



## Cabot Corp Reports Third Quarter Adjusted EPS of \$0.88 and Diluted EPS of \$0.78

July 30, 2014

*Year over year earnings growth driven by volume improvement*

BOSTON--(BUSINESS WIRE)--Jul. 30, 2014-- [Cabot Corporation](#) (NYSE: CBT) today announced results for its third quarter of fiscal year 2014.

### Key Highlights

- **Reinforcement Materials quarterly EBIT increased 24% year-over year**
- **Performance Materials quarterly EBIT increased 17% year-over-year**
- **Strengthened balance sheet through repayment of \$256 million of debt during the quarter**
- **Continued strong fiscal 2014 performance with year-to-date adjusted EPS 20% higher than year-to-date fiscal 2013**

(In millions, except per share amounts)

|  | Fiscal 2014   |                | Fiscal 2013   |                |
|--|---------------|----------------|---------------|----------------|
|  | Third Quarter | First 9 Months | Third Quarter | First 9 Months |
| Net sales  | \$ 940        | \$ 2,736       | \$ 901        | \$ 2,560       |
| Net income attributable to Cabot Corporation             | \$ 52         | \$ 168         | \$ 59         | \$ 106         |
| Net earnings per share attributable to Cabot Corporation | \$ 0.78       | \$ 2.55        | \$ 0.90       | \$ 1.63        |
| Less Adjustments:  |               |                |               |                |
| Net (loss) income per share from discontinued operations | \$ (0.01)     | \$ (0.03)      | \$ 0.03       | \$ (0.02)      |
| Certain items per share                                  | \$ (0.09)     | \$ -           | \$ 0.03       | \$ (0.50)      |
| Adjusted EPS   | \$ 0.88       | \$ 2.58        | \$ 0.84       | \$ 2.15        |

Commenting on the results, Cabot President and CEO Patrick Prevost, said, "We achieved another strong quarter of business performance. Volumes increased as compared to the prior year quarter in both the Reinforcement Materials and Performance Materials segments as demand in our key end markets improved, most notably in China, and we commercialized new capacity and new products. The Purification Solutions results suffered from higher fixed costs due to continued operational difficulties and spending related to upgrading assets and processes. On the corporate side, we strengthened our balance sheet through the repayment of \$256 million of debt and Standard and Poor's reaffirmed our BBB+ investment grade debt rating."

### Financial Detail

For the third quarter of fiscal 2014, net income attributable to Cabot Corporation was \$52 million (\$0.78 per diluted common share). Net income includes a per share charge of \$0.01 for discontinued operations. Net income also includes a per share charge of \$0.09 from certain items, principally reflecting charges associated with restructuring actions and the impact of a foreign exchange devaluation. Adjusted EPS for the third quarter of fiscal 2014 was \$0.88 per share.

### Segment Results

**Reinforcement Materials** -- Third quarter fiscal 2014 EBIT in Reinforcement Materials increased by \$12 million compared to the third quarter of fiscal 2013 principally due to 13% higher volumes from improved demand, the addition of new capacity in China, and our acquisition in Mexico. Raw material purchasing savings and benefits from energy efficiency investments also contributed to the improvement in earnings. Sequentially, EBIT was consistent with our second fiscal quarter as 6% higher volumes were offset by higher maintenance spending due to the timing of plant turnarounds. Additionally, one-time benefits in the second quarter of fiscal 2014 did not reoccur in the third quarter of fiscal 2014.

Global and regional volume changes for Reinforcement Materials for the third quarter of fiscal 2014 as compared to the same quarter of the prior year and the second quarter of fiscal 2014 are included in the table below:

|                                | Third Quarter<br>Year over Year Change* | Third Quarter<br>Sequential Change |
|--------------------------------|---|------------------------------------|
| <b>Global, including NHUMO</b> | <b>13%</b>                              | <b>6%</b>                          |
| <b>Global, excluding NHUMO</b> | <b>5%</b>                               | <b>Not applicable</b>              |
| Japan                          | 3%                                      | 5%                                 |

|                             |      |      |
|-----------------------------|------|------|
| Southeast Asia              | 4%   | (8%) |
| China                       | 11%  | 26%  |
| Europe, Middle East, Africa | 2%   | (5%) |
| North America               | 7%   | 0%   |
| South America               | (4%) | 11%  |

\*Regional volumes exclude NHUMO sales.

**Performance Materials** -- Third quarter fiscal 2014 EBIT in Performance Materials increased by \$6 million compared to the third quarter of fiscal 2013 due to 5% higher volumes in both Specialty Carbons and Compounds and Fumed Metal Oxides as demand improved in our key end markets. Sequentially, Performance Materials EBIT decreased by \$6 million primarily due to a less favorable product mix, higher maintenance spending, and 5% lower volumes in Specialty Carbons and Compounds. This was partially offset by 7% higher volumes in Fumed Metal Oxides due to strengthening underlying demand and successful commercialization efforts.

**Advanced Technologies** -- Third quarter fiscal 2014 EBIT in Advanced Technologies decreased by \$14 million compared to the third quarter of fiscal 2013. The EBIT decrease was driven by lower volumes in the Specialty Fluids business and a royalty payment in the Aerogel business in the third quarter of fiscal 2013 that did not reoccur this year. Sequentially, Advanced Technologies EBIT increased by \$2 million as compared to the second quarter of fiscal 2014 driven by higher volumes in Inkjet Colorants.

