CYTEC INDUSTRIES INC/DE/
Form 10-Q
August 01, 2007

==

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 June 30, 2007

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 West Paterson, 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 |X| No |_|

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. (Check one):

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|

There were 47,989,664 shares of common stock outstanding at July 25, 2007.

CYTEC INDUSTRIES INC. AND SUBSIDIARIES
10-Q Table of Contents

Part I - Financial Information

- Item 1. Consolidated Financial Statements
  - Consolidated Statements of Income
  - Consolidated Balance Sheets
  - Consolidated Statements of Cash Flows
  - Notes to Consolidated Financial Statements
- Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
- Item 3. Quantitative and Qualitative Disclosures About Market Risk
- Item 4. Controls and Procedures

Part II - Other Information

- Item 1. Legal Proceedings
- Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities
- Item 4. Submission of Matters to a Vote of Security Holders
- Item 5. Other
- Item 6. Exhibits

Signature
Exhibit Index

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 June 30,		Six Months Ended June 30,	
	2007	2006(1)	2007	2006(1)
Net sales	$ 864.0	$ 853.1	$ 1,727.5	$ 1,672.
Manufacturing cost of sales	662.8	688.0	1,361.7	1,333.
Selling and technical services	53.1	54.2	103.0	106.
Research and process development	19.2	17.2	37.6	36.
Administrative and general	28.9	26.1	55.2	51.
Amortization of acquisition intangibles	9.7	9.3	18.9	18.
Gain on sale of assets held for sale	-	-	15.7	
Earnings from operations	90.3	58.3	166.8	126.

Other income (expense), net	0.1	14.9	1.5	14.
Equity in earnings of associated companies	0.1	0.9	0.4	1.
Interest expense, net	11.4	14.6	21.6	29.
Earnings before income taxes and cumulative effect of accounting change	79.1	59.5	147.1	113.
Income tax provision	24.3	11.0	40.6	25.
Earnings before cumulative effect of accounting change	54.8	48.5	106.5	87.
Cumulative effect of accounting change (net of income tax benefit of $0.7)	-	-	-	(1.2
Net earnings	$ 54.8	$ 48.5	$ 106.5	$ 86.
Basic net earnings per common share:				
Earnings before cumulative effect of accounting change	$ 1.14	$ 1.02	$ 2.22	$ 1.8
Cumulative effect of accounting change, net of taxes	-	-	-	(0.03
Net earnings	$ 1.14	$ 1.02	$ 2.22	$ 1.8
Diluted net earnings per common share:				
Earnings before cumulative effect of accounting change	$ 1.11	$ 1.00	$ 2.17	$ 1.8
Cumulative effect of accounting change, net of taxes	-	-	-	(0.02
Net earnings	$ 1.11	$ 1.00	$ 2.17	$ 1.7
Dividends per common share	$ 0.10	$ 0.10	$ 0.20	$ 0.2

(1) 2006 results were restated to show the effect of Financial Accounting Standards Board Staff Position No. AUG AIR-1, "Accounting for Planned Major Maintenance Activities" ("FSP AUG-AIR 1"), which we adopted retroactively during the first quarter of 2007. For further details see Note 2 to the Consolidated Financial Statements.

See accompanying Notes to Consolidated Financial Statements

-3-

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

	June 30, 2007	December 31, 2006(1)
Assets		
Current assets		
Cash and cash equivalents	$ 30.8	$ 23.6
Trade accounts receivable, less allowance for doubtful accounts of $5.3 and $5.1 at June 30, 2007 and December 31, 2006,		

respectively	577.7	510.3
Other accounts receivable	62.0	81.5
Inventories	486.5	474.6
Deferred income taxes	8.4	9.2
Other current assets	23.3	15.4
Assets held for sale	6.9	38.8
Total current assets	1,195.6	1,153.4
Investment in associated companies	20.9	23.3
Plants, equipment and facilities, at cost	1,937.1	1,895.5
Less: accumulated depreciation	(938.0)	(897.0)
Net plant investment	999.1	998.5
Acquisition intangibles, net of accumulated amortization of $112.8 and $92.1 at June 30, 2007 and December 31, 2006, respectively	474.8	486.1
Goodwill	1,054.3	1,042.5
Deferred income taxes	23.8	33.2
Other assets	96.5	93.5
Total assets	$ 3,865.0	$ 3,830.5
Liabilities		
Current liabilities		
Accounts payable	$ 304.8	$ 298.8
Short-term borrowings	42.1	41.8
Current maturities of long-term debt	101.1	1.4
Accrued expenses	180.2	203.8
Income taxes payable	11.6	39.3
Deferred income taxes	16.3	2.0
Liabilities held for sale	1.4	16.3
Total current liabilities	657.5	603.4
Long-term debt	740.8	900.4
Pension and other postretirement benefit liabilities	341.5	371.1
Other noncurrent liabilities	297.5	273.6
Deferred income taxes	107.2	105.3
Stockholders' equity		
Common stock, $.01 par value per share, 150,000,000 shares authorized; issued 48,132,640 shares	0.5	0.5
Additional paid-in capital	269.2	258.5
Retained earnings	1,436.8	1,339.6
Accumulated other comprehensive income (loss)	36.2	(5.7)
Treasury stock, at cost, 422,446 shares in 2007 and 510,006 shares in 2006	(22.2)	(16.2)
Total stockholders' equity	1,720.5	1,576.7
Total liabilities and stockholders' equity	$ 3,865.0	$ 3,830.5

(1) Balances at December 31, 2006 have been restated to show the effect of FSP

AUG-AIR 1, which was adopted retroactively during the first quarter of 2007. For further details see Note 2 to the Consolidated Financial Statements.

See accompanying Notes to Consolidated Financial Statements

-4-

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

	Six Months Ended June 30,	
	2007	2006(1)
Cash flows provided by (used in) operating activities		
Net earnings	$ 106.5	$ 86.6
Noncash items included in net earnings:		
Depreciation	49.3	55.0
Amortization	23.2	21.1
Share-based compensation	6.8	5.7
Deferred income taxes	15.7	5.7
Gain on sale of assets	(15.7)	-
Asset impairment charges	-	13.8
Cumulative effect of accounting change, net of taxes	-	1.9
Other	2.9	3.3
Changes in operating assets and liabilities, excluding effects of divestiture:		
Trade accounts receivable	(57.6)	(56.2)
Other receivables	18.1	2.7
Inventories	(7.0)	(31.2)
Other assets	(12.2)	2.6
Accounts payable	1.9	16.4
Accrued expenses	(20.3)	(19.0)
Income taxes payable	(9.2)	(14.1)
Other liabilities	(11.5)	0.6
Net cash provided by operating activities	90.9	94.9
Cash flows provided by (used in) investing activities		
Additions to plants, equipment and facilities	(39.4)	(40.9)
Proceeds received on sale of assets	27.1	-
Net cash used in investing activities	(12.3)	(40.9)
Cash flows provided by (used in) financing activities		
Proceeds from long-term debt	194.1	65.9
Payments on long-term debt	(254.9)	(177.3)
Change in short-term borrowings	(0.2)	(0.5)
Cash dividends	(9.6)	(9.4)
Proceeds from the exercise of stock options	19.0	30.5
Purchase of treasury stock	(25.1)	-
Excess tax benefits from share-based payment arrangements	4.0	7.7
Other	(0.3)	(0.4)

Net cash used in financing activities	(73.0)	(83.5)
Effect of currency rate changes on cash and cash equivalents	1.6	2.3
Increase/(decrease) in cash and cash equivalents	7.2	(27.2)
Cash and cash equivalents, beginning of period	23.6	68.6
Cash and cash equivalents, end of period	$ 30.8	$ 41.4

(1) 2006 results were restated to show the effect of FSP AUG-AIR 1, which was adopted retroactively during the first quarter of 2007. For further details see Note 2 to the Consolidated Financial Statements.

See accompanying Notes to Consolidated Financial Statements

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. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") 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 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. The financial statements should be read in conjunction with the Consolidated Financial Statements and Notes to the Consolidated Financial Statements contained in the Company's 2006 Annual Report on Form 10-K. Unless indicated otherwise, the terms "Company", "Cytec", "we", "us" and "our" each refer collectively to Cytec Industries Inc. and its subsidiaries.

2. DEFERRED PLANNED MAINTENANCE COSTS

In September 2006, the Financial Accounting Standards Board ("FASB") issued Staff Position No. AUG AIR-1, "Accounting for Planned Major Maintenance Activities" ("FSP"). This FSP prohibits accruing as a liability the future costs of periodic major overhauls and maintenance of plant and equipment under the "accrue-in-advance" methodology, as the costs for future planned major maintenance activities do not meet the definition of a liability. We adopted the FSP as of January 1, 2007 and restated our prior consolidated financial statements accordingly. Prior to adoption, we utilized the accrue-in-advance method for incremental costs to be incurred for the planned major maintenance activities which related to our Building Block Chemicals segment. We adopted the deferral method to account for maintenance expenses incurred for scheduled

maintenance activities, which are amortized evenly until the next scheduled activity. The impact to our consolidated results of operations was a $0.3 increase in net earnings for the year ended December 31, 2006, and a $0.1 and a $0.2 increase in net earnings for the three and six months ended June 30, 2006, respectively. As a result of these immaterial changes, earnings per share for the three months ended June 30, 2006 is unchanged. The impact on 2006 basic earnings per share for the six months ended June 30, 2006 was an increase of $0.01 per share and diluted earnings per share is unchanged. The impact to our consolidated financial position was an increase in retained earnings of $6.6 as of December 31, 2006, as a result of an increase in other assets for $2.3 for the addition of prior unamortized deferred charges and a decrease in accrued expenses of $8.5, as well as adjustments of deferred taxes for these respective items. There was no impact to our 2006 net cash provided by operating activities in our consolidated statement of cash flows.

3. NEWLY ISSUED ACCOUNTING PRONOUNCEMENTS

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115" ("SFAS 159"). SFAS 159 permits companies to choose to measure certain financial assets and liabilities at fair value (the "fair value option"). If the fair value option is elected, any upfront costs and fees related to the item must be recognized in earnings and cannot be deferred, e.g., debt issue costs. The fair value election is irrevocable and may generally be made on an instrument-by-instrument basis, even if a company has similar instruments that it elects not to fair value. At the adoption date, unrealized gains and losses on existing items for which fair value has been elected are reported as a cumulative adjustment to beginning retained earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the impact, if any, that the adoption of SFAS 159 will have on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair-value measurements. SFAS 157 applies only to fair value measurements that are already required or permitted by other accounting standards (except for measurements of share-based payments) and is intended to increase the consistency of those measurements. Accordingly, SFAS 157 does not require any new fair value measurements. However, for some entities, the application of SFAS 157 will change current practice. SFAS 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We are still in the process of reviewing the impact of adopting this statement. However, we do not expect the adoption of SFAS 157 to have a material impact on our consolidated financial statements.

