ON THE COVER

The multiple-image photograph on the cover shows our new Malathion insecticide plant at Resende, Brazil, one of 30 new plants under construction around the world. The cover symbolizes the theme of this year's report, Managing for Growth, which emphasizes our investment in new plants, research and development, and stronger marketing programs. Also featured on the cover is our new logo, a corporate symbol which, through its modern look and feeling of momentum, more accurately reflects Cyanamid's progress and potential.

ANNUAL MEETING OF STOCKHOLDERS

The annual meeting of stockholders of American Cyanamid Company will be held at 11 a.m. on Monday, April 18, in the Phoenix Room of the Canal National Bank Building, 1 Canal Plaza, Portland, Maine.

FINANCIAL HIGHLIGHTS

(Dollars in thousands except per share amounts)

OPERATING RESULTS	1976	1975
Net sales	**$2,093,815**	$1,928,444
Earnings of consolidated companies before taxes on income	**205,432**	243,626
Taxes on income	**80,900**	100,600
Equity in net earnings of associated companies	**11,234**	4,649
Net earnings	**135,766**	147,675
Dividends	**71,296**	71,234
Per share of common stock		
Net earnings	**2.84**	3.09
Dividends	**1.50**	1.50
Depreciation and depletion	**89,270**	77,642
Additions to plants, equipment and facilities	**231,844**	204,187
YEAR-END POSITION		
Total assets	**$2,002,423**	$1,722,174
Funded debt	**417,849**	282,176
Stockholders' equity	**1,109,169**	1,044,276
Per share of common stock	**23.22**	21.87
Shares outstanding at end of year	**47,764,288**	47,747,212
Number of stockholders	**104,303**	107,862
Number of employees	**39,401**	37,820

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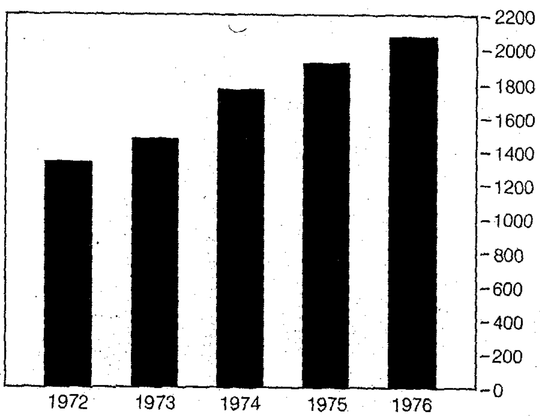
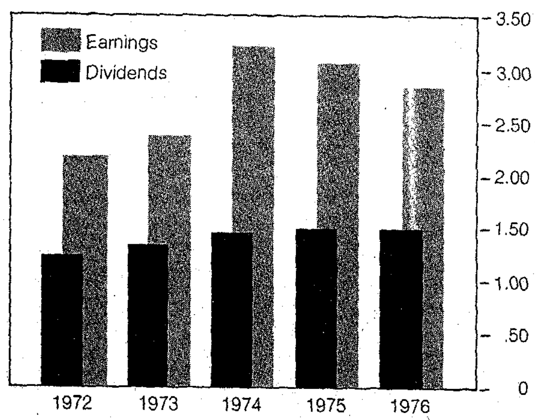
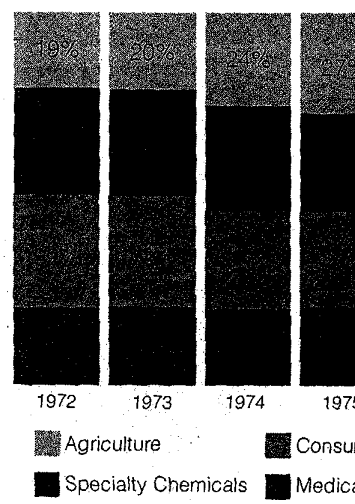
CONSOLIDATED SALES
(in millions of dollars)



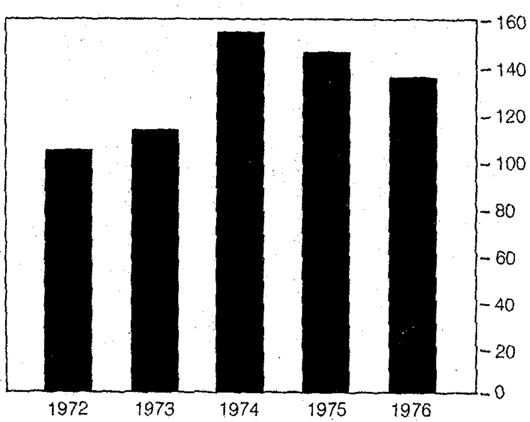
EARNINGS & DIVIDENDS PER SHARE
(in dollars)



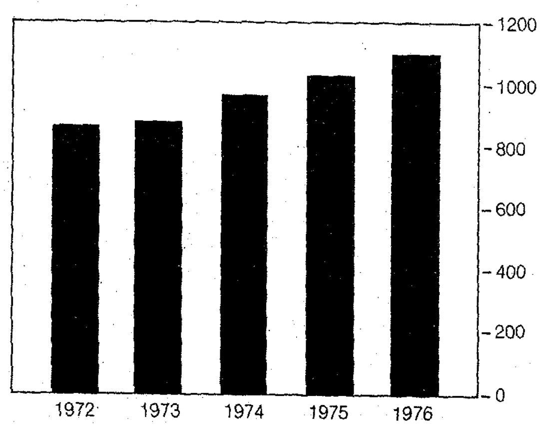
CONTRIBUTIONS OF MAJOR SE
SALES



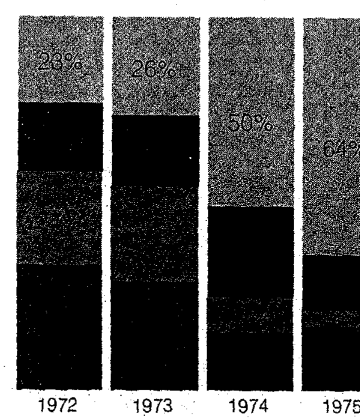
NET EARNINGS
(in millions of dollars)



SHAREHOLDERS' EQUITY
(in millions of dollars)



CONTRIBUTIONS OF MAJOR SE
EARNINGS (approximate)



SERVING SOCIETY

No company can grow and prosper without an abiding concern for social and employee needs, and no one program can meet all of these needs. At Cyanamid, we are moving ahead in several areas.

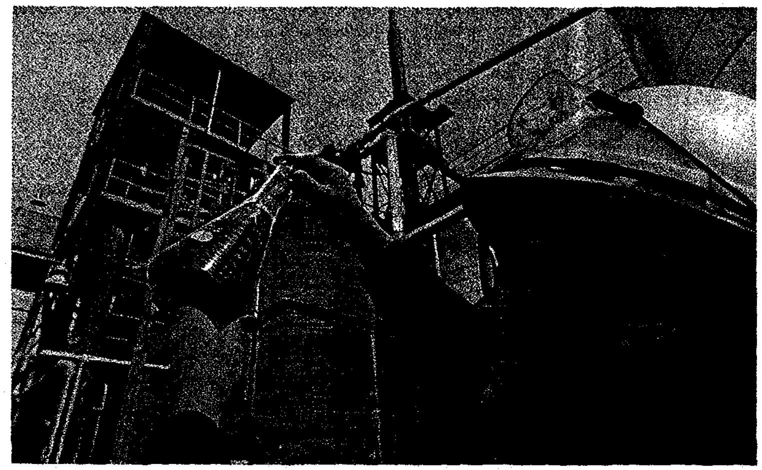
Employee safety is a prime concern. We maintained an exceptional record in 1976. Cyanamid's frequency of disabling accidents is less than one per million-man-hours — or 18 times better than the average for all U.S. industry. We are constantly working to improve this record.

Our social programs provide for contributions to charitable funds, hospitals, educational and other institutions, with emphasis on the communities in which we operate and colleges oriented toward technology and business.

Another of our important responsibilities is to protect the environment around our plants. In 1976, we spent $31 million for pollution control facilities. Our cumulative capital investment in environmental protection through 1976 amounts to $148 million, and we anticipate spending another $21 million in 1977. Operating costs of pollution control facilities are now running at about $26 million per year.

We make sizeable investments in the development of better production technology to make our new plants among the cleanest in the world. Similarly, we try to pioneer in the development of improved water and air pollution control facilities for the complex waste products of older plants.

Our $22 million waste water treatment facility now under construction at Cyanamid's Bound Brook complex will be the largest industrial unit of its kind in the world. It will use activated carbon to provide final treatment for 20 million gallons of waste water daily. Its new process, developed in a five-year, $1 million research program, utilizes the best available technology for cleaning these waste streams. A number of projects totaling approximately $6 million are being installed for the control of airborne emissions from the various manufacturing units at Bound Brook.



A chemist checks effluent at the new pollution-control facility at our complex at Linden, New Jersey, part of a multi-million-dollar program to eliminate the need for disposing of waste products in the ocean. To date, Cyanamid has spent $148 million on environmental controls.

A specially designed incinerator was added to our complex at Linden in mid-1976. This represents the first phase of a multi-million-dollar program to eliminate the need for ocean disposal of waste products. The new unit oxidizes the plant's organic chemical wastes.

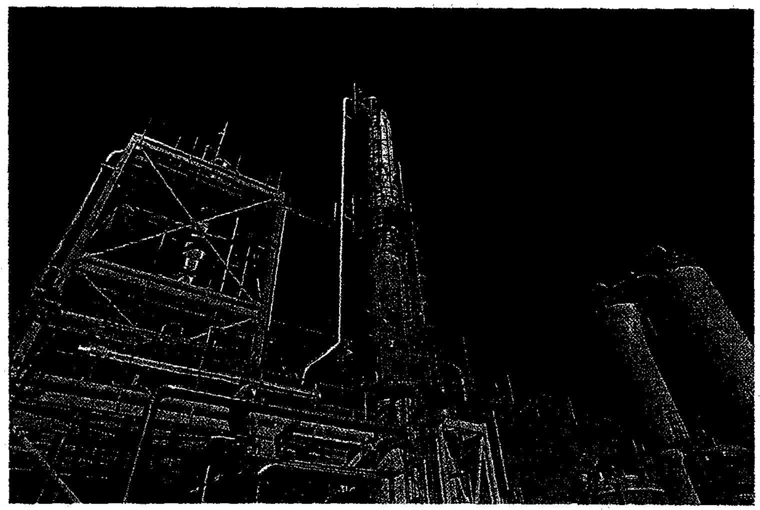
We are also able to recover some valuable products through pollution control techniques. A $24 million effluent treatment plant completed at our Savannah complex at the end of 1975 includes a unique $16 million water-treatment facility which enables us to turn a waste acid into gypsum. The state of the art is far from the stage where recovered materials offset the costs of pollution control, and we shall probably never reach that point, but we have at least taken initial steps to minimize these costs.

facility will utilize new Cyanamid technology emphasizing energy conservation.