**Purification Solutions** -- Third quarter fiscal 2014 EBIT in Purification Solutions decreased by \$6 million compared to the third quarter of fiscal 2013. The EBIT decrease was driven by lower volumes, most notably in the gas and air and water sectors, and higher fixed costs. Sequentially, Purification Solutions EBIT decreased by \$3 million driven by a less favorable product mix and higher costs. Overall volumes increased 1% sequentially driven by higher volumes in the water sector.

**Cash Performance** -- The Company ended the third quarter of fiscal 2014 with a cash balance of \$101 million, an increase of \$12 million from the second quarter of fiscal 2014. During the third quarter of fiscal 2014, the Company generated adjusted EBITDA of \$145 million and reduced net working capital by \$6 million. The Company received cash proceeds of \$215 million during the third quarter of fiscal 2014 from the final payment of notes receivable related to the sale of the Supermetals business, which was used for the repayment of debt. Uses of cash during the third quarter included \$256 million for the repayment of debt and \$45 million for capital expenditures.

**Taxes** -- During the third quarter of fiscal 2014, the Company recorded a net tax provision of \$20 million for an effective tax rate of 25%. This included a tax benefit on certain items of \$1 million. Excluding the impact of certain items, the operating tax rate on continuing operations for the third quarter of fiscal 2014 was 27%.

#### **Outlook**

"We were pleased to see another strong quarter with the continuation of positive demand trends in our Reinforcement Materials and Performance Materials segments. Over the last year, the global economic environment has improved in the developed world and in China, however, we are still seeing weakness in South America. We believe that we should experience moderate demand growth through the remainder of 2014 and into 2015. We expect to benefit from this growth and we are well positioned with our global capacity to capture it," Prevost said, commenting on the outlook for the Company. "In the Purification Solutions segment, we are getting closer to the implementation of the Mercury and Air Toxics Standards (MATS) regulation. The regulation is scheduled to take effect in April 2015, which will drive significant growth in the North American activated carbon market. All in all, the company has delivered year-over-year increases in adjusted EBITDA since 2009 and we are confident in our ability to drive continued earnings growth for our shareholders."

#### **Earnings Call**

The Company will host a conference call with industry analysts at 2:00 p.m. Eastern time on Thursday, July 31, 2014. The call can be accessed through Cabot's investor relations website at <http://investor.cabot-corp.com>.

#### **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](#), [aerogel](#), and [elastomer composites](#). For more information on Cabot, please visit the company's website at: <http://www.cabotcorp.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 actions that will drive earnings growth, demand for our products, and expectations for growth are forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties, potentially inaccurate assumptions, and other factors, some of which are beyond our control and difficult to predict. If known or unknown risks materialize, or should underlying assumptions prove inaccurate, our actual results could differ materially from past results and from those expressed in the forward-looking statement. Important factors that could cause our results to differ materially from those expressed in the forward-looking statements include, but are not limited to economic, competitive, legal, governmental, and technological factors. These factors are discussed more fully in the reports we file with the Securities and Exchange Commission, particularly our latest annual report on Form 10-K. We assume no obligation to provide revisions to any forward-looking statements should circumstances change, except as otherwise required by securities and other applicable laws.

**Explanation of Terms Used and Use of Non-GAAP Financial Measures** -- The preceding discussion of our results and the accompanying financial tables report adjusted EPS, total segment earnings before interest and taxes, "Total Segment EBIT", operating tax rate and adjusted EBITDA, which are non-GAAP financial measures. Our chief operating decision-maker uses these non-GAAP financial measures to evaluate the performance of the Company in terms of profitability. We believe that these measures also assist our investors in evaluating the changes in our results and the Company's performance.

In calculating adjusted EPS, we exclude from our net income per share from continuing operations certain items of expense and income that management does not consider representative of the Company's ongoing operations. Adjusted EPS should be considered as supplemental to, and not as a replacement for, EPS determined in accordance with GAAP. A reconciliation of adjusted EPS to EPS from continuing operations, the most directly

comparable GAAP financial measure, and the certain items that are excluded from our calculation of adjusted EPS, are provided in the table titled "Certain Items and Reconciliation of Adjusted EPS and Operating Tax Rate."

Total Segment EBIT is a non-GAAP performance measure, and should not be considered an alternative for Income from continuing operations before taxes, the most directly comparable GAAP financial measure. In calculating Total Segment EBIT, we exclude "certain items", meaning items that management does not consider representative of our fundamental segment results, as well as items that are not allocated to our business segments, such as interest expense and other corporate costs. Our Chief Operating Decision Maker uses segment EBIT to evaluate the operating results of each segment and to allocate resources to the segments. We believe that this non-GAAP measure provides useful supplemental information for our investors as it is an important indicator of the Company's operational strength and performance. Investors should consider the limitations associated with this non-GAAP measure, including the potential lack of comparability of this measure from one company to another. A reconciliation of Total Segment EBIT to Income from continuing operations before income taxes and equity in (loss) net earnings of affiliate companies is provided in the table titled, "Summary Results by Segments."

The term "operating tax rate" is a non-GAAP financial measure and represents the tax rate on our recurring operating results. This rate excludes discrete tax items, which are unusual or infrequent items that are excluded from the estimated annual effective tax rate and other tax items, including the impact of the timing of losses in certain jurisdictions, cumulative rate adjustment and the impact of certain items on both operating income and tax provision. A reconciliation of operating tax rate to effective tax rate, the most directly comparable GAAP financial measure is provided in the table titled "Certain Items and Reconciliation of Adjusted EPS and Operating Tax Rate."