-6-

4. DIVESTITURES

In October 2006, we completed the first of three phases of the sale of our water treatment chemicals and acrylamide product line to Kemira Group ("Kemira"). This first phase included the product lines themselves, the related intellectual property, the majority of the manufacturing sites and essentially all of the sales, marketing, manufacturing, R&D and technical services personnel. The manufacturing sites in the first phase included Mobile, Alabama, Longview, Washington, Bradford, UK, and the acrylamide manufacturing plant at our Fortier, Louisiana facility which will be operated by our personnel under a long term manufacturing agreement. The sale of our Botlek manufacturing site in the Netherlands was completed and transferred to Kemira in January 2007 as part of the phase two closing. We will continue to supply acrylonitrile to the Kemira acrylamide plants at Fortier and Botlek under long term supply agreements. In

addition, under various long term manufacturing agreements, we will manufacture certain water treatment products for Kemira at several of our sites and Kemira will manufacture for us certain mining chemicals at the Mobile, Alabama and Longview, Washington sites and various other products at the Botlek site. These contracts were all deemed to be at estimated fair value. Sales of certain assets at various subsidiaries in Latin America and Asia/Pacific are expected to close in the third quarter of 2007 as the last phase of the transaction.

The timing of the flow of funds is as follows: approximately $208.0 was received in October 2006 for the first closing, and approximately $21.0 was received for the second closing in January 2007. We also received approximately $6.0 in February 2007 for a working capital adjustment from the first phase closing per the terms of the contract. An estimated $10.0 is expected upon the completion of the transfer of the assets at the various subsidiaries, bringing estimated total proceeds to $245.0. The remaining subsidiary net asset closings are subject to certain conditions and the amounts could change due to final working capital transferred. We recorded a pre-tax gain of $75.5 ($59.6 after-tax) related to the first phase closing in the fourth quarter of 2006, and a pre-tax gain of $15.7 ($15.3 after-tax) in the first quarter of 2007 from the phase two closing.

The assets and liabilities of our water treatment chemicals and acrylamide product lines included in the June 30, 2007 and December 31, 2006 consolidated balance sheets are comprised of:

	June 30, 2007	December 31, 2006
Accounts receivable	$ 3.9	$ 6.5
Inventories	3.0	4.3
Property, plant and equipment	-	26.6
Other assets	-	1.4
Assets held for sale	$ 6.9	$ 38.8
Accounts payable	$ -	$ 3.4
Accrued liabilities	1.4	12.7
Other noncurrent liabilities	-	0.2
Liabilities held for sale	$ 1.4	$ 16.3

5. RESTRUCTURING OF OPERATIONS

In accordance with our policy, restructuring costs are included in our corporate unallocated operating results consistent with management's view of its businesses.

For the three and six months ended June 30, 2007, we recorded net restructuring charges of $1.8 and $2.6, respectively, primarily related to the 2006 decision to shut down our manufacturing facility in Dijon, France, for costs that were not accruable in prior periods. We expect to incur additional minor restructuring costs in the remainder of 2007 that primarily relate to personnel and site closure costs that are not accruable at June 30, 2007, including potential additional site remediation costs. In 2006, based on forecasted cash flow information, we determined that the manufacturing facility in Dijon and related intangible assets were impaired and thus were written off. This facility manufactured solvent-borne alkyd and solvent-borne acrylic based resins in our Cytec Surface Specialties ("CSS") segment. We have moved production of some of the more profitable products manufactured at Dijon to other facilities and ceased production of the remainder. We are in the process of attempting to sell

the site. The restructuring for the three months ended June 30, 2007 was charged as follows: manufacturing cost of sales $1.7, and administrative and general $0.1. The restructuring for the six months ended June 30, 2007 was charged as follows: manufacturing cost of sales $2.3, and administrative and general $0.3.

In 2006, we recorded severance of $19.5 including $8.4 related to the shut down of the manufacturing facility in Dijon, $6.4 for the restructuring of our Botlek, Netherlands facility, and $4.7 for other restructuring initiatives. As of December 31, 2006, the reserve balance related to severance for the 2006 restructuring initiatives was $13.5 after cash payments of $6.4 and currency translation adjustments. Also in 2006, we recorded an impairment charge of $29.3, of which $13.8 was related to the Botlek facility for the impairment of fixed assets related to our Polymer Additives product line in our Performance Chemicals segment and $15.5 for the impairment of our manufacturing facility and related intangible assets in Dijon. In addition, we recorded a restructuring charge of $2.3 for other costs related to the Botlek facility.

2005 restructuring initiatives included aggregate charges of $16.8 related to both Cytec Engineered Materials and Cytec Specialty Chemicals segments. As of June 30, 2007, the reserve balance related to 2005 restructuring initiatives was $0.6.

A summary of the restructuring activity is outlined in the table below:

	2005 Restructuring	2006 Restructuring	Total
Balance December 31, 2006	$ 1.4	$ 13.5	$ 14.9
First Quarter 2007 charges	-	0.8	0.8
Cash payments	(0.7)	(1.8)	(2.5)
Currency translation adjustments	-	0.2	0.2
Balance March 31, 2007	$ 0.7	$ 12.7	$ 13.4
Second Quarter 2007 charges	-	1.8	1.8
Cash payments	(0.2)	(4.6)	(4.8)
Currency translation adjustments	0.1	-	0.1
Balance June 30, 2007	$ 0.6	$ 9.9	$ 10.5

Cash payments related to the above restructurings are expected to be completed in 2007, except for certain long-term severance payments.

6. SHARE-BASED COMPENSATION

On January 1, 2006, we adopted SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), which requires companies to recognize compensation cost in an amount equal to the fair value of share-based payments, such as stock options granted to employees. As a result of the adoption of SFAS 123R, we recorded additional charges related to stock options and stock appreciation rights that are settled with common shares ("stock-settled SARS") of $3.3 and $6.4 for the three and six months ended June 30, 2007, respectively. The

adoption of SFAS 123R was recorded as of January 1, 2006 and resulted in a non-cash charge for the cumulative effect of a change in accounting principle of $1.6 and a non-cash credit of $0.4 for cash-settled SARS (as a result of the new requirement to record expense at fair value) and non-vested and performance stocks (forfeitures estimated now, as well as grant date only market value of the shares under award), for a net charge of $1.2, net of a tax benefit of $0.7. The effect on basic and diluted earnings per share for the cumulative effect charge was $0.03 and $0.02 per share, respectively, for the six months ended June 30, 2006.

For stock options granted before January 1, 2005, the fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option pricing model. For stock options and stock-settled SARS granted after January 1, 2005, the fair value of each award is estimated on the date of grant using a binomial-lattice option valuation model. Stock-settled SARS are economically valued the same as stock options. The binomial-lattice model considers characteristics of fair value option pricing that are not available under the Black-Scholes model. Similar to the Black-Scholes model, the binomial-lattice model takes into account variables such as volatility, dividend yield, and risk-free interest rate. However, 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. For these reasons, we believe that the binomial-lattice model provides a fair value that is more representative of actual experience and future expected experience than the value calculated in previous years using Black-Scholes. The assumptions for the quarters ended June 30, 2007 and 2006 are noted in the following table:

	2007	2006
Expected life (years)	6.2	5.7
Expected volatility	27.2%	37.6%
Expected dividend yield	0.69%	0.81%
Range of risk-free interest rate	4.8% - 5.2%	4.4% - 4.7%
Weighted-average fair value per option	$19.50	$19.01

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 decrease in our expected volatility from 2006 represents a change in methodology used to calculate the expected volatility. Prior to 2007, our expected volatility was based on a weighted average of the implied volatility and the mean reversion volatility (represents the annualized volatility of the stock prices over our entire stock history) of our stock with weighting of 10% and 90%, respectively. In 2007, we changed the methodology to a weighted average of our implied volatility and our most recent 6.2 years (which represents the most recent expected life of the options/stock-SARS) volatility with weighting of 50% each. We feel that the revised methodology is more representative of the market's expectation of our volatility, based on recent trends and the mature industries in which we participate. 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. SFAS 123R specifies that initial accruals be based on the estimated number of instruments for which the requisite service is expected to be rendered. Therefore, we are required to 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 (the "1993 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), stock appreciation rights (including those settled with common shares) and deferred stock awards and dividend equivalents. At June 30, 2007, there are approximately 5,100,000 shares reserved for issuance under the 1993 Plan.

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 date of grant and annually thereafter, with contract lives of generally 10 years from the date of grant.

A summary of stock options and stock-settled SARS activity for the six months ended June 30, 2007 is presented below.

Options and Stock-Settled SARS Activity:	Number of Units	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2007	4,339,920	$35.00		
Granted	586,006	58.22		
Exercised	(531,666)	36.92		
Forfeited	(64,953)	46.39		
Outstanding at June 30, 2007	4,329,307	$37.73	5.6	$112.7
Exercisable at June 30, 2007	3,201,611	$32.11	4.5	$101.4

Nonvested Options and Stock-Settled SARS:	Number of Units	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2007	1,088,466	$18.24
Granted	586,006	19.50
Vested	(511,907)	17.85
Forfeited	(34,869)	17.89
Nonvested at June 30, 2007	1,127,696	$19.08

During the six months ended June 30, 2007, we granted 586,006 units of stock-settled SARS and stock options. We did not grant any stock-settled SARS prior to 2006. The weighted-average grant-date fair value of the stock-settled SARS and stock options granted during the six months ended June 30, 2007 and 2006 was $19.50 and $19.01 per share, respectively. Stock-settled SARS are deemed to be equity-based awards under SFAS 123R. The total intrinsic value of stock options and stock-settled SARS exercised during the six months ended June 30, 2007 and 2006 was $11.8 and $20.8, respectively. Treasury shares have been utilized for stock option exercises. The total fair value of stock options

vested during the six months ended June 30, 2007 and 2006 was $9.7 and $8.9, respectively.

As of June 30, 2007, there was $13.7 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 1.7 years as the majority of our awards vest over three years. Compensation cost related to stock options and stock-settled SARS capitalized in inventory as of June 30, 2007 and 2006 was approximately $0.5 and $0.3, respectively.

Cash received (for stock options only) and the tax benefit realized from stock options and stock-settled SARS exercised were $19.0 and $4.3 for the six months ended June 30, 2007 and $30.5 and $7.7 for the six months ended June 30, 2006, respectively. Cash used to settle cash-settled SARS was $0.5 and $0.3 for the six months ended June 30, 2007 and 2006, respectively. The liability related to our cash-settled SARS was $4.5 at June 30, 2007.

As provided under the 1993 Plan, we have also issued non-vested stock and performance stock. Non-vested shares 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. Performance stocks awarded in 2005 relate to the 2007 performance period. The total amount of share-based compensation expense recognized for non-vested and performance stock for the three and six months ended June 30, 2007 was $0.1 and $0.2, respectively, and $0.3 and $0.6 for the three and six months ended June 30, 2006, respectively.

Upon adoption of SFAS 123R, we calculated our additional paid-in capital pool ("APIC Pool") to be $41.4. Exercises of stock options and stock-settled SARS since the adoption increased the APIC Pool to $56.0 at June 30, 2007.

7. EARNINGS PER SHARE (EPS)

Basic earnings per common share excludes dilution and is computed by dividing net earnings 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 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. 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.

