CYANAMID American Cyanamid Company Annual Report 1969

WAYNE, NEW JERSEY 07470

American Cyanamid Company

Report of the Board of Directors for the Year Ended December 31, 1969

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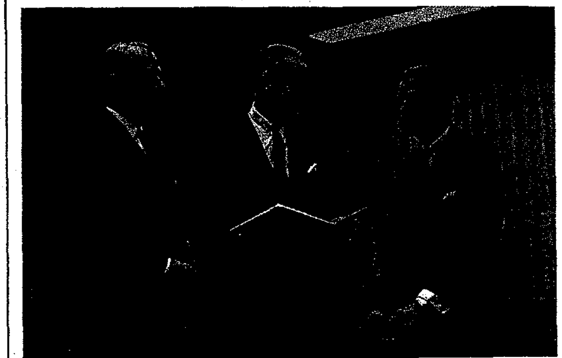
American Cyanamid Company and Subsidiaries

Highlights

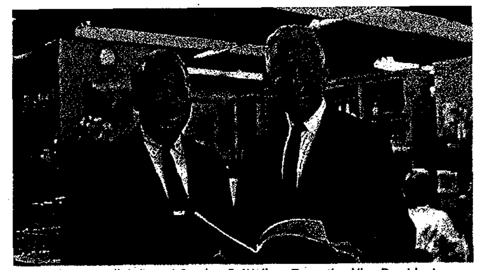
For the Years Ended December 31, 1969 and 1968

	1969	1968
Sales	$1,087,097,977	$1,023,231,047
Earnings before income taxes	166,870,096	156,759,601
Income taxes	77,000,000	71,000,000
Net earnings	89,870,096	85,759,601
Dividends on Common Stock paid in cash	55,107,596	55,117,784
Earnings per share Common Stock (based on the average number of shares outstanding for each year)	2.02	1.93
Dividends per share Common Stock	1.25	1.25
Depreciation, amortization and depletion	54,834,159	54,361,328
Expenditures for capital additions	95,833,461	56,810,281
Funded debt	118,993,967	105,209,689
Shareholders' equity	690,829,736	683,587,317
Shares outstanding at end of year: Common Stock (excluding treasury shares)	44,366,194	44,399,352
Number of shareholders	122,219	124,189
Number of employees	36,325	35,365

BOARD OF DIRECTORS



Clifford D. Siverd, center, President and Chief Executive Officer, Ian K. MacGregor, left (Chairman of American Metal Climax,Inc.), and L. Emery Katzenbach, right (General Partner in White, Weld & Co.).



George W. Russell, left, and Gordon C. Walker, Executive Vice Presidents, are shown in Consumer Products research laboratory.

Thomas L. Perkins, center (Counsel, Perkins, Daniels & McCormack), James B. Fisk, right, (President, Bell Telephone Laboratories, Inc.).

Nolan B. Sommer, right, Executive Vice President and Thomas P. Forbath, left, Vice President.

Shown at Formica plant are Robert C. Swain, left, Executive Vice President and Ernest G. Hesse, Vice President.

To Our Shareholders:

The year 1969 for Cyanamid was one of further progress. Worldwide sales reached a new all-time high of $1,087,098,000, up 6% from $1,023,231,000 in 1968. Earnings were $89,870,000 or $2.02 per share, 5% higher than $85,760,000 or $1.93 per share in 1968.

The year-to-year earnings increase was due principally to the higher sales volume throughout the year, to larger dividends from associated companies and to the proceeds of the settlement of certain foreign patent litigation which were received in the fourth quarter. The improvement in earnings was achieved despite the pressure on profit margins, which has become more pronounced in recent months. Lower manufacturing productivity, higher salaries and wages, and lower selling prices, particularly for some agricultural products and for certain medical products overseas, all contributed to the pressure on profit margins. A strike at the Pearl River, New York, plant of the Lederle Laboratories Division during the latter part of the year also affected earnings adversely, although deliveries were maintained from inventories and partial production.

Worldwide sales increased in all four of the major segments of the company's business. Toward the end of the year, however, definite signs of a slowdown made their appearance in some product areas.

The largest year-to-year percentage gains in both worldwide sales and earnings were registered by building and consumer products. The medical segment of the business also showed gains in sales and earnings despite the strike at Pearl River. For chemicals, although sales increased in 1969, earnings were lower because of the decline in profit margins. In the agricultural part of the business, both sales and earnings for the last half of 1969 were well above those for the comparable period of 1968. For the year 1969 as a whole, worldwide sales of products for agriculture were somewhat higher than in 1968. However, earnings were lower because of depressed conditions in the fertilizer industry and reduced sales of pesticides during the first half of the year.

The table on the opposite page shows the approximate percentage contribution to 1969 and 1968 sales and earnings made by each of the four segments—and, in the case of earnings, by dividends from associated companies also.

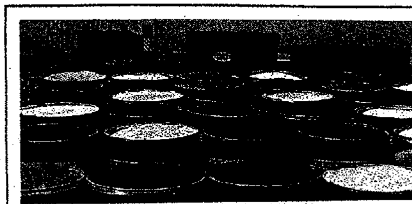
Cyanamid made three acquisitions in 1969. The largest of the three was the IRC Fibers Division of Midland-Ross Corporation, purchased for a price somewhat in excess of $20 million. With this purchase, Cyanamid acquired technology and production facilities for industrial polyester fibers and modified rayon, thereby expanding the position it has successfully established in man-made fibers with the broad line of CRESLAN® acrylic fibers.

The other two of the year's acquisitions were Sargent Calcium Co. and Control Print Corporation. Sargent Calcium Co. is a producer of dicalcium phosphate and ground limestone sold to manufacturers of animal feeds. With the acquisition of Control Print Corporation, Cyanamid enhanced its capability to offer systems and hardware utilizing its new luminescers for control of automated industrial operations.

As a result of the program for settling the antitrust litigation in which Cyanamid is involved, the company during 1969 accrued the amount of $54 million with respect to the settlement of certain of the damage suits filed against it, and this amount, less an estimated tax benefit of $29.4 million, has been charged against earnings of appropriate prior years. In October, the company deposited approximately $34.4 million in escrow under court supervision as its share of a total deposit of approximately $85.3 million made to implement a major portion of the settlement program. A further discussion of recent developments in this litigation and the settlement program appears in the section of this report captioned Litigation on page 15.

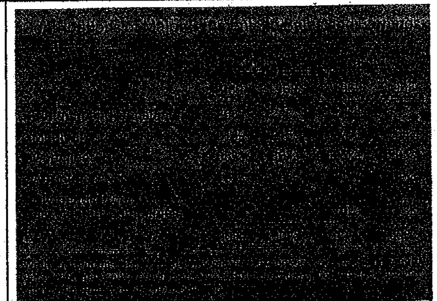
Capital expenditures in 1969, primarily for new and enlarged production facilities and for acquisitions, were approximately $96 million, as compared with $57 million in 1968.

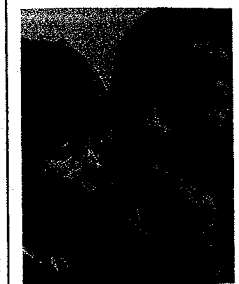
This report on the year's activities would not be complete without mention of the company's response to its social obligations. The following pages include a description of some of the further steps taken by Cyanamid during 1969 in preservation of air and water quality and in hiring of the disadvantaged. In addition, in recognition of the impact of inflation on the cost of living, the company increased its pension payments to retired employees.



Chemical

Building and Consumer





Medical

Agricultural

During the year, in order to describe more clearly functional responsibilities, the committee previously designated as the Executive Committee was renamed the Finance Committee, and the committee previously called the Management and Finance Committee was then renamed the Executive Committee.

The outlook for the general economy in 1970 is highly uncertain. The costs of doing business remain under strong upward pressure, and the company has redoubled its efforts directed at improving manufacturing productivity, at stringent control of costs, and at increasing profit margins by all other measures possible.

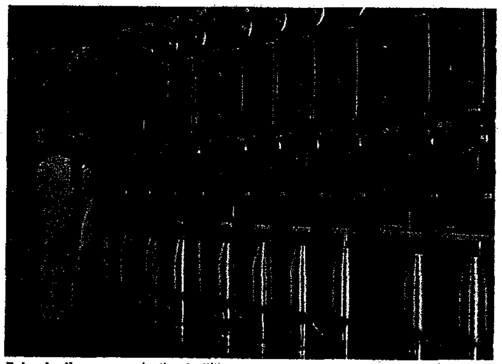
As in past years, the competence and dedication of Cyanamid's employees, and the loyalty and support of our shareholders, customers, and suppliers, contributed immeasurably to our performance in 1969. These are among the factors that give us confidence as we look ahead to the challenges of 1970 and the years beyond.

For The Board of Directors

PRESIDENT

Wayne, New Jersey
February 3, 1970

Year in Review



Polyester tire yarn production facilities were part of the acquisition by Cyanamid of the IRC Fibers Division of Midland-Ross Corporation late in 1969. The IRC plant is at Painesville, Ohio, and also produces modified rayon. Expansion is planned.

Indoor-outdoor carpet of Creslan® acrylic fiber withstands exposure to the elements. Cyanamid introduced a new system for achieving color-fastness which enables carpet designers to offer a wider selection of colors.

Building and Consumer

The building and consumer products segment, which includes Consumer Products, Fibers, and Formica Corporation, has been the most rapidly growing segment of the company's business. In consumer products, worldwide sales showed a substantial gain in 1969, aided by the success of recently introduced hair-care products. There was a considerable decline in domestic demand for fibers in the latter part of 1969, but fiber sales in overseas markets were good for the year, bringing worldwide fiber sales to about the same level as in 1968. Sales of FORMICA® brand laminates increased both here and abroad despite continued weakness in home construction in the United States.

