CYTEC INDUSTRIES INC/DE/
Form 10-K
February 25, 2013
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2012

Commission file number 1-12372

CYTEC INDUSTRIES INC.

(Exact name of registrant as specified in its charter)

Delaware	**22-3268660**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No).
Five Garret Mountain Plaza Woodland Park, New Jersey	**07424**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code (973) 357-3100

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of exchange on which registered**
Common Stock, par value $.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for at least the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

At June 30, 2012 the aggregate market value of common stock held by non-affiliates was $2,681,646,197 based on the closing price ($58.64 per share) of such stock on such date.

There were 44,825,249 shares of common stock outstanding on February 8, 2013.

DOCUMENTS INCORPORATED BY REFERENCE

Documents	**Part of Form 10-K**
Portions of Cytec s Proxy Statement for 2013 Annual Meeting of Common Stockholders to be held on April 18, 2013.	Part III

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CYTEC INDUSTRIES INC. AND SUBSIDIARIES

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COMMENTS ON FORWARD-LOOKING STATEMENTS

A number of the statements made by us in our Annual Report on Form 10-K, in other documents, including but not limited to the Chairman, President and Chief Executive Officer s and Vice President and Chief Financial Officer s letters to stockholders and stakeholders, respectively, in our press releases and in other reports to the Securities and Exchange Commission, may be regarded as forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements in this report, including those made by the management of Cytec, other than historical statements, are forward-looking statements.

Forward-looking statements include, among others, statements concerning: our or any of our segments outlook for the future, anticipated results of acquisitions and divestitures, future aircraft build rates, expectations on the amount of our composite material content on new aerospace programs, selling price, raw material cost and working capital trends, anticipated changes in currency rates and their effects, economic forces within the industry we operate, anticipated costs, target completion and qualification dates and expenditures for capital projects, expected sales growth, operational excellence strategies and their results, expected annual tax rates, our long-term goals, environmental remediation costs, future legal settlements, claims and judgments, and other statements of expectations, beliefs, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. Such statements are based upon our current beliefs and expectations and are subject to significant risks and uncertainties including those discussed in Item 1A, Risk Factors, below and elsewhere in this report. Actual results may vary materially from those set forth in the forward-looking statements.

The following factors, among others, could affect our anticipated results: our ability to successfully complete planned or ongoing restructuring and capital expansion projects, including realization of the anticipated results from such projects; our ability to successfully conclude changes to our business portfolio through acquisitions and divestitures, and achieve the expected benefits from such transactions; our ability to maintain or improve current ratings on our debt; our ability to obtain financing or borrow fully against committed lines, changes in financial conditions or the financial status of our existing lenders markets; changes in global and regional economies; the financial well-being of our customers and the end-consumers of products incorporating our products; changes in demand for our products or in the quality, costs and availability of our energy and raw materials, particularly when such raw materials are only available from a single or limited number of sources and cannot be substituted with other unqualified materials; customer inventory reductions; changes in the build rates for certain aircraft programs; the actions of competitors; currency and interest rate fluctuations; technological change, particularly in aerospace program technology; manufacturing capacity constraints; our ability to renegotiate expiring long-term contracts; our ability to raise our selling prices when our product costs increase; changes in employee relations, possible strikes or work stoppages at our facilities or at the facilities of our customers or suppliers; new laws and regulations or changes in their interpretation, including those related to taxation, global warming and those particular to the purchase, sale, storage and manufacture of chemicals or operation of chemical plants; governmental funding for those military programs that utilize our products; litigation, including its inherent uncertainty and changes in the number or severity of various types of claims brought against us and changes in the laws applicable to these claims; quality problems; difficulties in plant operations and materials transportation, including those caused by hurricanes or other natural forces; short or long-term climate changes; environmental matters; returns on employee benefit plan assets and changes in the discount rates used to estimate employee benefit liabilities; changes in the medical cost trend rate; changes in accounting principles or new accounting standards; political instability or adverse treatment of foreign operations in any of the significant countries in which we or our customers operate; war, terrorism or sabotage; epidemics; and other unforeseen circumstances. Unless indicated otherwise, the terms Cytec, Company, we, us, and our each refer collectively to Cytec Industries Inc. and its subsidiaries.

AVAILABLE INFORMATION

We maintain a website that contains various information on our Company and products. It is accessible at www.Cytec.com. Through our website, stockholders and the general public may access free of charge (other than any connection charges from internet service providers) filings we make with the Securities and Exchange Commission as soon as practicable after filing. Filing accessibility in this manner includes our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934.

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PART I

(Currencies in millions, except per share amounts)

Item 1.

BUSINESS

Overview

We are a global specialty materials and chemicals company focused on developing, manufacturing and selling value-added products. Our products serve a diverse range of end markets including aerospace and industrial materials, mining and plastics. We use our technology and application development expertise to create chemical and material solutions that are formulated to perform specific and important functions for our customers. Our strategy is to develop a robust, sustainable portfolio of businesses that provide sales and earnings growth, minimum operating margins of 10%, and improving our return on assets by investing in and expanding our growth platforms while selectively monetizing or exiting non-strategic or under-performing businesses. We have been active in our portfolio realignment in the past 24 months. In February 2011, we divested our Building Block Chemicals business. In July of 2012 we acquired Umeco plc (Umeco), a provider of advanced composites and process materials to the aerospace and industrial markets. Also in July 2012 we divested our pressure sensitive adhesives (PSA) product line. In October 2012, we announced an agreement to sell our Coating Resins business to Advent International. The transaction is expected to close in the first quarter of 2013 subject to regulatory approvals. The amounts and percentages included in the document exclude our discontinued operations, except where noted. We had net sales from continuing operations of $1,708.1 and earnings from continuing operations of $163.6 in 2012. We operate on a global basis with 49% of our 2012 revenues in North America, 30% in Europe, Middle East, and Africa, 13% in Asia-Pacific and 8% in Latin America. We have manufacturing and research facilities located in 15 countries excluding Coating Resins. When including our Coating Resins facilities, the total increases to 19 countries. Cytec was incorporated as an independent public company in December 1993.

Segment Realignment

We regularly review our segment reporting and classifications and may periodically change our reportable segments to align with strategic and operational changes. In the first quarter of 2012, we announced that we had retained an advisor to help us explore the potential separation of our Coating Resins segment, along with the PSA product line and certain methyl acrylamide (NMA) product groups. In light of this potential separation, we realigned our segment reporting (internal and external) and management structure accordingly. PSA and NMA, which previously were included in our Engineered Materials and Additive Technologies segments, respectively, became a part of the Coating Resins segment. Concurrently, to align the segments with our revised management structure and operating model, we moved the formulated resins business out of the Engineered Materials segment into the Additive Technologies segment. As noted above, in October 2012 we signed an agreement for the sale of the Coating Resins business to Advent International.

As discussed in Note 3 of the Consolidated Financial Statements, the former Coating Resins and Building Block Chemicals segments are reported as discontinued operations for all periods presented. As discussed in Note 2 of the Consolidated Financial Statements, the acquired Umeco business is reported as a separate segment and includes results of operations since we acquired it on July 20, 2012. As a result, we now have four reportable business segments: Engineered Materials, Umeco, In Process Separation and Additive Technologies. The Engineered Materials segment principally includes advanced composites, carbon fiber, and structural film adhesives. The Umeco segment includes composite and process materials, primarily for the aerospace and defense, wind energy, automotive, recreation and other industrial segments. The In Process Separation segment includes mining chemicals and phosphines. The Additive Technologies segment includes polymer additives, specialty additives and formulated resins.

In 2013, we plan to report separately the aerospace and industrial materials out of the Engineered Materials and Umeco segments into two new segments, Aerospace Materials and Industrial Materials. They will be managed and reported separately as the markets and distribution channels are distinct. While their manufacturing assets and processes are similar, their supply chains are dissimilar. We believe this is a more appropriate way to reflect how we anticipate managing the business going forward and follows our strategy of focusing on aerospace and industrial markets separately. The new segment reporting is expected to be in effect the first quarter of 2013 and we believe is more transparent and understandable to investors.

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Vision and Strategy

Our corporate vision is to deliver technology beyond our customers imagination. To achieve our corporate vision, our strategy includes the following initiatives:

Achieve sustainable and profitable growth by providing innovative solutions to meet customer needs. We seek to collaborate closely with our customers to understand their needs and provide them with a superior value proposition, whether through improvement in product quality, performance, cost or a new enabling technology. We seek to market our specialty products in terms of the value they provide and focus on delivering a high level of technical service to our customers as we work with them on solving problems and providing them with better products for their applications.

Provide a culture that challenges, engages and rewards our employees. We know that progress and growth depend on every employee taking responsibility, being creative, and contributing to our overall successful performance. We strive to have our employees challenged and to enjoy success as we continue to build a stronger Cytec. As part of this process, employees have opportunities to embark on career paths geared towards advancement in various areas of our organization. Our goal is to attract, retain and develop employees to their highest potential and be recognized as a global employer of choice.

Be universally recognized as the technology leader in our markets. We are dedicated to creating a sustainable competitive advantage through superior technology. We believe our technology is the ultimate engine of our growth and success. To that end, we focus on our new product pipeline and delivering value-added products to our customers every year. In 2012, we continued to invest in our growth platforms (i.e., Engineered Materials and In Process Separation) and acquired Umeco.

Positively impact society by our commitment to safety, health, and environmental stewardship. We focus our innovation on the development of environmentally sustainable products, and demonstrate our respect for the communities in which we operate. We operate on a global basis with manufacturing plants and research facilities located in 15 countries excluding Coating Resins, and when including Coating Resins facilities our total increases to 19 countries, including high growth emerging markets where we will continue to expand sales as markets develop. Our global operations add to the vitality and the economy of the regions in which we operate.

We are focused on operational excellence. To develop and implement best practices, we benchmark our performance against our competitive peer group. This has had a significant positive impact in terms of our safety and environmental performance. Manufacturing has the largest impact on our costs and we use various techniques such as Six Sigma® (a trademark of Motorola Inc.) and lean manufacturing to reduce our product costs by improving process yields, reducing batch times, increasing capacity and improving and/or streamlining our manufacturing processes. We continuously review our operational footprint versus current and projected market demand and accordingly, from time to time, we may also expand, shutdown parts of, or close certain manufacturing or laboratory facilities.

Our management team regularly reviews our product line portfolio in terms of strategic fit and capital allocation based on financial performance which includes factors such as growth, profitability and return on invested capital. From time to time, we may also dispose of or withdraw certain product lines. We may also acquire additional product lines or technologies. We conduct regular reviews of our plant sites cost effectiveness, including individual facilities within such sites, to ensure our long-term competitiveness.

Over the years, in the course of our ongoing operations, we have made a number of other strategic business and product line acquisitions and dispositions.

Acquisitions

Umeco plc

On July 20, 2012, we completed the acquisition of all of the outstanding shares of Umeco, an international provider of composite and process materials, in an all-cash transaction at a cost of approximately $423.8. To fund the transaction, we used approximately $170.0 from the draw-down of our existing $400.0 revolving credit facility (the Revolving Credit Facility) with the balance funded by cash on hand. The acquisition is intended to strengthen our position as a leading manufacturer of composite materials, while offering significant opportunities for growth and value creation, particularly in industrial composites and process materials. The acquired Umeco business is being reported as a separate segment. See Note 2 of the Notes to Consolidated Financial Statements for further details. In January 2013, we announced that we are considering the sale of Umeco s glass, fiber, and resin distribution business which is not primary to Umeco s core composites and process materials business. Since our acquisition of Umeco in July 2012, Umeco s distribution business had revenues of approximately $20.8 and operating margins of approximately $0.9.

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Star Orechem International Private Limited

On March 30, 2012, we acquired the manufacturing assets of Star Orechem International Private Limited (SOIL), in Nagpur, Central India, in a cash transaction. The acquisition is expected to increase our global capacity for our Metal Extraction Product line of our In Process Separation segment by approximately 25%, and provides the ability to further expand production at the site. We are in the process of completing and upgrading the capabilities of the acquired plant to meet appropriate safety and operating standards. Our expectation is that this work will be completed and we will begin production of our mining chemical products in the first half of 2014. The results of operations of the acquired business have been included in our In Process Separation segment since April 1, 2012. The acquisition was funded from our cash on hand and has been accounted for as an acquisition of a business. See Note 2 of the Notes to Consolidated Financial Statements for further details.

Discontinued Operations

Coating Resins

The results of operations of the former Coating Resins segment are reported as discontinued operations, and are therefore excluded from both continuing operations and segment results for all periods presented. The results of the PSA product line are included in discontinued operations up through its sale on July 31, 2012. All previously reported financial information has been revised to conform to the current presentation.

On July 31, 2012, we completed the sale of the PSA product line of the Coating Resins segment to Henkel AG & Co. (Henkel) for approximately $105.0, including working capital of approximately $15.0, subject to post-closing working capital adjustments. In August, we received cash consideration of $112.8 from the sale. We recorded an after-tax gain on the sale of $8.6 in 2012, which is included in Net (loss) gain on sale of discontinued operations, net of tax in the consolidated statements of income.

On October 9, 2012, we entered into a definitive agreement to divest our remaining Coating Resins business to Advent International, a global private equity firm for $1,032.0 plus assumed liabilities of $118.0 bringing the total value to $1,150.0. The sale is expected to close in the first quarter of 2013, following the satisfaction of regulatory requirements and other customary closing conditions. As a result, we recorded cumulative after-tax charges of $25.2 in 2012 to adjust our carrying value of the disposal group to its fair value less cost to sell, based on the terms of the definitive agreement. The charge is included in Net (loss) gain on sale of discontinued operations, net of tax in the consolidated statements of income.

In 2012, we have reported Coating Resins under discontinued operations. Sales for 2012 were $1,487.4.

Associated company and minority interests

As part of our investment in Coating Resins, we own a 50% interest in SK Cytec Co., Ltd. and a majority share of two consolidated entities. Each of these entities is immaterial to the results of our operations, and is included in the results of our discontinued operations.

Building Block Chemicals

On February 28, 2011, we completed the sale of substantially all of the assets and certain liabilities of our Building Block Chemicals business (the Business) to Cornerstone Chemical Company, an affiliate of HIG Capital, LLC (the Purchaser), pursuant to an Asset Purchase Agreement (the Agreement) dated January 28, 2011, between the Company and the Purchaser. The total consideration received from the sale was $175.7, including cash consideration of $160.7 that we received at closing and a promissory note for $15.0. A cash payment of $6.6 was made to the Purchaser in July 2011 as final settlement of the agreed upon working capital transferred, resulting in net realized consideration of $169.1. Accordingly, the business was treated as discontinued operations and excluded from both continuing operations and segment results for all periods presented.

SEGMENT INFORMATION

Revenues from external customers, earnings from operations, and total assets for each of our four reportable segments can be found in Note 17 of Notes to Consolidated Financial Statements. The following segment information reflects the change in our business segments announced in the first quarter of 2012.

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Engineered Materials

Our Engineered Materials segment is a global provider of technologically advanced materials for aerospace, high-performance industrial and other extreme-demand markets.

Its primary product lines and products are:

Product Line	Major Products	Principal Applications
Advanced aerospace composites and structural adhesives	Aerospace-qualified prepregs, resin infusion systems, structural/surfacing adhesives, ablatives	Large commercial airliners, regional and business jets, military aircraft, rotorcraft, satellites and launch vehicles
High performance industrial composites and materials	Industrial-grade prepregs, resin infusion systems, structural/surfacing adhesives	Composites for high performance automotive, defense, tooling and alternative energy
Carbon fibers	High performance carbon fibers	Reinforcements for advanced aerospace and industrial composites

We typically market Engineered Materials products and services directly to our customers using our dedicated sales and technical support team. Sales are largely dependent on commercial and military aircraft build-rates and the number of aircraft programs that identify and specify us as a qualified supplier. A large majority of global commercial aircraft programs qualified and specify our products for use in primary and secondary structure applications. We have a number of long-term agreements, expiring over various periods, to supply aerospace customers with various qualified engineered materials, with the prices generally being fixed by year.

Military aircraft were early adopters of advanced composite technology. Advanced composites generally account for a higher percentage of structural weight on military aircraft. We are a major supplier to the F-35 Joint Strike Fighter and F-18 fighter jet programs. Newer designed commercial aircraft, such as the Boeing 787 Dreamliner and the Airbus A380, which we also supply, have adopted a higher percentage of advanced composites to design and manufacture aircraft with greater fuel efficiency. We are also a leading supplier for the business and regional jet market, supporting new programs such as Bombardier s CSeries and LearJet85, and for the emerging aerospace markets in China and Russia. We expect the demand for advanced composites, structural adhesives and carbon fiber reinforcement to continue to increase as new aerospace designs, applications and programs are developed and introduced. We expect to significantly increase our capital spending over the next several years to meet the projected higher demand levels.

Advanced Composites, Structural Adhesives and Carbon Fibers

Advanced composites are exceptionally strong and lightweight materials (prepregs and resin infusion systems) we manufacture from high performance fibers (like carbon fiber) with epoxy, bismaleimide, phenolic, polyimide and other resins formulated or purchased by us.

Our customers use composites for primary structural aircraft applications such as wing, tail and rudder assemblies, engine housings and fuselage components. Composites are also used for secondary structural applications such as fairings and aircraft interiors. Ablatives are used for rocket nozzles and launch components and our carbon/carbon products to make aircraft and other high-performance brakes.

Structural and film adhesives are used for bonding and surfacing both metal and composite aircraft and automotive components. We also manufacture specialty adhesive forms for complex composites assemblies, such as honeycomb and sandwich structures and special surfacing films to provide aircraft lightning strike protection.

