



Cabot Corporation Announces Realignment of Business Reporting Segments

January 21, 2015

BOSTON--(BUSINESS WIRE)--Jan. 20, 2015-- [Cabot Corporation](#) (NYSE: CBT) announced today that it has realigned its global business segments. The new segment structure is designed to improve efficiency and resource prioritization. It will also enable stronger customer focus and better align with the recently announced organizational structure.

The company is organized into four segments that now include Reinforcement Materials, Performance Chemicals, Specialty Fluids and Purification Solutions. The Reinforcement Materials segment now combines the rubber blacks and elastomer composites product lines. This segment's main objective is to serve the tire and industrial rubber industries. The Performance Chemicals segment now combines the specialty carbons and compounds, and inkjet colorants product lines into the Specialty Carbons and Formulations business, and combines the fumed metal oxides and aerogel product lines into the Metal Oxides business. This new structure better leverages Cabot's global activities across common customer applications, production, and research and development. The Specialty Fluids business will now be a stand-alone reporting segment. Finally, there is no change to the Purification Solutions segment, which includes the Cabot Norit Activated Carbon business.

The new segment structure is aligned with recently announced senior management changes. Sean Keohane is the executive vice president and president of the Reinforcement Materials segment. Nick Cross is the executive vice president and president of the Performance Chemicals and Specialty Fluids segments. Fred von Gottberg is the senior vice president and president of the Purification Solutions segment.

Beginning with the first quarter of fiscal 2015, financial results for the company will reflect the realigned segment structure. Included with this press release are recast financial statements for fiscal 2013 and fiscal 2014 consistent with these realigned segments.

Commenting on the changes, Cabot President and CEO Patrick Prevost, said, "The new segment structure will better align with our organization and improve resource prioritization. Our objective remains to deliver earnings growth through superior customer relationships, manufacturing excellence, and outstanding technology development and engagement."

About Cabot Corporation

Cabot Corporation (NYSE: CBT) is a global specialty chemicals and performance materials company, headquartered in Boston, Massachusetts. The company is a leading provider of [rubber](#) and [specialty carbons](#), [activated carbon](#), [inkjet colorants](#), [cesium formate drilling fluids](#), [fumed silica](#), and [aerogel](#). For more information on Cabot, please visit the company's website at: <http://www.cabotcorp.com>.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: Statements in the press release regarding Cabot's business that are not historical facts are forward looking statements that involve risks and uncertainties. For a discussion of such risks and uncertainties, which could cause actual results to differ from those contained in the forward looking statements, see "Risk Factors" in the Company's Annual Report on Form 10-K.

CABOT CORPORATION CONSOLIDATED STATEMENTS OF OPERATIONS

Periods ended September 30	Three Months		Twelve Months	
<i>Dollars in millions, except per share amounts</i>	2014	2013	2014	2013
Net sales and other operating revenues	\$ 911	\$ 896	\$ 3,647	\$ 3,456
Cost of sales	<u>729</u>	<u>729</u>	<u>2,926</u>	<u>2,823</u>
Gross profit	182	167	721	633
Selling and administrative expenses	81	75	326	297
Research and technical expenses	<u>14</u>	<u>18</u>	<u>60</u>	<u>68</u>
Income from operations	87	74	335	268

Other (expense) income

Interest and dividend income	-	1	3	5
Interest expense	(14)	(15)	(55)	(62)
Other (expense) income ^(A)	(2)	(4)	25	(1)
Total other (expense) income	<u>(16)</u>	<u>(18)</u>	<u>(27)</u>	<u>(58)</u>

**Income from continuing operations before
income taxes and equity in
earnings of affiliated companies**

	71	56	308	210
Provision for income taxes	(41)	(8)	(92)	(60)
Equity in earnings of affiliated companies, net of tax	2	2	-	11
Income from continuing operations	<u>32</u>	<u>50</u>	<u>216</u>	<u>161</u>
Income (loss) from discontinued operations, net of tax ^(B)	4	1	2	(1)
Net income	<u>36</u>	<u>51</u>	<u>218</u>	<u>160</u>
Net income attributable to noncontrolling interests	5	4	19	7
Net income attributable to Cabot Corporation	<u>\$ 31</u>	<u>\$ 47</u>	<u>\$ 199</u>	<u>\$ 153</u>