Earnings for the year showed good improvement in the building and consumer products segment. The profit generated by the higher volume of consumer products and Formica sales more than offset the effect on earnings of lower fiber demand in the United States. Despite the overall higher volume of sales, however, earnings from building and consumer products were affected in recent months by lower manufacturing productivity and higher manufacturing costs evident in other segments of the company's business.

Activity during 1969 related to building and consumer products, as outlined below, was highlighted by an important acquisition and the planning and introduction of new products.

Consumer Products: The strong surge in sales of consumer products in 1969 was evidence of a year of significant progress in this area of the company's business. In both hair-care and household products, an impressive record of accomplishments was achieved in the research, development, market testing and national launch of new products as well as in improved formulating, packaging and marketing of existing products.

The success of new and recently introduced consumer products was the result of consumer-oriented research complemented by the broad scientific technologies available in other areas of Cyanamid's business. This research teamwork was responsible for the national introduction in mid-1969 of BRECK® hair color, a shampoo-in product that achieved sizable early sales and good customer acceptance. The company is supporting this new product with the sizable expenditures needed for advertising and sales promotion because of the competitive nature of the hair color business. The product line of 12 current color shades will be extended in 1970.

An earlier product from Cyanamid research, BRECK BASIC® hair texturizer, introduced in 1968, sold extremely well in 1969.

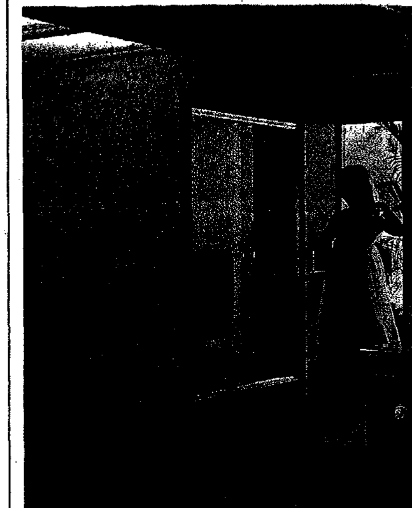
The benefits of company-wide research also extended to household products in 1969. At year-end, national introduction was underway for a major new product, FORMICA® FLOOR SHINE® finish. FLOOR SHINE imparts a hard polymer finish to tile, vinyl, linoleum and other types of floors that resists scuffs, stains and spills. The finish meets housewife preference for a product that does not yellow and is easily removed, as indicated in successful test marketing in three cities.

Product innovation in important BRECK® hair-care lines also is aiding sales. At the end of 1969, a national shift was underway to introduce a new "gold formula" for BRECK® shampoo which conditions the hair while both wet and dry. The new shampoos are packaged in a new and safe plastic shatter-proof container. Another product innovation, the introduction of unscented formulations of MISS BRECK® hair sprays, helped increase sales significantly.

Improvements in capacity and productivity were achieved in 1969 for the production of PINE-SOL® cleaner, disinfectant, deodorizer. A new plant was completed near Jackson, Mississippi, replacing smaller leased facilities. Sales of PINE-SOL increased significantly during the year as the product climbed to the No. 1 position in the liquid cleaner market in the United States.

National advertising campaign for new Formica® Floor Shine® finish is reviewed by Robert Hecklau, standing, product manager, and creative team of advertising agency. Product was successful in test markets conducted in three cities.

Glory girls help advertise new Breck® hair color, a shampoo-in product that gained substantial early sales following its national introduction in mid-1969. The line now includes 12 different shades and will be extended with new shades in 1970.



Floral pattern of Formica® Panel System 202 shows its increasing use in high humidity areas such as bathrooms. The laminate is bonded on a semi-rigid core of polystyrene foam and can be installed over old surfaces. Fiat® shower unit in background is another Formica product. Both are popular in home remodeling.

New plant to produce Pine-Sol® cleaner, disinfectant, deodorizer was completed near Jackson, Miss., in 1969. Pine-Sol is now leader in liquid cleaner field.

Fibers: The level of activity in the floor covering and apparel markets in the United States declined in the latter part of 1969. In the competition for the lower volume of business, Cyanamid's acrylic fibers were aided by product improvements and technological innovations.

A new system was introduced in 1969 for achieving the color-fastness required in acrylic outdoor carpeting. With the new system, carpet manufacturers have virtually unlimited color selection and greatly increased styling versatility to meet the more sophisticated tastes of the consumer. Colors available with the process have withstood the test of exposure to months of bright Florida sunshine.

At the recent Home Furnishings Market show, seven carpet manufacturing mills introduced 13 new lines containing CRESLAN® acrylic fiber, ten of which were styled from the company's newly introduced piece-dyed and cross-piece-dyed fibers.

To expand its service to the carpet industry, Cyanamid is installing a carpet fiber application facility at its plant near Pensacola, Florida. Scheduled for completion in 1970, the unit will enable the company to duplicate commercial techniques from basic fiber to finished carpet. It will include modern equipment for yarn spinning, dyeing, tufting, and finishing. The facility also will broaden assistance to customers in styling and developing new carpet lines.

In apparel applications, the use of CRESLAN by the sport shirt industry broadened during the year, primarily because of the fiber's ability to provide color versatility and help resist stretching and shrinking.

In its first major move towards multi-fiber producing and marketing, Cyanamid in late 1969 acquired the business and assets of the IRC Fibers Division of Midland-Ross Corporation. The purchase price was in excess of $20 million, of which 20% was paid at closing and the balance due is represented by promissory notes maturing annually over the next four years. The new business is being operated as IRC Fibers Co., a wholly owned subsidiary of Cyanamid.

The acquisition furnishes Cyanamid with technology and production for polyester yarn for tires and other industrial applications as well as in the field of modified rayon. Demand is good for polyester yarn used in today's bias-belted tires, and the IRC line of modified rayon products will broaden Cyanamid's position in apparel markets. Plans are being made for substantial investment in the IRC operation, primarily to expand from industrial yarn into other types of polyester fibers with applications in apparel and floor coverings.

Formica Corporation: Sales of FORMICA® brand laminates increased in 1969 with demand in commercial building and home remodeling markets offsetting the effect of the continuing decline in home construction. Significant progress was made with FORMICA® Panel System 202, introduced in 1968 for use in areas of high humidity. The product is finding increasing acceptance in hotel and motel bath and wash areas and in residential remodeling.

Formica broadened its position as a marketer of a wide range of vertical and horizontal surfacing materials to building and construction outlets. In addition to the commercial development of several new products during the year, Formica's integrated marketing capabilities were strengthened by the two new design centers opened in 1969, one in Los Angeles and the other at the plant site in Evendale, Ohio. Both are contributing to Formica's design leadership and serve as marketing display rooms for architects, specifiers and other customers. Formica also broadened its research efforts with the completion of a major addition to the research and development laboratory at Evendale, Ohio.

Among new products from research, Formica is preparing to market a new laminated vinyl for vertical application on furniture. It offers greater strength and durability than the thin vinyl films commonly used. It also offers design and color fidelity matching the FORMICA laminates used on horizontal surfaces of the furniture.

Plans were completed for the 1970 introduction of Formica's new three-dimensional textured laminates, designed to offer more relief and character to horizontal surfaces. New vertical laminates for exterior commercial applications, such as store fronts, will be marketed regionally on the West Coast during 1970.

Further marketing progress in Formica's new field of vinyl-coated wall coverings was delayed by a 45-day strike at the plant in Buchanan, New York, in early 1969. However, new patterns for SANITAS® wall coverings were introduced late in the year and similar new patterns for WALLCLAD® wall coverings will be marketed in 1970. Plans for expansion of production capacity are underway.

Springfield Gravure Corporation, a wholly owned subsidiary which engraves many of the cylinders used to print patterns for FORMICA laminates and SANITAS and WALLCLAD wall coverings has broadened its capabilities as a commercial printer. A new 11-unit color gravure press was placed in operation in 1969 at the plant in Springfield, Ohio. Springfield Gravure specializes in the large volume printing of color ads for newspapers.

Medical

Worldwide medical sales and earnings increased in 1969 despite lower selling prices for some products overseas and the effects of the strike at Pearl River, New York. Medical sales in the United States benefited from an increased demand for antibiotics in the first quarter of the year because of the influenza epidemic.

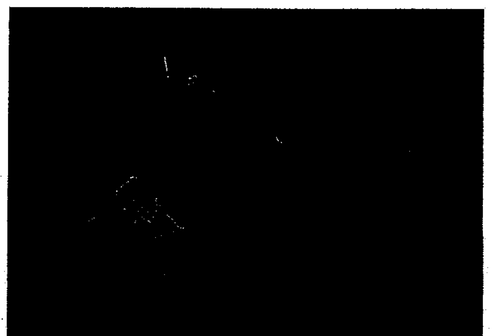
The strike by hourly production and maintenance employees at Pearl River began on August 30, 1969, and was settled on January 23, 1970. Sufficient production was maintained by supervisory and other employees to provide adequate inventories, but the strike nevertheless was costly and had some effect on earnings.

An important factor in the worldwide increase in sales and earnings of medical products was the continuing sales growth of products other than antibiotics. Sales of the antituberculosis drug MYAMBUTOL® ethambutol again showed a good increase. The largest growth was in overseas markets because of the far greater incidence of the disease outside of the United States. The use of MYAMBUTOL is growing in first-line therapy as well as for cases resistant to other tuberculosis drugs.

