

## Earnings Disclosure

### Cytec Announces First Quarter Results; As-Adjusted Continuing EPS of \$1.42, Up 67% vs. First Quarter 2013; Affirms business outlook unchanged and raises full year 2014 guidance due to tax benefit

April 22, 2014 - Woodland Park, NJ - Cytec Industries Inc. (CYT) announced today net earnings for the first quarter of 2014 of \$55.9 million or \$1.52 per diluted share on net sales of \$489 million. Included in the quarter for continuing operations is a special item in the amount of \$3.8 million of net income after-tax, or \$0.10 per diluted share, which is outlined further in this release. Excluding this special item, earnings from continuing operations were \$52.0 million or \$1.42 per diluted share.

Net earnings attributable to Cytec for the first quarter of 2013 were \$35.6 million or \$0.78 per diluted share. Net sales from continuing operations were \$477 million. Earnings from continuing operations for the first quarter of 2013 were \$8.7 million or \$0.19 per diluted share. Earnings from discontinued operations were \$26.9 million or \$0.59 per diluted share, net of non-controlling interests. Included in the quarter for continuing operations were several special items that totaled \$30.2 million of net charges after-tax or \$0.66 per diluted share. Excluding the special items, earnings from continuing operations were \$38.9 million or \$0.85 per diluted share.

Shane Fleming, Chairman, President and Chief Executive Officer commented, "Our first quarter revenues were in line with our expectations. Sales growth was driven by the In Process Separation, Aerospace Materials and Industrial Materials segments. The solid earnings performance was driven by In Process Separation and Industrial Materials. We experienced operational challenges in Aerospace Materials that resulted in an earnings decline versus the prior year despite the revenue growth in that segment. The earnings in Aerospace and In Process Separation were also impacted by the sale of higher cost inventory from the fourth quarter of 2013 when we lowered production to reduce inventory levels. Overall, we are pleased that our as-adjusted earnings from operations increased 18% versus the prior year period resulting from our stronger portfolio of businesses generating good volume growth combined with a favorable product mix."

#### **Cytec Aerospace Materials sales increased 3% to \$243 million; Operating Earnings decreased to \$37.9 million.**

In Aerospace Materials, selling prices increased by over 2% and selling volumes increased 1% versus the prior year period. Volume growth was related primarily to large commercial transport programs including Boeing 787 and 737, offset by demand declines in rotorcraft and missile programs.

Operating earnings of \$37.9 million were down versus earnings of \$45.0 million in the prior year quarter. Higher selling prices and volumes were offset by unfavorable costs mainly from a fire at our carbon fiber operation that impacted our fixed cost absorption and our ability to supply internal demand for carbon fiber, resulting in a need to procure external carbon fiber at a higher cost. The fire was contained within the process equipment, there were no injuries and the plant has resumed normal operations. The full impact of the incident of approximately \$3.3 million is all reflected in the first quarter results. In addition, operating earnings for 2014 reflects a \$3 million impact to earnings due to the sale of other higher cost inventory products from the fourth quarter of 2013 when production rates were lowered to reduce inventory levels. In addition, we reallocated stranded costs of \$3.8 million from Corporate and Unallocated associated with the April 2013 sale of coating resins business.

#### **Cytec Industrial Materials sales increased 15% to \$83 million; Operating Earnings increased to \$8.2 million.**

Industrial Materials sales of \$83 million were up 15% after excluding \$11.6 million of sales included in the first quarter 2013 related to the July 2013 divested distribution product line. Selling volumes increased 12% excluding the divested distribution product line, primarily related to higher than expected demand improvement in the tooling

sector as well as increased sales in the high performance automotive sector. Selling prices and exchange also contributed 1% and 2%, respectively, in the quarter.

Operating earnings were \$8.2 million for the quarter, significantly above \$2.8 million in the prior year quarter. The increase in earnings is mainly related to higher selling volumes, a favorable product mix, and benefits from restructuring activities announced in the third quarter 2013, slightly offset by reallocated stranded costs from Corporate and Unallocated of \$1.1 million associated with the April 2013 sale of coating resins.