**Diluted earnings per share of common stock
attributable to Cabot Corporation**

Continuing operations	\$ 0.43	\$ 0.72	\$ 3.01	\$ 2.37
Discontinued operations ^(B)	<u>0.05</u>	<u>0.01</u>	<u>0.02</u>	<u>(0.01)</u>
Net income attributable to Cabot Corporation	\$ 0.48	\$ 0.73	\$ 3.03	\$ 2.36

Weighted average common shares outstanding

Diluted	65.1	64.7	65.1	64.5
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- (A) Other (expense) income for the twelve months of fiscal 2014 includes a \$29 million non-cash gain on Cabot's existing investment in its Mexican joint venture (NHUMO) recognized upon acquiring our former joint venture partner's common stock in NHUMO, which represented approximately 60% of the common equity of the joint venture.
- (B) Amounts relate primarily to the divestiture of the Security Materials business and the divestiture of the Supermetals business.

CABOT CORPORATION SUMMARY RESULTS BY SEGMENTS

Periods ended September 30	Three Months		Twelve Months	
<i>Dollars in millions, except per share amounts (unaudited)</i>	2014	2013	2014	2013

Sales

Reinforcement Materials ^(A)	\$ 525	\$ 494	\$ 2,108	\$ 1,931
Performance Chemicals ^(A)	259	254	1,022	989
Specialty Carbons and Formulations ^(A)	178	176	709	686
Metal Oxides ^(A)	81	78	313	303
Purification Solutions ^(B)	85	84	315	328
Specialty Fluids ^(A)	21	38	98	101
Segment sales	890	870	3,543	3,349
Unallocated and other ^{(B) (C)}	21	26	104	107
Net sales and other operating revenues	\$ 911	\$ 896	\$ 3,647	\$ 3,456

Segment Earnings Before Interest and Taxes ^{(D) (E)}

Reinforcement Materials ^(A)	\$ 59	\$ 52	\$ 259	\$ 194
Performance Chemicals ^(A)	41	36	168	150
Purification Solutions	1	(8)	(19)	(4)
Specialty Fluids ^(A)	7	18	39	46
Total Segment Earnings Before Interest and Taxes ^(E)	108	98	447	386

Unallocated and Other

Interest expense	(14)	(15)	(55)	(62)
Certain items ^(F)	(9)	(11)	(28)	(54)
Unallocated corporate costs ^(E)	(11)	(11)	(54)	(48)
General unallocated expense ^(G)	(1)	(3)	(2)	(1)
Less: Equity in earnings of affiliated companies	(2)	(2)	-	(11)

Income from continuing operations before income taxes and equity in

earnings of affiliated companies	71	56	308	210
Provision for income taxes (including tax certain items)	(41)	(8)	(92)	(60)
Equity in earnings of affiliated companies	2	2	-	11
Income from continuing operations	32	50	216	161
Income (loss) from discontinued operations, net of tax ^(H)	4	1	2	(1)
Net income	36	51	218	160
Net income attributable to noncontrolling interests	5	4	19	7
Net income attributable to Cabot Corporation	\$ 31	\$ 47	\$ 199	\$ 153

**Diluted earnings per share of common stock
attributable to Cabot Corporation**

Continuing operations	\$ 0.43	\$ 0.72	\$ 3.01	\$ 2.37
Discontinued operations ^(H)	0.05	0.01	0.02	(0.01)
Net income attributable to Cabot Corporation	<u>\$ 0.48</u>	<u>\$ 0.73</u>	<u>\$ 3.03</u>	<u>\$ 2.36</u>
Adjusted earnings per share				
Adjusted EPS ^(I)	\$ 0.85	\$ 0.78	\$ 3.43	\$ 2.93