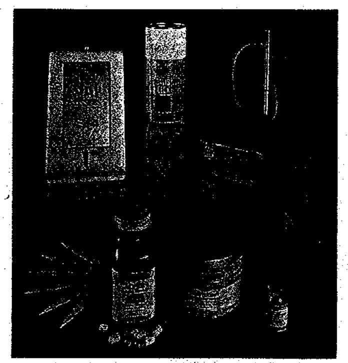
In new products, Lederle Laboratories introduced ARISTOSPAN® triamcinolone hexacetonide for the relief of symptoms associated with rheumatoid arthritis and osteoarthritis. Developed in research, this new form of triamcinolone is designed for injection into arthritic joints. The improved formulation of ARISTOSPAN has resulted in excellent reception by physicians.

Late in the year, Lederle also broadened its position in the antibiotic field with the introduction of ALPEN® brand of ampicillin under an agreement with another company. Ampicillin accounts for the largest single segment of the penicillin market.

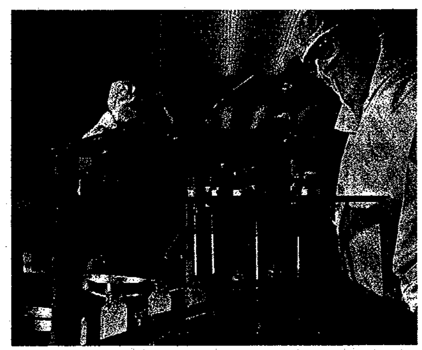
As a further service to help meet expanding patient needs in hospitals and nursing homes, Lederle initiated a system of color-coded packaging for drug products to help minimize the possibility of medication error. The



Expert team collected hundreds of marine life specimens in Caribbean for Lederle during 1969. Samples are being studied as sources for new drugs, including antibiotics. The "wet space" program will reach to the Pacific area in 1970.



Products introduced by Lederle Laboratories and Davis & Geck include a semi-synthetic penicillin and Aristospan® triamcinolone hexacetonide for treating arthritis, as well as hospital specialties.



Flu vaccine is produced under sterile conditions at Lederle Laboratories in Pearl River, N.Y. Lederle helped meet the urgent need in the U.S. for special Hong Kong flu vaccine during epidemic in 1968-69.

first group of products to be so coded were the tetanus biologicals. Plans are underway to expand the system to other product areas.

Cyanamid medical research in the recent past has identified a number of new products with major market potentials which are now undergoing clinical trials. The products, which are still some years away from the market, embrace eight different fields of use, most new to Lederle. Similar research efforts resulted in the development of MINOCIN® minocycline, a new semi-synthetic tetracycline antibiotic which now is awaiting clearance by the Food and Drug Administration. MINOCIN, in development for eight years, possesses high potency and activity against certain resistant strains of bacteria. Its behavior has been observed in thousands of patients by independent medical investigators throughout the world. While the product must await FDA clearance for marketing in the U.S., a small plant to produce initial requirements for MINOCIN is now being completed at Pearl River, New York. A larger plant at the same location is under construction and is scheduled for operation late in 1970.

Another new product from medical research, DEXON* suture, is also awaiting clearance by the Food and Drug Administration. DEXON is the first wholly synthetic suture completely absorbable by the body. It will be marketed under the Davis & Geck label, a respected name in surgical sutures and hospital specialties. Reports from numerous clinical investigators both here and abroad indicate that DEXON is superior to conventional gut sutures in absorbability and strength and greatly reduces tissue irritation. Facilities for the commercial production of DEXON sutures are under construction at the plant in Danbury, Connecticut, with completion expected in 1970.

During 1969 the Food and Drug Administration took initial actions which could lead to decertification of a large number of combination drug products which have been on the market for many years. Of the several Lederle products involved, only 3 are of importance: ACHROCIDIN® tetracycline-antihistamine-analgesic, DECLOSTATIN® demethylchlortetracycline and nystatin, and ACHROSTATIN® tetracycline and nystatin. The company has filed responses with the FDA contending that the record of safe and efficacious use over many years of these drugs, which were developed by Lederle as a result of physician demand, is strong testimony as to their proven value in the practice of medicine. The company believes that the decertification moves against the Lederle combination products are not justified and in fact run counter to the desires of the practicing physician and the best interest of the patient. In order to support the company's position, additional clinical tests are being conducted and a strong record of doctor experience with these drugs is being compiled. A determination of the issues involved will be some time in coming to a conclusion since the new data may require review at a formal FDA hearing at some undetermined date in the future. It is difficult to assess the possible future financial impact of decertification since increased prescription of the individual antibiotic ingredients of these combination products would to some extent cushion the effects of decertification.

Chemical

Sales of chemical products in 1969 continued to be the largest part of Cyanamid's worldwide business. Among the company's chemical divisions, Industrial Chemicals, Organic Chemicals, and Pigments each had higher sales than in 1968. Sales of the Plastics Division were about equal to the previous year. The overall improvement in sales was achieved despite the somewhat reduced demand for chemicals in the latter part of the year as a result of the slowdown in the growth of the economy in the United States.

Earnings in the chemical segment were down from the 1968 level. Average selling prices for chemicals were relatively stable during 1969. However, the gain in sales volume was insufficient to offset the effects of lower manufacturing productivity and higher manufacturing, selling and developmental costs.

Considerable progress was made during the year in bringing several large, new and modern production facilities nearer to completion. At the Warners plant in Linden, New Jersey, a new sulfuric acid unit is expected to be in operation in the first quarter of 1970. It will replace smaller and less efficient facilities at the same location.

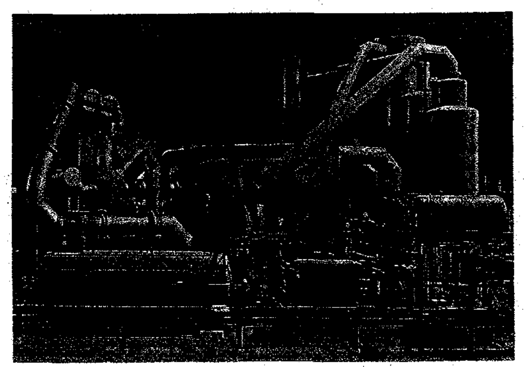
Capacity for ultraviolet light absorbers will be increased substantially with the completion of additional facilities at Willow Island, West Virginia, scheduled for start-up early in 1970. Several new specialty absorbers were successfully produced in interim facilities to expand the company's product line. An important application for ultraviolet absorbers is in prolonging the life of many plastics by protecting them from the deteriorating effects of radiation from the sun and from indoor fluorescent lighting.

Construction is proceeding on the large new chloride process titanium dioxide pigments facility at Savannah, Georgia. The new unit is expected to provide a significant increase in capacity in late 1970 and permit expansion of the company's growing line of UNITANE® titanium dioxide pigments. Demand and potential are good for the product line, which has wide application in paint, paper, printing ink and plastics.

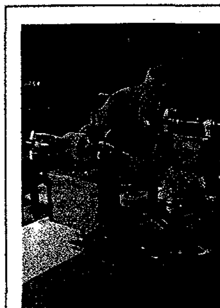
A project was launched in 1969 to determine the availability of domestic titanium minerals for the manu-

A new pilot plant is in operation at Bound Brook, New Jersey, to complete the development on a new process to make beta naphthol, an important Cyanamid chemical used in dyes, pigments and other organic chemical products.

Taillight lenses made of Acrylite® acrylic molding compounds are examined by a Cyanamid salesman, center, and representatives of a major automobile producer. Acrylite is also used in horn buttons and other accessory parts. Other Cyanamid products for auto makers include paint pigments, coating resins, rubber chemicals and adhesives. Special research is conducted for the auto industry.



New sulfuric acid plant, shown in model, is almost completed at the Warners plant in Linden, New Jersey. A sulfur recovery unit also is being built at Warners. Both will significantly improve air quality by substantially eliminating sulfur dioxide emission.



Coding machines and other printing devices for packaging are manufactured by Control Print Corporation, which was acquired in 1969. Control Print is expected to enhance Cyanamid's efforts in the development of systems to control automated industrial operations using luminescent chemicals and reading devices.

*Trademark

facture of UNITANE pigments. The study of a possible venture for mining titanium-bearing ore, being conducted jointly with Union Camp Corporation on their property in northern Florida, has progressed to the pilot plant stage. A source of domestic titanium minerals would greatly reduce Cyanamid's dependence on imported ores for the manufacture of UNITANE.

Significant steps were taken in 1969 toward enlarging Cyanamid's capacity for producing certain "building block" chemicals that the company draws upon heavily to upgrade into other finished products. As an example, at the Fortier complex near New Orleans, Louisiana, production of the important chemical acrylonitrile was increased substantially by modifying equipment and introducing an improved catalyst in the manufacturing process. The demand for acrylonitrile is growing for use in a wide variety of upgraded chemical outlets such as man-made fibers, resins for plastics, and synthetic rubber. Acrylonitrile also is the raw material for Cyanamid's production of acrylamide polymers, which have increasing applications in the paper, mining and water treatment industries. To meet the growing demand for acrylamide polymers, a major new production facility was under construction late in 1969 at the Warners plant in Linden, New Jersey. Operation is expected in 1971.

Another "building block" chemical of importance to Cyanamid is melamine. Melamine and its chemical derivatives find wide usage in coating resins, adhesives, laminating resins, molding compounds, textile finishes and paper resins. In early 1970 construction began at the Fortier plant near New Orleans on a new melamine facility with a rated capacity of 70 million pounds a year. It is due on stream in late 1971. The new unit, replacing smaller, less efficient facilities in Wallingford, Connecticut, will produce melamine from urea, which is also manufactured at Fortier.

