UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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, 2020

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number 1-5667

Cabot Corporation

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**04-2271897** **(I.R.S. Employer Identification No.)**
Two Seaport Lane **Boston, Massachusetts** **(Address of principal executive offices)**	**02210-2019** **(Zip Code)**

Registrant's telephone number, including area code: (617) 345-0100

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, $1 par value per share	CBT	The New York Stock Exchange

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The Company had 56,461,543 shares of common stock, $1.00 par value per share, outstanding as of August 4, 2020.

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CABOT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
UNAUDITED

	Three Months Ended June 30		Nine Months Ended June 30	
	2020	2019	2020	2019
	(In millions, except per share amounts)			
Net sales and other operating revenues	$ 518	$ 845	$ 1,955	$ 2,510
Cost of sales	449	675	1,592	1,996
Gross profit	69	170	363	514
Selling and administrative expenses	52	65	230	208
Research and technical expenses	13	16	41	47
Specialty Fluids loss on sale and asset impairment	—	8	1	28
Income (loss) from operations	4	81	91	231
Interest and dividend income	1	2	7	6
Interest expense	(13)	(14)	(41)	(43)
Other income (expense)	(3)	—	(6)	(6)
Income (loss) before income taxes and equity in earnings of affiliated companies	(11)	69	51	188
(Provision) benefit for income taxes	5	(30)	(9)	(43)
Equity in earnings of affiliated companies, net of tax	1	1	2	1
Net income (loss)	(5)	40	44	146
Net income (loss) attributable to noncontrolling interests, net of tax	1	8	10	22
Net income (loss) attributable to Cabot Corporation	$ (6)	$ 32	$ 34	$ 124
Weighted-average common shares outstanding:				
Basic	56.5	58.2	56.7	59.1
Diluted	56.5	58.4	56.7	59.2
Earnings (loss) per common share:				
Basic	$ (0.12)	$ 0.55	$ 0.59	$ 2.08
Diluted	$ (0.12)	$ 0.55	$ 0.59	$ 2.08

The accompanying notes are an integral part of these consolidated financial statements.

CABOT CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
UNAUDITED

	Three Months Ended June 30		Nine Months Ended June 30	
	2020	2019	2020	2019
	(In millions)			
Net income (loss)	$ (5)	$ 40	$ 44	$ 146
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustment, net of tax	31	1	(4)	(15)
Derivatives: net investment hedges				
(Gains) losses reclassified to interest expense, net of tax	(1)	(1)	(3)	(3)
(Gains) losses excluded from effectiveness testing and amortized to interest expense, net of tax	—	1	1	1
Pension and other postretirement benefit liability adjustments, net of tax	1	1	2	23
Other comprehensive income (loss)	31	2	(4)	6
Comprehensive income (loss)	26	42	40	152
Net income (loss) attributable to noncontrolling interests, net of tax	1	8	10	22
Foreign currency translation adjustment attributable to noncontrolling interests, net of tax	2	(2)	2	—
Comprehensive income (loss) attributable to noncontrolling interests, net of tax	3	6	12	22
Comprehensive income (loss) attributable to Cabot Corporation	$ 23	$ 36	$ 28	$ 130

The accompanying notes are an integral part of these consolidated financial statements.

CABOT CORPORATION
CONSOLIDATED BALANCE SHEETS
ASSETS
UNAUDITED

	June 30, 2020	September 30, 2019
	(In millions)	
Current assets:		
Cash and cash equivalents	$ 162	$ 169
Accounts and notes receivable, net of reserve for doubtful accounts of $2 and $3	362	530
Inventories:		
Raw materials	88	107
Finished goods	250	305
Other	55	54
Total inventories	393	466
Prepaid expenses and other current assets	66	45
Total current assets	983	1,210
Property, plant and equipment, net	1,412	1,348
Goodwill	130	90
Equity affiliates	36	39
Intangible assets, net	102	96
Deferred income taxes	181	163
Other assets	175	58
Total assets	$ 3,019	$ 3,004

The accompanying notes are an integral part of these consolidated financial statements.

CABOT CORPORATION
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND STOCKHOLDERS' EQUITY
UNAUDITED

	June 30, 2020	September 30, 2019
	(In millions, except share and per share amounts)	
Current liabilities:		
Short-term borrowings	$ 13	$ 33
Accounts payable and accrued liabilities	460	537
Income taxes payable	14	22
Current portion of long-term debt	7	7
Total current liabilities	494	599
Long-term debt	1,164	1,024
Deferred income taxes	41	41
Other liabilities	277	206
Commitments and contingencies (Note G)		
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: 56,611,504 and 57,250,454 shares		
Outstanding: 56,460,448 and 57,080,589 shares	57	57
Less cost of 151,056 and 169,865 shares of common treasury stock	(4)	(5)
Retained earnings	1,277	1,337
Accumulated other comprehensive income (loss)	(400)	(391)
Total Cabot Corporation stockholders' equity	930	998
Noncontrolling interests	113	136
Total stockholders' equity	1,043	1,134
Total liabilities and stockholders' equity	$ 3,019	$ 3,004

The accompanying notes are an integral part of these consolidated financial statements.

CABOT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED

	Nine Months Ended June 30	
	2020	2019
	(In millions)	
Cash Flows from Operating Activities:		
Net income (loss)	$ 44	$ 146
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation and amortization	117	110
Specialty Fluids loss on sale and asset impairment	—	28
Impairment of investment in equity affiliate	—	11
Deferred tax provision (benefit)	(20)	(20)
Employee benefit plan settlement	—	6
Equity in earnings of affiliated companies	(2)	(1)
Non-cash compensation	5	11
Other non-cash (income) expense	4	(2)
Cash dividends received from equity affiliates	1	2
Changes in assets and liabilities:		
Accounts and notes receivable	172	6
Inventories	74	(14)
Prepaid expenses and other assets	(25)	(1)
Accounts payable and accrued liabilities	(68)	(65)
Income taxes payable	(10)	(24)
Other liabilities	(14)	(27)
Cash provided (used) by operating activities	278	166
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(162)	(155)
Proceeds from sale of business, net of cash held in escrow of $— and $5	—	130
Acquisitions of businesses, net of cash acquired of $1 and $—	(92)	(3)
Other	2	(5)
Cash provided (used) by investing activities	(252)	(33)
Cash Flows from Financing Activities:		
Borrowings under financing arrangements	—	29
Repayments under financing arrangements	—	(18)
Proceeds from issuance (repayments) of commercial paper, net	(20)	(176)
Proceeds from long-term debt	444	344
Repayments of long-term debt	(334)	(75)
Repayments of redeemable preferred stock	—	(25)
Purchases of common stock	(44)	(144)
Proceeds from sales of common stock	3	2
Cash dividends paid to noncontrolling interests	(26)	(23)
Cash dividends paid to common stockholders	(60)	(60)
Cash provided (used) by financing activities	(37)	(146)
Effects of exchange rate changes on cash	4	(15)
Increase (decrease) in cash and cash equivalents	(7)	(28)
Cash and cash equivalents at beginning of period	169	175
Cash and cash equivalents at end of period	$ 162	$ 147

The accompanying notes are an integral part of these consolidated financial statements.

CABOT CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
UNAUDITED

	Common Stock, Net of Treasury Stock														
	Shares	Cost		Additional Paid-in Capital		Retained Earnings		Accumulated Other Comprehensive Income (Loss)		Total Cabot Corporation Stockholders' Equity		Noncontrolling Interests		Total Stockholders' Equity	
	(In millions, except share amounts)														
Balance at September 30, 2019	57,081	$	52	$	—	$	1,337	$	(391)	$	998	$	136	$	1,134
Adoption of accounting standards							3		(3)		—				—
Net income (loss)							41				41		5		46
Total other comprehensive income (loss)									40		40		3		43
Cash dividends paid:															
Common stock, $0.35 per share							(20)				(20)				(20)
Cash dividends declared to noncontrolling interests													(19)		(19)
Issuance of stock under equity compensation plans	273		—		1						1				1
Amortization of share-based compensation					1						1				1
Purchase and retirement of common stock	(699)		—		(2)		(32)				(34)				(34)
Balance at December 31, 2019	56,655		52		—		1,329		(354)		1,027		125		1,152
Net income (loss)							(1)				(1)		4		3
Total other comprehensive income (loss)									(75)		(75)		(3)		(78)
Cash dividends paid:															
Common stock, $0.35 per share							(20)				(20)				(20)
Cash dividends declared to noncontrolling interests													(16)		(16)
Issuance of stock under equity compensation plans	30		—		2						2				2
Amortization of share-based compensation					2						2				2
Purchase and retirement of common stock	(241)		—		(4)		(6)				(10)				(10)
Balance at March 31, 2020	56,444		52		—		1,302		(429)		925		110		1,035
Net income (loss)							(6)				(6)		1		(5)
Total other comprehensive income (loss)									29		29		2		31
Cash dividends paid:															
Common stock, $0.35 per share							(20)				(20)				(20)
Issuance of stock under equity compensation plans	18		1		(1)						—				—
Amortization of share-based compensation					2						2				2
Purchase and retirement of common stock	(2)		—		(1)		1				—				—
Balance at June 30, 2020	56,460	$	53	$	—	$	1,277	$	(400)	$	930	$	113	$	1,043

The accompanying notes are an integral part of these consolidated financial statements.

CABOT CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
UNAUDITED

	Common Stock, Net of Treasury Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Cabot Corporation Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
	Shares	Cost						
	(In millions, except share amounts)							
Balance at September 30, 2018	60,367	$ 54	$ —	$ 1,417	$ (317)	$ 1,154	$ 125	$ 1,279
Net income (loss)				69		69	8	77
Total other comprehensive income (loss)					(3)	(3)	—	(3)
Cash dividends paid:								
Common stock, $0.33 per share				(20)		(20)		(20)
Issuance of stock under equity compensation plans	344	—	—			—		—
Amortization of share-based compensation			5			5		5
Purchase and retirement of common stock	(1,201)	(1)	(5)	(56)		(62)		(62)
Balance at December 31, 2018	59,510	53	—	1,410	(320)	1,143	133	1,276
Net income (loss)				23		23	6	29
Total other comprehensive income (loss)					5	5	2	7
Cash dividends paid:								
Common stock, $0.33 per share				(20)		(20)		(20)
Cash dividend declared to noncontrolling interests						—	(13)	(13)
Issuance of stock under equity compensation plans	41	1	—			1		1
Amortization of share-based compensation			2			2		2
Purchase and retirement of common stock	(1,101)	(2)	(2)	(46)		(50)		(50)
Balance at March 31, 2019	58,450	52	—	1,367	(315)	1,104	128	1,232
Net income (loss)				32		32	8	40
Total other comprehensive income (loss)					4	4	(2)	2
Cash dividends paid:								
Common stock, $0.33 per share				(20)		(20)	—	(20)
Issuance of stock under equity compensation plans	56	—	—			—		—
Amortization of share-based compensation			4			4		4
Purchase and retirement of common stock	(747)	—	(4)	(28)		(32)		(32)
Balance at June 30, 2019	57,759	$ 52	$ —	$ 1,351	$ (311)	$ 1,092	$ 134	$ 1,226

The accompanying notes are an integral part of these consolidated financial statements.

A. Basis of Presentation

The consolidated financial statements have been prepared in conformity with accounting policies generally accepted in the United States ("U.S.") and include the accounts of Cabot Corporation ("Cabot" or the "Company") and its wholly owned subsidiaries and majority-owned and controlled U.S. and non-U.S. subsidiaries. Additionally, Cabot considers consolidation of entities over which control is achieved through means other than voting rights. Intercompany transactions have been eliminated in consolidation.

The unaudited consolidated financial statements have been prepared in accordance with the requirements of Form 10-Q and consequently do not include all disclosures required by Form 10-K. Additional information may be obtained by referring to Cabot's Annual Report on Form 10-K for its fiscal year ended September 30, 2019 ("2019 10-K").

The financial information submitted herewith is unaudited and reflects all adjustments which are, in the opinion of management, necessary to provide a fair statement of the results for the interim periods ended June 30, 2020 and 2019. All such adjustments are of a normal recurring nature. The results for interim periods are not necessarily indicative of the results to be expected for the fiscal year.

Effective October 1, 2019, the Company adopted the accounting standard for leases issued by the Financial Accounting Standards Board ("FASB") in February 2016.

As discussed in Note C, effective April 1, 2020, the Company acquired Shenzhen Sanshun Nano New Materials Co., Ltd ("SUSN"), a leading carbon nanotube producer. The results of operations, and cash flows, of SUSN are included in the Company's consolidated financial statements from the date of acquisition.

B. Significant Accounting Policies

Revenue Recognition

Cabot recognizes revenue when its customers obtain control of promised goods or services. The revenue recognized is the amount of consideration that the Company expects to receive in exchange for those goods or services. The Company's contracts with customers are generally for products only and do not include other performance obligations. Generally, Cabot considers purchase orders, which in some cases are governed by master supply agreements, to be contracts with customers. The transaction price as specified on the purchase order or sales contract is considered the standalone selling price for each distinct product. To determine the transaction price at the time when revenue is recognized, the Company evaluates whether the price is subject to adjustments, such as for returns, discounts or volume rebates, which are stated in the customer contract, to determine the net consideration to which the Company expects to be entitled. Revenue from product sales is recognized based on a point in time model when control of the product is transferred to the customer, which typically occurs upon shipment or delivery of the product to the customer and title, risk and rewards of ownership have passed to the customer. The Company has an immaterial amount of revenue that is recognized over time. Payment terms typically range from zero to ninety days.

Shipping and handling costs incurred after the transfer of control of a product to the customer are billed to the customer and are recorded as sales revenue, as the Company considers these to be fulfillment costs. Shipping and handling costs are expensed in the period incurred and included in Cost of sales within the Consolidated Statement of Operations. Taxes collected on sales to customers are excluded from the transaction price.