Consumer products

Capital investments play a lesser, though a still important part, in the growth of our consumer businesses. Our major emphasis is on innovative product development and marketing programs.

An expected recovery in the housing industry in many nations should benefit our Formica® brand products. In preparation for a new cycle of growth, and to exploit new end uses and new markets, we are adding substantial capacity at our decorative laminate plant near Cincinnati. This expansion and modernization will increase capacity by more than 40% in mid-1978.



This new plant at Kalamazoo, Michigan, was completed last fall. A virtually pollution-free facility, it will double our capacity for Cymel 300 melamine resins, used extensively by the paint industry.

Outside the United States, demand is growing for sophisticated building materials such as Formica® decorative laminates, particularly in some parts of Latin America. To meet the increased demand, we are doubling the capacity of our laminates plant near Caracas, with completion scheduled during the first half of 1978. This expansion follows completion of our laminates plant at Bogota and expansion of our facility in Sao Paulo in 1975.

New production facilities are being added to meet increasing demand for Cyanamid's household cleaners and Shulton toiletries near Valencia, Venezuela. Completion is due in the first quarter of 1978. Additionally, a new household products unit began production at Resende at year's end.

In all, plants for consumer products completed during the year or now under way are valued at about $40 million.

Medical

The growth of our medical business in West Germany, Europe's largest pharmaceutical market, has required an expanded plant and headquarters. Our Munich facilities were replaced early in 1977 with a new complex at nearby Wolfratshausen. This should meet our pharmaceutical growth needs in West Germany for the foreseeable future. At the same time, we added a facility at Gosport, England, for psychotropic and other drug products to supply European markets, and it will be in operation by mid-year.

Dexon® synthetic absorbable sutures, a Cyanamid research development, have gained steadily increasing acceptance since their introduction in 1970. Now produced at Gosport, at Manati, Puerto Rico, and at Danbury, Connecticut, they will soon be manufactured in France by a joint venture.

Medical plants completed during 1976 or in construction are valued at about $30 million.

TO OUR STOCKHOLDERS:

1976 was Cyanamid's first $2 billion year. Sales increased 8.6% to $2.09 billion.

Profits of our worldwide specialty chemicals and consumer products businesses ran far ahead of last year, but these gains did not entirely offset a drop of more than 50% in agricultural profits caused by lower fertilizer prices. As a result, earnings decreased 8.1% to $2.84 per share.

Specialty chemicals rebounded faster than the general economic recovery of 1976, with sales up 19% and earnings almost double those of 1975. The consumer products group increased sales by 16% and nearly quadrupled profits. Medical sales were up 7% and earnings were almost 10% higher.

We are investing at record levels in our various businesses to generate a higher rate of sustained earnings growth. Capital spending for 1976 rose 14% to $232 million. We expect our investments to continue at a high level. Approximately 13% of our capital expenditures in 1976 was devoted to pollution control and environmental protection.

In line with our long-term plans, research and development expenses were up 15% to $83 million. Similarly, we increased marketing support of our products and improved our market share in major lines ranging from rubber-processing chemicals to fine fragrances, and from water-treating chemicals to household cleaning products.

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

The rise in the OPEC price of oil and the severe winter weather experienced by the Eastern half of the United States dramatized the importance of Cyanamid's energy conservation program. Through 1976, we reduced energy consumption per pound of finished product by approximately 15% from the base year of 1972. We are four years ahead of the chemical industry's goal, which calls for a 15% reduction by 1980, and are continuing our effort.

Cyanamid operates worldwide in 125 countries and territories. Sales outside the United States had been growing faster than domestic sales in recent years, but this trend did not continue in 1976. Weakness in export fertilizers resulted in a decline of almost 3% in international sales, bringing them to a level of 35% of total Cyanamid sales, compared with 40% a year earlier. In 1976, 20% of our total capital investment was for facilities outside the United States.

There were a number of key management changes in the past 12 months. Dr. James F. Bourland, a senior vice president and member of the board of directors, retired at the end of January, 1977, completing a distinguished career of more than 35 years with Cyanamid. Two former divisional presidents were elected corporate vice presidents and members of the executive committee. These new members of our top management team are William A. Liffers, 47, who earlier headed the Americas/Far East Division, and George J. Sella, Jr., 48, formerly president of the Europe/Mideast/Africa Division.

Cyanamid ended 1976 in a strong position for long-term earnings growth. Despite the adverse impact of the energy shortage during the early months of 1977, we look forward to improved earnings for the year.

Our most important resource in achieving our growth objectives is the talent and drive of our employees, and I would like to express my appreciation for their dedicated efforts. This dedication will assure our stockholders that Cyanamid will make the most of the promising opportunities ahead.

For the Board of Directors

Chairman and President

Wayne, New Jersey
February 8, 1977

We are also building a second plant to produce ammonia, another basic fertilizer, at our Fortier complex near New Orleans. This unit is scheduled for completion by the end of 1978. In addition to marketing ammonia, we use it as a raw material in the production of acrylic fibers and a number of industrial chemicals, including acrylonitrile, ammonium nitrate, aniline, melamine, nitric acid and polyacrylamide water-treating chemicals.

Cyanamid's agricultural plants completed during 1976 or now under construction represent an investment for growth of approximately $250 million.

Specialty chemicals

Our second largest investment program — some $120 million — is for new capacity for our specialty chemicals. Expansions in this segment begin with key chemical building blocks for dyes and color pigments.

Our new plants for beta naphthol, beta oxy naphthoic acid, G-salt, R-salt and Schaeffer salt went into full-scale production at Willow Island, West Virginia. This complex, utilizing a continuous process developed by Cyanamid, makes us the world's largest and most efficient producer of beta naphthol and a major producer of these derivatives.

Another important member of the beta naphthol family tree is Tobias acid, which also is used mainly in the manufacture of pigments and dyes. We are now building what will be the world's largest Tobias acid facility at Bound Brook, New Jersey, more than doubling capacity. Here, too, a unique Cyanamid process will make the plant the most efficient of its type. Start-up is scheduled for the second half of 1978.

Also at Bound Brook we completed a 50% increase in capacity for azo pigments. These red coloring agents, another member of the beta naphthol family, are widely used in printing inks, paints and plastics. Another plant at Bound Brook, scheduled for completion in early 1978, will double our capacity for nigrosine dyes. These black colorants are used in plastics, paper, inks and leather.

Acrylamide monomer is the root of another major Cyanamid chemical family which includes water-treating, paper, mining and oil field products. We recently developed a new manufacturing process for acrylamide which has given us a competitive advantage, and this process is featured in three major plant expansions: We doubled the capacity at our original 10-million-pound acrylamide plant at Fortier; we will double the 30-million-pound plant at Linden by the fourth quarter of 1977; and we will replace an old process and increase capacity by 50% at Botlek by mid-1978.

Another example of company-developed improvements which provide lower production costs and, in this case, permit virtually pollution-free operation, relates to our Cymel® 300 melamine resins. This evolving line is widely used in industrial paints. Capitalizing on the new technology, a plant doubling capacity went into production early in 1977 at Kalamazoo.

We produce sulfuric acid, the world's most widely used industrial chemical, to satisfy our own sizeable needs as well as market demand. We have gained a competitive advantage with this product through a new pollution-control process which has set new standards for the industry, important because ever more stringent environmental requirements have posed problems for producers in recent years. We are on schedule in constructing a new sulfuric acid plant utilizing this technology at Fortier. It should begin production in mid-1978. In addition, the process has been incorporated into our plant at Linden, completed in 1970, and the facility at Savannah, completed in 1975. Annual capacity for all three plants will be about one million tons.

We are also reactivating and modernizing our aniline plant and building a new supporting nitrobenzene plant at Bound Brook, for completion in mid-1978. This will enable us to maintain our position as a leading producer of upgraded aniline derivatives. The nitrobenzene

MANAGING FOR GROWTH

New Cyanamid products and more efficient production processes recently developed have provided the impetus for a record level of capital investments. To exploit these opportunities fully, Cyanamid engineers are now working on facilities valued at about $450 million, and we have a sizeable backlog of attractive projects under consideration. Thus, Cyanamid is assured of adequate capacity in all major business segments to capitalize on research and marketing advances.

Agriculture

Two of the most promising recent Cyanamid research developments are the herbicides Prowl® and Avenge®, both of which have received encouraging market acceptance. However, their full potential in the multi-billion-dollar world herbicide market will not be attained until new production facilities, now under construction, are completed.

A large new plant for Prowl is now in the final stages of construction at Hannibal, Missouri, and should be completed in mid-1977. Hannibal is also the site of a second major expansion, this one aimed at serving the growing markets for Counter® and Thimet® insecticides and due for start-up early in the second quarter of 1977.

A new plant for Avenge at Botlek, Holland, was completed at year's end, and we plan to expand its capacity by an additional 40% during 1977.

Our Malathion insecticide has a strong market position and is being supported by a plant expansion now being completed at Linden, New Jersey, a new unit which recently came on stream in Hsin Feng, Taiwan, as well as a new plant at Resende, Brazil, which will begin production in the second half of the year.

Animal health products are another area of importance to us. During the year, we added a new plant for the manufacture of levamisole, a widely used dewormer, at Manati, Puerto Rico, and a major expansion of facilities at Resende will be completed in the second quarter of 1977.