Several smaller capital projects were undertaken in 1969 to meet growing demand in certain specialty chemical product areas. At Bound Brook, New Jersey, production capacity is being expanded for the manufacture of rubber accelerators. New facilities for the production of PAREZ® 630 NC resin are being built at company plants in Mobile, Alabama; Longview, Washington; Linden, New Jersey; and at the Fortier plant in Louisiana. This new resin, that imparts both wet and dry strength to paper, has experienced a rapid growth in sales. Because the field of non-metallic honeycomb core material for the aircraft industry has promising potential, the company completed a large, modern plant at Azusa, California, in the key West Coast market area.

Cyanamid's emphasis on the extension of its specialty chemical product lines continued during 1969. Two new AEROCAT® fluid cracking catalysts were introduced to the petroleum industry for the production of gasoline and fuel oil. An improved version of XT® polymer was placed on the market, developed specifically for use in plastic fabrication techniques used in products for boats, recreational vehicles and mobile homes. Sales of XT increased during the year with additional new applications in the packaging of food items.

A related plastic product, ACRYLITE® acrylic sheet, was

Cyanamid insecticide was sprayed on 3 million acres in Ohio public health project to kill mosquitoes during threat of encephalitis. Low in toxicity and non-persistent, Cyanamid's insecticides are used in health programs around world.

increasingly used in the fabrication of outdoor illuminated signs. Manufacturing capacity for the sheet was increased in 1969 at the Sanford, Maine, plant site.

New specialty products were introduced in the field of industrial safety equipment by Glendale Optical Co., Inc., a business which was acquired by Cyanamid late in 1968. Making use of newly developed Cyanamid chemical absorbers, Glendale Optical is now marketing lenses and goggles to protect against infrared rays and lasers.

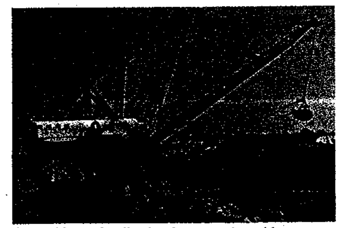
In mid-1969 Cyanamid entered a new field with the acquisition of the assets of Control Print Corporation of Fairfield, New Jersey. Control Print produces a line of printers, coders and carton presses widely used in the packaging of cosmetics, pharmaceuticals and beverages. The acquisition is expected to enhance the company's development of materials-handling systems based on luminescent chemicals.

In another developing area of business, progress was made in establishing Cyanamid product identity in the treatment of process waters and effluent in manufacturing operations and municipal waste systems. One particular water treating chemical, MAGNIFLOC® flocculant, achieved considerable success in the treatment of intake water at large industrial plants along the Mississippi River. Significant market growth is anticipated in water and waste treatment chemicals in response to more stringent regulations dealing with water quality.

In its own efforts to further improve water and air quality in company plant environments, Cyanamid made considerable progress in 1969. Eight additional aerators were installed at the large Bound Brook, New Jersey, biological waste treatment plant to provide more efficient oxygen transfer. Ten such aerators were installed in 1968. The facility treats approximately 20 million gallons a day of liquid effluent from the plant. It also provides secondary treatment for almost 5 million gallons a day of domestic and industrial sewage from three neighboring communities. The surface aeration principle, which now has been successfully demonstrated at Bound Brook, has been extended to the treatment of plant waste at Charlotte, North Carolina.

New feed additive for cattle, Aureo® S 700 premix, gained nationwide acceptance in 1969. The product is added to cattle rations to combat shipping fever, a respiratory infection which commonly occurs in feedlots. Tests conducted by specialists showed cattle gained an average of 12 extra pounds in 28 days.

New animal health product effective against cattle stomach, intestinal and lung worms, Tramisol® levamisole hydrochloride was introduced in the U.S. in 1969. It is also sold overseas.



Second large dragline has been purchased for use in expansion of phosphate rock mine in Florida for fertilizer production. It weighs 1800 tons and can scoop 70 tons of rock. Land is restored after mining and 1160 acres recently were given to community for recreation and conservation.

Air quality improvement in the vicinity of the Bound Brook plant was aided considerably during the year with the completion of the first phase of a project to convert the plant's fuel supply from coal to gas, with oil as a standby. The full conversion, due to be completed by the end of 1970, will completely eliminate emissions into the air caused by the burning of solid fuel. A similar conversion from coal to gas was accomplished in 1969 at the company's Marietta, Ohio, plant.

An equally significant stride in abatement of air pollution was engineered into the design of the large new sulfuric acid facility being completed at the Warners plant in Linden, New Jersey, mentioned earlier in this report. The unit will utilize a new processing step which incorporates advanced technology for the control of air quality. Sulfur dioxide emission will be maintained at levels lower than any other sulfuric acid plant in the United States.

As part of the sulfuric acid project, a large Claus sulfur recovery unit also is under construction at the Warners plant and will be put into operation at the same time as the new acid plant. It will convert sulfur-containing by-product gases from various operations in the plant to molten sulfur and will substantially eliminate the plant's sulfur dioxide emissions to the atmosphere.

Agricultural

Worldwide sales of products for agriculture were higher in 1969 than 1968. Earnings for the year were lower, primarily because of lower selling prices, depressed conditions in the fertilizer industry and reduced sales of pesticides during the first half of the year. Both sales and earnings for the last half of 1969, however, were well ahead of the same period in 1968 despite lower selling prices.

The most important part of Cyanamid's agricultural business is its specialty product lines—animal feed supplements, pesticides and animal health products. In 1969, the major strength in both sales and earnings came from the feed supplements.

Substantial sales gains were achieved for AUREO S·P® 250 feed premix for swine, which has developed into the largest selling medicated additive in the history of the feed business. Similar high customer approval was evident in the latter part of 1969 for AUREO® S 700 feed premix for cattle. Sales rose sharply as major customer accounts were cleared by the Food and Drug Administration to produce feeds containing the new product. AUREO S 700 is added to cattle rations, mainly in feedlots, to aid in the maintenance of weight gains in the presence of respiratory diseases.

Because of the increasing demand for AUREOMYCIN® chlortetracycline in animal feeds, four new fermenters were placed in operation at Pearl River, New York, in early 1969. Three additional fermenters are expected to be operational in late 1970.

Cyanamid's position as a supplier to the animal feed industry was further improved with the introduction of a new patented coating for CYREA® feed grade urea, which offers feed manufacturers an outstanding free-flowing non-caking product. Acceptance was excellent in 1969 and sales increased significantly.

During 1969 Cyanamid acquired the assets and business of Sargent Calcium Co. for approximately $7 million. Sargent Calcium mines limestone and produces dicalcium phosphate for animal feeds. The acquisition provides Cyanamid with an immediate market position in the most concentrated use area in the United States through plants in Alden, Iowa and Weeping Water, Nebraska.

In the important area of pesticide products, business was good in 1969 but total sales were affected by price reductions and sizable cutbacks in military requirements for MALATHION ULV* insecticide. Overseas, sales of CYOLANE® systemic insecticides in the Middle East were substantially lower than in 1968 but, on the other hand, sales of CYCOCEL® plant growth regulant increased significantly in Europe.

Sales of THIMET® soil and systemic insecticide increased sharply in 1969, mainly because of its effectiveness in the control of corn rootworm. Extremely wet weather in the apple and cherry producing areas of the Midwest and Northeast resulted in high usage of CYPREX® fruit fungicide to control fungus infections including scab.

Market position was further established with higher sales of CYTHION® insecticide "The Premium Grade Malathion". Both CYTHION and MALATHION ULV are highly effective and non-persistent insecticides with exceptionally low hazard to humans and wildlife.

To meet growing demand, new facilities were completed late in 1969 at the Warners plant in Linden, New Jersey, for the production of CYGON* systemic insecticide and ABATE® mosquito larvicide. ABATE has shown the ability to kill mosquito larvae without injuring fish or wildlife or affecting water potability.

Start-up problems were encountered in the first part of the year with the new facility at Willow Island, West Virginia, for para-nitrophenol, used in the manufacture of parathion insecticides. In October, an explosion at the new plant caused serious damage, which has suspended production.

The scope of Cyanamid's animal health operations increased significantly with the introduction of several major new products from research and development efforts. TRAMISOL® levamisole hydrochloride, a new broad-spectrum anthelmintic to control internal parasites of farm animals, was well received both here and abroad, where it is sold under the name RIPERCOL® tetramisole. Presently cleared for use in beef cattle in the United States, it is highly effective in the control of lungworm and other stomach and internal parasites, which cause losses to cattlemen estimated at more than $250 million per year. Claims extending usage to swine, sheep and poultry are in preparation.

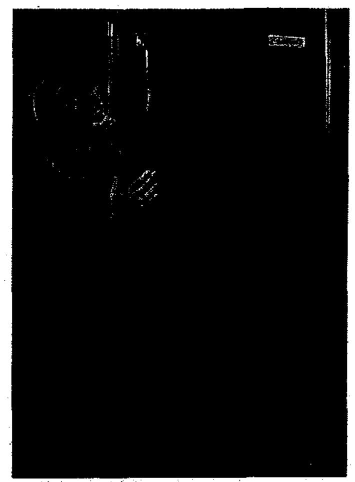
Another new animal health product introduced for cattle is AUREOMYCIN® SULMET® Crumbles, a combination of two of the most effective antibacterials on the market. The product helps maintain weight gains of cattle in the presence of respiratory infections commonly known as shipping fever.

Cyanamid's worldwide fertilizer sales were down in 1969 because of further price declines, highly unfavorable weather conditions in the United States and Canada early in the year, and lower shipments abroad because of the dock strike in the United States in the first quarter. Dollar sales of fertilizers in the United States in 1969 were about the same as in 1968 and physical volume was higher, aided strongly by improved demand in the latter half of the year.

