CYANAMID

BUSINESS DESCRIPTION

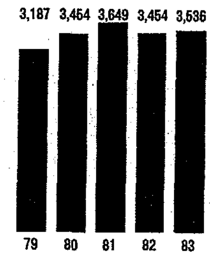
Cyanamid is a research-based, multinational company. Our mission is to discover, develop, manufacture and market products that improve health care, raise nutritional standards, maximize industrial production and profitability, and enhance personal care and lifestyle...and because these are universal human needs and desires, we operate in every corner of the globe.

On the cover:

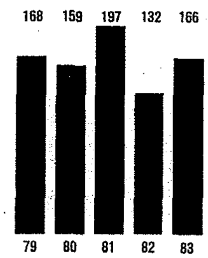
This computer graphic illustrates *Novantrone* mitoxantrone, a new anti-cancer drug discovered by scientists at Lederle Laboratories, interacting with DNA. *Novantrone* appears in blue; DNA is yellow; and the dots outline the molecular surface of DNA.

FINANCIAL H

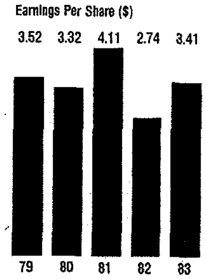
Net Sales ($ Millions)



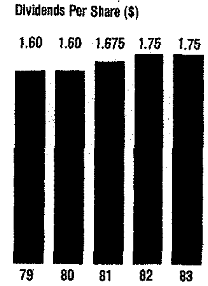
Net Earnings ($ Millions)



Earnings Per Share ($)



Dividends Per Share ($)



American Cyanamid Compa

(Dollars in millions except per share

OPERATING RESULTS

Net sales . . . .

Earnings of consolidated com
before taxes on income . .

Net earnings . . . .

Dividends . . . .

Per share of common stock:
Net earnings . . . .
Dividends . . . .

Depreciation, depletion and
amortization . . . .

Additions to plants, equipme
and facilities . . . .

Research and process develo
expense . . . .

YEAR-END POSITION

Total assets . . . .

Funded debt . . . .

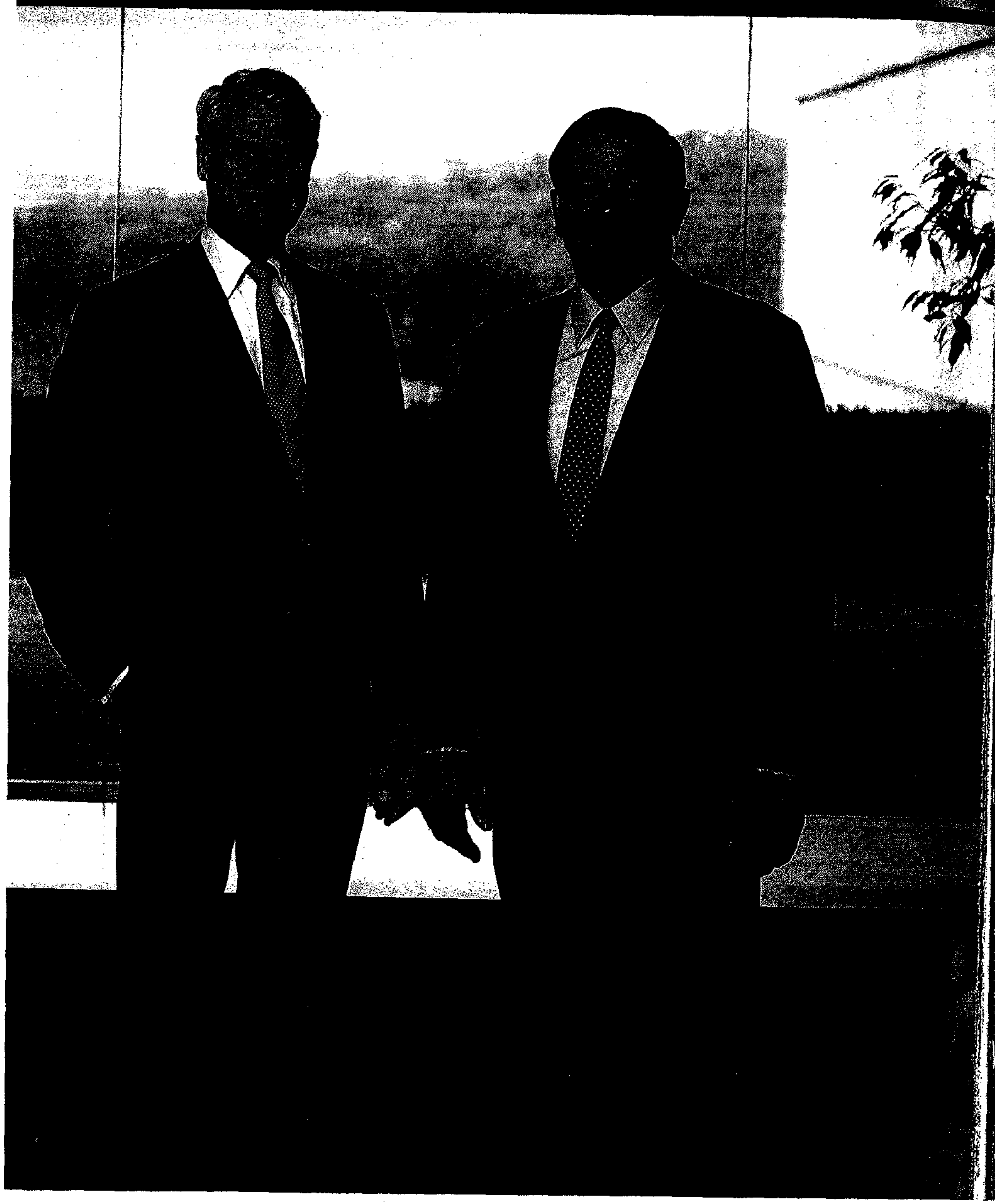
Stockholders' equity . . . .
Per share of common stock

Shares outstanding at end of

Number of stockholders . . .

Number of employees . . . . .

TO OUR STOCKHOLDERS:



We are pleased to report that 1983 was a year of real progress for Cyanamid as we began to reap the fruits of the strategies put into effect over the past several years. Most important has been our determination to restructure and strengthen our research and development effort to build the new product base of the future. Over the past five years, we have almost doubled our expenditures for research and development. In 1983, these expenditures were increased by 13% to $215 million as compared with 1982.

Not only is this effort beginning to yield major, new medical and agricultural products for the near term, but it has produced important new technological approaches for future development. Some of our key projects are described in a special section following this letter.

Of immediate significance, we have received our first international registration for our new anti-cancer agent, *Novantrone* mitoxantrone. We also will begin clinical investigation of a new orally-active, third-generation cephalosporin antibiotic licensed from Fujisawa Pharmaceutical Company Ltd. of Osaka, Japan. The product is the only third-generation, orally-active cephalosporin in an advanced stage of development.

In 1983, we successfully introduced two new animal industry products for cattle, *Tramisol* gel dewormer and *Guardian* insecticide ear tags. We also are pleased with the progress we are making in bringing our totally new class of herbicides to market. The first of these products is called *Arsenal* industrial herbicide. It provides broad-spectrum control of vegetation and will be marketed in the United States and in several other countries in 1984. In addition, we plan to introduce in several foreign markets in 1984 a new agent, *Cygro*, to prevent coccidiosis in poultry. It is more effective than products now in general use.

Because of our emphasis on high technology specialty products, which generally require less fixed capital per dollar of sales than commodities, we have become less dependent upon capital construction for our growth. In 1983, capital investment was $165 million, about 4% lower than 1982.

A second major strategy was to divest ourselves of product lines which were either unprofitable or promised little profitable growth in the future. This has proved to be extremely helpful in raising the profit margin of our Chemicals Group.

Finally, we established an organized program of cost reduction which increased in very real terms our manufacturing efficiency and productivity.

The cumulative result of these efforts was a substantial increase in earnings in 1983. Most significantly, we did it with very little help from the turnaround in the U.S. economy. Increased housing construction resulted in higher sales of our *Formica* brand laminates in the United States, and there was some improvement in sales of chemicals and consumer products. But the recovery had no significant effect on our other businesses. In fact, the limited effect of positive economic developments was more than offset by the impact of low U.S. agricultural production and the increasing economic problems in Latin America.

Much of the improvement in the company's performance is a direct result of the efforts of our employees, whose better understanding of the objectives of our various business units and divisions contributed greatly to our performance. This better understanding is the result of more effective communications throughout the company and an improved management development program.

Thus, while sales in 1983 increased by about 2% to $3.54 billion, net earnings rose 26% to $166.4 million, or from $2.74 per share to $3.41 per share.

Based largely on the continued success of our new broad-spectrum antibiotic, *Pipracil* piperacillin, our *Centrum* multivitamins, *Minocin* minocycline, our anti-cancer agents, and Davis & Geck wound closure products, operating earnings of the Medical Group increased substantially over 1982 on a satisfactory increase in sales.

The Chemicals Group, benefiting strongly from our program of reducing costs and eliminating product lines with little or no profit, achieved a dramatic increase in operating earnings while recording only slightly higher sales than the year before. The sales comparison with 1982 was impacted by a net reduction of $45 million attributable to discontinued products.

The Consumer Products Group, aided by the excellent performance of *Lady's Choice* anti-perspirant, which was introduced in the United States in 1982, and by higher U.S. sales of *Miss Breck* hair spray and *Pine-Sol* liquid cleaner, achieved significantly higher earnings in 1983. Worldwide sales of consumer products were only slightly higher than in 1982 because of severe economic problems in Latin America.

The Formica Brand Products Group achieved major sales gains in the United States, but was unable to overcome the serious problems in Latin America. As a result, worldwide sales and operating earnings were lower in 1983 than in 1982.

The company's major problem in 1983 was in the U.S. agricultural area. Large crop surpluses in the United States, combined with the Payment-In-Kind (PIK) program of the Federal Government that drastically reduced crop plantings, lowered sales of crop protection chemicals in the first half of the year. In addition, worldwide overcapacity of fertilizers led to lower prices and reduced profits. The net effect was lower operating earnings by the Agricultural Group as compared with 1982, although sales were somewhat higher.

The PIK program and the drought that struck the U.S. farm belt in mid-summer reduced crop surpluses dramatically and improved crop prices. As a result, farmer optimism for the 1984 season has improved significantly. Plans for heavy planting in the 1984 season produced an improving trend for our crop protection chemicals during the fourth quarter of 1983.

There were several important management changes in 1983. Clifford D. Siverd, who had served as president and chief executive officer and then as chairman and chief executive officer from 1967 through 1975, retired from the Board of Directors. We wish to express our appreciation for his 48 years of dedicated service to the company.

With the anticipated retirement in 1984 of current Chairman James G. Affleck, who will, however, stand for reelection to the Board, there was a major realignment of the top management of the company. Frank V. AtLee, former president of Cyanamid's Europe/Mideast/Africa Division; Jack L. Bowman, former president of Lederle Laboratories; and Albert J. Costello, former group vice president for Agricultural Products, were appointed executive vice presidents and members of a newly-constituted executive committee.

In February, 1984, Allan R. Dragone, vice chairman of the board of Burlington Industries, Inc., was elected to Cyanamid's Board of Directors.

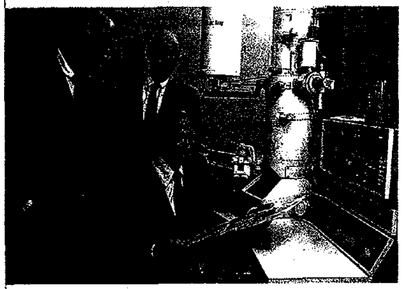
We are pleased with our progress in 1983 and believe it represents the beginning of a period of long-term growth. Most important, we are proud of the successful efforts of all our employees.

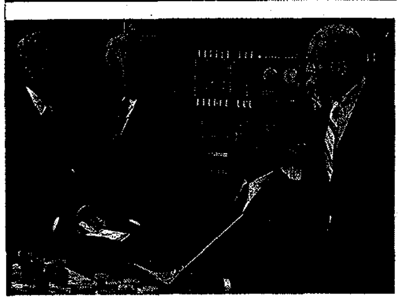
For the Board of Directors

James G. Affleck
Chairman

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

February 7, 1984
Wayne, New Jersey





Cyanamid's Board of Directors at Lederle's toxicology laboratory. (From left to right) *Top photo:* Dr. A. M. Schmidt, G. L. Schultz and W. A. Liffers. *Middle:* M. Tanenbaum, L. N. Cutler, G. J. Sella, Jr. and W. L. Wearly. *Bottom:* D. M. Culver, J. G. Affleck and L. E. Katzenbach. Not present: A. R. Dragone

Successful research which allows us to bring to market distinctive and patented new products is the only way we have to absolutely assure a competitive advantage... We need to concentrate on new approaches to solve important problems... Our research activity must be more pioneering in character, and that requires bravery, a high level of aspiration and an overriding sense of urgency.

James G. Affleck

Address to Cyanamid Fall Technical Conference October 25, 1972

In speaking to Cyanamid's research managers almost 12 years ago, then-President James G. Affleck recommitted the company to growth through technology.

Since then, the company has spent approximately $1.3 billion on research and development, organized a research division separate from operations in each of Cyanamid's five businesses, and within each research division, created a strong discovery effort composed of scientists who are leaders in their fields. In 1983, a separate research division was created for Davis & Geck to intensify new product development in that area. To stimulate innovation and reward excellence, the company also created the Cyanamid Scientific Achievement Awards in 1977, which are presented annually to our top scientists, and in 1981, a four-step research fellows program to recognize Cyanamid scientists who demonstrate exceptional performance.