Although fertilizers are considerably less profitable now than in the 1974-75 period, they are still an attractive business for Cyanamid because of our low-cost raw materials position. Our 75%-owned partnership, Brewster Phosphates, has begun to ship phosphate rock from a newly opened mine in central Florida, and production should reach full capacity by mid-year.

This new plant at Hannibal, Missouri, scheduled to come on-stream in mid-1977, will make Prowl, a new herbicide for use on corn, cotton and soybeans. Also at Hannibal, a new facility is under construction to make Counter and Thimet insecticides, with start-up scheduled for this year.

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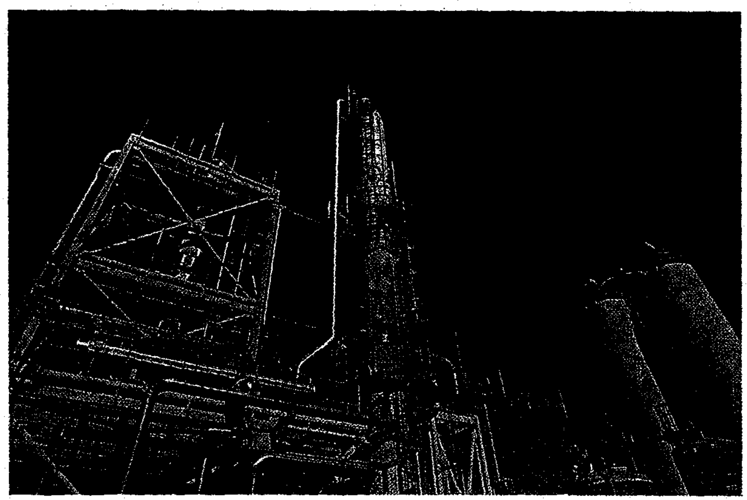

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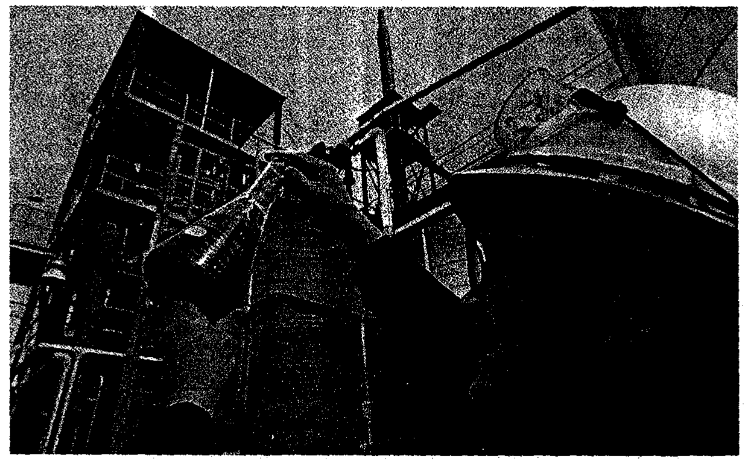

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AGRICULTURE

Agricultural sales declined 7% and earnings were down more than 50% from the record levels of 1975 because of fertilizers.

Fertilizer prices, which soared in 1974 and 1975 because of scare buying and inventory accumulation, declined sharply in 1976. Some price improvements were noted in the domestic market during the summer and early fall, followed by softening in both prices and demand toward the year's end.

Our fertilizer business continues to provide an acceptable level of profits because the costs of our operations, in both phosphate and nitrogen products, are among the lowest in the industry. We expect to benefit as long as our advantageous resource position lasts.

Worldwide pesticide sales were higher in 1976 because of increased sales in the United States. Sales in Europe were affected adversely by the summer drought, and Middle East sales were below expectations.

Herbicides represent a multi-billion-dollar segment of the global pesticide market. Cyanamid's new herbicide, Avenge®, controls wild oats in wheat, barley and rye. This product performed very well during 1976 in its first full year of sales — primarily in the United Kingdom, Europe, Canada and Australia. Last September, U.S. registration was obtained for barley and wheat, and early sales in this country are encouraging.

Prowl®, our other new herbicide, was registered in the United States in 1975 for corn and cotton, and certified in 1976 for soybeans. This product has achieved excellent domestic sales. Marketed as Stomp* or Herbadox* in other countries, it had encouraging initial acceptance during 1976 in Europe and Latin America.

Counter® and Thimet®, insecticides that protect corn and other crops, showed significant sales gains in 1976. Counter is a recent research development introduced in the United States in 1975. Thimet, marketed by us for the past 20 years, continues to expand its markets with sales now being made in Eastern Europe.

◄ *By mid-year this newly opened phosphate mine will be operating at full capacity, shipping phosphate rock to be converted into fertilizer. Located at Fort Lonesome, Florida, it is operated by Brewster Phosphates, 75%-owned by Cyanamid. Plume coming from the drying plant is water vapor.*

Our animal feed and health products continued to improve their sales in 1976, primarily because of increased penetration of U.S. livestock markets. Aureo S·P 250®, a medicated feed premix for hogs and cattle, registered the greatest sales gain. Levamisole, the leading dewormer for swine, cattle and sheep in the United States and Latin America, had significantly higher domestic sales, and Cycostat® robenidine, for the control of coccidiosis in broilers, did particularly well in Latin America, Europe and Japan.

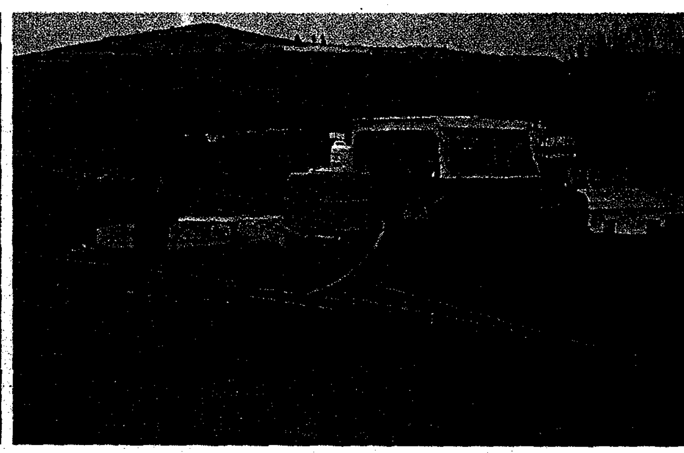
In England, last fall, we introduced Avotan® avoparcin, a feed antibiotic growth promoter for pigs and broilers. We plan to market Avotan in other European countries during 1977.

Cyanamid's agricultural business offers considerable long-term growth potential through our new herbicides and other technically sophisticated products. Several experimental products now in research are showing promising results. In addition to the current capital investments for our agricultural products, we have significantly expanded our marketing efforts worldwide to take full advantage of our new opportunities.

* Trademark

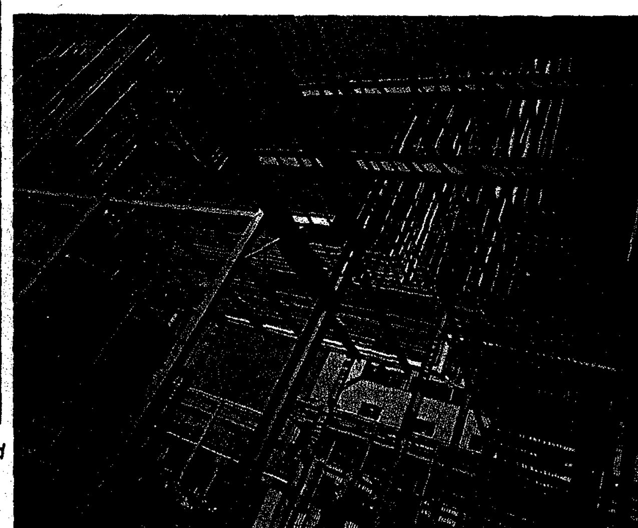
AGRICULTURE	1976	1975	1974	1973	1972
Worldwide sales ($ in millions)	$486	$524	$425	$289	$256
% Total sales (approx.)	23	27	24	20	19
Earnings ($ in millions—approx.)*	$ 45	$ 95	$ 73	$ 33	$ 23
% Total earnings (approx.)*	33	64	50	26	23

*Includes earnings from Associated Companies. See Financial Review section on page 26 for additional information.



Counter (top), a Cyanamid insecticide introduced in the U.S. in 1975, protects corn and other crops. In photo immediately above, a worker fills drums with Malathion insecticide at our newly expanded facility at Linden, New Jersey.

A Spanish farmer inspects equipment used to spray Avenge herb controls wild oats in wheat fields. Growing demand for Avenge met by this recently completed plant (below) at our Botlek comp Rotterdam, Holland.



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SPECIALTY CHEMICALS

Specialty chemicals sales for 1976 were up 19% and earnings almost doubled those of 1975.

These chemicals, in record demand during the year, provide product and process improvements in a wide range of industries. Most of the significant sales gains were made in the United States, where our business ran well ahead of the general economic recovery.

As the paint, paper, petroleum, plastics, rubber, steel and textile industries rebounded from their low levels of 1975, our chemical intermediates, color pigments, dyes, plastics additives and paper and textile chemicals moved ahead rapidly. The resurgence of the automobile industry resulted in sharply increased sales of rubber chemicals, specialty elastomers, and Aero-Ban® exhaust gas catalyst, which is produced and sold by a joint venture.

Pollution control regulations affecting both industries and municipalities have led to steadily increasing sales of our water-treating chemicals. The growth of this line during 1976 was aided by the introduction of new Magnifloc® organic flocculants, serving treatment needs for potable and waste water. Related products are widely used in the mining industry, where flocculants separate the valuable components from ores. In another pollution control area, Federal requirements for low-lead gasoline have increased the use of our reforming catalysts which increase octane ratings.

Our chemicals business is vigorous today and offers strong growth prospects. Our capital expansion program features new Cyanamid technology providing competitive advantages for the production of a host of products ranging from synthetic elastomers to water-treating chemicals.

We also have a wide variety of chemicals in research which show considerable promise. These include wet and dry-strength paper resins, catalysts for the oil industry, light stabilizers for plastics, and synthetic elastomers and flocculants for pollution control. These should help us to realize the sustained earnings improvements we seek from this segment in the years ahead, just as recent product innovations have contributed to the earnings gain for 1976.