We manufacture and sell various high-performance grades of both polyacrylonitrile (PAN) type and pitch type carbon fibers used as a reinforcement material for aerospace and other extreme-demand and high-performance composites. Carbon fiber has many advantageous characteristics in the manufacture of advanced composites, such as lightweight properties, high strength, long fatigue life and enhanced heat and corrosion resistance. We utilize approximately 85% of our carbon fiber production internally (which represents approximately 40% of our demand for carbon fiber) and sell the balance to third parties. We purchase all of the aramid and glass fibers and much of the carbon fibers and base resins used to manufacture our composites from third parties.

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We began construction on a new carbon fiber line in South Carolina in early 2008. Upon completion, the new production line would double our capacity for PAN carbon fiber. In the first quarter of 2009, we decided to delay the completion of the carbon fiber expansion project due to recession-driven demand reductions. Since then, carbon fiber demands have significantly increased, and we restarted the project in 2012. We expect the project to cost $324.0 upon completion, of which $183.4 has been spent as of December 31, 2012, and expect the project to be complete and qualified for aerospace applications in 2016. To further advance carbon fiber reinforced composite materials technology, we entered into a strategic business collaboration with Mitsubishi Rayon Co., Ltd., combining and sharing the technologies and engineering efforts for selected high-performance carbon composites applications in the structural materials aerospace market.

High Performance Industrial Materials (HPIM)

Our HPIM product line strategy is to leverage our composites, adhesives and resin technologies across multiple industrial markets. We supply composites and adhesives to a wide spectrum of markets, such as high performance and luxury low-rate serial automotive, defense, and alternative energy. This product line addresses the increasing requirements for weight, strength and cost-optimized products and materials within the markets where composites adoption is growing.

Umeco

Set forth below are our primary product lines and major products in this segment and their principal applications.

Product Line	**Major Products**	**Principal Applications**
High performance composites structural materials/solutions.	Aerospace-qualified prepregs, Industrial-grade prepregs.	Large commercial airliners, military aircraft, high performance automotive, defense, tooling, recreation, industrial and alternative energy.
Composite process materials/solutions	Process materials/solutions (vacuum bagging, release films and sealant tapes).	Process materials for the forming, infusion, curing of composite structures.

Structural Materials

Our structural materials product line includes the development, manufacturing and supply of advanced composite materials. We specialize in the manufacture of high performance composite materials for a diverse range of industries such as aerospace and defense, marine, motor sport and automotive, construction, wind energy, and recreation. We have manufacturing operations in the U.K., Germany, and the U.S., and distribute our products worldwide. Our customers for this product line include Boeing, Airbus, manufacturers of high performance supercars, and Formula 1 teams.

Process Materials

Our process materials product line includes the development, manufacture, and supply of vacuum bagging materials to the composites industry and other markets, providing a wide range of materials and technical support to a growing number of international customers. We have manufacturing operations in Italy and France, and value-added distribution facilities in the U.K. and the U.S. We have a global distribution network, and our customers for this product line include Airbus, Boeing, and manufacturers of wind turbine blades.

In Process Separation

Set forth below are our primary product lines and major products in this segment and their principal applications.

Product Line	Major Products	Principal Applications
Mining chemicals	Flotation promoters, collectors, frothers, dispersants and depressants, solvent extractants, flocculants, filter and dewatering aids, antiscalants, and defoamers	Mineral separation and processing for copper, alumina, cobalt, nickel, and other minerals
Phosphines	Flame retardants, catalyst ligands, high purity phosphine gas and biocides	Pharmaceutical, chemical and electronic manufacturing, and fumigation

We market our In Process Separation chemicals through specialized sales and technical service staffs for each of our product lines. Sales are usually made directly to large customers and through distributors to smaller customers. For a discussion of raw materials, refer to Customers and Suppliers.

Mining Chemicals

Our mining chemicals product line is primarily used in applications to separate desired minerals from host ores. We have a leading position in the base metal processing industry, particularly in the flotation and solvent extraction of copper and associated metals. Our phosphine-based specialty products are used primarily in the flotation of complex sulfide ores and the solvent extraction of cobalt/nickel. We also have a leading position in the alumina processing industry, where our HxPAMs are particularly effective at the flocculation of red mud and our patented MaxHT® antiscalant is sold for suppressing sodalite scale formation. Demand for mining chemicals varies with industry conditions such as global demand, inventory levels and prices for the particular minerals with respect to which our products have processing applications. We strive to develop new technologies as well as new formulations tailored for specific applications. Our expectation is for demand for our specialty and new products continuing to grow which will require us to make capital investments in new capacity over the next several years. The previously discussed acquisition of SOIL will increase Cytec s global capacity for its metal extraction product line by approximately 25% and provide the ability to further expand production at the site. The acquisition expands our global manufacturing footprint for the In Process Separation business, providing us with a more direct supply chain line to better serve our mining customers in Africa and the Asia Pacific region. We are in the process of updating the manufacturing facility to our safety and operating specifications and expect production to start in the first half of 2014.

Phosphines

Our phosphine specialties are utilized for a variety of applications. We are a leading supplier of ultra-high purity phosphine gas, used in semiconductor manufacturing and light emitting diode applications, and have significant positions in various phosphine derivative products including phosphonium salts used in pharmaceutical catalysts and biocides. Included in the phosphine product line are organo phosphorus compounds. The compounds are used primarily as intermediates and catalyst ligands for organic and chemical synthesis in the pharmaceutical and chemical industries. Fumigation using our phosphine gas is practiced in an increasing number of applications including grain and timber.

Due to projected higher demand levels, we have begun work to double our capacity for phosphine products by expanding our plant in Canada, which is expected to be complete and ready for commercial production in the first quarter of 2014. The total project cost is estimated to be approximately $160.0.

Additive Technologies

Set forth below are our primary product lines and major products in this segment and their principal applications.

Product Line	**Major Products**	**Principal Applications**
Polymer additives	Ultraviolet light stabilizers and absorbers, high performance antioxidants and antistatic agents	Plastics, coatings, and fibers for: agricultural films, automotive parts, architectural lighting, housewares, packaging, outdoor furniture, sporting goods, toys and apparel
Specialty additives	Surfactants, specialty monomers, resin amines, and PTZ® Phenothiazine (acrylic acid stabilizers)	Textiles, non-wovens and adhesives, super absorbent polymers, pharmaceuticals and acrylic acid
Formulated resins	Formulated resins	Formulated resins for bonding and/or sealing of electrical and electronic components

We market our Additive Technologies chemicals through specialized sales and technical service staffs for each of our product lines. Sales are usually made directly to large customers and through distributors to smaller customers. For a discussion of raw materials, refer to Customers and Suppliers.

Polymer Additives

We are a global supplier to the plastics industry of specialty additives which protect plastics from the ultraviolet radiation of sunlight and from oxidation. We seek to enhance our position with new products based on proprietary chemistries combined with our technical support. In certain cases, we use a combination of additives to achieve a level of efficiency not previously achieved in polymer applications.

Specialty Additives

We are a leading global supplier of sulfosuccinate surfactants, Docusate sodium, and PTZ® phenothiazine. Sulfosuccinate surfactants are used in emulsion polymers, paints, paper coatings, printing inks, and other diverse customer applications. Docusate is a pharmaceutical grade product used as both an active ingredient and excipient/formulating aid. PTZ® phenothiazine is primarily used as an acrylic acid, acrylic ester and methacrylate monomer stabilizer.

Formulated Resins

Our formulated resins products include formulated high technology, specialty polyurethane and epoxy resin systems tailored to suit the individual needs of our customers. Common uses for this technology include tooling industry, electronics encapsulate and protection, conformal coating printed circuit boards and components and adhere/seal filters. We also formulate and sell urethane and epoxy systems for adhesive applications to bond metal to composite materials, laminate composite layers and adhere and/or seal filtration membranes.

Associated Company

We own a 51% interest in Shanghai Umeco Composites Co. Ltd, which makes products used in our Umeco segment. Since the entity does not satisfy the characteristics of a variable interest entity, and the minority interest holder has rights that allows them to participate in certain significant decisions expected to be made in the ordinary course of business, we account for this joint venture using the equity method of accounting. Our portion of the joint venture s results of operations is included in Equity in earnings of associated companies in our Statements of Income.

Competition

We actively compete with companies producing the same or similar products and, in some instances, with companies producing different products designed for the same uses. We encounter competition in price, delivery, service, performance, product innovation, product recognition and quality, depending on the product involved. For some of our products, our competitors are larger and have greater financial resources than we do. As a result, these competitors may be better able to withstand a change in conditions within the industries in which we operate, changes in the prices of raw materials without increasing their prices, or a change in the economy as a whole.

Our competitors can be expected to continue to develop and introduce new and enhanced products, which could cause a decline in market acceptance of our products. Current and future consolidation among our competitors and customers may also cause a loss of market share as well as put downward pressure on pricing. Our competitors could cause a reduction in the prices for some of our products as a result of intensified price competition. Competitive pressures can also result in the loss of major customers.

In general, we compete by maintaining a broad range of products, focusing our resources on products in which we have a competitive advantage and fostering our reputation for quality products, competitive prices and excellent technical service and customer support. To help increase sales and margins, we are seeking to leverage our research and development efforts to develop value-added products and products based on proprietary technologies. If we cannot compete successfully, our businesses, financial condition, results of operations, and cash flows could be adversely affected.

Customers and Suppliers

Approximately 19%, 18% and 18% of our 2012, 2011 and 2010 net sales, respectively, were to Boeing and its subcontractors. Of the 19% of overall sales to Boeing and its subcontractors in 2012, 18% related to our Engineered Materials segment and 1% related to Umeco. For 2011 and 2010, the net sales to Boeing related to our Engineered Materials segment. A summary of various long-term customer supply agreements is disclosed under Commitments in Note 12 of Notes to Consolidated Financial Statements.

A number of our customers operate in cyclical industries such as the automotive and construction industries, and in the somewhat less cyclical aerospace and mining industries. This in turn, causes demand for our products to also be cyclical.

Key raw materials for the Engineered Materials and Umeco segments are carbon fiber and various resins. Key raw materials for the Cytec In Process Separation and Additive Technologies segments are propylene derivatives such as acrylic acid, oxo-alcohols, nonylphenol, maleic anhydride and natural gas for energy. These are typically available although we have experienced tight markets for certain raw materials from time to time.

Oil and natural gas are important indirect raw materials for many of our products. The prices of both of these commodities have been volatile over time. Sudden price swings can adversely affect our ability to recover increased costs from our customers or demand for our products. Prices for these commodities may vary widely between geographic regions and, as a result of this, many of our products could compete with similar products made with less expensive raw materials available elsewhere and we may not be able to recover any or all of these increased costs.

To minimize reliance on any one supplier, we generally attempt to retain multiple sources for high-volume raw materials. We are dependent on a limited number of suppliers for carbon fibers that are used in many of our advanced composite products. As we manufacture some of our own carbon fibers, the risk of future carbon fiber supply limitations is somewhat reduced. There can be no assurance that the risk of encountering supply limitations can be entirely eliminated.

Changes to raw material costs year on year are an important factor in profitability. Raw material prices can increase or decrease based on supply and demand and other market forces. We have, from time to time, experienced difficulty procuring several key raw materials, such as but not limited to, methanol derivatives, propylene derivatives, natural gas and carbon fiber, due to general market conditions or conditions unique to a significant supplier. We may experience supply disruptions of these and other materials in the future. Such conditions, if protracted, could result in our inability to manufacture our products, resulting in lower than anticipated revenues. If we are unable to raise our selling prices to recover the increased costs of raw materials driven by higher energy costs or other factors, our profit margins will be adversely affected. In other cases, we may have to reduce the selling prices of our products due to competitive pressures and may not be able to retain the additional profitability from the reduced raw material costs.

International

We operate on a global basis, with manufacturing and research facilities located in 15 countries excluding Coating Resins. When including our Coating Resin facilities the total increases to 19 countries. Through our sales forces, third-party distributors and agents, we market our products internationally. Geographical information is contained in Note 17 of Notes to Consolidated Financial Statements.

International operations are subject to various risks which may or may not be present in U.S. operations. These risks include political instability, the possibility of expropriation, restrictions on royalties, dividends and remittances, exchange rate fluctuations, requirements for governmental approvals for new ventures and local participation in operations such as local equity ownership and workers councils. Since we conduct business through subsidiaries in many different countries, fluctuations in exchange rates could have a major impact on our reported revenues, which are reported in U.S. dollars. In 2012, approximately 53% of our consolidated net sales occurred outside of the U.S., a significant portion of which are denominated in foreign currencies. However, we have material operations outside the U.S. which tend to offset some of the impact on earnings. Accordingly, changes in exchange rates could cause favorable or unfavorable fluctuations in our reported results of operations. Cross border transactions, both with external parties and intercompany relationships result in increased exposure to exchange effects. Such fluctuations between the various currencies in which we do business have caused and will continue to cause currency transaction gains and losses, which may be material. While we may periodically enter into currency forward contracts to hedge currency fluctuations of transactions denominated in currencies other than the functional currency of the respective entity, it is not always cost effective to hedge all foreign currency exposures in a manner that would completely eliminate the effects of changes in exchange rates on our results of operations or cash flows. Further, our international sales are translated into U.S. dollars for reporting purposes. The strengthening or weakening of the U.S. dollar could result in favorable or unfavorable translation effects as the results of our foreign operations are translated into U.S. dollars. Foreign currency translation unfavorably impacted our sales by approximately $6.9 and favorably impacted our income from operations for the year ended December 31, 2012 by approximately $10.2, respectively, as compared to fiscal 2011. While we do not currently believe that we are likely to suffer a material adverse effect on our results of operations in connection with our existing international operations, any of these events could have an adverse effect on our international operations in the future by reducing the demand for our products, affecting the prices at which we can sell our products or otherwise having an adverse effect on our operating performance.

Research and Process Development

During 2012, 2011, and 2010, we invested $52.9, $45.0 and $38.1, respectively, into research and process development.

Trademarks and Patents

We have approximately 1,100 granted patents and pending applications in various countries around the world. We also have trademark applications and registrations for approximately 120 product names. We do not believe that the loss of patent or trademark protection on any one product or process would have a material adverse effect on our company. While the existence of a patent is presumptive evidence of its validity, we cannot assure that any of our patents will not be challenged, nor can we predict the outcome of any challenge.

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Employees

We employ approximately 6,600 employees of whom about 35% are represented by unions. This includes approximately 2,000 employees under our Coatings business, who would either be offered employment or automatically become employed by the purchaser of the business. We believe that our relations with employees and unions are generally good.

Operating Risks

Our revenues are largely dependent on the continued operation of our various manufacturing facilities. There are many risks involved in operating our manufacturing plants, including the breakdown, failure or substandard performance of equipment, operating errors, natural disasters, the need to comply with directives of, and maintain all necessary permits from, government agencies, and potential terrorist attack. Our operations can be adversely affected by raw material shortages, labor force shortages or work stoppages and events impeding or increasing the cost of transporting our raw materials and finished products. The occurrence of material operational problems, including but not limited to the above events, may have a material adverse effect on the productivity and profitability of a particular manufacturing facility. With respect to certain facilities, such events could have a material effect on our company as a whole.

Our operations are also subject to various hazards incident to the production of industrial chemicals. These include the use, handling, processing, storage and transportation of certain hazardous materials. Under certain circumstances, these hazards could cause personal injury and loss of life, severe damage to and destruction of property and equipment, environmental damage and suspension of operations. Claims arising from any future catastrophic occurrence at one of our locations may result in Cytec being named as a defendant in lawsuits asserting potentially large claims.

We typically seek to utilize third-party insurance. This insurance covers portions of certain of these risks to the extent that coverage is available and can be obtained on terms we believe are economically justified.

Environmental Matters and REACH

We are subject to various laws and regulations which impose stringent requirements for the control and abatement of pollutants and contaminants and the manufacture, transportation, storage, handling and disposal of hazardous substances, hazardous wastes, pollutants and contaminants.

In particular, under various laws in the U.S. and certain other countries in which we operate, a current or previous owner or operator of a facility may be liable for the removal or remediation of hazardous materials at the facility and nearby areas. Such laws typically impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such hazardous materials. In addition, under various laws governing the generation, transportation, treatment, storage or disposal of solid and hazardous wastes, owners and operators of facilities may be liable for removal or remediation, or other corrective action at areas where hazardous materials have been released. The costs of removal, remediation or corrective action may be substantial. The presence of hazardous materials in the environment at any of our facilities, or the failure to abate such materials promptly or properly, may adversely affect our ability to operate such facilities. Certain of these laws also impose liability for investigative, removal and remedial costs on persons who dispose of or arrange for the disposal of hazardous substances at facilities owned or operated by third parties. Liability for such costs is retroactive, strict, and joint and several.

We are required to comply with laws that govern the emission of pollutants into the ground, waters and the atmosphere and with laws that govern the generation, transportation, treatment, storage, and disposal of solid and hazardous wastes. We are also subject to laws that regulate the manufacture, processing, and distribution of chemical substances and mixtures, as well as the transportation and disposition of certain hazardous and non-hazardous substances. In addition, certain laws govern the abatement, removal, and disposal of asbestos-containing materials and heavy metal-containing substances, the maintenance and related containment of aboveground storage tanks, the integrity of underground storage tanks, as well as equipment which contains or is contaminated by polychlorinated biphenyls. The costs of compliance with such laws and related regulations may be substantial, and regulatory standards tend to evolve towards more stringent requirements. These requirements might, from time to time, make it uneconomic or impossible to continue operating a facility. Non-compliance with such requirements at any of our facilities could result in substantial civil penalties or our inability to operate all or part of the facility, or our ability to produce and subsequently sell certain products.