Anticipating the mine-out in 1970 of the 20-year old Sydney phosphate rock mine in Brewster, Florida, work was started to expand the nearby Chicora mine to meet requirements for fertilizers. The expansion will bring Cyanamid's total capacity to three million tons of phosphate rock per year.

International: Sales outside the United States and Canada, exclusive of sales by associated companies, again reached record levels in 1969.

Sales of $205,600,000 were 4 per cent higher than the $198,260,000 of 1968, contributing approximately 19%



Refrigerator fronts of Formica® brand laminate were introduced in Argentina. Suede-finished and textured laminates also became available in 1969. Plant capacity for the production of laminates was doubled in Brazil.

Reporters toured the new specialty chemical plant completed at Botlek, The Netherlands, by Cyanamid, N. V. The plant is supplying the European market with ultraviolet light absorbers, optical brighteners, antioxidants, surface-active agents and other products.

Cyanamid non-persistent insecticides are used by the Ministry of Agriculture in Iran to control the Senn pest in wheat fields. Company's new concentrated product formulations have expanded use of aerial application of insecticides overseas.

Clifford D. Siverd, center, President and Chief Executive Officer, on Far East tour, saw production of vitamins and other pharmaceutical products in Taiwan by Cyanamid Taiwan Corporation. At right is Harry F. Bliss, Jr., Managing Director, Cyanamid International.

*Trademark

Management training seminars in decision making and problem solving were accelerated during 1969 with 16 weekly sessions held, involving more than 250 representatives of middle and top management. To date, more than 500 employees have participated and are using techniques learned.

of total company sales. Earnings on the international business also were higher in 1969.

The overall improvement, particularly in medical products, more than offset the effects of the shipping strike at United States ports early in the year. Sales of chemicals increased considerably in Latin America and the Far East, and the demand for acrylic fibers overseas was good.

An important additional part of Cyanamid's activities overseas is conducted through several associated companies in which Cyanamid has a 40 to 50 per cent interest. Total sales by these companies in 1969, not reflected in consolidated sales, were approximately $121 million compared to $97 million in 1968.

Sales of medical products in international markets showed a good increase in 1969. As previously mentioned, the improvement was greatly helped by the continued growth of Myambutol® ethambutol, the company's antituberculosis drug.

As a result of the expansion of the company's medical operations in France, production facilities near Lyons are being expanded to accommodate the formulation and packaging of a wide range of Lederle products, including Myambutol.

Because of the favorable results in clinical trials around the world, Dexon* suture, previously described in the medical section, will be launched in Great Britain during the second quarter of 1970. Marketing plans for other countries are being prepared.

In agricultural markets, international sales were lower than in 1968, principally fertilizer sales. Sales of Cyolane® systemic insecticides were considerably lower than in 1968 because of lower levels of insect infestation during the year. Conversely, sales of Cycocel® plant growth regulant increased sharply in Europe. Cycocel helps to prevent destructive lodging or toppling in strong winds and rain through the growth of shorter, sturdier plant stalks. In addition to its application on wheat crops, the use of Cycocel was extended in Sweden for the protection of rye.

The company's Abate® mosquito larvicide was introduced for public health projects in The Philippines, Australia, France, Jordan, and Israel. Malathion insecticide and Abate are receiving a great deal of attention from the World Health Organization for the control of mosquitoes.

In Latin America, acceptance by the livestock industry was high for Ripercol® tetramisole, injectable for cattle, a broad spectrum anti-parasitic veterinary drug. A similar product, Tramisol® levamisole hydrochloride, was cleared by the Food and Drug Administration for sale in the United States during 1969 and gained immediate customer endorsement.

Payzone® nitrovin, a new non-antibiotic growth promoter for broiler chickens, first marketed in Great Britain, was introduced into eleven countries in Europe, the Middle East and Africa in 1969. Reception has been good.

As a result of the demand for specialty chemicals in European markets, a major expansion was completed at the chemical plant of Cyanamid N.V., formerly Nederlandse Cyanamid Maatschappij, at Botlek, The Netherlands. Production of the new product lines began at the close of 1969. As a part of the expansion and to give better technical service to customers in Europe and Africa, a technical service laboratory was established at Botlek.

In Latin America, sales of Formica® brand laminates increased in 1969. Because of sales growth, plant capacity for the production of Formica laminates was doubled at the plant in Sao Paulo, Brazil.

Following a change in strategy, the marketing of Breck® hair-care products overseas was further improved in 1969 by continued concentration on fewer products in fewer countries with improved potential for return on investment. The new marketing plan is proving successful, particularly in Great Britain where sales were higher.

Canada: Sales in Canada in 1969 were about equal to those of 1968 despite the adverse effects of strikes at company plants as well as prolonged strikes in the building trades and at important customer plants in the mining industries. Fertilizer sales in Canada for the year were higher than in 1968 with improved volume in the second half overcoming the effects of wet weather and the strikes at the company's Welland and Beachville plants earlier in the year.

Several products recently introduced in the United States also were marketed in Canada in 1969. Myambutol® ethambutol was approved by the Canadian Food and Drug Directorate for the treatment of tuberculosis and gained rapid acceptance in Canada.

Cyanamid's new feed additive for beef cattle, Aureo® S 700 feed premix, was introduced in Canada in September and was received enthusiastically by the feed industry. As in the United States, Aureo S 700 is a companion animal feed supplement product to the successful Aureo S•P® 250 feed premix for swine.

A pilot plant was completed late in 1969 at the Welland plant site in Canada to produce phosphine and several of its derivatives of interest primarily as intermediates for flame retardants for plastics and textiles. Phosphine has not been available as a commercial product and this will be the first installation designed to produce substantial quantities. The phosphine will be used captively and will permit Cyanamid to capitalize on many years of research on phosphorous compounds.

Domestic Associated Companies (50% owned): Jefferson Chemical Company, Inc., a producer of petrochemicals jointly owned with Texaco Inc., had higher sales and a significant improvement in earnings compared to 1968. The first full year of operation of the large new ethylene oxide unit aided sales. In March, a new glycol ether unit was put in operation and in April a large new urethane polyol facility came on stream with production exceeding design capacity. Process improvements were made in ethylene and ethylene amines production at Jefferson's plant at Port Neches, Texas.

Arizona Chemical Company, jointly owned with International Paper Company, had higher sales in 1969, but earnings were slightly lower than in 1968 largely because of higher raw material costs. A new tall oil plant was placed in operation early in the year at Springhill, La., and a major expansion of facilities for the production of terpenes is underway in Panama City, Florida. Demand for rosins continued to grow. Arizona Chemical's products have wide usage in the paint, paper, and rubber industries, the manufacture of soaps and detergents and other applications.

Employee Relations: As a participating member of the National Alliance of Businessmen, the company established a goal in June, 1968, to employ 500 "hard core" men and women by June, 1971, with the first 100 to be employed by June, 1969. At mid-year, there were 281 employees on the job who were employed through the program. The overall retention rate during the first year of the program, however, was not as high as originally hoped. As a result, personal counseling for those hired through the program is being expanded, and supervisory

*Trademark

Financial Review

Sales Volume—Consolidated sales in 1969 were $1,087,097,977 compared with $1,023,231,047 in 1968. Comparative quarterly sales for the two years were:

	1969		1968	
Quarter	Amount	% of Total	Amount	% of Total
First	$ 270,554,000	25	$ 241,868,000	24
Second	286,795,000	27	276,134,000	27
Third	264,951,000	24	246,615,000	24
Fourth	264,798,000	24	258,614,000	25
	$1,087,098,000	100%	$1,023,231,000	100%

Earnings—Pre-tax earnings for 1969 were $166,870,096 compared with $156,759,601 in the previous year. After provision for Federal and foreign income taxes of $77,000,000 consolidated net earnings for 1969 were $89,870,096 compared with $85,759,601 in 1968. Per-share earnings amounted to $2.02 in 1969 and $1.93 in 1968 based on the average number of common shares (excluding treasury shares) outstanding for each year.

Comparative earnings with earnings per share by quarters for the two years were:

	1969		1968	
Quarter	Amount	Per Share	Amount	Per Share
First	$25,049,000	$ .56	$20,691,000	$ .47
Second	23,523,000	.53	24,395,000	.55
Third	21,263,000	.48	19,404,000	.43
Fourth	20,035,000	.45	21,270,000	.48
	$89,870,000	$2.02	$85,760,000	$1.93

The average number of shares (excluding treasury shares) outstanding for 1969 was 44,465,703 compared with 44,517,549 for 1968.

Provision for Federal and foreign taxes has been reduced by the amount of the current investment tax credit which has benefited 1969 earnings by 4 cents a share compared to 5 cents a share in 1968.

Capital Stock—As of December 31, 1969 there were 44,693,628 shares of common stock outstanding, compared to 44,690,608 shares outstanding at the end of 1968. This includes treasury stock of 327,434 shares at December 31, 1969 and 291,256 shares at December 31, 1968.

In May 3,000 shares of common stock, previously reserved, were issued relating to the net assets acquired in 1963 from John H. Breck, Inc. In December, 20 shares of common stock were issued upon the exercise of an option under the employees stock option plan.

During the year the company purchased 154,700 shares of its common stock to be used for acquisitions or other appropriate corporate purposes. A total of 30,150 shares of common stock held in its treasury was transferred on a retricted basis to employee participants in the company's Incentive Compensation Plan in the form of contingent allotments for 1968. Another 15,372 shares of common stock were delivered in 1969 to retired participants in said plan. In June 73,000 shares of common stock were used to acquire the net assets of Control Print Corporation. The acquisition of the net assets of this company was treated as a pooling of interest; however, prior years' results of Cyanamid have not been restated to include the operations of this acquired company.