Weighted average common shares outstanding

Diluted	65.1	64.7	65.1	64.5
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- (A) The amounts above have been recast for all periods to reflect the movement of the Elastomer Composites product line from the Advanced Technologies segment to the Reinforcement Materials segment and the Inkjet Colorants and Aerogel product lines from the Advanced Technologies segment to the Performance Chemicals segment. Specialty Fluids, which was previously included in the Advanced Technologies segment, will now be a stand-alone reporting segment.
- (B) Beginning in the second quarter of fiscal 2014, a reclassification between Purification Solutions and Unallocated and other sales has been made in the table above in order to align the presentation of shipping and handling fees on customer sales with the rest of Cabot's businesses. Historical periods have been adjusted to reflect this reclassification.
- (C) Unallocated and other reflects royalties, other operating revenues, external shipping and handling fees, the impact of unearned revenue, the removal of 100% of the sales of an equity method affiliate and discounting charges for certain Notes receivable.
- (D) Segment EBIT is a measure used by Cabot's Chief Operating Decision-Maker to measure consolidated operating results, assess segment performance and allocate resources. Segment EBIT includes equity in earnings of affiliated companies, royalty income, and allocated corporate costs.
- (E) Fiscal 2013 Segment EBIT and unallocated corporate costs have been recast from the reporting of the first three quarters of fiscal 2013 to reflect an allocation of costs to the Purification Solutions segment for corporate administrative and functional support. These allocations were previously reflected in Unallocated corporate costs and other segment results. The recast results for each quarter of fiscal 2013 are consistent with those that were presented in conjunction with Cabot's year end fiscal 2013 earnings release.
- (F) Details of certain items are presented in the Certain Items and Reconciliation of Adjusted EPS and Operating Tax Rate table.
- (G) General unallocated expense includes foreign currency transaction gains (losses), interest income, dividend income, the profit related to unearned revenue, and the impact of LIFO accounting.
- (H) Amounts relate primarily to the divestiture of the Security Materials business and the Supermetals business.
- (I) Adjusted EPS is a non-GAAP measure, and a reconciliation of Adjusted EPS to GAAP EPS is presented in the Certain Items and Reconciliation of Adjusted EPS and Operating Tax Rate table.

CABOT CORPORATION CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	September 30, 2014	September 30, 2013
<i>Dollars in millions</i>		
Current assets:		
Cash and cash equivalents	\$ 67	\$ 95
Accounts and notes receivable, net of reserve for doubtful accounts of \$7 and \$8	688	633
Inventories:		
Raw materials	111	100
Work in process	2	2
Finished goods	341	309
Other	<u>44</u>	<u>44</u>
Total inventories	498	455
Prepaid expenses and other current assets	69	58
Notes receivable from sale of business	-	214
Deferred income taxes	42	36
Current assets held for sale ^(A)	<u>-</u>	<u>4</u>
Total current assets	<u>1,364</u>	<u>1,495</u>

Property, plant and equipment, net	1,581	1,600
Goodwill	536	502
Equity affiliates	68	119
Intangible assets, net of accumulated amortization of \$33 and \$16	347	308
Assets held for rent	56	49
Deferred income taxes	80	68
Other assets	52	83
Non-current assets held for sale ^(A)	-	9
Total assets	<u>\$ 4,084</u>	<u>\$ 4,233</u>

(A) Includes amounts related to the divestiture of the Security Materials business.