Global warming could have an adverse impact on our operations, particularly in hurricane prone or low lying areas near the ocean. At this time, we are not able to speculate as to the potential timing or impact from potential global warming, however we believe we currently have adequate insurance coverage

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related to natural disasters at our sites. There are several initiatives in the United States and other countries to regulate certain industries and actions to reduce the impact of global warming. Some of these initiatives, if made effective, could have a direct adverse impact on our operations or an indirect adverse impact by affecting our suppliers or customers. The U.S. Environmental Protection Agency (EPA) regulates the registry of greenhouse gas emissions for certain facilities. Currently we have one site that is required to report such emissions under the EPA climate registry rule. We do not expect this regulation to have a significant impact from a cost or operations perspective, as we already have systems in place to measure and report our emissions. We continue to monitor proposed legislation and regulation and its impact.

Further discussion of environmental matters is discussed in Note 12 of Notes to Consolidated Financial Statements.

The Registration, Evaluation and Authorization of Chemicals (REACH) legislation in the European Union requires manufacturers and importers of certain chemicals to register certain chemicals and evaluate their potential impact on human health and the environment. Under REACH, where warranted by a risk assessment, specified uses of some hazardous substances may be restricted. All Tier I covered substances were registered as of the November 30, 2010 deadline. Subsequently, registration is required based on volume for covered substances manufactured or imported into the European Union in quantities greater than one metric ton per year. REACH is expected to take effect in three primary stages over eleven years following the effective date. The registration, evaluation and authorization phases would require expenditures and resource commitments, for example, in order to compile and file comprehensive reports, including testing data, on each chemical substance and perform chemical safety assessments. We did not incur significant costs for REACH compliance in 2012, 2011 and 2010 and we do not expect to incur significant costs in 2013. The overall cost of compliance over the next 5-7 years could be substantial, although at this time we do not expect costs to be substantial. In addition, it is possible that REACH may affect raw material supply, customer demand for certain products, and our decision to continue to manufacture and sell certain products in the European Union.

Item 1A.

RISK FACTORS

Our acquisition of Umeco involves a number of integration risks. The occurrence of any of the events described in these risks could cause a material adverse effect on the segment, our business, financial position and results of operations and could cause the market price of our common stock to decline.

Successful integration of Umeco is critical to our business and strategic plans. If we are unable to successfully integrate Umeco into our business in an efficient and effective manner, or at all, we could fail to realize all of the anticipated benefits of the acquisition, such as increased revenue, cost savings, synergies and growth opportunities, within the anticipated time frame or at all. The integration process could disrupt our business and an unsuccessful integration could have a material adverse effect on our business, financial results and results of operations. In addition, the integration could result in unanticipated problems, expenses, liabilities, competitive responses and diversion of management s attention and may cause the market price of our common stock to decline. Potential difficulties of integration include, among others: (1) inability to successfully integrate operations, technologies, products, personnel and business systems; (2) unanticipated issues in integrating information, communications and other systems; (3) retaining key employees; (4) retaining customers; (5) preserving strategic relationships; (6) integrating legal and financial controls; (7) diversion of management s attention from ongoing business concerns; (8) integrating geographically separate organizations; (9) tax issues; and (10) complying with laws, rules and regulations in multiple jurisdictions, including employment regulations and U.S. export controls. Additional risks could also have a material adverse effect on our business, financial results and results of operations.

Our successful and timely completion of six major capital projects involves a number of risks.

We have limited capacity available for future growth in several important product lines. We have ongoing capital projects to (i) expand our aerospace adhesive manufacturing capacity at Havre de Grace, Maryland; (ii) expand our KM polymer manufacturing capacity at Kalamazoo, Michigan; (iii) expand our prepreg manufacturing capacity at Greenville, Texas; (iv) expand our MEP manufacturing capacity in Nagpur, India; (v) expand our mining and phosphine chemicals manufacturing capacity in Welland, Ontario; and (vi) expand our carbon fiber manufacturing capacity in Greenville, South Carolina. A protracted late start or failure to successfully startup any of these expansion projects whether for construction delays, permitting issues or otherwise, could lead to reduced revenue and growth opportunities, potential contractual penalties for failures to meet customer requirements and/or potential loss of market share. In addition, any unanticipated problems, expenses or additional capital required to complete any of these projects could lead to reduced profitability or returns to the applicable business segment and overall company.

Portfolio Management Management regularly reviews our business portfolio in terms of strategic fit and financial performance and may from time to time dispose of or withdraw certain segments and/or product lines.

We announced that we have signed a definitive agreement to divest our Coating Resins segment. A sale of this segment may lead to a non-cash loss or require further cash restructuring charges, including those related to the significant stranded costs from such a transaction. A delay in the anticipated closing date could delay the stock repurchase anticipated to be funded with the proceeds from the sale, with an adverse effect on anticipated earnings per share. See Risk Factors Uses of Cash .

Uses of Cash

We have significant cash balances on hand which would increase with net proceeds from a sale of a business or product line. Our uses of cash are as follows: maintenance of business capital and funding; expansion capital in our growth product lines; bolt-on acquisitions, debt repurchase and return of excess cash to shareholders through stock buyback and dividends. The use of cash for capacity expansions or bolt-on acquisitions requires the use of significant estimates by management on future revenues and costs. If the actual results for revenues are materially less or costs materially higher than the estimates made by management, it would reduce the returns on the use of the cash employed and future cash generation. We expect to use a significant amount of cash proceeds from the sale of Coating Resins to repurchase our stock. If this did not occur, or if the repurchase occured later than anticipated or at higher than anticipated prices, earnings per share estimates could be materially different than forecasted.

Restructuring charges, goodwill impairment, acquisition intangible impairment, or other asset impairment charges may affect our results of operations in the future.

Management regularly reviews the cost effectiveness of its plant sites and/or assets at such sites. Long-lived assets with determinable useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We may find it necessary to record disposition, restructuring or asset impairment charges in connection with such reviews. For example, we recorded restructuring charges of approximately $21.2 in 2012 principally related to employee severance. See Note 4 of Notes to the Consolidated Financial Statements for further details. Such charges could have a material adverse effect on our results of operations in the period in which they are recorded.

We test goodwill for impairment on an annual basis each October 1st and more often if events occur or circumstances change that would likely reduce the fair value of a reporting unit to an amount below its carrying value. We also test for other possible acquisition intangible impairments if events occur or circumstances change that would indicate that the carrying amount of such intangible asset may not be recoverable. Any resulting impairment loss would be a non-cash charge and may have a material adverse impact on our results of operations in any future period in which we record a charge. In total, we had goodwill of $525.3 and acquisition intangibles with a net carrying value of $183.7 at December 31, 2012. See Significant Accounting Estimates / Critical Accounting Policies under Item 7A, Quantitative and Qualitative Disclosures about Market Risk, for further discussion on our goodwill impairment testing.

Loss of certain significant customers, such as Boeing, may have an adverse effect on results of the affected segment and loss of several significant customers may have an adverse effect on our consolidated results.

Some of the markets in which we operate have experienced business cycles and have experienced downturns and deterioration in any such cyclical markets could adversely affect our revenue and financial condition.

Reductions in aerospace or defense spending could result in a decline in our net sales which could adversely affect our revenue and financial conditions.

Interruptions in our supply chain from key suppliers or increases in the cost of raw materials could negatively affect our profitability.

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See Item 1. BUSINESS Customers and Suppliers

Loss or reductions of sales from certain programs from customers such as the Boeing 787 program or Lockheed Martin Joint Strike Fighter may have an adverse effect on results of the affected segment and loss of several programs may have an adverse effect on our consolidated results.

We face active competition from other companies, which could adversely affect our revenue and financial condition.

See Item 1. BUSINESS Competition

We face numerous risks relating to our international operations that may adversely affect our results of operations.

See Item 1. BUSINESS International

Our production facilities are subject to operating risks that may adversely affect our operations.

See Item 1. BUSINESS Operating Risks

We are subject to significant environmental and product regulatory expenses and risks.

See Item 1. BUSINESS Environmental Matters

We are subject to significant litigation expense and risk.

See Item 3. LEGAL PROCEEDINGS

We are subject to cyber-security risks.

We are subject to cyber-security risks primarily related to breaches of security pertaining to unauthorized access and loss of our proprietary data and intellectual property. In addition, our information technology (IT) systems are vulnerable to damage from computer viruses, natural disasters and other similar disruptions. Any system failure, accident or security breach could result in disruptions to our operations. A material network breach in the security of our IT systems could include the theft of our intellectual property or trade secrets. To the extent that any disruptions or security breach results in a loss or damage to our data, or in inappropriate disclosure of confidential information or intellectual property, it could lead to claims against us, affect our relationships with our customers, cause damage to our reputation, and ultimately harm our business. To protect against these risks, we follow industry standard practices for employing security solutions to minimize the potential of unauthorized access or malicious activity impacting our company systems and data. We also engage third party consultants to assess our security systems to ensure our security solutions are operating effectively.

A downturn in global economic conditions coupled with a lack of credit availability from the credit markets could adversely impact our customers demand for our products, their ability to pay their accounts receivable with us and/or their viability.

We attempt to mitigate the risks associated with extending credit to our customers by maintaining detailed credit procedures and routinely updating customer credit limits. It is possible that these procedures will not fully mitigate customer collectability risk. Our results of operations in 2012 and 2011 were not significantly impacted by the inability of our customers to pay. However, the risks associated with extending credit to our customers could increase if global economic conditions or the financial viability of our customers worsen.

A downturn in global economic conditions could also adversely impact our suppliers ability to supply our raw materials requirements.
Our suppliers could be impacted by a downturn in global economic conditions in many of the same ways that such conditions would impact us. If economic conditions deteriorate or the financial viability of our suppliers worsens, our suppliers may not be able to meet their raw material commitments to us, could request shortened payment terms, or could reduce or in extreme cases eliminate the amount of credit they extend to us. Our operations in 2012 and 2011 were not significantly impacted by these factors due to the diversity of our supplier base and our materials sourcing strategies. However, it is possible that such procedures and strategy may not completely eliminate these risks.

If the current global economic recovery weakens, it could significantly impact our results of operations and cash flows. This could impact our ability to fund certain investments for growth, could cause a significant reduction in global operations, our ability to borrow and impact our current credit rating.
As we have experienced in the past, downturns in the global economy can especially impact the automotive, construction and general industrial markets that we serve and could lead to a significant reduction in our sales and operating profitability. If economic conditions deteriorate, we may be forced to take additional cost reduction initiatives that could lead to further reductions in profitability and could jeopardize our ability to fund growth programs designed to position us for success when economic conditions improve. Further, the reduced profitability and cash

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generation that would be triggered by a weakening of economic conditions could (1) limit the amounts we can borrow under our primary credit facility due to the covenants contained in the agreement, and (2) could unfavorably impact our credit rating. In both instances, our ability to borrow could be limited and thus our liquidity adversely impacted.

Item 1B.

UNRESOLVED STAFF COMMENTS

None.

Item 2.

PROPERTIES

We operate manufacturing and research facilities in 15 countries excluding Coating Resins. When including our Coating Resin facilities the total increases to 19 countries, Capital spending for our continuing operations for the years ended December 31, 2012, 2011 and 2010 was $145.3, $78.9 and $81.5, respectively.

Our capital expenditures are intended to provide increased capacity, improve the efficiency of production units, improve the quality of our products, modernize or replace older facilities, or install equipment for the protection of employees, neighboring communities and the environment.

Our manufacturing and research facilities and the segments served by each such facility for our continuing operations are as follows:

FACILITY	SEGMENTS SERVED
Agrate Brianza, Italy [1]	Umeco
Anaheim, California	Engineered Materials
Antofagasta, Chile	In Process Separation
Atequiza, Mexico	In Process Separation; Additive Technologies
Beelitz, Germany	Umeco
Belmont (Willow Island), West Virginia [4]	Additive Technologies; Coating Resins
D Aircraft (Anaheim), California	Engineered Materials
Fareham, U.K. [2]	Umeco
Greenville, South Carolina	Engineered Materials
Greenville, Texas	Engineered Materials
Harjumaa, Estonia [1]	Umeco
Havre de Grace, Maryland	Engineered Materials
Heanor, U.K. [2]	Umeco
Huntington Beach, California [1]	Umeco
Kaarina, Finland [1]	Umeco
Kalamazoo, Michigan [4]	Engineered Materials; Coating Resins
Kungalv, Sweden [1]	Umeco
Lavrik, Norway [2]	Umeco
Manchester, U.K.	Umeco
Mondovi, Italy	Umeco
Mount Pleasant, Tennessee	In Process Separation; Additive Technologies
Nagpur, India	In Process Separation
Niagara Falls, Canada	In Process Separation
Oestringen, Germany	Engineered Materials
Olean, New York	Additive Technologies
Orange, California	Engineered Materials

Rayong, Thailand [4]	In Process Separation; Coating Resins
Rock Hill, South Carolina	Engineered Materials
Saint-Jean, France [2]	Umeco
Santa Fe Springs, California [1]	Umeco
Shanghai, China [3 4]	Engineered Materials; Coating Resins; Additive Technologies
Stamford, Connecticut [1 4]	In Process Separation; Additive Technologies; Coating Resins
Sumner, Washington [1]	Umeco
Tulsa, Oklahoma	Umeco
West Yorkshire, U.K. [2]	Umeco
Winona, Minnesota	Engineered Materials
Wrexham, U. K.	Engineered Materials

Our manufacturing and research facilities for our discontinued operations consisting of the Coating Resins segment are as follows:

FACILITY	**SEGMENTS SERVED**
Bassano, Italy	Coating Resins
Drogenbos, Belgium	Coating Resins
Graz, Austria	Coating Resins
Hamburg, Germany	Coating Resins
Langley, South Carolina	Coating Resins
Lillestrom, Norway [3]	Coating Resins
North Augusta, South Carolina	Coating Resins
Schoonaarde, Belgium	Coating Resins
Seremban, Malaysia	Coating Resins
Shimonoseki, Japan [3]	Coating Resins
Smyrna, Georgia [1]	Coating Resins
Wallingford, Connecticut	Coating Resins
Werndorf, Austria	Coating Resins
Wiesbaden, Germany [3]	Coating Resins

(1) These facilities have long-term leases and/or operating agreements.
(2) These facilities consist of both buildings that are owned and buildings that are leased.
(3) We own these facilities and their sites except for the land.
(4) These sites will have assets split upon sale of the Coating Resins business.

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We own all of the foregoing facilities and their sites, except as noted. We lease our corporate headquarters in Woodland Park, New Jersey, office space in Brussels, Belgium, our Engineered Materials headquarters located in Tempe, Arizona, and our shared services offices in Riga, Latvia.

Item 3.

LEGAL PROCEEDINGS

On February 15, 2013, we were served with a Complaint in the matter entitled, *Daniel C. Esty, Commissioner of Energy and Environmental Protection v. Cytec Industries Inc.,* in the Superior Court for the Judicial District of Hartford, Connecticut. The Complaint, dated February 14, 2013, alleges violations of our wastewater discharge permit and statutes related thereto at our Coating Resins manufacturing facility in Wallingford, Connecticut. The complaint seeks temporary and permanent injunctive relief mandating that the Company comply with the parameters set forth in its NPDES permit and civil penalties in excess of $100,000. We do not believe the ultimate resolution for this matter will be material to our financial position or results of operations.

Additional information regarding legal proceedings is included in Note 12 of the Notes to Consolidated Financial Statements.

Item 4.

MINE SAFETY DISCLOSURES

Not applicable.

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PART II

(Currencies in millions, except per share amounts)

Item 5.

MARKET FOR REGISTRANT S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Our stock is listed on the New York Stock Exchange. On February 8, 2013, there were approximately 4,707 registered holders of our Common Stock.

The high and low closing stock prices and declared dividends per share for each quarter were:

	1Q	2Q	3Q	4Q
2012				
High	$ 62.80	$ 65.00	$ 70.07	$ 70.86
Low	$ 45.66	$ 54.65	$ 57.64	$ 63.05
Dividends	$ 0.125	$ 0.125	$ 0.125	$ 0.125
2011				
High	$ 58.06	$ 59.19	$ 58.09	$ 47.85
Low	$ 49.72	$ 51.72	$ 32.49	$ 32.76
Dividends	$ 0.125	$ 0.125	$ 0.125	$ 0.125

On January 31, 2013, our Board of Directors declared a quarterly cash dividend of $0.125 per common share, payable on February 25, 2013, to stockholders of record as of February 11, 2013.

During the quarter and year ended December 31, 2012, we repurchased 1,455,111 shares of common stock for $99.9 under our stock buyback program. As of December 31, 2012, approximately $550.1 remained available from the $650.0 authorization announced on October 9, 2012. Pursuant to our stock buyback program, shares can be repurchased in open market transactions or privately negotiated transactions at our discretion.

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The following information describes the Company s stock repurchases during the three months ended December 31, 2012.

Period	Total Number of Shares Purchased	Average Price Per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs[(1)]	Approximate Dollar Value of Shares That May Yet be Purchased Under the Programs
October 1, 2012 October 31, 2012	653,400	$ 68.37	653,400	$ 605.3
November 1, 2012 November 30, 2012	801,711	$ 68.90	801,711	$ 550.1
December 1, 2012 December 31, 2012	0	$ 0.00	0	$ 550.1
Total	1,455,111		1,455,111	

(1) During the three months ended December 31, 2012, we repurchased shares of our common stock under the repurchase authorization for $200.0 of stock repurchases announced in December 2011. In October 2012, the Board increased the total authorization to $650.0, of which $550.1 remained available for future repurchases as of December 31, 2012.