The following shows the reconciliation of weighted-average shares:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Weighted average shares outstanding:	48,178,286	47,418,662	48,071,408	47,167,598

Effect of dilutive shares:				
Options and stock-settled SARS	1,034,911	1,147,138	1,052,869	1,147,430
Performance/Restricted Stock	23,864	66,630	22,824	63,846
Adjusted average shares outstanding	49,237,061	48,632,430	49,147,101	48,378,874

Outstanding stock options to purchase 35,068 and 1,500 shares of common stock for the three months ended June 30, 2007 and 2006, respectively, and 35,068 and 43,000 shares of common stock for the six months ended June 30, 2007 and 2006, respectively, were excluded from the above calculation because their inclusion would have had an anti-dilutive effect on earnings per share. In addition, 543,776 and 640,420 of outstanding stock-settled SARS for the three and six months ended June 30, 2007 and 2006, respectively, were excluded from the above calculation due to their anti-dilutive effect on earnings per share.

8. INVENTORIES

Inventories consisted of the following:

	June 30, 2007	December 31, 2006
Finished goods	$327.8	$333.4
Work in process	39.6	26.4
Raw materials & supplies	119.1	114.8
Total inventories	$486.5	$474.6

-10-

9. DEBT

Long-term debt, including the current portion, consisted of the following:

	June 30, 2007		December 31, 200	
	Face	Carrying Value	Face	Carryin
Five-Year Term Loan Due February 15, 2010	$ -	$ -	$ 52.6	$
Five-Year Revolving Credit Line Due June 7, 2012	34.3	34.3	42.0	
6.75% Notes Due March 15, 2008	100.0	99.6	100.0	
5.5% Notes Due October 1, 2010	250.0	249.8	250.0	
4.6% Notes Due July 1, 2013	200.0	201.3	200.0	
6.0% Notes Due October 1, 2015	250.0	249.5	250.0	
Other	7.4	7.4	7.3	
	$ 841.7	$ 841.9	$ 901.9	$
Less: Current maturities	101.5	101.1	1.4	
Long-term debt	$ 740.2	$ 740.8	$ 900.5	$

During the first quarter of 2007, we repaid the $52.6 outstanding balance at December 2006 under the five-year term loan and terminated this facility. In June 2007, we amended and restated our revolving credit agreement to increase

the facility from $350.0 to $400.0 and extended the maturity date to June 2012. Borrowings against the $400.0 unsecured five-year revolving credit facility totaled $34.3 at June 30, 2007. This facility contains covenants that are customary for such facilities.

The weighted-average interest rate on all of our debt was 5.05% and 4.73% for the six months ended June 30, 2007 and 2006, respectively. The weighted-average interest rate on short-term borrowing outstanding as of June 30, 2007 and 2006 was 4.70% and 4.77%, respectively.

10. ENVIRONMENTAL, CONTINGENCIES AND COMMITMENTS

Environmental Matters

We are subject to substantial costs arising out of environmental laws and regulations, which include obligations to remove or limit the effects on the environment of the disposal or release of certain wastes or substances at various sites or to pay compensation to others for doing so.

As of June 30, 2007 and December 31, 2006, the aggregate environmental related accruals were $103.2 and $102.7, respectively. As of June 30, 2007 and December 31, 2006, $7.4 of the above amounts was included in accrued expenses, with the remainder included in other noncurrent liabilities. Environmental remediation spending for the three months ended June 30, 2007 and 2006 was $1.3 and $1.3, respectively, and for the six months ended June 30, 2007 and 2006 was $2.1 and $2.0, respectively.

These accruals can change substantially due to such factors as additional information on the nature or extent of contamination, methods of remediation required, changes in the apportionment of costs among responsible parties and other actions by governmental agencies or private parties or if we are named in a new matter and determine that an accrual needs to be provided or if we determine that we are not liable and no longer require an accrual.

A further discussion of environmental matters can be found in Note 13 of the Notes to the Consolidated Financial Statements contained in our 2006 Annual Report on Form 10-K.

Other Contingencies

We are the subject of numerous lawsuits and claims incidental to the conduct of our or certain of our predecessors' businesses, including lawsuits and claims relating to product liability, personal injury including asbestos, environmental, contractual, employment and intellectual property matters.

During the third quarter of 2006, the Actuarial and Analytics Practice of AON Risk Consultants ("AON") completed a study of our asbestos related contingent liabilities and related insurance receivables. We previously commissioned a similar study from AON in 2003. For these studies, we provided AON with, among other things, detailed data for the past ten years on the incidence of claims, the incidence of malignancy claims, indemnity payments for malignancy and non-malignancy claims, and dismissal rates by claim. The actuarial methodology employed by AON was primarily based on epidemiological data assumptions regarding asbestos disease manifestation, the information provided by us, and the estimates of claim filing and indemnity costs that may occur in the future. In conjunction with AON, we also conducted a detailed review of our insurance position and estimated insurance recoveries. We expect to recover close to 54% of our future indemnity costs and certain defense and processing costs already incurred. We anticipate updating the study approximately every three years or earlier if circumstances warrant. We are in the process of negotiating coverage in place and commutation agreements with several of our insurance carriers.

As a result of the findings from the 2006 AON study, we recorded an increase of $9.0 in September 2006 to our self insured and insured contingent liabilities for pending and anticipated probable future claims and recorded a higher receivable for probable insurance recoveries for past, pending and future claims of $6.8. The reserve increase is attributable to higher settlement values which more than offset a decrease in number of claimants. The increase in the receivable is a result of the higher gross liability plus an increase in overall projected insurance recovery rates.

As of June 30, 2007 and December 31, 2006, the aggregate self-insured and insured contingent liability was $70.3 and $72.4, respectively, and the related insurance recovery receivable for the liability as well as claims for past payments was $39.9 at June 30, 2007 and $40.9 at December 31, 2006. The asbestos liability included in the above amounts at June 30, 2007 and December 31, 2006 was $54.2 and $54.6, respectively, and the insurance receivable related to the liability as well as claims for past payments was $38.2 at June 30, 2007 and $38.1 at December 31, 2006. We anticipate receiving a net tax benefit for payment of those claims to which full insurance recovery is not realized.

The following table presents information about the number of claimants involved in asbestos claims with us:

	Six Months Ended June 30, 2007	Year Ended December 31, 2006
Number of claimants at beginning of period	8,600	22,200
Number of claimants associated with claims closed during period	(300)	(15,800)
Number of claimants associated with claims opened during period	200	2,200
Number of claimants at end of period	8,500	8,600

Numbers in the foregoing table are rounded to the nearest hundred and are based on information as received by us which may lag actual court filing dates by several months or more. Claims are recorded as closed when a claimant is dismissed or severed from a case. Claims are opened whenever a new claim is brought, including from a claimant previously dismissed or severed from another case. The significant decline in the number of claimants during 2006 primarily reflects disposition of a large number of unwarranted filings in Mississippi made immediately prior to the institution of tort reform legislation in that state effective January 1, 2003.

It should be noted that the ultimate liability and related insurance recovery for all pending and anticipated future claims cannot be determined with certainty due to the difficulty of forecasting the numerous variables that can affect the amount of the liability and insurance recovery. These variables include but are not limited to: (i) significant changes in the number of future claims; (ii) significant changes in the average cost of resolving claims; (iii) changes in the nature of claims received; (iv) changes in the laws applicable to these claims; and (v) financial viability of co-defendants and insurers.

At June 30, 2007, we are among several defendants in approximately 41 cases in the U.S., in which plaintiffs assert claims for personal injury, property

damage, and other claims for relief relating to one or more kinds of lead pigment that were used as an ingredient decades ago in paint for use in buildings. The different suits were brought by government entities and/or individual plaintiffs, on behalf of themselves and others. The suits variously seek compensatory and punitive damages and/or injunctive relief, including: funds for the cost of monitoring; detecting and removing lead based paint from buildings and for medical monitoring; for personal injuries allegedly caused by ingestion of lead based paint; and plaintiffs' attorneys' fees. We believe that the suits against us are without merit, and we are vigorously defending against all such claims. Accordingly, no loss contingency has been recorded.

In July, 2005, the Supreme Court of Wisconsin held in a case in which we were one of several defendants that Wisconsin's risk contribution doctrine applies to bodily injury cases against manufacturers of white lead pigment. Under this doctrine, manufacturers of white lead pigment may be liable for injuries caused by white lead pigment based on their past market shares unless they can prove they are not responsible for the white lead pigment which caused the injury in question. Seven other courts have previously rejected the applicability of this and similar doctrines to white lead pigment. We settled this case for an immaterial amount. Although we are a defendant in approximately 30 similar cases in Wisconsin and additional actions may be filed in Wisconsin, we intend to vigorously defend ourselves if such case(s) are filed based on what we believe to be our non-existent or diminutive market share. Accordingly, we do not believe that our liability, if any, in such cases will be material, either individually or in the aggregate and no loss contingency has been recorded.

We have access to a substantial amount of primary and excess general liability insurance for property damage and believe these policies are available to cover a significant portion of both our defense costs and indemnity costs, if any, for lead pigment related property damage claims. We have agreements with two of our insurers which provide that they will pay for approximately fifty percent (50%) of our defense costs associated with lead pigment related property damage claims.

We commenced binding arbitration proceedings against SNF SA ("SNF") in 2000 to resolve a commercial dispute relating to SNF's failure to purchase agreed amounts of acrylamide under a long-term agreement. In July, 2004, the arbitrators awarded us damages and interest aggregating approximately (euro)11.0 plus interest on the award at a rate of 7% per annum from July 28, 2004 until paid. After further proceedings in France, we collected (euro)12.2 ($15.7) related to the arbitration award including interest in the second quarter of 2006. Subsequent to the arbitration award, SNF filed a complaint alleging criminal violation of French and European Community antitrust laws relating to the contract, which was the subject of the arbitration proceedings, which complaint was dismissed in December 2006. SNF has also filed a final appeal of the court order which allowed us to enforce the award and a separate complaint in France seeking compensation from Cytec for (euro)54.0 in damages it allegedly suffered as a result of our attachment on various SNF receivables and bank accounts to secure enforcement of the arbitration award. We believe that the appeal and complaint are without merit. SNF also appealed the arbitration award in Belgium where the Brussels Court of First Instance invalidated the award in March 2007. We have appealed that decision to the Belgium Court of Appeals, which will review the matter on a de novo basis. The Belgium decision should not affect the enforceability of the award in France.

While it is not feasible to predict the outcome of all pending environmental matters, lawsuits and claims, it is reasonably possible that there will be a necessity for future provisions for costs for environmental matters and for other contingent liabilities that we believe will not have a material adverse

effect on our consolidated financial position, but could be material to our consolidated results of operations or cash flows in any one accounting period. We cannot estimate any additional amount of loss or range of loss in excess of the recorded amounts. Moreover, many of these liabilities are paid over an extended period, and the timing of such payments cannot be predicted with any certainty.

From time to time, we are also included in legal proceedings as a plaintiff involving tax, contract, patent protection, environmental and other legal matters. Gain contingencies related to these matters, if any, are recorded when they are realized.