Our evolving line of Cymel® 300 melamine resins typifies recent developments. Known as cross-linking agents, Cymel resins facilitated the work of some of our customers in perfecting the newer water-based industrial paints. Because of their water base, these paints reduce air pollution problems for producers of automobiles, appliances and other metal products as the coatings are applied.

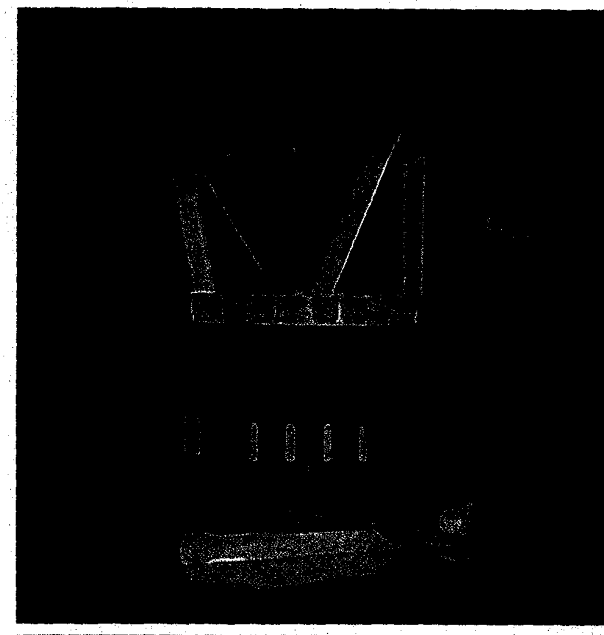
New formulations of Accostrength® 100 UK-A dry-strength resin were developed in 1976 to meet the needs of southern U.S. mills for unbleached kraft linerboard used in shipping cartons and corrugated boxes. Our resin speeds production rates and permits recycling of raw materials. This product was also successfully introduced in Europe and Latin America during the year.

In June, Cyanamid and Rohm GmbH of West Germany formed CY/RO Industries, a joint venture to manufacture and market products for acrylic plastic sheet and molding compounds markets in the Western Hemisphere. This company, combining the research, manufacturing and marketing capabilities of the parent firms, is now supplying a number of innovative products with superior insulation and fire-resistant properties. Sales to date are most encouraging.

◄ *By year-end this new plant will double our capacity at Linden, New Jersey, to produce acrylamide monomer, a basic chemical used in water treatment, paper chemicals and mining. Another new acrylamide facility will be completed in mid-1978 at Botlek, Holland.*

SPECIALTY CHEMICALS	1976	1975	1974	1973	1972
Worldwide sales ($ in millions)	**$610**	$512	$530	$419	$388
% Total sales (approx.)	**29**	27	30	28	29
Earnings ($ in millions—approx.)*	**$ 41**	$ 22	$ 37	$ 24	$ 19
% Total earnings (approx.)*	**30**	15	25	20	19

*Includes earnings from Associated Companies. See Financial Review section on page 26 for additional information.



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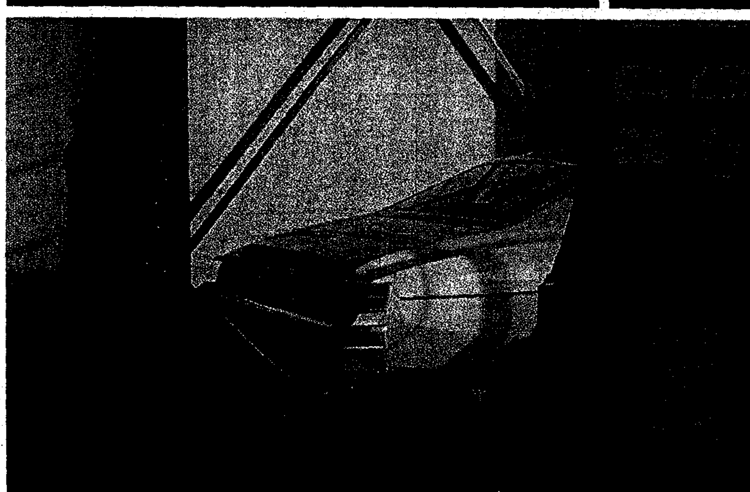
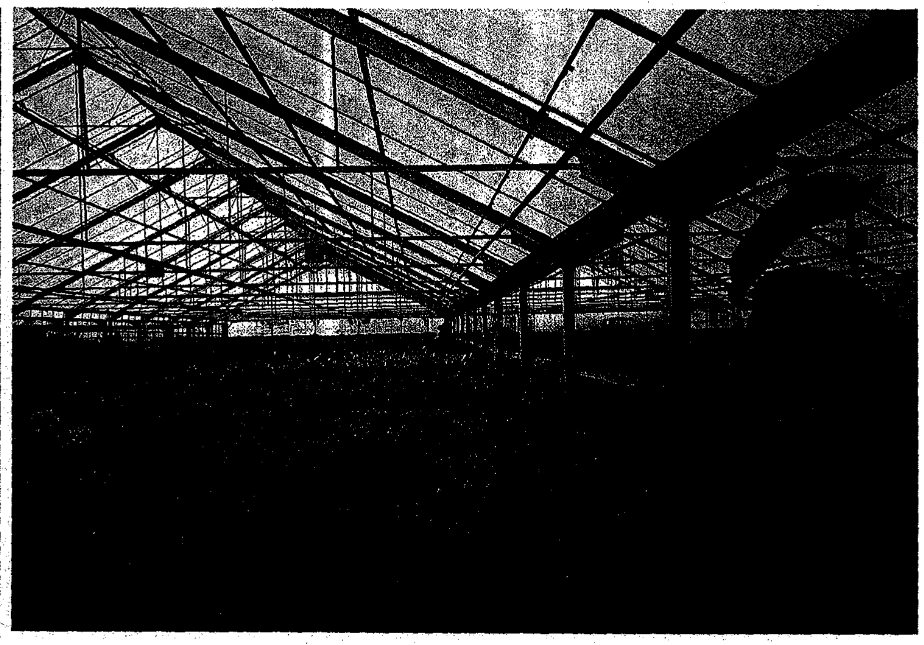
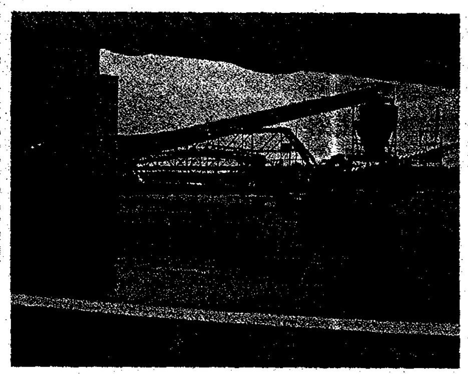
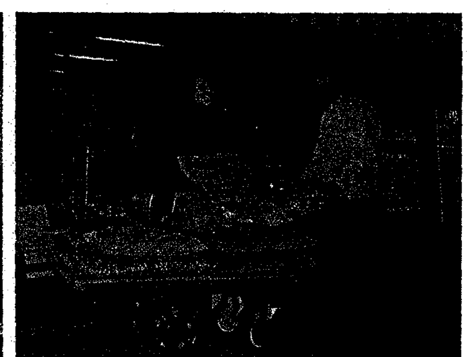


Use of Cyanamid's Glaskyd® glass-reinforced alkyd molding compound enables a Latin American manufacturer to produce industrial components with outstanding electrical qualities, strength and dimensional stability.



This greenhouse uses Acrylite® SDP double-skinned acrylic sheet, now being sold in the U.S. by CY/RO Industries. Below left: Superfloc® flocculant enhances recovery of coal in this West Coast steam generating plant. Below right: In Japan, Cyanamid ultraviolet absorbers protect plastic bags containing fertilizer against sunlight damage.* *Trademark





CONSUMER PRODUCTS

Cyanamid's consumer products group moved ahead rapidly in 1976. Sales advanced 16% and earnings nearly quadrupled.

Our consumer products include decorative laminates, synthetic fibers, household cleaning products, hair care products, toiletries and fragrances.

Creslan® acrylic fibers for home furnishings and apparel had higher worldwide sales in 1976, with export sales at record levels. The gains were achieved in the first half. Subsequent performance was adversely affected by the global downturn in the fibers business. Sales of polyester tire yarn showed a significant increase.

Formica® brand decorative laminates were strong throughout the year with sizeable gains in Latin America and in the United States. Melamine component panels, introduced in 1975, achieved growing acceptance in the United States and Canada in 1976. The panels are used in the construction of wall storage systems and kitchen cabinets.

Cyanamid's other consumer products, including Breck® hair care preparations, household cleaning products and the fine fragrances and toiletries of our Shulton subsidiary, had record results in 1976.

Breck® shampoos, hair rinses, and hair-holding products all outpaced market growth and thus increased their market shares. Satisfactory progress has been made with Breck Clean Rinse®, the first oil-free creme rinse, introduced in January, 1976, and Miss Breck® Lasting Hold®, a non-aerosol hair spray introduced in mid-1975. Each has moved up to become the second largest seller in its category.

Pine-Sol®, the best selling liquid household cleaner in the United States, significantly increased its already leading market share. This product achieved three times the average market growth in unit sales during 1976.

Shulton's strengthened marketing efforts for Old Spice® men's toiletries, and Nina Ricci® and Pierre Cardin* fragrances led to good performance in each line. Old Spice, the number one brand in its category, maintained its market position. Jacqueline Cochran, Shulton's fine fragrance subsidiary, achieved sharply higher sales for L'Air du Temps® — a Nina Ricci women's fragrance — and Pierre Cardin* men's toiletry products. Cardin de Pierre Cardin*, a fine fragrance for women, was introduced in the first quarter of 1976 and has made satisfactory sales progress.

The upturn in the world housing industry, coupled with an upsurge in demand for remodeling and renovation of residential and commercial structures, should benefit our laminate and synthetic fiber businesses. The outlook for personal care and household products is bright today and holds promise for the future. We plan to tap these opportunities with product and marketing innovations and our plant construction program.