See Part III, Item 12, Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters, for information relating to our equity compensation plans.

Performance Graph

The graph set forth below is based on the assumption that $100 had been invested in our common stock and in each index on December 31, 2007, with reinvestment of dividends at market prices. The total cumulative dollar returns represent the value such investments would have had on December 31, 2012.

	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
Cytec Industries Inc.	$ 100	$ 35	$ 60	$ 88	$ 75	$ 116
S&P 500	$ 100	$ 63	$ 80	$ 92	$ 94	$ 109
S&P Specialty Chemicals	$ 100	$ 83	$ 119	$ 145	$ 155	$ 218

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Item 6.

SELECTED FINANCIAL DATA

FIVE-YEAR SUMMARY

	2012	2011	2010	2009	2008
Statements of income data:					
Net sales	$ 1,708.1	$ 1,415.9	$ 1,223.4	$ 1,130.5	$ 1,364.5
Earnings from operations	$ 163.6(1)	$ 155.5(3)	$ 113.5(5)	$ 40.3(7)	$ 167.2(9)
Earnings/(loss) from continuing operations	$ 94.1(2)	$ 86.0(4)	$ 67.0(6)	$ (3.2)(8)	$ 89.4(10)
Earnings/(loss) from discontinued operations, net of taxes	$ 93.9	$ 121.8	$ 105.3	$ 0.7	$ (288.2)
Net earnings/(loss) attributable to Cytec Industries Inc.	$ 188.0	$ 207.8	$ 172.3	$ (2.5)	$ (198.8)
Basic net earnings/(loss) per share attributable to Cytec Industries Inc.:					
Earnings/(loss) per share from continuing operations	$ 2.04	$ 1.78	$ 1.36	$ (0.07)	$ 1.87
Earnings/(loss) per share from discontinued operations, net of taxes	2.04	2.51	2.13	0.02	(6.03)
Net earnings/(loss) per share attributable to Cytec Industries Inc.	$ 4.08	$ 4.29	$ 3.49	$ (0.05)	$ (4.16)
Diluted net earnings/(loss) per share attributable to Cytec Industries Inc.:					
Earnings/(loss) per share from continuing operations	$ 2.01	$ 1.75	$ 1.35	$ (0.07)	$ 1.87
Earnings/(loss) per share from discontinued operations, net of taxes	2.01	2.49	2.11	0.02	(6.03)
Net earnings/(loss) per share attributable to Cytec Industries Inc.	$ 4.02	$ 4.24	$ 3.46	$ (0.05)	$ (4.16)
Cash dividends declared and paid per common share	$ 0.50	$ 0.50	$ 0.05	$ 0.16	$ 0.50
Balance sheet data:					
Total assets	$ 3,922.1	$ 3,536.7	$ 3,673.9	$ 3,559.4	$ 3,640.0
Long-term debt	$ 567.4	$ 635.9	$ 641.5	$ 658.4	$ 806.4

(1) Includes net pre-tax charges of $21.2 ($14.6 after-tax) for restructuring initiatives primarily related to mitigating continuing costs following the pending sale of our former Coating Resins segment and realign the supporting structure of the acquired Umeco segment; pre-tax charge of $16.7 ($10.5 after-tax) for the loss recognized on sale of Stamford facility; charges of $8.4 ($8.2 after-tax) related to the acquisition of Umeco; expense of $5.6 (3.8 after-tax) for Umeco inventory that had been written up to fair value at the acquisition date; and $2.5 ($1.5 after tax) of accelerated depreciation for our Stamford facility prior to the recognition of the sale in the fourth quarter 2012.

(2) In addition to items in Note (1) above, includes pre-tax charges of $1.1 ($0.7 after tax) for a foreign exchange loss on an acquired Umeco intercompany loan that was settled during the third quarter, and a tax provision of $7.5 related to the establishment of a liability for unrepatriated earnings of foreign subsidiaries, which we can no longer consider permanently reinvested due to the pending sale of Coating Resins.

(3) Includes net pre-tax charges of $0.8 ($0.5 after-tax) for adjustments of our 2010 and 2009 restructuring initiatives; a pre- tax charge of $0.6 ($0.4 after-tax) primarily related to adjustments to environmental accruals for revised remediation plans to an active site in Europe, $0.7 ($0.4 after tax) of accelerated depreciation for our Stamford facility sold in September 2011, which was being treated as a financing activity and remains on our books until our environmental remediation was complete and the sale can be recognized, and a pre-tax gain of $3.3 ($2.1 after tax) on the sale of assets in Bogota, Columbia.

(4) In addition to items in Note (3) above, includes pre-tax charges of $5.2 ($3.3 after tax) for environmental accrual adjustments primarily in the U.S. at inactive sites.

(5) Includes a pre-tax charge of $5.5 ($3.4 after-tax) related to the exit of certain phosphorus derivative products at our Mt. Pleasant, TN facility, and $1.0 ($0.6 after tax) related to the adjustment of prior years restructuring initiatives.

(6) In addition to items in Note (5) above, includesa tax charge of $8.3 related to the impact of health care legislation, and a tax benefit of $9.7 related to a valuation allowance reversal in two international jurisdictions.

(7) Includes pre-tax charge of $13.1 ($9.3 after-tax) for various manufacturing and organizational restructuring initiatives across In-Process Separation, Additive Technologies, and Engineered Materials segments and within corporate operations as well as restructuring charges related to the shared services initiative.

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(8) In addition to items in Note (7) above, includes a net pre-tax loss of $8.6 ($5.2 after-tax) associated with the premium for the debt tender, a pre-tax, non-cash gain of $8.9 ($5.5 after-tax) as a result of a land sale for which the proceeds were received in 2004, a pre-tax gain of $6.2 ($3.8 after-tax) related to a legal settlement, a pre-tax, non-cash charge of $12.2 ($9.1 after-tax) relating to a pension settlement in an international jurisdiction, and a net pre-tax loss of $1.4 ($1.9 after-tax) related to the exit of the polyurethane product line in Europe and Asia.

(9) Includes a pre-tax charge of $3.8 ($2.7 after-tax) for additional restructuring costs primarily associated with various organizational restructuring initiatives across the Specialty Chemicals segments.

(10) In addition to items in Note (9) above, includes pre-tax gain of $6.1 ($4.0 after tax) for alegal settlement and an income tax benefit of $2.6 related to a favorable tax development in connection with the sale of the water treatment business in 2007.

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Item 7.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements. It is assumed that the reader is familiar with the description of our business and risk factors contained in Part I of this report. Currency amounts are in millions, except per share amounts. Percentages are approximate.

GENERAL

We are a global specialty materials and chemicals company focused on developing, manufacturing and selling value-added products. Our products serve a diverse range of end markets including aerospace and industrial materials, mining and plastics. Sales price and volume by region and the impact of exchange rates on our reporting segments are important measures that are analyzed by management and are provided in our segment analysis.

We report net sales in four geographic regions: North America, Latin America, Asia/Pacific and Europe/Middle East/Africa. The destination of the sale determines the region under which it is reported consistent with management s view of the business. North America consists of the United States and Canada. Latin America includes Mexico, Central America, South America and the Caribbean Islands. Asia/Pacific is comprised of Asia, Australia and the islands of the South Pacific Rim.

Selling price changes and raw material cost changes year on year are an important factor in profitability especially in years of high volatility. Discussion of the year to year impact of raw materials and energy is provided in our segment discussion. In addition, higher global demand levels and, occasionally, operating difficulties at suppliers, have limited the availability of certain of our raw materials.

Acquisitions

Umeco plc

On July 20, 2012, we completed the acquisition of all of the outstanding shares of Umeco plc (Umeco), an international provider of composite and process materials, in an all-cash transaction at a cost of approximately $423.8. To fund the transaction, we used approximately $170.0 from the draw-down of our existing $400.0 revolving credit facility (the Revolving Credit Facility) with the balance funded by cash on hand. The acquisition is intended to strengthen our position as a leading manufacturer of composite materials, while offering significant opportunities for growth and value creation, particularly in industrial composites and process materials. The acquired Umeco business is being reported as a separate segment. See Note 2 of the Notes to Consolidated Financial Statements for further details.

Star Orechem International Private Limited

On March 30, 2012, we acquired the manufacturing assets of Star Orechem International Private Limited (SOIL), in Nagpur, Central India, in a cash transaction. The acquisition is expected to increase our global capacity for our Metal Extraction Product line of our In Process Separation segment by approximately 25%, and provides the ability to further expand production at the site. We are in the process of completing and upgrading the capabilities of the acquired plant to meet appropriate safety and operating standards. Our expectation is that this work will be completed and we will begin production of our mining chemical products in the first half of 2014. The results of operations of the acquired business have been included in our In Process Separation segment since April 1, 2012. The acquisition was funded from our cash on hand and has been accounted for as an acquisition of a business. See Note 2 of the Notes to Consolidated Financial Statements for further details.

Discontinued Operations

Coating Resins

The results of operations of the former Coating Resins segment are reported as discontinued operations, and are therefore excluded from both continuing operations and segment results for all periods presented. The results of the PSA product line are included in discontinued operations up through its sale on July 31, 2012. All previously reported financial information has been revised to conform to the current presentation.

On July 31, 2012, we completed the sale of the PSA product line of the Coating Resins segment to Henkel AG & Co. (Henkel) for approximately $105.0, including working capital of approximately $15.0, subject to post-closing working capital adjustments. In August, we received cash consideration of $112.8 from the sale. We recorded an after-tax gain on the sale of $8.6 in 2012, which is included in Net (loss) gain on sale of discontinued operations, net of tax in the consolidated statements of income.

On October 9, 2012, we entered into a definitive agreement to divest our remaining Coating Resins business to Advent International, a global private equity firm for $1,032.0 plus assumed liabilities of $118.0 bringing the total value to $1,150.0. The sale is expected to close in the first quarter of 2013, following the satisfaction of regulatory requirements and other customary closing conditions. As a result, we recorded cumulative after-tax charges of $25.2 in 2012 to adjust our carrying value of the disposal group to its fair value less cost to sell, based on the terms of the definitive agreement. The charge is included in Net (loss) gain on sale of discontinued operations, net of tax in the consolidated statements of income.

Building Block Chemicals

On February 28, 2011, we completed the sale of substantially all of the assets and certain liabilities of our Building Block Chemicals business (the Business) to Cornerstone Chemical Company, an affiliate of HIG Capital, LLC (the Purchaser), pursuant to an Asset Purchase Agreement (the Agreement) dated January 28, 2011, between the Company and the Purchaser. The total consideration received from the sale was $175.7, including cash consideration of $160.7 that we received at closing and a promissory note for $15.0. A cash payment of $6.6 was made to the Purchaser in July 2011 as final settlement of the agreed upon working capital transferred, resulting in net realized consideration of $169.1. Accordingly, the business was treated as discontinued operations and excluded from both continuing operations and segment results for all periods presented.

Segment realignment

We regularly review our segment reporting and classifications and may periodically change our reportable segments to align with strategic and operational changes. In the first quarter of 2012, we announced that we had retained an advisor to help us explore the potential separation of our Coating Resins segment, along with the PSA product line and certain methyl acrylamide (NMA) product groups. In light of this potential separation, we realigned our segment reporting (internal and external) and management structure accordingly. PSA and NMA, which previously were included in our Engineered Materials and Additive Technologies segments, respectively, became a part of the Coating Resins segment. Concurrently, to align the segments with our revised management structure and operating model, we moved the formulated resins business out of the Engineered Materials segment into the Additive Technologies segment. As noted above, in October 2012 we signed an agreement for the sale of the Coating Resins business to Advent International.

As discussed above, the former Coating Resins and Building Block Chemicals segments are reported as discontinued operations for all periods presented, and the acquired Umeco business is reported as a separate segment and includes results of operations since we acquired it on July 20, 2012.

In 2013, we plan to report separately the aerospace and industrial materials from the Engineered Materials and Umeco segments into two new segments, Aerospace Materials and Industrial Materials. They will be managed and reported separately to properly align our resources, assets, and strategy with target end-markets. Manufacturing assets and processes are similar although supply chains are dissimilar. We believe this is a more appropriate way to reflect how we anticipate managing the business going forward, and follows our strategy of focusing on aerospace and industrial markets separately. The new segment reporting is expected to be in effect the first quarter of 2013 and we believe is more transparent and understandable to investors.

RESULTS OF OPERATIONS

The following table sets forth the percentage of net sales of certain items in our Consolidated Statements of Income:

Years Ended December 31,	**2012**	**2011**	**2010**
Net sales	100.0%	100.0%	100.0%
Manufacturing cost of sales	69.2	70.1	70.4
Gross profit	30.8	29.9	29.6
Selling and technical services	8.7	9.0	9.3
Research and process development	3.1	3.2	3.1
Administrative and general	8.0	6.8	7.7
Amortization of acquisition intangibles	0.5	0.2	0.3
Net (loss) gain on sale of assets	(1.0)	0.2	0.0
Earnings from operations	9.6	11.0	9.3

Earnings from continuing operations	5.5	6.1	5.5

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NET SALES BY SEGMENT AND GEOGRAPHIC AREA

Net Sales	North America	Latin America	Asia/ Pacific	Europe/ Middle East/ Africa	Total
2012					
Engineered Materials	$ 557.6	$ 4.7	$ 59.1	$ 282.1	$ 903.5
Umeco	51.0	6.5	6.0	86.5	150.0
In-Process Separation	103.5	113.0	85.6	82.1	384.2
Additive Technologies	118.7	22.1	67.6	62.0	270.4
Total	$ 830.8	$ 146.3	$ 218.3	$ 512.7	$ 1,708.1
2011					
Engineered Materials	$ 514.5	$ 3.8	$ 42.3	$ 228.6	$ 789.2
In-Process Separation	97.6	105.6	80.3	56.0	339.5
Additive Technologies	121.1	24.2	66.2	75.7	287.2
Total	$ 733.2	$ 133.6	$ 188.8	$ 360.3	$ 1,415.9
2010					
Engineered Materials	$ 432.3	$ 2.6	$ 32.5	$ 192.8	$ 660.2
In-Process Separation	76.8	90.1	66.1	59.2	292.2
Additive Technologies	115.3	21.8	66.5	67.4	271.0
Total	$ 624.4	$ 114.5	$ 165.1	$ 319.4	$ 1,223.4

Net sales in the United States were $795.0, $686.2 and $557.9, or 47%, 48%, and 46% of total net sales, for 2012, 2011 and 2010, respectively. International net sales were $913.1, $729.7 and $665.5, or 53%, 52%, and 54% of total net sales, for 2012, 2011 and 2010, respectively.

We have four reportable business segments: Engineered Materials, Umeco, In Process Separation, and Additive Technologies. The Engineered Materials segment principally includes advanced composites, carbon fiber, and structural film adhesives. The Umeco segment includes advanced composites and process materials, primarily for the aerospace and defense, wind energy, automotive, recreation and other industrial segments. The In Process Separation segment includes mining chemicals and phosphines. The Additive Technologies segment includes polymer additives, specialty additives and formulated resins.

For more information on our segments, refer to Note 17 of Notes to Consolidated Financial Statements and further discussions under Segment Results below.

YEAR ENDED DECEMBER 31, 2012, COMPARED WITH YEAR ENDED DECEMBER 31, 2011

Consolidated Results

Net sales for 2012 were $1,708.1, compared with $1,415.9 for 2011. Overall, net sales increased 21%, of which 11% was attributable to sales from the newly acquired Umeco segment since July 20, 2012, 6% was due to net volume increases in the existing three segments, and 4% related to selling price increases. Net sales for Engineered Materials and In Process Separation improved by 14% and 13%, respectively, over 2011, due to improved volumes and selling price increases. Net sales for Additive Technologies decreased by 6% compared to 2011, as its selling price increases were not sufficient to offset the lower sales volume and negative impact of changes in foreign exchange rates. For a detailed discussion on sales, refer to the Segment Results section below.

Manufacturing cost of sales was $1,181.5, or 69.2% of sales, for 2012 compared with $992.2, or 70.1% of sales, for 2011. The increase in manufacturing cost of sales of $189.3 compared to 2011 is due mostly to the addition of costs of sales of $120.0 related to Umeco, which includes $5.6 related to the step-up of acquired inventory to fair value at the acquisition date. Also, we incurred $46.3 of higher period costs, mostly labor, primarily to meet increased production demand for Engineered Materials, $33.7 of higher variable costs, primarily raw materials, from increased volumes in the Engineered Materials and In Process Separation segments, increased freight costs of $4.5, and higher raw materials prices of $1.9. Restructuring charges were higher by $2.6 in 2012, primarily related to mitigation of continuing costs following the future separation of Coating Resins and plans to realign the supporting structure of our Umeco segment as we take advantage of synergies from the acquisition. These increases in manufacturing costs of sales were partially offset by the impact of foreign exchange rate changes, which decreased costs by $12.3, and favorable fixed cost absorption into inventory of $7.4.

