1986	1985	1984	1983
EARNINGS					
Net sales	**$4,166**	$3,816	$3,536	$3,524	$3,237
Manufacturing cost of sales	**2,131**	2,086	2,085	2,027	1,896
Research and process development expense	**314**	278	251	232	208
Selling, advertising and administrative expenses	**1,339**	1,180	1,065	1,013	924
Interest, royalties and other income, net	**78**	90	83	73	61
Interest expense	**85**	86	84	78	71
Taxes on income	**132**	88	24	66	59
Earnings of consolidated companies – continuing operations	**243**	188	110	181	140
Equity in net earnings of associated companies	**21**	15	10	17	13
Discontinued operations	**12**	–	9	18	13
Net earnings	**276**	203	129	216	166
Per share of common stock:					
Earnings from continuing operations	**2.89**	2.18	1.25	2.03	1.58
Discontinued operations	**.13**	–	.09	.18	.13
Net earnings	**3.02**	2.18	1.34	2.21	1.71
Dividends	**1.025**	.95	.95	.931	.875
Average number of shares of common stock outstanding (used in calculating earnings per share)	**91.3**	92.9	96.4	97.8	97.5
OTHER DATA					
Additions to plants, equipment and facilities	**$ 268**	$ 263	$ 203	$ 200	$ 165
Current assets	**2,142**	1,891	1,960	1,805	1,545
Current liabilities	**1,407**	1,126	996	948	733
Working capital	**735**	765	964	857	812
Plants, equipment and facilities	**2,891**	2,676	2,546	2,704	2,623
Net depreciated cost	**1,392**	1,268	1,127	1,242	1,256
Total assets	**4,129**	3,667	3,405	3,327	3,056
Funded debt	**563**	584	571	526	520
Stockholders' equity	**1,873**	1,721	1,644	1,668	1,604

DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL CONDITION

Liquidity of a company 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, 1987, the company had available for its operations over $530 million in cash, marketable securities and time deposits. This significant source of liquidity, combined with other relatively liquid assets, most notably accounts receivable of over $930 million convertible to cash over a relatively short period of time, provides the company with 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 ratio is 1.5 to 1.

Funds derived from operations in 1987 totaled about $460 million. This amount, combined with existing working capital, provided the company with adequate resources for capital expenditures of $268 million, business acquisitions of approximately $100 million, purchases of treasury stock of $119 million, dividend payments to shareholders of $93 million and other cash requirements.

In addition to the operating cash flow and liquid assets discussed above, the company has $190 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 maintained a relatively consistent level of debt financing. At December 31, 1987, aggregate debt financing was $966 million, equal to 34.0% of total debt and equity and is comprised of short-term borrowings of about $360 million and funded debt, including the portion due within one year, of $606 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 1988, including the amount already committed at December 31, 1987, of about $69 million. All planned capital expenditures are intended to provide necessary capacity, to improve the efficiency of production units, to modernize or replace older facilities, and to install equipment required for protection of the environment.

Reflecting industry trends generally, as well as the effects of our vaccine liability litigation, the company's liability insurance coverage (particularly product and environmental liability) for the year ending June, 1988, continues to include substantially higher deductibles and lower overall limits than previously available; coverage also remains more restrictive. Exposure to catastrophic events is thus much greater.

The company considers its December 31, 1987, financial condition and anticipated 1988 operating results to be of the most significance in assessing its liquidity. Importance also can be attached to prior years' data which evidence an ability to maintain liquidity over a period of time. Data for 1986 and 1985 corresponding to the 1987 data discussed above are readily obtainable from the consolidated financial information included in this annual report.

RESULTS OF OPERATIONS

NET SALES in 1987 were $4.17 billion, up 9% from $3.82 billion in 1986. EARNINGS FROM CONTINUING OPERATIONS in 1987 were $264.0 million or $2.89 per share, up 30% from $202.5 million or $2.18 per share in 1986. NET EARNINGS in 1987 were $275.6 million or $3.02 per share, up 36% from $202.5 million or $2.18 per share in 1986. See Note 2 to the Consolidated Financial Statements for information relating to discontinued operations.