"Adjusted EBITDA" is a non-GAAP financial measure and refers to earnings before interest, taxes, depreciation and amortization, excluding items that management does not consider representative of the fundamental segment results. A reconciliation of Adjusted EBITDA from segment EBIT for the third quarter of 2014 is provided on the investor portion of our website at <http://investor.cabot-corp.com>, under the Non-GAAP Reconciliations section.

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## CABOT CORPORATION CONSOLIDATED STATEMENTS OF OPERATIONS

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| Periods ended June 30  | Three Months     |             | Nine Months       |              |
|--|------------------|-------------|-------------------|--------------|
| <i>Dollars in millions, except per share amounts (unaudited)</i>   | <b>2014</b>      | 2013        | <b>2014</b>       | 2013         |
| Net sales and other operating revenues   | <b>\$ 940</b>    | \$ 901      | <b>\$2,736</b>    | \$2,560      |
| Cost of sales  | <u>756</u>       | <u>725</u>  | <u>2,197</u>      | <u>2,094</u> |
| Gross profit   | <b>184</b>       | 176         | <b>539</b>        | 466          |
| Selling and administrative expenses  | <b>76</b>        | 72          | <b>245</b>        | 222          |
| Research and technical expenses  | <u>15</u>        | <u>17</u>   | <u>46</u>         | <u>50</u>    |
| <b>Income from operations</b>  | <b>93</b>        | 87          | <b>248</b>        | 194          |
| <b>Other income (expense)</b>  |                  |             |                   |              |
| Interest and dividend income   | <b>1</b>         | 2           | <b>3</b>          | 4            |
| Interest expense   | <b>(14)</b>      | (15)        | <b>(41)</b>       | (47)         |
| Other income <sup>(A)</sup>  | -                | -           | <b>27</b>         | 3            |
| Total other income (expense)   | <u>(13)</u>      | <u>(13)</u> | <u>(11)</u>       | <u>(40)</u>  |
| <b>Income from continuing operations before income taxes and equity in (loss) earnings of affiliated companies</b> | <b>80</b>        | 74          | <b>237</b>        | 154          |
| Provision for income taxes   | <b>(20)</b>      | (16)        | <b>(51)</b>       | (52)         |
| Equity in (loss) earnings of affiliated companies, net of tax  | <b>(2)</b>       | 3           | <b>(2)</b>        | 9            |
| Income from continuing operations  | <u><b>58</b></u> | <u>61</u>   | <u><b>184</b></u> | <u>111</u>   |

|   |                |              |                |               |
|---|----------------|--------------|----------------|---------------|
| (Loss) income from discontinued operations, net of tax <sup>(B)</sup>               | (1)            | 1            | (2)            | (2)           |
| <b>Net income</b>   | <b>57</b>      | 62           | <b>182</b>     | 109           |
| Net income attributable to noncontrolling interests                                 | 5              | 3            | 14             | 3             |
| <b>Net income attributable to Cabot Corporation</b>                                 | <b>\$ 52</b>   | <b>\$ 59</b> | <b>\$ 168</b>  | <b>\$ 106</b> |
| <b>Diluted earnings per share of common stock attributable to Cabot Corporation</b> |                |              |                |               |
| Continuing operations   | <b>\$ 0.79</b> | \$0.87       | <b>\$ 2.58</b> | \$ 1.65       |
| Discontinued operations <sup>(B)</sup>  | <b>(0.01)</b>  | 0.03         | <b>(0.03)</b>  | (0.02)        |
| Net income attributable to Cabot Corporation  | <b>\$ 0.78</b> | \$0.90       | <b>\$ 2.55</b> | \$ 1.63       |
| <b>Weighted average common shares outstanding</b>                                   |                |              |                |               |
| Diluted   | <b>65.2</b>    | 64.5         | <b>65.0</b>    | 64.3          |

(A) Other income for the first nine 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 pending divestiture of the Security Materials Business and the divestiture of the Supermetals Business.

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## CABOT CORPORATION SUMMARY RESULTS BY SEGMENTS

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| Periods ended June 30  | Three Months  |               | Nine Months    |                |
|--|---------------|---------------|----------------|----------------|
| <i>Dollars in millions, except per share amounts (unaudited)</i>     | 2014          | 2013          | 2014           | 2013           |
| <b>Sales</b>   |               |               |                |                |
| Reinforcement Materials  | <b>\$ 534</b> | \$ 486        | <b>\$1,555</b> | \$1,420        |
| Performance Materials  | <b>243</b>    | 233           | <b>709</b>     | 672            |
| Specialty Carbons and Compounds                                      | 165           | 159           | 485            | 464            |
| Fumed Metal Oxides   | 78            | 74            | 224            | 208            |
| Advanced Technologies  | <b>47</b>     | 67            | <b>159</b>     | 143            |
| Inkjet Colorants   | 17            | 18            | 46             | 46             |
| Aerogel  | 2             | 9             | 8              | 17             |
| Elastomer Composites   | 4             | 5             | 28             | 17             |
| Specialty Fluids   | 24            | 35            | 77             | 63             |
| Purification Solutions <sup>(A)</sup>                                | <b>78</b>     | 81            | <b>230</b>     | 244            |
| Segment sales  | <b>902</b>    | 867           | <b>2,653</b>   | 2,479          |
| Unallocated and other <sup>(A) (B)</sup>                             | <b>38</b>     | 34            | <b>83</b>      | 81             |
| Net sales and other operating revenues                               | <b>\$ 940</b> | <b>\$ 901</b> | <b>\$2,736</b> | <b>\$2,560</b> |
| <b>Segment Earnings Before Interest and Taxes <sup>(C) (D)</sup></b> |               |               |                |                |
| Reinforcement Materials  | <b>\$ 61</b>  | \$ 49         | <b>\$ 186</b>  | \$ 141         |