Selling and technical services expenses were $147.8 for 2012 versus $127.2 for 2011. Research and process development expenses in 2012 were $52.9 versus $45.0 in the prior year. Administrative and general expenses were $136.6 versus $96.1 in the prior year. Overall operating expenses increased by $69.0 including operating expenses of the new Umeco segment of $23.4. The remaining increase is primarily due to higher restructuring costs of $17.8 in 2012 related to our effort to mitigate continuing costs following the expected separation of Coating Resins and plans to realign the supporting structure of our Umeco segment as we take advantage of synergies from the acquisition, higher costs of approximately $18.6 to support increased commercial activity and investment in technical services and research and development in our Engineered Materials and In Process Separation businesses, $8.4 of costs related to the acquisition of Umeco prior to the acquisition date, and $2.5 for accelerated depreciation related to the sale-leaseback of our Stamford research labs treated as a financing transaction. These increases were mitigated by a favorable impact from changes in exchange rates of $4.8.

Amortization of acquisition intangibles was $9.0 for 2012 versus $3.2 for 2011. The increase is due to the amortization of intangible assets acquired from the Umeco acquisition completed on July 20, 2012.

Net (loss) gain on sale of assets of $(16.7) in 2012 consists of the loss from the sale of our research facility in Stamford, CT. We sold the facility in September 2011, and lease back a portion of the facility. However, we were precluded from recognizing the sale at the time of the original transaction due to our continuing environmental obligation at the site, and we recorded the transaction as a financing transaction at the time. Upon satisfactory completion of our obligation in the fourth quarter of 2012, we recognized the loss for the remaining excess carrying value. Net (loss) gain on sale of assets of $3.3 in 2011 includes a gain on the sale of a former manufacturing site in Bogota, Colombia in the first quarter of 2011.

Other expense, net was $1.7 for 2012 versus $5.1 for 2011. Included in 2012 is an expense of $1.1 for a foreign exchange loss on an acquired Umeco intercompany loan that was settled during the third quarter. Included in 2011 are environmental accrual charges related to inactive locations totaling $5.2, and a charge of $1.2 related to the settlement of an existing pension plan in an international jurisdiction. These expenses were partially offset by transaction exchange gains of $4.0 during the year.

The loss on early extinguishment of debt in 2012 was $0.2, compared to a loss of $0.3 in 2011.

Equity in earnings (loss) of associated companies was $(0.2) in 2012 versus $0.0 in 2011.

Interest expense, net was $30.1 for 2012 compared with $35.8 for 2011. The $5.7 decrease is primarily due to higher capitalized interest of $7.3 as a result of restarting the carbon fiber expansion project in 2012 and the phosphine capacity expansion project, which was partially offset by higher interest expense of $1.0, mostly on the partial drawdown of the Revolving Credit Facility in the second quarter of 2012, and lower interest income of $0.8.

The effective income tax rate for 2012 was a tax provision of 28.4% ($37.3) compared to a tax provision of 24.7% ($28.3) for 2011. For 2012, the rate was favorably impacted by a tax benefit of $11.6 attributable to the reversal of certain tax reserves due to the completion of U.S. tax audits for the years ended 2004 through 2008, and the expiration of the statute of limitations in certain international tax jurisdictions. It was unfavorably impacted by net tax expenses of $10.6 related to management s intention to no longer permanently reinvest un-repatriated earnings of certain foreign subsidiaries. Included in the $10.6 is a tax expense of $3.1 attributable to the repatriation of certain earnings in 2012 and an estimated $7.5 expected to be incurred on the future repatriation of other earnings subsequent to the sale of Coating Resins.

The *American Taxpayer Relief Act of 2012* (2012 Tax Relief Act), as signed into law on January 2, 2013 extended a host of expired and expiring tax incentives for businesses. These business tax incentives retroactively reinstated and extended through 2013, include, but are not limited to, the research and development credit as well as the favorable look-through treatment of payments between related controlled foreign corporations. Although this legislation reinstated these favorable tax laws retroactive to January 1, 2012, accounting rules require that the tax impact of such changes, which we estimate to be $2.7, be reflected in the period the law is enacted. We also expect there to be a change to the liability recorded with respect to the unremitted earnings that are anticipated to be repatriated subsequent to the Coating Resins divestiture related not only to this tax law change but also related to the expected divestiture in 2013.

Net earnings from continuing operations for 2012 was $94.1 ($2.01 per diluted share), an increase of $8.1 from $86.0 ($1.75 per diluted share) reported for the same period in 2011. Included in continuing operations for 2012 were after-tax restructuring charges of $14.6 ($0.31 per diluted share) across corporate functions to mitigate continuing costs

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following the anticipated sale of Coating Resins and personnel reductions in the acquired Umeco business; an after-tax loss on the sale of assets at our Stamford facility of $10.5 ($0.23 per diluted share); after-tax charges of $8.2 ($0.18 per diluted share) related to costs incurred for the acquisition of Umeco; after-tax charges of $3.8 ($0.08 per diluted share) related to the step-up of Umeco inventory to fair value as of the acquisition date; accelerated depreciation of $1.5 after-tax ($0.03 per diluted share) for the sale-leaseback of our Stamford facility treated as a financing transaction prior to recognizing the sale, and an after-tax foreign exchange loss of $0.7 ($0.01 per diluted share) on the settlement of an acquired intercompany loan from the Umeco transaction. Also included in 2012 is a tax benefit of $11.6 ($0.25 per diluted share) attributable to the reversal of certain tax reserves due to the completion of U.S. tax audits for the years ended 2004 through 2008, and the expiration of the statute of limitations in certain international tax jurisdictions; an income tax provision of $7.5 ($0.16 per diluted share) related to the establishment of a liability for un-repatriated earnings of foreign subsidiaries, which we can no longer consider permanently reinvested in those entities, due to the anticipated sale of Coating Resins; and $3.1 of income tax expense ($0.07 per diluted share) related to the 2012 repatriation of earnings of certain foreign subsidiaries associated with the sale process of our Coating Resins segment. Included in continuing operations for 2011 was $0.5 of after-tax restructuring costs, after-tax charges of $3.6 for increases to environmental accruals mainly at inactive sites in the U.S. for updated estimated remediation costs, an after-tax gain of $2.1 on the sale of the former manufacturing site in Bogota, Colombia, and an after tax charge of $0.4, for the accelerated depreciation of the Stamford research and development facility we sold in 2011, but were required to maintain on our books until our environmental obligation was satisfied. For 2012 and 2011, net earnings from continuing operations included pre-tax charges previously allocated to the operations of our discontinued Coating Resins segment of $66.5 and $66.0, respectively, and $1.0 in 2011 for costs previously allocated to the operations of our former Building Block Chemicals segment.

Earnings from discontinued operations, net of tax, were $96.0 for 2012 compared to $124.9 for the comparable period in 2011. The earnings from discontinued operations, net of tax for 2012 reflect the following after-tax amounts: the earnings from operations of our former Coatings segment of $112.6, the realized gain of $8.6 on the sale of our PSA product line which was part of the former Coatings segment, and a charge of $25.2 to adjust to the carrying value of the net assets held for sale at December 31, 2012 to their fair value less costs to sell. This charge was based on new information received about the carrying value as determined by our agreement to sell the remaining portion of our former Coatings segment that we entered into in October 2012. For 2012, earnings from operations of our former Coatings segment included the following after-tax items: charges of $16.9 related to costs associated with the sale of Coating Resins, $7.6 of income tax expense related to the requirement of establishing a tax liability on a portion of the un-repatriated earnings of certain foreign subsidiaries to be sold as part of the sale of Coating Resins, a charge of $1.1 related to an increase in the environmental liability at a certain site for new remedial design requirements, and $1.2 of restructuring charges.

The 2011 earnings reflect the results of our former Coating Resins segment and our former Building Block Chemicals segment, prior to its sale in the first quarter of 2011. The results for 2011 also include the net after-tax gain of $34.6 resulting from the completion of the sale of our former Building Block Chemicals segment in the first quarter of 2011.

Net income for 2012 was $188.0, or $4.02 per diluted share, compared with net income in 2011 of $207.8, or $4.24 per diluted share.

Segment Results (Sales to external customers)

Year-to-year comparisons and analyses of changes in net sales by segment and geographic region are set forth below:

Engineered Materials

				% Change Due to		
	2012	**2011**	**Total % Change**	**Price**	**Volume/Mix**	**Currency**
North America	$ 557.6	$ 514.5	8%	3%	5%	0%
Latin America	4.7	3.8	24%	2%	22%	0%
Asia/Pacific	59.1	42.3	40%	4%	36%	0%
Europe/Middle East/Africa	282.1	228.6	23%	5%	18%	0%
Total	$ 903.5	$ 789.2	14%	3%	11%	0%

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Overall, net sales increased 14% primarily due to increased selling volumes of 11%. The higher selling volumes in 2012 were primarily attributable to the continued ramp up of new large commercial transport programs and increased build rates of existing large commercial transport models. In addition, we also experienced higher sales volumes as a result of build rate increases across the military, civil rotorcraft and certain segments within the business jet market. Selling prices increases across all product lines resulted in higher sales of 3%. Changes in exchange rates did not significantly impact net sales.

Earnings from operations were $165.3, or 18% of net sales, in 2012, compared with $124.9, or 16% of net sales, in 2011. The $40.4 increase in earnings was driven by increased marginal income of $49.1 due to higher sales volumes, higher selling prices of $28.1, the favorable impact of changes in exchange rates of $6.2, favorable fixed cost absorption of $3.4 due to higher production levels in 2012, and $1.2 of other benefits which include reductions in manufacturing waste and raw material costs. These positive impacts were partially offset by higher manufacturing period costs of $35.5 to meet increased production demands, $9.1 of higher operating expenses due to continued investments in research and development and technical services in support of new growth, higher sales incentives, higher corporate charges, a bad debt provision and $3.0 of higher freight expenses due to increased sales.

Umeco (from July 21, 2012 through December 31, 2012)

					% Change Due to	
	2012	2011	Total % Change[(1)]	Price	Volume/Mix	Currency
North America	$ 51.0	$ -	-	-	-	-
Latin America	6.5	-	-	-	-	-
Asia/Pacific	6.0	-	-	-	-	-
Europe/Middle East/Africa	86.5	-	-	-	-	-
Total	$ 150.0	$ -	-	-	-	-

(1) Sales prior to July 21, 2012 were not attributable to Cytec. Therefore, percentage changes are not meaningful.

Net sales in 2012 represent the period from July 21, 2012 through December 31, 2012. Structural materials (advanced composites) sales in Europe were impacted by the economic slowdown, particularly in high-end automotive and motorsports, while sales in North America were negatively impacted by reduced sales of process materials (vacuum bagging materials) to the wind sector.

Earnings from operations were $1.0, or 1% of net sales in 2012. Earnings from operations for Umeco in 2012 include a $5.6 charge for inventory written up to fair value as a result of purchase accounting for the acquisition.

In Process Separation

					% Change Due to	
	2012	2011	Total % Change	Price	Volume/Mix	Currency
North America	$ 103.5	$ 97.6	6%	10%	(4%)	0%
Latin America	113.0	105.6	7%	5%	2%	0%
Asia/Pacific	85.6	80.3	7%	3%	3%	1%
Europe/Middle East/Africa	82.1	56.0	47%	11%	37%	(1%)
Total	$ 384.2	$ 339.5	13%	7%	6%	0%

Overall, net sales were up 13% in 2012 due to price increases of 7% and increased selling volumes of 6%. Selling prices increased across most product lines to more than offset higher raw material costs. The volume increase reflects strong demand for mining products in copper markets, particularly for new mine startups in Europe/Middle East/Africa region, increased demand for our new products, and strong demand for phosphine gases and derivative products. This was partially offset by a softening alumina market.

Earnings from operations were $91.8, or 24% of net sales, in 2012, compared with $69.7, or 21% of net sales, in 2011. The $22.1 increase in earnings is the result of increased selling prices of $23.0, increased marginal income of $15.0 due to higher volumes, a favorable impact from changes in exchange rates of $3.2, and favorable fixed cost

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absorption $3.0 on higher production levels to support increased volumes. This was partially offset by higher commercial and other operating expenses of $10.0 caused by increased headcount related to the segment s growth initiatives, increased manufacturing period costs of $7.6, higher freight costs of $2.5 due to increased volumes and higher rates, and higher raw material costs of $1.9.

Additive Technologies

				% Change Due to		
	2012	2011	Total % Change	Price	Volume/Mix	Currency
North America	$ 118.7	$ 121.1	(2%)	4%	(6%)	0%
Latin America	22.1	24.2	(9%)	12%	(15%)	(6%)
Asia/Pacific	67.6	66.2	2%	(1%)	3%	0%
Europe/Middle East/Africa	62.0	75.7	(18%)	4%	(16%)	(6%)
Total	$ 270.4	$ 287.2	(6%)	3%	(7%)	(2%)

Overall, net sales decreased 6%, as lower selling volumes of 7% were partially offset by price increases of 3%. Lower selling volumes relate principally to specialty additives products, which were partially offset by higher volumes for polymer additive products. In Europe, a slowing economy reduced demand for both specialty additives and polymer additives products. Lower demand for specialty additives in North America was partially offset by strong demand for polymer additives in the region. The impact of changes in exchange rates lowered sales by 2%.

Earnings from operations were $37.9, or 14% of net sales, for 2012, compared with $39.4, or 14% of net sales, in 2011. The $1.5 decrease in earnings is due to reduced marginal income of $10.2 on lower volumes, increased manufacturing period costs of $2.8 due to wage inflation, benefits, and depreciation, higher raw material costs of $1.2, higher commercial and administration costs of $0.5 related to wage inflation and benefits, and a net unfavorable impact of $0.2 from changes in exchange rates. The negative effects were partially offset by $10.3 of selling price increases, lower freight costs of $2.0 due to lower volumes, and favorable fixed cost absorption of $1.1.

YEAR ENDED DECEMBER 31, 2011, COMPARED WITH YEAR ENDED DECEMBER 31, 2010

Consolidated Results

Net sales for 2011 were $1,415.9, compared with $1,223.4 for 2010. Overall, net sales increased 16%, driven by volume increases of 11%, a favorable impact from changes in exchange rates of 1%, and price increases of 4%. Higher selling prices improved sales in all segments in 2011 compared to 2010. Engineered Materials and In Process Separation improved their selling volumes by 17% and 9%, respectively, compared to the 2010 period. Additive Technologies sales were impacted by 1% lower volumes compared to 2010. For a detailed discussion on sales, refer to the Segment Results section below.

Manufacturing cost of sales was $992.2, or 70.1% of sales, for 2011 compared with $861.6, or 70.4% of sales, for 2010. The increase in manufacturing cost of sales of $130.6 compared to 2010 is due primarily to $49.8 of increased costs due to higher net sales volume in 2011, primarily related to Engineered Materials, higher raw material costs of $42.5, higher period costs of $42.5 mostly due to increased costs from higher production demand and volume in the Engineered Materials segment, and the unfavorable impact of changes in exchange rates of $8.8. These increases were partially offset by favorable fixed cost absorption of $8.5 and $4.4 of lower restructuring charges in 2011. Approximately $0.9 of restructuring charges are included in manufacturing cost of sales in 2011, representing net adjustments of prior year restructuring accruals. Restructuring charges in cost of sales in 2010 were $5.3, primarily related to the exit of a phosphorus product at our Mt. Pleasant manufacturing facility.

Selling and technical services expenses were $127.2 for 2011 versus $113.4 for 2010. Research and process development expenses in 2011 were $45.0 versus $38.1 in the prior year. Administrative and general expenses were $96.1 versus $93.6 in the prior year. Overall operating expenses increased by $23.2. This increase is primarily related to higher 2011 operating costs of $18.7 primarily related to increased spending to support growth initiatives in Engineered Materials and In Process Separation, the unfavorable impact of changes in exchange rates of $4.6, and higher restructuring charges in 2011 of $0.7.

Amortization of acquisition intangibles was $3.2 both for 2011 and 2010.

Net gain on sale of assets of $3.3 in 2011 includes a gain from the sale of a former manufacturing site in Bogota, Colombia in the first quarter of 2011.

Other expense, net was $5.1 for 2011 versus $5.9 for 2010. Included in 2011 are environmental accrual charges related to inactive locations totaling $5.2, and a charge of $1.2 related to the settlement of an existing pension plan in an international jurisdiction. These expenses were partially offset by transaction exchange gains of $4.0 during the year. Included in 2010 are environmental accruals related to inactive locations totaling $8.3 and losses on cross currency swaps of $3.0. Also included in 2010 are a gain on the sale of a parcel of land of $2.3, a gain from the settlement of a legal claim of $2.4, and transaction exchange gains of $1.7.

The loss on early extinguishment of debt in 2011 was $0.3 compared to a loss of $0.8 in 2010, due to early repurchases of $5.5 and $16.5 in 2011 and 2010, respectively, of our notes due in 2013.

Interest expense, net was $35.8 for 2011 compared with $33.2 for 2010. The $2.6 increase is primarily due to the $7.3 reduction in the benefits of the interest differential on the five year cross currency swaps, which settled on October 1, 2010, and on the ten year cross currency swaps, which were re-designated as a net investment hedge on October 1, 2010. The increase was partially offset by higher interest income of $2.3 on cash balances and the note receivable from the sale of our former Building Block Chemicals segment, higher capitalized interest of $1.2, and the 2010 redemption of our 5.5% notes which reduced interest by $0.6.

The effective income tax rate for 2011 was a tax provision of 24.7% ($28.3) compared to a tax provision of 9.0% ($6.6) for 2010. The 2011 effective tax rate was favorably impacted by tax benefits of $2.0 attributable to several tax rate changes in certain tax jurisdictions.