A further discussion of other contingencies can be found in Note 13 of the Notes to the Consolidated Financial Statements contained in our 2006 Annual Report on Form 10-K.

Commitments

We frequently enter into long-term contracts with customers with terms that vary depending on specific industry practices. Our business is not substantially dependent on any single contract or any series of related contracts. Descriptions of our significant sales contracts at December 31, 2006 are set forth in Note 13 of the Notes to Consolidated Financial Statements contained in our 2006 Annual Report on Form 10-K.

11. COMPREHENSIVE INCOME

The components of comprehensive income, which represents the change in equity from non-owner sources, for the three and six months ended June 30, are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006(1)	2007	2006
Net earnings as reported or restated	$ 54.8	$ 48.5	$ 106.5	$
Other comprehensive income (loss):				
Accumulated pension liability (2)	2.2	-	17.9	
Unrealized gains on cash flow hedges	(0.4)	(9.3)	10.3	
Foreign currency translation adjustments	15.2	24.8	13.7(3)	
Comprehensive income	$ 71.8	$ 64.0	$ 148.4	$ 1

(1) 2006 results were restated to show the effect of FSP AUG-AIR 1, which was adopted retroactively during the first quarter of 2007. For further details see Note 2 to the Consolidated Financial Statements.
(2) 2007 includes amortization, first quarter impacts of a curtailment and remeasurement related to certain U.S. plans, and a settlement in the Netherlands related to the sale of the water treatment and acrylamide product lines. For further details see Note 17 to the Consolidated Financial Statements.
(3) 2007 includes the impact of recognizing $13.8 of foreign currency translation adjustments in first quarter net earnings as a component of the gain on the sale of the water treatment and acrylamide product lines.

12. INCOME TAXES

The effective rate for the three and six months ended June 30, 2007 was a tax provision of 30.7% ($24.3) and 27.6%($40.6), respectively, compared to 18.5% ($11.0) and 22.6% ($25.6) for the three and six months ended June 30, 2006. The 2007 effective tax rate for the quarter and year to date was unfavorably impacted by a shift in our earnings to higher tax jurisdictions, changes in U.S. tax laws regarding export incentives, and a French restructuring charge for which no tax benefit was given due to the unlikely utilization of related net operating losses. The rate was favorably affected by the relatively low tax expense of $0.4 with respect to a $15.7 gain recorded in the first quarter of 2007 on the second phase of the water business divestiture and changes in U.S. tax laws regarding manufacturing incentives. Excluding these items and accrued interest and penalties on unrecognized tax benefits in accordance with FIN 48 as described below, the underlying estimated annual effective tax rate for the six months ended June 30, 2007 was 29.3%, with a normalized effective rate of 29.75% including such interest and penalties.

The 2006 effective tax rate for the quarter and year to date was favorably impacted by the continued mix of earnings reported in countries with lower tax rates compared to the U.S., a tax benefit from a restructuring charge recorded at 29.6%, and the favorable decision in a legal dispute, a portion of which was recorded in a lower tax entity. Also favorably impacting the rate was a reduction in tax expense of $3.5 as a result of the completion of prior years U.S. tax audits, offset to a lesser extent by the December 31, 2005 expiration of the U.S. research and development tax credit for that period.

In 2005, we received a final notice from the Norwegian Assessment Board disclosing an increase to taxable income with respect to a 1999 restructuring of certain of our European operations. The tax liability attributable to this assessment, excluding interest and possible penalties, was approximately 84.0 Norwegian krone ($14.2). We unsuccessfully contested this assessment before a Norwegian tribunal in 2006 and filed an appeal in response to this adverse decision during the first quarter of 2007.

In the event the Norwegian authorities ultimately prevail in their assessment, approximately 22.0 Norwegian krone ($3.7) of tax related to this matter will be remitted in subsequently filed tax returns beginning with the 2005 taxable period in accordance with Norwegian law. As a result, we remitted 4.4 Norwegian krone ($0.7) of additional tax in 2006 for the 2005 taxable period related to this dispute. Accordingly, the accrued balance at June 30, 2007 for this contingency was 24.7 Norwegian krone ($4.2), which represents our remaining liability (including interest) regarding this matter in the event we ultimately accept the Norwegian's court decision as final. We also expect to pay 3.5 Norwegian krone ($0.6) during 2007 for this issue related to the 2006 taxable period.

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes--an interpretation of FASB Statement No. 109, Accounting for Income Taxes" ("FIN 48"). FIN 48 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under FIN 48, we may recognize the 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. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon settlement with the tax authorities. FIN 48 also provides guidance on derecognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures.

We adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, we recognized a $0.3 decrease in the liability for

unrecognized tax benefits. This decrease in liability resulted in an increase to the January 1, 2007 retained earnings balance in the amount of $0.3. In addition, as of January 1, 2007, we reclassified $19.3 of unrecognized tax benefits from current taxes payable to non-current taxes payable, which is included in other non-current liabilities on the consolidated balance sheet. The amount of unrecognized tax benefits at January 1, 2007 is $25.6 (gross) of which $18.9 would impact our effective tax rate, if recognized. As of June 30, 2007, the amount of unrecognized tax benefits is $28.6 (gross) of which $20.6 would impact our effective tax rate, if recognized. There are no known uncertain tax positions which are reasonably possible to change over the next twelve months necessitating a significant change in our unrecognized tax benefits.

We recognize interest and penalties related to unrecognized tax benefits in income tax expense in the consolidated statements of income. We had recorded a liability for the payment of interest and penalties of approximately $2.4 as of January 1, 2007, increasing to approximately $3.1 as of June 30, 2007.

The Internal Revenue SerFvice (the "IRS") has completed and closed its audits of our tax returns through 2003. During the second quarter of 2007, the IRS commenced the audit of our tax returns for the years 2004 and 2005.

State income tax returns are generally subject to examination for a period of 3-5 years after filing of the respective return. The state impact of any federal changes remains subject to examination by various states for a period of up to one year after formal notification to the states. We have various state income tax returns in the process of examination and administrative appeals.

International jurisdictions have statutes of limitations generally ranging from 3-5 years after filing of the respective return. Years still open to examination by tax authorities in major jurisdictions include Austria (2005 onward), Belgium (2004 onward), Germany (2005 onward), Netherlands (2005 onward), Canada (2001 onward), UK (2005 onward), Italy (2005 onward), China (2003 onward), and Norway (1999 onward). We are currently under examination in several of these jurisdictions.

13. OTHER FINANCIAL INFORMATION

On April 19, 2007 the Board of Directors declared a $0.10 per common share cash dividend, paid on May 25, 2007 to shareholders of record as of May 10, 2007. Cash dividends paid in the second quarter of 2007 and 2006 were $4.8 and $4.7, respectively, and for the six months ended June 30, 2007 and 2006 were $9.6 and $9.4, respectively. On July 19, 2007 the Board of Directors declared a $0.10 per common share cash dividend, payable on August 27, 2007 to shareholders of record as of August 10, 2007.

Income taxes paid for the six months ended June 30, 2007 and 2006 were $30.9 and $30.8, respectively. Interest paid for the six months ended June 30, 2007 and 2006 was $22.6 and $28.9, respectively. Interest income for the six months ended June 30, 2007 and 2006 was $0.6 and $1.1, respectively.

UCB SA ("UCB") was considered a related party during the year ended December 31, 2006 since it then owned more than 10% of Cytec's outstanding common stock. UCB announced in March 2007 that it had sold all of its Cytec shares and as a result, UCB is no longer a related party. As of June 30, 2007 and December 31, 2006, $2.5 and $2.4 was owed from UCB respectively, which is included in other receivables on the accompanying consolidated balance sheet. The balance represents amounts to be received from UCB for certain pre-acquisition tax liabilities which we have paid or will pay as a result of our acquisition of Surface Specialties.

14. SEGMENT INFORMATION

Summarized segment information for our four segments for the three and six months ended June 30 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006(1)	2007	2006(1)
Net sales				
Cytec Performance Chemicals				
Sales to external customers	$ 184.8	$ 229.6	$ 363.8	$ 455.6
Intersegment sales	1.9	2.1	3.7	3.9
Cytec Surface Specialties	419.6	390.8	824.1	764.7
Cytec Engineered Materials	166.6	151.6	330.1	290.7
Building Block Chemicals				
Sales to external customers	93.0	81.1	209.5	161.5
Intersegment sales	7.3	23.2	16.7	46.3
Net sales from segments	873.2	878.4	1,747.9	1,722.7
Elimination of intersegment revenue	(9.2)	(25.3)	(20.4)	(50.2)
Net sales	$ 864.0	$ 853.1	$ 1,727.5	$ 1,672.5

		% of sales		% of sales		% of sales	
Earnings (loss) from operations							
Cytec Performance Chemicals	$ 23.7	13%	$ 18.3	8%	$ 36.6	10%	$
Cytec Surface Specialties	32.8	8%	29.5	8%	48.5	6%	
Cytec Engineered Materials	34.8	21%	28.3	19%	67.4	20%	
Building Block Chemicals	4.6	5%	6.4	6%	7.2	3%	
Earnings from segments	95.9	11%	82.5	9%	159.7	9%	
Corporate and Unallocated (2)	(5.6)		(24.2)		7.1		
Earnings from operations	$ 90.3	10%	$ 58.3	7%	$ 166.8	10%	$

(1) 2006 results were restated to show the effect of FSP AUG-AIR 1, which was adopted retroactively during the first quarter of 2007. For further details see Note 2 to the Consolidated Financial Statements.

(2) In the second quarter of 2007 Corporate and Unallocated includes a net restructuring charge of $1.8 for costs related primarily to the shutdown of a manufacturing facility in France. In the first six months of 2007 Corporate and Unallocated includes a net restructuring charge of $2.6 million primarily related to the shutdown of a manufacturing facility in France and a $15.7 million gain as a result of completing the second phase of the sale of our water

treatment chemicals and acrylamide product lines to Kemira Group. See notes 4&5 to the consolidated financial statements.

In the second quarter of 2006 Corporate and Unallocated includes a net restructuring charge of $21.9 million and $1.0 for integration costs related to the Surface Specialties acquisition. In the first six months of 2006 Corporate and Unallocated includes a net restructuring charge of $22.3 million. See note 5 to the consolidated financial statements.

15. GOODWILL AND OTHER ACQUISITION INTANGIBLES

The following is the activity in the goodwill balances for each segment.