The significant increase in earnings from continuing operations in 1987 reflects the continued strong performance of each of the four business groups. The improved results are primarily attributable to the ongoing benefits of programs focused on new product development, continued cost containment, the divestiture of less profitable product lines and excellent international results, aided by increased local currency sales and the strength of foreign currencies versus the U.S. dollar. Earnings of consolidated companies before taxes on income – continuing operations for the twelve months ended December 31, 1987, include a gain of $12.0 million (approximately $.13 per share) from the sale of the company's Jacqueline Cochran fine fragrance and skin care businesses.

continued

NET SALES in 1986 were up 8% from the $3.54 billion in 1985 while earnings from continuing operations were up 68% from $120.2 million or $1.25 per share in 1985. Net earnings were up 57% from $129.1 million or $1.34 per share in 1985.

The substantial increase in earnings from continuing operations in 1986 was attributable to improved performances of each of the business groups. The improved profitability reflected the cumulative results of programs focused on new product development, continuing cost reduction measures taken throughout the company and increased volumes in overseas markets, as well as the favorable impact of exchange. Earnings from continuing operations in 1985 include special items described in Note 3 to the Consolidated Financial Statements. The effect of these special items was to reduce earnings from continuing operations by approximately $22.7 million or $.24 per share.

RESEARCH AND PROCESS DEVELOPMENT EXPENDITURES continue to increase each year as part of the company's commitment to provide new products and technologies in growth areas.

FOREIGN EXCHANGE LOSSES reduced earnings by $37.4 million in 1987, $9.1 million in 1986 and $27.3 million in 1985. However, translation of overseas subsidiary earnings statements at higher foreign currency exchange rates resulting from the weakening of the U.S. dollar had a favorable effect on consolidated revenues and earnings in 1987 and 1986.

TAXES ON INCOME as a percent of earnings were 35.1%, an increase from 31.9% in 1986 which increased from 18.2% in 1985. Taxes on income are discussed further in Note 10 to the Consolidated Financial Statements.

In December, 1987, the Financial Accounting Standards Board issued Statement No. 96, "Accounting for Income Taxes," which is effective for years beginning after December 15, 1988. The company is currently evaluating the implications of this Statement. However, on a preliminary basis, if income tax rates remain at their current level, the company does not expect the overall effect of adopting this Statement to be material.

BUSINESS GROUPS' SALES AND OPERATING EARNINGS, along with certain other financial data are set forth in Note 13 to the Consolidated Financial Statements, and are discussed below.

MEDICAL GROUP sales and operating earnings increased significantly in 1987, with strong performances by key product lines in both U.S. and international markets. Sales of pharmaceuticals, anticancer agents, standard products and biologicals increased in 1987. Medical device sales also were higher, aided by a full year of sales from the 1986 acquisitions of Acufex Microsurgical and Storz Instrument Company, and the 1987 acquisition of the assets constituting the Coburn Professional Products business of Barnes-Hind, Inc. Sales of consumer health products in the U.S. were lower, primarily because of a depressed market for vitamins and calcium supplements and aggressive price competition from look-a-like private label products. The Group continues to be favorably impacted by the weakening of the U.S. dollar. In mid-1987 the product liability portion of the DTP vaccine price was reduced in response to our ongoing evaluation of litigation costs. Effective as of January 1, 1988, the company reduced, by 50%, the amount of its product liability surcharge on sales of DTP vaccine, and added the required per dose excise tax to the price of DTP vaccine.