Dividends paid by Cyanamid in 1969 and 1968 were $1.25 per share, amounting to $55,108,000 and $55,118,000 respectively.

Associated Companies—Cyanamid's investment in and advances to companies jointly owned (40% to 50%) are carried at cost. Total 1969 earnings of the jointly owned companies were higher than in 1968. Cyanamid's equity in their 1969 earnings amounted to $9,887,000 and dividends received were $10,351,000. This compares with its equity in 1968 earnings of $9,395,000 and dividends received of $7,026,000.

Consolidated Statement of Earnings

Year Ended December 31, 1969 in Comparison with the Year Ended December 31, 1968

	1969	1968
NET SALES	$1,087,097,977	$1,023,231,047
Dividends from associated companies, 40% to 50% owned	10,350,836	7,026,325
Interest	3,482,967	3,375,613
Royalties and licenses	6,877,286	5,092,646
Other income—net	4,614,458	1,343,181
	1,112,423,524	1,040,068,812
Deduct:		
Manufacturing cost of sales—less depreciation and depletion	577,768,604	532,414,705
Selling and advertising expenses	175,776,831	167,494,233
Administrative and general expenses	57,628,983	52,491,339
Depreciation, amortization and depletion (Note 2)	54,834,159	54,361,328
Research and process development expenses	44,932,682	42,926,535
Interest charges on funded and other debt	6,137,914	6,181,388
Employees' benefits (Note 8)	28,474,255	27,439,683
	945,553,428	883,309,211
EARNINGS BEFORE TAXES ON INCOME	166,870,096	156,759,601
Provision for Federal and foreign taxes on income	77,000,000	71,000,000
NET EARNINGS	$89,870,096	$85,759,601
Net Earnings per share of Common Stock	$2.02	$1.93

Accountants' Report

THE BOARD OF DIRECTORS
AMERICAN CYANAMID COMPANY:

We have examined the consolidated balance sheet of American Cyanamid Company and subsidiaries as of December 31, 1969 and the related statements of earnings and earnings employed in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of American Cyanamid Company and subsidiaries at December 31, 1969 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying consolidated statement of source and application of funds presents fairly the information shown therein.

New York, N.Y.
February 3, 1970

PEAT, MARWICK, MITCHELL & CO.

Consolidated Balance Sheet

December 31, 1969 in Comparison with December 31, 1968

ASSETS	1969	1968
CURRENT ASSETS:		
Cash in banks and on hand	$ 43,065,515	$ 39,987,707
Marketable securities and time deposits, at cost and accrued interest	12,489,575	57,581,065
Accounts receivable, less provision for doubtful accounts	183,752,002	165,988,136
Inventories, at lower of cost or market	190,378,133	180,740,553
TOTAL CURRENT ASSETS	429,685,225	444,297,461
INVESTMENTS AND ADVANCES:		
Associated companies, 40% to 50% owned—at cost (equity in net assets $58,200,000; 1968, $56,400,000)	40,781,287	38,600,920
Other investments and advances	5,379,815	5,040,086
TOTAL INVESTMENTS AND ADVANCES	46,161,102	43,641,006
PLANTS, EQUIPMENT AND FACILITIES, at cost:		
Land, including mining land	42,170,117	43,655,407
Buildings	209,112,440	201,492,234
Machinery and equipment	719,304,314	695,876,680
Uncompleted construction and installations	53,858,574	19,901,615
	1,024,445,445	960,925,936
Less accumulated depreciation, amortization and depletion	523,808,687	497,537,308
NET PLANT INVESTMENT	500,636,758	463,388,628
INTANGIBLES RESULTING FROM BUSINESS ACQUISITIONS	15,150,889	13,908,203
PREPAID EXPENSES AND DEFERRED CHARGES	9,238,119	10,072,908
	$1,000,872,093	$975,308,206

LIABILITIES AND SHAREHOLDERS' EQUITY	1969	1968
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$112,189,526	$105,990,675
Short term borrowings	15,421,247	7,415,319
Funded debt installments due within one year	5,871,803	1,377,045
Accrual for settlement of litigation (Note 11)	17,983,559	—
Provision for Federal and foreign taxes on income	8,058,573	42,886,616
TOTAL CURRENT LIABILITIES	159,524,708	157,669,655
FUNDED DEBT NOT DUE WITHIN ONE YEAR (Note 3)	118,993,967	105,209,689
INCENTIVE COMPENSATION CONTINGENTLY PAYABLE (Note 4)	4,290,194	4,470,564
INCOME TAXES PAYABLE IN THE FUTURE	22,000,000	19,300,000
MINORITY SHAREHOLDERS' EQUITY IN FOREIGN SUBSIDIARIES	5,233,488	5,070,981
SHAREHOLDERS' EQUITY:		
Common Stock—par value $5 per share (Notes 5 and 9)		
Authorized—60,000,000 shares		
Outstanding—44,693,628 shares (1968—44,690,608 shares)	223,468,140	223,453,040
Capital surplus (Note 9)	20,563,114	20,562,544
Earnings employed in the business (Notes 1, 6 and 11)	456,915,061	448,752,106
	700,946,315	692,767,690
Less cost of 327,434 shares of Common Stock held in treasury (1968—291,256 shares) (Note 7)	10,116,579	9,180,373
TOTAL SHAREHOLDERS' EQUITY	690,829,736	683,587,317
	$1,000,872,093	$975,308,206

Consolidated Statement of Earnings Employed in the Business

Year Ended December 31, 1969 in Comparison with the Year Ended December 31, 1968

	1969	1968
Balance at beginning of year as previously reported	$448,752,106	$421,130,600
Accrual in 1969 for settlement of litigation, less related tax benefits of $29,400,000 (Note 11)	24,600,000	24,600,000
Balance at beginning of year as restated	424,152,106	396,530,600
Net Earnings for the year	89,870,096	85,759,601
	514,022,202	482,290,201
Deduct:		
Dividends on Common Stock—$1.25 per share	55,107,596	55,117,784
Adjustments arising from the issuance of treasury stock upon poolings of interest	1,984,545	3,020,311
Par Value of Common Stock, previously reserved, relating to the net assets acquired in 1963 from John H. Breck, Inc.	15,000	—
	57,107,141	58,138,095
Balance at end of year (Notes 1 and 6)	$456,915,061	$424,152,106

Consolidated Statement of Source and Application of Funds

Year Ended December 31, 1969 in Comparison with the Year Ended December 31, 1968

	1969	1968
SOURCE OF FUNDS:		
Net earnings	$ 89,870,096	$ 85,759,601
Charges to earnings not requiring current cash outlays:		
Depreciation, amortization and depletion	54,834,159	54,361,328
Income taxes payable in the future	2,700,000	4,700,000
Decrease (increase) in cash and marketable securities	42,013,682	(23,608,495)
Decrease (increase) in prepaid expenses and deferred charges	834,789	(2,792,695)
Increase in current liabilities	1,855,053	37,232,237
Increase (decrease) in funded debt not due within one year	13,784,278	(5,805,096)
	$205,892,057	$149,846,880
APPLICATION OF FUNDS:		
Dividends on Common Stock paid in cash	$ 55,107,596	$ 55,117,784
Additions to plants, equipment and facilities—net	92,082,289	50,009,132
Increase in accounts receivable and inventories	27,401,446	30,756,423
Additions to investments and advances—net	2,520,096	2,064,059
Increase in intangibles resulting from business acquisitions	1,242,686	9,998,760
Accrual for settlement of litigation, less related tax benefits	24,600,000	—
Cost of treasury stock acquired, less cost of stock issued in connection with acquisitions and under incentive compensation plan	936,206	(1,222,231)
All other—net	2,001,738	3,122,953
	$205,892,057	$149,846,880

Notes to Consolidated Financial Statements of 1969

1. Assets, other than plants and facilities, and liabilities of the foreign subsidiaries are included in the consolidated balance sheet on the basis of official or other appropriate exchange rates at December 31, 1969; foreign plants and facilities are included on the basis of exchange rates prevailing at time of acquisition. The amounts so included comprise net current assets of $71,000,000 and net other assets, principally plants and facilities, less depreciation, of $59,800,000. Net earnings for foreign subsidiaries included in consolidated earnings amount to $19,900,000. The consolidated earnings employed in the business include the company's equity in the net undistributed earnings of foreign subsidiaries amounting to $71,000,000.

2. Depreciation is provided on a straight-line composite basis over the estimated remaining useful lives of the assets.

3. Funded debt not due within one year is comprised of 3¾% promissory notes due 1977 to 1987 ($75,000,000), 5¾% guaranteed sinking fund debentures due 1980 of a subsidiary ($18,000,000), 6% guaranteed notes due 1971 to 1973 of a subsidiary ($13,704,426) and sundry obligations ($12,289,541).

4. The accounts for 1969 include provision for incentive compensation to officers and other employees. A portion of such amount is not payable currently in cash but is contingently payable in Common Stock of the company after employment terminates; pending allotment of the amount available for 1969, the portion so contingently payable in Common Stock is not determinable. The gross amount contingently payable in respect of allotments for prior years is $4,290,194.

5. The authorized capital of the company includes 650,000 shares of Preferred Stock with a par value of $1 per share, none of which is outstanding.

6. The promissory notes contain certain restrictions including restrictions on the payment of dividends. As a result of such restrictions, the amount of earnings employed in the business at December 31, 1969 which may be applied to the payment of cash dividends is limited to $178,000,000.

7. At December 31, 1969 the company owned and held in its treasury 327,434 shares of Common Stock, which are available at the election of the company to fulfill contingent obligations under the company's Incentive Compensation Plan and for other corporate purposes.