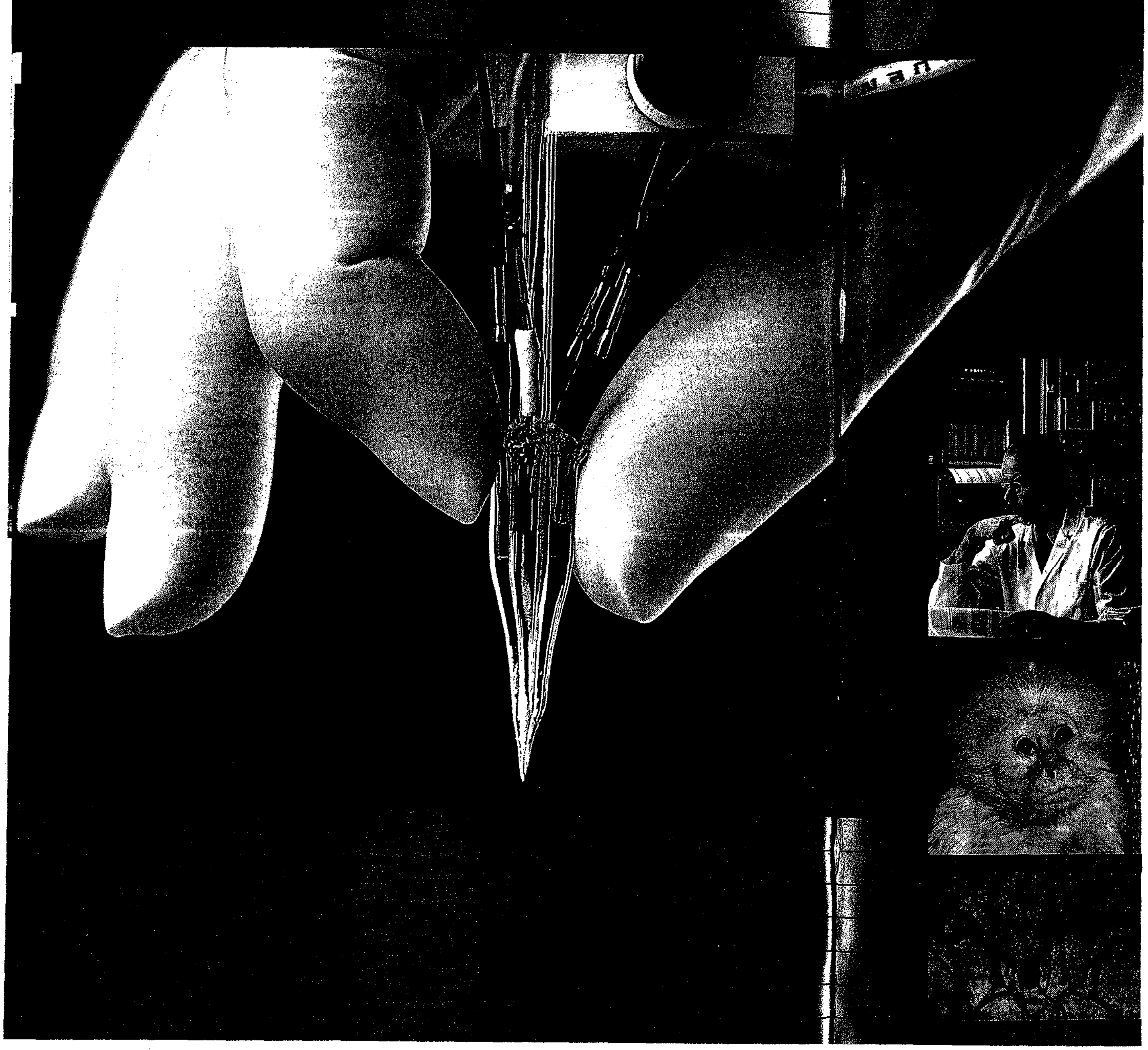
Commitment, human and financial resources, organization, recognition—all are necessary to meet the challenge of fueling corporate growth through technology that addresses basic human and industrial needs.

CANCER CHEMOTHERAPY

When you visit a manufacturing plant, you are struck by the size and scope of the operation, the complexity of its mechanical wonders, its capacity to produce, unerringly, huge volumes of product.

But take a tour of a research laboratory and you are struck by your inability to identify readily an end product. There are rooms full of computers spewing out billions of pieces of data; others that house machines that measure something, analyze it, or let

CENTRAL NERVOUS SYSTEM



you see what your eye cannot; and still more with erector-set arrangements of glassware, tubing and molecular models.

Unlike the manufacturing facility, it is hard to see what is happening in a laboratory. There, the end product is not a product, but an idea, a theory, a possible solution to a mystery. Research is a time machine, propelling you forward to what might be.

Manufacturing, marketing, sales, planning, technical service and a host of other functions all contribute greatly to the success of the corporation. But the measure of their ability to contribute ultimately rests in research and development with the discovery of a new product that delivers an appreciable advantage to the end user.

It is a difficult, frustrating, painstaking process in any company, but because Cyanamid competes in businesses based on the life sciences and chemistry, research is especially challenging. All of the easy questions have been answered.

Our scientists, individually and in collaboration with their peers at leading academic institutions, are pursuing radically different routes to new technology.

We have multifaceted programs in medical research designed to discover and develop new pharmaceuticals to treat major diseases and deficiencies—cancer, heart and circulatory disorders, central nervous system dysfunction, arthritis, aging and immunological disability.

Building on our experience in the discovery and development of standard chemotherapy for cancer, we are searching for new agents that will improve the effectiveness and range of treatment as well as the delivery of the treatment to the affected site, reduce the incidence of side effects and enhance the ability of the body's immune system to fight the disease.

Novantrone mitoxantrone (see page 20) represents the leading edge of a new era in cancer chemotherapy, according to clinical investigators, because the drug has shown both significant activity against the disease and an improved quality of life for patients during treatment.

Lederle scientists also are working with agents that help the body's own immune system fight off disease by, among other mechanisms, increasing the output of the body's own reserves of interferon and interleukin. Because these immunostimulants have made the immune system in animals react more vigorously, they may be valuable in the treatment of human cancer and viral diseases.

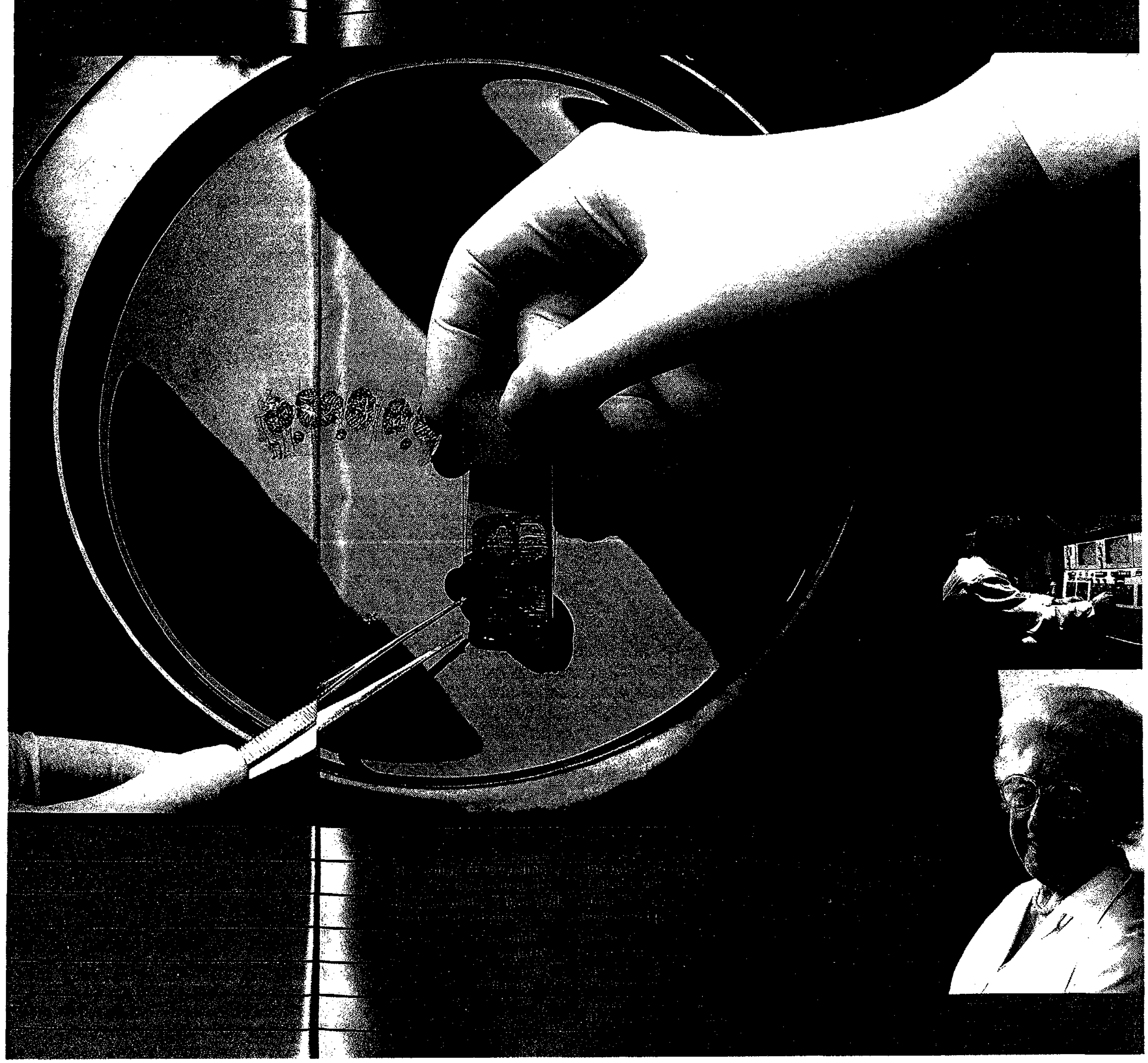
Lederle's third approach to cancer treatment involves the use of hybridomas—totally new structures fabricated in the laboratory by fusing an antibody-producing cell and a cancer cell. These hybridomas produce monoclonal antibodies that can home in directly on cancer cells anywhere in the body and then destroy them with the attached chemotherapeutant, with minimal harm to normal, healthy cells. In 1983, Cyanamid entered research agreements with two biotechnology companies, Cytogen Corporation and Hybritech, Inc., to develop this new concept.

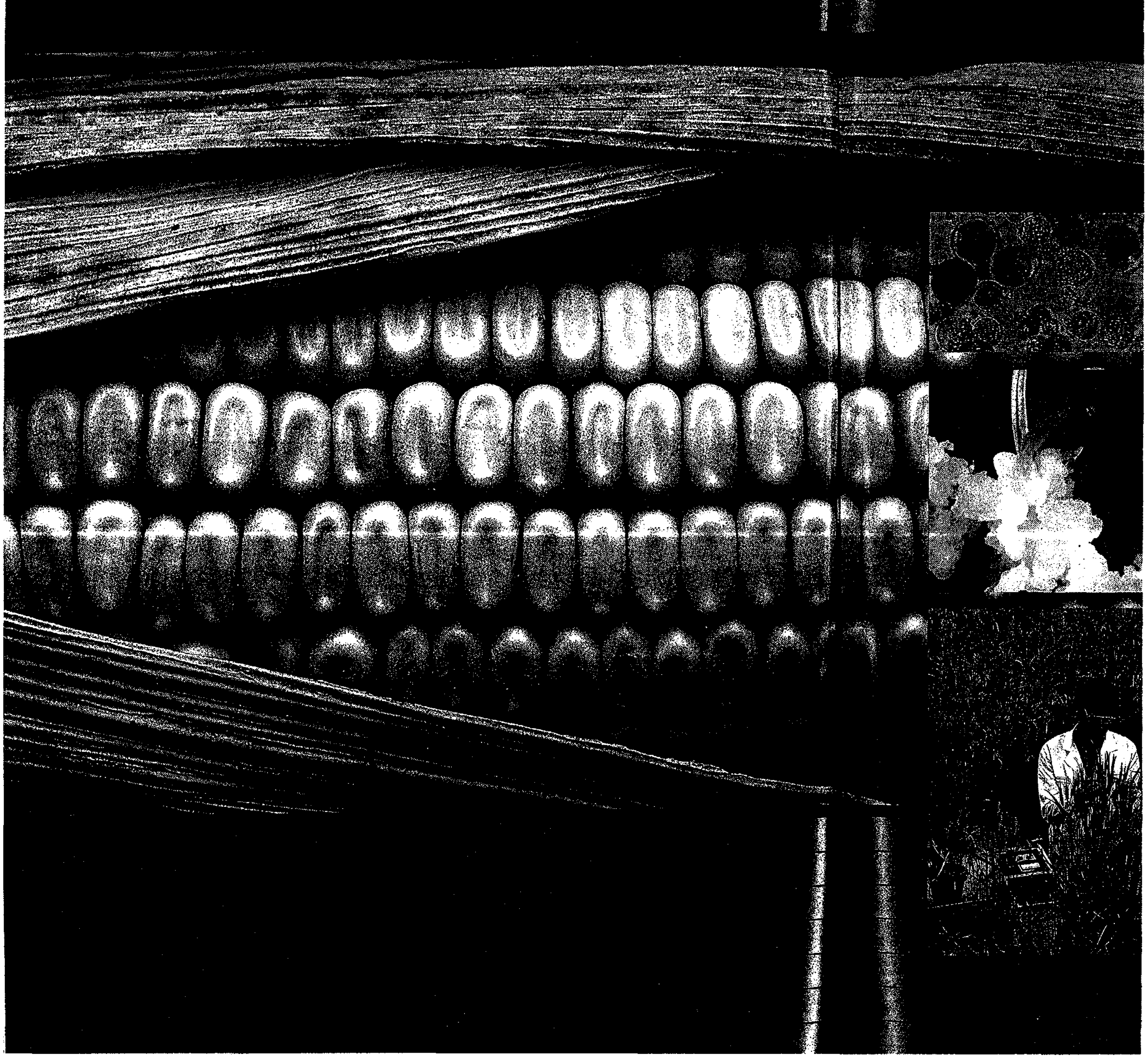
With other biotechnology experts, we are working with recombinant DNA to produce a herpes vaccine. Our approach is to use a gene from the virus to produce virus-free material, which would eliminate any risk of contracting the disease or a malignancy from the vaccine.

Central nervous system research at Lederle involves two major areas: memory deficits and anxiety. Our scientists are leading the way in designing drugs that selectively act on the specific brain receptors which control anxiety, but not those which affect sedation and muscle coordination. This work should lead to the development of agents which treat the anxiety without causing undesirable side effects.