* Trademark

◄ This contemporary wall system made by a major furniture manufacturer incorporates Formica's melamine component panels; they are also used in kitchen cabinets, store fixtures, commercial furniture and shelf systems.

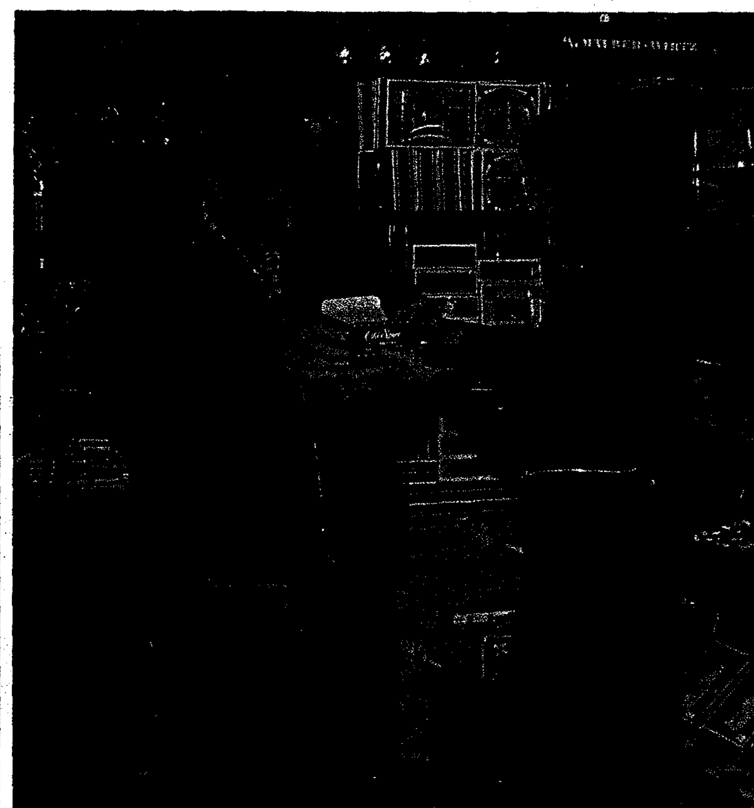
CONSUMER PRODUCTS	1976	1975	1974	1973	1972
Worldwide sales ($ in millions)	**$572**	$492	$474	$455	$442
% Total sales (approx.)	**27**	25	26	31	32
Earnings ($ in millions—approx.)*	**$ 23**	$ 6	$ 14	$ 32	$ 25
% Total earnings (approx.)*	**17**	4	10	25	24

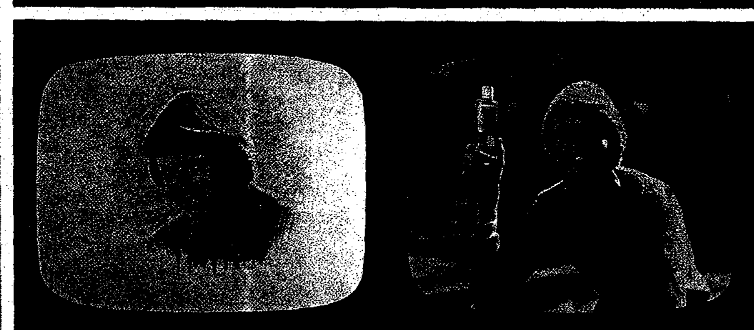
*Includes earnings (loss) from Associated Companies. See Financial Review section on page 26 for additional information.

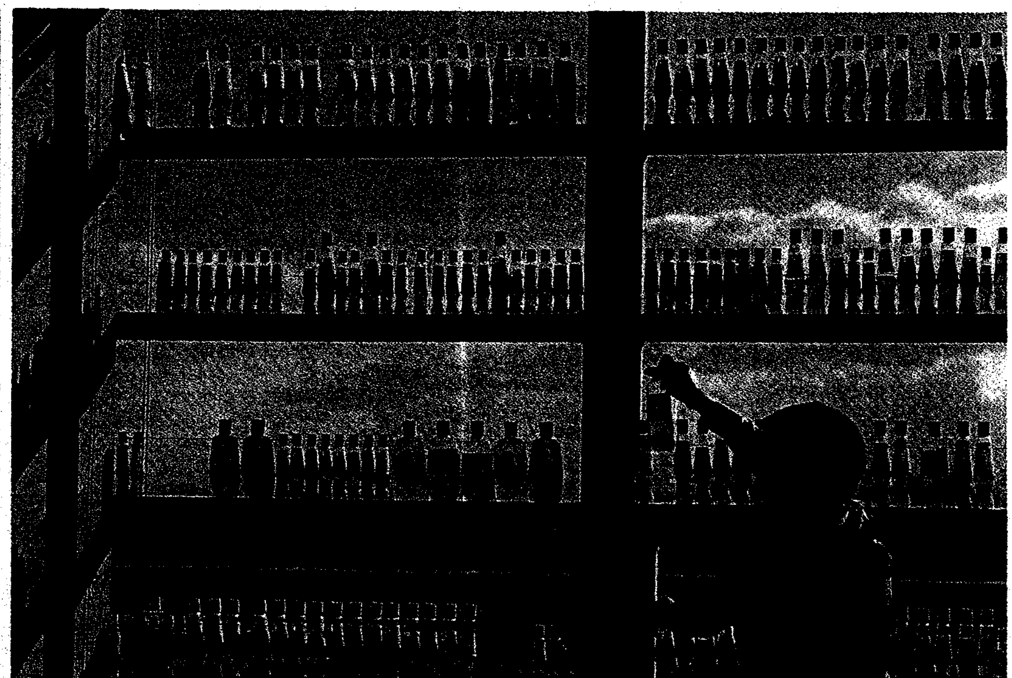
In this West German supermarket (right), a sales clerk describes Old Spice men's toiletries to a prospective customer.

In 1976, greater marketing efforts were put behind the line of Nina Ricci women's fragrances (below) and the selection of Pierre Cardin men's and women's fragrances (bottom).

Below right: The Breck Girl pastels, famous in magazine ads, were successfully introduced to TV commercials in 1976.







In one of our consumer products labs at Clifton, N.J. (above), hair care products are exposed to sunlight to check out stability of dye systems and preservatives.

s colorful sweater, made from bright Creslan acrylic fiber, art of a new line of high-fashion knitwear.

ht: A sales representative for Pine-Sol cleaner explains to a supermarket manager how unique ability of Pine-Sol to clean, disinfect and deodorize has made it the country's t-selling liquid cleaner. Market share for Pine-Sol cleaner was up sharply in 1976.

MEDICAL

Worldwide medical sales and earnings continued to improve in 1976.

Lederle's pioneering synthetic absorbable suture, Dexon®, has had higher global sales each year since its introduction in 1970. New versions for ophthalmic and other specialty surgical uses were marketed in the United States in 1975, and in Europe and Latin America in 1976, facilitating the latest gains.

Cinopal® fenbufen, a new non-steroid agent for the treatment of arthritis and other inflammatory joint diseases, was introduced in Italy, Brazil and Mexico during 1976. We are now seeking government approvals for its use in other countries, and expect to market this product throughout the world in two years.

Minocin® minocycline, Lederle's fourth-generation broad-spectrum antibiotic, had higher sales with the gains coming in the United States, Canada, Japan and Mexico. This semi-synthetic product is effective against many diseases including some forms of the venereal disease known as nongonococcal urethritis (NGU), which is not treatable by the penicillin antibiotics. Growing recognition of the broad prevalence of NGU significantly contributed to the sales increase.

Diamox® acetazolamide, used in the treatment of glaucoma and other conditions marked by abnormal fluid retention, had higher worldwide sales as did Orimune® trivalent oral polio vaccine.

Our vitamin products moved ahead in sales, paced by the progress of new formulations. Stresstabs® 600 high potency stress formula vitamins with iron have done well in Latin America and were successfully introduced to the U.S. market in November. This product adds iron to Lederle's original Stresstabs® 600.

Our new line of standard products — established ethical drugs prescribed generically by physicians — has shown better than anticipated sales increases since its introduction in the United States in 1975. There are now 80 standard products, and we expect to market a total of 120 by the end of 1977.

Late in 1976, we obtained an option to acquire an exclusive worldwide license, excluding Japan, for a semi-synthetic penicillin invented by Toyama Chemical Company. This experimental product is known generically as piperacillin. Initial laboratory and clinical studies show it to be effective against a number of difficult-to-control gram-negative microorganisms which are particularly troublesome in hospitals. They can cause pneumonias, urinary tract infections and many other diseases. Lederle is doing further product tests, and our decision on whether to exercise this option will be made within the next 12 months. If we do, it is possible that we could have an approved commercial product in the United States within three years, and sooner overseas.

The medical segment is heavily dependent on scientific innovation and thus our growth strategy for this business focuses on research. We have increased the financial support behind Lederle's research program, intensifying its efforts and expanding its goals. We now have a number of interesting leads, and we trust this program will begin to produce significant, commercial products by the early 1980's.

◄ Cyanamid's growth in the medical business is heavily dependent upon research, typified by this scientist studying animal skeletons for abnormalities. Such teratological studies are done on all new pharmaceuticals.

MEDICAL	1976	1975	1974	1973	1972
Worldwide sales ($ in millions)	**$426**	$400	$351	$309	$273
% Total sales (approx.)	**21**	21	20	21	20
Earnings ($ in millions—approx.)*	**$ 27**	$ 25	$ 22	$ 36	$ 35
% Total earnings (approx.)*	**20**	17	15	29	34

*Includes earnings from Associated Companies. See Financial Review section on page 26 for additional information.