	Cytec Performance Chemicals	Cytec Surface Specialties	Cytec Engineered Materials	Corporate	Total
Balance, December 31, 2006	$ 88.2	$ 712.4	$ 241.2	$ 0.7	$ 1,042.5
Currency exchange rate changes	0.8	11.0	-	-	11.8
Balance, June 30, 2007	$ 89.0	$ 723.4	$ 241.2	$ 0.7	$ 1,054.3

Other acquisition intangibles consisted of the following major classes:

	Weighted-average Useful Life (years)	Gross carrying value		Accumulated amortization		Net carrying v	
		June 30, 2007	December 31, 2006	June 30, 2007	December 31, 2006	June 30, 2007	Dece
Technology-based	15.2	$ 55.0	$ 53.9	$ (21.3)	$ (19.1)	$ 33.7	$
Marketing-related	<2.0	2.0	1.9	(1.6)	(1.2)	0.4	
Marketing-related	15.8	63.1	62.3	(17.8)	(15.0)	45.3	
Marketing-related	40.0	44.6	43.6	(1.1)	(0.5)	43.5	
Customer-related	15.0	422.9	416.5	(71.0)	(56.3)	351.9	
Total		$ 587.6	$ 578.2	$ (112.8)	$ (92.1)	$ 474.8	$

Amortization of acquisition intangibles for the three months ended June 30, 2007 and 2006 was $9.7 and $9.3, respectively, and for the six months ended June 30, 2007 and 2006 were $18.9 and $18.0, respectively. Assuming no change in the gross carrying amount of acquisition intangibles and the currency exchange rates remain constant, the estimated amortization of acquisition intangibles for the fiscal year 2007 is $37.6, for the years 2008 and 2009 is $36.9 per year, and for the years 2010 and 2011 is $36.8 per year.

16. DERIVATIVE FINANCIAL INSTRUMENTS AND COMMODITY HEDGING ACTIVITIES

Derivative Financial Instruments

We periodically enter into currency forward contracts primarily to hedge currency fluctuations of transactions denominated in currencies other than the functional currency of the business. At June 30, 2007, the principal transactions hedged involved accounts receivable, accounts payable and

intercompany loans. 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 June 30, 2007, net contractual amounts of forward contracts outstanding translated into U. S. dollar amounts of $103.7. Of this total, $103.0 was attributed to the net exposure in forward selling of U. S. dollars. The remaining $0.7 was the net exposure in forward buying of Euros, translated into U. S. dollar equivalent amount. The unfavorable fair value of currency contracts, based on forward exchange rates at June 30, 2007, was $0.4 (unfavorable fair value at December 31, 2006 of $1.3).

Our euro denominated bank borrowings are used to provide a partial hedge of our net investment in our Belgium-based subsidiary, Cytec Surface Specialties SA/NV. From time to time we also enter into designated forward euro contracts to adjust the amount of the net investment hedge. At June 30, 2007, we had designated forward contracts to purchase (euro)58.0.

In September 2005, we entered into (euro)207.9 of five year cross currency swaps and (euro)207.9 of ten year cross currency swaps. The swaps included an initial exchange of $500.0 on October 4, 2005 and will require final principal exchanges of $250.0 each on the settlement date of the 5-Year Notes due October 1, 2010 and 10-Year Notes due October 1, 2015. At the initial principal exchange, we paid U.S. dollars to counterparties and received euros. Upon final exchange, we will provide euros to counterparties and receive U.S. dollars. The swaps also call for a semi-annual exchange of fixed euro interest payments for fixed U.S. dollar interest receipts. With respect to the five year swaps, we will receive 5.5% per annum and will pay 3.784% per annum on each April 1 and October 1, through the maturity date of the five year swaps. With respect to the ten year swaps, we will receive 6.0% per annum and will pay 4.5245% per annum on each April 1 and October 1, through the maturity date of the ten year swaps. The cross currency swaps have been designated as cash flow hedges of the changes in value of the future euro interest and principal receipts that result from changes in the U.S. dollar to euro exchange rates on certain euro denominated intercompany receivables we have with one of our subsidiaries. At June 30, 2007, the unfavorable fair values of the five and ten year swaps were $20.9 and $17.8, respectively, and at December 31, 2006, the unfavorable fair values of the five and ten year swaps were $16.9 and $16.4, respectively.

Commodity Hedging Activities

At June 30, 2007, we held natural gas swaps, including the gas swaps for Fortier plant, with an unfavorable fair value of $2.0, which will be reclassified into Manufacturing Cost of Sales through June 2008 as these swaps are settled.

For more information regarding our hedging activities and derivative financial instruments, refer to Note 7 to the Consolidated Financial Statements contained in our 2006 Annual Report on Form 10-K.

17. EMPLOYEE BENEFIT PLANS

Net periodic cost for our pension and postretirement benefit plans was as follows:

	Pension Plans	Postretirement Plans

	Three Months Ended June 30,			
	2007	2006	2007	2006
Service cost	$ 5.0	$ 6.5	$ 0.3	$ 0.3
Interest cost	11.0	11.0	3.6	3.4
Expected return on plan assets	(11.0)	(10.8)	(1.2)	(1.2)
Net amortization and deferral	3.9	4.1	(2.6)	(2.3)
Net periodic cost	$ 8.9	$ 10.8	$ 0.1	$ 0.2

	Six Months Ended June 30,			
	2007	2006	2007	2006
Service cost	$ 10.1	$ 12.5	$ 0.6	$ 0.6
Interest cost	22.4	21.6	7.2	6.8
Expected return on plan assets	(21.8)	(21.3)	(2.4)	(2.4)
Net amortization and deferral	7.9	7.5	(5.2)	(4.6)
Curtailments/settlements (1)	3.3	-	-	-
Net periodic cost	$ 21.9	$ 20.3	$ 0.2	$ 0.4

(1) Primarily represents a settlement charge related to the transfer of plan assets and liabilities in the Netherlands related to the sale of the water treatment and acrylamide product lines, which was charged against the gain on sale.

We disclosed in our 2006 Annual Report on Form 10-K that we expected to contribute $36.4 and $13.4, respectively, to our pension and postretirement plans in 2007. Through June 30, 2007, $17.2 and $7.8 in contributions were made, respectively.

In March 2007 we announced a change to certain of our U.S. pension plans from defined benefit plans to defined contribution plans effective December 31, 2007. A related plan curtailment was recorded in the first quarter of 2007, which resulted in a decrease in our pension liabilities of $13.4, with a corresponding increase in accumulated other comprehensive income of $8.2 and an adjustment to deferred taxes of $5.2. The curtailment had an immaterial effect on our consolidated statement of income. We considered these plan changes to be significant events as contemplated by SFAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)" ("SFAS 158") and accordingly, the liabilities and assets for the affected plans have been remeasured as of March 31, 2007. The remeasurement resulted in a decrease to pension liabilities of approximately $6.1, a corresponding increase of $3.7 in accumulated other comprehensive income, and an adjustment to deferred taxes for $2.4. The remeasurement was driven by a change in the discount rate assumption for the affected plans (from 5.85% at December 31, 2006 to 6.00% at March 31, 2007), and slightly better than expected returns on plan assets for the three months ended March 31, 2007.

We also sponsor various defined contribution retirement plans in the United States and a number of other countries, consisting primarily of savings and profit growth sharing plans. Contributions to the savings plans are based on matching a percentage of employees' contributions. Contributions to the profit growth sharing plans are generally based on our financial performance. Amounts expensed related to these plans for the three months ended June 30, 2007 and 2006 were $4.8 and $4.9, respectively, and for the six months ended June 30, 2007 and 2006 were $9.9 and $9.3 respectively.

Item 2. 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. Currency amounts are in millions, except per share amounts. Percentages are approximate.

GENERAL

We are a global specialty chemicals and materials company which sells our products to diverse major markets for aerospace, adhesives, automotive and industrial coatings, chemical intermediates, inks, 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.

In the course of our ongoing operations, a number of strategic product line acquisitions and dispositions have been made. The results of operations of the acquired businesses have been included in our consolidated results from the dates of the respective acquisitions.

We also 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.

Raw material cost changes year on year and selling price changes are an important factor in profitability especially in years of high volatility. Global oil and natural gas costs in certain countries are highly volatile and many of our raw materials are derived from these two commodities. Discussion of the year to year impact of raw materials, energy costs changes, and our ability to recover these increases through higher selling prices 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 which have contributed to increased costs for some of these raw materials.

Quarter Ended June 30, 2007, Compared With Quarter Ended June 30, 2006

Consolidated Results

Net sales for the second quarter of 2007 were $864.0 compared with $853.1 for the second quarter of 2006, an increase of $10.9 or 1.3%. Performance Chemical sales were down due to the divestiture of the water treatment chemicals product line. Excluding the divestiture, sales were up slightly with higher volumes and selling prices in mining, phosphines, and urethane specialties offset by decreases in other product lines with changes in exchange rates increasing sales. In the Cytec Surface Specialties segment, sales increased primarily as a result of increased selling prices and changes in exchange rates partially offset by lower demand primarily in North America and by discontinuing the sale of unprofitable solvent-borne products. The Cytec Engineered Materials segment sales increase was primarily volume related with higher sales to the large commercial aircraft, business jet, and high performance automotive sectors. The Building Block Chemicals segment sales were up despite the negative impact of the divestiture of the acrylamide product line, which was more than offset by

increased volumes of acrylonitrile to the purchaser of the divested product line and by higher selling volumes and prices of melamine.

For a detailed discussion on sales refer to the Segment Results section below.

Manufacturing cost of sales was $662.8 or 77% of sales during the second quarter of 2007 compared with $688.0 or 81% of sales for the second quarter of 2006. The second quarter 2007 decrease is primarily due to lower manufacturing costs from the divestiture of the water treatment and acrylamide product lines and benefits of restructuring initiatives partially offset by higher raw material costs of $21.9. The second quarter of 2007 included a $1.7 restructuring charge primarily related to the closure of an unprofitable manufacturing facility in France. The second quarter of 2006 included a net restructuring charge of $21.6 primarily related to our Polymer Additives business. See Note 5 to the consolidated financial statements for additional detail of the net restructuring charges.

Selling and technical services was $53.1 in 2007 versus $54.2 in the prior year. The decrease was primarily attributable to the divestiture of the water treating chemicals product line and cost reduction initiatives in the Surface Specialties segment partially offset by increased spending in Cytec Engineered Materials and Mining Chemicals due to the higher levels of growth in those areas.

Research and process development was $19.2 in 2007 versus $17.2 in the prior year. This increase was primarily attributable to increased spending in Engineered Materials and Surface Specialties to develop and qualify new products and applications, partially offset by lower spending in Performance Chemicals due to the divestiture of the water treating chemicals product line.

Administrative and general expenses were $28.9 in 2007 which was up from $26.1 in the prior year. The increase in 2007 was primarily due to higher compensation expenses and an increase in incentive compensation expenses. Included in the 2006 results is $1.0 for integration expenses primarily associated with transition off of UCB's information technology system infrastructure.

Amortization of acquisition intangibles was $9.7 in 2007 versus $9.3 in the prior year. The slight increase primarily resulted from the accelerated amortization of certain Radcure trademarks in the Surface Specialties segment.

Other income (expense), net was income of $0.1 in 2007 compared with income of $14.9 in the prior year. Included in the second quarter of 2006 is a gain of $15.7 in connection with proceeds collected in an arbitration award of the commercial dispute as discussed in Note 10 to the consolidated financial statements.

Equity in earnings of associated companies was $0.1 versus $0.9 in the prior year. The lower earnings are primarily due to market share loss at a major customer of our joint venture.