Lederle also is a leader in geriatric research, particularly in the causes of memory deficits in aging and Alzheimer's disease. Based on studies with a unique colony of aged monkeys, our scientists are designing compounds to interact with brain membrane structures related to cholinergic function. They are especially interested in the nerve fibers which free acetylcholine, a neurotransmitter. Using special biochemical tests, they are searching for drugs which interact with specific receptors and which also cause dynamic changes in membrane fluidity and in the turnover of phospholipid, the major form of lipid (fatty substances) in all cell membranes.

In addition to their work with the transdermally active vasodilator (see page 21), our scientists are





pursuing other research on heart and circulatory disorders. They are studying renin, an enzyme in the blood and vascular tissues which is an extremely potent hypertensive agent. By its vasopressor action, it raises blood pressure and diminishes fluid excretion in the kidney by restricting blood flow. Our chemists and cardiovascular biologists are working to synthesize specific inhibitors of renin.

Our Davis & Geck scientists are developing a wide variety of new products for our expanding surgical specialties business. In 1983, Cyanamid and International Paper Company announced the development of *Topstat* absorbable hemostat, a patented sponge-like material derived from potato amylose, which is used to check bleeding of internal organs during surgery.

Other products in various stages of development and testing include new skin staplers, a bowel anastomosis ring, an urethral sphincter valve, and vascular grafts and orthopedic devices based on oriented collagen technology developed by Battelle Institute. In addition, our scientists are actively investigating new product opportunities in cardiovascular surgery.

Based on these research programs and others underway at Lederle and Davis & Geck, we are confident that our scientists are on the leading edge of new technology which will yield an exceptional era of growth for our medical business in the balance of this century.

Scientists at our Agricultural Research Division also are pursuing exciting new routes to the development of plant chemicals and animal products.

In plant growth regulants and crop protection chemicals, we are conducting basic studies to better understand factors which control and regulate plant growth and to find new active compounds. The most potent and selective members of a new series are identified with the help of QSAR, quantitative structural activity relationships.

In collaboration with Molecular Genetics, Inc., we also are using cell biology to develop superior lines and varieties of corn and other cereals that would have tolerance to our new imidazolinone herbicides (see page 24). This research also may allow us to tailor crops to our plant growth regulants. In effect, our scientists are bringing breeding into the lab to remove the randomness of a crop's reaction to external influences so that we can develop plants that will allow chemicals to modify them in a positive way.

In cooperation with scientists from leading institutions, we also are exploring insect neurochemistry and neurophysiology to develop pest-specific insecticides that are harmless to the environment, beneficial insects, birds, fish and mammals. In another approach to new insecticides, our scientists are investigating ways of blocking the detoxification systems of insects without adversely affecting mammals, thereby increasing the safety and efficacy of existing or new insecticides.

In the animal area, Cyanamid research is involved in two broad areas: nutrition/physiology and chemotherapy/immunology.

A primary goal in the first area is to improve the rate and efficiency of growth of various animal species through the development of partitioning agents, which improve carcass quality, and naturally-occurring hormones and hormone-releasing factors, which regulate animal growth. The first hormonal product from this effort is a bovine growth hormone which is in full development for lactating dairy cows.

In the animal nutrition area, we are investigating chemicals to improve the digestability of forages, as well as agents to provide better protein efficiency in the animal's rumen.

In the second area of animal research, chemotherapy and immunology, our scientists are working with hybridoma technology to develop monoclonal antibodies against antigens on the spore stages of all six species of Eimeria that cause the debilitating disease, coccidiosis, in poultry. Their goal is to develop highly purified antigens to be administered to chicks as a vaccine.

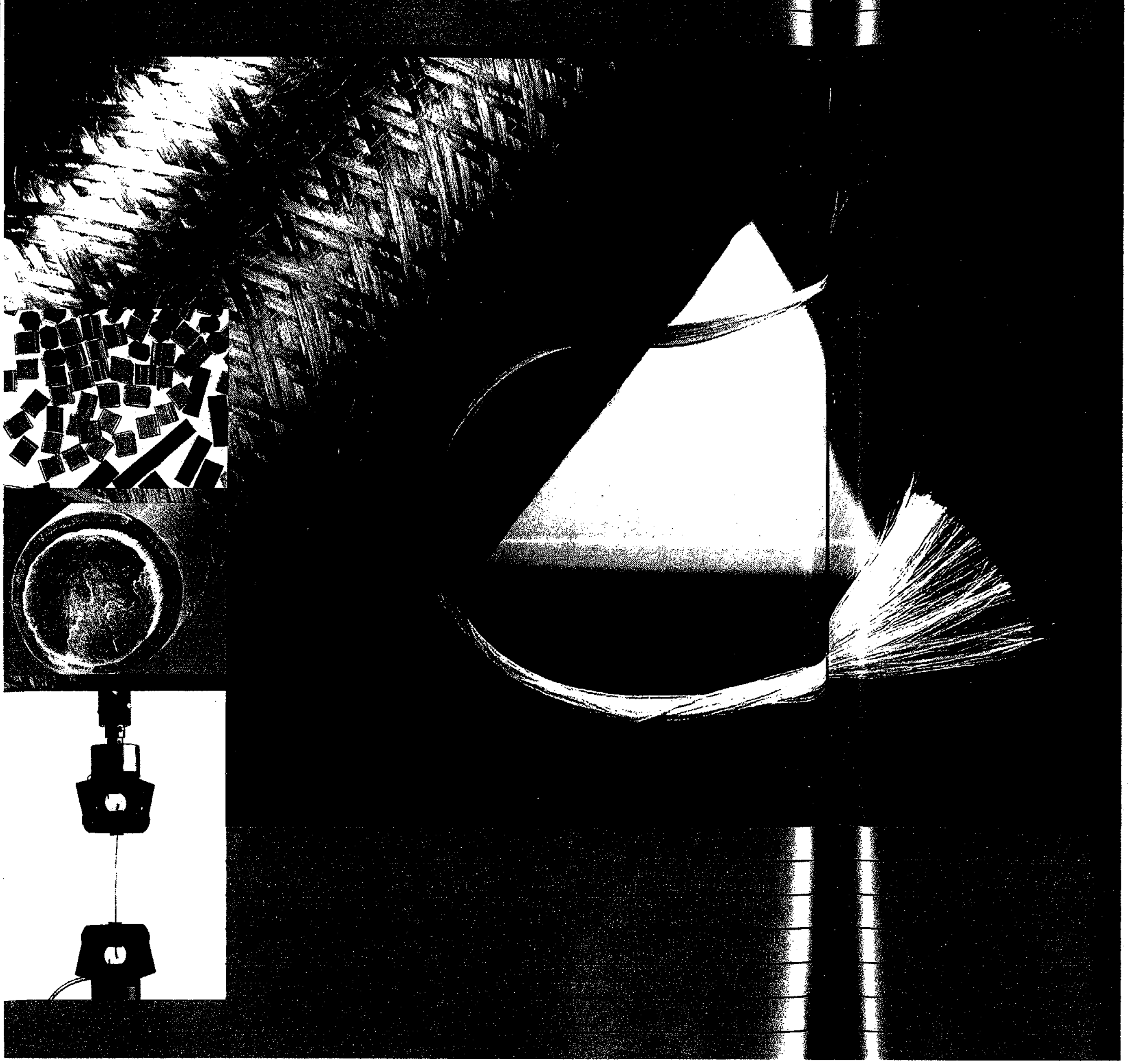
In a joint program with their colleagues in Lederle research, our agricultural scientists are searching for new products from soil microorganisms. Our new, highly potent anticoccidial for poultry, *Cygro*, was discovered in this program (see page 24).

Based on the scope and quality of our research programs, we believe our agricultural business is well-positioned for excellent growth based on high-technology solutions to food production problems.

Traditionally, most of the research in support of our chemicals, consumer and *Formica* brand products

ANIMAL GROWTH HORMONES

ENGINEERED MATERIALS



businesses has been market driven. However, in recent years, we have redefined our emphasis in chemicals research to strengthen our discovery efforts in pursuit of totally new product lines and of unique proprietary products.

To expand Cyanamid's strong position in engineered materials, our goal is to develop primary structural composites and high-temperature materials and adhesives and to apply our aerospace technology base to industrial markets.

We are developing new products to serve emerging growth opportunities in the aerospace industry through the functionalization of carbon fibers, including sorptivity, surface bonding and conductivity. In 1983, Cyanamid entered a joint effort with Celanese Corporation to develop Cyanamid precursors for carbon fiber products based on our patented melt-assisted technology that is capable of producing both conventional and advanced fibers with a broad spectrum of shapes and mechanical properties. Cyanamid's carbon fiber precursor complements our work in another emerging technology—metal-coated fibers.

With these efforts and others (see page 27), we believe our chemicals research has been restructured to provide the new products and new business opportunities appropriate to the strategic growth of Cyanamid's chemicals business.

In consumer products research, our scientists are working on both short-term development needs (see page 29), as well as longer-term efforts, including the mechanisms of odor and perspiration, to develop a new generation of superior antiperspirants and deodorants; skin care products that provide a youthful appearance by retarding the skin changes that come with age and that improve suppleness and moisture content; and chemical products that appear to have a broad range of consumer and industrial applications, including the removal of grease and dirt films from hard surfaces.

Formica brand product research is focused on resin chemistry and process technology; new continuous process developments for manufacture of laminates, laminate components and related materials; and on the development of high pressure laminate products with unique combinations of design and performance (see page 31).

From research to marketing, the Medical Group had an excellent year in 1983. Worldwide sales increased, with our new broad-spectrum antibiotic, *Pipracil* piperacillin, leading the way. Operating earnings, reflecting a more up-to-date product mix, were sharply higher than in 1982.

Pipracil, which was launched in the United States early in 1982, was introduced in several major European markets in 1983 under the *Pipril* and other trademarks and quickly gained widespread acceptance among physicians.

Continued clinical investigations with piperacillin also are increasing its role as a valuable prophylactic and therapeutic agent in a wide variety of medical and surgical specialties, including gastrointestinal, biliary tract and genitourinary surgery, and obstetric and gynecological procedures.

Sales of *Minocin* minocycline also increased in the United States and Europe as the antibiotic gained new prominence in the treatment of acne and nongonococcal urethritis (NGU), a sexually-transmitted disease.

Starting several years ago with *Stresstabs* multivitamins, our Lederle Laboratories Division began building a strong base for the company in the over-the-counter adult multivitamin market in the United States. *Stresstabs* was followed by *Centrum*, which is positioned as the "most complete" multivitamin available, and *Centrum, Jr.*, a multivitamin for children.

Centrum, which has recorded dynamic sales growth, became the best-selling U.S. adult multivitamin in 1983. Lederle also has introduced two new nutritional supplements. *Spartus*, a special vitamin formulation for persons involved in physical fitness, was launched in mid-1983. Early in 1984, Lederle introduced *Caltrate*, a high-potency calcium supplement especially formulated for women, who, according to U.S. government studies, are prone to calcium deficiency.

As a result of this continuing effort, Lederle became the leader in the adult multivitamin market in the United States in 1983 and achieved major inroads into international markets.

Global sales of Davis & Geck surgical sutures, mechanical wound closure and mechanical device products increased in 1983.

Cyanamid broadened its line of Davis & Geck operating room products with the introduction of *Softgut* surgical chromic sutures and the *Multiclip* disposable ligating clip device. Compared to conventional gut sutures, *Softgut* has enhanced handling characteristics, maintains its flexibility longer, does not fray as easily and has comparable tensile strength. Its unique dry packaging provides safer handling in the operating room. *Multiclip* is a semi-automatic sterile instrument which is used to seal off blood vessels at the incision site. It is designed to be operated with one hand, dispenses multiple clips and features a slender probe which easily reaches into deep, narrow locations.

In addition, two new products are nearing market introduction—*Maxon* synthetic absorbable monofilament suture and *Novafil*, a synthetic nonabsorbable monofilament suture. Both are easier to handle than similar products on the market, and *Maxon* also has improved strength characteristics.

We also have applied to the U.S. FDA for approval of a new topical hemostat called *Topstat*. It has better hemostatic and handling properties than other topical hemostats now in use.

To help ensure continued expansion of our surgical suture, mechanical wound closure and mechanical device product lines, separate research and operating divisions were created for Davis & Geck in 1983.

Strong progress also was made in pharmaceutical research and development in 1983. We have received from the government of Canada our first international registration approval for *Novantrone* mitoxantrone for the treatment of breast cancer, and we launched the product there in February, 1984. *Novantrone* also is active in the treatment of acute leukemias and in lymphomas and does not cause the serious side effects of most other cytotoxic drugs. A New Drug Application will be filed with the U.S. FDA in the spring of 1984.

Clinical trials are continuing with another new anti-cancer agent, bisantrene, which also was discovered by Cyanamid scientists. Although bisantrene is about 18 months behind *Novantrone* in the development process, it is showing excellent results against advanced breast cancer. The drug, which also may be effective against other types of tumors, has a favorable side-effect profile.

We are awaiting U.S. FDA approval of *Cinopal* fenbufen, our non-steroidal anti-inflammatory agent for the treatment of arthritis.

In 1983, we licensed an orally-active, third-generation cephalosporin antibiotic from Fujisawa Pharmaceutical Company Ltd. of Japan. It has shown definite activity against certain gram negative bacteria and has excellent beta lactamase stability. This cephalosporin is effective in the treatment of respiratory tract and urinary infections and also is expected to find broad use in the oral pediatric market. It is in clinical trials in Japan, and an Investigational New Drug Application was filed in the United States in 1983.

Cyanamid also purchased an equity interest in Cytogen Corporation and signed a research agreement with that company to develop a new cancer drug delivery system. Cytogen, a biotechnology company, has developed novel proprietary technology using monoclonal antibodies as carriers of chemotherapeutic agents to cancer cells. We believe that this technology will increase the effectiveness of cancer drugs while simultaneously reducing the side effects usually associated with conventional cancer therapy.

The company also entered into a joint research agreement with Hybritech Inc., which is a leader in the development of medical products incorporating monoclonal antibodies. Another agreement, with Technical Development and Investments EST, a Swiss corporation, gives Cyanamid an exclusive license in the United States, Canada, Mexico and several Far Eastern countries for a new anti-cancer agent, decapeptyl, which appears to be useful in the treatment of hormone-related malignancies.