CABOT CORPORATION CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	September 30, 2014	September 30, 2013
<i>Dollars in millions, except share and per share amounts</i>		
Current liabilities:		
Notes payable	\$ 44	\$ 264
Accounts payable and accrued liabilities	512	534
Income taxes payable	49	30
Deferred income taxes	1	2
Current portion of long-term debt	24	14
Total current liabilities	<u>630</u>	<u>844</u>
Long-term debt	1,004	1,020
Deferred income taxes	68	21
Other liabilities	291	265
Redeemable preferred stock	27	-
Stockholders' equity:		
Preferred stock:		
Authorized: 2,000,000 shares of \$1 par value		
Issued and Outstanding: None and none	-	-
Common stock:		
Authorized: 200,000,000 shares of \$1 par value		
Issued: 64,634,731 and 64,223,985 shares		
Outstanding: 64,382,366 and 63,970,502 shares	64	64
Less cost of 252,365 and 253,483 shares of common treasury stock	(7)	(8)
Additional paid-in capital	49	39
Retained earnings	1,900	1,755
Deferred employee benefits	-	(2)
Accumulated other comprehensive income	(64)	103
Total Cabot Corporation stockholders' equity	<u>1,942</u>	<u>1,951</u>
Noncontrolling interests	122	132
Total stockholders' equity	<u>2,064</u>	<u>2,083</u>
Total liabilities and stockholders' equity	<u>\$ 4,084</u>	<u>\$ 4,233</u>

**CABOT
CORPORATION**

	Fiscal 2013					Fiscal 2014				
<i>Dollars in millions, except per share amounts (unaudited)</i>	Dec. Q.	Mar. Q.	June Q.	Sept. Q.	FY	Dec. Q.	Mar. Q.	June Q.	Sept. Q.	FY
Sales										
Reinforcement Materials (A)	483	463	491	494	1,931	533	512	538	525	2,108
Performance Chemicals (A)	217	258	260	254	989	237	264	262	259	1,022
Specialty Carbons and Formulations (A)	148	185	177	176	686	163	186	182	178	709
Metal Oxides (A)	69	73	83	78	303	74	78	80	81	313
Purification Solutions (B)	88	75	81	84	328	72	80	78	85	315
Specialty Fluids (A)	8	20	35	38	101	28	25	24	21	98
Segment Sales	796	816	867	870	3,349	870	881	902	890	3,543
Unallocated and other (B) (C)	23	24	34	26	107	28	17	38	21	104
Net sales and other operating revenues	\$ 819	\$ 840	\$ 901	\$ 896	\$ 3,456	\$ 898	\$ 898	\$ 940	\$ 911	\$ 3,647
Segment Earnings Before Interest and Taxes (D) (E)										
Reinforcement Materials (A)	52	41	49	52	194	73	65	62	59	259
Performance Chemicals (A)	32	37	45	36	150	37	46	44	41	168
Purification Solutions	5	-	(1)	(8)	(4)	(9)	(4)	(7)	1	(19)
Specialty Fluids (A)	1	9	18	18	46	13	9	10	7	39
Total Segment Earnings Before Interest and Taxes (E)	90	87	111	98	386	114	116	109	108	447
Unallocated and Other										
Interest expense	(16)	(16)	(15)	(15)	(62)	(14)	(13)	(14)	(14)	(55)
Certain items (F)	(19)	(20)	(4)	(11)	(54)	24	(36)	(7)	(9)	(28)
Unallocated corporate costs (E)	(12)	(13)	(12)	(11)	(48)	(13)	(16)	(14)	(11)	(54)
General unallocated income (expense) (G)	3	2	(3)	(3)	(1)	-	(5)	4	(1)	(2)
Less: Equity in (earnings) loss of affiliated companies	(3)	(3)	(3)	(2)	(11)	(2)	2	2	(2)	-
Income from continuing operations before income taxes and equity in earnings (loss) of affiliated companies	43	37	74	56	210	109	48	80	71	308
Provision for income taxes (including tax certain items)	(20)	(16)	(16)	(8)	(60)	(24)	(7)	(20)	(41)	(92)