The Company generally provides a warranty that its products will substantially conform to the identified specifications. The Company's liability typically is limited to either a credit equal to the purchase price or replacement of the non-conforming product. Returns under warranty have historically been immaterial.

The Company does not have contract assets or liabilities that are material.

As permitted by the FASB's revenue recognition standard, *Revenue from Contracts with Customers*, when the period of time between the transfer of control of the goods and the time the customer pays for the goods is one year or less, the Company does not consider there to be a significant financing component associated with the contract.

Intangible Assets and Goodwill Impairment

The Company records tangible and intangible assets acquired and liabilities assumed in business combinations under the acquisition method of accounting. Amounts paid for assets acquired and liabilities assumed in an acquisition are allocated to the assets and liabilities based on their fair values at the date of acquisition. The Company uses assumptions and estimates in determining the fair value of assets acquired and liabilities assumed in a business combination. The determination of the fair value of intangible assets requires the use of significant judgment with regard to assumptions used in the valuation model. The Company estimates the fair value of identifiable acquisition-related intangible assets principally based on projections of cash flows that will arise from these assets. The projected cash flows are discounted to determine the fair value of the assets at the dates of acquisition.

Definite-lived intangible assets, which are comprised of trademarks, customer relationships and developed technologies, are amortized over their estimated useful lives and are reviewed for impairment when indication of potential impairment exists, such as a significant reduction in cash flows associated with the assets.

Goodwill is comprised of the purchase price of business acquisitions in excess of the fair value assigned to the net tangible and identifiable intangible assets acquired. Goodwill is not amortized, but is reviewed for impairment annually as of August 31, or when events or changes in the business environment indicate that the carrying value of the reporting unit may exceed its fair value. A reporting unit, for the purpose of the impairment test, is at or below the operating segment level, and constitutes a business for which discrete financial information is available and regularly reviewed by segment management. Reinforcement Materials, and the fumed metal oxides, specialty compounds and specialty carbons product lines within Performance Chemicals, which are considered separate reporting units, carry the Company's goodwill balances as of June 30, 2020.

For the purpose of the goodwill impairment test, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If an initial qualitative assessment identifies that it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value, an additional quantitative evaluation is performed. Alternatively, the Company may elect to proceed directly to the quantitative goodwill impairment test. If based on the quantitative evaluation the fair value of the reporting unit is less than its carrying amount, a goodwill impairment loss would result. The goodwill impairment loss would be the amount by which the carrying value of the reporting unit, including goodwill, exceeds its fair value, limited to the total amount of goodwill allocated to that reporting unit. The fair value of a reporting unit is based on discounted estimated future cash flows. The fair value is also benchmarked against a market approach using the guideline public company method. The assumptions used to estimate fair value include management's best estimates of future growth rates, operating cash flows, capital expenditures and discount rates over an estimate of the remaining operating period at the reporting unit level. Based on the Company's most recent annual goodwill impairment test performed as of August 31, 2019, the fair values of the Reinforcement Materials, Fumed Metal Oxides and Specialty Compounds reporting units were substantially in excess of their carrying values.

Long-lived Assets Impairment

The Company's long-lived assets primarily include property, plant and equipment, intangible assets and long-term investments. The carrying values of long-lived assets are reviewed for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be recoverable.

To test for impairment of assets, the Company generally uses a probability-weighted estimate of the future undiscounted net cash flows of the assets over their remaining lives to determine if the value of the asset is recoverable. Long-lived assets are grouped with other assets and liabilities at the lowest level for which independent identifiable cash flows are determinable.

An asset impairment is recognized when the carrying value of the asset is not recoverable based on the analysis described above, in which case the asset is written down to its fair value. If the asset does not have a readily determinable fair value, a discounted cash flow model may be used to determine the fair value of the asset. In circumstances when an asset does not have separately identifiable cash flows, an impairment charge is recorded when the Company no longer intends to use the asset.

The Company continues to consider strategic options for its Purification Solutions business. Depending on the actions taken, there could be a negative impact on the fair value of the Purification Solutions reporting unit, which may lead to an impairment.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation of property, plant and equipment is calculated using the straight-line method over the estimated useful lives of the related assets. The depreciable lives for buildings, machinery and equipment, and other fixed assets are between twenty and twenty-five years, ten and twenty-five years, and three and twenty-five years, respectively. The cost and accumulated depreciation for property, plant and equipment sold, retired, or otherwise disposed of are removed from the Consolidated Balance Sheets and resulting gains or losses are included in earnings in the Consolidated Statements of Operations. Expenditures for repairs and maintenance are charged to expenses as incurred. Expenditures for major renewals and betterments, which significantly extend the useful lives of existing plant and equipment, are capitalized and depreciated.

Income Tax in Interim Periods

The Company records its tax provision or benefit on an interim basis using an estimated annual effective tax rate. This rate is applied to the current period ordinary income or loss to determine the income tax provision or benefit allocated to the interim period. Losses from jurisdictions for which no benefit can be recognized and the income tax effects of unusual or infrequent items are excluded from the estimated annual effective tax rate and are recognized in the impacted interim period.

Valuation allowances are provided against the future tax benefits that arise from the deferred tax assets in jurisdictions for which no benefit can be recognized. The estimated annual effective tax rate may be significantly impacted by nondeductible expenses and the Company's projected earnings mix by tax jurisdiction. Adjustments to the estimated annual effective income tax rate are recognized in the period when such estimates are revised.

Inventory Valuation

Inventories are stated at the lower of cost or net realizable value. The cost of inventory is determined using the FIFO method.

Cabot periodically reviews inventory for both potential obsolescence and potential declines in anticipated selling prices. In this review, the Company makes assumptions about the future demand for and market value of the inventory, and based on these assumptions estimates the amount of any obsolete, unmarketable, slow moving, or overvalued inventory. Cabot writes down the value of these inventories by an amount equal to the difference between the cost of the inventory and its estimated net realizable value.

Pensions and Other Postretirement Benefits

The Company recognizes the funded status of defined benefit pension and other postretirement benefit plans as an asset or liability. This amount is defined as the difference between the fair value of plan assets and the benefit obligation. Pension and post-retirement benefit costs other than service cost are included in Other income (expense) in the Consolidated Statement of Operations. The Company is required to recognize as a component of Other comprehensive income (loss), net of tax, the actuarial gains/losses and prior service costs/credits that arise but were not previously required to be recognized as components of net periodic benefit cost. Other comprehensive income (loss) is adjusted as these amounts are later recognized in income as components of net periodic benefit cost.

Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) ("AOCI"), which is included as a component of stockholders' equity, includes unrealized gains or losses on derivative instruments, currency translation adjustments in foreign subsidiaries, translation adjustments on foreign equity securities and minimum pension liability adjustments.

Recently Adopted Accounting Standards

In February 2016, the FASB issued a new standard for the accounting for leases. This standard requires lessees to recognize assets and liabilities for most leases, but recognize expenses on their income statements in a manner that is similar to the historical accounting treatment for leases. The Company adopted the standard on October 1, 2019 using the modified retrospective optional transition method. Accordingly, leases in the prior period continue to be reported and disclosed in accordance with the Company's historical accounting treatment. The Company elected the package of practical expedients that permits the Company to not reassess the identification, classification and initial direct costs of leases commencing before the October 1, 2019 effective date and to exclude short-term leases from the balance sheet. The Company did not elect the hindsight practical expedient to determine the lease term for existing leases or the practical expedient to not separate lease and non-lease components to existing leases, as well as new leases, through transition. The Company allocates the total consideration to the lease components and non-lease components on an observable stand-alone price basis to all asset classes.

Adoption of the new lease standard resulted in the recognition of operating lease right-of-use ("ROU") assets and operating lease liabilities of approximately $106 million and $111 million, respectively, as of October 1, 2019. Refer to Note H for further details regarding the balance sheet classification of these items. The difference between the operating lease ROU assets and operating lease liabilities reflects the reclassification of historical deferred rent balances of approximately $5 million. The effects of transition to the new standard resulted in no cumulative adjustment to retained earnings in the period of adoption. The standard did not materially impact the Company's Consolidated Statement of Operations or Consolidated Statement of Cash Flows. The new standard did not have a material impact on the Company's liquidity or debt-covenant compliance as of adoption.

In February 2018, the FASB issued a new standard that allows entities to reclassify from Accumulated other comprehensive income (loss) ("AOCI") to Retained earnings stranded tax effects resulting from changes made as a result of the Tax Cuts and Jobs Act of 2017 (the "Act"). The Company adopted this standard on October 1, 2019 which resulted in the reclassification of a $2 million net gain from AOCI to Retained earnings. The reclassification was primarily related to the Company's pension plans and derivative instruments.

Recent Accounting Pronouncements

In June 2016, the FASB issued a new standard on measurement of credit losses. The standard introduces an "expected loss" impairment model that applies to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables and other financial assets. Entities are required to estimate expected credit losses over the life of financial assets and record an allowance against the assets' amortized cost basis to present them at the amount expected to be collected. The new standard is effective for fiscal years beginning after December 15, 2019 and early adoption is permitted. The Company will adopt this standard effective October 1, 2020. The Company does not expect the adoption of this standard to materially impact the Company's consolidated financial statements.

In March 2020, the FASB issued a new standard on Reference Rate Reform, which provides temporary optional expedients and exceptions to the existing guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. The standard was effective upon issuance and may generally be applied through December 31, 2022 to any new or amended contracts, hedging relationships, and other transactions that reference LIBOR. The Company is currently evaluating the timing of adoption and the impact of the adoption of this standard on its consolidated financial statements.

C. Acquisitions and Divestitures

Acquisitions

NSCC Carbon (Jiangsu) Co. Ltd

In September 2018, the Company acquired NSCC Carbon (Jiangsu) Co. Ltd, a carbon black manufacturing facility in Pizhou, Jiangsu Province, China for a purchase price of $8 million, subject to certain conditions. The purchase price conditions were satisfied in September 2019 and the purchase price was paid in the first quarter of fiscal 2020. The Company has commenced plans to modify this facility to produce specialty carbons and therefore the plant is temporarily mothballed. The modifications are expected to be completed, and production is expected to commence, in 2022. Transition-related costs associated with this acquisition were $1 million and $2 million for the three and nine months ended June 30, 2020, respectively, and $1 million and $4 million for the three and nine months ended June 30, 2019, respectively.

Shenzhen Sanshun Nano New Materials Co., Ltd

On April 1, 2020, the Company purchased Shenzhen Sanshun Nano New Materials Co., Ltd (SUSN), a leading carbon nanotube producer, for an estimated purchase price of $100 million, consisting of: (i) cash consideration of $84 million, net of $1 million acquired (ii) contingent consideration of $3 million to be paid over the two-year period ending March 31, 2022 upon the satisfaction of certain milestones, and (iii) the assumed debt of $13 million. The debt the Company assumed in the transaction was repaid in June 2020. The operating results of SUSN were included in the results of the Company's Performance Chemicals segment beginning in the third quarter of fiscal 2020, and totaled approximately $6 million of revenue in the quarter.

The Company incurred acquisition and integration costs of $2 million through June 30, 2020 associated with the transaction, which are included in Selling and administrative expenses and Cost of Sales in the Consolidated Statements of Operations.

The provisional allocation of the purchase price set forth below was based on estimates of the fair value of assets acquired and liabilities assumed as of April 1, 2020.

	(In millions)
Assets	
Cash	$ 1
Accounts Receivable	8
Inventories	4
Prepaid expenses and other current assets	2
Property, plant and equipment	38
Intangible assets	15
Goodwill	45
Deferred tax asset	1
Other assets	2
Total assets acquired	116
Liabilities	
Accounts payable and accrued liabilities	(12)
Income taxes payable	(2)
Long-term debt	(13)
Other liabilities	(4)
Total liabilities assumed	(31)
Cash consideration paid	$ 85

As part of the purchase price allocation, the Company determined the separately identifiable intangible assets are comprised of developed technologies of $9 million, which will be amortized over 10 years, customer relationships of $4 million, which will be amortized over 20 years, and trademarks of $2 million, which will be amortized over 10 years. The Company estimated the fair values of the identifiable acquisition-related intangible assets based on projections of cash flows that will arise from those assets. The projected cash flows were discounted to determine the fair value of the assets at the date of acquisition. The determination of the fair value of the intangible assets acquired required the use of judgment with regard to assumptions in the discounted cash flow model used and determination of the useful lives of the developed technologies, customer relationships and trademarks.

The excess of the purchase price over the fair value of the tangible net assets and intangible assets acquired was recorded as goodwill. The goodwill recognized is attributable to the growth and operating synergies that the Company expects to realize from this acquisition. Goodwill generated from the acquisition will not be deductible for tax purposes.

Divestitures

Sale of Specialty Fluids Business

In June 2019, the Company completed the sale of its Specialty Fluids business, an operating segment of the Company, to Sinomine (Hong Kong) Rare Metals Resource Co. Limited, a wholly owned subsidiary of Sinomine Resource Group Co., Ltd. (“Sinomine”), for total proceeds of $133 million. The Company recognized a $20 million impairment charge during the second quarter of fiscal 2019 and a pre-tax loss on the sale of the Specialty Fluids business of $9 million in fiscal 2019. The sale was subject to customary post-closing adjustments, which were finalized during the second quarter of fiscal 2020 and resulted in an additional pre-tax loss on sale of $1 million.