Clinical trials are underway with our transdermally active vasodilator. It is being tested in the treatment of hypertension, congestive heart failure, peripheral vascular disease and other conditions characterized by impaired circulation of the blood. We are investigating possible topical applications of the drug for wound healing, bedsores and skin grafts.

Clinical work also has begun with another unique compound, an immunostimulant. It has modified and enhanced the response of the immune system in animals, and thus may be valuable in the treatment of herpes and other viral infections and of metastatic disease, such as cancer. Since so little is known about the effects of altering the immune system, development of this agent will require unique clinical research.

In the biological area, we expect to apply for FDA approval in 1984 for our new Haemophilus influenzae, type b vaccine which protects children against bacterial meningitis. The disease, which strikes up to 15,000 children per year in the United States, is the leading cause of acquired mental retardation in children and infants in the country.

Work also is continuing with Molecular Genetics, Inc. and with a company representing the University of Pennsylvania on a vaccine against types I and II Herpes simplex virus. We also are continuing collaboration with Johns Hopkins University School of Medicine to discover new treatments for allergies and lung disorders.

AGRICULTURAL

Although worldwide sales of the Agricultural Group rose slightly in 1983, operating earnings were well below those of 1982 because of lower prices for crop protection chemicals and fertilizers in the United States.

It was an eventful year for the American farmer. He started out fearful of huge grain and cotton surpluses that drove prices down to their lowest levels in 50 years. At the same time, the high cost of borrowing severely limited farm income. In addition, the farmer faced fierce international competition for world markets, which, combined with a strong U.S. dollar, limited exports.

The U.S. government instituted its Payment-In-Kind (PIK) program early in the year to remove crop land from production, and thereby reduce surpluses and boost prices. Under this program, farmers received title to stored grain and cotton in return for idling their lands. Because of PIK and other government farm programs, there was a 15% or 57-million-acre reduction in the planting of principal crops in the United States in 1983 versus 1982.

A drought which lasted through the growing season reduced crop yields on the acreage that was planted. As a result, total corn production dropped by 49%, cotton by 35% and soybeans by 33% from 1982 levels.

Current and futures prices began to increase, and the farm community benefited from higher prices with relatively lower production costs. Farmers are looking forward to 1984 as a year of fence-to-fence crop production and higher income.

While 1983 provided good news for the farmer, it was a period of adjustment for farm suppliers. Sales of Cyanamid's crop protection chemicals were substantially lower than during the previous year. However, *Prowl* herbicide gained market share in corn, cotton and soybeans over 1982, and *Pay-Off* pyrethroid insecticide increased market share in cotton. Sales of *Counter* systemic insecticide-nematicide were higher than the prior year because of a strong fourth quarter.

Consumption of fertilizers dropped severely in the United States, although Cyanamid's sales increased in 1983. However, average selling prices of phosphate rock, diammonium phosphate, ammonia and other nitrogen fertilizers were all below 1982 levels. As the outlook for the U.S. farm economy improved late in the year, there were some price increases, but worldwide overcapacity will continue to have a dampening effect on the industry.

The fortunes of the U.S. livestock industry, which is dependent upon the price of corn for its profitability, were up in the early part of the year when corn prices were low, but weakened later in the year when corn prices strengthened.

Sales of animal nutrition and health products followed the fortunes of their customers. They were higher early in the year as low feed prices encouraged producers to keep larger herds. Rising feed prices and drought-parched pastures, however, forced livestock producers to reduce their herds. Competition among manufacturers of animal products intensified and prices fell, particularly for antibiotic feed additives.

Cyanamid instituted aggressive sales and marketing programs to defend its leading market share position and increased its share of markets for feed antibiotics and dewormers.

In international markets, sales and profits of crop protection chemicals were lower, principally because of the translation effect of depreciating local currencies against the U.S. dollar, including the maxidevaluation in Venezuela, and severe economic problems in Brazil.

Two new products for cattle were introduced in the United States in 1983 – *Tramisol* gel dewormer and *Guardian* insecticide ear tags. *Tramisol* gel captured a major market share, and *Guardian* is expected to win a large portion of the cattle ear tag market. In addition, we introduced *Maxforce* roach control system to professional pest control operators. Sales of *Maxforce*, which uses *Amdro* insecticide in a bait-feeding station, exceeded expectations.

While 1983 was a year of adjustment in the agricultural business, it also was a period of unusual progress in our plant and animal research efforts.

Three new herbicides from a totally new chemical class, the imidazolinones, made excellent progress in field trials. *Arsenal* industrial herbicide, which will be introduced in the United States and selected overseas markets in 1984, provides broad-spectrum vegetative control. A pre- and post-emergence systemic herbicide, it will be used by industrial applicators along transportation rights-of-way, utility powerlines and on other sites.

The second compound from this family, *Scepter*, is a selective, pre-plant, pre-and post-emergence herbicide which controls a broad spectrum of weeds in soybeans. The third herbicide provides excellent control of wild oats and blackgrass in wheat and barley. In 1984, a fourth compound from this family is scheduled to enter full development. It is a broad-spectrum, selective herbicide for soybeans, forage legumes and other leguminous crops. Other compounds from the imidazolinone family are demonstrating selectivity in corn and other cereal crops, and together, they represent a unique opportunity for Cyanamid to achieve a leadership position in the $5-billion global herbicide market.

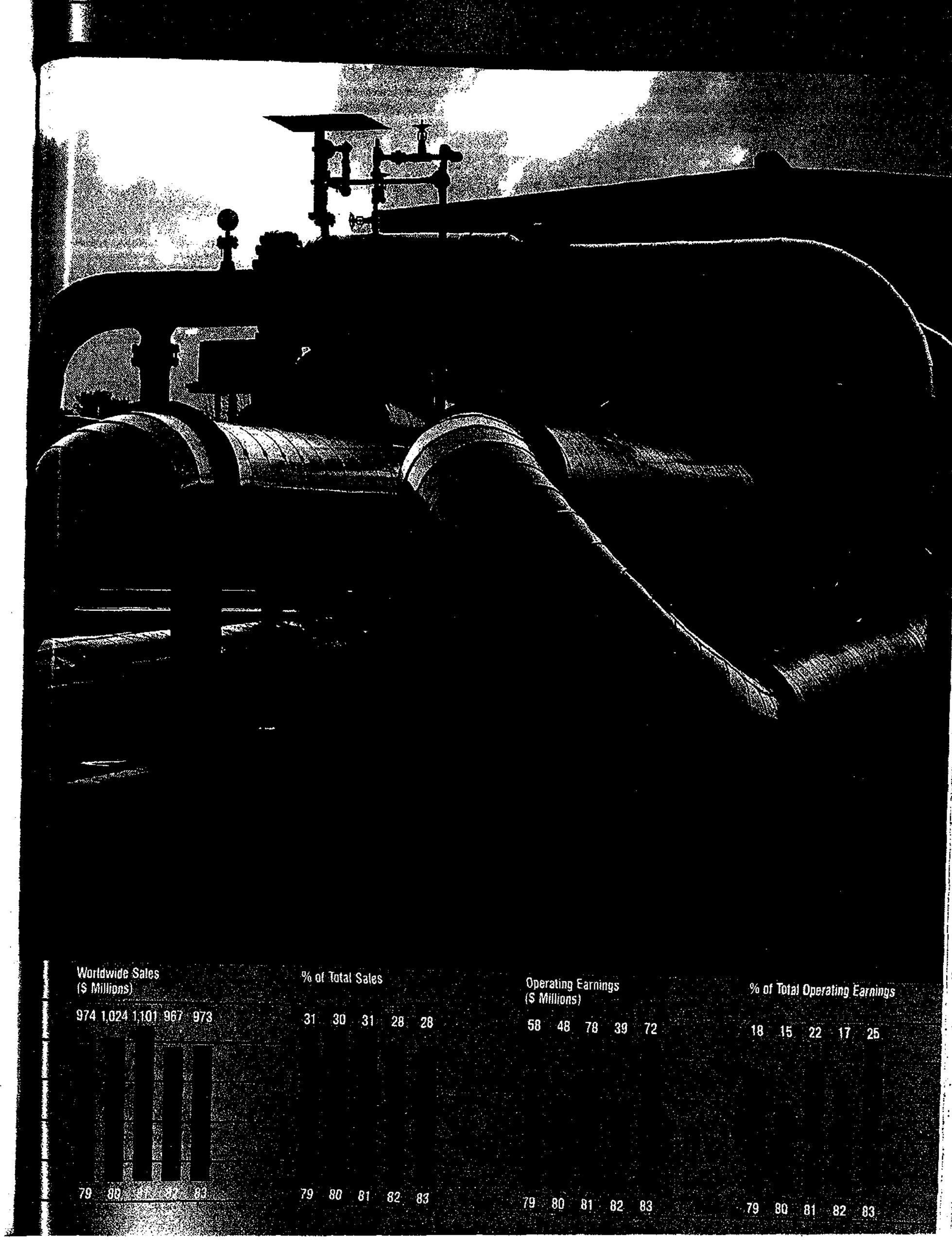
Field trials with another new class of compounds also made good progress in 1983. They are plant growth regulants which improve the yield and size of potatoes and other crops.

To fuel the growth of our animal nutrition and health product line, we are continuing research in a number of areas. Currently, our partitioning agent, which increases growth, feed efficiency and the ratio of lean meat to fat, is in full development in poultry. This revolutionary product will increase the amount of protein produced per animal at lower cost.

Cygro, a new and more potent agent to protect poultry from the severely debilitating disease, coccidiosis, is in the final stages of development. We plan to introduce it in selected foreign markets in 1984 and possibly in the United States in 1986.

In 1983, a global effort was initiated to identify products discovered by others which would fit our marketing strengths. Three new animal health products already have been licensed and should be ready for marketing in 1984 and 1985.

CHEMICALS



The Chemicals Group benefited marginally from the 1983 economic recovery in the United States. With many chemical plants operating well below capacity, there was strong competition and continued price erosion even as industrial production increased. In addition, several major industries served by the Group, particularly those related to energy, aerospace and mining, lagged behind the general upturn.

Another important factor in the year-to-year comparison of sales was a net reduction of $45 million in sales attributable to product lines that were eliminated in a program designed to improve profitability and allow better focus on growth businesses. Thus, worldwide sales of the Chemicals Group in 1983 were only slightly above those of the previous year.

Operating earnings, however, were significantly higher in 1983 than in 1982, responding to lower raw material costs, an improved product mix and an effective program of cost reductions.

With the automotive, construction and electrical appliance industries leading the U.S. recovery, sales of resins and adhesives, molding compounds and plastics additives increased significantly in 1983 over 1982. Also helped by the upturn were melamine and titanium dioxide.

However, many chemical specialties were affected by the relatively slow response to the economic recovery. As a result, sales of paper chemicals, engineered materials for the aerospace industry and mining chemicals declined. Sales of organic flocculants for water treating also were lower than 1982.

In addition, the worldwide oil glut resulted in continued curtailment of oil drilling and reduced refinery activity and, therefore, lower sales of related chemicals and catalysts. One bright spot has been a major increase in the sales of enhanced oil recovery (EOR) chemicals, one of Cyanamid's growth businesses based on the company's leadership in acrylamide polymer chemistry.

To strengthen our position in this area, Cyanamid, in 1983, acquired the operating assets of Custom Oil Recovery Technology (CORT), which specializes in enhanced oil recovery technology and services. Cyanamid also increased its total polyacrylamide manufacturing capacity to meet the anticipated demand for EOR products.

Cyanamid's share of the U.S. acrylic fiber market reached an all-time high in 1983, placing *Creslan* fiber in the number two position. Much of this success was the result of our major merchandising programs for fleecewear and sockwear.

During the year, an agreement was reached with the Celanese Corporation on a joint development program focusing on unique acrylic technology held by Cyanamid which provides precursors for carbon fiber products which can be tailored to high performance aerospace and industrial applications.

Despite a relatively stagnant economy in Europe, chemicals sales there were somewhat higher than in 1982. In addition, we expanded our marketing organization for polyacrylate and polyurethane elastomers in Europe through an agreement with Akzo Chemie of the Netherlands. We also signed a letter of intent to form a 50-50 joint venture with Dyno Industrier A.S. of Norway to produce and market crosslinking resins for the European coating industry.

Late in 1983, the company approved construction of a pilot plant to manufacture pre-commercial quantities of two new diisocyanate urethane chemicals developed by Cyanamid research.

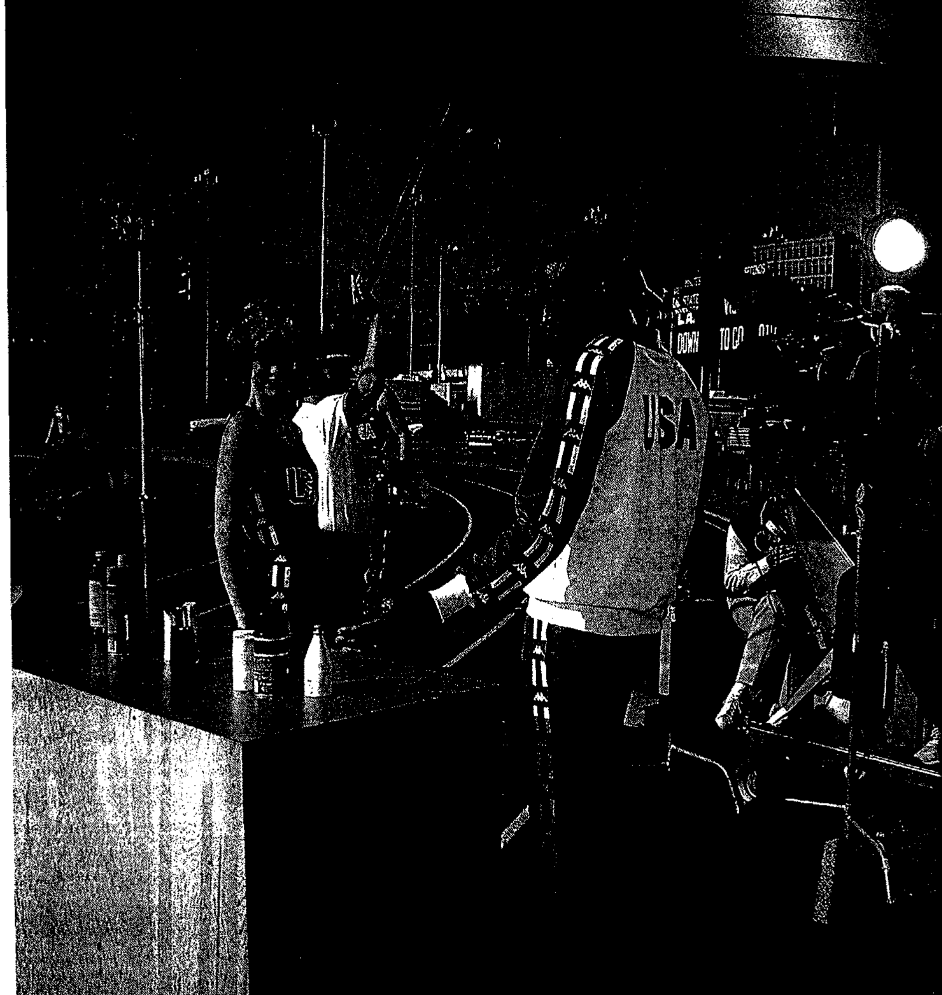
The new chemicals, aliphatic isocyanates, will be used in the production of polyurethanes for reaction injection molding of automobile and other industrial parts. The final products can be used for automobile front ends, bumper covers, fenders, spoilers, air dams, steering wheels and arm rests.