8. Employees' benefits include the cost of pension, group insurance and social security programs.

The company and its consolidated subsidiaries have various pension plans covering substantially all their employees, including certain employees in foreign countries. The company's policy is to accrue and fund pension costs over the service lives of the covered employees. The total pension expense for the year was $5,000,000.

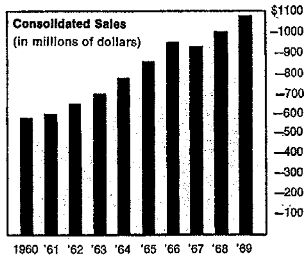
9. In 1968, the company adopted a stock option plan under which key employees may be granted qualified stock options to purchase, at not less than 100% of market value on the date of grant, a maximum of 1,500,000 shares of Common Stock. The options are exercisable over a period of not more than five years from date of grant in cumulative installments of one-third of the number of shares commencing one year after date of grant and annually thereafter. At December 31, 1969, options to purchase 395,550 shares at $33.50 and 9,950 shares at $25.75 were outstanding. An option for 20 shares at $33.50 per share was exercised in December 1969. The excess ($570) of the option price over the par value of the shares issued has been credited to capital surplus.

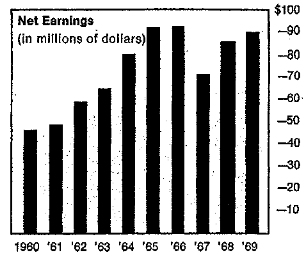
10. The company is contingently liable as guarantor on loans outstanding of an associated company in the amount to $26,500,000.

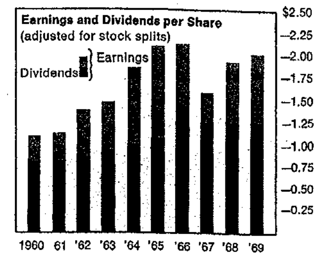
11. Reference is made to the remarks under "Litigation" in the foregoing report of the Board of Directors, and to the comments in the President's letter to shareholders with respect to the antibiotics litigation in which the company is involved.

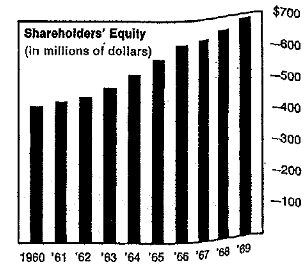
The accrual of $54,000,000 was established on the basis of the original settlement offers made in February 1969 (plus an amount for legal expenses) and does not include any amount in respect of litigation to which such original settlement offers do not extend, such as the pending suits (some of which allege substantial amounts of damages) involving claims on behalf of competitors, purchasers of animal feed and veterinary products, one foreign government, certain benefit and insurance plans which reimbursed individuals and the United States Government. Due to the uncertainty necessarily inherent in litigated matters of this sort, the eventual cost to the company of disposing of this litigation by way of settlement or otherwise cannot be accurately predicted. However, the company believes, on the basis of information and advice presently available, that any additional liability with respect to this antitrust litigation will not have a material adverse effect upon the consolidated financial position of the company and its subsidiaries.

The amount included in the balance sheet reflects a reduction for the October deposit in escrow of $34,392,510 and certain litigation costs.









Ten Year Comparative Summary of Financial Statistics

(Amounts are expressed in thousands)

	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960
Net Sales	$1,087,098	$1,023,231	$937,070	$949,775*	$859,965*	$776,103*	$706,928*	$645,711*	$600,459*	$574,690*
Earnings before Taxes on Income	166,870	156,760	117,808	157,111*	159,554*	140,745*	125,239*	111,821*	92,353*	88,621*
Provision for Taxes on Income	77,000	71,000	47,500	64,000*	67,800*	60,400*	60,600*	54,100*	44,600*	43,500*
Net Earnings	89,870	85,760	70,308	93,111*	91,754*	80,345*	64,639*	57,721*	47,753*	45,121*
Dividends on Common Stock	55,108	55,118	55,004	54,956	47,165	43,798	39,391	36,365	34,156	34,028
Number of Common Shares at Dec. 31 (excl. treasury shares)**	44,366	44,399	44,331	44,274	44,161	43,902	43,868	42,758	42,764	42,595
Earnings per share of Common Stock**	2.02	1.93	1.59	2.10*	2.08*	1.83*	1.47*	1.35*	1.12*	1.06*
Dividends per share of Common Stock**	1.25	1.25	1.25	1.25	1.07½	1.00	.90	.85	.80	.80
Provision for depreciation, amortization and depletion	54,834	54,361	50,626	45,479	42,628	39,040	37,785	44,811	43,825	42,296
Gross additions to plant facilities (incl. acquisitions)	95,833	56,810	56,065	108,430	129,530	49,106	48,988	36,235	49,464	48,288
Current Assets	429,685	444,297	389,933	397,345	415,906	421,534	379,747	337,852	302,508	269,617
Current Liabilities	159,525	182,269*	145,037*	167,346*	175,375*	162,231*	142,610*	128,240*	129,158*	114,318*
Working Capital	270,160	262,028*	244,896*	229,999*	240,531*	259,303*	237,137*	209,612*	173,350*	155,299*
Investment in Associated Companies	40,781	38,601	34,867	30,761	28,371	25,455	23,876	19,621	20,251	21,819
Plants, Equipment and Facilities	1,024,445	960,926	940,837	926,100	861,460	760,701	728,636	716,530	689,589	651,908
Less accumulated depreciation, amortization and depletion	523,808	497,537	473,096	459,550	457,335	438,428	413,251	403,662	367,204	330,151
Net Amount	500,637	463,389	467,741	466,550	404,125	322,273	315,385	312,868	322,385	321,757
Funded Debt not due within one year	118,994	105,210	111,015	110,573	102,450	80,832	88,065	89,649	88,503	89,966
Shareholders' Equity:										
Preferred Stock	—	—	—	—	—	—	—	3	6	14
Common Stock	223,468	223,453	223,453	223,453	223,143	223,143	222,769	215,868	215,253	214,275
Capital Surplus	20,563	20,563	20,563	20,563	20,563	20,070	18,598	14,814	12,407	8,778
Earnings employed in the business	456,915	424,152*	396,531*	381,226*	342,317*	298,161*	261,613*	233,072*	211,716*	198,119*
	700,946	668,168*	640,547*	625,242*	586,023*	541,374*	502,980*	463,757*	439,382*	421,186*
Less cost of Common Stock held in treasury	10,116	9,180	10,403	11,634	12,695	19,467	16,765	8,879	5,979	5,356
Total Shareholders' Equity	$690,830	$658,988*	$630,144*	$613,608*	$573,328*	$521,907*	$486,215*	$454,878*	$433,403*	$415,830*

*Restated—The statistics for the years 1960 through 1968 have been revised to reflect the accrual for settlement of litigation in the amount of $54,000,000, less related tax benefits of $29,400,000, which has been applied to years 1954 through 1966.

**After giving effect to the issuance on April 18, 1966 of one additional share for each share outstanding

BOARD OF DIRECTORS

JAMES B. FISK
THOMAS P. FORBATH
ERNEST G. HESSE
L. EMERY KATZENBACH
IAN K. MAC GREGOR
THOMAS L. PERKINS
GEORGE W. RUSSELL
CLIFFORD D. SIVERD
NOLAN B. SOMMER
ROBERT C. SWAIN
GORDON C. WALKER

OFFICERS

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GEORGE W. RUSSELL, *Executive Vice President*
NOLAN B. SOMMER, *Executive Vice President*
ROBERT C. SWAIN, *Executive Vice President*
GORDON C. WALKER, *Executive Vice President*

JAMES F. BOURLAND, *Vice President*
BURTON F. BOWMAN, *Vice President*
THOMAS P. FORBATH, *Vice President*
ERNEST G. HESSE, *Vice President*
THOMAS P. TURCHAN, *Vice President*

J. CLIFFORD BLAUVELT, *Controller*
HAROLD B. GROSS, *Secretary and General Counsel*
LEONARD T. MURPHY, *Treasurer*

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(Formerly Executive Committee)

JAMES B. FISK, *Chairman*
L. EMERY KATZENBACH
IAN K. MAC GREGOR
THOMAS L. PERKINS
CLIFFORD D. SIVERD *(ex-officio)*
GORDON C. WALKER

EXECUTIVE COMMITTEE
(Formerly Management and Finance Committee)

CLIFFORD D. SIVERD, *Chairman*
GEORGE W. RUSSELL
NOLAN B. SOMMER
ROBERT C. SWAIN
GORDON C. WALKER

Operating Divisions and Principal Subsidiaries

JAMES F. BOURLAND, *Vice President*

AGRICULTURAL, *James G. Affleck, General Manager*—animal feed supplements and veterinary products, insecticides, fungicides, herbicides, nitrogen and phosphate fertilizer products, blended fertilizers.

LEDERLE LABORATORIES, *Borden R. Putnam, General Manager*—antibiotics, steroids, biologicals, pharmaceuticals, vitamins and hematinics, vaccines; clinical laboratory diagnostic aids; fine chemicals and bulk pharmaceuticals; Davis & Geck surgical sutures and hospital specialties, including dressings, germicides and scrub sponges.

BURTON F. BOWMAN, *Vice President*

CONSUMER PRODUCTS, *Albert L. Munsell, General Manager*—BRECK® preparations for care of the hair, PINE-SOL® cleaner, disinfectant, deodorizer, FORMICA® FLOOR SHINE® finish, and other household maintenance, cleaning and laundering aids.

FIBERS, *Philip G. Connell, Jr., General Manager*—CRESLAN® acrylic fiber for apparel, home furnishings and industrial applications; filament rayon, filament polyester for tire cord and industrial applications; DY-LOK® filament rayon for upholstery and drapery fabrics; NUPRON® high-performance rayon staple for apparel fabrics.