|  |                       |                     |                       |                      |
|--|-----------------------|---------------------|-----------------------|----------------------|
| Performance Materials  | 41                    | 35                  | 122                   | 99                   |
| Advanced Technologies  | 14                    | 28                  | 51                    | 44                   |
| Purification Solutions   | <u>(7)</u>            | <u>(1)</u>          | <u>(20)</u>           | <u>4</u>             |
| <b>Total Segment Earnings Before Interest and Taxes <sup>(D)</sup></b>   | <b>109</b>            | <b>111</b>          | <b>339</b>            | <b>288</b>           |
| <b>Unallocated and Other</b>   |                       |                     |                       |                      |
| Interest expense   | (14)                  | (15)                | (41)                  | (47)                 |
| Certain items <sup>(E)</sup>   | (7)                   | (4)                 | (19)                  | (43)                 |
| Unallocated corporate costs <sup>(D)</sup>   | (14)                  | (12)                | (43)                  | (37)                 |
| General unallocated income (expense) <sup>(F)</sup>  | 2                     | (3)                 | (1)                   | 2                    |
| Less: Equity in loss (earnings) of affiliated companies  | <u>4</u>              | <u>(3)</u>          | <u>2</u>              | <u>(9)</u>           |
| <b>Income from continuing operations before income taxes and equity in (loss) earnings of affiliated companies</b> | <b>80</b>             | <b>74</b>           | <b>237</b>            | <b>154</b>           |
| Provision for income taxes (including tax certain items)   | (20)                  | (16)                | (51)                  | (52)                 |
| Equity in (loss) earnings of affiliated companies  | (2)                   | 3                   | (2)                   | 9                    |
| Income from continuing operations  | <u>58</u>             | <u>61</u>           | <u>184</u>            | <u>111</u>           |
| (Loss) income from discontinued operations, net of tax <sup>(G)</sup>  | (1)                   | 1                   | (2)                   | (2)                  |
| Net income   | <u>57</u>             | <u>62</u>           | <u>182</u>            | <u>109</u>           |
| Net income attributable to noncontrolling interests  | 5                     | 3                   | 14                    | 3                    |
| <b>Net income attributable to Cabot Corporation</b>  | <b><u>\$ 52</u></b>   | <b><u>\$ 59</u></b> | <b><u>\$ 168</u></b>  | <b><u>\$ 106</u></b> |
| <b>Diluted earnings per share of common stock attributable to Cabot Corporation</b>                                |                       |                     |                       |                      |
| Continuing operations  | <b>\$ 0.79</b>        | \$0.87              | <b>\$ 2.58</b>        | \$ 1.65              |
| Discontinued operations <sup>(G)</sup>   | <b>(0.01)</b>         | 0.03                | <b>(0.03)</b>         | (0.02)               |
| Net income attributable to Cabot Corporation   | <u><b>\$ 0.78</b></u> | <u>\$0.90</u>       | <u><b>\$ 2.55</b></u> | <u>\$ 1.63</u>       |
| <b>Adjusted earnings per share</b>   |                       |                     |                       |                      |
| Adjusted EPS <sup>(H)</sup>  | <b>\$ 0.88</b>        | \$0.84              | <b>\$ 2.58</b>        | \$ 2.15              |
| <b>Weighted average common shares outstanding</b>  |                       |                     |                       |                      |
| Diluted  | <b>65.2</b>           | 64.5                | <b>65.0</b>           | 64.3                 |

<sup>(A)</sup>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.

<sup>(B)</sup>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.

<sup>(C)</sup>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 (loss) earnings of affiliated companies, royalty income, and allocated corporate costs.

<sup>(D)</sup>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.

(E)Details of certain items are presented in the Certain Items and Reconciliation of Adjusted EPS and Operating Tax Rate table.

(F)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.

(G)Amounts relate primarily to the pending divestiture of the Security Materials Business and the divestiture of the Supermetals Business.

(H)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.

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**CABOT CORPORATION CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

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| <i>Dollars in millions</i>  | <b>June 30,<br/>2014</b><br><i>(unaudited)</i> | September 30,<br>2013<br><i>(audited)</i> |
|---|--|---|
| Current assets:   |  |   |
| Cash and cash equivalents   | \$ 101   | \$ 95                                     |
| Accounts and notes receivable, net of reserve for doubtful accounts of \$11 and \$8 | 724  | 633                                       |
| Inventories:  |  |   |
| Raw materials   | 119  | 100                                       |
| Work in process   | 2  | 2   |
| Finished goods  | 366  | 309                                       |
| Other   | 45   | 44  |
| Total inventories   | 532  | 455                                       |
| Prepaid expenses and other current assets   | 104  | 58  |
| Notes receivable from sale of business  | -  | 214                                       |
| Deferred income taxes   | 37   | 36  |
| Current assets held for sale <sup>(A)</sup>   | 4  | 4   |
| Total current assets  | <u>1,502</u>                                   | <u>1,495</u>                              |
| Property, plant and equipment, net  | 1,616  | 1,600                                     |
| Goodwill  | 555  | 502                                       |
| Equity affiliates   | 71   | 119                                       |
| Intangible assets, net of accumulated amortization of \$29 and \$16                 | 354  | 308                                       |
| Assets held for rent  | 55   | 49  |
| Deferred income taxes   | 80   | 68  |
| Other assets  | 56   | 83  |
| Non-current assets held for sale <sup>(A)</sup>                                     | 9  | 9   |
| Total assets  | <u>\$ 4,298</u>                                | <u>\$ 4,233</u>                           |

<sup>(A)</sup>Includes amounts related to the pending sale of the Security Materials Business.

