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## First Quarter 2014 Earnings Review

*Shane Fleming – Chairman, President and CEO*

*Dave Drillock—Vice President and CFO*

*April 23, 2014*

# 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 2014 sales and earnings. These were included in our April 22, 2014 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 2014 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.

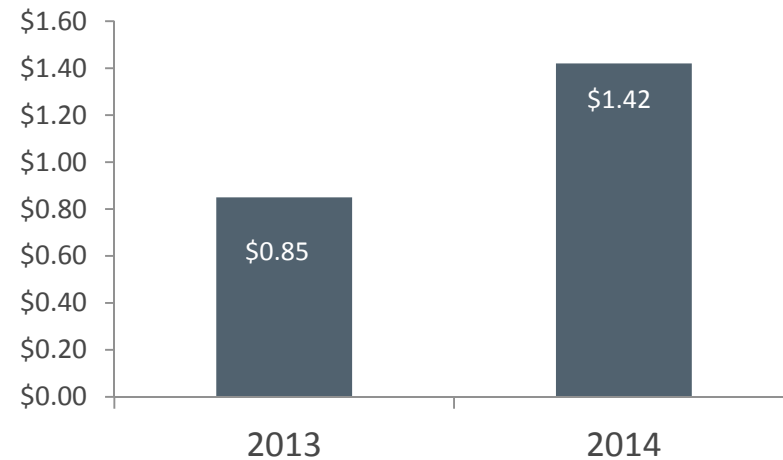
# Results Overview

## 1st Quarter 2014 Continuing Operations

Sales of \$489 Million

Earnings of \$52.0M or  
\$1.42 per diluted share  
*(excluding special items)*

**As Adjusted EPS Q1 2014 vs. Q1 2013**



- Sales volume growth driven by In Process Separation & Industrial Materials
- Operating earnings up 18% versus prior year period
- As adjusted EPS up 67% versus Q1 2013

# Business Segment Results – Aerospace Materials

\$M USD	Q1'14	Q1'13	% Δ
Sales	243	236	3%
Operating Earnings	37.9	45.0	-16%

- Sales volume growth related to 787 and 737 offset by lower sales to rotorcraft and missile programs
- Operating earnings in the quarter were impacted by:
  - Fire at carbon fiber plant/procured higher cost fiber (\$3.3)
  - Higher cost of goods inventory sold in the quarter (\$3.0)
  - Stranded costs from Coatings sale (\$3.8)

## Q1 Sales Comparison YoY

Sales Growth	3%
Volume	1%
Price	2%
Currency	0%

# Business Segment Results – Industrial Materials

\$M USD	Q1'14	Q1'13	% Δ
Sales	83	84*	-1%
Operating Earnings	8.2	2.8	193%

\*Includes \$11.6M sales of distribution products

- Sales in 2013 include \$11.6M related to the divested distribution product line; excluding this amount, sales grew by 15% in the quarter
- Increased structural materials sales to aero tooling and high performance automotive markets, increased process materials sales to aerospace
- \* Earnings up due to higher volumes, favorable product mix, and cost benefits from restructuring

## Q1 Sales Comparison YoY

Sales Growth	-1%
Acquisition	-14%
Volume	10%
Price	1%
Currency	2%

# Business Segment Results – In Process Separation

\$M USD	Q1'14	Q1'13	% Δ
Sales	96	89	8%
Operating Earnings	19.2	17.7	8%

- Solid mining demand in copper and other base metals drove increased sales, partially offset by declines in alumina
- Demand increase in phosphines to non-mining markets also supported growth
- Operating earnings higher due to volume increases and favorable product mix, but partially offset by stranded costs

## Q4 Sales Comparison YoY

Sales Growth	8%
Volume	8%
Price	1%
Currency	-1%

# Business Segment Results – Additive Technologies

\$M USD	Q1'14	Q1'13	% Δ
Sales	66	69	-3%
Operating Earnings	7.9	8.9	-11%

- Slower demand in North American market driven by order patterns and weather
- Earnings lower due to the softer sales and stranded costs

## Q1 Sales Comparison YoY

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

# Financial Results: Q1 2014

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## Special Item

- Recorded in Continuing operations is a net pre-tax benefit of \$6.2 million (\$3.8 million after-tax or \$0.10 per diluted share) related to mark to market adjustments for pension and other postemployment benefits which was deferred from 2013

