



DELIVERING TECHNOLOGY BEYOND  
OUR CUSTOMERS' IMAGINATION™

# First Quarter 2013 Earnings Review

April 19, 2013

*Shane Fleming – Chairman, President and CEO*

*Dave Drillock – Vice President and CFO*

# Forward Looking Statement

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During the course of this meeting we may make forward-looking statements. All statements that address expectations or projections about the future are forward-looking statements.

Some of these statements include words such as “expects”, “anticipates,” “plans,” “intends,” “projects,” and “outlook.” Although they reflect our current expectations, these statements are not guarantees of future performance because they involve a number of risks, uncertainties, and assumptions.

Included in this presentation are estimates for full year 2013 sales and earnings. These were included in our April 18, 2013 press release, which was also furnished as an exhibit to a current report on Form 8-K. These estimates set forth the Company’s assumptions and management’s best estimate of the full year 2013 sales and as-adjusted earnings per share at that time based on various assumptions set forth in the press release. There can be no assurance that sales or earnings will develop in the manner then projected or that the results for the year will be consistent with the results then projected. Actual results may differ materially.

We recommend that you review Cytec’s SEC filings for a discussion of some of the factors which could cause actual results to differ materially from its expectations and projections. This and other Cytec information may be accessed at [www.cytec.com](http://www.cytec.com).

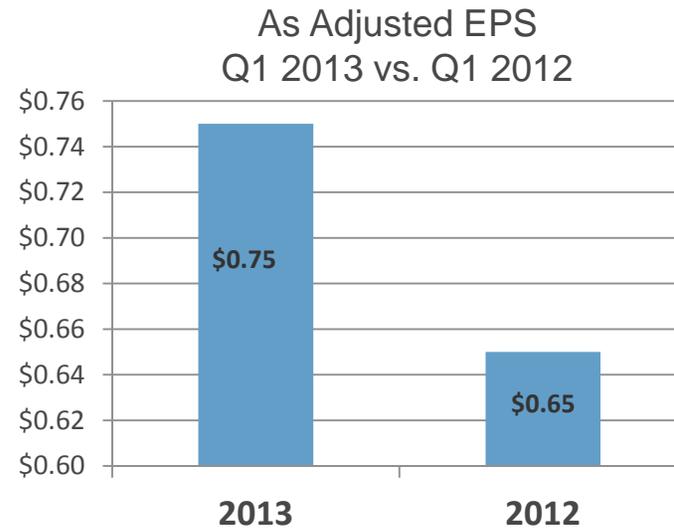
In sections of this presentation certain “non-GAAP” measures are provided and identified as such. We believe that the “non-GAAP” measures can more accurately reflect comparisons of year to year trends and is consistent with how we review the information. A reconciliation of “non-GAAP” measures to the applicable GAAP measure is provided in the appendix at the end of this presentation.

# Results Overview

## 1st Quarter 2013 Continuing Operations\*

Sales of \$477M

Earnings of \$34M or  
\$0.75 per diluted share  
*(excluding special items)*



- Revenues of \$477M in line with expectations
- As adjusted EPS up more than 15% vs. prior year
- Lower volumes and less favorable product mix in both Industrial Materials and In Process Separation.

\*Data on this slide is all based on continuing operations

# Business Segment Results – Aerospace Materials

\$M USD	Q1'13	Q1'12	% Δ
Sales	236.0	207.3	14%
Operating Earnings	41.5	43.3	-4%

- Revenue growth driven by higher selling volumes in large commercial transport and business/regional jet sectors supported by higher price
- Earnings reflect higher manufacturing costs from increased headcount to support growth and lower production levels vs. Q1 '12

## Q1 Sales Comparison YoY

Sales Growth	14%
Acquisition	7%
Volume	4%
Price	3%
Currency	0%

# Business Segment Results – Industrial Materials

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\$M USD	Q1'13	Q1'12	% Δ
Sales	84.0	11.5	NM*
Operating Earnings	2.6	1.7	53%

- Structural materials continued to face weak demand in high performance automotive and motorsports sectors
- Process materials sales to wind energy were higher than expected but impacted mix in the quarter
- Sales includes \$12M related to the distribution product line (in process of being divested)
- One-time costs of \$0.8M related to exiting a distributor agreement and other headcount reductions

\* not meaningful since majority of the difference is due to acquisition

# Business Segment Results – In Process Separation

\$M USD	Q1'13	Q1'12	% Δ
Sales	88.8	91.6	-3%
Operating Earnings	16.7	22.9	-27%

- Lower sales related to weak demand in alumina market and order timing for certain MEP products shifted into Q2
- Earnings negatively impacted by lower selling volumes, less favorable product mix, and higher manufacturing and commercial expenses to support growth vs. Q1 '12