Net earnings from continuing operations for 2011 was $86.0 ($1.75 per diluted share), an increase of $19.0 from $67.0 ($1.35 per diluted share) reported for the same period in 2010. Included in continuing operations for 2011 was $0.5 of after-tax restructuring costs, after-tax charges of $3.6 for increases to environmental accruals mainly at inactive sites in the U.S. for updated estimated remediation costs, an after-tax gain of $2.1 on the sale of the former manufacturing site in Bogota, Colombia, and an after tax charge of $0.4, for the accelerated depreciation of the Stamford research and development facility we sold in 2011, but were required to maintain on our books until our environmental obligation was satisfied. Included in 2010 was an after-tax charge of $3.4 primarily related to the exit of certain phosphorus derivative products at our Mt. Pleasant, TN facility. Our 2010 results also include an after-tax charge of $2.9 related to an increase in environmental liabilities at two inactive locations for a change in estimate for operating and maintenance costs, a tax charge of $8.3 related to the impact of health care legislation, and a tax benefit of $11.8 related to a valuation allowance reversal in international jurisdictions. For 2011 and 2010, net earnings from continuing operations included pre-tax charges previously allocated to the operations of our discontinued Coating Resins segment of $66.0 and $6.3, respectively, and $1.0 and $61.4, respectively, for costs previously allocated to the operations of our former Building Block Chemicals segment.

Earnings from discontinued operations, net of tax was $124.9 in 2011 compared with $108.1 in 2010 and reflects the results of our former Building Block Chemicals segment. The results in 2011 include the net after tax gain of $34.6 resulting from the sale of the business in the first quarter of 2011.

Net income for 2011 was $207.8, or $4.24 per diluted share, compared with net income in 2010 of $172.3, or $3.46 per diluted share.

Segment Results (Sales to external customers)

Year-to-year comparisons and analyses of changes in net sales by segment and geographic region are set forth below:

Engineered Materials

				% Change Due to		
	2011	2010	Total % Change	Price	Volume/Mix	Currency
North America	$ 514.5	$ 432.3	19%	3%	16%	0%
Latin America[1]	3.8	2.6	-	-	-	-
Asia/Pacific	42.3	32.5	30%	2%	28%	0%

Europe/Middle East/Africa	228.6	192.8	19%	3%	15%	1%
Total	$ 789.2	$ 660.2	20%	3%	17%	0%

(1) Due to the level of sales in this geographic region, percentage comparisons are not meaningful.

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Overall, net sales increased 20% primarily due to increased selling volumes of 17%. The higher selling volumes in 2011 are due to the continued ramp up of new large commercial transport programs, build rate increases for existing large commercial transport programs, and the general recovery of the civil aircraft market. These volume increases were partially offset by lower sales volumes to the military sector related to the sunset of the C-17 and F-22 programs. Selling prices across all product lines increased net sales by 3%, while changes in exchange rates were not significant.

Earnings from operations were $124.9, or 16% of net sales, in 2011, compared with $107.1, or 16% of net sales, in 2010. The $17.8 increase in earnings was driven by increased marginal income of $63.7 due to higher sales volumes, higher selling prices of $20.2, and favorable absorption of $5.5 due to increased production levels in 2011. These positive impacts were partially offset by higher manufacturing and freight costs of $35.7 in support of increased production volumes and preparations for expected further volume increases in the near future, $19.2 of cost escalations driven primarily by higher raw material costs, $14.0 of higher operating expenses due to continued investments in selling and technology in support of new growth, and the unfavorable impact of changes in exchange rates of $2.7.

In Process Separation

				% Change Due to		
	2011	2010	Total % Change	Price	Volume/Mix	Currency
North America	$ 97.6	$ 76.8	27%	12%	15%	0%
Latin America	105.6	90.1	17%	7%	10%	0%
Asia/Pacific	80.3	66.1	21%	(1%)	18%	4%
Europe/Middle East/Africa	56.0	59.2	(5%)	4%	(9%)	0%
Total	$ 339.5	$ 292.2	16%	6%	9%	1%

Overall, net sales were up 16%, primarily due to increased selling volumes of 9% based on strong demand for mining products in the alumina and copper markets and phosphine products in North America. Selling prices increased by 6%, with increases in both the mining and phosphines businesses. These price increases reflect our efforts to offset higher raw material costs. Changes in exchange rates favorably impacted net sales by 1%.

Earnings from operations were $69.7, or 21% of net sales, in 2011, compared with $55.2, or 19% of net sales, in 2010. The $14.5 increase in earnings is the result of increased marginal income of $22.7 due to higher volumes, increased selling prices of $17.3, and favorable absorption $1.6 due to higher sales demand. This is partially offset by higher raw material costs of $12.9, higher operating expenses of $9.5 caused by increased headcount related to the segment s growth initiatives, higher freight costs of $1.5 due to increased volumes, additional period costs of $1.1 due to maintenance activities, and an unfavorable impact from changes in exchange rates of $2.1.

Additive Technologies

				% Change Due to		
	2011	2010	Total % Change	Price	Volume/Mix	Currency
North America	$ 121.1	$ 115.3	5%	6%	(1%)	0%
Latin America	24.2	21.8	11%	5%	4%	2%
Asia/Pacific	66.2	66.5	0%	2%	(5%)	3%
Europe/Middle East/Africa	75.7	67.4	12%	7%	(1%)	6%

Total	$ 287.2	$ 271.0	6%	5%	(1%)	2%

Overall, net sales increased 6%, of which 5% pertains to selling price increases, especially for the specialty additives business. These price increases reflect our efforts to recover the higher raw materials costs. Selling volumes decreased by 1%, primarily due to lower demand for products in the polymer additives business. Additionally, changes in exchange rates improved net sales by 2%.

Earnings from operations were $39.4, or 14% of net sales, for 2011, compared with $40.3, or 15% of net sales, in 2010. The $0.9 decrease in earnings is due to higher raw material costs of $10.4, reduced marginal income of $1.9 on lower volumes, and higher period and operating expenses of $7.1 due to salary inflation factors and higher plant maintenance costs, and a $0.8 bad debt provision for a polymer additives customer in Spain. The negative effects are essentially offset by $14.8 of selling price increases, favorable production absorption of $1.6 reflecting higher production levels through the third quarter, a net favorable impact from changes in exchange rates of $2.6, and lower freight costs of $0.3 due to lower volumes.

RESTRUCTURING ACTIVITIES

In accordance with our accounting policy, restructuring costs are included in our corporate unallocated operating results for segment reporting purposes consistent with management s view of its businesses.

Details of our 2012 restructuring initiatives are as follows:

In the third quarter of 2012, we approved plans to realign the supporting structure of our Umeco segment as we take advantage of synergies from the acquisition. These plans resulted in a restructuring charge of $6.6 related to the severance costs and other benefits of 28 positions. The initiatives are expected to be substantially completed in 2013 and paid by the end of 2015.

In the second quarter of 2012, we launched initiatives in our corporate functions across sales, marketing, manufacturing, supply chain, research and development, and administrative functions to mitigate continuing costs following the anticipated sale of Coating Resins. These initiatives resulted in charges related to severance and employee benefits of $14.7 associated with the elimination of 177 positions. These initiatives are expected to be substantially completed and paid by the end of by 2014.

We realized an estimated $3.6 of cost savings in 2012 related to these initiatives and expect to realize an estimated $19.2, $4.3 and $2.1 of incremental pre-tax savings in 2013, 2014 and 2015 respectively.

The remaining reserve relating to the 2012 restructuring initiatives at December 31, 2012 is $13.2.

Details of our 2010 restructuring initiatives are as follows:

In May 2010, we approved plans to exit the production of certain phosphorus derivative products at our Mt. Pleasant, Tennessee facility. These plans resulted in a restructuring charge of $5.5, of which $0.4 relates to the severance of 10 positions, $1.7 relates to asset write-offs, and $3.4 relates to decommissioning activities, all of which related to our In Process Separation segment.

We realized an estimated $1.4 and $3.1 of cost savings in 2010 and 2011 respectively, related to these initiatives. During 2012 we recorded a net favorable adjustment of $0.2. The aforementioned initiatives were substantially completed in 2011and all costs have been paid in full as of December 31, 2012.

See Note 4 of the Notes to Consolidated Financial Statements for a further summary of the restructuring charges.

LIQUIDITY AND FINANCIAL CONDITION

At December 31, 2012, our cash balance was $179.3, compared with $415.8 at year-end 2011. As of December 31, 2012, $17.8 of our cash was in the U.S. and $161.5 was held by our subsidiaries outside the U.S.

Net cash provided by continuing operations

Net cash provided by operating activities of continuing operations for 2012 was $167.7 compared with $61.6 for 2011. Inventory increased $17.6 due to higher production lead times resulting from the increased demand in Engineered Materials and In Process Separation. Inventory days on hand were at 78 days at the end of 2012, which is up compared to 68 days at the end of 2011. Trade accounts receivable increased $9.0 due to higher sales with days outstanding of 49 days for 2012, which is slightly above the 2011 amount of 48 days. Accounts payable decreased by $1.7, while 2012 accounts payable days outstanding were 53 days, which is higher than 2011 of 50 days. Accrued expenses increased by $23.3, due to overall higher accruals for costs connected with the Coatings separation and Umeco acquisition, higher employee compensation and benefits accruals, as well as restructuring charges incurred during the year. In the fourth quarter of 2012, we deferred a tax payment of $21.0 to the first quarter of 2013 resulting from the U.S. government s decision to provide tax relief for taxpayers in the federally declared disaster areas on the East Coast struck by Hurricane Sandy. Other liabilities decreased by $28.5 primarily due to contributions of $37.8 and $13.5 to our pension and postretirement plans, respectively.

Net cash used in investing activities of continuing operations was $594.6 in 2012 compared to $75.5 in 2011. In 2012, we used $420.8 in cash to acquire Umeco and $28.5 to purchase a business in India to increase our manufacturing capacity in our In Process Separation segment, as discussed in Note 2 of the Consolidated Financial Statements. In 2011, we received proceeds of $3.4 from sales of certain real estate and facilities of a former site.

Capital spending for 2012 was $145.3 compared to $78.9 in 2011. Capital spending in 2012 is primarily attributable to investments for the strategic expansion of our growth businesses within the Engineered Materials and In Process Separation segments, in addition to maintenance of business capital across the Company. In the second quarter of 2012, we restarted the carbon fiber expansion project that had been put on hold since the first quarter of 2009, to support the growing demand for carbon fiber materials in the aerospace industry. The project s construction is expected to be completed by the first quarter of 2014, with industrial fiber production expected in 2015 and aerospace qualified fiber production expected in 2016. We have also commenced production on a new prepreg manufacturing expansion project, with commercial production expected to occur in 2015. In 2012, we also began expansion of our phosphine plant in Canada for our In Process Separation segment, expected to be completed in 2014. Our total capital spending for 2013 is expected to increase to approximately $300.0 for continuing operations.

Net cash used in financing activities was $44.0 in 2012 compared with $211.5 in 2011. During 2012, we repurchased $99.9 of treasury stock and paid cash dividends of $25.9. These cash outflows were partially offset by net cash proceeds of $49.2 from the use of our short and long term borrowings. This was primarily related to the net borrowings of $62.0 from our Revolving Credit Facility, which was drawn down by $170.0 for the purpose of funding the Umeco acquisition in July 2012, most of which was repaid by December 31, 2012, and for use in our expanded share repurchase program that began in the fourth quarter of 2012. We also received $28.0 of proceeds from stock option exercises, and had $5.9 of excess tax benefits related to share-based payments in 2012. In 2011, we repurchased $196.1 of treasury stock, we paid cash dividends of $27.1, and we had net debt repayments of $8.7. The cash outflows were partly offset by $11.0 of proceeds received from the sale-leaseback transaction of our research and development facilities in Stamford, Connecticut, that originally was treated as a financing transaction, $8.1 of proceeds from the exercise of stock options and $1.5 of excess tax benefits related to share-based payments.

Share repurchases

In 2012, we repurchased 1,455,111 shares of common stock for $99.9 under our stock buyback program. As of December 31, 2012, approximately $550.1 remained available from the $650.0 authorization announced on October 9, 2012. Pursuant to our stock buyback program, shares can be repurchased in open market transactions or privately negotiated transactions at our discretion.

Dividends

During 2012, we paid four quarterly cash dividends of $0.125 per common share, which aggregated to $22.9. On January 31, 2013, our Board of Directors declared a quarterly cash dividend of $0.125 per common share, payable on February 25, 2013 to stockholders of record as of February 11, 2013. Also during 2012, our majority owned subsidiary paid cash dividends to their minority shareholders which aggregated to $3.0.

Net cash provided by discontinued operations

Net cash provided by operating activities of discontinued operations for 2012 was $146.0, compared to net cash provided by operating activities of discontinued operations of $150.2 for 2011. For 2012 and 2011, these cash flows consisted primarily of the net earnings from discontinued operations of our former Coating Resins segment, and also included the net earnings of our former Building Block Chemicals segment for 2011. In 2011, cash used includes a tax payment of $13.3 related to the gain on the sale of Building Block Chemicals.

Net cash provided by investing activities of discontinued operations was $84.7 in 2012, compared with net cash provided by investing activities of discontinued operations of $117.8 in 2011. For 2012, we received net proceeds of $112.8 from the sale of the PSA product line in the third quarter of 2012 and proceeds of $5.0 from the sale of assets, which were offset by $31.9 of capital expenditures in the Coating Resins business. In 2011, we received cash proceeds of $152.2, net of transaction costs, related to the sale of our former Building Block Chemicals segment, which were offset by capital spending of $2.4 for the business prior to the sale, and $37.6 of capital spending for the former Coating Resins segment. Also in 2011 we received $5.5 in proceeds from the sale of assets.

Credit facility

There was $62.0 outstanding under the $400.0 unsecured five-year revolving credit facility at December 31, 2012. On June 21, 2011, we amended and restated our existing Five Year Credit Agreement (the Agreement). The material terms and conditions of the Agreement remain substantially similar to the prior agreement except as set forth below. As the result of the amendment and restatement, the maximum amount we may borrow under the Agreement continues to be $400.0, but now also includes a $25.0 swing line,

and the term of the Agreement was extended to June 21, 2016. Subject to the consent of the lenders, we have the ability under certain circumstances to extend the term of the Agreement through June 21, 2019 and to increase the maximum amount we may borrow under the Agreement to up to $500.0. This facility contains covenants that are customary for such facilities, including two financial covenants: the ratio of consolidated total debt to consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) and the ratio of consolidated EBITDA to consolidated interest expense. We are in compliance with these covenants and expect to be in compliance for the foreseeable future.

Funding of future cash requirements

We believe that we have the ability to fund our operating cash requirements, planned capital expenditures, planned stock repurchases, as well as the ability to meet our debt service requirements for the foreseeable future from existing cash, from internal cash generation, from the substantial cash we expect to receive upon closing of the Coating Resins transaction, and, when appropriate, through utilization of our existing credit line. From time to time, based on such factors as local tax regulations, prevailing interest rates and our plans for capital investment or other investments, it may make economic sense to utilize our existing credit lines in order to meet our cash requirements, which may include debt-service related disbursements. We are required to meet financial ratios under our $400.0 five-year revolving credit agreement, including a maximum permitted ratio of Total Consolidated Debt (as defined) to Consolidated EBITDA (as defined) and a minimum consolidated EBITDA (as defined) to interest expense ratio. Complying with these ratios could limit our ability to plan for or react to market conditions or meet extraordinary capital needs and could otherwise restrict our financing activities. Our ability to comply with the covenants will depend on our future operating performance. If we fail to comply with those covenants and terms, we will be in default. In this case, we would be required to obtain waivers from our lenders in order to maintain compliance. If we were unable to obtain any necessary waivers, the amounts outstanding under this agreement could be accelerated, and become immediately due and payable, and we would not be able to borrow any additional funds under the agreement while such default continued. We are in compliance with these covenants and expect to be in compliance for the foreseeable future. We have $62.0 of borrowings outstanding under the agreement as of December 31, 2012. Our ability to fully utilize our revolving credit agreement can be limited by our actual calculated Debt Covenant Ratio as compared to the maximum Debt Covenant Ratio permitted under the agreement. At December 31, 2012, $338.0 of the facility is available to us, and we expect that the full amount will continue to be available based on our current forecasts.

Use of cash

We have generated a significant amount of cash in recent years. Going into 2013, our use of cash priority will be to invest in the typical maintenance of business capital spending projects and pension contributions. This is followed by expansion/cost reduction capital in our growth product lines and fast payback/margin improvement capital in our cash product lines. In addition, if available at a reasonable price, we will pursue bolt-on acquisitions for our growth product lines. We will continue to return excess cash to shareholders through dividends and share repurchases. We have approximately $550.1 of buyback authorized as of December 31, 2012. Our expectation is to complete the buyback with proceeds received from the anticipated sale of Coating Resins.

We have not guaranteed any indebtedness of our unconsolidated associated company.

Inflation at this time is not considered significant although higher costs for energy and commodities could impact our future operating expenses and capital spending. The impact of increasing raw material costs is discussed earlier in Item 1, BUSINESS Customers and Suppliers.

We estimate that pension and postretirement plan funding will be approximately $67.6 in 2013 compared to $51.3 in 2012. Approximately $50.0 of the 2013 funding is expected to be provided by proceeds from the anticipated sale of Coating Resins.