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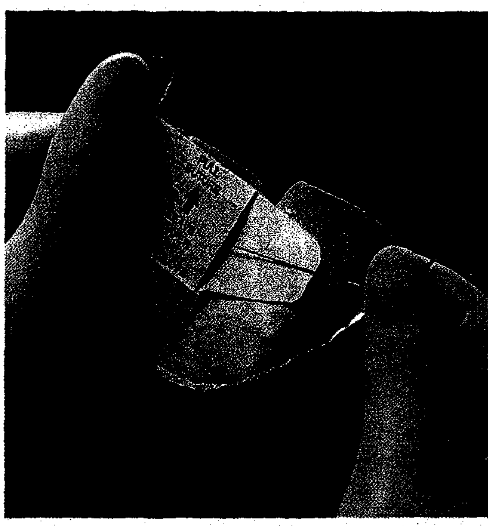

Last year, this new "Direct Dispensing" packagin
(far left) for Davis & Geck sutures was introduced,
Brazil, assembly of Dexon sutures and needles be
this new plant (left).

Below: A pharmacist explains the reasons for the
content of Lederle's Stresstabs 600 stress-formula

This mental hospital in the Philippines was the site of a clinical investigation of the psychotropic agent, Loxapac® loxapine.

Lederle's Myambutol® ethambutol is used in this hospital in Kenya to treat patients afflicted with tuberculosis such as this girl.

[redacted]

ORGANIZATION UNITS

Operations

AGRICULTURAL DIVISION
Philip G. Connell, Jr., *President*
Animal feed, health and veterinary products, insecticides, fungicides and herbicides.

CONSUMER PRODUCTS DIVISION
John H. Dietze, *President*
Breck® preparations for care of the hair; Pine-Sol® cleaner-disinfectant-deodorizer; and other household maintenance and cleaning aids. Markets these and Shulton products in Canada.

CYANAMID EUROPE/MIDEAST/AFRICA
Charles E. Austin, *President*
Manufactures, imports and markets Cyanamid's products, except for Consumer and Shulton products and fertilizers, through subsidiaries and distributors in Europe, Africa and the Middle East.

CYANAMID AMERICAS/FAR EAST
George P. Bywater, *President*
Manufactures, imports and markets Cyanamid's products, except for Consumer and Shulton products and fertilizers, through subsidiaries and distributors in Canada, Latin America, Asia and the Pacific.

FIBERS DIVISION
Howard E. Nehms, *President*
Creslan® acrylic fibers for apparel, home furnishings and industrial applications; filament polyester for tire cord.

FORMICA CORPORATION
Martin B. Friedman, *President*
Formica® brand decorative laminates; melamine component panels for architectural and residential applications; adhesives; Formica® coated wall fabric; Sanitas® and Wallclad® coated wall fabrics from Standard Coated Products.

INDUSTRIAL CHEMICALS DIVISION
Gerard A. Forlenza, *President*
Industrial products for paper-making and mining; flocculants and related chemical agents for industrial and municipal water and waste treatment and oil field chemicals. Chemical products for the chemical process industry; surfactants, acrylamide, acrylonitrile, melamine and specialty monomers. Resins for coatings; thermosetting molding compounds; high performance bonding agents and adhesives. General products including refinery and auto exhaust catalysts, selected aerospace products and polyester resins.

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

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

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

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

*Trademark

Services

Chemical Research Division
Jason M. Salsbury, *Director*

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

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

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

Investor Relations
Wallace G. Taylor, *Director*

Law Division
James I. Wyer, *Director*

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

Personnel Division
Clair L. Brandrup, *Director*

Public Affairs Division
Joseph C. Calitri, *Director*

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

Treasury Division
Leonard T. Murphy, *Treasurer*

Washington Office
Don A. Goodall, *Corporate Representative*

FINANCIAL REVIEW

Operating Results — Cyanamid's consolidated sales in 1976 were the highest in the history of the Company. Despite a significant decline in fertilizer prices, sales of $2.09 billion established a new record, exceeding the previous record year of 1975 by $165 million or 8.6 percent. Net earnings of $135.8 million in 1976 declined by 8.1 percent from 1975. Net earnings per share for 1976 were $2.84 compared to $3.09 in 1975 based on the average number of shares of common stock (excluding treasury shares) outstanding for each year.

Quarterly net sales, gross profit, net earnings and net earnings per share for 1976 and 1975 were as follows:

	Amounts in thousands			
1976 Quarter	Net sales	Gross profit	Net earnings	Net earnings per share
First	$ 518,369	$212,959	$ 40,197	$ .84
Second	539,399	220,613	34,930	.73
Third	498,341	203,708	29,140	.61
Fourth	537,706	215,311	31,499	.66
	$2,093,815	$852,591	$135,766	$2.84
1975 Quarter				
First	$ 462,104	$207,374	$ 38,583	$ .81
Second	496,580	215,030	39,589	.83
Third	473,534	202,161	30,998	.65
Fourth	496,226	214,974	38,505	.80
	$1,928,444	$839,539	$147,675	$3.09

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

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

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

	1976			1975		
	Sales price		Dividends	Sales price		Dividends
Quarter	High	Low	paid	High	Low	paid
First	$28⅛	$24⅛	$ .37½	$27⅛	$20⅝	$ .37½
Second	26¾	23½	.37½	30⅞	24¾	.37½
Third	27⅞	24½	.37½	28⅛	22¾	.37½
Fourth	28	24¾	.37½	26⅞	22¾	.37½
			$1.50			$1.50

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

	1976	1975	1974	1973	1972
Agriculture ($ in millions)					
Consolidated earnings	**$44**	$94	$72	$33	$23
Earnings of assoc. co.'s	**1**	1	1	0	0
% Assoc. co.'s to total earnings	**2**	1	1	—	—
Specialty Chemicals ($ in millions)					
Consolidated earnings	**$37**	$19	$27	$22	$19
Earnings of assoc. co.'s	**4**	3	10	2	0
% Assoc. co.'s to total earnings	**11**	14	27	8	—
Consumer Products ($ in millions)					
Consolidated earnings	**$20**	$ 7	$10	$27	$23
Earnings of assoc. co.'s	**3**	(1)	4	5	2
% Assoc. co.'s to total earnings	**12**	—	29	16	8
Medical ($ in millions)					
Consolidated earnings	**$24**	$23	$19	$34	$33
Earnings of assoc. co.'s	**3**	2	3	2	2
% Assoc. co.'s to total earnings	**12**	8	14	6	6

OPINION OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Stockholders American Cyanamid Company:

We have examined the consolidated balance sheets of American Cyanamid Company and subsidiaries as of December 31, 1976 and 1975 and the related consolidated statements of earnings and earnings employed in the business and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of American Cyanamid Company and subsidiaries at December 31, 1976 and 1975, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

New York, N.Y.
February 8, 1977

PEAT, MARWICK, MITCHELL & CO.

CONSOLIDATED STATEMENTS OF EARNINGS AND EARNINGS EMPLOYED IN THE BUSINESS

Years Ended December 31, 1976 and 1975

	1976	1975
	(Thousands of dollars except per share amounts)	
NET SALES	**$2,093,815**	$1,928,444
Expenses:		
Manufacturing cost of sales less depreciation and depletion	**1,241,224**	1,088,905
Selling and advertising expenses	**386,564**	344,821
Administrative and general expenses	**91,097**	108,266
Depreciation and depletion	**89,270**	77,642
Research and process development expenses	**83,246**	72,661
	1,891,401	1,692,295
EARNINGS FROM OPERATIONS	**202,414**	236,149
Interest, dividends, royalties and other income, net	**38,432**	29,880
	240,846	266,029
Interest expense	**35,414**	22,403
EARNINGS OF CONSOLIDATED COMPANIES BEFORE TAXES ON INCOME	**205,432**	243,626
Taxes on income (Note 8)	**80,900**	100,600
EARNINGS OF CONSOLIDATED COMPANIES	**124,532**	143,026
Equity in net earnings of associated companies	**11,234**	4,649
NET EARNINGS (Note 1)	**135,766**	147,675
EARNINGS EMPLOYED IN THE BUSINESS AT BEGINNING OF YEAR	**792,803**	716,362
Deduct dividends of $1.50 per share in 1976 and 1975	**(71,296)**	(71,234)
EARNINGS EMPLOYED IN THE BUSINESS AT END OF YEAR	**$ 857,273**	$ 792,803
NET EARNINGS PER SHARE OF COMMON STOCK (Note 1)	**$2.84**	$3.09

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

December 31, 1976 and 1975

	1976	1975
	(Thousands of dollars)	
ASSETS		
CURRENT ASSETS		
Cash	$ 56,043	$ 63,087
Marketable securities and time deposits, at market and accrued interest (approximates cost)	92,873	91,031
Accounts receivable, less allowance for doubtful accounts of $10,991 ($10,287 in 1975)	401,565	329,157
Inventories (Note 3)	372,528	314,171
TOTAL CURRENT ASSETS	923,009	797,446
INVESTMENTS AND ADVANCES		
Equity in net assets of and advances to associated companies	72,623	56,102
Other investments and advances	45,057	39,113
TOTAL INVESTMENTS AND ADVANCES	117,680	95,215
PLANTS, EQUIPMENT AND FACILITIES, at cost (Note 4)	1,676,434	1,488,400
Less accumulated depreciation and depletion	759,726	703,168
NET PLANT INVESTMENT	916,708	785,232
INTANGIBLES RESULTING FROM BUSINESS ACQUISITIONS	17,298	17,717
PREPAID EXPENSES AND DEFERRED CHARGES	27,728	26,564
	$2,002,423	$1,722,174

	1976	1975
	(Thousands of dollars)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	**$ 293,676**	$ 267,074
Short-term borrowings (Note 9)	**48,211**	31,596
Funded debt installments due within one year	**14,862**	3,699
Income taxes	**52,236**	32,973
TOTAL CURRENT LIABILITIES	**408,985**	335,342
FUNDED DEBT NOT DUE WITHIN ONE YEAR (Note 5)	**417,849**	282,176
DEFERRED INCOME TAXES	**44,600**	40,000
OTHER NON-CURRENT LIABILITIES (Note 9)	**21,820**	20,380
STOCKHOLDERS' EQUITY (Note 6)		
Common stock—par value $5 per share		
Authorized—60,000,000 shares		
Issued —48,905,338 shares	**244,527**	244,527
Additional paid-in capital	**38,891**	38,942
Earnings employed in the business (Note 5)	**857,273**	792,803
	1,140,691	1,076,272
Less cost of 1,141,050 shares of common stock held in treasury (1,158,126 shares in 1975)	**31,522**	31,996
TOTAL STOCKHOLDERS' EQUITY	**1,109,169**	1,044,276
	$2,002,423	$1,722,174

