CYTEC INDUSTRIES INC/DE/
Form 10-Q
April 23, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2014
Commission file number 1-12372

CYTEC INDUSTRIES INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	22-3268660 (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

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 such filing requirements for the past 90 days. Yes ý 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 ý No ¨.
Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See definition of “accelerated filer, large accelerated filer, and smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ý	Accelerated filer ¨
Non-accelerated filer ¨	Small reporting company ¨

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý
There were 35,856,197 shares of common stock outstanding at April 10, 2014.

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PART I – FINANCIAL INFORMATION

Item 1. CONSOLIDATED FINANCIAL STATEMENTS
CYTEC INDUSTRIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(Dollars in millions, except per share amounts)

	Three Months Ended March 31,	
	2014	2013
Net sales	$489.0	$477.4
Manufacturing cost of sales	329.0	338.8
Selling and technical services	36.8	38.2
Research and process development	12.8	12.8
Administrative and general	29.4	30.3
Amortization of acquisition intangibles	3.6	3.7
Earnings from operations	77.4	53.6
Other expense, net	0.6	0.8
Net loss on early extinguishment of debt	—	39.4
Interest expense, net	3.2	6.8
Earnings from continuing operations before income taxes	73.6	6.6
Income tax provision (benefit)	17.7	(2.1)
Earnings from continuing operations	55.9	8.7
Earnings from operations of discontinued business, net of tax	—	31.6
Net gain (loss) on sale of discontinued operations, net of tax	—	(4.3)
Earnings from discontinued operations, net of tax	—	27.3
Net earnings	55.9	36.0
Less: Net earnings attributable to noncontrolling interests	—	(0.4)
Net earnings attributable to Cytec Industries Inc.	$55.9	$35.6
Comprehensive income	$49.6	$9.3
Less: Comprehensive income attributable to noncontrolling interest	—	(0.2)
Comprehensive income attributable to Cytec Industries Inc.	$49.6	$9.1
Earnings per share attributable to Cytec Industries Inc.		
Basic earnings per common share		
Continuing operations	$1.55	$0.19
Discontinued operations	—	0.60
	$1.55	$0.79
Diluted earnings per common share		
Continuing operations	$1.52	$0.19
Discontinued operations	—	0.59
	$1.52	$0.78
Dividends per common share	$0.125	$0.125

See accompanying Notes to Consolidated Financial Statements

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CYTEC INDUSTRIES INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(Dollars in millions, except per share amounts)

	March 31, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	$156.8	$151.8
Trade accounts receivable, less allowance for doubtful accounts of $4.7 and $4.6 at March 31, 2014 and December 31, 2013, respectively	271.6	251.3
Other accounts receivable	76.3	74.4
Inventories	273.5	253.1
Deferred income taxes	29.3	32.1
Other current assets	22.6	25.1
Total current assets	830.1	787.8
Plants, equipment and facilities, at cost	1,601.1	1,567.1
Less: accumulated depreciation	(530.9)	(520.1)
Net plant investment	1,070.2	1,047.0
Acquisition intangibles, net of accumulated amortization of $61.5 and $58.0 at March 31, 2014 and December 31, 2013, respectively	158.6	161.1
Goodwill	521.9	521.3
Deferred income taxes	18.0	25.2
Other assets	141.5	138.1
Total assets	$2,740.3	$2,680.5
Liabilities		
Current liabilities		
Accounts payable	$208.6	$175.7
Current maturities of long-term debt	0.3	0.1
Accrued expenses	164.0	178.4
Income taxes payable	7.1	14.2
Deferred income taxes	0.7	0.1
Total current liabilities	380.7	368.5
Long-term debt	715.6	716.2
Pension and other postretirement benefit liabilities	192.3	195.2
Other noncurrent liabilities	177.3	187.1
Deferred income taxes	31.7	31.6
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 49,833,711 at March 31, 2014 and 49,725,752 at December 31, 2013	0.5	0.5
Additional paid-in capital	468.8	467.9
Retained earnings	1,624.3	1,572.8
Accumulated other comprehensive income	89.4	95.7
Treasury stock, at cost, 13,998,624 shares at March 31, 2014 and 14,221,374 shares at December 31, 2013	(940.3)	(955.0)
Total Cytec Industries Inc. stockholders’ equity	1,242.7	1,181.9
Total liabilities and stockholders’ equity	$2,740.3	$2,680.5