Equity in earnings (loss) of affiliated companies	3	3	3	2	11	2	(2)	(2)	2	-
Income from continuing operations	26	24	61	50	161	87	39	58	32	216
(Loss) income from discontinued operations, net of tax ^(H)	(2)	(1)	1	1	(1)	(1)	-	(1)	4	2
Net income	24	23	62	51	160	86	39	57	36	218
Net income (loss) attributable to noncontrolling interests	4	(4)	3	4	7	6	3	5	5	19
Net income attributable to Cabot Corporation	\$ 20	\$ 27	\$ 59	\$ 47	\$ 153	\$ 80	\$ 36	\$ 52	\$ 31	\$ 199
Diluted earnings per share of common stock attributable to Cabot Corporation										
Continuing operations	\$ 0.35	\$ 0.43	\$ 0.87	\$ 0.72	\$ 2.37	\$ 1.24	\$ 0.55	\$ 0.79	\$ 0.43	\$ 3.01
Discontinued operations ^(H)	(0.04)	(0.01)	0.03	0.01	(0.01)	(0.01)	(0.01)	(0.01)	0.05	0.02
Net income attributable to Cabot Corporation	\$ 0.31	\$ 0.42	\$ 0.90	\$ 0.73	\$ 2.36	\$ 1.23	\$ 0.54	\$ 0.78	\$ 0.48	\$ 3.03
Adjusted earnings per share										
Adjusted EPS ^(H)	\$ 0.67	\$ 0.64	\$ 0.84	\$ 0.78	\$ 2.93	\$ 0.87	\$ 0.83	\$ 0.88	\$ 0.85	\$ 3.43
Weighted average common shares outstanding										
Diluted	64.1	64.4	64.5	64.7	64.5	64.8	65.1	65.2	65.1	65.1

- (A) The amounts above have been recast for all periods to reflect the movement of the Elastomer Composites product line from the Advanced Technologies segment to the Reinforcement Materials segment and the Inkjet Colorants and Aerogel product lines from the Advanced Technologies segment to the Performance Chemicals segment. Specialty Fluids, which was previously included in the Advanced Technologies segment, will now be a stand-alone reporting segment.
- (B) Beginning in the second quarter of fiscal 2014, a reclassification between Purification Solutions and Unallocated and other sales has been made in the table above in order to align the presentation of shipping and handling fees on customer sales with the rest of Cabot's businesses. Historical periods have been adjusted to reflect this reclassification.
- (C) Unallocated and other reflects royalties, other operating revenues, external shipping and handling fees, the impact of unearned revenue, the removal of 100% of the sales of an equity method affiliate and discounting charges for certain Notes receivable.
- (D) Segment EBIT is a measure used by Cabot's Chief Operating Decision-Maker to measure consolidated operating results, assess segment performance and allocate resources. Segment EBIT includes equity in earnings (loss) of affiliated companies, royalty income, and allocated corporate costs.
- (E) The first three quarters of fiscal 2013 Segment EBIT and unallocated corporate costs have been recast to reflect an allocation of costs to the Purification Solutions segment for corporate administrative and functional support. These allocations were previously reflected in Unallocated corporate costs and other segment results. The recast results for each quarter of fiscal 2013 are consistent with those that were presented in conjunction with Cabot's year end fiscal 2013 earnings release.
- (F) Details of certain items are presented in the Certain Items and Reconciliation of Adjusted EPS and Operating Tax Rate table.
- (G) General unallocated income (expense) includes foreign currency transaction gains (losses), interest income, dividend income, the profit related to unearned revenue, and the impact of LIFO accounting.
- (H) Amounts relate primarily to the divestiture of the Security Materials business and the Supermetals business.

- (l) Adjusted EPS is a non-GAAP measure, and a reconciliation of Adjusted EPS to GAAP EPS is presented in the Certain Items and Reconciliation of Adjusted EPS and Operating Tax Rate table.