D. Employee Benefit Plans

Net periodic defined benefit pension costs include the following:

	Three Months Ended June 30			
	2020		2019	
	Pension Benefits			
	U.S.	Foreign	U.S.	Foreign
	(In millions)			
Service cost	$ —	$ 1	$ 1	$ 2
Interest cost	1	1	1	1
Expected return on plan assets	(1)	(2)	(2)	(2)
Amortization of prior service costs (credit)	—	—	—	2
Amortization of actual loss	—	1	—	1
Net periodic benefit (credit) cost	$ —	$ 1	$ —	$ 4

	Nine Months Ended June 30			
	2020		2019	
	Pension Benefits			
	U.S.	Foreign	U.S.	Foreign
	(In millions)			
Service cost	$ 1	$ 4	$ 1	$ 5
Interest cost	3	3	4	4
Expected return on plan assets	(3)	(7)	(7)	(8)
Amortization of prior service cost (credit)	—	—	—	2
Amortization of actuarial loss	—	2	—	2
Settlement and curtailment gain	—	—	—	(6)
Net periodic benefit (credit) cost	$ 1	$ 2	$ (2)	$ (1)

Other postretirement benefit costs were less than $1 million and $1 million for the three and nine months ended June 30, 2020, respectively. Other postretirement benefit gains were less than $1 million for both the three and nine months ended June 30, 2019.

U.S. Cash Balance Plan Termination

In fiscal 2019, the Company's Board of Directors approved a resolution to terminate the Company's U.S. pension plan. The Company commenced the U.S. plan termination process during the third quarter of fiscal 2019 and expects to complete the transfer of the U.S. plan's assets to participants by the end of calendar year 2020. The pension liability will be settled through a combination of lump-sum payments and purchased annuities. Upon settlement of the benefit liabilities accrued in the plan, the Company will recognize a loss associated with the release of approximately $13 million from AOCI in the Consolidated Balance Sheet to Other income (expense) in the Consolidated Statement of Operations and will also recognize in Other income (expense) any additional gain or loss between the fair value of plan assets and the benefit plan liability on the date of settlement.

Curtailments and Settlements of Employee Benefit Plans

In fiscal 2019, the Company transferred the majority of the defined benefit obligations and pension plan assets in one of its foreign defined benefit plans to a multi-employer plan. This action moved the administrative, asset custodial, asset investment, actuarial, communication and benefit payment obligations to the multi-employer fund administrator. As a result of the transfer, a pre-tax gain of $6 million was recorded in the first quarter of fiscal 2019, which is included in Other income (expense) in the Consolidated Statement of Operations. In addition, as part of the transfer, the Company recorded a $3 million charge in the first quarter of fiscal 2019 reflecting the Company's agreement to fund the actuarial loss gap between the terminated plan and the multi-employer plan. This charge is included in Other income (expense) in the Consolidated Statement of Operations.

E. Goodwill and Intangible Assets

The carrying amount of goodwill attributable to each reportable segment with goodwill balances and the changes in those balances during the nine month period ended June 30, 2020 are as follows:

	Reinforcement Materials	Performance Chemicals	Total
		(In millions)	
Balance at September 30, 2019	$ 50	$ 40	$ 90
Goodwill acquired(1)	—	45	45
Foreign currency impact	(5)	—	(5)
Balance at June 30, 2020	$ 45	$ 85	$ 130

(1) Consists of goodwill acquired in the acquisition of SUSN as described in Note C.

The following table provides information regarding the Company's intangible assets:

	June 30, 2020			September 30, 2019		
	Gross Carrying Value	Accumulated Amortization	Net Intangible Assets	Gross Carrying Value	Accumulated Amortization	Net Intangible Assets
			(In millions)			
Intangible assets with finite lives						
Developed technologies	$ 58	$ (7)	$ 51	$ 50	$ (5)	$ 45
Trademarks	11	(1)	10	8	—	8
Customer relationships	54	(13)	41	57	(14)	43
Total intangible assets(1)	$ 123	$ (21)	$ 102	$ 115	$ (19)	$ 96

(1) Total intangible assets as of June 30, 2020 includes $15 million of intangible assets from the acquisition of SUSN as described in Note C and an unfavorable impact of foreign currency translation of $4 million.

Intangible assets are amortized over their estimated useful lives, which range between ten and twenty-five years, with a weighted average amortization period of approximately eighteen years. Amortization expense for the three months ended June 30, 2020 and 2019 was $2 million and $1 million, respectively, and for the nine months ended June 30, 2020 and 2019 was $5 million and $4 million, respectively. Amortization expense is included in Cost of sales, Selling and administrative expenses, and Research and technical expenses in the Consolidated Statements of Operations. Total amortization expense is estimated to be approximately $7 million each year for the next five fiscal years.

F. Accumulated Other Comprehensive Income (Loss)

Comprehensive income combines net income (loss) and other comprehensive income items, which are reported as components of stockholders' equity in the accompanying Consolidated Balance Sheets.

Changes in each component of AOCI, net of tax, were as follows:

	Currency Translation Adjustment	Unrealized Gains on Investments	Pension and Other Postretirement Benefit Liability Adjustments	Total
	(In millions)			
Balance at September 30, 2019, attributable to Cabot Corporation	$ (338)	$ 1	$ (54)	$ (391)
Other comprehensive income (loss) before reclassifications	43	—	—	43
Amounts reclassified from AOCI	(1)	—	1	—
Adoption of accounting standards	(3)	(1)	1	(3)
Less: Other comprehensive income (loss) attributable to noncontrolling interests	3	—	—	3
Balance at December 31, 2019, attributable to Cabot Corporation	(302)	—	(52)	(354)
Other comprehensive income (loss) before reclassifications	(78)	—	—	(78)
Less: Other comprehensive income (loss) attributable to noncontrolling interests	(3)	—	—	(3)
Balance at March 31, 2020, attributable to Cabot Corporation	(377)	—	(52)	(429)
Other comprehensive income (loss) before reclassifications	31	—	(1)	30
Amounts reclassified from AOCI	(1)	—	2	1
Less: Other comprehensive income (loss) attributable to noncontrolling interests	2	—	—	2
Balance at June 30, 2020, attributable to Cabot Corporation	$ (349)	$ —	$ (51)	$ (400)

The amounts reclassified out of AOCI and into the Consolidated Statements of Operations in the three and nine months ended June 30, 2020 and 2019 were as follows:

	Affected Line Item in the Consolidated Statements of Operations	Three Months Ended June 30 2020	Three Months Ended June 30 2019	Nine Months Ended June 30 2020	Nine Months Ended June 30 2019
		(In millions)			
Derivatives: net investment hedges					
(Gains) losses reclassified to interest expense	Interest expense	$ (2)	$ (1)	$ (4)	$ (4)
(Gains) losses excluded from effectiveness testing and amortized to interest expense	Interest expense	—	—	1	1
Pension and other postretirement					
Amortization of actuarial losses and prior service cost (credit)	Net Periodic Benefit Cost - see Note D for details	2	2	3	2
Settlement and curtailment gain	Net Periodic Benefit Cost - see Note D for details	—	—	—	(6)
Total before tax		—	1	—	(7)
Tax impact	Provision (benefit) for income taxes	1	1	1	(2)
Total after tax		$ 1	$ 2	$ 1	$ (9)

G. Commitments and Contingencies

Contingencies

Respirator Liabilities

Cabot has exposure in connection with a safety respiratory products business that a subsidiary acquired from American Optical Corporation ("AO") in an April 1990 asset purchase transaction. The subsidiary manufactured respirators under the AO brand and disposed of that business in July 1995. In connection with its acquisition of the business, the subsidiary agreed, in certain circumstances, to assume a portion of AO's liabilities, including costs of legal fees together with amounts paid in settlements and judgments, allocable to AO respiratory products used prior to the 1990 purchase by the Cabot subsidiary. In exchange for the subsidiary's assumption of certain of AO's respirator liabilities, AO agreed to provide to the subsidiary the benefits of: (i) AO's insurance coverage for the period prior to the 1990 acquisition and (ii) a former owner's indemnity of AO holding it harmless from any liability allocable to AO respiratory products used prior to May 1982. As more fully described in the 2019 10-K, the respirator liabilities generally involve claims for personal injury, including asbestosis, silicosis and coal worker's pneumoconiosis, allegedly resulting from the use of respirators that are alleged to have been negligently designed and/or labeled. Neither Cabot, nor its past or present subsidiaries, at any time manufactured asbestos or asbestos-containing products. At no time did this respiratory product line represent a significant portion of the respirator market. In addition to Cabot's subsidiary, other parties are responsible for significant portions of the costs of these respirator liabilities (as defined in the 2019 10-K, the "Payor Group").

On February 28, 2020, Cabot, with certain members of the Payor Group, entered into a settlement agreement resolving a large group of claims, including claims alleging serious injury, brought by coal workers in Kentucky and West Virginia represented by common legal counsel. The Company's share of this liability is $65.2 million, and during the second quarter of fiscal 2020, Cabot recorded a charge of $50 million for this settlement, which was included in Selling and administrative expenses in the Consolidated Statements of Operations. The Company paid $32.6 million of the settlement during the third quarter of fiscal 2020 and the remaining $32.6 million, which is included in Accounts payable and accrued liabilities on the Consolidated Balance Sheets as of June 30, 2020, will be paid in the first quarter of fiscal 2021.

In addition to the February 2020 settlement, Cabot has a reserve to cover its expected share of liabilities for existing and future respirator liability claims, which is included in Other liabilities and Accounts payable and accrued liabilities on the Consolidated Balance Sheets. The Company expects these liabilities to be incurred over a number of years. The reserve was $21 million and $35 million as of June 30, 2020 and September 30, 2019, respectively. The Company's current estimate of the cost of its share of existing and future respirator liability claims is based on facts and circumstances existing at this time, including the nature of the remaining claims. Because reserves are limited to amounts that are probable and estimable as of a relevant measurement date, and there is inherent difficulty in projecting the impact of potential developments on Cabot's share of liability for these existing and future claims, the actual amount of liabilities related to these claims could be different from Cabot's reserve.

Developments that could affect the Company's estimate include, but are not limited to, (i) significant changes in the number of future claims, (ii) changes in the rate of dismissals without payment of pending claims, (iii) significant changes in the average cost of resolving claims, including potential settlements of groups of claims, (iv) significant changes in the legal costs of defending these claims, (v) changes in the nature of claims received, (vi) trial and appellate outcomes, (vii) changes in the law and procedure applicable to these claims, (viii) the financial viability of the parties that contribute to the settlement of respirator claims, (ix) exhaustion of the insurance coverage maintained by certain of the parties that contribute to the settlement of respirator claims, or a change in the availability of the indemnity provided by a former owner of the business, (x) changes in the allocation of costs among the various parties paying legal and settlement costs, and (xi) a determination that the assumptions that were used to estimate Cabot's share of liability are no longer reasonable.

Other Matters

The Company has various other lawsuits, claims and contingent liabilities arising in the ordinary course of its business and with respect to its divested businesses. The Company does not believe that any of these matters will have a material adverse effect on its financial position; however, litigation is inherently unpredictable. Cabot could incur judgments, enter into settlements or revise its expectations regarding the outcome of certain matters, and such developments could have a material impact on its results of operations in the period in which the amounts are accrued or its cash flows in the period in which the amounts are paid.

H. Leases

The Company determines if an arrangement is a lease at inception. The Company considers a contract to be or to contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration.

A lease liability is recorded at commencement for the net present value of future lease payments over the lease term. The discount rate used is generally the Company's estimated incremental borrowing rate based on credit-adjusted and term-specific discount rates, using a third-party yield curve. An ROU asset is recorded and recognized at commencement at the lease liability amount, including initial direct costs incurred, and is reduced for lease incentives received. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

In the normal course of its business, the Company enters into various leases as the lessee, primarily related to certain transportation vehicles, warehouse facilities, office space, and machinery and equipment. These leases have remaining lease terms between one and nineteen years, some of which may include options to extend the leases for up to fifteen years or options to terminate the leases. The Company's land leases have remaining lease terms up to seventy years.

Some lease arrangements require variable payments that are dependent on usage, output, or index-based adjustments. The Company does not have material variable lease payments.

The Company has elected not to recognize short-term leases on the balance sheet for all underlying asset classes. Short-term leases are leases that, at the commencement date, have a lease term of twelve months or less and do not include a purchase option that the Company is reasonably certain to exercise. Short-term leases are expensed on a straight-line basis over the lease term.

The components of the Company's lease costs were as follows:

	Three Months Ended June 30 2020	Nine Months Ended June 30 2020
	(In millions)	
Operating lease cost	$ 7	$ 24
Finance lease cost	2	4
Total lease cost	$ 9	$ 28

For the three and nine months ended June 30, 2020, short-term lease costs were $1 million and $5 million, respectively. For both the three and nine months ended June 30, 2020, variable lease costs were less than $1 million.