See accompanying Notes to Consolidated Financial Statements

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CYTEC INDUSTRIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in millions)

	Three Months Ended March 31, 2014	2013
Cash flows (used in) provided by operating activities		
Net earnings	$55.9	$36.0
Earnings from discontinued operations, net of tax	—	27.3
Net earnings from continuing operations	55.9	8.7
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:		
Depreciation	14.9	14.3
Amortization	4.5	5.5
Share-based compensation	3.0	2.7
Deferred income taxes	10.0	(5.7)
Pension and postretirement benefit expense (income)	0.2	(1.8)
Contributions to pension and postretirement plans	(2.6)	(2.8)
Loss on early extinguishment of debt	—	39.4
Unrealized loss on foreign currency forward contracts	1.4	3.7
Other	—	0.2
Changes in operating assets and liabilities (excluding effects of acquisitions and divestitures):		
Trade accounts receivable	(20.6)	(12.7)
Other receivables	0.6	(2.6)
Inventories	(20.6)	(9.8)
Other assets	2.3	(5.2)
Accounts payable	45.4	33.4
Accrued expenses	(18.7)	(28.0)
Income taxes payable	(6.0)	(30.8)
Other liabilities	(8.7)	(0.6)
Net cash provided by operating activities of continuing operations	61.0	7.9
Net cash provided by (used in) operating activities of discontinued operations	0.3	(59.0)
Net cash provided by (used in) operating activities	61.3	(51.1)
Cash flows (used in) provided by investing activities:		
Additions to plants, equipment and facilities	(63.8)	(49.0)
Other investing activities, net	(0.1)	—
Net cash used in investing activities of continuing operations	(63.9)	(49.0)
Net cash provided by investing activities of discontinued operations	—	11.8
Net cash used in investing activities	(63.9)	(37.2)
Cash flows provided by (used in) financing activities:		
Proceeds from long-term debt	0.2	624.4
Payments on long-term debt	(0.3)	(511.6)
Change in short-term borrowings, net	—	5.0
Cash dividends	(4.5)	(7.4)
Proceeds from the exercise of stock options	8.1	8.8
Purchase of treasury stock	—	(89.7)
Excess tax benefits from share-based payment arrangements	3.8	2.1
Net cash provided by financing activities	7.3	31.6

Effect of currency rate changes on cash and cash equivalents	0.3	(2.1)
Increase (decrease) in cash and cash equivalents	5.0	(58.8)
Cash and cash equivalents, beginning of period	151.8	179.3
Cash and cash equivalents, end of period	$156.8	$120.5

See accompanying Notes to Consolidated Financial Statements

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CYTEC INDUSTRIES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Currencies in millions, except per share amounts, unless otherwise indicated)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission for reporting on Form 10-Q and accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim reporting. Certain information and footnote disclosures normally included in our annual consolidated financial statements have been condensed or omitted pursuant to such rules and regulations.

Financial statements prepared in accordance with U.S. GAAP require management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and other disclosures. In the opinion of management, these condensed consolidated financial statements include all normal and recurring adjustments necessary for a fair presentation of the financial position and the results of our operations and cash flows for the interim periods presented.

The results of operations for any interim period are not necessarily indicative of the results of operations for the full year. These condensed consolidated financial statements should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements contained in the Company's 2013 Annual Report on Form 10-K, filed with the SEC on February 21, 2014. Unless indicated otherwise, the terms "Company," "Cytec," "we," "us," and "our" each refer collectively to Cytec Industries Inc. and its subsidiaries.