CONTINGENT LIABILITIES AND COMMITMENTS (Note 7)

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Years Ended December 31, 1976 and 1975

	1976	1975
	(Thousands of dollars)	
SOURCES OF WORKING CAPITAL		
Net earnings from operations	**$135,766**	$147,675
Items not requiring the use of funds:		
Depreciation and depletion	**89,270**	77,642
Deferred income taxes	**4,600**	400
Equity in undistributed net earnings of associated companies	**(4,566)**	523
Funds derived from operations	**225,070**	226,240
Issuance of funded debt not due within one year	**150,458**	43,030
Increase in other non-current liabilities	**1,440**	3,172
Equity arising from issuance of common stock	**423**	124
All others—net	**419**	(8)
	377,810	272,558
USES OF WORKING CAPITAL		
Additions to plants, equipment and facilities less transfer to investments in 1976 of $11,963, net	**220,746**	203,839
Cash dividends on stock	**71,296**	71,234
Reduction in funded debt not due within one year	**14,785**	4,469
Additions (reductions) to investments and advances—net	**17,899**	(827)
Increase (decrease) in prepaid expenses and deferred charges	**1,164**	(664)
	325,890	278,051
INCREASE (DECREASE) IN WORKING CAPITAL	**$ 51,920**	$ (5,493)
INCREASES (DECREASES) IN THE COMPONENTS OF WORKING CAPITAL		
Cash, marketable securities and time deposits*	**$ (5,202)**	$ (25,290)
Accounts receivable	**72,408**	28,259
Inventories	**58,357**	(7,865)
Accounts payable and accrued expenses*	**(26,602)**	6,795
Short-term borrowings	**(16,615)**	9,383
Funded debt installments due within one year	**(11,163)**	(822)
Income taxes	**(19,263)**	(15,953)
INCREASE (DECREASE) IN WORKING CAPITAL	**$ 51,920**	$ (5,493)

*Includes effect of payments regarding treble damage litigation of $7,504 in 1976 and $19,496 in 1975.

See accompanying Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF 1976 and 1975

(Thousands of dollars)

1. Summary of Accounting Policies

Consolidation — The consolidated financial statements include the accounts of American Cyanamid Company and all subsidiaries, except real estate subsidiaries whose operations were discontinued in 1974. All significant intercompany transactions and balances have been eliminated. Subsidiaries operating outside the United States and Canada are included on a fiscal-year basis ending November 30.

The equity method of accounting is used for investments in associated companies (20% to 50% owned). Aggregate cost of these investments was $36,162 at December 31, 1976 ($30,225 at December 31, 1975). Dividends of $6,668 were received from these companies in 1976 ($5,172 in 1975). At December 31, 1976, principal associated companies are comprised of the following (% owned):

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

Currency translation — Foreign currency financial statements and transactions are translated into U.S. dollars in accordance with Statement of Financial Accounting Standards No. 8. Implementation of the Statement in 1976 had the effect of increasing net earnings by $5,100 or $.11 per share, including $3,900 or $.08 per share recorded as of January 1, 1976 applicable to prior years which have not been restated since the effect is not material. The major reason for the increase was the adoption of the prescribed translation method for inventories denominated in foreign currencies. Exchange adjustments ($15,700 loss in 1976, $21,000 loss in 1975) are included in earnings of the respective years.

Depreciation and amortization — Depreciation is provided on a straight-line composite method over the estimated remaining useful lives of various classes of assets. In view of the variety of plants, equipment and facilities, it is not considered practicable to list the rates used in making the computations. However, the aggregate charge for depreciation was equivalent to 6.9% in 1976, and 6.7% in 1975 of the average amount of depreciable plants, equipment and facilities. When depreciable assets are sold or otherwise retired from service, their cost, less amounts realized on sale or salvage, is charged or credited to the accumulated depreciation account. Expenditures for maintenance and repairs are charged to current operating expenses. Acquisitions, additions and betterments for increasing productive capacity or prolonging service lives of the plant, equipment and facilities are capitalized. Intangibles resulting from business acquisitions are carried at cost and amortized over a period of forty years unless, in the opinion of management, their lives are limited, or they have sustained a permanent diminution in value in which case they are amortized over appropriate periods.

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

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

Earnings per share — Earnings per share of common stock is based on the average number of shares outstanding during the year, 47,758,957 in 1976 (47,744,681 in 1975). The stock options described in Note 6 do not result in a material dilution of earnings per share.

Employees' benefits, previously shown separately, have been reclassified to the appropriate expense categories.

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

	1976	1975
Net current assets	$191,800	$187,500
Net other assets (principally plants, equipment and facilities)	217,800	157,000
Net earnings of foreign subsidiaries	55,600	56,700
Equity in undistributed earnings of foreign subsidiaries	226,600	214,200

The company provides for taxes on the undistributed earnings of subsidiaries and associates where the remittance of such earnings is not considered to be indefinitely postponed. At December 31, 1976, the company has no present intention of remitting undistributed earnings of subsidiaries and associated companies aggregating $261,200 ($249,500 in 1975).

3. Inventories — At December 31, 1976 estimated current cost exceeded LIFO value of the inventories by approximately $73,000 (1975 - $65,000). It is not practicable to determine the major components under the dollar value LIFO inventory method.

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

	1976	1975
Land, including mining land	$ 46,155	$ 45,755
Buildings	293,520	280,934
Machinery and equipment	1,152,402	1,028,821
Construction in progress	184,357	132,890
	$1,676,434	$1,488,400

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

	1976	1975
Sinking fund debentures		
5¾% due 1980	$ 7,500	$ 10,000
7⅞% due 2001	100,000	100,000
8⅝% due 2006	99,518	—
Promissory notes, 3¾% due 1978 to 1987	70,500	75,000
Swiss franc debentures, 5½% due 1987	41,000	38,150
Pollution control revenue bonds		
6.8% due 2000	21,000	21,000
6.5% due 2006	22,400	—
5½% to 6½% due at various dates through 2006	32,304	10,600
Sundry obligations	23,627	27,426
	$417,849	$282,176

Annual maturities of funded debt and sinking fund requirements for the four years subsequent to December 31, 1977, are as follows: 1978—$12,878; 1979—$12,892; 1980—$11,926; and 1981—$10,936.

The 3¾% promissory notes due 1978 to 1987 contain certain restrictions including limitations on the payment of dividends. As a result, the amount of earnings employed in the business at December 31, 1976, which may be applied to the payment of cash dividends, is limited to $313,000.

6. Stockholders' Equity

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

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

Details of stock option activity for 1976 and 1975 follow:

	Number	Option Price		Market Value	
	of shares	Per share	Total	Per share	Total
Options granted:				(at date of grant)	
1976	255,071	$24.75	$ 6,313	$24.75	$ 6,313
1975	190,265	27.50	5,232	27.50	5,232
Options which became exercisable:				(at dates exercisable)	
1976	155,887	$24.00-28.50	$ 4,124	$24.56-24.75	$ 3,847
1975	166,455	24.00-37.25	4,896	25.88-28.69	4,532
Options exercised:				(at dates exercised)	
1976	14,515	$24.00-27.50	$ 348	$24.56-27.31	$ 386
1975	868	24.00-28.50	21	26.75-30.44	25
Options outstanding:				(at dates of grant)	
Dec. 31, 1976	1,165,609	$24.00-37.25	$33,354	$24.00-37.25	$33,354
Dec. 31, 1975	998,963	24.00-37.25	29,649	24.00-37.25	29,649

At December 31, 1976, options to purchase 734,468 shares (635,840 shares at December 31, 1975) were exercisable, and 133,690 shares (314,851 shares at December 31, 1975) were available for option.

Upon exercise of options, the difference between the proceeds and the par value of shares issued or cost of treasury stock, ($51) in 1976 and $2 in 1975, is recorded in additional paid-in capital.

Additional Paid-in Capital changes during 1976 and 1975 were attributable solely to the issuance of shares under stock options (see above).

Treasury Stock is acquired from time to time and used to fulfill obligations under the company's incentive compensation and stock option plans. During 1976 and 1975, no such shares were acquired. In 1976, 14,515 shares were issued pursuant to the above stock options (1,358 in 1975, including 490 shares exercised under a former plan) and 2,561 shares were issued to retired participants under the incentive compensation plan (3,308 shares in 1975).

7. Contingent Liabilities and Commitments — Rental expense under property and equipment leases in 1976 was $27,571 ($25,427 in 1975). Estimated future rental expense under property and equipment leases expiring between 1977 and 2059 are: 1977—$13,622; 1978—$6,507; 1979—$5,210; 1980—$3,767; 1981—$2,566; 1982-1986—$6,201; 1987-1991—$1,734; 1992-1996—$1,461; 1997-2059—$429, all in the aggregate.

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

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

	1976	1975
Current:		
Federal	$29,107	$ 43,436
Foreign	42,093	49,764
Other	5,100	7,000
	76,300	100,200
Deferred:		
Federal	3,093	2,264
Foreign and other	1,507	(1,864)
	4,600	400
Total taxes on income	$80,900	$100,600

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

	1976		1975	
	Amount	% of pretax income	Amount	% of pretax income
Computed expected tax expense	$98,600	48.0%	$116,900	48.0%
Foreign income subject to foreign income tax, at less than 48%, but not expected to be subject to U.S. tax in the foreseeable future	(2,800)	(1.3)	(5,000)	(2.1)
Investment tax credit on assets purchased during the year	(14,000)	(6.8)	(10,000)	(4.1)
State income taxes included in other income taxes (net of Federal taxes)	2,700	1.3	3,600	1.5
Other miscellaneous items	(3,600)	(1.8)	(4,900)	(2.0)
Total	$80,900	39.4%	$100,600	41.3%

9. Other financial statement information is as follows: The weighted average interest rate of short-term (principally foreign) borrowings was 13% at December 31, 1976 (12% at December 31, 1975) and the approximate weighted average interest rate was 13% for both 1976 and 1975. The maximum amount of aggregate short-term borrowing outstanding at any month-end during 1976 was $56,000 ($31,600 in 1975) and the approximate average aggregate short-term borrowing outstanding during 1976 was $42,200 ($27,000 in 1975).