## Q1 Sales Comparison YoY

Sales Growth	-3%
Volume	-4%
Price	1%
Currency	0%

# Business Segment Results – Additive Technologies

\$M USD	Q1'13	Q1'12	% Δ
Sales	68.6	67.7	1%
Operating Earnings	8.0	6.4	25%

- Selling volumes were higher for the polymer additive products as demand recovered in agriculture film market in Europe and general improvement in North America
- Higher operating earnings mostly due to higher selling volumes, favorable product mix, and lower raw material costs

## Q1 Sales Comparison YoY

Sales Growth*	1%
Volume	2%
Price	0%
Currency	0%

\*may not add due to rounding

# Special Items – First Quarter 2013

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## **Continuing Operations (all in corporate and unallocated):**

- Administrative and general expense includes pre-tax charge of \$0.6M primarily related to initiatives to reduce stranded costs and costs associated with the intended divestiture of the distribution business acquired from Umeco.
- Pre-tax loss on early extinguishment of debt of \$39M represents premium associated with the repurchase of \$328M of our outstanding public debt.
- Income tax (benefit)/provision includes \$1.0M of income tax expense related to a revision of our previously accrued estimated income tax liability on the unrepatriated earnings of certain foreign subsidiaries as a result of the intended sale of our Coating Resins segment.

# Financial Results – First Quarter 2013

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## **As-Adjusted Continuing Comments (ex special items):**

- Gross profit dollars up 12% to \$140.2M; Margin of 29.4% was lower by 3.7 percentage point:
  - *Lower selling volumes and less favorable mix in both Industrial Materials and In Process Separation*
  - *Higher period costs in Aerospace Materials primarily due to higher manufacturing head count versus prior year period. Lower production level vs. prior year period.*
  - *Operating expenses as a percentage of sales down by 1 percentage point versus Q1 '12.*

## **Continuing Costs Previously Allocated to Coating Resins (in corporate and unallocated):**

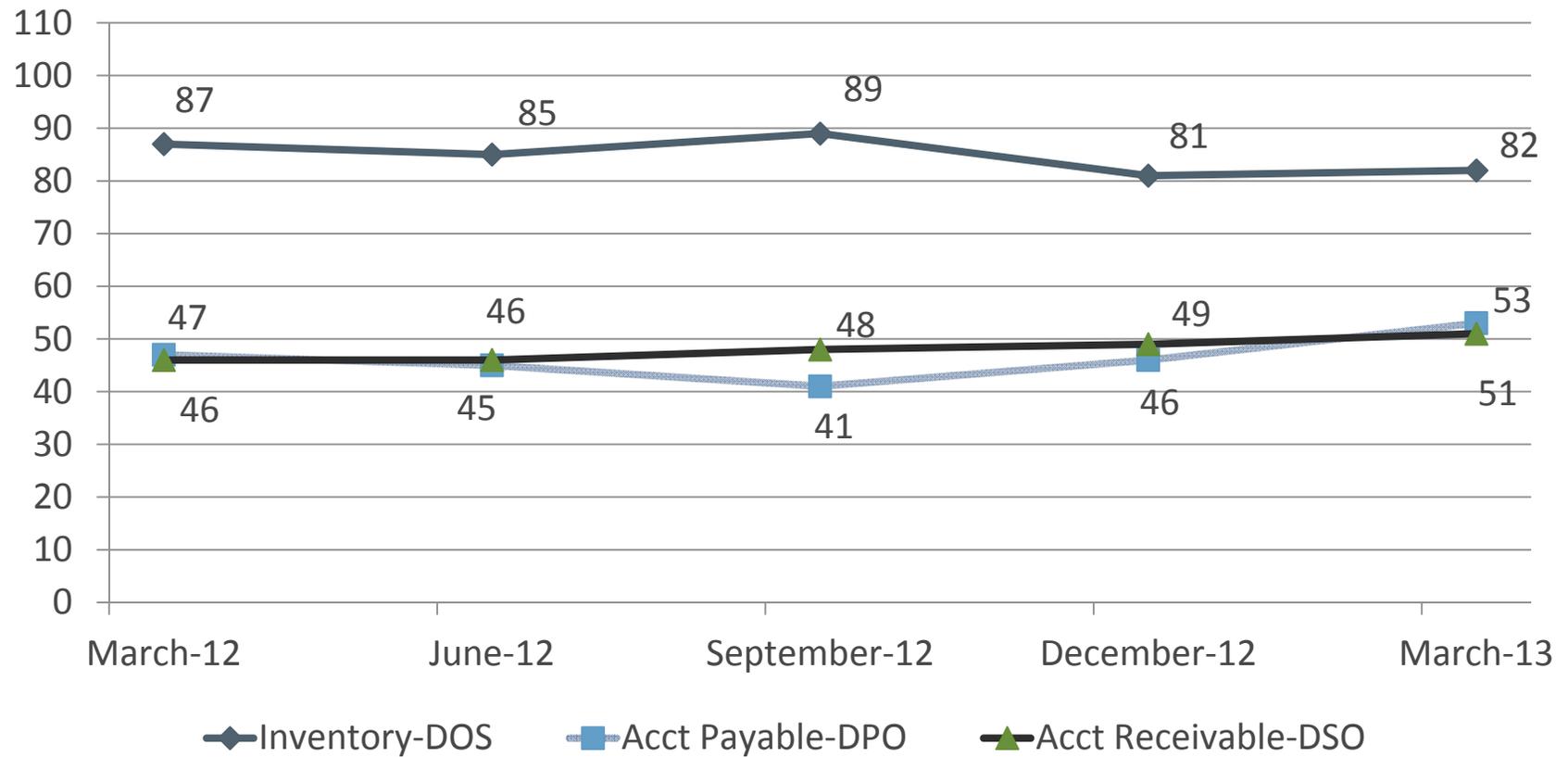
- \$12M and \$17M for Q1 2013 and 2012, respectively
- Targeting up to 2/3 of annualized costs will be removed within 90 days of closing; goal of increasing to 3/4 of total annualized costs within 2 years of closing
- Stranded costs to be re-allocated back to remaining segments starting in Q2 2013