Supplemental cash flow information related to the Company's leases was as follows:

	Three Months Ended June 30 2020	Nine Months Ended June 30 2020
	(In millions)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 7	$ 19
Operating cash flows from finance leases	—	1
Financing cash flows from finance leases	1	2
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 8	$ 13
Right-of-use assets obtained in exchange for new finance lease liabilities	$ —	$ 23

Supplemental balance sheet information related to the Company's leases was as follows:

Description	Balance Sheet Classification	June 30, 2020 (In millions)
Lease ROU assets:		
Operating	Other assets	$ 102
Finance	Net property, plant and equipment	45
Total lease ROU assets		$ 147
Lease liabilities:		
Current:		
Operating	Accounts payable and accrued liabilities	$ 17
Finance	Current portion of long-term debt	3
Long-term:		
Operating	Other liabilities	91
Finance	Long-term debt	28
Total lease liabilities		$ 139

The following table presents the weighted-average remaining lease term and discount rates for the Company's leases as of June 30, 2020:

Description	June 30, 2020
Weighted-average remaining lease term (years):	
Operating leases	16
Finance leases	12
Weighted-average discount rate:	
Operating leases	2.21%
Finance leases	4.44%

Future minimum lease payments under non-cancelable operating and finance leases as of June 30, 2020 were as follows:

Years Ended September 30	Operating leases (In millions)	Finance leases
Remainder of fiscal 2020	$ 6	$ 1
2021	16	5
2022	12	4
2023	10	4
2024	10	4
2025 and thereafter	75	25
Total lease payments	129	43
Less: imputed interest	21	12
Total	$ 108	$ 31

The Company's future minimum lease payments under noncancelable leases as of September 30, 2019 were as follows:

Years Ended September 30	Operating leases	Capital leases
	(In millions)	
2020	$ 23	$ 3
2021	14	3
2022	9	3
2023	9	3
2024	8	2
2025 and thereafter	68	7
Total lease payments	131	21
Less: imputed interest	—	9
Total	$ 131	$ 12

I. Income Tax

Effective Tax Rate

	Three Months Ended June 30		Nine Months Ended June 30	
	2020	2019	2020	2019
	(Dollars in millions)			
(Provision) benefit for income taxes	$ 5	$ (30)	$ (9)	$ (43)
Effective tax rate	51%	43%	17%	23%

For the three and nine months ended June 30, 2020, the (Provision) benefit for income taxes included a net discrete tax benefit of $2 million and $14 million, respectively. The $14 million was comprised of $8 million related to changes in uncertain tax positions and $6 million related to the impacts of Switzerland tax reform legislation. For the three and nine months ended June 30, 2019, the (Provision) benefit for income taxes included a net discrete tax expense of $13 million and a net discrete tax benefit of $11 million, respectively. Of these amounts, a net tax expense of $17 million and a nil amount, respectively, are related to U.S. tax reform legislation.

Uncertainties

Cabot and certain subsidiaries are under audit in a number of jurisdictions. In addition, certain statutes of limitations are scheduled to expire in the near future. It is reasonably possible that a further change in the unrecognized tax benefits may also occur within the next twelve months related to the settlement of one or more of these audits or the lapse of applicable statutes of limitations. However, an estimated range of the impact on the unrecognized tax benefits cannot be quantified at this time.

Cabot files U.S. federal and state and non-U.S. income tax returns in jurisdictions with varying statutes of limitations. The 2016 through 2019 tax years generally remain subject to examination by the IRS and various tax years from 2005 through 2019 remain subject to examination by the respective state tax authorities. In significant non-U.S. jurisdictions, various tax years from 2003 through 2019 remain subject to examination by their respective tax authorities. As of June 30, 2020, Cabot's significant non-U.S. jurisdictions include Canada, China, France, Germany, Italy, Japan, Switzerland and the Netherlands.

During the three and nine months ended June 30, 2020, Cabot released uncertain tax positions of $3 million and $11 million, respectively, due to audit settlements and the expiration of statutes of limitations in various jurisdictions. During the three and nine months ended June 30, 2019, Cabot released uncertain tax positions of $1 million and $9 million, respectively, due to audit settlements and the expiration of statutes of limitations in various jurisdictions.

J. Earnings Per Share

The following tables summarize the components of the basic and diluted earnings (loss) per common share ("EPS") computations:

	Three Months Ended June 30		Nine Months Ended June 30	
	2020	2019	2020	2019
	(In millions, except per share amounts)			
Basic EPS:				
Net income (loss) attributable to Cabot Corporation	$ (6)	$ 32	$ 34	$ 124
Less: Dividends and dividend equivalents to participating securities	—	—	—	—
Earnings (loss) allocated to common shareholders (numerator)	$ (6)	$ 32	$ 34	$ 124
Weighted average common shares and participating securities outstanding	57.2	59.0	57.4	59.9
Less: Participating securities(1)	0.7	0.8	0.7	0.8
Adjusted weighted average common shares (denominator)	56.5	58.2	56.7	59.1
Earnings (loss) per common share - basic:	$ (0.12)	$ 0.55	$ 0.59	$ 2.08
Diluted EPS:				
Earnings (loss) allocated to common shareholders	$ (6)	$ 32	$ 34	$ 124
Plus: Earnings allocated to participating securities	—	—	—	1
Less: Adjusted earnings allocated to participating securities(2)	—	—	—	1
Earnings (loss) allocated to common shareholders (numerator)	$ (6)	$ 32	$ 34	$ 124
Adjusted weighted average common shares outstanding	56.5	58.2	56.7	59.1
Effect of dilutive securities:				
Common shares issuable(3)	—	0.2	—	0.1
Adjusted weighted average common shares (denominator)	56.5	58.4	56.7	59.2
Earnings (loss) per common share - diluted:	$ (0.12)	$ 0.55	$ 0.59	$ 2.08

(1) Participating securities consist of shares underlying: (i) achieved but unvested performance-based restricted stock units, and (ii) unvested time-based restricted stock units. The holders of these units are entitled to receive dividend equivalents payable in cash to the extent dividends are paid on the Company's outstanding common stock and equal in value to the dividends that would have been paid in respect of the shares underlying such units.

Undistributed earnings are the earnings which remain after dividends declared during the period are assumed to be distributed to the common and participating shareholders. Undistributed earnings are allocated to common and participating shareholders on the same basis as dividend distributions. The calculation of undistributed earnings is as follows:

	Three Months Ended June 30		Nine Months Ended June 30	
	2020	2019	2020	2019
	(In millions)			
Calculation of undistributed earnings (loss):				
Net income (loss) attributable to Cabot Corporation	$ (6)	$ 32	$ 34	$ 124
Less: Dividends declared on common stock	20	20	60	60
Less: Dividends declared on participating securities	—	—	—	—
Undistributed earnings (loss)	$ (26)	$ 12	$ (26)	$ 64
Allocation of undistributed earnings (loss):				
Undistributed earnings (loss) allocated to common shareholders	$ (26)	$ 12	$ (26)	$ 64
Undistributed earnings allocated to participating shareholders	—	—	—	—
Undistributed earnings (loss)	$ (26)	$ 12	$ (26)	$ 64

(2) Undistributed earnings are adjusted for the assumed distribution of dividends to the dilutive securities, which are described in (3) below, and then reallocated to participating securities.

(3) Represents incremental shares of common stock from the (i) assumed exercise of stock options issued under Cabot's equity incentive plans; and (ii) assumed issuance of shares to employees pursuant to the Company's Deferred Compensation and Supplemental Retirement Plan. For the nine months ended June 30, 2020, 1,223,055 incremental shares of common stock were excluded from the calculation of diluted earnings per share because the inclusion of these shares would have been antidilutive. For the three months ended June 30, 2020, incremental shares of common stock that were excluded from the calculation of diluted earnings per share because these would have been antidilutive due to the Company's net loss position were 1,853,427 shares, which also includes shares that are considered participating securities as described in (1) above. For the three and nine months ended June 30, 2019, 983,081 and 945,246 incremental shares of common stock, respectively, were excluded from the calculation of diluted earnings per share because the inclusion of these shares would have been antidilutive.

K. Restructuring

Cabot's restructuring activities were recorded in the Consolidated Statements of Operations in the three and nine months ended June 30, 2020 and 2019 as follows:

	Three Months Ended June 30		Nine Months Ended June 30	
	2020	2019	2020	2019
	(In millions)			
Cost of sales	$ —	$ 2	$ 5	$ 7
Selling and administrative expenses	3	2	11	8
Total	$ 3	$ 4	$ 16	$ 15

Details of all restructuring activities and the related reserves during the three and nine months ended June 30, 2020 were as follows:

	Severance and Employee Benefits	Environmental Remediation	Accelerated Depreciation and Idle Asset Depreciation	Other	Total
			(In millions)		
Reserve at September 30, 2019	$ 3	$ 4	$ —	$ —	$ 7
Charges (gain)	7	—	—	1	8
Cash paid	(2)	—	—	(1)	(3)
Reserve at December 31, 2019	8	4	—	—	12
Charges (gain)	3	—	1	1	5
Costs charged against assets / (liabilities)	—	—	(1)	—	(1)
Cash paid	(5)	—	—	(1)	(6)
Reserve at March 31, 2020	6	4	—	—	10
Charges (gain)	1	—	—	2	3
Cash paid	(2)	—	—	(2)	(4)
Reserve at June 30, 2020	$ 5	$ 4	$ —	$ —	$ 9

Cabot's severance and employee benefit reserves and other closure related reserves are reflected in Accounts payable and accrued liabilities on the Company's Consolidated Balance Sheets. Cabot's environmental remediation reserves related to restructuring activities are reflected in Other liabilities on the Company's Consolidated Balance Sheets.

2020 Reorganization

During the first nine months of fiscal 2020, the Company initiated several actions that it believes will enable the Company to perform certain activities more cost-effectively. These actions primarily consist of the reorganization of Cabot's leadership structure, the creation of a Global Business Services function and other operational efficiency initiatives. As part of the creation of the Global Business Services function, certain business service activities performed at Cabot's North American business service center are being consolidated into the Company's European business service center. During the three and nine months ended June 30, 2020, the Company recorded charges of $3 million and $15 million, respectively, for these actions, primarily related to severance costs. The Company expects to record additional restructuring charges, primarily related to site demolition and clearing costs associated with the Company's other operational efficiency initiatives, of approximately $1 million in fiscal 2020 and $5 million thereafter. Cabot paid approximately $3 million and $10 million related to these activities in the three and nine months ended June 30, 2020, respectively, and expects to pay approximately $3 million in the remainder of fiscal 2020 and $7 million thereafter. As of June 30, 2020, Cabot had $5 million of accrued severance charges in the Consolidated Balance Sheets related to these actions.

Purification Solutions Transformation Plan

In December 2018, the Company initiated a transformation plan to improve the long-term performance of the Purification Solutions segment. The purpose of the plan is to focus the business's product portfolio, optimize its manufacturing assets, and streamline its organizational structure to support the new focus. The Company expects to record total charges of $10 million related to this plan, of which approximately $9 million was recorded in fiscal 2019, comprised of severance, employee benefits and professional service fees. The Company recorded nominal charges in the three months ended June 30, 2020 and $1 million of charges in the nine months ended June 30, 2020. The Company recorded charges of less than $1 million and $9 million in the three and nine months ended June 30, 2019, respectively. The Company expects to record nominal charges in the future related to this plan. Cabot paid approximately $9 million related to these activities through June 30, 2020, $8 million of which was paid in fiscal 2019, and expects to pay $1 million in the remainder of fiscal 2020. As of June 30, 2020, Cabot had less than $1 million of accrued severance and other employee benefit charges in the Consolidated Balance Sheets related to these actions.

L. Financial Instruments and Fair Value Measurements

The FASB authoritative guidance on fair value measurements defines fair value, provides a framework for measuring fair value, and requires certain disclosures about fair value measurements. The required disclosures focus on the inputs used to measure fair value. The guidance establishes the following hierarchy for categorizing these inputs:

Level 1	—	Quoted market prices in active markets for identical assets or liabilities
Level 2	—	Significant other observable inputs (e.g., quoted prices for similar items in active markets, quoted prices for identical or similar items in markets that are not active, inputs other than quoted prices that are observable such as interest rate and yield curves, and market-corroborated inputs)
Level 3	—	Significant unobservable inputs

There were no transfers of financial assets or liabilities measured at fair value between Level 1 and Level 2 and there were no Level 3 investments during the first nine months of either fiscal 2020 or 2019.

At June 30, 2020 and September 30, 2019, Cabot had derivatives relating to foreign currency risks, including a net investment hedge and forward foreign currency contracts, carried at fair value. At June 30, 2020, the fair value of these derivatives was a net asset of $10 million and was included in Prepaid expenses and other current assets, Accounts payable and accrued liabilities, and Other assets on the Consolidated Balance Sheets. At September 30, 2019, the fair value of these derivatives was a net asset of $1 million and was included in Prepaid expenses and other current assets and Other assets on the Consolidated Balance Sheets. These derivatives are classified as Level 2 instruments within the fair value hierarchy as the fair value determination was based on observable inputs.

At June 30, 2020 and September 30, 2019, the fair value of guaranteed investment contracts, included in Other assets on the Consolidated Balance Sheets, was $11 million and $10 million, respectively. Guaranteed investment contracts were classified as Level 2 instruments within the fair value hierarchy as the fair value determination was based on other observable inputs.

At June 30, 2020 and September 30, 2019, the fair values of cash and cash equivalents, accounts and notes receivable, accounts payable and accrued liabilities, and short-term borrowings and variable rate debt approximated their carrying values due to the short-term nature of these instruments. The carrying value and fair value of the long-term fixed rate debt were $1.15 billion and $1.27 billion, respectively, as of June 30, 2020, and $1.03 billion and $1.10 billion, respectively, as of September 30, 2019. The fair values of Cabot’s fixed rate long-term debt are estimated based on comparable quoted market prices at the respective period ends. The carrying amounts of Cabot’s floating rate long-term debt and finance and operating lease obligations approximate their fair values. All such measurements are based on observable inputs and are classified as Level 2 within the fair value hierarchy. The valuation technique used is the discounted cash flow model.

M. Derivatives

Foreign Currency Risk Management

Cabot’s international operations are subject to certain risks, including currency exchange rate fluctuations and government actions. Cabot endeavors to match the currency in which debt is issued to the currency of the Company’s major, stable cash receipts. In some situations, Cabot has issued debt denominated in U.S. dollars and then entered into cross-currency swaps that exchange the dollar principal and interest payments into Euro-denominated principal and interest payments.

Additionally, the Company has foreign currency exposure arising from its net investments in foreign operations. Cabot may enter into cross-currency swaps to mitigate the impact of currency rate changes on the Company’s net investments.

The Company also has foreign currency exposure arising from the denomination of monetary assets and liabilities in foreign currencies other than the functional currency of a given subsidiary as well as the risk that currency fluctuations could affect the dollar value of future cash flows generated in foreign currencies. Accordingly, Cabot uses short-term forward contracts to minimize the exposure to foreign currency risk. In certain situations where the Company has forecasted purchases under a long-term commitment or forecasted sales denominated in a foreign currency, Cabot may enter into appropriate financial instruments in accordance with the Company’s risk management policy to hedge future cash flow exposures.