Other non-current liabilities at December 31, 1976, include incentive compensation to officers and other employees of $10,826 ($10,272 at December 31, 1975). A portion of such amount is not payable currently in cash but is contingently payable in common stock of the company after employment terminates; pending allotment of the amount available for 1976, the portion so contingently payable in common stock is not determinable. Another portion of such amount is similarly contingently payable based on the performance of the company over a four-year period.

Maintenance and repairs for 1976 were $98,907 ($79,141 in 1975). Social security taxes for 1976 were $33,882 ($29,571 in 1975). Taxes other than income taxes for 1976 were $26,035 ($21,428 in 1975). Advertising in 1976 was $134,495 ($115,763 in 1975).

The company and its consolidated subsidiaries have various pension plans covering substantially all their employees including certain employees in foreign countries. The company's policy generally is to accrue and fund pension costs over the service lives of the covered employees. The total pension expense was $26,170 for 1976 and $19,423 for 1975.

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

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

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

DISCUSSION AND ANALYSIS OF THE SUMMARY OF EARNINGS

Net Sales of $2.09 billion for 1976 were 8.6% higher than $1.93 billion in 1975 as compared to an 8.3% increase in 1975 over 1974. Sales gains were achieved in all segments with the exception of agricultural products. Agricultural sales declined 7% as a result of the sharp decline in fertilizer prices. In 1975, soaring fertilizer prices had caused agricultural sales to increase 23% over 1974. Sales of specialty chemicals, which had suffered a 3% decrease in 1975, rebounded with a 19% increase in 1976. Consumer products sales, which include Formica decorative laminates, synthetic fibers, household cleaning products, hair care products, toiletries and fragrances, increased 16% in 1976 compared to 4% in 1975. Medical sales continued to increase in 1976 but at a slower pace, 7% as compared to 14% in 1975.

Manufacturing Cost of Sales — Added volume and higher raw material, payroll and maintenance costs were the primary reasons for the 14% increase in 1976 and 9% increase in 1975. The 1976 increase also reflected the inclusion of foreign exchange fluctuations, pursuant to Statement of Financial Accounting Standards No. 8. (See Note 1 to the Consolidated Financial Statements.)

Depreciation and Depletion increased 15% in 1976 as compared to an increase of 8% in 1975. The increases in both years were the result of the continued capital investments needed to provide necessary capacity, improve efficiency of production units and modernize or replace older facilities.

Selling, Administrative and Research Expenses increased by 7% in 1976 as compared with an 11% increase in 1975. Much of these increases resulted from higher payroll costs. Advertising and sales promotion expenses continued at increased levels in the consumer businesses in a continuing effort to improve and strengthen our consumer market position. Administrative expenses were lower in 1976 than in 1975 primarily because in 1976, pursuant to Statement of Financial Accounting Standards No. 8, portions of foreign exchange fluctuations were included in manufacturing cost of sales rather than in administrative expenses. Research expenditures increased 15% to $83 million in 1976 following a 13% gain in 1975, reflecting our continued effort to insure the flow of new products and processes.

Interest Expense increased by 58% in 1976 as compared with a 25% increase in 1975 reflecting both increased indebtedness and some higher interest rates.

Taxes on Income for 1976 were less than in 1975 because of lower pretax earnings and increased investment tax credits. In 1975, taxes were lower than in 1974 principally because of increased investment tax credits.

Earnings of Consolidated Companies declined 13% in 1976 as compared to an 11% increase in 1975. The sharp decline in fertilizer prices reduced agricultural earnings by more than 50% from 1975 levels. While the fertilizer business continues to provide an acceptable level of profits, the decline in 1976 agricultural earnings was in sharp contrast to the 30% increase in 1975 over 1974. Earnings of the consumer business increased substantially in 1976 as compared to a decline in 1975. Specialty chemicals made a sharp turnaround in 1976 with an increase of more than 80% over 1975 as compared to a decline in 1975 vs. 1974. The medical business had increased earnings in both years. As a result, the percentage contribution to total earnings on a worldwide basis of the major segments showed a significant variation during the past few years.

Equity in Net Earnings of Associated Companies increased 141% to $11.2 million in 1976 as compared to $4.6 million in 1975. The increase in 1976 resulted principally from advances in certain consumer businesses. The decrease in 1975 was due primarily to depressed conditions in the specialty chemicals and certain consumer businesses.

FIVE-YEAR SUMMARY

(Amounts in millions except earnings and dividends per share)

	1976	1975	1974	1973	1972
Earnings					
Net sales	**$2,094**	$1,928	$1,780	$1,472	$1,359
Manufacturing cost of sales less depreciation and depletion	**1,241**	1,089	1,003	802	748
Depreciation and depletion	**89**	78	72	69	68
Selling, administrative and research expenses	**561**	526	474	402	373
Interest expense	**35**	22	18	16	16
Taxes on income	**81**	101	104	93	81
Earnings of consolidated companies	**125**	143	129	116	97
Equity in net earnings of associated companies	**11**	5	17	9	6
Earnings from continuing operations	**136**	148	146	125	103
Discontinued operations, less applicable income taxes	**—**	—	9	(11)	4
Net earnings	**136**	148	155	114	107
Per share of common stock					
Earnings from continuing operations	**2.84**	3.09	3.07	2.59	2.12
Net earnings	**2.84**	3.09	3.24	2.37	2.19
Dividends	**1.50**	1.50	1.45	1.32½	1.25
Average number of shares of common stock outstanding (used in calculating earnings per share)	**47.8**	47.7	47.7	48.1	48.6
Other Data					
Gross additions to plants, equipment and facilities (includes acquisitions)	**232**	204	139	83	72
Current assets	**923**	797	802	669	623
Current liabilities	**409**	335	335	272	245
Working capital	**514**	462	467	397	378
Plants, equipment and facilities—at cost	**1,676**	1,488	1,311	1,199	1,176
Net depreciated cost	**917**	785	659	593	598
Funded debt not due within one year	**418**	282	244	238	237
Stockholders' equity:					
Common stock	**244**	244	244	244	244
Additional paid-in capital	**39**	39	39	39	39
Earnings employed in the business	**857**	793	716	630	580
Deduct treasury stock	**(31)**	(32)	(32)	(32)	(5)
Total equity	**1,109**	1,044	967	881	858

See Note 1 to the Consolidated Financial Statements regarding the effect on 1976 earnings of implementation of Statement of Financial Accounting Standards No. 8.

ANTIBIOTICS LITIGATION

On October 4, 1976, the U.S. Supreme Court denied review of the 1974 dismissal, after trial, by the U.S. District Court in North Carolina, of the antitrust treble damage suit brought by that State and its consumers class against the company and four other drug companies in connection with tetracycline and other broad-spectrum antibiotics.

During 1976, four additional antibiotics treble damage suits were settled, including the class suit by insurance companies. The company's share of these 1976 settlements was $5.3 million before giving effect to related tax reductions. Provision for this amount was made in the 1975 financial statements.

These settlements, as with the earlier civil settlements during 1969-1975 (of which the company's share, before giving effect to related tax reductions, was approximately $100 million), were concluded for amounts substantially less than those claimed by plaintiffs' counsel.

On August 16, 1976, the U.S. District Court in Minneapolis declared a mistrial in a suit for single damages by the United States government based upon its purchases of antibiotics and its reimbursement and financing of purchases by others. This suit (together with five other suits, which have been settled) had been on trial since November, 1974. Subsequently, the court dismissed count II of the government's claim, thereby substantially reducing the amount of damages alleged. The government has filed an appeal from the dismissal. The court has ruled that a new trial without a jury will be commenced soon. The defendants have filed an appeal from the denial of a jury trial. The commencement of a new trial may depend upon the rulings in the pending appeals.

No trial date has yet been set for the suits brought by the other claimants, including the governments of Iran, the Philippines, West Germany, India and Colombia. Suits by the governments of Spain and Korea have been voluntarily dismissed, and a suit by the government of South Vietnam has been dismissed on the grounds that the country no longer exists. South Vietnam has filed an appeal from the ruling. On March 1, 1976, the U.S. Supreme Court declined to review the decision of the Court of Appeals for the 8th Circuit that foreign governments have no right to sue as "parens patriae" under the U. S. antitrust laws for damages to their citizens. The Court of Appeals subsequently ruled that such governments have standing to sue based upon their own purchases; the defendants have filed a petition with the U.S. Supreme Court for review of this decision. Also pending without a trial date is the civil suit brought by the Federal government in January, 1974, against the company alone which asks for cancellation of four of the company's patents covering antibiotics on the basis of alleged fraud on the Patent Office and for damages based on prices for broad-spectrum antibiotics purchased or paid for by the government over a period going back 25 years. Three of the patents have expired and the fourth has previously been made available for license.

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

Due to the uncertainty necessarily inherent in litigated matters of this sort, the eventual cost of this litigation to the company, and its disposition, cannot be accurately predicted, and, therefore, the company has not accrued in 1976 any additional amounts with respect thereto despite the possibility that large amounts may eventually be paid. However, the company believes, on the basis of information and advice presently available, that any additional liability with respect to this litigation will be substantially less than the amounts claimed and will not have a material adverse effect upon the consolidated financial position of the company and its subsidiaries. Under current generally accepted accounting principles, any additional amounts provided by the company with respect to these claims would be charged against earnings of appropriate prior years, after giving effect to related tax reductions. The Financial Accounting Standards Board has under consideration an accounting standard which would change the accounting principles applicable to prior period adjustments and which, if adopted as presently proposed, would preclude this treatment with respect to provisions for settlement of litigation and would require such provisions to be charged against current earnings.

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

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Transfer Agent and Registrar

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

Form 10-K available to stockholders

A copy of the company's 1976 annual report on Form 10-K, including financial statements and schedules, as filed with the Securities and Exchange Commission, will be made available free of charge to Cyanamid stockholders. Copies of exhibits attached to the Form 10-K will also be made available at a charge. Requests should be addressed to the Secretary of the company.

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