Cabot Corporation Reports $0.72 EPS and Record $0.95 Adjusted EPS

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Higher volumes, robust unit margins and cost controls benefit performance

BOSTON, July 28, 2010 /PRNewswire via COMTEX/ --Cabot Corporation (NYSE: CBT) today announced results for its third quarter of fiscal year 2010.

Key Highlights

- Total business profit increased $72 million from same quarter last year and $22 million sequentially as all businesses performed at a high level
- Third consecutive quarter of strong operating results despite volumes below pre-crisis levels
- Volumes increased 20% from third quarter 2009 as markets recover globally, sequential demand remained solid
- Robust unit margins from increased efficiency, value pricing and cost controls continue to lift performance

(In millions, except per share amounts)	2010		2009	
	Third Quarter	First 9 months	Third Quarter	First 9 months
Net sales	$753	$2,144	$511	$1,633
Net income (loss) per share attributable to Cabot Corporation	$0.72	$1.81	$(0.19)	$(1.06)
Less: Net loss per share from discontinued operations	--	--	$(0.01)	$(0.01)
Less: Certain items per share	$(0.23)	$(0.57)	$(0.24)	$(0.90)
Adjusted earnings (loss) per share	$0.95	$2.38	$0.06	$(0.15)

Commenting on the results, Patrick Prevost, Cabot's President and CEO, stated, "We are very pleased to report our best ever adjusted EPS quarter. This performance reflects the strength of our portfolio with every business performing at a high level during the period. Our results over the past three quarters put us solidly on the path of achieving our long-term financial targets.

Prevost continued, "Market demand remained solid across all geographies and the investments we have made to leverage an economic recovery are paying off. Our leading market positions in the fastest growing regions of the world and our multiple efforts over the past eighteen months to increase the efficiency of our global operating network are contributing positively to our results. The continuing focus on our highest value new business opportunities is yielding steady revenue growth and improving financial performance. Our seamless execution in the key strategic areas of margin improvement, emerging market expansion and new business development are driving our strong performance as we work to position Cabot as a top tier global specialty chemicals company. "

Financial Detail

For the third quarter of fiscal 2010, net income attributable to Cabot Corporation was $47 million ($0.72 per diluted common share). Adjusted EPS was $0.95 per common share, excluding $0.23 per common share of certain items principally related to charges from the closure of the Company's carbon black facility in Thane, India.

Segment Results

Core Segment- Third quarter fiscal 2010 profitability in the Rubber Blacks Business increased by $30 million when compared to the same quarter of fiscal 2009. Robust unit margins and 22% higher volumes globally from improved demand in the tire and automotive markets drove the improvement.

Volumes in China increased by 32% over the third quarter of fiscal 2009, in South America by 30%, in Asia Pacific, excluding China, by 27%, in North America by 24% and in the Europe, Middle East, Africa region by 2%. Sequentially, profitability rose by $3 million as global volumes increased by 3%, led by improvements in China and Asia Pacific, and results benefited from the achievement of certain milestones in our new business development efforts.

Profitability in the Supermetals Business increased by $11 million compared to the same quarter of fiscal 2009. The improvement was driven by stronger demand from ongoing recovery in the electronics industry that resulted in higher volumes, lower costs from actions taken over the past year to reposition the business and a benefit from lower ore costs associated with LIFO accounting. Sequentially, profit improved by $11 million due primarily to higher volumes associated with the electronics market recovery, higher prices, including an improved product mix, and lower operating costs. During the third quarter of fiscal 2010, the Supermetals Business generated $18 million of cash from improved operating results and reduced working capital.

Performance Segment- Third quarter fiscal 2010 profitability in the Performance Segment increased by $25 million when compared to the same quarter of fiscal 2009. The increase was driven by higher volumes from improved demand in the automotive, construction, infrastructure and electronics markets, robust unit margins and a LIFO benefit. Volumes increased by 18% in Performance Products and by 21% in Fumed Metal Oxides when compared to the third quarter of fiscal 2009. Sequentially, segment profit increased by $3 million from 4% higher volumes in Fumed Metal Oxides and a LIFO benefit, while volumes in Performance Products remained stable.

Specialty Fluids Segment- Profitability in the Specialty Fluids Segment for the third quarter of fiscal 2010 increased by $2 million when compared to the third quarter of fiscal 2009 and by $6 million sequentially. A strong level of drilling activity in the North Sea and higher rental revenues during the third quarter of fiscal 2010 drove the improvements.

New Business Segment- Third quarter fiscal 2010 revenues in the New Business Segment increased by $11 million when compared to the third quarter of fiscal 2009 and by $3 million sequentially. The increases in both periods were driven by improved revenues in the Inkjet Colorants and Aerogel Businesses. During the third quarter of fiscal 2010 the New Business Segment reported positive operating profit, a $4 million improvement over the third quarter of fiscal 2009 and a $6 million improvement year to date.