Other applications include window glazing, body side molding, decorative panels and tough, abrasion-resistant, specialty coatings.

Aliphatic isocyanates are an improvement over currently used aromatic isocyanates because they yield polyurethanes which are inherently light stable and do not require a complicated painting process.

The urethane research project is one of several in support of the chemicals business. Others involve phosphine chemicals, mining chemicals, plastics additives, water soluble polymers and textile chemicals. We also are sponsoring research projects that are associated with our materials businesses—those which market goods identified by their physical and structural performance properties. They include engineered materials, high-carbon materials, metal-coated graphite fibers, catalysts and resins.

We also are making good progress in the development of new chemicals for coatings which will enable them to be cured at lower temperatures and in the absence of chemical solvents.



Worldwide Sales ($ Millions)				
79	80	81	82	83
444	492	519	500	508

% of Total Sales				
79	80	81	82	83
14	14	14	14	14

Operating Earnings ($ Millions)				
79	80	81	82	83
29	28	34	16	25

% of Total Operating Earnings				
79	80	81	82	83
9	9	10	7	6

Olympic gold medal-winning hurdler Edwin Moses was featured in a Shulton toiletries and *Pine-Sol* liquid cleaner commercial. The Shulton U.S.A. Division is a sponsor of the U.S. Track and Field Team and the ABC telecast of the 1984 Summer Olympics.

In 1983, worldwide operating earnings of the Consumer Products Group increased substantially on slightly higher sales, despite depressed conditions in Latin America.

U.S. sales of all major Shulton toiletries and household brands were higher than in 1982, and market shares increased in fragrances, deodorants, anti-perspirants and hair care products.

Lady's Choice anti-perspirant registered excellent sales growth in its first full year on the market, and *Old Spice* stick deodorant and solid anti-perspirant increased market share on good sales gains. This performance was achieved by all three products despite new market entries from major competitors.

Old Spice fragrance had its best sales and market share gains of recent years and strengthened its number one position in the mass fragrance market. Its sales improvement was due in part to the resurging U.S. economy, the beginning of a new television advertising campaign and the introduction of *Old Spice* conditioning after-shave.

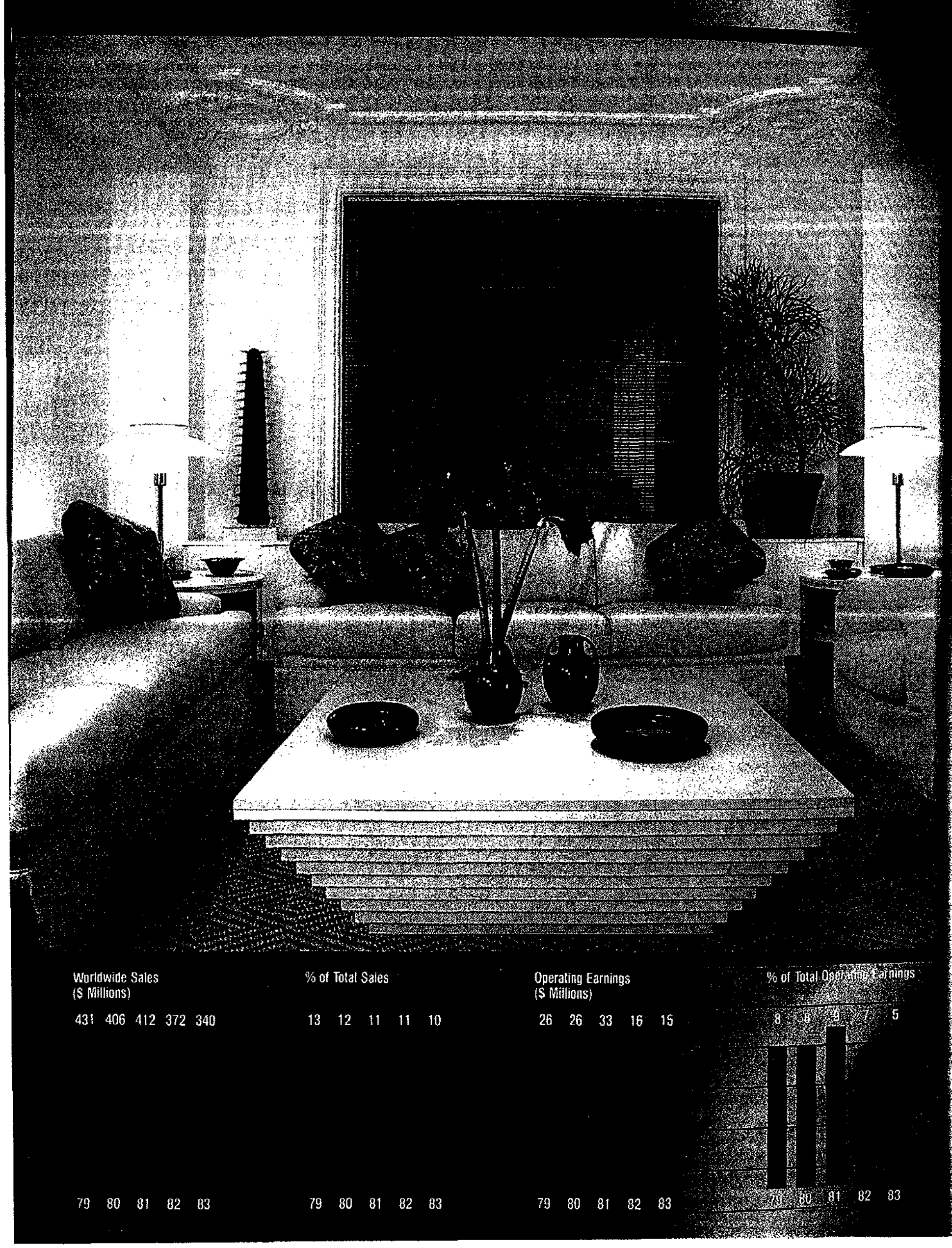
In 1983, declines in the *Breck* hair care products business were reversed. Sales and market share of *Miss Breck* aerosol hair spray improved significantly while *Breck* shampoo sales also showed year-to-year increases for the first time in many years.

America's favorite, *Pine-Sol* liquid cleaner, also faced strong competition in 1983, but maintained its U.S. brand leadership position and increased sales.

Because of the acquisition of the line of *La Prairie* skin care products, our Jacqueline Cochran subsidiary recorded an overall sales increase. U.S. sales of prestige fragrances in 1983 were down slightly compared with 1982, reflecting a flat real growth rate in the market and continued introduction of new competitive brands. But sales of Cyanamid's key fragrance brands experienced excellent Christmas sell-through, reflecting continued improvement in the U.S. economy and increased consumer confidence.

Internationally, increased marketing investment behind *Old Spice* and *Blue Stratos* toiletries achieved good market share performance for these two flagship brands, particularly in Canada, the United Kingdom and Germany. These gains, however, were more than offset by the effects of severe economic recessions and currency devaluations in Brazil and Venezuela.

Building for the future, the Consumer Products Group opened five new product test markets in 1983 and launched two new fragrances internationally, *Choc de Cardin* in the U.K. and *Thaïs* in Australia. In addition, product improvements for *Pine-Sol* liquid cleaner, *Old Spice* stick deodorant and *Lady's Choice* anti-perspirant were introduced. The licensing of the *Sans Souci* skin care product line for sale in Europe furthers the Group's thrust into the fast-growing skin care market.



1983 was a year of role reversal in the Formica Brand Products Group. The business in the United States, long beleaguered by severe recessionary conditions in the construction industry, reported dramatically higher sales and profits with the recovery of the housing market. However, sales and profits of *Formica* brand laminates in Latin America, which had been experiencing healthy growth, fell sharply as the economic recession there worsened in 1983. That factor, combined with reduced sales in Europe, led to lower worldwide results for the Group.

With U.S. prices for *Formica* brand laminates remaining about even during the year, nearly all of the increase in U.S. operating earnings resulted from physical volume and lower operating costs. In overseas markets, sales in Latin America declined more than 40% compared to the previous year. Toward the end of 1983, economies in Europe began to recover, with the U.K. and Spain showing the first signs of improvement that resulted in increased demand for *Formica* brand laminates.

While stringent manufacturing cost reduction continued to be a key strategy for the Group in 1983, new products and marketing plans also played an important role in maintaining the business and building for its future.

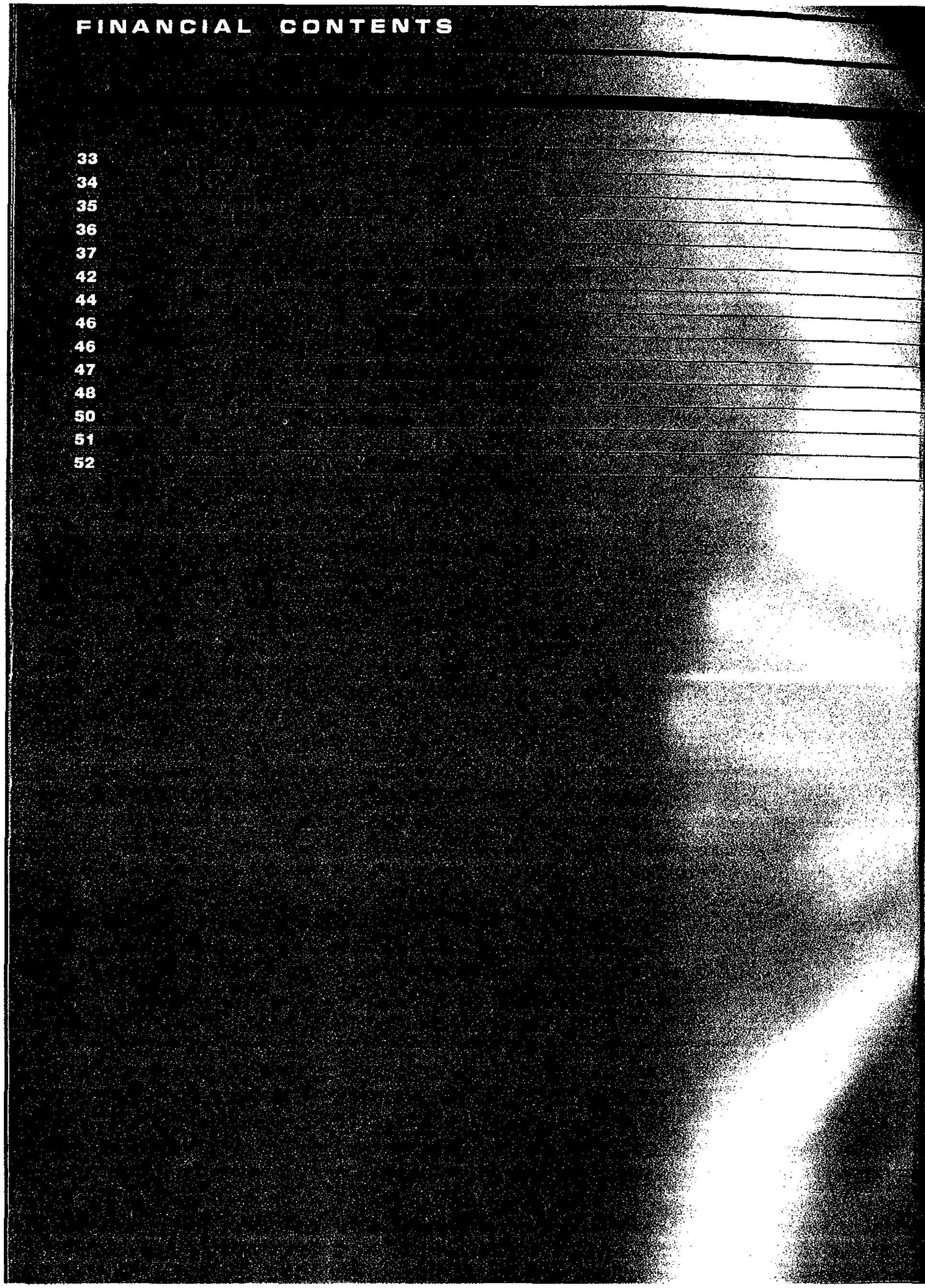
Colorcore brand surfacing material, our new design and performance product with many unique characteristics, received prestigious awards from the American Society of Interior Designers and the Institute of Business Designers. In 1983, *Colorcore* surfacing material was launched in several key international markets. In its first full year in the U.S. market, it demonstrated excellent sales growth. The material has been featured in numerous customer seminars and exhibitions in the United States and Europe, has been widely advertised to North American customers and has received worldwide publicity.

The Group formed a joint venture in Germany, Homapal Plattenwerk GmbH & Co. KG, to manufacture a high quality line of specialty metallic laminates which will be marketed throughout the world.