The following table provides details of the derivatives held as of June 30, 2020 and September 30, 2019 to manage foreign currency risk.

Description	Borrowing	Notional Amount June 30, 2020	Notional Amount September 30, 2019	Hedge Designation
Cross-Currency Swaps	3.4% Notes	USD 250 million swapped to EUR 223 million	USD 250 million swapped to EUR 223 million	Net investment
Forward Foreign Currency Contracts (1)	N/A	USD 32 million	USD 54 million	No designation

(1) Cabot's forward foreign exchange contracts are denominated in the Canadian dollar, Indonesian rupiah and Czech koruna.

Accounting for Derivative Instruments and Hedging Activities

The Company has cross-currency swaps with a notional amount of $250 million, which are designated as hedges of its net investments in certain Euro-denominated subsidiaries. Cash settlements occur semi-annually on March 15th and September 15th for fixed rate interest payments and a cash exchange of the notional currency amount will occur at the end of the term in 2026. As of June 30, 2020, the fair value of these swaps was a net asset of $10 million and was included in Prepaid expenses and other current assets and Other assets and the cumulative gain of $13 million was included in AOCI on the Consolidated Balance Sheets. As of September 30, 2019, the fair value of these swaps was a net asset of $1 million and was included in Prepaid expenses and other current assets and Other assets and the cumulative gain of $5 million was included in AOCI on the Consolidated Balance Sheets.

The following table summarizes the impact of the cross-currency swaps to AOCI and the Consolidated Statements of Operations:

	Three Months Ended June 30					
	2020	2019	2020	2019	2020	2019
Description	Gain/(Loss) Recognized in AOCI		(Gain)/Loss Reclassified from AOCI into Interest Expense in the Consolidated Statements of Operations		(Gain)/Loss Recognized in Interest Expense in the Consolidated Statements of Operations (Amount Excluded from Effectiveness Testing)	
	(In millions)					
Cross-currency swaps	$ 1	$ (1)	$ (2)	$ (1)	$ —	$ —

	Nine Months Ended June 30					
	2020	2019	2020	2019	2020	2019
Description	Gain/(Loss) Recognized in AOCI		(Gain)/Loss Reclassified from AOCI into Interest Expense in the Consolidated Statements of Operations		(Gain)/Loss Recognized in Interest Expense in the Consolidated Statements of Operations (Amount Excluded from Effectiveness Testing)	
	(In millions)					
Cross-currency swaps	$ 11	$ 12	$ (4)	$ (4)	$ 1	$ 1

Other Derivative Instruments

From time to time, the Company may enter into certain derivative instruments that may not be designated as hedges for accounting purposes, which may include cross-currency swaps, foreign currency forward contracts and commodity derivatives. For cross-currency swaps and foreign currency forward contracts not designated as hedges, the Company uses standard models with market-based inputs. The significant inputs to these models are interest rate curves for discounting future cash flows, and exchange rate curves of the foreign currency for translating future cash flows. In determining the fair value of the commodity derivatives, the significant inputs to valuation models are quoted market prices of similar instruments in active markets. Although these derivatives do not qualify for hedge accounting, Cabot believes that such instruments are closely correlated with the underlying exposure, thus managing the associated risk. The gains or losses from changes in the fair value of derivative instruments that are not accounted for as hedges are recognized in current period earnings.

At both June 30, 2020 and September 30, 2019, the fair value of derivative instruments not designated as hedges were nominal, and these instruments were presented in Prepaid expenses and other current assets and Accounts payable and accrued liabilities on the Consolidated Balance Sheets.

N. Financial Information by Segment

The Company identifies a business as an operating segment if: (i) it engages in business activities from which it may earn revenues and incur expenses; (ii) its operating results are regularly reviewed by the Chief Operating Decision Maker ("CODM"), who is Cabot's President and Chief Executive Officer, to make decisions about resources to be allocated to the segment and assess its performance; and (iii) it has available discrete financial information. The Company has determined that all of its businesses are operating segments. The CODM reviews financial information at the operating segment level to allocate resources and to assess the operating results and financial performance for each operating segment. Operating segments are aggregated into a reportable segment if the operating segments are determined to have similar economic characteristics and if the operating segments are similar in the following areas: (i) nature of products and services; (ii) nature of production processes; (iii) type or class of customer for their products and services; (iv) methods used to distribute the products or provide services; and (v) if applicable, the nature of the regulatory environment.

The Company has three reportable segments: Reinforcement Materials, Performance Chemicals and Purification Solutions. The Company's former Specialty Fluids business was a separate reporting segment prior to divestiture in the third quarter of fiscal 2019.

The Reinforcement Materials segment consists of the rubber blacks and elastomer composites product lines.

The Performance Chemicals segment combines the specialty carbons, fumed metal oxides and aerogel product lines into the Performance Additives business, and combines the specialty compounds and inkjet colorants product lines into the Formulated Solutions business. These businesses are similar in terms of economic characteristics, nature of products, processes, customer class and product distribution methods, and, therefore, have been aggregated into one reportable segment. The net sales from each of these businesses for the three and nine months ended June 30, 2020 and 2019 were as follows:

	Three Months Ended June 30		Nine Months Ended June 30	
	2020	2019	2020	2019
	(In millions)			
Performance Additives	$ 151	$ 172	$ 489	$ 518
Formulated Solutions	69	79	218	218
Total Performance Chemicals	$ 220	$ 251	$ 707	$ 736

The Purification Solutions segment consists of the Company's activated carbon business.

Income (loss) before income taxes ("Segment EBIT") is presented for each reportable segment in the table below. Segment EBIT excludes Interest expense, general unallocated income (expense), unallocated corporate costs, and certain items, meaning items management does not consider representative of on-going operating segment results. In addition, Segment EBIT includes Equity in earnings of affiliated companies, net of tax, the full operating results of a contractual joint venture in Purification Solutions, royalties, Net income attributable to noncontrolling interests, net of tax, and discounting charges for certain Notes receivable.

Financial information by reportable segment is as follows:

	Reinforcement Materials	Performance Chemicals	Purification Solutions	Specialty Fluids(1)	Segment Total	Unallocated and Other(2)	Consolidated Total
				(In millions)			
Three Months Ended June 30, 2020							
Revenues from external customers(3)	$ 197	$ 220	$ 63	$ —	$ 480	$ 38	$ 518
Income (loss) before income taxes(4)	$ (5)	$ 21	$ 2	$ —	$ 18	$ (29)	$ (11)
Three Months Ended June 30, 2019							
Revenues from external customers(3)	$ 461	$ 251	$ 73	$ 13	$ 798	$ 47	$ 845
Income (loss) before income taxes(4)	$ 72	$ 37	$ 1	$ 2	$ 112	$ (43)	$ 69
Nine Months Ended June 30, 2020							
Revenues from external customers(3)	$ 931	$ 707	$ 186	$ —	$ 1,824	$ 131	$ 1,955
Income (loss) before income taxes(4)	$ 103	$ 93	$ 3	$ —	$ 199	$ (148)	$ 51
Nine Months Ended June 30, 2019							
Revenues from external customers(3)	$ 1,363	$ 736	$ 210	$ 56	$ 2,365	$ 145	$ 2,510
Income (loss) before income taxes(4)	$ 195	$ 111	$ (1)	$ 24	$ 329	$ (141)	$ 188

(1) Cabot divested its Specialty Fluids business during the third quarter of fiscal 2019. The agreement to divest this business did not meet the criteria for reporting this business as a discontinued operation, and therefore, the prior period's financial statements and disclosures have not been recast. For more detail on the sale of the Specialty Fluids business, please refer to the 2019 10-K and Note C above.

(2) Unallocated and Other includes certain items and eliminations necessary to reflect management's reporting of operating segment results. These items are reflective of the segment reporting presented to the CODM.

(3) Consolidated Total Revenues from external customers reconciles to Net sales and other operating revenues on the Consolidated Statements of Operations. Revenues from external customers that are categorized as Unallocated and Other reflects royalties, external shipping and handling fees, the impact of unearned revenue, the removal of 100% of the sales of an equity method affiliate, discounting charges for certain Notes receivable, and by-product revenue. Details are provided in the table below:

	Three Months Ended June 30		Nine Months Ended June 30	
	2020	2019	2020	2019
	(In millions)			
Royalties, the impact of unearned revenue, the removal of 100% of the sales of an equity method affiliate and discounting charges for certain notes receivable	$ 4	$ (3)	$ 2	$ (9)
Shipping and handling fees	22	32	83	96
By-product sales	12	18	46	58
Total	$ 38	$ 47	$ 131	$ 145

(4) Consolidated Total Income (loss) before income taxes reconciles to Income (loss) before income taxes and equity in earnings of affiliated companies on the Consolidated Statements of Operations. Income (loss) before income taxes that are categorized as Unallocated and Other includes:

	Three Months Ended June 30		Nine Months Ended June 30	
	2020	2019	2020	2019
	(In millions)			
Interest expense	$ (13)	$ (14)	$ (41)	$ (43)
Certain items[(a)]				
Legal and environmental matters and reserves	(1)	—	(51)	(1)
Global restructuring activities (Note K)	(3)	(4)	(16)	(15)
Employee benefit plan settlements	(2)	—	(5)	3
Acquisition and integration-related charges	(1)	(1)	(3)	(5)
Indirect tax settlement credits	—	—	3	—
Specialty Fluids loss on sale and asset impairment charge (Note C)	—	(8)	(1)	(28)
Equity affiliate investment impairment charge	—	—	—	(11)
Other	—	(1)	(1)	(4)
Total certain items, pre-tax	(7)	(14)	(74)	(61)
Unallocated corporate costs[(b)]	(10)	(14)	(32)	(39)
General unallocated income (expense)[(c)]	2	—	1	3
Less: Equity in earnings of affiliated companies, net of tax[(d)]	1	1	2	1
Total	$ (29)	$ (43)	$ (148)	$ (141)

(a) Certain items are items of expense and income that management does not consider representative of the Company's fundamental on-going segment results and they are, therefore, excluded from Segment EBIT.

(b) Unallocated corporate costs are costs that are not controlled by the segments and primarily benefit corporate interests.

(c) General unallocated income (expense) consists of gains (losses) arising from foreign currency transactions, net of other foreign currency risk management activities, Interest and dividend income, the profit or loss related to the corporate adjustment for unearned revenue, the impact of including the full operating results of a contractual joint venture in Purification Solutions Segment EBIT and unrealized holding gains (losses) for equity securities.

(d) Equity in earnings of affiliated companies, net of tax, is included in Segment EBIT and is removed in Unallocated and other to reconcile to Income (loss) from operations before income taxes and equity in earnings from affiliated companies.

The Company's segments operate globally. In addition to presenting Revenue from external customers by reportable segment, the following tables further disaggregate Revenues from external customers by geographic region.

	Three Months Ended June 30, 2020			
	Reinforcement Materials	Performance Chemicals	Purification Solutions	Consolidated Total
	(In millions)			
Americas	$ 59	$ 54	$ 28	$ 141
Asia Pacific	106	98	8	212
Europe, Middle East and Africa	32	68	27	127
Segment revenues from external customers	197	220	63	480
Unallocated and other				38
Net sales and other operating revenues				$ 518

	Three Months Ended June 30, 2019				
	Reinforcement Materials	Performance Chemicals	Purification Solutions	Specialty Fluids	Consolidated Total
	(In millions)				
Americas	$ 179	$ 69	$ 33	$ 2	$ 283
Asia Pacific	191	93	10	—	294
Europe, Middle East and Africa	91	89	30	11	221
Segment revenues from external customers	461	251	73	13	798
Unallocated and other					47
Net sales and other operating revenues					$ 845

	Nine Months Ended June 30, 2020			
	Reinforcement Materials	Performance Chemicals	Purification Solutions	Consolidated Total
	(In millions)			
Americas	$ 354	$ 206	$ 83	$ 643
Asia Pacific	398	271	26	695
Europe, Middle East and Africa	179	230	77	486
Segment revenues from external customers	931	707	186	1,824
Unallocated and other				131
Net sales and other operating revenues				$ 1,955

	Nine Months Ended June 30, 2019				
	Reinforcement Materials	Performance Chemicals	Purification Solutions	Specialty Fluids	Consolidated Total
	(In millions)				
Americas	$ 515	$ 222	$ 93	$ 6	$ 836
Asia Pacific	573	253	26	1	853
Europe, Middle East and Africa	275	261	91	49	676
Segment revenues from external customers	1,363	736	210	56	2,365
Unallocated and other					145
Net sales and other operating revenues					$ 2,510

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Critical Accounting Policies

Our critical accounting policies have not substantially changed from those described in the 2019 10-K.

Recently Issued Accounting Pronouncements

Refer to the discussion under the headings "Recently Adopted Accounting Standards" and "Recent Accounting Pronouncements" in Note B of our Notes to the Consolidated Financial Statements.

Results of Operations

Cabot was organized into four reportable business segments through June 28, 2019: Reinforcement Materials, Performance Chemicals, Purification Solutions and Specialty Fluids. The Specialty Fluids business was divested as of June 28, 2019 and since that time Cabot has been organized into the three remaining reportable business segments. Cabot is also organized for operational purposes into three geographic regions: the Americas; Europe, Middle East and Africa; and Asia Pacific. The discussion of our results of operations for the periods presented reflect these structures.

Our analysis of our financial condition and operating results should be read with our consolidated financial statements and accompanying notes.

Definition of Terms and Non-GAAP Financial Measures

When discussing our results of operations, we use several terms as described below.