In 1986 sales and operating earnings increased significantly. The Group achieved sales increases in almost all of its principal product areas, including pharmaceuticals, antibiotics, anticancer agents and generics sold under the Lederle name. International sales were substantially higher reflecting both local currency growth and the effect of the weakening U.S. dollar. During the year the decision was made to continue marketing DTP vaccine, even though the company is no longer adequately covered by product liability insurance. The price of the vaccine was raised to cover provisions for estimated litigation costs.

AGRICULTURAL GROUP operating earnings increased substantially in 1987. Total sales of the Group were higher despite our withdrawal in mid-1986 from the upgraded phosphate fertilizer business. This decline in sales was more than offset by significantly increased sales of more profitable crop protection products. Global sales of animal nutrition and health products, and vegetative and pest control chemicals were about even with a year ago. The Group benefited from a new marketing and distribution program as well as the favorable impact of exchange. During the second quarter, the company suspended production of upgraded nitrogen products at its plant in Welland, Ontario, in response to continuing low prices and depressed demand.

DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In 1986 sales were slightly higher while operating earnings were significantly higher. The increases reflect the successful introduction of *Scepter* herbicide and improved performances of animal and pesticide products, in addition to the favorable impact of exchange. The Group also benefited from the mid-year withdrawal from the diammonium phosphate business. However, because of reduced fertilizer usage by U.S. farmers and lower selling prices, participation in the business prior to withdrawal had a negative impact on operating earnings. During the fourth quarter the company concluded the agreement whereby International Minerals and Chemical Corporation (IMC) leased the processing plant of Brewster Phosphates. IMC also acquired rights to Brewster's phosphate rock reserves. Brewster Phosphates is a partnership of Cyanamid and Kerr-McGee Corporation.

CHEMICALS GROUP sales and operating earnings in 1987 were significantly higher than in the previous year. The results reflect significantly higher sales and earnings in international markets. International sales increases included both higher volumes of exports from the United States and sales originating from overseas manufacturing sites, in part due to the favorable impact of exchange. Increased U.S. export sales were achieved for some process chemicals including acrylonitrile, fibers and engineered materials. Higher sales in international markets were achieved in mining reagents, plastics additives, water treating chemicals and methylated crosslinking resins. In the United States, sales of specialty paper resins, specialty elastomers and methylated crosslinking resins increased over the previous year. In addition, the Chemicals Group benefited from a full year of sales of Applied Solar Energy Corporation, in which we acquired an approximate 75% interest in the middle of last year. Applied Solar is a leader in the development and marketing of high performance gallium arsenide solar cells.

In 1986 sales were lower than in the previous year, while operating results improved significantly. The lower sales were primarily due to the divestment of the company's U.S. titanium dioxide business in mid-1985. Contributing to the Group's improved performance were the consolidation of certain manufacturing operations, lower raw material costs and the implementation of other cost reduction measures. Sales of engineered materials, resins, plastic additives and fibers were higher. Internationally, sales gains were made in process chemicals, mining reagents, paper and water treating chemicals and organic flocculants, in part due to favorable exchange.

SHULTON GROUP sales were slightly higher and operating earnings were significantly higher as compared with 1986. Operating earnings of the Group include a gain of $12.0 million from the second quarter divestiture of the company's Jacqueline Cochran fine fragrance and skin care businesses. Excluding this gain, operating earnings were about 39% above those last year. Strong brand performances by *Pine-Sol* liquid cleaner, our proprietary *Combat Roach Control System,* and *Old Spice* deodorant and antiperspirant permitted the Group to replace the Jacqueline Cochran volume with more profitable sales.

In 1986 sales and operating earnings increased as compared with 1985. *Pine-Sol* liquid cleaner maintained its leading position in the market, aided by an improved cleaning formula and a new plastic bottle. *Combat Roach Control System* continued to achieve higher market share and increased sales with the introduction of new products for the control of ants and large roaches. International sales of Shulton products on a local currency basis also were higher.