## **Tax (ex special items):**

- Q1 2013 includes a tax benefit of \$2.7M related to the U.S. reinstatement of 2012 business tax incentives
- Excluding the tax benefit above and special items, 2013 underlying full year tax rate of 30.8% was lower vs. 2012 full year tax rate of 31.3% in Q1 2012

# Cash Flow (continuing only)

## Working Capital Days



## Balance Sheet – Maintaining Liquidity

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- Issued new 10 year \$400M public debt and repurchased \$328 million of our outstanding debt, extending debt maturity profile out to 2023. Annualized interest savings of \$7M.
- Continuing CAPEX of \$54M in Q1'13; Estimated full year 2013 CAPEX of \$300M
- Q1 share repurchase of \$90M or 1.2M shares. Remaining authorization of \$460M
- Pre-tax cash proceeds of \$1B received from Coating Resins divestiture on April 3, 2013. Use of proceeds include share repurchase program and funding of pension plans

**Strong balance sheet, Excellent debt maturity profile**

# 2013 Outlook

Business Segment	Net Sales Guidance	Operating Earnings Guidance
Aerospace Materials	\$980 to \$990	\$170 to \$175
Industrial Materials	\$300 to \$315	\$18 to \$22
In Process Separation	\$410 to \$430	\$96 to \$100
Additive Technologies	\$275 to \$285	\$38 to \$40
<u>Corporate &amp; Unallocated</u>		<u>\$40 to \$42</u>
Total	\$1,965 to \$2,020	\$282 to \$295
Other Expense, net		~\$1
Interest Expense, net		\$15
Income Tax Expense		30.5% - 32.5%
<b>Adjusted Full Year Continuing EPS</b>		<b>\$4.50 to \$4.75</b>

in millions (except per share amount)

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# CYTEC

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# Appendix

## Reconciliation of “Non-GAAP” Measures to GAAP Measures

Management believes that net after-tax earnings and diluted earnings per share before special items, and gross margins adjusted for special items, which are non-GAAP measures, are meaningful to investors because they provide a view of the Company with respect to ongoing operations. Special items represent significant charges or credits that are important to an understanding of the Company’s overall operating results in the periods presented. Such measurements are not recognized in accordance with generally accepted accounting principles (GAAP) and should not be viewed as an alternative to GAAP measures of performance. The following table summarizes the net special items used to adjust reported net earnings and diluted earnings per share and gross margins for the quarters ended March 31, 2013 and 2012.

Period	Reported Net Earnings from continuing operations	Net Special Items	Non-GAAP Net Earnings from continuing operations Cytec	Reported Diluted Earnings per Share from continuing operations	Net Special Items	Non-GAAP Diluted Earnings per Share from continuing operations*
Q1’13	\$8.0	\$26.2	\$34.2	\$0.17	\$0.57	\$0.75
Q1’12	\$30.2	\$0.3	\$30.5	\$0.65	\$0.01	\$0.65

Period	Reported Cost of Sales	Net Special Items	As Adjusted Cost of Sales	GAAP Gross Margin	Net Special Items	As Adjusted Gross Margin
Q1’13	\$337.0	\$0.2	\$337.2	\$140.4	\$(0.2)	\$140.2
Q1’12	\$252.9	\$0.2	\$253.1	\$125.2	\$(0.2)	\$125.0

\* may not add due to rounding