The term "product mix" refers to the mix of types and grades of products sold or the mix of geographic regions where products are sold, and the positive or negative impact this has on the revenue or profitability of the business and/or segment.

Our discussion under the heading "(Provision) Benefit for Income Taxes and Reconciliation of Effective Tax Rate to Operating Tax Rate" includes a discussion and reconciliation of our "effective tax rate" and our "operating tax rate" for the periods presented, as well as management's projection of our operating tax rate range for the full fiscal year. Our operating tax rate is a non-GAAP financial measure and should not be considered as an alternative to our effective tax rate, the most comparable GAAP financial measure. In calculating our operating tax rate, we exclude discrete tax items, which include: (i) unusual or infrequent items, such as a significant release or establishment of a valuation allowance, (ii) items related to uncertain tax positions, such as the tax impact of audit settlements, interest on tax reserves, and the release of tax reserves from the expiration of statutes of limitations, and (iii) other discrete tax items, such as the tax impact of legislative changes and, on a quarterly basis, the timing of losses in certain jurisdictions and the cumulative rate adjustment, if applicable. We also exclude the tax impact of certain items, as defined below in the discussion of Total segment EBIT, on both operating income and the tax provision. When the tax impact of a certain item is also a discrete tax item, it is classified as a certain item for our definition of operating tax rate. Our definition of the operating tax rate may not be comparable to the definition used by other companies. Management believes that this non-GAAP financial measure is useful supplemental information because it helps our investors compare our tax rate year to year on a consistent basis and to understand what our tax rate on current operations would be without the impact of these items.

Our discussion under the heading "Third Quarter and First Nine Months of Fiscal 2020 versus Third Quarter and First Nine Months of Fiscal 2019—By Business Segment" includes a discussion of Total segment EBIT, which is a non-GAAP financial measure defined as Income (loss) before income taxes and equity in earnings from affiliated companies less certain items and other unallocated items. Our Chief Operating Decision Maker, who is our President and Chief Executive Officer, uses segment EBIT to evaluate the operating results of each segment and to allocate resources to the segments. We believe Total segment EBIT, which reflects the sum of EBIT from our reportable segments, provides useful supplemental information for our investors as it is an important indicator of our operational strength and performance, allows investors to see our results through the eyes of management, and provides context for our discussion of individual business segment performance. Total segment EBIT should not be considered an alternative for Income (loss) before income taxes and equity in earnings of affiliated companies, which is the most directly comparable GAAP financial measure. A reconciliation of Total segment EBIT to Income (loss) before income taxes and equity in earnings of affiliated companies is provided under the heading "Third quarter of Fiscal 2020 versus Third quarter of Fiscal 2019—By Business Segment". 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.

In calculating Total segment EBIT, we exclude from our Income (loss) before income taxes and equity in earnings of affiliated companies (i) items of expense and income that management does not consider representative of our fundamental on-going segment results, which we refer to as "certain items", and (ii) items that, because they are not controlled by the business segments and primarily benefit corporate objectives, are not allocated to our business segments, such as interest expense and other corporate costs, which include unallocated corporate overhead expenses such as certain corporate salaries and headquarter expenses, plus costs related to special projects and initiatives, which we refer to as "other unallocated items". Management believes excluding the items identified as certain items facilitates operating performance comparisons from period to period by eliminating differences caused by the existence and timing of certain expense and income items that would not otherwise be apparent on a GAAP basis and also facilitates an evaluation of our operating performance without the impact of these costs or benefits. The items of income and expense that we exclude from Total segment EBIT but that are included in our GAAP Income (loss) before income taxes and equity in earnings of affiliated companies, as applicable in a particular reporting period, include, but are not limited to, the following:

- Asset impairment charges, which primarily include charges associated with an impairment of goodwill or other long-lived assets.
- Inventory reserve adjustment, which generally result from an evaluation performed as part of an impairment analysis.
- Global restructuring activities, which include costs or benefits associated with cost reduction initiatives or plant closures and are primarily related to (i) employee termination costs, (ii) asset impairment charges associated with restructuring actions, (iii) costs to close facilities, including environmental costs and contract termination penalties and (iv) gains realized on the sale of land or equipment associated with restructured plants or locations.
- Indirect tax settlement credits, which includes favorable settlements resulting in the recoveries of indirect taxes.
- Acquisition and integration-related charges, which include transaction costs, redundant costs incurred during the period of integration, and costs associated with transitioning certain management and business processes to our processes.
- Legal and environmental matters and reserves, which consist of costs or benefits for matters typically related to former businesses or that are otherwise incurred outside of the ordinary course of business.
- Gains (losses) on sale of investments, which primarily relate to the sale of investments accounted for using the cost method.
- Gains (losses) on sale of businesses.
- Non-recurring gains (losses) on foreign exchange, which primarily relate to the impact of controlled currency devaluations on our net monetary assets denominated in that currency.
- Executive transition costs, which include incremental charges, including stock compensation charges, associated with the retirement or termination of employment of senior executives of the Company.
- Employee benefit plan settlements, which consist of either charges or benefits associated with the termination of a pension plan or the transfer of a pension plan to a multi-employer plan.

Overview

During the third quarter of fiscal 2020, Income (loss) before income taxes and equity in earnings of affiliated companies decreased compared to the third quarter of fiscal 2019. The decrease primarily reflects the decrease in Total Segment EBIT of $94 million. Total Segment EBIT in the third quarter of fiscal 2019 included $2 million related to our Specialty Fluids business, which we divested in the third quarter of fiscal 2019. Excluding the impact from the divestiture of our Specialty Fluids business, Total Segment EBIT decreased $92 million driven by lower volumes in all segments and lower margins in Reinforcement Materials and Performance Chemicals, partially offset by lower fixed costs due to cost reduction activities.

COVID-19 Impact and Outlook

In December 2019, a novel coronavirus disease ("COVID-19") was first reported and in January 2020, the World Health Organization ("WHO") declared it a Public Health Emergency of International Concern. On March 11, 2020, the WHO characterized COVID-19 as a global pandemic, due to the continued increase in the number of cases and affected countries. In an effort to contain COVID-19 or slow its spread, governments around the world enacted various measures, including orders to close all businesses not deemed "essential," isolate residents in their places of residence, and practice social distancing when engaging in essential activities. The coronavirus pandemic and the associated containment efforts have had a serious adverse impact on the economy, the severity and duration of which are uncertain. Government stabilization efforts will only partially mitigate the consequences.

The coronavirus pandemic has adversely affected and is expected to continue to adversely affect, our business, results of operations and cash flows. While most of our facilities have remained open given the “essential” status of many of our end-markets, such as infrastructure, agriculture and pharmaceutical production, we have operated at low production and utilization rates beginning late in the second fiscal quarter due to declined demand from the halt of customer operations within the tire and automotive sectors. Beginning during our second fiscal quarter, as the virus spread in China, we experienced volume declines principally in our Reinforcement Materials segment as operations at many of our customers’ plants in China were completely or partially curtailed. As the COVID-19 pandemic began to further spread around the globe, on the recommendation or mandate of public health officials, a number of our key customers, notably most automotive and tire manufacturers in the Americas and Europe, temporarily closed their manufacturing operations beginning in March 2020. As a result, in the third fiscal quarter, we experienced further volume declines in our Reinforcement Materials segment as well as volume declines and weaker product mix in our Performance Chemicals and Purification Solutions segments. In the third quarter, we also operated at significantly lower manufacturing levels at many of our plants and temporarily suspended operations or idled production lines at certain facilities to comply with government mandates to cease operations. Beginning at the end of March, the domestic automotive and tire end-markets in China began to restart operations, and in the months of May and June 2020, our major tire customers in the Americas and Europe slowly restarted their operations although, at lower than normal operating rates. Along with these improvements, volumes in our Reinforcement Materials segment improved from May to June, and continued to improve in July. Based on volumes to date in the fourth quarter, we expect improved results in our Reinforcement Materials segment for the quarter, as well as improved production and utilization rates, although not to normal levels. We also expect volumes in our Performance Chemicals segment to improve modestly in the fourth fiscal quarter from those in the third fiscal quarter. Despite certain indications that demand for our products is improving from the low demand levels we experienced in our third fiscal quarter, because the duration and scope of the COVID-19 pandemic continue to be uncertain we are unable to predict with certainty the speed and shape of a recovery to more normal customer demand levels for our products or more normal manufacturing operating levels at our facilities.

To date, the coronavirus pandemic has not affected our ability to adequately staff and maintain our operations and we have been able to continue to supply our customers around the globe. However, a prolonged duration of the pandemic could materially impair our ability to do so in the future. This is, particularly the case as the spread of the virus increases in certain geographies and with the possibility that government authorities may impose further mandatory closures, extend work-from-home orders and social distancing protocols, and seek voluntary facility closures and impose other restrictions to mitigate the further spread of the virus. Further, because we reduced inventory to respond to an unusually low customer demand environment, a prolonged duration of any future interruption in our manufacturing operations could impair our ability to meet customer demand in the future.

We took a number of actions during the third fiscal quarter to mitigate the impact of the coronavirus on our cash flow and results of operations and financial condition. While manufacturing operations were curtailed, we managed inventory levels, and reduced our manufacturing costs. We also reduced discretionary spending and net working capital with lower raw material costs and reductions in our accounts receivable and inventories. While our liquidity position remains strong, effective June 8, 2020, we amended our revolving credit agreements to temporarily increase the maximum leverage ratio permitted under those agreements to provide incremental headroom in light of the uncertainty in demand due to the coronavirus pandemic, as described in detail below under the heading “Cash Flow and Liquidity”. In addition, we have reduced our planned capital expenditures in fiscal 2020 to approximately $200 million, prioritizing growth projects in our Performance Additives business as well as necessary sustaining and compliance projects. We also suspended our share repurchases and do not anticipate repurchasing shares for the remainder of the fiscal year.

We expect COVID-19 to continue to have an adverse impact on our revenue as well as our overall profitability and may lead to an increase in inventory reserves, allowances for doubtful accounts, and valuation allowances on certain of our deferred tax assets. Additionally, if the business impacts of the COVID-19 pandemic carry on for an extended period, it could cause us to recognize impairments for certain long-lived assets including goodwill, intangible assets or property, plant and equipment.

Third quarter of Fiscal 2020 versus Third quarter of Fiscal 2019—Consolidated

Net Sales and Other Operating Revenues and Gross Profit

	Three Months Ended June 30		Nine Months Ended June 30	
	2020	2019	2020	2019
	(In millions)			
Net sales and other operating revenues	$ 518	$ 845	$ 1,955	$ 2,510
Gross profit	$ 69	$ 170	$ 363	$ 514

Net sales in the third quarter of fiscal 2020 decreased by $327 million compared to the third quarter of fiscal 2019. The third quarter of fiscal 2019 included $13 million of revenue for our Specialty Fluids business. The remaining $314 million decline in net sales was primarily driven by lower volumes ($221 million), a less favorable price and product mix (combined $65 million), and the unfavorable impact from foreign currency translation ($18 million). The lower volumes were driven by our Reinforcement Materials segment due to weaker demand related to declines in automotive and tire production resulting from the impact of the COVID-19 pandemic. Declines in automotive production also adversely impacted volumes in Specialty Carbons. The less favorable price and product mix was due to lower prices from lower feedstock costs that are passed through to our customers in the Reinforcement Materials segment and unfavorable product mix in the Performance Chemicals segment due to more competitive pricing and weaker product mix in the fumed metal oxides product line in China and Europe and the less favorable product mix in the specialty carbons product line from lower demand in automotive applications.

Net sales in the first nine months of fiscal 2020 declined by $555 million compared to the first nine months of fiscal 2019. The first nine months of fiscal 2019 included $56 million of revenue for our Specialty Fluids business. The remaining $499 million decline in net sales was driven by lower volumes primarily in Reinforcement Materials and Purification Solutions ($285 million), a less favorable price and product mix (combined $162 million), and the unfavorable impact from foreign currency translation ($38 million). The less favorable price and product mix was due to lower prices in Reinforcement Materials due to the pass through of lower feedstock costs and a weaker product mix in the Performance Chemicals segment due to the more competitive pricing and weaker product mix in the fumed metal oxides product line in China and Europe and the less favorable product mix in our specialty carbons product line from lower demand in automotive applications. The lower volumes were driven by our Reinforcement Materials segment due to weak automotive and tire demand and the impact of the COVID-19 pandemic on demand. The lower volumes in the Purification Solutions segment was due to lower sales in mercury removal and other industrial gas and air applications, due to historically low natural gas prices, and lower demand for automotive applications related to impacts from COVID-19.

Gross profit decreased by $101 million in the third quarter of fiscal 2020 compared to the third quarter of fiscal 2019. Excluding the impact of the divestiture of our Specialty Fluids business, the gross profit decline was primarily due to lower volumes from Reinforcement Materials due to declining demand from weaker automotive and tire production related to the impacts of the COVID-19 pandemic on demand. Gross profit decreased by $151 million in the first nine months of fiscal 2020 compared to the first nine months of fiscal 2019. Excluding the impact of the divestiture of our Specialty Fluids business, the gross profit decline was primarily due to lower volumes in Reinforcement Materials and Purification Solutions and lower unit margins in the Performance Chemicals segments.

Selling and Administrative Expenses

	Three Months Ended June 30		Nine Months Ended June 30	
	2020	**2019**	**2020**	**2019**
		(In millions)		
Selling and administrative expenses	$ 52	$ 65	$ 230	$ 208

Selling and administrative expenses decreased by $13 million in the third quarter of fiscal 2020 compared to the same period of fiscal 2019, primarily due to a decrease in the accrual for incentive compensation and other cost reduction activities in the current fiscal year. Selling and administrative expense increased by $22 million in the first nine months of fiscal 2020 compared to the same period of fiscal 2019, primarily due to the $50 million charge related to a legal settlement recorded during the second quarter of fiscal 2020, partially offset by a decrease in the accrual for incentive compensation and other cost reduction activities in the current fiscal year.