Significant effort was made in 1983 to evaluate the potential of new continuous laminating technology based on machinery developments from Germany. This work is still in progress. We see its major potential in the manufacture of thin laminate products for a variety of furniture and panel-surfacing uses which are not now serviced by our high pressure decorative laminates. Technical and market studies have identified several critical performance requirements and the economic constraints on such products, and we are encouraged by recent process development progress based largely on our own technology.

We introduced into the U.S. market in 1983 a limited line of new laminate products combining a good range of colors and designs with enhanced surface static dissipation performance to meet a developing need in the manufacture and use of electronic computer equipment. We expect this to be the first in a continuing flow of new laminate products specifically designed for applications requiring both high performance and good aesthetics.

FINANCIAL CONTENTS



FINANCIAL REVIEW

OPERATING RESULTS—Cyanamid's consolidated sales in 1983 were $3.54 billion, up 2% from $3.45 billion in 1982. Sales in 1982 represented a 5% decrease from the $3.65 billion in 1981. Net earnings of $166.4 million in 1983 were 26% over the $132.1 million of 1982, which were 33% below the $197.1 million in 1981. Net earnings per share in 1983 were $3.41 compared to $2.74 in 1982 and $4.11 in 1981.

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 1983 and 1982 were:

	1983			1982		
	Market Price		Dividends	Market Price		Dividends
Quarter	High	Low	paid	High	Low	paid
First	$43	$33⅝	$ .4375	$29⅛	$24⅜	$ .4375
Second	50¼	40⅛	.4375	30	24⅝	.4375
Third	59	44⅞	.4375	32⅜	27	.4375
Fourth	58¼	47⅝	.4375	37½	30⅜	.4375
			$1.75			$1.75

As of February 17, 1984, the most recent dividend record date, there were 62,888 holders of the company's common stock. See Note 5 to the Consolidated Financial Statements regarding limitations on the payment of dividends.

QUARTERLY RESULTS—Quarterly net sales, gross profits, net earnings and net earnings per share for 1983 and 1982 were as follows:

In millions except per share amounts

1983 Quarter	Net sales	Gross profit	Net earnings	Net earnings per share
First	$ 825.3	$ 324.1	$ 27.2	$ .56
Second	897.4	344.0	42.9	.88
Third	889.5	366.8	41.1	.84
Fourth	923.3	399.4	55.2	1.13
	$3,535.5	$1,434.3	$166.4	$3.41

1982 Quarter	Net sales	Gross profit	Net earnings	Net earnings per share
First	$ 845.5	$ 325.7	$ 38.0	$ .79
Second	901.1	327.3	28.1	.58
Third	861.2	333.8	27.1	.56
Fourth	845.9	342.1	38.9	.81
	$ 3,453.7	$ 1,328.9	$ 132.1	$ 2.74

See Note 10 to the Consolidated Financial Statements regarding unusual charges and credits arising in certain of the 1983 and 1982 quarters.
Gross profit is derived by subtracting manufacturing cost of sales from net sales.

American Cyanamid Company and Subsidiaries
CONSOLIDATED STATEMENTS OF EARNINGS AND EARNINGS EMPLOYED IN THE BUSINESS

Years Ended December 31, 1983, 1982 and 1981

	1983	1982	1981
	(Thousands of dollars except per share amounts)		
NET SALES	$3,535,514	$3,453,674	$3,649,073
Expenses:			
Manufacturing cost of sales	2,101,203	2,124,754	2,285,312
Selling and advertising	781,884	743,643	694,084
Research and process development	214,724	189,746	171,797
Administrative and general	208,320	215,695	200,879
	3,306,131	3,273,838	3,352,072
EARNINGS FROM OPERATIONS	229,383	179,836	297,001
Interest, royalties and other income, net	62,169	65,514	63,948
	291,552	245,350	360,949
Interest expense	73,800	68,733	67,510
EARNINGS OF CONSOLIDATED COMPANIES BEFORE TAXES ON INCOME	217,752	176,617	293,439
Taxes on income (Note 8)	65,100	51,000	110,000
EARNINGS OF CONSOLIDATED COMPANIES	152,652	125,617	183,439
Equity in net earnings of associated companies	13,704	6,510	13,615
NET EARNINGS	166,356	132,127	197,054
EARNINGS EMPLOYED IN THE BUSINESS AT BEGINNING OF YEAR (Note 7)	1,345,327	1,297,365	1,180,468
Deduct dividends of $1.75 per share in 1983 and 1982, and $1.675 in 1981	(85,256)	(84,165)	(80,157)
EARNINGS EMPLOYED IN THE BUSINESS AT END OF YEAR	$1,426,427	$1,345,327	$1,297,365
NET EARNINGS PER SHARE OF COMMON STOCK	$3.41	$2.74	$4.11

See accompanying Notes to Consolidated Financial Statements.

American Cyanamid Company and Subsidiaries
CONSOLIDATED BALANCE SHEETS

December 31, 1983 and 1982

ASSETS	1983	1982
	(Thousands of dollars)	
CURRENT ASSETS		
Cash	$ 47,049	$ 69,052
Marketable securities and time deposits, at cost (approximates market)	287,624	250,726
Accounts receivable, less allowance for doubtful accounts of $22,942 in 1983 and $21,845 in 1982	703,014	681,372
Inventories (Note 3)	507,217	513,474
TOTAL CURRENT ASSETS	1,544,904	1,514,624
INVESTMENTS AND ADVANCES		
Equity in net assets of and advances to associated companies	74,422	63,052
Other investments and advances	92,806	58,762
TOTAL INVESTMENTS AND ADVANCES	167,228	121,814
PLANTS, EQUIPMENT AND FACILITIES, at cost (Note 4)	2,623,071	2,605,521
Less accumulated depreciation and depletion	1,367,413	1,309,317
NET PLANT INVESTMENT	1,255,658	1,296,204
INTANGIBLES RESULTING FROM BUSINESS ACQUISITIONS	24,783	12,401
OTHER ASSETS	63,521	52,362
	$3,056,094	$2,997,405
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 613,179	$ 564,641
Short-term borrowings, including commercial paper of $81,586 in 1982	62,787	130,186
Funded debt installments due within one year	7,005	8,006
Income taxes	50,136	49,595
TOTAL CURRENT LIABILITIES	733,107	752,428
FUNDED DEBT (Note 5)	519,957	506,110
DEFERRED INCOME TAXES	128,300	128,100
OTHER NON-CURRENT LIABILITIES	71,072	67,837
STOCKHOLDERS' EQUITY (Notes 5 and 6)		
Common stock—par value $5 per share		
Authorized—100,000,000 shares		
Issued—49,075,280 shares in 1983 and 48,905,338 shares in 1982	245,376	244,527
Additional paid-in capital	49,862	40,895
Earnings employed in the business	1,426,427	1,345,327
Accumulated translation adjustments	(115,607)	(73,130)
	1,606,058	1,557,619
Treasury stock, at cost—80,690 shares in 1983 and 535,407 shares in 1982	(2,400)	(14,689)
TOTAL STOCKHOLDERS' EQUITY	1,603,658	1,542,930
	$3,056,094	$2,997,405

CONTINGENT LIABILITIES AND COMMITMENTS (Note 7)

See accompanying Notes to Consolidated Financial Statements.

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

Years Ended December 31, 1983, 1982 and 1981

	1983	1982	1981
FUNDS PROVIDED BY (USED FOR)	(Thousands of dollars)		
Internal sources:			
Net earnings	$166,356	$132,127	$197,054
Items not requiring the use of funds:			
Depreciation, depletion and amortization	182,957	173,473	164,578
Deferred income taxes	(800)	5,600	22,700
Equity in undistributed net earnings of associated companies	(11,053)	(3,695)	(9,130)
Funds from operations	337,460	307,505	375,202
Additions to plants, equipment and facilities	(165,068)	(171,047)	(180,697)
Additions to intangibles and investments and advances	(54,786)	6,871	(7,689)
Change in: Accounts receivable	(21,642)	110,994	(60,744)
Inventories	6,257	21,656	(39,782)
Accounts payable and accrued expenses	48,538	(38,587)	(3,971)
Income taxes	541	(16,472)	(11,853)
Net funds from internal sources	151,300	220,920	70,466
Financing transactions:			
Short-term borrowings	(67,399)	(5,126)	57,148
Funded debt:			
Additions	37,161	5,321	14,159
Reductions (including $12,000 of debentures exchanged for common stock in 1982)	(20,662)	(34,940)	(17,948)
Net funds from financing transactions	(50,900)	(34,745)	53,359
Capital transactions:			
Exchange of common stock for debentures	—	7,241	—
Equity arising from other common stock transactions—net	22,105	3,423	1,051
Dividends	(85,256)	(84,165)	(80,157)
Net funds from capital transactions	(63,151)	(73,501)	(79,106)
Other transactions:			
Effect of foreign translation adjustments	(19,961)	(24,337)	(27,484)
All others—net	(2,393)	16,217	17,347
Net funds from other transactions	(22,354)	(8,120)	(10,137)
Net increase in cash and marketable securities	$ 14,895	$104,554	$ 34,582

See accompanying Notes to Consolidated Financial Statements.

American Cyanamid Company and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF 1983, 1982 AND 1981

(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 inter-company 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 Consolidated Statements of Earnings and Earnings Employed in the Business for 1982 and 1981 have been reclassified for comparative purposes.

The equity method of accounting is used for investments in associated companies (20% to 50% owned). The aggregate cost of these investments was $25,844 and $23,916 at December 31, 1983 and 1982, respectively. Dividends of $2,651 in 1983, $2,815 in 1982 and $4,485 in 1981 were received from these companies. At December 31, 1983, principal associated companies are (% owned):

Arizona Chemical Company (50%)
B. Braun-Dexon G.m.b.H. (50%)
CYRO Industries (50%)
Laminate Industries (Proprietary) Limited (30%)
Lederle (Japan) Ltd. (50%)
TDF Tiofine B.V. (50%)

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 hyper-inflationary economies, principally Latin America.

Earnings before taxes on income were reduced by net foreign exchange losses of $44,700 in 1983, $72,000 in 1982 and $52,200 in 1981. Of these amounts, manufacturing cost of sales included foreign exchange losses of $30,400 in 1983, $33,800 in 1982 and $30,700 in 1981. The remaining foreign exchange 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 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, principally differences in depreciation methods and rates.

The company provides taxes on the undistributed earnings of subsidiaries and associated companies where the remittance of such earnings is not considered to be indefinitely postponed. At December 31, 1983, the company has no present intention of remitting undistributed earnings of subsidiaries (including those in Puerto Rico) and associated companies aggregating $741,100.

EARNINGS PER SHARE—Earnings per share of common stock is based on the average number of shares outstanding during the year, 48,759,584 in 1983, 48,201,213 in 1982 and 47,969,761 in 1981. The stock options described in Note 6 do not result in a material dilution of earnings per share.

2. FOREIGN OPERATIONS:

	1983	1982
Net current assets	$286,600	$325,300
Net other assets (principally plants, equipment and facilities)	312,800	321,300
Equity in undistributed earnings	461,500	503,800

Net earnings of foreign subsidiaries were $52,300 in 1983, $66,200 in 1982 and $90,900 in 1981.

3. INVENTORIES—At December 31, 1983 and 1982, estimated replacement cost exceeded the LIFO value of the inventories by approximately $162,200 and $172,400, respectively. It is not practicable to determine the major components of inventory under the dollar value LIFO inventory method.

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

	1983	1982
Land, including mining land	$ 50,620	$ 49,053
Buildings	446,717	454,674
Machinery and equipment	2,044,235	2,020,765
Construction in progress	81,499	81,029
	$2,623,071	$2,605,521

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

	1983	1982
Sinking fund debentures		
7⅜% due 2001	$ 80,000	$ 80,000
8⅜% due 2006	99,674	99,652
Promissory notes		
3¾% due through 1987	39,000	43,500
8¾% due 1988 to 1998	150,000	150,000
Pollution control and industrial revenue bonds		
6.8% due 2000	21,000	21,000
6.5% due 2006	22,400	22,400
8.75% due 2013	18,000	
5.5% to 12% due at various dates through 2009	65,230	66,217
Sundry obligations	24,653	23,341
	$519,957	$506,110

Annual maturities of funded debt and sinking fund requirements for the four years subsequent to December 31, 1984, are as follows: 1985—$19,600; 1986—$11,600; 1987—$39,200; and 1988—$23,300.

For consolidated financial statement reporting purposes, the principal ($21,800 at December 31, 1983 and $19,900 at December 31, 1982) and interest ($1,820 in 1983, $1,284 in 1982 and $1,513 in 1981) 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, 1983 are payable through 1987.

The 3¾% and 8¾% promissory notes contain certain restrictions, including limitations on the payment of dividends. Under the most restrictive of such limitations, the amount of earnings employed in the business at December 31, 1983, which may be applied to the payment of cash dividends is limited to $177,800.

6. 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.

COMMON STOCK AND TREASURY STOCK activity is as follows:

	Common Stock		Treasury Stock	
	Shares	Amount	Shares	Amount
Balance at January 1, 1981	48,905,338	$244,527	954,668	$(25,494)
Issued pursuant to stock option plan	—	—	(85,069)	1,515
Issued pursuant to incentive compensation plan	—	—	(2,479)	72
Acquired	—	—	84,517	(1,319)
Balance at December 31, 1981	48,905,338	244,527	951,637	(25,226)
Issued pursuant to stock option plan	—	—	(122,803)	3,033
Issued pursuant to incentive compensation plan	—	—	(5,390)	151
Exchange of common stock for debentures	—	—	(288,599)	7,370
Acquired	—	—	562	(17)
Balance at December 31, 1982	48,905,338	244,527	535,407	(14,689)
Issued pursuant to stock option plan	169,942	849	(450,757)	12,166
Issued pursuant to incentive compensation plan	—	—	(3,960)	123
Balance at December 31, 1983	49,075,280	$245,376	80,690	$ (2,400)

ADDITIONAL PAID-IN CAPITAL changes are attributable to the issuance of shares for:

	1983	1982	1981
Stock options including related tax benefits of $3,279 in 1983	$8,960	$259	$783
Exchange of common stock for debentures	—	(129)	—
Other	7	(3)	—
Increase in additional paid-in capital	$8,967	$127	$783

ACCUMULATED TRANSLATION ADJUSTMENT changes are composed of the following:

	1983	1982	1981
By category:			
Opening adjustment			$(12,295)
Translation adjustments	$41,807	$46,833	36,115
Hedge transactions and other, net	670	1,567	910
Increase in accumulated translation adjustments	$42,477	$48,400	$ 24,730
By geographic area:			
Western Hemisphere	$21,127	$ 6,561	$ 3,127
Eastern Hemisphere	21,350	41,839	21,603
Increase in accumulated translation adjustments	$42,477	$48,400	$ 24,730

STOCK OPTIONS—Under the company's 1977 stock option plan, 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, 1983, 1,699,735 shares were reserved for stock options outstanding or available to be granted. 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. On February 7, 1984, the Board of Directors adopted a new stock option plan for 3,300,000 shares subject to approval by the company's stockholders at their annual meeting on April 16, 1984.