Reclassifications

Certain amounts reported for prior years in the unaudited consolidated financial statements and accompanying notes have been reclassified to conform to the current year's presentation.

In the consolidated statement of cash flows for the three months ended March 31, 2013, we have corrected certain immaterial prior period misclassifications, which related to proceeds received on a note receivable during the period and changes in accounts payable related to certain capital projects. These corrections resulted in a $20.4 decrease to net cash provided by operating activities of continuing operations, a $5.4 decrease to net cash used in investing activities of continuing operations, and an increase in net cash provided by investing activities of discontinued operations of $15.0. The corrections did not impact our consolidated statement of income for the three months ended March 31, 2013 or consolidated balance sheet as of December 31, 2013.

2. DISCONTINUED OPERATIONS AND OTHER DIVESTITURES

The following table displays summarized activity in our consolidated statements of income for discontinued operations during the three months ended March 31, 2014 and 2013, related to our former Coating Resins ("Coatings") segment and other divestitures.

	Three Months Ended March 31,				
	2014			2013	
	Coatings	Pre-Acquisition Umeco	Total	Coatings	Total
Net sales	$—	$—	$—	$360.8	$360.8
Earnings from operations of discontinued businesses before income taxes	$—	$—	$—	$48.1	$48.1
Income tax expense on operations	—	—	—	(16.5)	(16.5)
Gain (loss) on sale of discontinued operations	(4.1)	3.6	(0.5)	(4.6)	(4.6)
Income tax (expense) benefit on gain (loss) on sale	0.5	—	0.5	0.3	0.3
Earnings from discontinued operations, net of tax	$(3.6)	$3.6	$—	$27.3	$27.3

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Discontinued operations

Coating Resins

On April 3, 2013, we completed the divestiture of our remaining Coatings business to Advent International (“Advent”), a global private equity firm, for a total value of $1,133.0, including assumed liabilities of $118.0, resulting in a cumulative after-tax loss on sale of $16.9 in 2013. In the first quarter of 2013, the loss consisted of an after-tax charge of $4.3 to adjust our carrying value of the disposal group to its fair value less cost to sell, based on the terms of the agreement. After-tax earnings from operations of the discontinued business for the first quarter of 2013 were $31.6.

In connection with the sale of the business to Advent, we agreed to retain certain liabilities, including liabilities for U.S. pension and other postretirement benefits and certain tax liabilities related to taxable periods (or portions thereof) ending on or before April 3, 2013. During the three months ended March 31, 2014, we recorded after-tax charges of $1.8 related to certain of these tax liabilities. Additionally, in the first quarter of 2014, we recorded after-tax charges of approximately $1.8 for final purchase price and working capital adjustments related to the divestiture, which we expect to be settled in cash in the second quarter of 2014.

The after-tax losses and the adjustment to carrying value are included in Net gain (loss) on sale of discontinued operations, net of tax in the consolidated statements of income. The results of operations and gain (loss) on sale of the former Coating Resins segment have been reported as discontinued operations, and are therefore excluded from both continuing operations and segment results for all periods presented. All previously reported financial information has been revised to conform to the current presentation.

Other divestitures

Industrial Materials distribution product line

On July 12, 2013, we sold the Industrial Materials distribution product line, which we acquired from Umeco in July 2012, to Cathay Investments for $8.6, subject to final working capital and other customary adjustments. In the second quarter of 2013, we recorded an after-tax charge of $12.5 to adjust our carrying value of the disposal group to its fair value less cost to sell, based on the terms of the agreement. The charge is included in Net gain (loss) on sale of discontinued operations, net of tax in the consolidated statements of income in the second quarter of 2013.

The results of operations of the Industrial Materials distribution product line prior to its divestiture remained in continuing operations for all periods presented, as the results of operations for the business and assets and liabilities sold were not material to disclose as discontinued operations or assets held for sale.