Interest expense, net was $11.4 in 2007 compared with $14.6 in the prior year. The decrease is primarily due to the lower average debt compared to the prior year.

The effective tax rate for the quarter ended June 30, 2007 was a tax provision of 30.7% ($24.3) compared to 18.5% ($11.0) for the quarter ended June 30, 2006. The 2007 effective tax rate for the quarter was unfavorably impacted changes in U.S. tax laws regarding export incentives and a French restructuring charge for which no tax benefit was given due to the unlikely utilization of related net operating losses. Excluding the negative impact of our inability to recognize any tax benefit on the restructuring charge and certain other discrete items

from the first quarter of 2007, the underlying effective annual tax rate was 29.75% for the quarter.

The effective tax rate for the quarter ended June 30, 2006 was 18.5 % resulting in a tax provision of $11.0. The 2006 effective tax rate for the quarter was favorably impacted by a tax benefit from a restructuring charge recorded at 29.6%, and the gain related to a legal dispute partially recorded in a lower tax entity, resulting in an effective rate of 20%. Also favorably impacting the rate was a reduction in tax expense of $3.5 as a result of the completion of 2002 and 2003 U.S. tax audits. Excluding these items, the underlying effective tax rate for the three months ended June 30, 2006 was 27%.

Net earnings for the second quarter of 2007 were $54.8 ($1.11 per diluted share), an increase over the net earnings of $48.5 ($1.00 per diluted share) in the second quarter of 2006. The 2007 earnings are higher primarily due to higher operating earnings in the quarter from lower manufacturing costs due to restructuring initiatives and higher net selling prices in excess of higher raw material costs, partially offset by higher operating costs. Earnings also increased due to lower net interest expense and were partially offset by the higher tax rate discussed above. The second quarter of 2007 also included a net after tax restructuring charge of $1.8.

Net earnings for 2006 were $48.5 which included an after-tax net restructuring charge of $15.4, an after-tax gain of $12.4 related to a favorable resolution of a legal dispute and an income tax benefit of $3.5 related to the completion of prior years tax audits.

Segment Results (Sales to external customers)

Year-to-year comparisons and analyses of changes in net sales by product line segment and region are set forth below.

Cytec Performance Chemicals

	Total			% Change Due to			
	2007	2006	% Change	Price	Volume/Mix	Divestiture	C
North America	$ 67.9	$ 86.2	-21%	-	-2%	-19%	
Latin America	31.8	33.2	-4%	-	-1%	-5%	
Asia/Pacific	32.4	31.7	2%	-1%	11%	-10%	
Europe/Middle East/Africa	52.7	78.5	-33%	-1%	-	-37%	
Total	$ 184.8	$ 229.6	-20%	-	-	-22%	

Overall selling volumes were down 22% primarily attributable to the divestiture of the water treating chemicals product line. Excluding the divestiture, sales and prices were up slightly with higher volumes and selling prices in mining, phosphines, and urethane specialties offset by decreases in other product lines. Overall sales were up in Asia/Pacific primarily due to higher Mining sales volumes offset by lower sales volumes across a number of product lines in North America. Changes in exchange rates increased sales by 2%.

Earnings from operations were $23.7, or 13% of sales in 2007, compared with $18.3, or 8% of sales, in 2006. The increase in earnings is primarily

attributable to benefits of our restructuring initiatives and a favorable product mix primarily due to the divestiture of the water treating chemicals product line, partially offset by a $4.1 increase in raw material costs from the second quarter of 2006.

Cytec Surface Specialties

	Total			% Change Due to		
	2007	2006	% Change	Price	Volume/Mix	Currency
North America	$ 94.6	$ 93.9	1%	3%	-2%	-
Latin America	18.4	15.1	22%	6%	10%	6%
Asia/Pacific	69.7	69.4	1%	5%	-5%	1%
Europe/Middle East/Africa	236.9	212.4	12%	8%	-4%	8%
Total	$ 419.6	$ 390.8	7%	6%	-3%	4%

Selling volumes decreased 3% primarily due to lower sales of liquid coating resins (aminos lower due to price competition partially offset by higher waterborne resins) and powder coatings resins in North America. In Asia/Pacific, we had lower sales primarily in powder coating resins due to weak demand and the impact from price competition on lower end products. In Europe, sales volumes were negatively impacted primarily by discontinuing unprofitable solvent-borne products and in Radcure resins due to lower demand in the industrial coatings sector. Selling prices were up 6% due to increases in liquid coating resins and powder coatings across all regions while selling prices were essentially flat in Radcure resins. Changes in exchange rates increased sales by 4%.

Earnings from operations were $32.8, or 8% of sales in 2007, compared with $29.5, or 8% of sales in 2006. The increase in earnings is primarily attributable to the higher selling prices which more than offset the increased raw material costs of $15.4, the lower selling volumes, and higher operating costs.

Cytec Engineered Materials

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

Overall selling volumes increased 7% primarily due to higher sales to the large commercial aircraft, business jet, and high performance automotive markets in North America and Europe. Overall prices increased 2% primarily due to price increases in a number of market segments in all regions except Latin America. Changes in exchange rates increased sales by 1%.

Earnings from operations were $34.8, or 21% of sales in 2007, compared with $28.3, or 19% of sales in 2006. The impact of the increased sales volumes and higher selling prices were partially offset by slightly higher raw material costs of $0.6, increased costs in manufacturing to support the higher production volumes, and higher commercial and research and development costs.

Building Block Chemicals

	Total			% Change Due to		
	2007	2006	% Change	Price	Volume/Mix	Divestiture
North America	$ 56.6	$ 42.0	35%	2%	40%	-7%
Latin America(1)	0.6	1.4	-	-	-	-
Asia/Pacific	3.1	3.0	3%	4%	2%	-3%
Europe/Middle East/Africa	32.7	34.7	-6%	12%	14%	-32%
Total	$ 93.0	$ 81.1	15%	6%	28%	-19%

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

Overall selling volumes were up 9%. Sales were negatively impacted 19% by the divestiture of the acrylamide product line which was more than offset by increased volumes of acrylonitrile to the purchaser of the divested product line. Excluding these items, sales of acrylonitrile were lower in the quarter due to a planned maintenance turnaround partially offset by higher melamine sales volume. The higher melamine sales volume is primarily due to increased capacity available following our takeover of the manufacturing plant in August 2006, which previously was a 50-50 manufacturing joint venture with a third party. Overall selling prices increased sales by 6%.

Earnings from operations were $4.6 or 5% of sales in 2007, compared with $6.4, or 6% of sales in 2006. The decrease in earnings was primarily due to unfavorable mix due to the divestiture of the acrylamide product line and the acrylonitrile planned maintenance turnaround in June 2007, partially offset by selling price increases which were in excess of raw material increases of $1.8.

Six Months Ended June 30, 2007, Compared With Six Months Ended June 30, 2006

Consolidated Results

Net sales for the first six months of 2007 were $1,727.5 compared with $1,672.5 for the prior year period, an increase of $55.0 or 3.3%. The Cytec Performance Chemicals segment sales volumes decreased primarily due to the divestiture of the water treating chemicals product line. Cytec Performance Chemicals also experienced slightly lower volumes in North America due to reduced demand partially offset by increased volumes in Europe and Asia. In the Cytec Surface Specialties segment, sales increased primarily as a result of the higher selling prices in liquid coating resins and powder coatings in all regions, plus favorable exchange rate changes partially offset by lower volumes in liquid coating resins and Radcure. The Cytec Engineered Materials segment sales increase was primarily volume related with higher sales to the large commercial aircraft and launch markets with price increases in a number of markets across most regions. The Building Block Chemicals segment sales were up despite the negative impact of the divestiture of the acrylamide product line which was more than offset by increased volumes of acrylonitrile to the purchaser of the divested product line and higher selling volumes of melamine as well as increased selling prices.

For a detailed discussion on sales refer to the Segment Results section below.

Manufacturing cost of sales was $1,361.7 or 79% for the first six months of 2007

compared with $1,333.7 or 80% of sales for the first six months of 2006. Most of the increase is associated with higher selling volumes and higher raw material costs of $51.7 partially offset by reduced costs due to the divestiture of the water treatment chemicals and acrylamide product lines and restructuring initiatives. The first six months of 2006 included a net restructuring charge of $21.3. See Note 5 to the consolidated financial statements for additional detail of the net restructuring charge.

Selling and technical services was $103.0 in 2007 versus $106.9 in the prior year. The reduction was primarily due to the divestiture of the water treatment chemicals product line partially offset by higher spending in Engineered Materials and Surface Specialties.

Research and process development was $37.6 in 2007 versus $36.1 in the prior year primarily due to higher research and development spending in Engineered Materials and Surface Specialties to develop and qualify new products and applications. Partially offset by a decline due to the divestiture of the water chemicals product line.

Administrative and general expenses were $55.2 in 2007 versus $51.0 in the prior year. The increase in 2007 was primarily attributable to higher compensation expense and an increase in incentive compensation expenses. The first six months of 2006 includes integration expenses of $1.0 associated with transitioning off of UCB's information technology system infrastructure. Amortization of acquisition intangibles was $18.9 in 2007 versus $18.0 in the prior year primarily due to increased amortization of Radcure Trademarks.

Other income (expense), net was income of $1.5 in 2007 compared with income of $14.0 in the prior year period. Included in the first six months of 2006 is a gain of $15.7 in connection with proceeds collected in an arbitration award in settlement of the commercial dispute as discussed in Note 10 to the consolidated financial statements.

Equity in earnings of associated companies was $0.4 in 2007 versus $1.7 in the prior year. The decline is attributable to the market share loss at a major customer of our associated company.

Interest expense, net was $21.6 in 2007 compared with $29.1 in the prior year. The decrease is primarily due to the lower average debt compared to the prior year.

-21-

The effective rate for the six months ended June 30, 2007 was a tax provision of 27.6% ($40.6) compared to 22.6% ($25.6) for the six months ended June 30, 2006. The 2007 effective tax rate for year to date was unfavorably impacted by a shift in our earnings to higher tax jurisdictions, changes in U.S. tax laws regarding export incentives, and a French restructuring charge for which no tax benefit was given due to the unlikely utilization of related net operating losses. The rate was favorably affected by the relatively low tax expense of $0.4 with respect to a $15.7 gain recorded in the first quarter on the second phase of the water business divestiture and changes in U.S. tax laws regarding manufacturing incentives. Excluding these items and accrued interest and penalties on unrecognized tax benefits in accordance with FIN 48, the underlying estimated annual effective tax rate for the six months ended June 30, 2007 was 29.3%, with a normalized annual effective rate of 29.75% including such interest and penalties.

The effective tax rate for the first six months of 2006 was 22.6% ($25.6) which was favorably impacted by a tax benefit from a restructuring charge recorded at 29.6%, and the gain on the favorable decision in a legal dispute partially

recorded in a lower tax entity, resulting in an effective rate of 20%. Also favorably impacting the rate was a reduction in tax expense of $3.5 as a result of the completion of 2002 and 2003 U.S. tax audits. Excluding these items, the underlying annual effective tax rate for the six months ended June 30, 2006 was 27%.