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

Selected stock option data are as follows:

	1983	1982	1981
Options exercised during year:			
Number of shares	786,068	195,835	121,237
Option price per share	$24.00—33.75	$24.00—35.75	$24.00—31.25
Options outstanding at December 31:			
Number of shares	1,415,531	1,805,399	1,828,291
Option price per share	$24.00—41.50	$24.00—33.75	$24.00—37.25
Options exercisable at December 31	620,581	1,109,907	1,147,923

7. CONTINGENT LIABILITIES AND COMMITMENTS

Rental expense under property and equipment leases was $57,200 in 1983, $51,600 in 1982 and $52,600 in 1981. 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, 1983, are: 1984—$17,600; 1985—$11,600; 1986—$7,800; 1987—$5,400; 1988—$3,800; later years—$22,300 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.

Early in 1982, the Court of Appeals for the Third Circuit affirmed the decision of the Federal District Court in Philadelphia entering final judgment against the United States Government in its civil suit against the company and four other drug manufacturers for damages based upon the Government's payments for broad-spectrum antibiotics purchases. The decision determined that the Government had failed to prove the allegations of patent fraud upon which the Government's case was based. During the second quarter of 1983, the Government's related suit seeking cancellation of four antibiotic patents and damages was also dismissed. These decisions are now final. As a result, the balance of the amount charged in 1977 to earnings of appropriate years prior to 1967, net of related income taxes, has been restored to earnings employed in the business.

The company and its subsidiaries are parties to numerous suits and claims arising out of the conduct of the business. In the opinion of management, the ultimate liability resulting therefrom will not have a material adverse effect upon the consolidated financial position of the company and subsidiaries.

8. TAXES ON INCOME are based on earnings of consolidated companies before taxes on income as follows:

	1983	1982	1981
Domestic	$115,010	$ 59,188	$139,295
Foreign	102,742	117,429	154,144
	$217,752	$176,617	$293,439

The components of the provision are:

	1983	1982	1981
Current:			
Federal	$(5,900)	$(17,500)	$ 17,200
Foreign	67,200	56,700	66,100
Other	4,600	6,200	4,000
	65,900	45,400	87,300
Deferred:			
Federal	3,800	5,700	17,300
Foreign and other	(4,600)	(100)	5,400
	(800)	5,600	22,700
Total taxes on income	$65,100	$ 51,000	$110,000

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

The principal component of deferred tax provisions is the excess of tax over book depreciation (1983—$5,900, 1982—$3,300, 1981—$16,200).

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

	1983	1982	1981
Federal income tax rate	46.0%	46.0%	46.0%
Investment tax credit on assets purchased during the year and research credits	(6.7)	(9.1)	(4.6)
Income subject to income tax at less than Federal rates, and not expected to be subject to Federal tax in the foreseeable future	(9.9)	(6.7)	(5.1)
Other, net	.5	(1.3)	1.2
Effective tax rate	29.9%	28.9%	37.5%

9. OTHER FINANCIAL INFORMATION

Included in accounts payable and accrued expenses at December 31, 1983 and 1982, respectively, are trade payables of $275,582 and $220,249, pensions and other employee benefits of $87,971 and $96,084, checks outstanding in excess of certain domestic cash balances of $40,522 and $29,029 and other accrued expenses of $209,104 and $219,279.

At December 31, 1983, the company had $160,000 of domestic short-term lines of credit available.

Maintenance and repairs were $150,800 in 1983, $155,100 in 1982 and $176,100 in 1981. Taxes other than income and payroll taxes were $50,100 in 1983, $49,500 in 1982 and $45,300 in 1981. Advertising was $289,000 in 1983, $259,200 in 1982 and $240,000 in 1981.

The company and its consolidated subsidiaries have various pension plans covering substantially all employees in the United States and Canada and certain employees in foreign countries. The company's policy generally is to accrue and fund pension costs over the service lives of the covered employees. The total pension expense was $51,300 in 1983, $51,700 in 1982 and $50,100 in 1981. Using an assumed rate of return of 8.5% in both 1983 and 1982, the actuarial present value of accumulated benefits under the principal plans of the company, at January 1, 1983 (the most recent valuation date) and January 1, 1982 was computed to be $595,400 and $532,200, respectively. Of this amount, $585,800 in 1983 and $523,700 in 1982 represent vested plan benefits and $9,600 in 1983 and $8,500 in 1982 represent non-vested plan benefits. The corresponding total of net assets available for plan benefits was $610,800 at January 1, 1983 and $516,500 at January 1, 1982.

10. OPERATIONS BY BUSINESS GROUPS AND GEOGRAPHIC AREAS

The following commentary relates to the tables appearing on pages 41, 42 and 43.

The company and its subsidiaries are engaged primarily in the manufacture and sale of a highly diversified line of medical, agricultural, chemicals, consumer products and Formica brand products.

Total sales between business groups were approximately $75,100 in 1983, $129,300 in 1982 and $78,500 in 1981. These intersegment sales, which are made at cost, were not significant for any of the business groups except medical ($29,400 in 1983, $72,000 in 1982 and $22,300 in 1981) and chemicals ($44,300 in 1983, $56,300 in 1982 and $54,700 in 1981).

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.

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.

First quarter 1983 operating earnings include an $8,400 refund (principally in the Chemicals Group) arising from an energy overcharge at a plant in prior years. Second quarter 1983 general corporate expense is net of a gain of $4,900 from the sale of a portion of an equity investment.

First quarter 1982 operating earnings include $9,400 of income in the Agricultural Group as a result of the final insurance claim settlement relating to the 1977 *Prowl* herbicide manufacturing facilities explosion. First quarter 1982 general corporate expense is net of a gain of $5,100 from the exchange of 288,599 shares of common stock for $12,000 principal amount of debentures due 2001.

Second quarter 1982 operating earnings of the Chemicals Group were reduced by a $5,000 provision for the withdrawal from certain pigments and rubber chemicals businesses.

1982 operating earnings were increased by $23,000 (including $12,300 in the Chemicals Group and $7,100 in the Agricultural Group) as a result of LIFO inventory decrements occurring principally in the fourth quarter. Operating earnings of the Consumer Products Group were reduced in the fourth quarter of 1982 by a $2,300 provision for the closing of certain manufacturing and distribution operations.

Second quarter 1981 operating earnings were increased by $6,400 in the Agricultural Group to reflect receipt of an advance relating to the insurance claim referred to above.

BUSINESS GROUPS

	1983	1982	1981
NET SALES			
Medical	$ 967,594	$ 883,816	$ 773,377
Agricultural	746,726	731,387	844,196
Chemicals	972,558	966,581	1,101,267
Consumer Products	508,090	500,393	518,543
Formica Brand Products	340,546	371,497	411,690
	$3,535,514	$3,453,674	$3,649,073
OPERATING EARNINGS			
Medical	$ 144,812	$ 98,203	$ 88,360
Agricultural	33,879	61,435	120,198
Chemicals	72,089	38,638	77,877
Consumer Products	24,868	15,923	33,877
Formica Brand Products	14,901	16,053	32,652
	290,549	230,252	352,964
GENERAL CORPORATE EXPENSES	(39,493)	(25,106)	(27,395)
INTEREST EXPENSE, NET OF INVESTMENT INCOME	(33,304)	(28,529)	(32,130)
EARNINGS OF CONSOLIDATED COMPANIES BEFORE TAXES ON INCOME	$ 217,752	$ 176,617	$ 293,439
EQUITY IN NET EARNINGS OF ASSOCIATED COMPANIES			
Medical	$ 2,831	$ 3,781	$ 5,212
Agricultural	465	451	187
Chemicals	9,630	1,633	7,112
Formica Brand Products	778	645	1,104
	$ 13,704	$ 6,510	$ 13,615

	1983	1982	1981
IDENTIFIABLE ASSETS			
Medical	$ 611,577	$ 545,257	$ 488,219
Agricultural	628,905	630,728	723,786
Chemicals	645,820	677,778	763,637
Consumer Products	207,223	203,892	216,875
Formica Brand Products	211,463	259,486	281,787
	2,304,988	2,317,141	2,474,304
EQUITY IN NET ASSETS OF AND ADVANCES TO ASSOCIATED COMPANIES			
Medical	13,060	11,409	12,862
Agricultural	1,879	1,747	1,812
Chemicals	55,080	47,014	48,012
Formica Brand Products	4,403	2,882	3,050
	74,422	63,052	65,736
CORPORATE ASSETS	676,684	617,212	524,985
TOTAL ASSETS	$3,056,094	$2,997,405	$3,065,025
DEPRECIATION, DEPLETION AND AMORTIZATION			
Medical	$ 41,844	$ 32,554	$ 23,293
Agricultural	37,525	35,825	32,797
Chemicals	74,336	77,059	78,216
Consumer Products	6,910	4,961	4,698
Formica Brand Products	16,874	17,908	17,557
Corporate	5,468	5,166	8,017
	$ 182,957	$ 173,473	$ 164,578
CAPITAL ADDITIONS			
Medical	$ 47,829	$ 40,051	$ 41,264
Agricultural	25,685	39,875	41,734
Chemicals	57,775	60,791	64,958
Consumer Products	7,776	4,951	7,423
Formica Brand Products	14,627	18,244	15,111
Corporate	11,376	7,135	10,207
	$ 165,068	$ 171,047	$ 180,697

	1983	1982	1981
NET SALES TO UNAFFILIATED CUSTOMERS			
United States	$2,388,662	$2,233,575	$2,372,701
Other Western Hemisphere	388,664	454,025	500,937
Eastern Hemisphere	758,188	766,074	775,435
	$3,535,514	$3,453,674	$3,649,073
INTERGEOGRAPHIC SALES			
United States	$ 184,757	$ 169,849	$ 147,525
Other Western Hemisphere	51,125	44,359	41,009
Eastern Hemisphere	35,975	31,222	27,600
Eliminations	(271,857)	(245,430)	(216,134)
	—	—	—
OPERATING EARNINGS			
United States	$ 172,413	$ 112,853	$ 199,023
Other Western Hemisphere	11,605	18,085	54,827
Eastern Hemisphere	106,531	99,314	99,114
	290,549	230,252	352,964
GENERAL CORPORATE EXPENSES	(39,493)	(25,106)	(27,395)
INTEREST EXPENSE, NET OF INVESTMENT INCOME	(33,304)	(28,529)	(32,130)
EARNINGS OF CONSOLIDATED COMPANIES BEFORE TAXES ON INCOME	$ 217,752	$ 176,617	$ 293,439
EQUITY IN NET EARNINGS OF ASSOCIATED COMPANIES			
United States	$ 9,436	$ 1,927	$ 5,384
Other Western Hemisphere	465	451	169
Eastern Hemisphere	3,803	4,132	8,062
	$ 13,704	$ 6,510	$ 13,615
IDENTIFIABLE ASSETS			
United States	$1,574,731	$1,523,228	$1,643,596
Other Western Hemisphere	273,773	325,652	337,518
Eastern Hemisphere	456,484	468,261	493,190
	2,304,988	2,317,141	2,474,304
EQUITY IN NET ASSETS OF AND ADVANCES TO ASSOCIATED COMPANIES			
United States	47,210	38,547	35,576
Other Western Hemisphere	1,879	1,747	1,726
Eastern Hemisphere	25,333	22,758	28,434
	74,422	63,052	65,736
CORPORATE ASSETS	676,684	617,212	524,985
TOTAL ASSETS	$3,056,094	$2,997,405	$3,065,025

11. SUPPLEMENTAL INFORMATION ON INFLATION AND THE EFFECTS OF CHANGING COSTS (UNAUDITED)—Although the rate of inflation has recently slowed, the United States has experienced rapid inflation in the last decade as contrasted to previously existing levels. This experience has led to the general belief that the historical cost measurements used for the financial statements and other financial information included in annual reports to stockholders fail to reflect fully the economic reality of a business' financial condition and operating results. The Financial Accounting Standards Board, in an effort to produce financial information that discloses the effects of inflation, issued Statement No. 33, *Financial Reporting and Changing Prices*, as amended by Statement No. 70 relating to foreign currency financial statements, which requires the reporting of certain supplemental financial data.

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

The effect of specific cost changes on results of operations is required to be measured by current amounts which are applicable to the company (current costs). This measure of costs is highly subjective and, while based on the best judgments of management, may not accurately reflect the effects of inflation. Consequently, the company believes that while it is important for financial statement users to develop an understanding of the more significant impacts of inflation, the dominant focus should continue to be on the financial statements based upon historical costs. The required supplemental inflation data must be viewed with caution since, as indicated above, it is not certain whether it is a fair representation of the impact of inflation upon the company.

The condensed consolidated statement of earnings presented on page 45 is based on historical results of operations adjusted for changing current cost factors relating to plants, equipment and facilities and inventories. Except for the adjustment of net monetary liabilities to arrive at the purchasing power gain, which is not included in adjusted net earnings, no other balance sheet or income and expense items have been restated for changes in current costs.

In determining current costs, historical costs have been adjusted for changes in specific costs and are presented in 1983 average dollars. Current costs have been determined by various methods. The current cost of plants, equipment and facilities generally was determined by use of externally developed construction and equipment indices. It should be recognized that the current cost amounts are not indicative of the company's results of operations from replacement of its productive capacity because such replacement would, where appropriate, include technological improvements to increase efficiency and reduce costs of operations. Current cost adjustments only contemplate replacing inventories and existing productive facilities with identical assets. The FIFO method was used to approximate the current cost of inventories. The LIFO method, or methods yielding results approximating the LIFO method, were used to estimate the current manufacturing cost of sales. The inflationary impact on inventories affects manufacturing cost of sales to a lesser extent because the company uses the LIFO method of costing for a substantial portion of such inventories and, therefore, reflects to a large degree present costs in the historical earnings statements.