Cash Performance- The Company ended the third quarter of fiscal 2010 with a cash balance of $295 million despite a $4 million increase in working capital from higher accounts receivable balances related to increased sales levels.

Taxes- During the third quarter of fiscal 2010, the Company recorded a tax provision of $20 million, for an overall tax rate of 29%. This included discrete period specific benefits of approximately $1 million and did not include any benefit from the impact of the closure of the Thane, India carbon black facility. The recurring effective tax rate for the quarter was approximately 25%.

Outlook

Earnings Call

The Company will host a conference call with industry analysts at 2:00 p.m. Eastern time on July 29, 2010. The call can be accessed through Cabot's investor relations website at http://investor.cabot-corp.com/.

Cabot Corporation, headquartered in Boston, Massachusetts, is a global performance materials company. Cabot's major products are carbon black, capacitor materials, fumed silica, cesium formate drilling fluids, inkjet colorants and aerogels. The Company's website address is: http://www.cabot-corp.com/.

Forward-Looking Statements- This earnings release contains forward-looking statements based on management's current expectations, estimates and projections. All statements that address expectations or projections about the future (including our expectations concerning volumes and demand for our products), strategy for growth, market position, and expected financial results are forward-looking statements. Some of the forward-looking statements may be identified by words like "expects," "anticipates," "plans," "intends," "projects," "indicates," and similar expressions. These statements are not guarantees of future performance and involve a number of risks, uncertainties and assumptions. Many factors, including those discussed more fully elsewhere in this release and in documents filed with the Securities and Exchange Commission by Cabot, particularly its latest annual report on Form 10-K, could cause results to differ materially from those stated. These factors include, but are not limited to changes in raw material costs; costs associated with the research and development of new products, including regulatory approval and market acceptance; competitive pressures; successful integration of structural changes, including restructuring plans, and joint ventures; the laws, regulations, policies and economic conditions, including inflation, interest and foreign currency exchange rates, of countries in which the company does business; and severe weather events that cause business interruptions, including plant and power outages, or disruptions in supplier or customer operations.

Explanation of Terms Used- When explaining factors affecting our performance, we use several terms. The term "LIFO benefit" or "LIFO impact" includes two factors: (i) the impact of current inventory costs being recognized immediately in cost of goods sold ("COGS") under a last-in first-out method, compared to the older costs that would have been included in COGS under a first-in first-out method ("COGS impact"); and (ii) the impact of reductions in inventory quantities, causing historical inventory costs to flow through COGS ("liquidation impact"). The LIFO impact for the Company (including the Rubber Blacks, Performance Products and Supermetals Businesses) for the third quarter of fiscal 2010 was a benefit of $11 million and is comprised of a favorable $8 million liquidation impact and a $3 million favorable COGS impact. This compares to a $4 million unfavorable LIFO impact for the third quarter of fiscal 2009, comprised of an unfavorable $5 million COGS impact, partially offset by a favorable $1 million liquidation impact. During the second quarter of fiscal 2010 the LIFO impact was a favorable $2 million, comprised of a favorable $4 million liquidation impact, partially offset by a $2 million unfavorable COGS impact.

Use of Non-GAAP Financial Measures- The preceding discussion of our results and the accompanying financial tables report adjusted EPS and also include information on our reportable segment sales and segment (or business) operating profit before taxes ("PBT"). Adjusted EPS and segment PBT are non-GAAP financial measures and are not intended to replace EPS and income (loss) from continuing operations before taxes, equity in net income of affiliated companies and minority interest, respectively, the most directly comparable GAAP financial measures. Both EPS and adjusted EPS are calculated on a diluted share basis. In calculating adjusted EPS and segment PBT, we exclude certain items, meaning items that are significant and unusual or infrequent and not believed to reflect the true underlying business performance, and, therefore, are not allocated to a segment's results or included in adjusted EPS. Further, in calculating segment PBT we include equity in net income of affiliated companies, royalties paid by equity affiliates and allocated corporate costs but exclude interest expense, foreign currency translation gains and losses, interest income, dividend income and unallocated corporate costs. Our chief operating decision-maker uses adjusted EPS to evaluate the underlying earnings power of the Company. Segment PBT is used to evaluate changes in the operating results of each segment before non-operating factors and before certain items and to allocate resources to the segments. We believe that these non-GAAP measures also assist our investors in evaluating the changes in our results and the Company's performance. A reconciliation of adjusted EPS to EPS is shown in the table titled Certain Items and Reconciliation of Adjusted EPS, and a reconciliation of total segment PBT to income (loss) from operations before taxes, equity in net income of affiliated companies and minority interest is shown in the table titled Summary Results by Segments. The certain items that are excluded from our calculation of adjusted EPS and segment PBT are detailed in the table titled Certain Items and Reconciliation of Adjusted EPS.

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Click here for financial tables.

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