Research and Technical Expenses

	Three Months Ended June 30		Nine Months Ended June 30	
	2020	**2019**	**2020**	**2019**
		(In millions)		
Research and technical expenses	$ 13	$ 16	$ 41	$ 47

Research and technical expenses decreased by $3 million and $6 million in the third quarter and the first nine months of fiscal 2020, respectively, compared to the same periods of fiscal 2019, due to cost reduction activities in the current fiscal year.

Interest and Dividend Income, Interest Expense and Other Income (Expense)

	Three Months Ended June 30		Nine Months Ended June 30	
	2020	2019	2020	2019
	(In millions)			
Interest and dividend income	$ 1	$ 2	$ 7	$ 6
Interest expense	$ (13)	$ (14)	$ (41)	$ (43)
Other income (expense)	$ (3)	$ —	$ (6)	$ (6)

Interest and dividend income decreased $1 million in the third quarter of fiscal 2020 compared to the same period of fiscal 2019, primarily due to lower interest rates. For the nine months ended June 30, 2020, Interest and dividend income increased $1 million primarily due to interest earned from higher interest rates on cash deposits in South America.

Interest expense decreased $1 million in the third quarter of fiscal 2020 compared to the same period of fiscal 2019 primarily due to lower interest rates. For the nine months ended June 30, 2020, interest expense decreased $2 million as compared to the same period of fiscal 2019, primarily due to lower average debt balances.

Other income (expense) changed by $3 million in the third quarter of fiscal 2020 compared to the third quarter of fiscal 2019, primarily due to the unfavorable impact of foreign currency translation. Other income (expense) remained consistent in the first nine months of fiscal 2020 compared to the same period of fiscal 2019.

(Provision) Benefit for Income Taxes and Reconciliation of Effective Tax Rate to Operating Tax Rate

	Three Months Ended June 30		Nine Months Ended June 30	
	2020	2019	2020	2019
	(Dollars in millions)			
(Provision) benefit for income taxes	$ 5	$ (30)	$ (9)	$ (43)
Effective tax rate	51%	43%	17%	23%
Impact of discrete tax items(1):				
Unusual or infrequent items	—%	(22)%	11%	3%
Items related to uncertain tax positions	(27)%	—%	16%	2%
Other discrete tax items	11%	4%	3%	—%
Impact of certain items	(6)%	(2)%	(18)%	(5)%
Operating tax rate	29%	23%	29%	23%

(1) For the three and nine months ended June 30, 2020, the impact of discrete tax items included a net discrete tax benefit of $2 million and $15 million, respectively. For the three and nine months ended June 30, 2019, the impact of discrete tax items included a net discrete tax expense of $14 million and a net discrete tax benefit of $10 million, respectively. The nature of the discrete tax items for the periods ended June 30, 2020 and 2019 were as follows:

(a) Unusual or infrequent items during the three and nine months ended June 30, 2020 consisted of the net tax impact of Switzerland tax reform legislation (net tax benefit of a nil amount and $6 million). Unusual or infrequent items during the three and nine months ended June 30, 2019 consisted of the net tax impacts of the Tax Cuts and Jobs Act of 2017 (net tax expense of $17 million and a nil amount), changes in valuation allowances on beginning of year tax balances, excludible foreign exchange gains and losses in certain jurisdictions, impacts related to stock compensation deductions, and the tax impacts of a pension settlement;

(b) Items related to uncertain tax positions during the three and nine months ended June 30, 2020 and 2019 included net tax impacts from the reversal of accruals for uncertain tax positions due to the expiration of statutes of limitations, the accrual of interest on uncertain tax positions, the accrual of an uncertain tax position (fiscal 2020 only) and the settlement of tax audits;

(c) Other discrete tax items during the three and nine months ended June 30, 2020 and 2019 included net tax impacts as a result of changes in non-U.S. tax laws, return to provision adjustments related to tax return filings, and other items.

For fiscal year 2020, the Operating tax rate is expected to be in the range of 29% to 30%. We are not providing a forward-looking reconciliation of the operating tax rate range with an effective tax rate range because, without unreasonable effort, we are unable to predict with reasonable certainty the matters we would allocate to "certain items," including unusual gains and losses, costs associated with future restructurings, acquisition-related expenses and litigation outcomes. These items are uncertain, depend on various factors, and could have a material impact on the effective tax rate in future periods.

We file U.S. federal and state and non-U.S. income tax returns in jurisdictions with varying statutes of limitations. We are under audit in a number of jurisdictions. It is possible that some of these audits will be resolved in fiscal 2020 and could impact our anticipated effective tax rate. We have filed our tax returns in accordance with the tax laws, in all material respects, in each jurisdiction and maintain tax reserves for uncertain tax positions.

Equity in Earnings of Affiliated Companies and Net Income (Loss) Attributable to Noncontrolling Interests

	Three Months Ended June 30		Nine Months Ended June 30	
	2020	2019	2020	2019
	(In millions)			
Equity in earnings of affiliated companies, net of tax	$ 1	$ 1	$ 2	$ 1
Net income (loss) attributable to noncontrolling interests, net of tax	$ 1	$ 8	$ 10	$ 22

Equity in earnings of affiliated companies, net of tax, remained consistent in the third quarter of fiscal 2020 compared to the same period of fiscal 2019. Equity in earnings of affiliated companies, net of tax, increased by $1 million in the first nine months of fiscal 2020 compared to the same period of fiscal 2019. The $2 million of income in the first nine months of fiscal 2020 relates to income from our equity affiliates in India and Mexico. In fiscal 2019, this income was consistent with fiscal 2020, but also included losses from our equity affiliate in Venezuela, which has since been impaired.

Net income (loss) attributable to noncontrolling interests, net of tax, decreased by $7 million in the third quarter of fiscal 2020 and $12 million in the first nine months of fiscal 2020 compared to the same periods of fiscal 2019, primarily due to the lower profitability from our joint ventures in China and Czech Republic.

Net Income Attributable to Cabot Corporation

In the third quarter and first nine months of fiscal 2020, we reported net income (loss) attributable to Cabot Corporation of $(6) million and $34 million or $(0.12) and $0.59 per diluted common share, respectively. This compares to net income (loss) attributable to Cabot Corporation of $32 million and $124 million, or $0.55 and $2.08 per diluted common share, respectively, in the third quarter and first nine months of fiscal 2019. The net loss in the third quarter of fiscal 2020 is primarily due to lower Segment EBIT due to the impact of the COVID-19 pandemic on demand. The lower net income in the first nine months of fiscal 2020 is primarily due to lower Segment EBIT due to the impact of the COVID-19 pandemic on demand and a $50 million charge related to a legal settlement recorded in the second quarter of fiscal 2020.

The net income (loss) attributable to Cabot Corporation for the third quarter and first nine months of fiscal 2019 includes impairment charges associated with our divested Specialty Fluids business which did not recur in fiscal 2020.

Third quarter of Fiscal 2020 versus Third quarter of Fiscal 2019—By Business Segment

Income (loss) before income taxes and equity in earnings of affiliated companies, certain items, other unallocated items, and Total segment EBIT for the three and nine months ended June 30, 2020 and 2019 are set forth in the table below. The details of certain items and other unallocated items are shown below and in Note N of our Notes to the Consolidated Financial Statements.

	Three Months Ended June 30		Nine Months Ended June 30	
	2020	2019	2020	2019
	(In millions)			
Income (loss) before income taxes and equity in earnings of affiliated companies	$ (11)	$ 69	$ 51	$ 188
Less: Certain items	(7)	(14)	(74)	(61)
Less: Other unallocated items	(22)	(29)	(74)	(80)
Total segment EBIT	$ 18	$ 112	$ 199	$ 329

In the third quarter of fiscal 2020, Income (loss) before income taxes and equity in earnings of affiliated companies decreased by $80 million and Total segment EBIT decreased by $94 million. Included in the third quarter of fiscal 2019 is $2 million of EBIT related to our Specialty Fluids business, which we divested in the third quarter of fiscal 2019. Excluding the Specialty Fluids impact, Total Segment EBIT decreased $92 million. The decrease in Total segment EBIT is driven by lower volumes in each of our three segments and lower margins in Reinforcement Materials and Performance Chemicals, partially offset by lower fixed costs. Lower volumes in Reinforcement Materials ($75 million) were primarily due to weaker automotive and tire demand and lower volumes in Performance Chemicals ($7 million) were primarily due to weaker automotive demand, in each case related to the impacts from the COVID-19 pandemic. Lower volumes in Purification Solutions ($8 million) were due to weaker demand in mercury removal applications and the impact of the COVID-19 pandemic on the demand for automotive applications. Lower margins in Reinforcement Materials ($17 million) were primarily due to the rapid decline of global feedstock costs, which resulted in a temporary pricing and cost mismatch, and regional mix, partially offset by lower raw material costs. Lower margins in Performance Chemicals ($9 million) were primarily due to lower pricing in our fumed metal oxides product line and a less favorable product mix in our specialty carbons product line. Lower fixed costs ($32 million) were driven by lower production volumes and other cost reduction actions.

In the first nine months of fiscal 2020, Income (loss) before income taxes and equity in earnings of affiliated companies decreased $137 million and total Segment EBIT decreased by $130 million. Included in the first nine months of fiscal 2019 is $24 million of EBIT related to our Specialty Fluids business, which we divested in the third quarter of fiscal 2019. Excluding the Specialty Fluids impact, Total segment EBIT decreased $106 million. The decrease in Total segment EBIT was driven by lower volumes in Reinforcement Materials and Purification Solutions and lower margins in Performance Chemicals, partially offset by lower fixed costs. Lower volumes in Reinforcement Materials ($101 million) were primarily due to weaker automotive and tire demand and the impacts of the COVID-19 pandemic on demand while lower volumes in Purification Solutions ($20 million) were due to lower volumes in mercury removal applications and the impact of the COVID-19 pandemic on demand for automotive applications. Lower fixed costs ($30 million) were driven by lower production volumes and other cost reduction actions. The decrease in Income (loss) before income taxes and equity earnings of affiliated companies also reflects a $50 million charge related to a legal settlement entered into during the nine months of fiscal 2020.

Certain Items

Details of the certain items for the third quarter and first nine months of fiscal 2020 and fiscal 2019 are as follows:

	Three Months Ended June 30		Nine Months Ended June 30	
	2020	2019	2020	2019
	(In millions)			
Legal and environmental matters and reserves	$ (1)	$ —	$ (51)	$ (1)
Global restructuring activities (Note K)	(3)	(4)	(16)	(15)
Employee benefit plan settlements	(2)	—	(5)	3
Acquisition and integration-related charges	(1)	(1)	(3)	(5)
Specialty Fluids loss on sale and asset impairment charge (Note C)	—	(8)	(1)	(28)
Indirect tax settlement credits	—	—	3	—
Equity affiliate investment impairment charge	—	—	—	(11)
Other	—	(1)	(1)	(4)
Total certain items, pre-tax	(7)	(14)	(74)	(61)
Tax-related certain items:				
Tax impact of certain items	2	1	12	4
Discrete tax items	2	(14)	15	10
Total tax-related certain items	4	(13)	27	14
Total certain items, after tax	$ (3)	$ (27)	$ (47)	$ (47)

The tax impact of certain items is determined by (1) starting with the current and deferred income tax expense or benefit included in Net income (loss) attributable to Cabot Corporation, and (2) subtracting the tax expense or benefit on “adjusted earnings”. Adjusted earnings is defined as the pre-tax income attributable to Cabot Corporation excluding certain items. The tax expense or benefit on adjusted earnings is calculated by applying the operating tax rate, as defined under the heading “Definition of Terms and Non-GAAP Financial Measures”, to adjusted earnings.

Other Unallocated Items

	Three Months Ended June 30		Nine Months Ended June 30	
	2020	2019	2020	2019
	(In millions)			
Interest expense	$ (13)	$ (14)	$ (41)	$ (43)
Unallocated corporate costs	(10)	(14)	(32)	(39)
General unallocated income (expense)	2	—	1	3
Less: Equity in earnings of affiliated companies, net of tax	1	1	2	1
Total other unallocated items	$ (22)	$ (29)	$ (74)	$ (80)

A discussion of items that we refer to as “other unallocated items” can be found under the heading “Definition of Terms and Non-GAAP Financial Measures”. The balances of unallocated corporate costs are primarily comprised of expenditures related to managing a public company that are not allocated to the segments and corporate business development costs related to ongoing corporate projects. The balances of General unallocated income (expense) consist of gains (losses) arising from foreign currency transactions, net of other foreign currency risk management activities, the profit or loss related to the corporate adjustment for unearned revenue, and the impact of including the full operating results of a contractual joint venture in Purification Solutions segment EBIT.

Reinforcement Materials

Sales and EBIT for Reinforcement Materials for the third quarter and first nine months of fiscal 2020 and 2019 were as follows:

	Three Months Ended June 30		Nine Months Ended June 30	
	2020	2019	2020	2019
	(In millions)			
Reinforcement Materials Sales	$ 197	$ 461	$ 931	$ 1,363
Reinforcement Materials EBIT	$ (5)	$ 72	$ 103	$ 195

Sales in Reinforcement Materials decreased by $264 million in the third quarter of fiscal 2020 compared to the same period of fiscal 2019, primarily due to lower volumes ($195 million), a less favorable price and product mix (combined $56 million), and the unfavorable impact from foreign currency translation ($13 million). The lower volumes were primarily due to weaker automotive and tire demand resulting from the impact of the COVID-19 pandemic. The less favorable pricing was primarily due to the pass-through of lower feedstock prices.