Net earnings for 2007 were $106.5 ($2.17 per diluted share) compared with net earnings for 2006 of $86.6 ($1.79 per diluted share). The improvement in net earnings is primarily attributable to higher operating earnings from increased selling volumes, increased selling prices in excess of raw material costs, and benefits from prior restructuring initiates. Earnings also increased due to lower net interest expense. These increases were partially offset by the higher effective tax rate discussed above.

Net earnings for 2006 were $86.6 ($1.79 per diluted share) which included an after-tax net restructuring charge of $15.7, an after-tax gain of $12.4 related to a favorable resolution of a legal dispute, an income tax benefit of $3.5 related to the completion of prior years tax audits and the cumulative effect of an accounting change after-tax charge of $1.2 related to the adoption of SFAS 123R.

Segment Results (Sales to external customers)

Year-to-year comparisons and analyses of changes in net sales by product line segment and region are set forth below.

Cytec Performance Chemicals

	Total			% Change Due to		
	2007	2006	% Change	Price	Volume/Mix	Divestiture
North America	$ 132.7	$ 176.2	-25%	-	-6%	-19%
Latin America	61.6	67.2	-8%	2%	-8%	-3%
Asia/Pacific	66.5	60.6	10%	-2%	15%	-5%
Europe/Middle East/Africa	103.0	151.6	-32%	-	2%	-38%
Total	$ 363.8	$ 455.6	-20%	-	-1%	-21%

Overall selling volumes decreased 22% primarily due to the divestiture of the water treating chemicals product line. In North America, there was lower volumes in most product lines. In Latin America, selling volumes are down principally due to timing of mine fills. Overall volume in Asia Pacific increased 15% primarily due to volume gains in mining chemicals and specialty additives product lines. Overall average price was flat as price increases were offset by customer mix. Changes in exchange rates increased sales by 2%.

Earnings from operations were $36.6, or 10% of sales, compared with $36.2 or 8% of sales in 2006. Earnings were up slightly and operating margins improved as the favorable product mix and benefits of the 2006 polymer additives cost restructuring more than offset the lost contribution of the divested water treating chemical product line and raw material cost increases $7.7.

Cytec Surface Specialties

Total % Change Due to

	2007	2006	% Change	Price	Volume/Mix	Currency
North America	$ 180.1	$ 193.2	-7%	3%	-10%	-
Latin America	34.5	29.4	17%	4%	9%	4%
Asia/Pacific	133.0	128.1	4%	6%	-3%	1%
Europe/Middle East/Africa	476.5	414.0	15%	7%	-1%	9%
Total	$ 824.1	$ 764.7	8%	6%	-3%	5%

Overall selling volumes decreased 3% primarily due to weak demand across most product lines in North America and lower sales of solvent borne resin products due to the discontinuance of certain products. Overall selling prices increased 6% primarily due to higher selling prices in liquid coating resins and powder in all regions. Overall Radcure resin volumes were down 2% primarily due to weaker demand in North America and price competition while overall Radcure prices were basically flat. Changes in exchange rates increased sales by 5% across all product lines and most regions.

Earnings from operations were $48.5, or 6% of sales, compared with $58.9, or 8% of sales in 2006. The decrease in earnings is primarily attributable to the lower selling volumes, higher raw materials of $38.3, and higher operating expenses partially offset by increased selling prices of $43.6.

Cytec Engineered Materials

	Total			% Change Due to		
	2007	2006	% Change	Price	Volume/Mix	Currency
North America	$ 206.9	$ 180.2	15%	2%	13%	-
Latin America(1)	0.6	0.6	-	-	-	-
Asia/Pacific	24.0	20.8	15%	1%	14%	-
Europe/Middle East/Africa	98.6	89.1	11%	2%	6%	3%
Total	$ 330.1	$ 290.7	14%	2%	11%	1%

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

Overall selling volumes increased 11% from higher volumes to the large commercial aircraft primarily due to build rates and new program sales into the launch vehicle market segment. Net selling prices increased 2% due to price increases across a number of markets in most regions. Changes in exchange rates increased sales by 1%.

Earnings from operations were $67.4, or 20% of sales, compared with $52.2, or 18% of sales in 2006. The impact of the increased sales on operating earnings due to higher volumes and higher selling prices was partially offset by increased raw material costs of $2.0, higher manufacturing costs as a result of increased production volumes, and higher technical and research and development expenditures.

Building Block Chemicals

	Total			% Change Due to			
	2007	2006	% Change	Price	Volume/Mix	Divestiture	Cu
North America	$ 112.8	$ 86.2	31%	-	38%	-7%	
Latin America(1)	1.1	2.8	-	-	-	-	
Asia/Pacific	11.7	12.0	-3%	17%	-19%	-1%	
Europe/Middle East/Africa	83.9	60.5	39%	12%	65%	-38%	
Total	$ 209.5	$ 161.5	30%	6%	43%	-19%	

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

Overall selling volumes were up 24%. Sales were negatively impacted 19% by the divestiture of the acrylamide product line which was more than offset by increased volumes of acrylonitrile to the purchaser of the divested product line. Melamine sales were higher in the six month period primarily due to increased capacity available following our takeover of the manufacturing plant in August 2006, which previously was a 50-50 manufacturing joint venture with a third party. Overall selling prices increased sales by 6%.

Earnings from operations were $7.2, or 3% of sales in 2007, compared with $6.3, or 3% of sales in 2006. The increase in earnings was primarily due to the higher volumes of acrylonitrile and melamine as well as 6% higher selling prices partially offset by the divestiture of the acrylamide product line, higher raw material costs of $3.8, and lower production due to the planned maintenance turnaround of the acrylonitrile manufacturing facility in June 2007.

LIQUIDITY AND FINANCIAL CONDITION

At June 30, 2007 our cash balance was $30.8 compared with $23.6 at year end 2006.

Cash flows provided by operating activities were $90.9 in 2007 compared with $94.9 in 2006. Trade accounts receivable increased $57.6 reflecting the increase in sales and inventory increased $7.0 due to higher inventory levels to meet increasing demand. Accrued expenses decreased $20.3 primarily due to payments in excess of current accruals for: incentive compensation and profit sharing of $9.4, restructuring related activities of $4.8 and customer rebate payments of approximately $2.5.

-23-

Cash flows used in investing activities were $12.3 for 2007 compared with $40.9 for 2006. This decrease was primarily attributable to the proceeds of $27.1 related to the sale of our water treatment chemicals and acrylamide product line to Kemira Group. Capital spending for the first half of 2007 was $39.4, although this is expected to trend higher as activity on our expansion projects in the Engineered Materials and Surface Specialty segments increase over the remainder of the year.

Net cash flows used in financing activities were $73.0 in 2007 compared with $83.5 for 2006. This change is primarily due to a reduction in net debt

repayments in 2007. In the first half of 2007, we had net debt repayments of $60.8 and treasury stock repurchases of 432,800 shares for $25.1, which were partially offset by proceeds received on the exercise of stock options of $19.0. In June 2007, we amended and restated our revolving credit agreement to increase the facility from $350.0 to $400.0, and extend the maturity date to June 2012. Borrowings against the $400.0 unsecured five-year revolving credit facility totaled $34.3 and therefore, we have $365.7 of borrowing capacity unutilized at June 30, 2007.

Approximately $43.7 remained authorized under our stock buyback program as of June 30, 2007. We anticipate repurchases will be made from time-to-time on the open market or in private transactions and will be utilized for share-based compensation plans and other corporate purposes.

On April 19, 2007 the Board of Directors declared a $0.10 per common share cash dividend, paid on May 25, 2007 to shareholders of record as of May 10, 2007. Cash dividends paid in the second quarter of 2007 and 2006 were $4.8 and $4.7, respectively, and for the six months ended June 30, 2007 and 2006 were $9.6 and $9.4, respectively. On July 19, 2007 the Board of Directors declared a $0.10 per common share cash dividend, payable on August 27, 2007 to shareholders of record as of August 10, 2007.

During 2006, the Pension Protection Act of 2006 was enacted in the U.S. The principal changes under this legislation relate to the way assets and liabilities are valued to determine required pension contributions. This legislation also impacts the timing and manner of required contributions to under-funded pension plans. These changes could increase the funding requirements for our U.S. pension plans. Accordingly, the amounts we might contribute to these benefit plans in the future are subject to uncertainty. We believe we have adequate liquidity to fund any increased funding requirements of our U.S. pension plans that may occur due to the Pension Protection Act.

We believe that we have the ability to fund our operating cash requirements, planned capital expenditures and dividends as well as the ability to meet our debt service requirements for the foreseeable future from existing cash and from internal cash generation. However, 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 those cash requirements, which may include debt-service related disbursements.

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

Excluding the impact of increasing raw materials, inflation is not considered significant since the rate of inflation has remained relatively low in recent years and investments in areas of the world where inflation poses a risk are limited. The impact of increasing raw material costs are discussed under "Customers and Suppliers" in "Business" in Item 1 in our 2006 Annual Report on Form 10-K.

There were no material changes in contractual obligations from December 31, 2006 to June 30, 2007. Reference is also made to Note 12 in the Notes to Consolidated Financial Statements included herein which describes certain gross liabilities totaling $28.6 for unrecognized tax benefits that will be resolved at some point over the next several years.

OTHER

2007 OUTLOOK

In our July 19, 2007 press release, which was also furnished as an exhibit to a

current report on Form 8-K, we presented our best estimate of the full year 2007 earnings at the time based on various assumptions set forth in the press release. There can be no assurance that sales or earnings will develop in the manner projected. Actual results may differ materially. See "Comments on Forward Looking Statements."

SIGNIFICANT ACCOUNTING ESTIMATES / CRITICAL ACCOUNTING POLICIES

See "Critical Accounting Policies" under Item 7A of our 2006 Annual Report on Form 10-K, filed with the Securities and Exchange Commission on February 28, 2007 and incorporated by reference herein. There were no changes to our critical accounting policies except as follows.

Accounting for Uncertainty in Income Taxes

During the first quarter of 2007, we adopted FIN 48. Under FIN 48, we recognize the 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. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon effective settlement. See Note 12 of the Consolidated Financial Statements for additional details on the impact of adoption of FIN 48.

COMMENTS ON FORWARD-LOOKING STATEMENTS

A number of the statements made by us in this report, in our Annual Report on Form 10-K, or in other documents, including but not limited to the Chairman, President and Chief Executive Officer's letter to Stockholders, our press releases and other periodic 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.

Forward-looking statements include, among others, statements concerning our (including our segments) outlook for the future, anticipated results of acquisitions and divestitures, restructuring initiatives and their expected results, pricing trends, the effects of changes in currency rates and forces within the industry, the completion dates of and anticipated expenditures for capital projects, expected sales growth, operational excellence strategies and their results, expected annual effective tax rates, our long-term goals, legal settlements 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. Actual results may vary materially from those set forth in the forward-looking statements.