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**CABOT CORPORATION CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

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| <i>Dollars in millions, except share and per share amounts</i> | <b>June 30,<br/>2014</b><br><i>(unaudited)</i> | September 30,<br>2013<br><i>(audited)</i> |
|--|--|---|
| Current liabilities:   |  |   |
| Notes payable  | \$ 119   | \$ 264                                    |
| Accounts payable and accrued liabilities                       | 537  | 534                                       |

|  |          |          |
|--|----------|----------|
| Income taxes payable   | 39       | 30       |
| Deferred income taxes  | 2        | 2        |
| Current portion of long-term debt                                | 18       | 14       |
| Total current liabilities  | 715      | 844      |
| Long-term debt   | 1,026    | 1,020    |
| Deferred income taxes  | 49       | 21       |
| Other liabilities  | 272      | 265      |
| Redeemable preferred stock                                       | 29       | -        |
| 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: 64,832,912 and 64,223,985 shares                         |          |          |
| Outstanding: 64,580,371 and 63,970,502 shares                    | 65       | 64       |
| Less cost of 252,541 and 253,483 shares of common treasury stock | (8)      | (8)      |
| Additional paid-in capital                                       | 57       | 39       |
| Retained earnings  | 1,884    | 1,755    |
| Deferred employee benefits                                       | -        | (2)      |
| Accumulated other comprehensive income                           | 90       | 103      |
| Total Cabot Corporation stockholders' equity                     | 2,088    | 1,951    |
| Noncontrolling interests   | 119      | 132      |
| Total stockholders' equity                                       | 2,207    | 2,083    |
| Total liabilities and stockholders' equity                       | \$ 4,298 | \$ 4,233 |

## CABOT CORPORATION

| <i>Dollars in millions,<br/>except per share amounts (unaudited)</i> | Fiscal 2013 |            |            |             |         | Fiscal 2014 |            |            |             |         |
|--|-------------|------------|------------|-------------|---------|-------------|------------|------------|-------------|---------|
|  | Dec.<br>Q.  | Mar.<br>Q. | June<br>Q. | Sept.<br>Q. | FY      | Dec.<br>Q.  | Mar.<br>Q. | June<br>Q. | Sept.<br>Q. | FY      |
| <b>Sales</b>   |             |            |            |             |         |             |            |            |             |         |
| Reinforcement Materials  | 475         | 459        | 486        | 482         | 1,902   | 517         | 504        | 534        | -           | 1,555   |
| Performance Materials  | 196         | 243        | 233        | 232         | 904     | 217         | 249        | 243        | -           | 709     |
| Specialty Carbons and Compounds                                      | 132         | 173        | 159        | 158         | 622     | 148         | 172        | 165        | -           | 485     |
| Fumed Metal Oxides   | 64          | 70         | 74         | 74          | 282     | 69          | 77         | 78         | -           | 224     |
| Advanced Technologies  | 37          | 39         | 67         | 72          | 215     | 64          | 48         | 47         | -           | 159     |
| Inkjet Colorants   | 16          | 12         | 18         | 18          | 64      | 15          | 14         | 17         | -           | 46      |
| Aerogel  | 5           | 3          | 9          | 4           | 21      | 5           | 1          | 2          | -           | 8       |
| Elastomer Composites   | 8           | 4          | 5          | 12          | 29      | 16          | 8          | 4          | -           | 28      |
| Specialty Fluids   | 8           | 20         | 35         | 38          | 101     | 28          | 25         | 24         | -           | 77      |
| Purification Solutions (A)   | 88          | 75         | 81         | 84          | 328     | 72          | 80         | 78         | -           | 230     |
| Segment Sales  | 796         | 816        | 867        | 870         | 3,349   | 870         | 881        | 902        | -           | 2,653   |
| Unallocated and other (A) (B)  | 23          | 24         | 34         | 26          | 107     | 28          | 17         | 38         | -           | 83      |
| Net sales and other operating revenues                               | \$ 819      | \$ 840     | \$ 901     | \$ 896      | \$3,456 | \$ 898      | \$ 898     | \$ 940     | \$ -        | \$2,736 |
| <b>Segment Earnings Before Interest and Taxes (C)</b>                |             |            |            |             |         |             |            |            |             |         |
| <b>(D)</b>   |             |            |            |             |         |             |            |            |             |         |
| Reinforcement Materials  | 50          | 42         | 49         | 47          | 188     | 64          | 61         | 61         | -           | 186     |
| Performance Materials  | 27          | 37         | 35         | 33          | 132     | 34          | 47         | 41         | -           | 122     |
| Advanced Technologies  | 8           | 8          | 28         | 26          | 70      | 25          | 12         | 14         | -           | 51      |
| Purification Solutions   | 5           | -          | (1)        | (8)         | (4)     | (9)         | (4)        | (7)        | -           | (20)    |
| Total Segment Earnings Before Interest and Taxes (D)                 | 90          | 87         | 111        | 98          | 386     | 114         | 116        | 109        | -           | 339     |