CABOT CORPORATION CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Periods ended September 30	Three Months		Twelve Months	
<i>Dollars in millions</i>	2014	2013	2014	2013
Cash Flows from Operating Activities:				
Net income	\$ 36	\$ 51	\$ 218	\$ 160
Adjustments to reconcile net income to cash provided by operating activities:				
Depreciation and amortization	51	46	201	190
Other non-cash charges (income), net	38	(15)	11	14
Changes in assets and liabilities:				
Changes in certain working capital items ^(A)	(11)	182	(139)	80
Changes in other assets and liabilities, net	(7)	12	(21)	(33)
Proceeds from tax refund	20	-	20	-
Cash dividends received from equity affiliates	3	1	25	8
Cash provided by operating activities	<u>130</u>	<u>277</u>	<u>315</u>	<u>419</u>
Cash Flows from Investing Activities:				
Additions to property, plant and equipment	(56)	(69)	(171)	(264)
Receipts from notes receivable from sale of business	-	-	215	39
Proceeds from sale of business	20	-	20	-
Acquisition of business, net of cash acquired	-	-	(73)	-
Other investing activities, net	(2)	2	(7)	(2)
Cash used in investing activities	<u>(38)</u>	<u>(67)</u>	<u>(16)</u>	<u>(227)</u>
Cash Flows from Financing Activities:				
Change in debt, net	(89)	(154)	(225)	(123)
Cash dividends paid to common stockholders	(14)	(12)	(54)	(51)
Other financing activities, net	(11)	(28)	(23)	(32)
Cash used in financing activities	<u>(114)</u>	<u>(194)</u>	<u>(302)</u>	<u>(206)</u>
Effect of exchange rates on cash	(12)	3	(25)	(11)
(Decrease) Increase in cash and cash equivalents	(34)	19	(28)	(25)
Cash and cash equivalents at beginning of period	101	76	95	120
Cash and cash equivalents at end of period	<u>\$ 67</u>	<u>\$ 95</u>	<u>\$ 67</u>	<u>\$ 95</u>

^(A) Includes Accounts and notes receivable, Inventories, and Accounts payable and accrued liabilities

CABOT CORPORATION CERTAIN ITEMS AND RECONCILIATION OF ADJUSTED EPS AND OPERATING TAX RATE

**TABLE 1: DETAIL
OF CERTAIN ITEMS**

Periods ended	Three Months	Twelve Months	Three Months	Twelve Months
September 30				
<i>Dollars in millions, except per share amounts (unaudited)</i>	Dollars in Millions		Per Share After Tax	

	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	per share ^(A)	per share ^(A)	per share ^(A)	per share ^(A)
Certain items before and after income taxes								
Global restructuring activities	\$ (5)	\$ (6)	\$ (29)	\$ (35)	\$ (0.06)	\$ (0.03)	\$ (0.31)	\$ (0.33)
Acquisition and integration-related charges	(2)	(3)	(7)	(21)	(0.03)	(0.05)	(0.08)	(0.24)
Foreign currency (loss) gain on revaluations	—	(1)	(3)	3	—	(0.02)	(0.03)	0.03
Gain on existing investment in NHUMO	—	—	29	—	—	—	0.45	—
Legal and environmental matters and reserves	(2)	(1)	(18)	(1)	(0.02)	(0.01)	(0.18)	(0.01)
Total certain items, pre-tax	(9)	(11)	(28)	(54)	(0.11)	(0.11)	(0.15)	(0.55)
Tax impact of certain items	1	5	17	10				
Certain items after tax	(8)	(6)	(11)	(44)	(0.11)	(0.11)	(0.15)	(0.55)
Tax-related certain items								
Tax impact of certain foreign exchange gains (losses)	1	—	—	(12)	—	—	(0.01)	(0.19)
Discrete tax items	(20)	2	(17)	11	(0.31)	0.05	(0.26)	0.18
Total tax-related certain items	(19)	2	(17)	(1)	(0.31)	0.05	(0.27)	(0.01)
Total certain items after tax	(27)	(4)	(28)	(45)	(0.42)	(0.06)	(0.42)	(0.56)
Discontinued operations after income taxes ^(B)	4	1	2	(1)	0.05	0.01	0.02	(0.01)
Total discontinued operations after tax	\$ 4	\$ 1	\$ 2	\$ (1)	\$ 0.05	\$ 0.01	\$ 0.02	\$ (0.01)