**Cytec In Process Separation sales increased 8% to \$96.2 million; Operating Earnings increased to \$19.2 million.**

In Process Separation selling volumes increased by 8% versus the first quarter of 2013 primarily due to higher sales of mining products related to copper and other base metals, as well as increased demand for our phosphine chemicals. The increase was partially offset by lower sales in the alumina market. Selling prices increased sales 1% which was offset by a 1% unfavorable impact of exchange rates versus the prior year quarter.

Operating earnings were \$19.2 million versus \$17.7 million in the prior year quarter. This is mostly the result of the aforementioned increase in selling volumes and a favorable product mix offset somewhat by the sale of higher cost inventory from the fourth quarter of 2013 when production rates were lowered to reduce inventory levels. This negatively impacted earnings by approximately \$3 million in addition to the reallocated stranded costs of \$1.8 million from Corporate and Unallocated associated with the April 2013 sale of coating resins.

**Cytec Additive Technologies sales decreased 3% to \$66.2 million; Operating Earnings decreased to \$7.9 million.**

In Additive Technologies, overall selling volumes were down 3% versus the first quarter 2013 primarily due to weaker demand for Polymer Additive products in North America related to timing of orders and weather related delays. Selling prices were down by 1% due mostly to lower selling prices in Specialty Additives, which was fully offset by a 1% favorable impact in exchange rates versus the prior year quarter.

Operating earnings of \$7.9 million were down versus \$8.9 million in the first quarter of 2013 mostly due to the lower selling volumes and selling prices, and the reallocated stranded costs of \$1.2 million from Corporate and Unallocated associated with the April 2013 sale of coating resins.

**Special Items**

In the first quarter of 2014, a special item was recorded in continuing operations that resulted in a net pre-tax benefit of \$6.2 million (\$3.8 million after-tax or \$0.10 per diluted share) attributable to mark to market adjustments for pension and other postemployment benefits which was deferred from 2013.

In the first quarter of 2013, a number of special items were recorded in continuing operations that resulted in net pre-tax charges of \$46.2 million (\$30.2 million after-tax or \$0.66 per diluted share).

**Income Tax (Benefit)/Expense**

The income tax expense related to continuing operations for the first quarter of 2014 was \$17.7 million, compared with \$2.1 million of income tax benefit in the first quarter of 2013. Included in the income tax expense for the first quarter of 2014 is a tax benefit of \$5.4 million or \$0.15 per diluted share related to the reversal of certain tax reserves due to the settlement of tax audits and the expiration of the statute of limitations for the U.S. and other international jurisdictions. Excluding this item and the impact from the special items previously noted, the overall underlying annual tax rate for the first quarter of 2014 was 31.0% versus the underlying annual tax rate in the first quarter of 2013 of 31.5%.

**Cash Flow**

David Drillock, Vice President and Chief Financial Officer commented, "Operating Cash Flows from continuing operations were \$61.0 million for the first quarter 2014. On a continuing basis, our net working capital days at the end of the first quarter were seven days lower at 76 days compared to the end of the fourth quarter of 2013. At quarter end, inventory days of 80 were up two days compared with the end of the fourth quarter last year. Accounts

receivable days of 48 were flat and accounts payable days were at 52, up nine days versus year end 2013. "

"Capital spending in the quarter was \$64 million, with the majority related to completing manufacturing capacity expansions in Aerospace Materials and In Process Separation segments. Our expectation for capital spending for the full year 2014 is estimated to be in a range of \$180 to \$200 million."

## **2014 Outlook**

Mr. Fleming continued, "We are pleased with the demand trends to start the year and remain confident in our ability to deliver the business projections we shared in January. Although our respective business segment guidance remains unchanged, we are raising our full year EPS guidance to reflect the portion of the tax benefit realized in the first quarter of this year that was not contemplated in our original guidance. A review of the business forecasts is summarized below.