|  |         |         |         |         |         |         |         |         |      |         |
|--|---------|---------|---------|---------|---------|---------|---------|---------|------|---------|
| <b>Unallocated and Other</b>   |         |         |         |         |         |         |         |         |      |         |
| Interest expense   | (16)    | (16)    | (15)    | (15)    | (62)    | (14)    | (13)    | (14)    | -    | (41)    |
| Certain items <sup>(E)</sup>   | (19)    | (20)    | (4)     | (11)    | (54)    | 24      | (36)    | (7)     | -    | (19)    |
| Unallocated corporate costs <sup>(D)</sup>   | (12)    | (13)    | (12)    | (11)    | (48)    | (13)    | (16)    | (14)    | -    | (43)    |
| General unallocated income (expense) <sup>(F)</sup>  | 3       | 2       | (3)     | (3)     | (1)     | -       | (3)     | 2       | -    | (1)     |
| Less: Equity in (earnings) loss of affiliated companies  | (3)     | (3)     | (3)     | (2)     | (11)    | (2)     | -       | 4       | -    | 2       |
| <b>Income from continuing operations before income taxes and equity in earnings (loss) of affiliated companies</b> |         |         |         |         |         |         |         |         |      |         |
|  | 43      | 37      | 74      | 56      | 210     | 109     | 48      | 80      | -    | 237     |
| <b>Provision for income taxes (including tax certain items)</b>  |         |         |         |         |         |         |         |         |      |         |
|  | (20)    | (16)    | (16)    | (8)     | (60)    | (24)    | (7)     | (20)    | -    | (51)    |
| <b>Equity in earnings (loss) of affiliated companies</b>   |         |         |         |         |         |         |         |         |      |         |
|  | 3       | 3       | 3       | 2       | 11      | 2       | (2)     | (2)     | -    | (2)     |
| <b>Income from continuing operations</b>   |         |         |         |         |         |         |         |         |      |         |
|  | 26      | 24      | 61      | 50      | 161     | 87      | 39      | 58      | -    | 184     |
| <b>(Loss) income from discontinued operations, net of tax <sup>(G)</sup></b>                                       |         |         |         |         |         |         |         |         |      |         |
|  | (2)     | (1)     | 1       | 1       | (1)     | (1)     | -       | (1)     | -    | (2)     |
| <b>Net income</b>  |         |         |         |         |         |         |         |         |      |         |
|  | 24      | 23      | 62      | 51      | 160     | 86      | 39      | 57      | -    | 182     |
| <b>Net income (loss) attributable to noncontrolling interests</b>  |         |         |         |         |         |         |         |         |      |         |
|  | 4       | (4)     | 3       | 4       | 7       | 6       | 3       | 5       | -    | 14      |
| <b>Net income attributable to Cabot Corporation</b>  |         |         |         |         |         |         |         |         |      |         |
|  | \$ 20   | \$ 27   | \$ 59   | \$ 47   | \$ 153  | \$ 80   | \$ 36   | \$ 52   | \$ - | \$ 168  |
| <b>Diluted earnings per share of common stock attributable to Cabot Corporation</b>                                |         |         |         |         |         |         |         |         |      |         |
| Continuing operations  | \$ 0.35 | \$ 0.43 | \$ 0.87 | \$ 0.72 | \$ 2.37 | \$ 1.24 | \$ 0.55 | \$ 0.79 | \$ - | \$ 2.58 |
| Discontinued operations <sup>(G)</sup>   | (0.04)  | (0.01)  | 0.03    | 0.01    | (0.01)  | (0.01)  | (0.01)  | (0.01)  | -    | (0.03)  |
| Net income attributable to Cabot Corporation   | \$ 0.31 | \$ 0.42 | \$ 0.90 | \$ 0.73 | \$ 2.36 | \$ 1.23 | \$ 0.54 | \$ 0.78 | \$ - | \$ 2.55 |
| <b>Adjusted earnings per share</b>   |         |         |         |         |         |         |         |         |      |         |
| Adjusted EPS <sup>(H)</sup>  | \$ 0.67 | \$ 0.64 | \$ 0.84 | \$ 0.78 | \$ 2.93 | \$ 0.87 | \$ 0.83 | \$ 0.88 | \$ - | \$ 2.58 |
| <b>Weighted average common shares outstanding</b>  |         |         |         |         |         |         |         |         |      |         |
| Diluted  | 64.1    | 64.4    | 64.5    | 64.7    | 64.5    | 64.8    | 65.1    | 65.2    | -    | 65.0    |

(A) 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.

(B) 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.

(C) 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.

(D) 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.

(E) Details of certain items are presented in the Certain Items and Reconciliation of Adjusted EPS and Operating Tax Rate table.

(F) 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.

(G) Amounts relate primarily to the pending divestiture of the Security Materials Business and the divestiture of the Supermetals Business.