TABLE 2: CERTAIN ITEMS STATEMENT OF OPERATIONS LINE ITEM

Periods ended September 30	Three Months		Twelve Months	
<i>Dollars in millions, Pre-Tax (unaudited)</i>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Statement of Operations Line Item (C)				
Cost of sales	\$ (3)	\$ (3)	\$ (31)	\$ (38)
Selling and administrative expenses	(6)	(6)	(23)	(16)
Research and technical expenses	—	—	—	(1)
Other income	—	(2)	26	1
Total certain items, pre-tax	\$ (9)	\$ (11)	\$ (28)	\$ (54)

TABLE 3: RECONCILIATION OF TAX CERTAIN ITEMS

Periods ended September 30	Three Months		Twelve Months	
<i>Dollars in millions (unaudited)</i>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Reconciliation of Provision for income taxes, excluding certain items, to Provision for income taxes				
Provision for income taxes	\$ (41)	\$ (8)	\$ (92)	\$ (60)
Less: Tax impact of certain items	1	5	17	10
Less: Tax-related certain items	(19)	2	(17)	(1)
Provision for income taxes, excluding certain items	\$ (23)	\$ (15)	\$ (92)	\$ (69)

TABLE 4: RECONCILIATION OF OPERATING TAX RATE

Periods ended September 30	Three Months		Twelve Months	
<i>Dollars in millions (unaudited)</i>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Reconciliation of the effective tax rate to the operating tax rate				
Provision for income taxes	\$ (41)	\$ (8)	\$ (92)	\$ (60)

Effective tax rate	56%	13%	30%	28%
Impact of discrete tax items:				
Unusual or infrequent items	(28%)	1%	(7%)	(3%)
Items related to uncertain tax positions	4%	6%	3%	2%
Other discrete tax items	(5%)	(1%)	(2%)	1%
Impact of certain items	-%	5%	3%	(2%)
Operating tax rate	27%	24%	27%	26%

TABLE 5: RECONCILIATION OF ADJUSTED EPS BY QUARTER FISCAL 2013 and FISCAL 2014

NON-GAAP MEASURE:

Periods ended (unaudited)

	Fiscal 2013(A)					Fiscal 2014(A)				
	Dec. Q	Mar. Q	Jun. Q	Sept. Q	FY 2013 YTD	Dec. Q	Mar. Q	Jun. Q	Sept. Q	FY 2014 YTD
Reconciliation of Adjusted EPS to GAAP EPS										
Net income per share attributable to Cabot Corporation	\$ 0.31	\$ 0.42	\$ 0.90	\$ 0.73	\$ 2.36	\$ 1.23	\$ 0.54	\$ 0.78	\$ 0.48	\$ 3.03
Less: Net (loss) income per share from discontinued operations (B)	(0.04)	(0.01)	0.03	0.01	(0.01)	(0.01)	(0.01)	(0.01)	0.05	0.02
Net income per share from continuing operations	\$ 0.35	\$ 0.43	\$ 0.87	\$ 0.72	\$ 2.37	\$ 1.24	\$ 0.55	\$ 0.79	\$ 0.43	\$ 3.01
Less: Certain items after tax per share	(0.32)	(0.21)	0.03	(0.06)	(0.56)	0.37	(0.28)	(0.09)	(0.42)	\$(0.42)
Adjusted earnings per share	\$ 0.67	\$ 0.64	\$ 0.84	\$ 0.78	\$ 2.93	\$ 0.87	\$ 0.83	\$ 0.88	\$ 0.85	\$ 3.43

(A) Per share amounts are calculated after tax and, where applicable, noncontrolling interests, net of tax.

(B) Amounts relate primarily to the divestiture of the Security Materials and Supermetals businesses.

(C) This table indicates the line items where certain items are recorded in the table titled Cabot Corporation Consolidated Statements of Operations.

Source: Cabot Corporation

Investor Contact:
for Cabot Corporation
Erica McLaughlin, (617) 342-6090