FORMICA CORPORATION, *Wallace G. Taylor, President and General Manager*—molded plastics, adhesives, FORMICA® brand decorative, industrial and laminated cabinet surfacing, laminate-clad doors, toilet compartments and panel systems, FIAT® showers, shower floors, laundry tubs and toilet compartments–SANITAS® and WALLCLAD® vinyl coated wall coverings from Standard Coated Products.

ERNEST G. HESSE, *Vice President*

CYANAMID INTERNATIONAL, *Harry F. Bliss, Jr., Managing Director*—produces or imports and markets the Company's products through subsidiaries and distributors in countries and territories outside the United States and Canada.

CYANAMID OF CANADA LIMITED, *Ben H. Loper, President*—produces or imports and markets in Canada the products of Cyanamid and its subsidiaries.

THOMAS P. TURCHAN, *Vice President*

INDUSTRIAL CHEMICALS, *Howard E. Nehms, General Manager*—chemicals for the paper industry, industrial process chemicals, water and waste treatment chemicals, heavy chemicals, explosives, surfactants, specialty monomers, mining and ore processing chemicals.

ORGANIC CHEMICALS, *Joseph A. Schmidlein, General Manager*—catalysts, dyes, elastomers, intermediates, plastic additives, refinery chemicals, rubber chemicals, textile chemicals, textile resins, NUMA® spandex fiber, industrial safety equipment from Glendale Optical Co., Inc.

PIGMENTS, *John Ludden, Jr., General Manager*—inorganic and organic chemical colors, UNITANE® titanium dioxide.

PLASTICS, *Gerard A. Forlenza, General Manager*—adhesives, coating resins, laminating resins, melamine, resins for reinforced plastics, thermosetting molding compounds, acrylic and modified acrylic molding compounds, honeycomb core material for aircraft and aerospace industries, ACRYLITE® cast acrylic sheet.

Service Divisions

CLIFFORD D. SIVERD, *President and Chief Executive Officer*
PERSONNEL, *Clair L. Brandrup, Director*
PUBLIC RELATIONS, *John M. Fasoli, Director*

THOMAS P. FORBATH, *Vice President*
COMMERCIAL DEVELOPMENT, *William D. Holland, Director*
ENGINEERING & CONSTRUCTION, *George P. Ferrigni, Director*

HAROLD B. GROSS, *Secretary and General Counsel*
LAW, *James I. Wyer, Director*

ROBERT C. SWAIN, *Executive Vice President*
CENTRAL RESEARCH, *John F. Flagg, Director*

GORDON C. WALKER, *Executive Vice President*
CONTROLLER'S, *J. Clifford Blauvelt, Controller*
PURCHASING, *Richard E. Noble, Director*
TRANSPORTATION & DISTRIBUTION, *Gerrit W. Van Schaick, Director*
TREASURY, *Leonard T. Murphy, Treasurer*

PRINCIPAL SALES OFFICES IN THE U.S.

Akron, Ohio
Atlanta, Ga.
Bluefield, W.Va.
Boston, Mass.
Bound Brook, N.J.
Buffalo, N.Y.
Charlotte, N.C.
Chicago, Ill.
Cincinnati, Ohio
Cleveland, Ohio
Dallas, Tex.
Danbury, Conn.
Davenport, Iowa
Denver, Colo.
Des Moines, Iowa
Detroit, Mich.
Falls Church, Va.
Finderne, N.J.
Grand Rapids, Mich.
Greensboro, N.C.
Havre de Grace, Md.
Honolulu, Hawaii
Houston, Tex.
Indianapolis, Ind.
Jacksonville, Fla.
Kalamazoo, Mich.
Kansas City, Mo.
La Puente, Calif.
Latrobe, Pa.
Linden, N.J.
Los Angeles, Calif.
Louisville, Ky.
Memphis, Tenn.
Miami, Fla.
Milwaukee, Wis.
Minneapolis, Minn.
Mobile, Ala.
Montgomery, Ala.
New York, N.Y.
Oakland, Calif.
Oklahoma City, Okla.
Omaha, Neb.
Pearl River, N.Y.
Philadelphia, Pa.
Phoenix, Ariz.
Pittsburgh, Pa.
Plainview, N.Y.
Portland, Ore.
Princeton, N.J.
Richmond, Va.
Rochester, N.Y.
St. Louis, Mo.
San Antonio, Tex.
San Diego, Calif.
San Francisco, Calif.
Seattle, Wash.
South Bend, Ind.
Springfield, Ohio
Tampa, Fla.
Torrance, Calif.
Tukwila, Wash.
Tulsa, Okla.
Washington, D.C.
Wayne, N.J.
West Hartford, Conn.
West Springfield, Mass.
Woodbridge, Conn.
Woodbury, L.I., N.Y.

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Bogota, Colombia
Bombay, India
Brussels, Belgium
Buenos Aires, Argentina
Caracas, Venezuela
Catania, Italy
Copenhagen, Denmark
Guatemala City, Guatemala
Hong Kong
Johannesburg, S. Africa
Karachi, Pakistan
Kinshasa, Congo
Lima, Peru
London, England
Madrid, Spain
Managua, Nicaragua
Manila, Philippines
Melbourne, Australia
Mexico D.F., Mexico
Milan, Italy
Montreal, Canada
Munich, Germany
Oullins, France
Rio de Janeiro, Brazil
Rome, Italy
Rotterdam, The Netherlands
San Juan, Puerto Rico
Sao Paulo, Brazil
Seoul, Korea
Stockholm, Sweden
Sydney, Australia
Taipei, Taiwan
Tilbury, Canada
Tokyo, Japan
Toronto, Canada
Vancouver, Canada
Zurich, Switzerland

PLANTS IN THE U.S.

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Alden, Iowa
Andersonville, Ga.
Azusa, Calif.
Benton, Ark.
Bound Brook, N.J.
Brewster, Fla.
Buchanan, N.Y.
Charlotte, N.C.
Chattanooga, Tenn.
Cincinnati, Ohio
Cloquet, Minn.
Coosa Pines, Ala.
Damascus, Va.
Danbury, Conn.
Demopolis, Ala.
DeRidder, La.
Escanaba, Mich.
Evendale, Ohio
Fairfield, N.J.
Finderne, N.J.
Fort Worth, Tex.
Fortier (New Orleans), La.
Franklin Park, Ill.
Georgetown, S.C.
Hamilton, Ohio
Hannibal, Mo.
Havre de Grace, Md.
Jackson, Miss.
Joliet, Ill.
Kalamazoo, Mich.
La Puente, Calif.
Longview, Wash.
Madisonville, Ky.
Marietta, Ohio
Michigan City, Ind.
Mobile, Ala.
Monticello, Miss.
New Castle, Pa.
Painesville, Ohio
Pearl River, N.Y.
Pensacola, Fla.
Perrysburg, Ohio
Philadelphia, Pa.
Piney River, Va.
Plainview, N.Y.
Plymouth, N.C.
Pottsville, Pa.
Princeton, N.J.
Sanford, Me.
Savannah, Ga.
Seattle, Wash.
South Norwalk, Conn.
Springfield, Ohio
Springhill, La.
Stamford, Conn.
Sunset/Whitney Ranch, Calif. (Sierra)
Tarboro, N.C.
Wallingford, Conn.
Warners, N.J.
Weeping Water, Neb.
West Springfield, Mass.
Willow Island, W. Va.
Woodbridge, N.J.
Woodbury, L.I., N.Y.

PLANTS OUTSIDE THE U.S.

Beachville, Canada
Bogota, Colombia
Brussels, Belgium
Buckingham, Canada
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Bulsar, India
Caracas, Venezuela (2)
Cartagena, Colombia
Catania, Italy (2)
Gosport, England
Guadalajara, Mexico
Hsinchu, Taiwan
Johannesburg, S. Africa
Karachi, Pakistan
Kirkland Lake, Canada
Madrid, Spain (2)
Managua, Nicaragua
Melbourne, Australia
Mexico D.F., Mexico
Milan, Italy
Montreal, Canada
Munich, Germany
Niagara Falls, Canada (2)
Orillia, Canada
Oullins, France
Rezende, Brazil
Rio de Janeiro, Brazil
Rotterdam, The Netherlands
St. Jean, Canada
St. Joseph du Lac, Canada
Sao Paulo, Brazil
Sydney, Australia
Tilbury, Canada
Witbank, S. Africa

RESEARCH AND DEVELOPMENT LABORATORIES

Bound Brook, N.J.
Danbury, Conn.
East Paterson, N.J.
Evendale, Ohio
Niagara Falls, Canada
Painesville, Ohio
Pearl River, N.Y.
Pensacola, Fla.
Piney River, Va.
Princeton, N.J.
Sanford, Me.
Stamford, Conn.
Wallingford, Conn.

PRINCIPAL ASSOCIATED COMPANIES
(40% to 50% owned)

Arizona Chemical Company
Cyanamid-Ketjen Katalysator N.V.
Cyanaquim, S.A. de C.V.
Cyanenka S.A.
Formica International Limited
Jefferson Chemical Company, Inc.
Lederle (Japan), Ltd.
Sherkat Sahami Cyanamid-KBC
Southern Minerals Corporation
Southern Petroleum Corporation
Southern Pipe Line Corporation
N. V. Titaandioxydefabriek Tiofine

CYANAMID **American Cyanamid Company**
WAYNE, NEW JERSEY

TRANSFER AGENT, The Chase Manhattan Bank, N.A.
REGISTRAR, Morgan Guaranty Trust Company of New York

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