(H) 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 June 30   | Three Months  |              | Nine Months   |              |
|---|---------------|--------------|---------------|--------------|
| <i>Dollars in millions</i>  | 2014          | 2013         | 2014          | 2013         |
| <b>Cash Flows from Operating Activities:</b>                                  |               |              |               |              |
| Net income  | \$ 57         | \$ 62        | \$ 182        | \$ 109       |
| Adjustments to reconcile net income to cash provided by operating activities: |               |              |               |              |
| Depreciation and amortization   | 50            | 45           | 150           | 144          |
| Other non-cash charges (income), net  | (6)           | (2)          | (27)          | 29           |
| Changes in assets and liabilities:  |               |              |               |              |
| Changes in certain working capital items <sup>(A)</sup>                       | 14            | 23           | (128)         | (102)        |
| Changes in other assets and liabilities, net                                  | -             | 9            | (14)          | (45)         |
| Cash dividends received from equity affiliates                                | 1             | 1            | 22            | 7            |
| Cash provided by operating activities   | <u>116</u>    | <u>138</u>   | <u>185</u>    | <u>142</u>   |
| <b>Cash Flows from Investing Activities:</b>                                  |               |              |               |              |
| Additions to property, plant and equipment                                    | (45)          | (68)         | (115)         | (195)        |
| Receipts from notes receivable from sale of business                          | 215           | 9            | 215           | 39           |
| Cash paid for acquisition of business, net of cash acquired of \$7 million    | -             | -            | (73)          | -            |
| Other investing activities, net   | -             | -            | (5)           | (4)          |
| Cash provided by (used in) investing activities                               | <u>170</u>    | <u>(59)</u>  | <u>22</u>     | <u>(160)</u> |
| <b>Cash Flows from Financing Activities:</b>                                  |               |              |               |              |
| Change in debt, net   | (257)         | (62)         | (136)         | 31           |
| Cash dividends paid to common stockholders                                    | (14)          | (13)         | (40)          | (39)         |
| Other financing activities, net   | (6)           | (6)          | (12)          | (4)          |
| Cash used in financing activities   | <u>(277)</u>  | <u>(81)</u>  | <u>(188)</u>  | <u>(12)</u>  |
| Effect of exchange rates on cash  | 3             | (7)          | (13)          | (14)         |
| Increase (Decrease) in cash and cash equivalents                              | 12            | (9)          | 6             | (44)         |
| Cash and cash equivalents at beginning of period                              | 89            | 85           | 95            | 120          |
| Cash and cash equivalents at end of period                                    | <u>\$ 101</u> | <u>\$ 76</u> | <u>\$ 101</u> | <u>\$ 76</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 June 30  | Three Months        |        | Nine Months |        | Three Months             |                          | Nine Months              |                          |
|--|---------------------|--------|-------------|--------|--------------------------|--------------------------|--------------------------|--------------------------|
|  | Dollars in Millions |        |             |        | Per Share After Tax      |                          |                          |                          |
| <i>Dollars in millions, except per share amounts (unaudited)</i> | 2014                | 2013   | 2014        | 2013   | 2014                     | 2013                     | 2014                     | 2013                     |
|  | \$                  | \$     | \$          | \$     | per share <sup>(A)</sup> | per share <sup>(A)</sup> | per share <sup>(A)</sup> | per share <sup>(A)</sup> |
| Certain items before and after income taxes                      |                     |        |             |        |                          |                          |                          |                          |
| Global restructuring activities                                  | \$ (3)              | \$ (5) | \$ (24)     | \$(29) | \$(0.04)                 | \$ (0.05)                | \$ (0.25)                | \$ (0.30)                |

|  |        |      |        |        |           |         |           |           |
|--|--------|------|--------|--------|-----------|---------|-----------|-----------|
| Acquisition and integration-related charges    | —      | (2)  | (5)    | (18)   | —         | (0.02)  | (0.05)    | (0.19)    |
| Foreign currency (loss) gain on revaluations   | (3)    | 3    | (3)    | 4      | (0.04)    | 0.04    | (0.03)    | 0.05      |
| Gain on existing investment in NHUMO           | —      | —    | 29     | —      | —         | —       | 0.45      | —         |
| Legal and environmental matters and reserves   | (1)    | —    | (16)   | —      | (0.01)    | —       | (0.16)    | —         |
| Total certain items, pre-tax                   | (7)    | (4)  | (19)   | (43)   | (0.09)    | (0.03)  | (0.04)    | (0.44)    |
| Tax impact of certain items                    | 2      | —    | 16     | 5      |           |         |           |           |
| Certain items after tax                        | (5)    | (4)  | (3)    | (38)   | (0.09)    | (0.03)  | (0.04)    | (0.44)    |
| <b>Tax-related certain items</b>               |        |      |        |        |           |         |           |           |
| Tax impact of certain foreign exchange losses  | (1)    | —    | (1)    | (12)   | (0.01)    | —       | (0.01)    | (0.19)    |
| Discrete tax items                             | -      | 4    | 3      | 9      | 0.01      | 0.06    | 0.05      | 0.13      |
| Total tax-related certain items                | (1)    | 4    | 2      | (3)    | —         | 0.06    | 0.04      | (0.06)    |
| Total certain items after tax                  | (6)    | —    | (1)    | (41)   | (0.09)    | 0.03    | —         | (0.50)    |
| Discontinued operations after income taxes (B) | (1)    | 1    | (2)    | (2)    | (0.01)    | 0.03    | (0.03)    | (0.02)    |
| Total discontinued operations after tax        | \$ (1) | \$ 1 | \$ (2) | \$ (2) | \$ (0.01) | \$ 0.03 | \$ (0.03) | \$ (0.02) |