ORGANIZATION

OPERATIONS

William L. Berry, President
Venture Chemicals Division

Emil C. Bosacki, President
Chemical Products Division

George P. Bywater,
Group Vice President
Latin America Group

Darryl D. Fry, President
Agricultural Division

Rolf H. Henel, President
Lederle Division
Cyanamid International

John W. Jackson, President
Medical Device Division

Robert B. Johnson, President
Lederle Laboratories Division

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

Frederick G. Ledlow, President
Fibers Division

William G. Paxton, President
Chemicals Division
Cyanamid International

Charles A. Ruibal, President
Industrial Products Division

Gerald M. Saluti, President
Polymer Products Division

John H. Taylor, President
Agricultural Division
Cyanamid International

Lawrence E. Tilton, President
Shulton, Inc. U.S.A. Division

RESEARCH DIVISIONS

James V. Gramlich, Director
Agricultural Research Division

William F. Linke, Director
Chemical Research Division

Harry M. Meyer, Jr., President
Medical Research Division

Harold Porosoff, Director
Shulton Research Division

Ira Starer, Director
Medical Device Research Division

SERVICES

Frederick W. Armstrong, Director
Corporate Development and
Planning Division

Alan M. Breitman, Director
Tax Division

W. Perry Brown, Director
Personnel Division

Joseph C. Calitri, Director
Public Affairs Division

Donald C. Droste, Director
Law Division

Edward A. Lustig, Director
Information Services Division

Richard L. Martino, Treasurer
Treasury Division

Robert D. Reisman, Controller
Controller's Division

St. Clair J. Tweedie, Director
Government Relations

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

James G. Affleck
Retired Chairman of the Board
American Cyanamid Company

David M. Culver
Chairman and Chief Executive
Officer
Alcan Aluminium Limited

Lloyd N. Cutler
Partner
Wilmer, Cutler & Pickering
Attorneys

Ronald Halstead
Former Chairman
Beecham Group p.l.c.

William A. Liffers
Vice Chairman
American Cyanamid Company

Paul W. MacAvoy
Dean
The William E. Simon
Graduate School of Business
Administration
University of Rochester

Alexander M. Schmidt
Professor of Health Policy and
Social Medicine
Institute of Government and Public
Affairs
University of Illinois, Chicago

George L. Schultz
Private Investments

George J. Sella, Jr.
Chairman of the Board
President and Chief Executive Officer
American Cyanamid Company

Morris Tanenbaum
Vice Chairman
American Telephone and
Telegraph Company

Anne Wexler
Chairman
Wexler, Reynolds, Harrison
& Schule, Inc.

OFFICERS

George J. Sella, Jr.
Chairman of the Board
President and Chief Executive Officer

William A. Liffers
Vice Chairman

Frank V. AtLee
Executive Vice President

Albert J. Costello
Executive Vice President

George P. Bywater
Group Vice President

Robert N. Hiatt
Group Vice President

Frederick W. Armstrong
Vice President

W. Perry Brown
Vice President

Donald C. Droste
Vice President and General Counsel

Martin B. Friedman
Vice President

Richard L. Martino
Vice President and Treasurer

Robert D. Reisman
Controller

Edward F. Jackman
Secretary

COMMITTEES

EXECUTIVE COMMITTEE

George J. Sella, Jr.,
Chairman
Frank V. AtLee
Albert J. Costello
William A. Liffers

AUDIT COMMITTEE

Lloyd N. Cutler,
Chairman
David M. Culver
Alexander M. Schmidt
Morris Tanenbaum

COMPENSATION COMMITTEE

Morris Tanenbaum,
Chairman
James G. Affleck
David M. Culver

NOMINATING COMMITTEE

David M. Culver,
Chairman
James G. Affleck
Ronald Halstead
Paul W. MacAvoy
George L. Schultz
George J. Sella, Jr.,
ex officio

PENSION COMMITTEE

William A. Liffers,
Chairman
James G. Affleck
Paul W. MacAvoy
George L. Schultz

PUBLIC RESPONSIBILITY COMMITTEE

George L. Schultz,
Chairman
Lloyd N. Cutler
Ronald Halstead
Paul W. MacAvoy
Alexander M. Schmidt

INVESTOR INFORMATION

THE COMPANY
American Cyanamid Company is a publicly held company incorporated under the laws of the state of Maine. It is a research-based biotechnology and chemical company which develops medical, agricultural, chemical and consumer products and manufactures and markets them throughout the world. Cyanamid operates 19 research laboratories and approximately 100 plants, and its 3,000 products are sold by its divisions and subsidiaries in more than 135 countries throughout the world.