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Contractual Obligations and Commercial Commitments

The following table sets forth our contractual obligations under long-term agreements as of December 31, 2012:

(In Millions)		Payments Due by Period			
Contractual Obligations	**Total**	**Less Than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**
Long-term debt	$ 705.1	$ 136.0	$ 250.4	$ 312.4	$ 6.3
Interest payments(1)	163.6	43.8	74.6	44.7	0.5
Operating leases	39.7	9.6	13.8	9.8	6.5
Capital lease	17.6	2.8	5.9	6.4	2.5
Pension and postretirement plans obligations(2)	67.6	67.6	0.0	0.0	0.0
Purchase obligations	46.5	42.0	2.6	0.6	1.3
Environmental liabilities(2)	9.7	9.7	-	-	-
Other noncurrent liabilities(3)	-	-	-	-	-
Total	$ 1,049.8	$ 311.5	$ 347.3	$ 373.9	$ 17.1

(1) Based on the Euro exchange rate at December 31, 2012.

(2) Expected cash flows for our pension and postretirement plans obligations and environmental liabilities for years beyond 2013 were excluded as specific payment dates could not be reasonably estimated. Amounts reflected to be paid in less than one year are based on our budget and actual amounts paid in 2012 and may vary significantly for pension. See Note 12 (Environmental, Contingencies and Commitments) and Note 14 (Employee Benefit Plans) of Notes to Consolidated Financial Statements for more information regarding these liabilities.

(3) Included in other noncurrent liabilities on our consolidated balance sheet at December 31, 2012, were $49.8 of contingent liabilities (principally asbestos related liabilities) and $15.9 of asset retirement obligations. As specific payment dates for these items are unknown, the related balances have not been reflected in the Payments Due by Period section of the table above.

As of December 31, 2012, the amount of unrecognized tax benefits was $19.7. As specific payment dates cannot be reasonably estimated, the related balances have not been reflected under the Payments Due by Period section of the table above.

At December 31, 2012, we had net contractual commitments under currency forward contracts in U.S. dollar equivalent notional amounts of $438.9, that all settle in less than one year. (Refer to Item 7A, Quantitative and Qualitative Disclosures about Market Risk, as well as Note 7 of Notes to Consolidated Financial Statements).

We had $35.9 of outstanding letters of credit, surety bonds and bank guarantees at December 31, 2012 that are issued on our behalf in the ordinary course of business to support certain of our performance obligations and commitments. The instruments are typically renewed on an annual basis.

We do not have any unconsolidated limited purpose entities or any undisclosed material transactions or commitments involving related persons or entities.

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Item 7A.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following discussion provides forward-looking quantitative and qualitative information about our potential exposures to market risk arising from changes in currency rates, commodity prices and interest rates. Actual results could differ materially from those projected in this forward-looking analysis. Currencies are in millions.

Market risk represents the potential loss arising from adverse changes in the value of financial instruments. The risk of loss is assessed based on the likelihood of adverse changes in fair values, cash flows or future earnings.

In the ordinary course of business, we are exposed to various market risks, including fluctuations in currency rates, commodity prices and interest rates. To manage the exposure related to these risks, we may engage in various derivative transactions in accordance with our established policies. We do not hold or issue financial instruments for trading or speculative purposes. Moreover, we enter into financial instrument transactions with either major financial institutions or highly-rated counterparties and make reasonable attempts to diversify transactions among counterparties, thereby limiting exposure to credit-related and performance-related risks.

Currency Risk: We periodically enter into currency forward contracts primarily to hedge currency fluctuations of transactions denominated in currencies other than the functional currency of the respective entity. At December 31, 2012, the principal transactions hedged involved accounts receivable and accounts payable. When hedging currency exposures, our practice is to hedge such exposures with forward contracts denominated in the same currency and with similar critical terms as the underlying exposure, and therefore, the instruments are effective at generating offsetting changes in the fair value, cash flows or future earnings of the hedged item or transaction.

At December 31, 2012, the currency and net notional amounts of forward contracts outstanding translated into U.S. dollar equivalent amounts were as follows:

December 31, 2012						**Buy**					
Sell	**U.S. Dollar**	**Euro**	**Canadian Dollar**	**Australian Dollar**	**Thai Baht**	**Chilean Peso**	**Mexican Peso**	**Malaysian Ringgit**	**Colombian Peso**	**Pound Sterling**	**Norwegian Krone**
U.S. Dollar	0.0	$ 73.3	$ 66.9	0.0	$ 8.7	$ 20.2	$ 17.3	$ 3.0	$ 1.0	$ 0.1	0.0
Euro	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	$ 1.6
Pound Sterling	0.0	$ 152.9	0.0	$ 46.6	$ 15.5	0.0	0.0	0.0	0.0	0.0	0.0
Chinese Yuan	$ 20.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Brazilian Real	$ 3.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Japanese Yen	$ 0.3	$ 7.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

The net favorable fair value of currency contracts, based on exchange rates at December 31, 2012, was $1.7. Assuming that year-end exchange rates between the underlying currencies of all outstanding contracts and the various hedged currencies were to adversely change by a hypothetical 10%, the fair value of all outstanding contracts at year-end would decrease by approximately $42.2. However, since these contracts hedge specific transactions, any change in the fair value of the contracts would be offset by changes in the underlying value of the transaction being hedged.

Interest Rate Risk: At December 31, 2012, our outstanding borrowings consisted of $3.0 of short-term variable rate borrowings, $62.0 of long-term floating rate debt, and $641.5 of long-term fixed rate debt. Our total long-term debt had a carrying value of $703.5, a face value of $705.1, and a fair value of $787.9. The fair value is based on a discounted cash flow analysis which incorporates the contractual terms of the notes and observable market-based inputs that include time value, interest rate curves, and credit spreads.

Assuming other factors are held constant, a hypothetical increase/decrease of 1% in the weighted-average prevailing interest rate on our variable rate debt outstanding as of December 31, 2012, interest expense would increase/decrease by approximately $0.1 for the next fiscal year and the fair value of the fixed rate long-term debt would decrease/increase by approximately $18.0.

SIGNIFICANT ACCOUNTING ESTIMATES / CRITICAL ACCOUNTING POLICIES

Accounting principles generally accepted in the United States require management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts in the consolidated financial statements and the notes thereto. The areas discussed below involve the use of significant judgment in the preparation of our consolidated financial statements and changes in the estimates and assumptions used may impact future results of operations and financial condition.

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Share-Based Compensation

U.S. Generally Accepted Accounting Principles (GAAP) requires recognition of compensation cost in an amount equal to the fair value of share-based payments. Compensation cost for performance stock is recorded based on the market value on the original date of grant (which is the fair value). Compensation cost for stock appreciation rights payable in cash (cash-settled SARS) is recognized based on the fair value of the award at the end of each period through the date of settlement. Compensation cost for stock appreciation rights payable in shares (stock-settled SARS) and stock options is recognized over the vesting period based on the estimated fair value on the date of the grant.

GAAP also requires that we estimate a forfeiture rate for all share-based awards. We monitor share option exercise and employee termination patterns to estimate forfeiture rates within the valuation model. The estimated fair values are based on assumptions, including estimated lives of the instruments, historical and implied volatility, dividend yield on our common stock, and risk-free interest rates. We also consider the probability that the options and stock-settled SARS will be exercised prior to the end of their contractual lives and the probability of termination or retirement of the holder. These assumptions are based on reasonable facts but are subject to change based on a variety of external factors. Changes in assumptions from period to period may materially affect the amount of share-based compensation cost we recognize in income.

Environmental and Other Contingent Liabilities

Accruals for environmental remediation and operating and maintenance costs directly related to remediation and other contingent liabilities are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Accruals are recorded at management s best estimate of the ultimate expected liabilities, without any discount to reflect the time value of money. These accruals are reviewed periodically and adjusted, if necessary, as additional information becomes available.

The amount accrued for environmental remediation reflects our assumptions about remediation requirements at the contaminated site, the nature and cost of the remedy, the outcome of discussions with regulatory agencies and other potentially responsible parties at multi-party sites, and the number and financial viability of other potentially responsible parties.

Included in other contingent liabilities are workers compensation, product liability and toxic tort claims. The amount accrued for other contingent liabilities reflects our assumptions about the incidence, severity, indemnity costs and dismissal rates for existing and future claims.

Our asbestos related contingent liabilities and related insurance receivables are based on a study which is prepared every three years by a third party. During the third quarter of 2012, we completed an actuarial study of our asbestos related contingent liabilities and related insurance receivables, which updated our last study prepared in the third quarter of 2009. The study is based on, among other things, the incidence and nature of historical claims data through June 30, 2012, the incidence of malignancy claims, the severity of indemnity payments for malignancy and non-malignancy claims, dismissal rates by claim type, estimated future claim frequency, settlement values and reserves, and expected average insurance recovery rates by claim type.

As a result of the findings, we recorded a decrease of $2.1 to our self-insured and insured contingent liabilities for indemnity costs for pending and anticipated probable future claims and recorded a decrease of $1.0 related to receivables for probable insurance recoveries for these pending and future claims. The reserve decrease is attributable to significantly lower projected claim filings offset by more severe malignancy rates and settlement value projections. The decrease in the receivable is a result of the lower gross liability and a shift in the types of future claims expected. Overall, we expect to recover approximately 48% of our future indemnity costs. We have completed Coverage-In-Place-Agreements with most of our larger insurance carriers.

Although these estimates and assumptions are based on reasonable facts, they are subject to change based on the actual outcome and a variety of external factors. A sustained 1% change in the annual number of future asbestos claims filed against us will increase or decrease the liability and related receivable by $0.4 and $0.2, respectively. A sustained 1% change in the average value of asbestos claims paid will increase or decrease the liability and related receivable by $0.4 and $0.2, respectively.

Accruals for environmental remediation and other contingent liabilities can change substantially if our assumptions are not realized or due to actions by governmental agencies or private parties. We cannot estimate any additional amount of loss or range of loss in excess of the recorded amounts. Moreover, environmental and other contingent liabilities are paid over an extended period, and the timing of such payments cannot be predicted with any certainty. Accruals for environmental and other

contingent liabilities are recorded as other noncurrent liabilities with any amounts expected to be paid out in the next twelve months classified as accrued expenses.

Probable insurance recoveries for past and probable future indemnity costs are recorded at management s best estimate of the ultimate expected receipts without discounting to reflect the time value of money and are recorded as other assets. A number of factors impact the estimates of insurance reimbursements. These factors include the financial viability of the insurance companies, the method in which losses will be allocated to the various insurance policies, how legal and defense costs will be covered by the insurance policies, the interpretation of the effect on coverage of various policy terms and limits and their interrelationships, and historical recovery rates over the past ten years.

Defense and processing costs are expensed as incurred. Insurance recoveries for defense and processing costs are recognized when the recovery is probable and related costs are incurred and are recorded as other assets.

Retirement Plans

We sponsor defined benefit pension and other postretirement benefit plans. The postretirement plans provide medical and life insurance benefits to retirees who meet minimum age and service requirements. Our most significant pension plans are in the U.S., and constituted over 84% of our consolidated pension assets and 85% of projected benefit obligations as of December 31, 2012. The calculation of our pension expense and pension liability associated with our defined benefit pension plans requires the use of a number of assumptions. Changes in these assumptions can result in different pension expense and liability amounts, and actual experience can differ from the assumptions. We believe that the most critical assumptions are the discount rate, the expected rate of return on plan assets, and healthcare cost trend rates. Our U.S. salaried pension plan was frozen on December 31, 2007.

At the end of each year, we determine the discount rate to be used for pension liabilities. In estimating this rate, we look at the yields on high quality, long-term corporate bonds that receive one of the two highest ratings given by a recognized ratings agency. Future expected actuarially determined cash flows of our major U.S. plans are matched against a yield curve encompassing such bonds to arrive at a single discount rate by plan. We discounted our U.S. future pension and postretirement medical liabilities using a rate of 3.9% and 3.5%, respectively, at December 31, 2012. The discount rate used to determine the value of liabilities has a significant effect on expense. A 1% increase to the discount rate for our U.S. pension plans would decrease our 2013 expected annual expense by $7.9 and decrease our liability by $102.7. A 1% decrease to the discount rate for our U.S. pension plans would increase our 2013 expected annual expense by $9.0 and increase our liability by $126.6. A 1% increase to the discount rate for our U.S. postretirement medical plan would decrease our 2013 expected annual expense by $0.7 and decrease our liability by $16.4. A 1% decrease to the discount rate for our U.S. postretirement medical plan would increase our 2013 expected annual expense by $0.8 and increase our liability by $19.3.

In order to reduce the volatility of our pension plan assets relative to pension liabilities, we have gradually implemented a liability-driven investment (LDI) strategy for our U.S., U.K. and Canadian defined benefit pension plans. As part of the strategy, we have transitioned some of our equity allocation to longer-term fixed income assets with an emphasis on high quality corporate bonds. As the funded status of the plans improves, we expect to further decrease equity investments and increase fixed income investments. As a result of these changes, the expected rates of return have been adjusted downward, as appropriate, to reflect the new allocations. The expected rate of return on our U.S. plan assets, which was 6.75% for 2012, reflects the long-term average rate of return expected on funds invested or to be invested in the pension plans to provide for the benefits included in the pension liability. We establish the expected rate of return at the beginning of each fiscal year based upon information available to us at that time, including the historical returns of major asset classes, the expected investment mix of the plans assets, and estimates of future long-term investment returns. A 1% change to the expected rate of return on plan assets of our U.S. pension plans would increase or decrease our 2013 expected pension expense by $7.0; the 2013 expected postretirement medical expense would increase or decrease by $0.3. The U.S. pension plans investment mix at December 31, 2012 approximated 24% equities and 76% fixed income securities. Any differences between actual experience and assumed experience are deferred as an unrecognized actuarial gain or loss. The unrecognized net actuarial gain or loss is amortized into pension expense in accordance with GAAP.

The assumed rate of future increases in the per capita cost of healthcare benefits (healthcare cost trend rate) is 7.5% in 2012, decreasing to ultimate trend of 5.0% in 2016. The healthcare cost trend

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rate has a significant effect on the reported amounts of accumulated postretirement benefit obligation (APBO) and related expense. A 1% decrease to the assumed healthcare cost trend rate for our postretirement benefit plans would decrease our expense by $0.6 and decrease our postretirement benefit obligation by $12.1. A 1% increase to the assumed healthcare cost trend rate for our postretirement benefit plans would increase our expense by $0.6 and increase our postretirement benefit obligation by $13.4.

As a result of the use of our LDI strategy and the increase in the funded levels of our pension plans, we are in the process of reviewing our pension and postretirement benefit accounting policies to determine if mark-to-market accounting would be a preferred method. Under mark-to-market accounting actuarial gains and losses would be recognized on the income statement in the year incurred rather than amortizing them over future periods. A mark-to-market adjustment would be made in the fourth quarter of each year reflecting that year s actuarial gains or losses. These gains or losses result from changes in discount rates and other actuarial assumptions, actual returns on plan assets versus expectations, and other differences between actual experience and assumptions. Certain components of expense would be charged at the business segment level, while others, including the annual mark-to-market adjustments, would be charged to Corporate and Unallocated.

We have engaged our actuaries to assist in this process. If we do decide that this change is appropriate, we would apply this change to our continuing pension and postretirement plans on a retrospective basis and restate prior periods accordingly. The impact of this change to our earnings in any period could be material. We expect to reach a decision by the end of the first quarter of 2013.

Impairment of Goodwill and Intangible Assets

We have defined our segments as our reporting units. Our four business segments are Engineered Materials, Umeco, In Process Separation, and Additive Technologies. Engineered Materials and Umeco serve principally aerospace and industrial markets. In Process Separation and Additive Technologies serve large, global industrial markets. The segments above reflect how we run our Company, manage the assets, and view our customers.

We test goodwill for impairment on an annual basis. Goodwill of a reporting unit will be tested for impairment between annual tests if events occur or circumstances change that would likely reduce the fair value of the reporting unit below its carrying value. For our 2012 goodwill impairment test, we applied the provision of Accounting Standards Update (ASU) No. 2011-08, *Intangibles Goodwill and Other*, that allows us to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (i.e. greater than 50% probability) that the fair value of the reporting unit is less than its carrying amount. If, after assessing the totality of the facts and circumstances, we determine it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. If we determined otherwise, we would be required to perform the two-step goodwill impairment test. For our qualitative assessment of the reporting unit, we considered all relevant facts and circumstances, including the excess fair value from the most recent fair value calculation; circumstances that could cause significant changes to the most recent carrying value calculation; the overall financial performance of the reporting unit compared to previous projections; the estimated financial performance projected in the near and long term, such as EBITDA and cash flows; industry and market conditions, including overall market-multiple metrics, competitive environment and demand for our products; overall macroeconomic conditions including our ability to access capital; and changes in management, key personnel or strategy for the reporting unit. More weight was placed on events or circumstances that most affect a reporting unit s fair value or carrying amount of its net assets. As a result of this qualitative assessment, we determined that it was more likely than not that the fair value of our reporting units exceeded their carrying values, and performing the two-step impairment test was not required. These evaluations involve amounts that are based on management s best estimates and judgments. Because of the uncertainty inherent in such estimates, actual results may differ from these estimates. We are not aware of reasonably likely events or circumstances that would result in different amounts being estimated that would have a material impact on these assessments for impairment.

Intangible assets with determinable useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets or asset group to the future undiscounted net cash flows expected to be generated by the asset or asset group. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets and would be charged to earnings. Intangible assets with determinable useful lives are amortized over their respective estimated useful lives.

Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed

Long-lived assets, including those to be disposed, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets or asset group to the future undiscounted net cash flows expected to be generated by the asset or asset group. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets and would be charged to earnings. Assets to be disposed of are reported at the lower of the carrying amount or fair value less the costs to sell.

Depreciation

Effective January 1, 2012, we changed our method of depreciation for the majority of our North American fixed assets from straight line composite depreciation to straight line by individual asset.