The following factors, among others, could affect the anticipated results: the ability to complete the successful integration of Surface Specialties, including realization of anticipated synergies within the expected timeframes or at all, and the ongoing operations of the business; the ability to successfully complete planned restructuring activities, including realization of the anticipated savings and operational improvements resulting from such activities; the retention of current ratings on our debt; changes in global and regional economies; the financial well-being of end consumers of our products; changes in demand for our products or in the quality, costs and availability of our raw materials and energy; customer inventory reductions; the actions of competitors; currency and interest rate fluctuations; technological change; our ability to renegotiate expiring long-term contracts; changes in employee relations,

including possible strikes; government regulations, including those related to taxation and those particular to the purchase, sale 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; difficulties in plant operations and materials transportation, including those caused by hurricanes or other natural forces; 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 operate; war, terrorism or sabotage; epidemics; and other unforeseen circumstances.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
(Currencies in millions)

For a discussion of market risks at year-end, refer to Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2006, filed with the Securities and Exchange Commission on February 28, 2007 and incorporated by reference herein. Other 2007 financial instrument transactions include:

Commodity Price Risk: At June 30, 2007, we held natural gas swaps, including the gas swaps for our Fortier plant, with an unfavorable fair value of $2.0, which will be reclassified into Manufacturing Cost of Sales through June 2008 as these swaps are settled.

Assuming all other factors are held constant, a hypothetical increase/decrease of 10% in the price of natural gas would cause an increase/decrease of approximately $3.8 in the value of the swaps.

Interest Rate Risk: At June 30, 2007, our outstanding borrowings consisted of $42.1 of short-term borrowings and $841.9 of long-term debt, including the current portion. The long-term debt had a face value of $841.7 and a fair value, based on dealer quoted values, of approximately $818.7 at June 30, 2007.

Assuming other factors are held constant, a hypothetical increase/decrease of 1% in the weighted-average prevailing interest rates on our variable rate debt outstanding as of June 30, 2007, interest expense would increase/decrease by approximately $0.2 for the next fiscal quarter.

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 business. At June 30, 2007, the principal transactions hedged involved accounts receivable, accounts payable and intercompany loans. 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 June 30, 2007, net contractual amounts of forward contracts outstanding translated into U. S. dollar amounts of $103.7. The unfavorable fair value of currency contracts, based on forward exchange rates at June 30, 2007, was $0.4. Assuming that period-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 June 30, 2007 would decrease by approximately $15.8. 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 item or transaction being hedged.

In September, 2005, we entered into (euro)207.9 of five year cross currency swaps and (euro)207.9 of ten year cross currency swaps to effectively convert the 5-Year Notes and 10-Year Notes into euro-denominated liabilities. The swaps included an initial exchange of $500.0 on October 4, 2005 and will require final principal exchanges of $250.0 on each settlement date of the 5-Year and 10-Year Notes (October 1, 2010 and October 1, 2015), respectively. At the initial principal exchange, we paid US dollars to counterparties and received euros. Upon final exchange, we will provide euros to counterparties and receive US dollars. The swaps also call for a semi-annual exchange of fixed euro interest payments for fixed US dollar interest receipts. With respect to the five year swaps, we will receive 5.5% per annum and will pay 3.784% per annum on each April 1 and October 1, through the maturity date of the five year swaps. With respect to the ten year swaps, we will receive 6.0% per annum and will pay 4.5245% per annum on each April 1 and October 1, through the maturity date of the ten year swaps. The cross currency swaps have been designated as cash flow hedges of the changes in value of the future euro interest and principal receipts that results from changes in the US dollar to euro exchange rates on certain euro denominated intercompany loans receivable we have with one of our subsidiaries. At June 30, 2006, the unfavorable fair value of the five and ten year swaps were $20.9 and $17.8, respectively. Assuming other factors are held constant, a hypothetical increase of 10% in the euro exchange rate would have an adverse effect of approximately $53.9 on the combined value of the cross-currency swaps.

Our euro denominated bank borrowings are used to provide a partial hedge of our net investment in our Belgium-based subsidiary, Cytec Surface Specialties SA/NV. From time to time we also enter into forward euro contracts to adjust the level of this net investment hedge. At June 30, 2007, we had forward contracts to purchase (euro)58.0 which were designated as a net investment hedge. Assuming other factors are held constant, a hypothetical decrease of 10% in the euro exchange rate would have an adverse impact of approximately $7.8 in the value of these forward contracts.

Item 4. CONTROLS AND PROCEDURES

We carried out an evaluation, under the supervision and with the participation of the management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures as required by Exchange Act Rule 13a-15(b) as of the period ended June 30, 2007. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

We continue the process of implementing our Cytec Specialty Chemicals global enterprise-wide planning systems for the acquired business of Surface Specialties. The world-wide implementation is expected to be completed in early 2009 and includes changes that involve internal control over financial reporting. Although we expect this implementation to proceed without any material adverse effects, the possibility exists that the migration to our global enterprise-wide planning systems could adversely affect our internal control, our disclosure control and procedures or our results of operations in future periods. We are reviewing each system and site as they are being implemented and the controls affected by the implementation. Appropriate changes have been or will be made to any affected internal control during the implementation. We will test all significant modified controls resulting from the implementation to ensure they are functioning effectively.

As of January 1, 2007, we began utilizing the aforementioned global systems for the acquired Surface Specialties entities in the United States and Canada. In conjunction with this implementation, the former U.S. legal entity for the Surface Specialty business was also merged with the Cytec Industries Inc. U.S. legal entity. We have reviewed the results of the merger and the concurrent systems implementation and have concluded that neither had a negative impact on our internal control over financial reporting.

There were no changes in internal control over financial reporting that occurred during the three months ended June 30, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS (Currencies in millions, except per share amounts)

We are the subject of numerous lawsuits and claims incidental to the conduct of our or our predecessors' businesses, including lawsuits and claims relating to product liability, personal injury, environmental, contractual, employment and intellectual property matters. Many of the matters relate to the use, handling, processing, storage, transport or disposal of hazardous materials. We believe that the resolution of such lawsuits and claims, including those described below, will not have a material adverse effect on our consolidated financial position, but could be material to our consolidated results of operations and cash flows in any one accounting period. We, in this section, include certain predecessor entities being indemnified by us.

Material developments to legal proceedings described in our 2006 Annual Report on Form 10-K are set forth below.

The following table presents information about asbestos claims activity during the six months ended June 30, 2007:

	For the Six Month Period Ended June 30, 2007
Number of claimants at beginning of period	8,600
Number of claimants associated with claims closed during period	(300)
Number of claimants associated with claims opened during period	200
Number of claimants at end of period	8,500

Numbers in the foregoing table are rounded to the nearest hundred and are based on information as received by the Company, which may lag actual court filing dates by several months or more. Claims are recorded as closed when a claimant is dismissed or severed from a case. Claims are opened whenever a new claim is brought, including from a claimant previously dismissed or severed from another case.

We commenced binding arbitration proceedings against SNF SA ("SNF"), in 2000 to resolve a commercial dispute relating to SNF's failure to purchase agreed

amounts of acrylamide under a long-term agreement. In July, 2004, the arbitrators awarded us damages and interest aggregating approximately (euro)11.0 plus interest on the award at a rate of 7% per annum from July 28, 2004 until paid. After further proceedings in France, we collected (euro)12.2 ($15.7) related to the arbitration award including interest in the second quarter of 2006. Subsequent to the arbitration award, SNF filed a complaint alleging criminal violation of French and European Community antitrust laws relating to the contract, which was the subject of the arbitration proceedings, which complaint was dismissed in December 2006. SNF has also filed a final appeal of the court order which allowed us to enforce the award and a separate complaint in France seeking compensation from Cytec for (euro)54.0 in damages it allegedly suffered as a result of our attachment on various SNF receivables and bank accounts to secure enforcement of the arbitration award. We believe that the appeal and complaint are without merit. SNF also appealed the arbitration award in Belgium where the Brussels Court of First Instance invalidated the award in March 2007. We have appealed that decision to the Belgium Court of Appeals, which will review the matter on a de novo basis. The Belgium decision should not affect the enforceability of the award in France.

See also Note 10 of the Notes to the Consolidated Financial Statements herein.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES (Currencies in millions, except per share amounts)

During the six months ended June 30, 2007, we repurchased common stock for $25.1 under our stock buyback program, which was suspended in October 2004 and reinstated in February 2007. Approximately $43.7 remained authorized under the buyback program as of June 30, 2007. Pursuant to this program, shares can be repurchased in open market transactions or privately negotiated transactions at our discretion.

Period	Total Number of Shares Purchased	Average Price Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dolla Value of Shares That May Yet Be Purchased Under the Progra
March 1, 2007 - March 31, 2007	170,000	$57.04	170,000	$59.0
April 1, 2007 - April 30, 2007	72,000	$55.64	72,000	$55.0
May 1, 2007 - May 31, 2007	78,000	$57.81	78,000	$50.5
June 1, 2007 - June 30, 2007	112,800	$60.75	112,000	$43.7

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company held its annual meeting of Common Stockholders on April 19, 2007. At this meeting, the following matters were voted on:

1. Election of Directors - Ms. Chris A. Davis and Messrs Louis L. Hoynes, Jr., and William P. Powell were elected Directors at the Annual Meeting for terms ending at the Annual Meeting of Stockholders in 2010 by the margins set forth below. In addition, the terms of the following directors continued after that meeting: Anthony G. Fernandes, Barry C. Johnson, David Lilley, Thomas W. Rabaut, Jerry R. Satrum, Raymond P. Sharpe and James R. Stanley.

Name	Votes For	Votes Withheld
Chris A. Davis	44,088,484	923,694
Louis L. Hoynes, Jr.	43,607,804	1,404,374
William P. Powell	42,610,529	2,401,649

2. The appointment of KPMG LLP as the Company's independent registered public accounting firm for 2007 was ratified by the following margin:

For	Against	Abstain
44,508,855	416,569	86,754

Item 5. OTHER

REGULATORY DEVELOPMENTS

The Registration, Evaluation and Authorization of Chemicals ("REACH") legislation became effective in the European Union on June 1, 2007. This legislation 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. Covered substances must be pre-registered by December 31, 2008. 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. The European Commission is preparing technical guidance documents to facilitate the implementation of REACH, but this guidance is not expected to be available until the end of 2007. Currently, REACH is expected to take effect in three primary stages over eleven years following the final 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 do not expect to incur significant costs for REACH compliance in 2007. However, the overall cost of compliance over the next 10-15 years could 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 6. EXHIBITS

(a). Exhibits

See Exhibit Index on page 33 for exhibits filed with this Quarterly Report on Form 10-Q.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CYTEC INDUSTRIES INC.

By: /s/ David M. Drillock

David M. Drillock
Vice President and
Chief Financial Officer

August 1, 2007

Exhibit Index

12 Computation of Ratio of Earnings to Fixed Charges for the three and six months ended June 30, 2007 and 2006

31.1 Certification of David Lilley, Chief Executive Officer, Pursuant to Rule 13a-14(a) of the Securities Exchange Act

31.2 Certification of David Drillock, Chief Financial Officer, Pursuant to Rule 13a-14(a) of the Securities Exchange Act

32.1 Certification of David Lilley, Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002

32.2 Certification of David Drillock, Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002