As part of our acquisition accounting for Umeco in 2012, we established reserves related to income tax and value added tax liabilities of an entity that had been divested by Umeco in 2011, for periods that were under audit prior to it its divestiture. We continued to accrue interest through the end of 2013. In the first quarter of 2014, we agreed to a settlement for audit periods through March 31, 2009, which resulted in a benefit of approximately $3.6. The benefit is included in Net gain (loss) on sale of discontinued operations, net of tax in the consolidated statements of income.

3. RESTRUCTURING OF OPERATIONS

In accordance with our accounting policy, restructuring costs are included in our Corporate and Unallocated operating results for segment reporting purposes, which is consistent with management’s view of its businesses. Aggregate pre-tax restructuring charges (credits) included in the consolidated statements of income were recorded by line item as follows:

	Three Months Ended March 31,	
	2014	2013
Manufacturing cost of sales	$0.1	$(0.2)
Selling and technical services	—	0.2
Administrative and general	—	0.3
Total	$0.1	$0.3

Updates to our 2013 restructuring initiatives are as follows:

During the first three months of 2014, we recorded a net adjustment of $0.2 related to the 2013 restructuring initiatives. The remaining reserve relating to the 2013 restructuring initiatives at March 31, 2014 is $1.8.

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Updates to our 2012 restructuring initiatives are as follows:

During 2013, we recorded an additional charge of $0.9 to these initiatives. During the first three months of 2014, we recorded a net credit adjustment of $0.1 to the 2012 restructuring initiatives. The remaining reserve relating to the 2012 restructuring initiatives at March 31, 2014 is $4.3.

Following are the changes in the restructuring reserve balance through the first three months of 2014:

	Restructuring Initiatives		
	2012	2013	Total
Balance at December 31, 2012	$13.2	$—	$13.2
2013 charges	0.9	6.1	7.0
Non-cash items [(1)]	—	(3.2)	(3.2)
Cash payments	(9.2)	(1.2)	(10.4)
Currency translation adjustments	(0.1)	0.1	—
Balance at December 31, 2013	$4.8	$1.8	$6.6
First quarter charges	(0.1)	0.2	0.1
Non-cash items	—	(0.1)	(0.1)
Cash payments	(0.4)	(0.1)	(0.5)
Balance at March 31, 2014	$4.3	$1.8	$6.1

(1) Includes a $2.8 charge for the write-off of plant assets at our manufacturing facility in Beelitz, Germany, and accelerated depreciation of plant assets at our California sites.

4. SHARE-BASED COMPENSATION

The fair value of each option or stock-settled share appreciation right (“SARS”) award is estimated on the grant date using a binomial-lattice option valuation model. Stock-settled SARS are economically valued the same as stock options. The binomial-lattice model takes into account variables such as volatility, dividend yield, and risk-free interest rate. In addition, the binomial-lattice model considers the contractual term of the option, the probability that the option will be exercised prior to the end of its contractual life, and the probability of termination or retirement of the option holder in computing the value of the option.

The weighted average assumptions for three months ended March 31, 2014 and 2013 are noted in the following table:

	Three Months Ended March 31,	
	2014	2013
Expected life (years)	6.3	6.2
Expected volatility	34.6 %	36.2 %
Expected dividend yield	0.63 %	0.78 %
Risk-free interest rate	3.00 %	1.86 %
Weighted-average fair value per option	$32.79	$26.56

The expected life of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding. Expected volatilities are based on the combination of implied market volatility and our historical volatility. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. As share-based compensation recognized in the consolidated statement of income is based on awards ultimately expected to vest, we incorporate the probability of pre-vesting forfeiture in determining the number of expected vested options. The forfeiture rate is based on the historical forfeiture experience and prospective actuarial analysis.