Historically, we had used the composite depreciation method for the Plants, Equipment and Facilities at the majority of our North American facilities. Under this method, all similar assets across these locations were combined into common pools and depreciated under composite depreciation rates. Recent business divestitures and sales of assets had significantly reduced our composite asset base, and during 2011, we performed a full physical inventory of fixed assets at our composite locations. As part of this analysis, where appropriate, we made changes to certain asset records in our fixed assets system effective January 1, 2012 to segregate individual assets that had been installed together and had previously been combined into one item. We also reviewed the estimated useful lives of our assets at this more specific level.

We believe that the straight line depreciation method for individual assets is preferable to the composite method because it is a more precise method of allocating historical cost and results in a consistent depreciation policy for all of our locations.

As a result, the useful lives of our assets are now generally estimated to range from 5 to 30 years for equipment and from 10 to 38 years for buildings. This change in the method of depreciation is considered a change in accounting estimate inseparable from a change in accounting principle, and resulted in changes to our depreciation expense prospectively from the effective date.

Expenditures for maintenance and repairs are charged to current operating expenses. Acquisitions, additions and betterments, either to provide necessary capacity, improve the efficiency of production units, modernize or replace older facilities or to install equipment for protection of the environment, are capitalized. We capitalize interest costs incurred during the period of construction of plants and equipment.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date.

We intend to primarily reinvest the unremitted earnings of those international subsidiaries that are independent of the Coating Resins divestiture. Accounting rules require establishing a tax liability on the unrepatriated earnings of foreign subsidiaries if it is management`s intention to no longer permanently reinvest such earnings. As a result of the intended sale of Coatings Resins, management`s intentions changed with regard to a portion of the unrepatriated earnings of certain foreign subsidiaries. Therefore, included in income tax expense is $3.1 of tax expense incurred due to the repatriation of certain earnings during 2012 and an estimated $7.5 to be incurred on the future repatriation of other earnings, subsequent to the sale of Coating Resins. With the exception of the unremitted earnings of those international subsidiaries that are related to the Coating Resins divestiture, no provision has been made for U.S. or additional non-U.S. taxes with respect to these earnings. In the event of repatriation to the U.S., such earnings would be subject to U.S. income taxes in most cases. Foreign tax credits would be available to substantially reduce the amount of U.S. tax otherwise payable in future years.

Our annual effective tax rate is based on expected income, statutory tax rates and tax planning

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opportunities available in various jurisdictions in which we operate. Significant judgment is required in determining the annual effective tax rate and in evaluating our tax positions.

We establish accruals for tax contingencies when, notwithstanding the reasonable belief that our tax return positions are fully supported, we believe that certain filing positions are likely to be challenged and moreover, that such filing positions may not be fully sustained. We recognize a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. We continually evaluate our uncertain tax positions and will adjust such amounts in light of changing facts and circumstances including but not limited to emerging case law, tax legislation, rulings by relevant tax authorities, and the progress of ongoing tax audits. Settlement of a given tax contingency could impact the income tax provision in the period of resolution. Our accruals for gross uncertain tax positions are presented in the balance sheet within income taxes payable and other noncurrent liabilities.

Derivative Financial Instruments and Certain Hedging Activities

We use derivative instruments in accordance with our established policies to manage exposure to fluctuations in currency rates, interest rates and, when appropriate, natural gas prices in North America. We do not hold or issue derivative financial instruments for trading or speculative purposes. We enter into financial instrument transactions with either major financial institutions or highly-rated counterparties and make reasonable attempts to diversify transactions among counterparties, thereby limiting exposure to credit-related and performance-related risks.

Foreign Currency Risk: We use currency forward contracts and cross currency swaps to manage our exposure to fluctuations in currency rates on third party and intercompany transactions denominated in currencies other than the functional currency of the legal entity. We hedge such exposures with currency forward contracts and cross currency swaps denominated in the same currency and with similar terms as the underlying exposure, and therefore, the instruments are effective at generating offsetting changes in the fair value or cash flows of the hedged item or transaction. All derivative contracts used to manage foreign currency risk are measured at fair value and reported as assets or liabilities on the balance sheet. Changes in fair value are reported in earnings or deferred, depending on the nature and effectiveness of the hedging relationship. Ineffectiveness, if any, in a hedging relationship is recognized immediately into earnings. If the hedging relationship is not highly effective in generating offsetting cash flows or changes in fair value, we would recognize the change in the fair value of the currency forward contract in other income (expense), net. There was no ineffectiveness in 2012, 2011, or 2010.

Fair Value Measurements

We have certain assets and liabilities that are carried at fair value on a recurring basis in the financial statements, for which we determine the appropriate level in the fair value input hierarchy for each fair value measurement. The fair value hierarchy prioritizes the inputs, which refer broadly to assumptions that market participants would use in pricing an asset or liability, into three levels. It gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The level in the fair value hierarchy within which a fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets, interest rates, exchange rates, and yield curves observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability.

Derivatives

All of our derivatives are valued based on Level 2 inputs. Our currency forwards are valued based on readily available published indices for currency exchange rates.

Pension

The fair values of our Level 1 pension assets are determined based on quoted market prices in active markets for identical assets. The fair values of our Level 2 pension assets are based on the net asset values of the funds, which are based on quoted market prices of the underlying investments. Our Level 3 assets include an insurance contract and a real estate fund. The fair value of the insurance contract held by one of our non-U.S. plans is based on the contractual terms of the arrangement with the insurance company. The fair value of the real estate fund is based on the net asset value of shares held at year end.

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ITEM 8.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CYTEC INDUSTRIES INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31,		
(Dollars in millions, except per share amounts)	**2012**	**2011**
Assets		
Current assets		
Cash and cash equivalents	$ 179.3	$ 415.8
Trade accounts receivable, less allowance for doubtful accounts of $4.7 and $1.3 in 2012 and 2011, respectively	263.6	184.2
Other accounts receivable	39.1	28.3
Inventories	267.2	186.5
Deferred income taxes	37.8	34.9
Other current assets	18.9	13.4
Current assets held for sale	410.8	424.7
Total current assets	1,216.7	1,287.8
Investment in associated companies	1.7	
Plants, equipment and facilities, at cost	1,310.4	1,109.8
Less: accumulated depreciation	(475.1)	(385.1)
Net plant investment	835.3	724.7
Acquisition intangibles, net of accumulated amortization of $43.9 and $34.7 in 2012 and 2011, respectively	183.7	12.2
Goodwill	525.3	314.5
Deferred income taxes	8.9	16.3
Other assets	88.7	87.1
Non-current assets held for sale	1,061.8	1,094.1
Total assets	$ 3,922.1	$ 3,536.7
Liabilities		
Current liabilities		
Accounts payable	$ 176.4	$ 118.9
Short-term borrowings	3.0	3.5
Current maturities of long-term debt	136.1	
Accrued expenses	174.0	126.1
Income taxes payable	51.4	20.8
Deferred income taxes	0.6	0.6
Current liabilities held for sale	265.9	252.0
Total current liabilities	807.4	521.9
Long-term debt	567.4	635.9
Pension and other postretirement benefit liabilities	275.5	277.0
Other noncurrent liabilities	198.3	208.3
Deferred income taxes	70.9	41.2
Non-current liabilities held for sale	198.3	159.1
Stockholders equity		
Preferred stock, 20,000,000 shares authorized; none issued and outstanding		
Common stock, $.01 par value per share, 150,000,000 shares authorized; issued 49,618,861 in 2012 and 49,586,198 in 2011	0.5	0.5
Additional paid-in capital	465.6	461.2
Retained earnings	1,641.3	1,476.4
Accumulated other comprehensive loss	(65.1)	(66.5)
Treasury stock, at cost, 4,672,700 shares in 2012 and 4,077,360 shares in 2011	(243.3)	(185.0)
Total Cytec Industries Inc. stockholders equity	1,799.0	1,686.6
Noncontrolling interests	5.3	6.7
Total equity	1,804.3	1,693.3
Total liabilities and stockholders equity	$ 3,922.1	$ 3,536.7

See accompanying Notes to Consolidated Financial Statements

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CYTEC INDUSTRIES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31,

(Dollars in millions, except per share amounts)	**2012**	**2011**	**2010**
Net sales	$ 1,708.1	$ 1,415.9	$ 1,223.4
Manufacturing cost of sales	1,181.5	992.2	861.6
Selling and technical services	147.8	127.2	113.4
Research and process development	52.9	45.0	38.1
Administrative and general	136.6	96.1	93.6
Amortization of acquisition intangibles	9.0	3.2	3.2
Net (loss) gain on sale of assets	(16.7)	3.3	
Earnings from operations	163.6	155.5	113.5
Other expense, net	(1.7)	(5.1)	(5.9)
Net loss on early extinguishment of debt	(0.2)	(0.3)	(0.8)
Equity in earnings of associated companies	(0.2)		
Interest expense, net	30.1	35.8	33.2
Earnings from continuing operations before income taxes	131.4	114.3	73.6
Income tax provision	37.3	28.3	6.6
Earnings from continuing operations	94.1	86.0	67.0
Earnings from operations of discontinued business, net of tax	112.6	90.3	108.1
Net (loss) gain on sale of discontinued operations, net of tax	(16.6)	34.6	
Earnings from discontinued operations, net of tax	96.0	124.9	108.1
Net earnings	190.1	210.9	175.1
Less: Net earnings attributable to noncontrolling interests	(2.1)	(3.1)	(2.8)
Net earnings attributable to Cytec Industries Inc.	$ 188.0	$ 207.8	$ 172.3
Earnings per share attributable to Cytec Industries Inc.			
Basic earnings per common share			
Continuing operations	$ 2.04	$ 1.78	$ 1.36
Discontinued operations	2.04	2.51	2.13
	$ 4.08	$ 4.29	$ 3.49
Diluted earnings per common share			
Continuing operations	$ 2.01	$ 1.75	$ 1.35
Discontinued operations	2.01	2.49	2.11
	$ 4.02	$ 4.24	$ 3.46
Dividends per common share	$ 0.50	$ 0.50	$ 0.05

See accompanying Notes to Consolidated Financial Statements

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CYTEC INDUSTRIES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31,

(Dollars in millions)	**2012**	**2011**	**2010**
Net income including noncontrolling interest	$ 190.1	$ 210.9	$ 175.1
Other comprehensive income (loss), net of tax			
Pension liability adjustment	(27.9)	(15.7)	(21.8)
Unrealized net gain on derivative instruments		0.4	1.6
Translation adjustments	28.8	(36.7)	(9.6)
Total other comprehensive income (loss), net of tax	0.9	(52.0)	(29.8)
Comprehensive income including noncontrolling interest	191.0	158.9	145.3
Less: Comprehensive income attributable to noncontrolling interest	(1.6)	(3.2)	(3.4)
Comprehensive income attributable to Cytec Industries Inc.	$ 189.4	$ 155.7	$ 141.9

See accompanying Notes to Consolidated Financial Statements

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CYTEC INDUSTRIES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

(Dollars in millions)	**2012**	**2011**	**2010**
Cash flows provided by (used in) operating activities			
Net earnings	$ 190.1	$ 210.9	$ 175.1
Earnings from discontinued operations	(96.0)	(124.9)	(108.1)
Earnings from continuing operations	94.1	86.0	67.0
Noncash items included in earnings from continuing operations:			
Depreciation	58.6	45.0	37.4
Amortization	14.1	8.7	9.0
Share-based compensation	11.3	11.1	10.2
Deferred income taxes	(29.8)	8.1	(8.7)
Gain on sale of assets		(3.3)	(2.3)
Non-cash loss on disposal of assets	16.7		0.0
Loss on early extinguishment of debt	0.2	0.3	0.8
Unrealized (gain) loss on derivative instruments	(4.5)	2.1	(0.8)
Other	0.1		0.3
Changes in operating assets and liabilities (excluding effects of divestiture):			
Trade accounts receivable	(9.0)	(44.2)	(26.0)
Other receivables	12.4	5.7	(4.9)
Inventories	(17.6)	(29.3)	(17.0)
Other assets	0.5	(3.2)	(4.2)
Accounts payable	(1.7)	26.9	29.1
Accrued expenses	23.3	(11.0)	25.6
Income taxes payable	27.5	(4.2)	4.0
Other liabilities	(28.5)	(37.1)	(58.7)
Net cash provided by operating activities of continuing operations	167.7	61.6	60.8
Net cash provided by operating activities of discontinued operations	146.0	150.2	218.0
Net cash provided by operating activities	**313.7**	**211.8**	**278.8**
Cash flows provided by (used in) investing activities:			
Additions to plants, equipment and facilities	(145.3)	(78.9)	(81.5)
Acquisition of businesses, net of cash received	(449.3)		
Net proceeds received on sale of assets		3.4	0.3
Net cash used in investing activities of continuing operations	(594.6)	(75.5)	(81.2)
Net cash provided by (used in) investing activities of discontinued operations	84.7	117.8	(44.3)
Net cash (used in) provided by investing activities	**(509.9)**	**42.3**	**(125.5)**
Cash flows provided by (used in) financing activities:			
Proceeds from long-term debt	318.1		
Payments on long-term debt	(268.4)	(5.9)	(34.3)
Change in short-term borrowings	(0.5)	(2.8)	(4.9)
Cash dividends	(25.9)	(27.1)	(3.8)
Proceeds from the exercise of stock options	28.0	8.1	20.5
Purchase of treasury stock	(99.9)	(196.1)	0.0
Excess tax benefits from share-based payment arrangements	5.9	1.5	2.9
Net cash settlement of cross currency swaps			(14.0)
Other	(1.3)	10.8	0.0
Net cash used in financing activities	**(44.0)**	**(211.5)**	**(33.6)**
Effect of currency rate changes on cash and cash equivalents	3.7	(10.1)	1.9
(Decrease) increase in cash and cash equivalents	**(236.5)**	**32.5**	**121.6**

Cash and cash equivalents, beginning of period	415.8	383.3	261.7
Cash and cash equivalents, end of period	**$ 179.3**	**$ 415.8**	**$ 383.3**

See accompanying Notes to Consolidated Financial Statements

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CYTEC INDUSTRIES INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

Years ended December 31, 2012, 2011, and 2010 (Dollars in millions)	Common Stock	Additional Paid-in Capital	Retained Earnings	Pension Liabilities	Unrealized net (losses) gains on cash flow hedges	Cumulative Translation Adjustments	Treasury Stock	Noncont-rolling interest	Total
Balance at December 31, 2009	**$ 0.5**	**$ 451.0**	**$ 1,123.2**	**$ (163.2)**	**$ (2.0)**	**$ 181.2**	**$ (31.8)**	**$ 4.2**	**$ 1,563.1**
Net earnings			172.3					2.8	175.1
Other comprehensive income:									
Pension liability adjustment, net of taxes of $24.7				(21.8)					(21.8)
Unrealized net gain on derivative instruments, net of taxes of $1.0					1.6				1.6
Translation adjustments						(10.2)		0.6	(9.6)
Comprehensive income								**$ 3.4**	**$ 145.3**
Dividends noncontrolling interests								(1.3)	(1.3)
Dividends:									
Common stock outstanding			(2.5)						(2.5)
Deferred and unvested common stock									
Share-based compensation		7.7					2.5		10.2
Exercise of stock options		(8.8)					29.3		20.5
Excess tax benefit on stock options		1.6							1.6
Balance at December 31, 2010	**$ 0.5**	**$ 451.5**	**$ 1,293.0**	**$ (185.0)**	**$ (0.4)**	**$ 171.0**	**$ 0.0**	**$ 6.3**	**$ 1,736.9**
Net earnings			207.8					3.1	210.9
Other comprehensive income:									
Pension liability adjustment, net of taxes of $6.5				(15.7)					(15.7)
Unrealized net gain on derivative instruments, net of taxes of $0.2					0.4				0.4
Translation adjustments						(36.8)		0.1	(36.7)
Comprehensive income								**$ 3.2**	**$ 158.9**
Dividends noncontrolling interests								(2.8)	(2.8)
Dividends:									
Common stock outstanding			(24.3)						(24.3)
Deferred and unvested common stock		0.1	(0.1)						
Share-based compensation		10.1					1.0		11.1
Exercise of stock options		(2.0)					10.1		8.1
Purchase of treasury stock							(196.1)		(196.1)
Excess tax benefit on stock options		1.5							1.5
Balance at December 31, 2011	**$ 0.5**	**$ 461.2**	**$ 1,476.4**	**$ (200.7)**	**$ (0.0)**	**$ 134.2**	**$ (185.0)**	**$ 6.7**	**$ 1,693.3**

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CYTEC INDUSTRIES INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (CONTINUED)

Years ended December 31, 2012, 2011, and 2010 (Dollars in millions)	Common Stock	Additional Paid-in Capital	Retained Earnings	Pension Liabilities	Unrealized net (losses) gains on cash flow hedges	Cumulative Translation Adjustments	Treasury Stock	Noncont-rolling interest	Total
Balance at December 31, 2011	**$ 0.5**	**$ 461.2**	**$ 1,476.4**	**$ (200.7)**	**$ 0.0**	**$ 134.2**	**$ (185.0)**	**$ 6.7**	**$ 1,693.3**
Net earnings			188.0					2.1	190.1
Other comprehensive income:									
Pension liability adjustment, net of taxes of $11.9				(27.9)					(27.9)
Translation adjustments						29.3		(0.5)	28.8
Comprehensive income								**$ 1.6**	**$ 191.0**
Dividends noncontrolling interests								(3.0)	(3.0)