WORLD HEADQUARTERS
Cyanamid's world headquarters is located at
One Cyanamid Plaza, Wayne, New Jersey 07470.
The company's main telephone number is (201) 831-2000.
Telex: 219136-ACYIN UR. TWX: 7109883045.

ANNUAL MEETING
The annual meeting of stockholders is held each year on the third Monday in April. The 1988 annual meeting will be held at 11 a.m. on Monday, April 18, in the Monhegan Room of the Sheraton Inn, South Portland, Maine.

STOCK EXCHANGES
The common stock of American Cyanamid Company is traded principally on the New York Stock Exchange (the ticker symbol is ACY). The stock also is listed on stock exchanges in Amsterdam, Basle, Frankfurt, Geneva, Lausanne, London and Zurich. Options on the stock are traded on the American Stock Exchange.

STOCK TRANSFER AGENT AND REGISTRAR
The stock transfer agent and registrar for Cyanamid's stock is The Chase Manhattan Bank, N.A. Stockholders who wish to transfer their stock, or change the name in which the shares are registered, should contact:

Shareholder Services
The Chase Manhattan Bank, N.A.
1 New York Plaza
New York, New York 10081
(212) 676-5754

STOCKHOLDER RECORDS
Stockholder records are maintained by Cyanamid at its world headquarters. Questions concerning individual stockholder accounts, including dividends, should be addressed to:

Stockholder Records Department
American Cyanamid Company
One Cyanamid Plaza
Wayne, New Jersey 07470
(201) 831-3586

AUTOMATIC DIVIDEND REINVESTMENT
There is available to all stockholders of record the convenience of an automatic dividend reinvestment service in which dividends are automatically reinvested in Cyanamid common stock. Participants also may add cash for the purchase of additional shares. Under the plan, Cyanamid pays any related bank charges and brokerage commissions. A detailed statement of each stockholder's account is mailed after each investment.

Any stockholder who is not enrolled in the plan and would like to be should contact the Stockholder Records Department at Cyanamid. Participants who have questions regarding their accounts should contact:

Dividend Reinvestment Department
The Bank of New York
P.O. Box 11002
Church Street Station
New York, New York 10277-0702
(800) 524-4458

DIVIDEND PAYMENT SCHEDULE
Dates for 1988 dividends, as and when declared by the Board of Directors, are scheduled as follows:

- March 25, for stockholders of record February 26,
- June 24, for stockholders of record May 27,
- September 30, for stockholders of record August 26,
- December 23, for stockholders of record November 23.

INTERIM REPORTS
Cyanamid's fiscal year is the calendar year. Interim reports covering the first, second and third quarter financial results, along with other company news, are mailed to stockholders as soon as possible after the close of the quarter. A reprint of the company's presentation before a major security analysts group each December also is mailed to stockholders.

FORM 10-K
A copy of the company's 1987 annual report on Form 10-K, including financial statements and schedules, as filed with the Securities and Exchange Commission, is available free of charge to Cyanamid stockholders upon request. Copies of exhibits attached to Form 10-K also will be made available at a charge. Requests should be made in writing to:

Public Affairs Division
American Cyanamid Company
One Cyanamid Plaza
Wayne, New Jersey 07470

Design: Pellegrini and Associates Inc. Major Photography: Cheryl Rossum • 1988 Typography: Boro Typographers, Inc.