Stock Award and Incentive Plan

The 1993 Stock Award and Incentive Plan, as amended on January 31, 2012, (the “1993 Plan” or “Amended Plan”) provides for grants of a variety of awards, such as stock options (including incentive stock options and nonqualified stock options), non-vested stock (including performance stock), SARS (including those settled with common shares) and deferred stock awards and

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dividend equivalents. At March 31, 2014 there were approximately 4,300,000 shares reserved for issuance under the 1993 Plan, inclusive of 2,000,000 shares reserved for issuance for all outstanding share-based compensation grants.

Stock options and stock-settled SARS

We have utilized the stock option component of the 1993 Plan to provide for the granting of nonqualified stock options and stock-settled SARS with an exercise price at 100% of the market price on the date of the grant. Options and stock-settled SARS are generally exercisable in installments of one-third per year commencing one year after the grant date and annually thereafter, with contract lives of generally 10 years from the grant date.

A summary of stock options and stock-settled SARS activity for the three months ended March 31, 2014 is presented below:

Options and Stock-Settled SARS Activity:	Number of Units	Weighted Average Exercise Price Per Unit	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2014	1,949,046	$49.91		
Granted	272,803	88.27		
Exercised	(466,881)	50.15		
Forfeited	(1,972)	77.21		
Outstanding at March 31, 2014	1,752,996	$55.78	6.7	$73.3
Exercisable at March 31, 2014	1,179,420	$46.07	5.5	$60.8

During the three months ended March 31, 2014, we granted 272,803 stock options. The weighted-average grant-date fair value of the stock options granted during the three months ended March 31, 2014 and 2013 was $32.79 and $26.56 per share, respectively. Total pre-tax compensation cost related to stock option and stock-settled SARS was $2.0 and $1.7 during the three months ended March 31, 2014 and 2013, respectively. The total intrinsic value of stock options and stock-settled SARS exercised during the three months ended March 31, 2014 and 2013 was $19.8 and $8.8, respectively. Treasury shares and newly issued shares have been utilized for stock option and stock-settled SARS exercises. The total fair value of stock options and stock-settled SARS vested during the three months ended March 31, 2014 and 2013 was $6.7 and $7.7, respectively.

As of March 31, 2014, there was $11.7 of total unrecognized compensation cost related to stock options and stock-settled SARS. That cost is expected to be recognized over a weighted-average period of 1.4 years as the majority of our awards vest over 3 years.

Total tax benefits realized from share-based awards was $6.8 and $3.7 for the three months ended March 31, 2014 and 2013, respectively. Cash received from stock options exercised was $8.1 and $8.8 for the three months ended March 31, 2014 and 2013, respectively.

Cash-settled SARS

Our 1993 Plan also provides for the granting of cash-settled SARS, which were granted during 2004 and 2005. Cash-settled SARS are liability-classified awards. Cash used to settle cash-settled SARS exercised during the three months ended March 31, 2014 and 2013 was $0.4 for both periods. The total amount of pre-tax (income) expense recognized for cash-settled SARS was $(0.1) and $0.2 for the three months ended March 31, 2014 and 2013, respectively. The liability related to our cash-settled SARS was $0.7 at March 31, 2014 and $1.2 at December 31, 2013.

Non-vested stock, non-vested stock units and performance stock

The 1993 Plan provides for the issuance of non-vested stock, non-vested stock units and performance stock. Non-vested stock and stock units are subject to certain restrictions on ownership and transferability that lapse upon vesting. Performance stock payouts are based on the attainment of certain financial performance objectives and may vary depending on the degree to which the performance objectives are met. We did not grant any performance stock in 2014 and 2013, and there were no outstanding performance stock awards as of March 31, 2014.