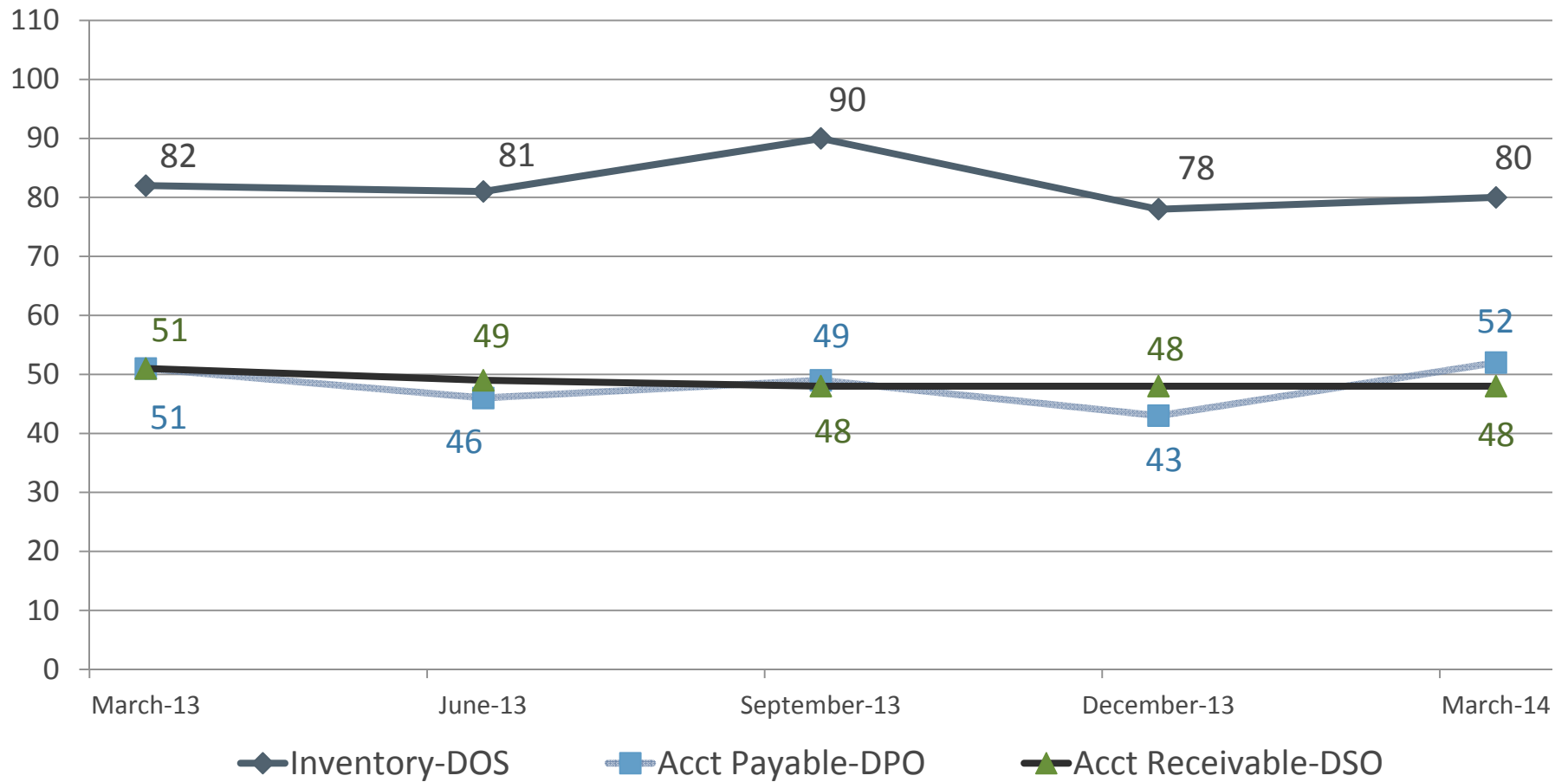
## Other financials (Q1 2014 vs Q1 2013)

- Gross margin of 31.5% is ~1% higher
- Total operating expenses are down approximately \$1.5 million
- Corporate & Unallocated is down by \$12 million primarily related to reduced stranded costs from the coating resins sale:
  - One third of the stranded costs were eliminated
  - Balance of stranded costs were reallocated to the businesses in April 2013
- Interest expense, net is down about \$3.6 million due to lower interest expense on our public debt and higher capitalized interest
- Underlying annual tax rate for Q1 2014 was 31.0% vs. 31.5% in Q1 2013. In addition to the tax rate, there is a tax benefit in Q1 2014 of \$5.4 million or \$0.15 per diluted share related to the reversal of tax reserves from audit settlements. About one third of this amount was included in our prior guidance.



# Cash Flow metric

## Working Capital Days



## Balance Sheet – Maintaining Liquidity

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### **Cash:**

- Cash flow from operations \$61M in Q1
- Cash balance end of Q1 \$156.8M

### **Capital Spending:**

- \$64M in Q1
- Estimate \$180M to \$200M Full Year 2014

### **Long-term Debt:**

- \$715.6M

# 2014 Outlook

Business Segment	Net Sales	Operating Earnings
Aerospace Materials	\$970M – \$990M	\$183M – \$195M
Industrial Materials	\$300M – \$320M	\$22M – \$26M
In Process Separation	\$420M – \$445M	\$88M – \$97M
Additive Technologies	\$285M – \$295M	\$40M – \$42M
Corporate & Unallocated		(\$24M – \$28M)
Total	\$1,975M – \$2,050M	\$309M – \$332M
Interest Expense, net		\$25M
Income Tax Expense		30.5% – 32.5%
<b>Adjusted Full Year Continuing EPS</b>		<b>\$5.60 – \$6.00</b> <b>Includes tax benefit from Q1</b>

in millions (except per share amount)

April 23, 2014

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NYSE: CYT

# 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, 2014 and 2013.

Period	Reported Net Earnings from continuing operations	Net Special Items	Non-GAAP Net Earnings from continuing operations*	Reported Diluted Earnings per Share from continuing operations	Net Special Items	Non-GAAP Diluted Earnings per Share from continuing operations
Q1’14	\$55.9	\$(3.8)	\$52.0	\$1.52	\$(0.10)	\$1.42
Q1’13	\$8.7	\$30.2	\$38.9	\$0.19	\$0.66	\$0.85

Period	Reported Cost of Sales	Net Special Items	As Adjusted Cost of Sales	GAAP Gross Margin	Net Special Items	As Adjusted Gross Margin
Q1’14	\$329.0	\$6.2	\$335.2	\$160.0	\$(6.2)	\$153.8
Q1’13	\$338.8	\$(6.1)	\$332.7	\$138.6	\$6.1	\$144.7

\* may not add due to rounding