"In Aerospace Materials, most legacy aerospace programs that we supply are currently at or close to peak production rates this year and therefore sales growth will be more modest than in the past several years. While we did experience a fire in one of our three carbon fiber lines in the quarter, we have completed the repair work and resumed normal operations. We continue to focus on executing the identified operational improvements that will increase productivity, lower costs and better position our assets to meet the increased demand that will come from new programs that will enter into service beyond 2014. Our forecasted sales remain in a range between \$970 and \$990 million versus \$961 million in 2013 and operating earnings in a range between \$183 and \$195 million versus \$177.6 million in 2013.

"The Industrial Materials business continues to see signs of demand improvement in certain markets. Demand in the first quarter was strong as we saw good demand in the tooling sector and continued growth in the high performance automotive market. Future quarters are expected to show more modest growth based on customer order patterns throughout the year. We continue to estimate sales in a range between \$300 and \$320 million in 2014 versus \$291 million in 2013 (excluding divested distribution line), and operating earnings in a range between \$22 and \$26 million, a significant improvement versus the prior year of \$19.0 million due to higher volumes, better product mix, and benefits from our restructuring initiatives.

"The In Process Separation business is expected to continue its growth trajectory driven largely by improved demand from new mine start-ups and new product commercialization in the mining chemicals product lines. Both the new phosphine plant and India metal extractant plant will start-up mid-year, so the associated increased operating costs and depreciation will pressure margins in the first year of operation as we have previously communicated. We continue to estimate sales to be in a range between \$420 and \$445 million versus \$383 million in 2013 and operating earnings to be between \$88 and \$97 million versus \$86.5 million in 2013.

"Additive Technologies started the year soft, but is in line with our forecast. We continue to foresee demand improvements in certain markets as the year progresses. Our sales estimate remains in a range between \$285 and \$295 million versus \$275 million last year and operating earnings in a range between \$40 and \$42 million versus \$39.6 million in 2013.

"The guidance for Corporate and Unallocated is between \$24 and \$28 million for the year. Interest Expense, net, is forecast to be \$25 million, and the forecast for the underlying annual tax rate is now estimated in a range between 30.5% and 32.5% excluding the specific tax benefits mentioned earlier. Of the \$0.15 tax benefit previously noted, approximately two-thirds was not contemplated in our prior guidance. As a result of this additional tax benefit, our full year guidance for 2014 adjusted diluted earnings per share has increased to a range between \$5.60 and \$6.00 from the prior range of \$5.50 to \$5.90. "

Mr. Fleming concluded, "I am pleased with the start of the year and remain confident in our ability to deliver our full-year business projections. As I look ahead, our reshaped portfolio puts us in a great position to deliver our growth strategy by bringing high-performance product and application technologies to market that create value for our customers and deliver increasing value and returns for our shareholders."

**Investor Conference Call to be Held on Wednesday, April 23, 2014 at 11:00am ET**

Cytec will host their first quarter earnings release conference call on April 23, 2014 at 11:00am ET. The conference call will also be simultaneously webcast for all investors from Cytec's website. Select the Investor Relations page to access the live webcast.

### **Use of Non-GAAP Measures**

Management believes that net earnings from continuing operations attributable to Cytec, excluding special items and diluted earnings per share, excluding special items, which are non-GAAP measurements, are meaningful to investors because they provide a view of the Company with respect to ongoing operating results. Special items represent significant charges or credits that are important to an understanding of the Company's overall operating results in the period presented. Such non-GAAP 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. A reconciliation of GAAP to non-GAAP measurements can be found at the end of this release.

### **Forward-Looking and Cautionary Statements**

Except for the historical information and discussions contained herein, statements contained in this release may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Achieving the results described in these statements involves a number of risks, uncertainties and other factors that could cause actual results to differ materially, as discussed in Cytec's filings with the Securities and Exchange Commission.

### **Corporate Profile**

Cytec's vision is to deliver specialty material and chemical technologies beyond our customers' imagination. Our focus on innovation, advanced technology and application expertise enables us to develop, manufacture and sell products that change the way our customers do business. Our pioneering products perform specific and important functions for our customers, enabling them to offer innovative solutions to the industries that they serve. Our products serve a diverse range of end markets including aerospace and industrial materials, mining and plastics.

For more information about Cytec please visit [www.cytec.com](http://www.cytec.com).

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## **Q1 2014 Financial Tables**

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