**TABLE 2: CERTAIN ITEMS STATEMENT OF OPERATIONS LINE ITEM**

| Periods ended June 30<br><i>Dollars in millions,<br/>Pre-Tax (unaudited)</i> | Three Months |        | Nine Months |         |
|--|--------------|--------|-------------|---------|
|  | 2014         | 2013   | 2014        | 2013    |
| <u>Statement of Operations Line Item (C)</u>                                 |              |        |             |         |
| Cost of sales  | \$ (2)       | \$ (4) | \$ (28)     | \$ (36) |
| Selling and administrative expenses  | (2)          | (3)    | (17)        | (9)     |
| Research and technical expenses  | —            | (1)    | —           | (1)     |

|                                 |               |               |               |                |
|---------------------------------|---------------|---------------|---------------|----------------|
| Other income                    | <u>(3)</u>    | <u>4</u>      | <u>26</u>     | <u>3</u>       |
| Total certain items,<br>pre-tax | <u>\$ (7)</u> | <u>\$ (4)</u> | <u>\$(19)</u> | <u>\$ (43)</u> |

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**TABLE 3: RECONCILIATION OF TAX CERTAIN ITEMS**


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| Periods ended June 30   | Three Months   |                | Nine Months   |                |
|---|----------------|----------------|---------------|----------------|
| <i>Dollars in millions<br/>(unaudited)</i>  | 2014           | 2013           | 2014          | 2013           |
| <u>Reconciliation of<br/>Provision for income<br/>taxes, excluding certain<br/>items, to Provision for<br/>income taxes</u> |                |                |               |                |
| Provision for income<br>taxes   | \$ (20)        | \$ (16)        | \$(51)        | \$ (52)        |
| Less: Tax impact of<br>certain items  | 2              | —              | 16            | 5              |
| Less: Tax-related<br>certain items  | (1)            | 4              | 2             | (3)            |
| Provision for<br>income taxes,<br>excluding certain<br>items  | <u>\$ (21)</u> | <u>\$ (20)</u> | <u>\$(69)</u> | <u>\$ (54)</u> |

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**TABLE 4: RECONCILIATION OF OPERATING TAX RATE**


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| Periods ended June 30   | Three Months |             | Nine Months |             |
|---|--------------|-------------|-------------|-------------|
| <i>Dollars in millions<br/>(unaudited)</i>  | 2014         | 2013        | 2014        | 2013        |
| <u>Reconciliation of the<br/>effective tax rate to the<br/>operating tax rate</u> |              |             |             |             |
| Provision for income<br>taxes   | \$ (20)      | \$ (16)     | \$(51)      | \$ (52)     |
| Effective tax rate  | 25%          | 22%         | 22%         | 34%         |
| Impact of discrete tax<br>items:  |              |             |             |             |
| Unusual or<br>infrequent items  | (1%)         | 4%          | (1%)        | (5%)        |
| Items related to<br>uncertain tax<br>positions                                    | -%           | -%          | 2%          | 1%          |
| Other discrete tax<br>items   | 1%           | 2%          | (1%)        | 2%          |
| Impact of certain items   | <u>2%</u>    | <u>(1%)</u> | <u>5%</u>   | <u>(5%)</u> |
| Operating tax rate  | <u>27%</u>   | <u>27%</u>  | <u>27%</u>  | <u>27%</u>  |

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


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**NON-GAAP  
MEASURE:**

Periods ended  
(unaudited)

Fiscal 2013<sup>(A)</sup>

Fiscal 2014<sup>(A)</sup>


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|   | Dec.<br>Q      | Mar. Q         | Jun. Q        | Sept. Q        | FY<br>2013<br>YTD | Dec. Q         | Mar. Q         | Jun. Q         | Sept. Q     | FY<br>2014<br>YTD |
|---|----------------|----------------|---------------|----------------|-------------------|----------------|----------------|----------------|-------------|-------------------|
| <b>Reconciliation of Adjusted EPS to GAAP EPS</b>                             |                |                |               |                |                   |                |                |                |             |                   |
| Net income per share attributable to Cabot Corporation                        | \$ 0.31        | \$ 0.42        | \$0.90        | \$ 0.73        | \$ 2.36           | \$ 1.23        | \$ 0.54        | \$ 0.78        |             | \$ 2.55           |
| Less: Net (loss) income per share from discontinued operations <sup>(B)</sup> | (0.04)         | (0.01)         | 0.03          | 0.01           | (0.01)            | (0.01)         | (0.01)         | (0.01)         | —           | (0.03)            |
| Net income per share from continuing operations                               | \$ 0.35        | \$ 0.43        | \$0.87        | \$ 0.72        | \$ 2.37           | \$ 1.24        | \$ 0.55        | \$ 0.79        |             | \$ 2.58           |
| Less: Certain items after tax per share                                       | (0.32)         | (0.21)         | 0.03          | (0.06)         | (0.56)            | 0.37           | (0.28)         | (0.09)         | —           | —                 |
| <b>Adjusted earnings per share</b>  | <b>\$ 0.67</b> | <b>\$ 0.64</b> | <b>\$0.84</b> | <b>\$ 0.78</b> | <b>\$ 2.93</b>    | <b>\$ 0.87</b> | <b>\$ 0.83</b> | <b>\$ 0.88</b> | <b>\$ —</b> | <b>\$ 2.58</b>    |

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

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

(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:

Cabot Corporation

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