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A summary of non-vested stock and non-vested stock units for the three months ended March 31, 2014 is presented below:

Non-vested Stock and Non-vested Stock Units:	Number of Units		Weighted Average Grant Date Fair Value Per Unit
Nonvested at January 1, 2014	173,762		$56.85
Granted	35,450		86.77
Vested	(38,533	)	51.48
Forfeited	(607	)	77.43
Nonvested at March 31, 2014	170,072		$64.26

During the three months ended March 31, 2014, we granted 35,450 non-vested stock units to employees, which generally vest on the third anniversary of the grant date. The weighted average fair value of the non-vested stock and non-vested stock units on the grant date was $86.77 per share. The total amount of share-based compensation expense recognized for non-vested stock and non-vested stock units was $0.9 for both the three months ended March 31, 2014 and 2013, respectively. As of March 31, 2014, there was $4.8 of total unrecognized compensation cost related to non-vested stock and non-vested stock units. That cost is expected to be recognized over a weighted-average period of 1.8 years.

Compensation cost related to all share-based compensation arrangements capitalized in inventory was approximately $0.5 as of both March 31, 2014 and December 31, 2013.

As of March 31, 2014 and December 31, 2013, our Additional paid-in capital pool (“APIC Pool”), which represents excess tax benefits available to absorb potential future tax deficiencies, was $85.5 and $81.7, respectively.

As discussed in Note 5 of Notes to Consolidated Financial Statements contained in our 2013 Annual Report on Form 10-K, in 2012, in connection with the planned divestiture of Coating Resins, certain unvested stock options and restricted stock units that had been accounted for as equity awards were reclassified to be accounted for as liability awards. During the first three months of 2013, due to the change in the fair market value of Cytec’s stock, we recognized expense of $0.9 related to these awards. The expense recorded for these liability awards was recognized in Earnings from operations of discontinued business, net of tax on the consolidated statement of income. The divestiture was completed on April 3, 2013, and accordingly the liability for these unvested options and restricted stock units was settled in cash in the second quarter of 2013. At March 31, 2014 and December 31, 2013, there is no remaining liability related to these awards.

5. EARNINGS PER SHARE (EPS)

Basic earnings per common share excludes dilution and is computed by dividing net earnings available to common stockholders by the weighted-average number of common shares outstanding (which includes shares outstanding, less performance and non-vested shares for which vesting criteria have not been met) plus deferred stock awards, weighted for the period outstanding. Diluted earnings per common share is computed by dividing net earnings available to common stockholders by the sum of the weighted-average number of common shares outstanding for the period adjusted (i.e., increased) for all additional common shares that would have been outstanding if potentially dilutive common shares had been issued and any proceeds of the issuance had been used to repurchase common stock at the average market price during the period. Under this method, an increase in the fair market value of the Company’s stock can result in a greater dilutive effect from potentially dilutive common shares. The proceeds are assumed to be the sum of the amount to be paid to the Company upon exercise of options, the amount of compensation cost attributed to future services and not yet recognized, and the amount of income taxes that would be credited to or deducted from capital upon exercise.

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The following table sets forth the computation of basic and diluted earnings per common share for the three months ended March 31, 2014 and 2013 (in thousands, except net earnings in millions and per share amounts):

	Three Months Ended March 31,	
	2014	2013
Numerator:		
Earnings from continuing operations	$55.9	$8.7
Earnings from discontinued operations, net of tax	—	26.9
Net earnings attributable to Cytec Industries Inc.	$55.9	$35.6
Denominator:		
Weighted average shares outstanding	35,946	45,018
Effect of dilutive shares:		
Options and stock-settled SARS	587	721
Non-vested shares and units	115	114
Diluted average shares outstanding	36,648	45,853
Basic earnings per common share:		
Earnings from continuing operations	$1.55	$0.19
Earnings from discontinued operations	—	0.60
Net earnings per common share attributable to Cytec Industries Inc.	$1.55	$0.79
Diluted earnings per common share:		
Earnings from continuing operations	$1.52	$0.19
Earnings from discontinued operations	—	0.59
Net earnings per common share attributable to Cytec Industries Inc.	$1.52	$0.78

The following table sets forth the anti-dilutive shares/units excluded from the above calculation because their inclusion would have had an anti-dilutive effect on earnings per share (in thousands):

	Three Months Ended March 31,	
	2014	2013
Options	128	195
Stock-settled SARS	—	