Historical depreciation expense is calculated using the straight-line composite method, which has the effect of accelerating depreciation and thereby providing some allowance for the effects of inflation. Accordingly, current cost depreciation has been adjusted to recognize the conservatism inherent in the historical depreciation. Because the current cost concepts are not recognized for income tax purposes, taxes on income have not been adjusted for the effects of changes in current costs. Therefore the effective income tax rate is greater than that determined from the historical financial statements.

The five-year table presented on page 45 sets forth a comparison of selected financial data relating to changes in both purchasing power and specific (current) costs. Amounts in the table are updated to dollars of common purchasing power using the 1983 average U.S. Consumer Price Index for All Urban Consumers (CPI-U).

CONDENSED CONSOLIDATED STATEMENT OF EARNINGS AND EARNINGS ADJUSTED FOR CHANGING COSTS FOR THE YEAR ENDED DECEMBER 31, 1983 (UNAUDITED)
(Millions of dollars)

	As Reported in Consolidated Statement of Earnings	Adjusted for Changes in Current Costs
Net sales	$3,536	$3,536
Manufacturing cost of sales	2,101	2,178
All other expenses, net	1,217	1,254
Earnings before taxes on income	218	104
Taxes on income	65	65
Equity in net earnings of associated companies	13	13
Net earnings	$ 166	$ 52
Effective tax rate	30%	63%
Depreciation, depletion and amortization	$ 183	$ 254
Net earnings including gain from decline in purchasing power of net monetary liabilities		$ 66
Increase in general price level of inventories and plants, equipment and facilities held during the year*		$ 98
Increase in specific costs		83
Excess of increase in general price level over increase in specific costs		$ 15

*At December 31, 1983, current cost of inventory was $682 and current cost of plants, equipment and facilities, net of accumulated depreciation, was $1,891.

FIVE-YEAR COMPARISON OF SELECTED FINANCIAL DATA ADJUSTED FOR EFFECTS OF CHANGING COSTS IN AVERAGE 1983 DOLLARS (UNAUDITED)
(Millions of dollars except per share amounts)

	1983	1982	1981	1980	1979
Net sales	$3,536	$3,565	$3,996	$4,176	$4,376
Historical cost information adjusted for current costs:					
Net earnings	52	23	91	57	103
Net earnings per share of common stock	1.07	.47	1.89	1.18	2.16
Stockholders' equity at year end	2,321	2,426	2,718	2,779	2,877
Gain from decline in purchasing power of net monetary liabilities	14	17	44	75	91
Excess of increase in general price level over change in specific costs	15	170	54	184	209
Translation adjustments	64	67	62		
Per share of common stock:					
Cash dividends	1.75	1.81	1.83	1.93	2.20
Market price at year end	49.15	35.48	30.74	37.68	44.13
Average consumer price index	298.4	289.1	272.4	246.8	217.4

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, Mitchell & Co. As indicated in the Accountants' Opinion appearing on this page, their examination was 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 non-management directors, meets periodically with management, the internal auditors and the independent certified public accountants to review internal accounting control, auditing and financial reporting matters. Both the internal auditors and the independent certified public accountants have full and free access to the Audit Committee.

ACCOUNTANTS' OPINION

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, 1983 and 1982 and the related consolidated statements of earnings and earnings employed in the business and changes in financial position for each of the years in the three-year period ended December 31, 1983. 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, 1983 and 1982 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, 1983, in conformity with generally accepted accounting principles applied on a consistent basis.

PEAT, MARWICK, MITCHELL & CO.

Short Hills, NJ
February 7, 1984

FIVE-YEAR SUMMARY

(Millions of dollars except per share amounts)

EARNINGS	1983	1982	1981	1980	1979
Net sales	$3,536	$3,454	$3,649	$3,454	$3,187
Manufacturing cost of sales	2,101	2,125	2,285	2,220	2,031
Research and process development expense	215	190	172	148	130
Selling, advertising and administrative expenses	990	959	895	811	757
Interest expense	74	69	68	63	63
Taxes on income	65	51	110	104	92
Earnings of consolidated companies	153	126	183	147	157
Equity in net earnings of associated companies	13	6	14	12	11
Net earnings	166	132	197*	159	168
Per share of common stock:					
Net earnings	3.41	2.74	4.11*	3.32	3.52
Dividends	1.75	1.75	1.675	1.60	1.60
Average number of shares of common stock outstanding (used in calculating earnings per share)	48.8	48.2	48.0	47.9	47.8
OTHER DATA					
Additions to plants, equipment and facilities	165	171	181	196	235
Current assets	1,545	1,515	1,543	1,408	1,351
Current liabilities	733	753	829	775	824
Working capital	812	762	714	633	527
Plants, equipment and facilities	2,623	2,606	2,525	2,443	2,310
Net depreciated cost	1,256	1,296	1,325	1,329	1,303
Total assets	3,056	2,997	3,065	2,917	2,827
Funded debt	520	506	521	545	523
Stockholders' equity:					
Common stock	245	244	244	244	244
Additional paid-in capital	50	41	41	40	39
Earnings employed in the business	1,426	1,345	1,297	1,180	1,098
Accumulated translation adjustments	(115)	(73)	(25)	—	—
Treasury stock	(2)	(14)	(25)	(25)	(30)
Total stockholders' equity	1,604	1,543	1,532	1,439	1,351

*The effect of adopting Statement of Financial Acounting Standards No. 52, *Foreign Currency Translation*, in 1981 was to increase net earnings for the year by $23.8 million ($.50 per share).

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, 1983, the company had available for its operations approximately $300 million in cash, marketable securities and time deposits. This significant source of liquidity, combined with other relatively liquid assets, most notably accounts receivable of approximately $700 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 2.1 to 1.

Funds derived from operations in 1983 totaled about $337 million. This amount provided the company with adequate resources for capital expenditures of $165 million, dividend payments to shareholders of $85 million and other cash requirements.

In addition to the operating cash flow and liquid assets discussed above, the company has $160 million in unutilized lines of credit in the United States. These lines are available to satisfy cash requirements, should such a need arise, or to support commercial paper borrowings, and are supplemented by a variety of other credit facilities maintained by foreign subsidiaries.

The company has maintained a relatively consistent level of debt financing. At December 31, 1983, aggregate debt financing was $590 million, equal to 26.9% of total debt and equity and comprised of short-term borrowings of about $63 million and funded debt, including the portion due within one year, of $527 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 1984, including the amount already committed at December 31, 1983, of about $41 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.

The company considers its December 31, 1983, financial condition and anticipated 1984 operating results to be of the most significance in assessing its liquidity. Importance can also be attached to prior years' data which evidence an ability to maintain liquidity over a period of time. Data for 1982 and 1981 corresponding to the 1983 data discussed above are readily obtainable from the consolidated financial information included in this annual report.

RESULTS OF OPERATIONS

NET SALES in 1983 were $3.54 billion, up 2% from $3.45 billion in 1982, while NET EARNINGS in 1983 were $166.4 or $3.41 per share, up 26% from $132.1 million or $2.74 in 1982.

The significant increase in net earnings is attributable to the cumulative results of programs of new product research and development, especially in the medical business, divestiture of product lines with little or no profit, and organized cost reduction programs. The effect of increased sales from the turnaround of the U.S. economy was a minor contributing factor to improved earnings, as increased housing construction, resulted in higher U.S. sales of *Formica* brand laminates and there was some improvement in sales of chemicals and consumer products. Offsetting these positive economic factors were the impact of low U.S. agricultural production and the increasing economic problems in Latin America.

Net sales in 1982 were down 5% from $3.65 billion in 1981. Medical sales increased 14%, but were offset by declines in the sales of other business groups which were significantly affected by high interest rates resulting in reduced industrial activity, a farm depression and a strong U.S. dollar. The declines occurred in both the United States and foreign operations.

Net earnings in 1982 were down 33% from $197.1 million or $4.11 per share in 1981. Earnings before taxes ("earnings") for 1982 include approximately $23 million from LIFO inventory decrements. Net earnings also reflect a lower effective income tax rate in 1982 versus 1981. The net effect of certain other unusual charges and credits arising in 1982 and 1981 was not significant to a comparison of 1982 and 1981 consolidated net earnings.

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

FOREIGN EXCHANGE LOSSES reduced earnings by $44.7 million in 1983, $72 million in 1982 and $52.2 million in 1981. In addition, translation of overseas subsidiary earnings statements at reduced foreign currency exchange rates resulting from the strengthening of the U.S. dollar had a further adverse effect on consolidated revenues and earnings.

TAXES ON INCOME as a percent of earnings were 29.9%, a slight increase from 28.9% in 1982, which declined from 37.5% in 1981. 1982's decrease was primarily due to increases in income subject to tax at less than U.S. rates and increases in investment and research credits.

INFLATION AND CHANGING PRICES are discussed in Note 11 to the Consolidated Financial Statements. The information presented therein attempts to measure the impact of inflation and changing costs on the company's results of operations and certain other historical financial information.

BUSINESS GROUPS' SALES AND OPERATING EARNINGS, along with certain other financial data, are set forth in Note 10 to the Consolidated Financial Statements, and are discussed below.

MEDICAL GROUP sales increased in both 1983 and 1982 from previous year levels. In 1983 the increase was spurred by increased sales of antibiotics, including our semi-synthetic penicillin, polio vaccine, anti-cancer agents, multivitamins and wound closure products.

In 1982 the increase resulted primarily from the introduction of a new semi-synthetic penicillin, multivitamins, and, in overseas markets, a non-steroidal anti-inflammatory. The higher sales in both years resulted in increased operating earnings compared to prior years.

AGRICULTURAL GROUP sales increased marginally in 1983 from 1982 although operating earnings were substantially lower. Long-term farm surpluses and reduced plantings caused by the U.S. Government's Payment-In-Kind Program resulted in lower sales of crop protection chemicals. Earnings also suffered from lower prices for fertilizers due to worldwide industry overcapacity, although sales improved.

In 1982, sales declined and operating earnings were substantially lower than 1981 as a result of severely depressed conditions in key markets. Fertilizer sales declined as a result of reduced demand, high inventories and overcapacity in the United States, and the effect of the strong U.S. dollar in overseas markets. Pesticide sales were lower because of the depressed United States farm economy, despite somewhat higher foreign sales. Operating earnings in 1982 include $9.4 million of income (an advance payment of $6.4 million was received in 1981) as a result of the final insurance claim settlement relating to the 1977 *Prowl* herbicide manufacturing facility explosion, and $7.1 million of income as a result of LIFO inventory decrements.

CHEMICALS GROUP sales increased slightly in 1983 (despite the reduction attributable to discontinued products) while operating earnings improved significantly. Improved performance was attributable to lower raw material costs, an improved product mix and an effective program of cost reductions. With the U.S. economic recovery, sales of resins and adhesives, molding compounds, plastic additives and specialty elastomers increased significantly, as did enhanced oil recovery chemical sales. Chemicals Group 1983 operating earnings also include the principal portion of an $8.4 million refund arising from an energy overcharge at a plant in prior years.

Chemicals Group sales declined in 1982 from 1981 levels, particularly in aerospace products, mining chemicals, refinery catalysts and titanium dioxide pigments. Although water treating polymers and paper chemicals sales were down slightly from 1981 levels, they performed reasonably well in a declining market. Operating earnings declined substantially despite $12.3 million of income as a result of LIFO inventory decrements, which was partially offset by a $5 million provision for the withdrawal from certain pigments and rubber chemicals businesses.

CONSUMER PRODUCTS GROUP sales increased slightly in 1983 while operating earnings improved substantially, as U.S. sales of toiletries and household products, especially *Lady's Choice* anti-perspirant, *Miss Breck* hair spray and *Pine-Sol* liquid cleaner, were higher than a year ago, offsetting lower international sales, particularly in Latin America.

Consumer Products Group sales were slightly lower in 1982 as United States sales increases, especially in *Old Spice* toiletries and a new solid anti-perspirant, *Lady's Choice*, were offset by a decline in prestige fragrances, the effects of the strong U.S. dollar, the Mexican peso devaluations and depressed conditions in international markets. Operating earnings in 1982 declined substantially, reflecting the impact of the Mexican devaluations, higher expenditures for new product launches and a provision of $2,300 for the closing of certain manufacturing and distribution operations.

FORMICA BRAND PRODUCTS GROUP sales and operating earnings declined in 1983. While U.S. *Formica* brand laminate business improved significantly with the recovery of the housing market, Latin American operating results fell sharply as the recession worsened.

Formica Brand Products Group sales were lower in 1982 compared to 1981 as a result of continuing worldwide recessionary conditions in the construction industry. 1982 operating earnings declined substantially in spite of concentrated cost reduction efforts.

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ex officio

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Chairman
David M. Culver
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 diversified, multinational organization in five basic businesses: medical, agricultural, chemicals, consumer products and *Formica* brand products. Cyanamid operates 12 research laboratories and nearly 100 plants, and its 2,500 products are sold by its divisions and subsidiaries in more than 135 countries around 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: 130400. TWX: 7109883045.

ANNUAL MEETING
The annual meeting of stockholders is held each year on the third Monday in April. The 1984 annual meeting will be held at 11 a.m. on Monday, April 16, 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 is also listed on stock exchanges in Amsterdam, Basle, Frankfurt, Geneva, Lausanne 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 10249
(212) 530-8052

DIVIDEND PAYMENT SCHEDULE
Dates for 1984 dividends, as and when declared by the Board of Directors, are scheduled as follows:

- March 30, for stockholders of record February 17,
- June 29, for stockholders of record May 25,
- September 28, for stockholders of record August 31,
- December 21, for stockholders of record November 16.

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 is also mailed to stockholders.

FORM 10-K
A copy of the company's 1983 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 will also be made available at a charge. Requests should be addressed to:

Director of Investor Relations
American Cyanamid Company
One Cyanamid Plaza
Wayne, New Jersey 07470

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