In the first nine months of fiscal 2020, sales in Reinforcement Materials decreased by $432 million when compared to the first nine months of fiscal 2019. The decrease was primarily driven by lower volumes ($273 million), a less favorable price and product mix (combined $133 million), and the unfavorable impact from foreign currency translation ($26 million). The lower volumes were primarily due to weaker automotive and tire demand and the impacts of the COVID-19 pandemic on demand. The less favorable price and product mix was due to the pass-through of lower feedstock prices.

EBIT in Reinforcement Materials decreased $77 million in the third quarter of fiscal 2020 compared to the same period of fiscal 2019. During the third quarter of fiscal 2020, the segment had 42% lower volumes ($75 million), lower unit margins ($18 million), and an unfavorable impact from foreign currency translation ($4 million), partially offset by lower fixed costs ($20 million). The lower volumes were primarily due to weaker tire and automotive demand resulting from the impacts of COVID-19. Unit margins were negatively impacted by slower turns of inventory and lower energy center revenue as a result of reduced sales volumes and lower feedstock prices offset by favorable pricing from 2020 tire customer agreements. Lower fixed costs were driven by lower production volumes and other cost reduction actions.

EBIT in Reinforcement Materials decreased $92 million in the first nine months of fiscal 2020 compared to the same period of fiscal 2019. The decrease was driven by lower volumes ($101 million), lower unit margins ($6 million), and an unfavorable impact from foreign currency translation ($5 million), which were partially offset by lower fixed costs ($20 million). Lower volumes were primarily due to weaker automotive and tire demand and the impacts from COVID-19. Unit margins were negatively impacted by slower turns of inventory and lower energy center revenue as a result of reduced sales volumes and lower feedstock prices offset by favorable pricing from 2020 tire customer agreements. Lower fixed costs were driven by lower production volumes and other cost reduction actions.

Performance Chemicals

Sales and EBIT for Performance Chemicals for the third quarter and first nine months of fiscal 2020 and 2019 were as follows:

	Three Months Ended June 30		Nine Months Ended June 30	
	2020	2019	2020	2019
	(In millions)			
Performance Additives Sales	$ 151	$ 172	$ 489	$ 518
Formulated Solutions Sales	69	79	218	218
Performance Chemicals Sales	$ 220	$ 251	$ 707	$ 736
Performance Chemicals EBIT	$ 21	$ 37	$ 93	$ 111

Sales in Performance Chemicals decreased by $31 million in the third quarter of fiscal 2020 compared to the same period of fiscal 2019, primarily due to a less favorable price and product mix (combined $15 million), lower volumes ($12 million), and the unfavorable impact from foreign currency translation ($4 million). The less favorable price and product mix was primarily due to a more competitive pricing environment and weaker product mix in the fumed metal oxides product line in China and Europe and weaker product mix in our specialty carbons product line from lower demand in automotive applications. The lower volumes were driven by the specialty carbons and specialty compounds product lines due to lower demand in automotive applications driven by the impact of COVID-19 on demand.

In the first nine months of fiscal 2020, sales in Performance Chemicals decreased $29 million when compared to the same period of fiscal 2019. The decrease was primarily due to a less favorable price and product mix (combined $46 million) and the unfavorable impact from foreign currency translation ($10 million), partially offset by higher volumes ($27 million). The less favorable price and product mix was primarily due to a more competitive pricing environment and weaker product mix in the fumed metal oxides product line in China and Europe and weaker product mix in our specialty carbons product line from lower demand in automotive applications. The higher volumes were primarily due to higher demand in the specialty carbons and specialty compounds product lines in the first two quarters of the fiscal year.

EBIT in Performance Chemicals decreased by $16 million in the third quarter of fiscal 2020 compared to the third quarter of fiscal 2019 primarily due to lower unit margins ($9 million) driven by a more competitive pricing environment and weaker product mix in the fumed metal oxides product line in China and Europe and lower volumes ($7 million) in the specialty carbons and specialty compounds product lines due to lower demand in automotive applications driven by the impact of COVID-19 on demand.

EBIT in Performance Chemicals decreased by $18 million in the first nine months of fiscal 2020 when compared to the same period of fiscal 2019 primarily due to lower unit margins ($15 million), and the unfavorable impact of inventory comparisons ($10 million), partially offset by higher volumes ($10 million). Lower unit margins were due to a more competitive pricing environment and weaker product mix in the fumed metal oxides product line in China and Europe and weaker product mix in our specialty carbons product line due to lower demand in automotive applications. The higher volumes were driven by our specialty carbons and specialty compounds product lines due to higher demand in the specialty carbons and specialty compounds product lines in the first two quarters of the fiscal year and higher volumes aligned with new capacity in our fumed metal oxides product line.

Purification Solutions

Sales and EBIT for Purification Solutions for the third quarter and first nine months of fiscal 2020 and 2019 were as follows:

	Three Months Ended June 30		Nine Months Ended June 30	
	2020	2019	2020	2019
	(In millions)			
Purification Solutions Sales	$ 63	$ 73	$ 186	$ 210
Purification Solutions EBIT	$ 2	$ 1	$ 3	$ (1)

Sales in Purification Solutions decreased by $10 million in the third quarter of fiscal 2020 compared to the same period of fiscal 2019 due to lower volumes ($15 million), partially offset by improved pricing and a more favorable product mix (combined $5 million). The lower volumes were primarily due to lower sales in mercury removal, other industrial gas and air applications and automotive applications impacted by lower demand due to COVID-19.

Sale in Purification Solutions decreased $24 million in the first nine months of fiscal 2020 when compared to the same period of fiscal 2019 due to lower volumes ($39 million) and the unfavorable impact from foreign currency translation ($2 million), partially offset by improved pricing and a more favorable product mix (combined $17 million). The lower volumes were primarily due to lower sales in mercury removal, other industrial gas and air applications and automotive applications impacted by lower demand due to COVID-19.

EBIT in Purification Solutions increased by $1 million in the first quarter of fiscal 2020 compared to the third quarter of fiscal 2019 due to higher unit margins ($3 million), and lower fixed costs ($6 million) as a result of prior year restructuring activities and an insurance recovery of approximately $1 million, partially offset by lower volumes ($8 million). The higher unit margins were primarily due to an improved product mix and higher prices. The lower volumes were primarily due to lower sales in mercury removal, other industrial gas and air applications and automotive applications impacted by lower demand due to COVID-19.

EBIT in Purification Solutions improved by $4 million in the first nine months of fiscal 2020 when compared to the same period of fiscal 2019 due to higher unit margins ($13 million) and, lower fixed costs ($11 million) as a result of prior year restructuring activities, partially offset by lower volumes ($20 million). The higher unit margins were primarily due to an improved product mix and higher prices while the lower volumes were primarily due to lower sales in mercury removal, other industrial gas and air applications and automotive applications impacted by lower demand due to COVID-19.

Specialty Fluids

We divested our Specialty Fluids business on June 28, 2019. Refer to our fiscal 2019 10-K filing for further details. Sales and EBIT for Specialty Fluids for the third quarter and first nine months of fiscal 2020 and 2019 were as follows:

	Three Months Ended June 30		Nine Months Ended June 30	
	2020	2019	2020	2019
	(In millions)			
Specialty Fluids Sales	$ —	$ 13	$ —	$ 56
Specialty Fluid EBIT	$ —	$ 2	$ —	$ 24

Cash Flows and Liquidity

Overview

Our liquidity position, as measured by cash and cash equivalents plus borrowing availability, decreased by $97 million during the first nine months of fiscal 2020, which was largely attributable to capital expenditures, the acquisition of Shenzhen Sanshun Nano New Materials Co., Ltd (“SUSN”), share repurchases and cash dividends, partially offset by lower net working capital. As of June 30, 2020, we had cash and cash equivalents of $162 million and borrowing availability under our revolving credit agreements of $1.2 billion.

We have access to borrowings under the following three credit agreements:

- $1 billion unsecured revolving credit agreement (the “JPM Credit Agreement”) with JPMorgan Chase Bank, N.A., as Administrative Agent, Citibank, N.A., as Syndication Agent, and the other lenders party thereto, which matures in October 2022. The JPM Credit Agreement provides liquidity for working capital and general corporate purposes and supports our commercial paper program.
- $100 million unsecured revolving credit agreement (the “Canadian Credit Agreement”) with TD Bank, NA, as Administrative Agent and the other lenders party thereto, which matures in September 2021. The Canadian Credit Agreement provides liquidity for working capital and general corporate purposes for certain of our Canadian subsidiaries.
- €300 million unsecured revolving credit agreement (the “Euro Credit Agreement”, and together with the JPM Credit Agreement and the Canadian Credit Agreement, the “Credit Agreements”), with Wells Fargo Bank, National Association, as Administrative Agent, and the other lenders party thereto, which matures in May 2024 or earlier upon maturity of the JPM Credit Agreement. Borrowings under the Euro Credit Agreement may be used for the repatriation of earnings of our foreign subsidiaries to the United States, the repayment of indebtedness of our foreign subsidiaries owing to us or any of our subsidiaries and for working capital and general corporate purposes.

At our election, loans under the Credit Agreements bear interest at LIBOR plus an applicable margin of between 0.68% and 1.20%, depending on our credit ratings, or at the prime rate plus an applicable margin of between 0.00% and 0.20%, depending on our credit ratings, and at similar applicable rates for foreign currency borrowings.

As of June 30, 2020, we were in compliance with our debt covenants under the Credit Agreements, which, with limited exceptions, generally require us to comply on a quarterly basis with a leverage test requiring consolidated total debt not to exceed consolidated EBITDA (earnings before interest, taxes, depreciation and amortization) for the four quarters then ending by more than 3.50 to 1.00. Because of the uncertainty of the overall financial impact of the COVID-19 pandemic and to increase our financial flexibility, we amended the Credit Agreements as of June 8, 2020 to, among other things: (a) set the consolidated total debt to consolidated EBITDA ratio at 4.50 to 1.00 for the fiscal quarters ending September 30, 2020 through June 30, 2021, and (b) reduce the lien basket for other permitted liens securing Indebtedness (as defined in the Credit Agreements) in an aggregate amount at any time outstanding to 5% of Consolidated Tangible Net Worth (as defined in the Credit Agreements), at any time through and including June 30, 2021. As part of these amendments, we agreed to pay a 10 basis point fee on the consenting lenders' commitments under the JPM Credit Agreement and the Euro Credit Agreement.

A significant portion of our business occurs outside the U.S. and our cash generation does not always align geographically with our cash needs. The vast majority of our cash and cash equivalent holdings tend to be held outside the U.S. Cash held by foreign subsidiaries is generally used to finance the subsidiaries' operational activities and future investments. We typically issue commercial paper throughout the year to manage our short-term U.S. cash needs. During the second quarter of fiscal 2020, one of our short-term credit ratings was downgraded, which temporarily decreased our access to, and increased our cost to borrow through, the commercial paper market, and we instead borrowed under our revolving credit agreements. During the third quarter of fiscal 2020, the commercial paper market stabilized and we are currently using a combination of commercial paper and revolving credit facility borrowings to meet our U.S. cash needs. We generally reduce our commercial paper balance and, if applicable, borrowings under the Credit Agreements, at quarter-end using cash derived from customer collections, settlement of intercompany balances and short-term intercompany loans. In the event that additional funds are needed in the U.S., we expect to be able to repatriate funds or to access additional debt under our revolving credit facilities. As of June 30, 2020, our borrowings on the JPM Credit Agreement totaled $75 million, and we had $13 million of commercial paper outstanding. As of June 30, 2020, our borrowings under the Euro Credit Agreement totaled $144 million, and there were no borrowings outstanding under the Canadian Credit Agreement.

We generally manage our cash and debt on a global basis to provide for working capital requirements as needed by region or site. Cash and debt are generally denominated in the local currency of the subsidiary holding the assets or liabilities, except where there are operational cash flow reasons to hold non-functional currency or debt.

In light of the uncertain economic environment created by the COVID-19 pandemic, among other actions we have taken to preserve our liquidity position, we have deferred capital spending where possible and delayed spending on some of our growth projects. With these decisions, we currently expect our capital expenditures for fiscal 2020 to be approximately $200 million in the aggregate to be used primarily for sustaining and compliance capital projects at our operating facilities as well as for growth projects in Performance Chemicals. In addition, during the second quarter of fiscal 2020, we suspended our share repurchase activity, and we do not anticipate repurchasing our shares for the remainder of fiscal 2020.

Although we cannot predict the duration or scope of the COVID-19 pandemic and its impact on our customers and suppliers, we are actively managing the business to maintain cash flow and we anticipate sufficient liquidity from (i) cash on hand; (ii) cash flows from operating activities; and (iii) cash available from our revolving credit facilities to meet our operational and capital investment needs and financial obligations for the foreseeable future.

The following discussion of the changes in our cash balance refers to the various sections of our Consolidated Statements of Cash Flows.

Cash Flows from Operating Activities

Cash provided by operating activities, which consists of net income adjusted for the various non-cash items included in income, changes in working capital and changes in certain other balance sheet accounts, totaled $278 million in the first nine months of fiscal 2020 compared to $166 million of cash provided by operating activities during the same period of fiscal 2019.

Cash provided by operating activities in the first nine months of fiscal 2020 was driven primarily by our net income of $44 million, a decrease in Accounts and notes receivable of $172 million, the non-cash impact of depreciation and amortization of $117 million and a decrease in our Inventories of $74 million, partially offset by a decrease in Accounts payable and accrued liabilities of $68 million, an increase in Prepaid expenses and other assets of $25 million and the non-cash impact of a deferred tax benefit of $20 million.

Cash provided by operating activities in the first nine months of fiscal 2019 was driven primarily by our net income of $146 million, the non-cash impacts of depreciation and amortization of $110 million, the loss on the sale of the Specialty Fluids business of $28 million and the impairment of our investment in our Venezuelan equity affiliate of $11 million. Partially offsetting these factors were a decrease in Accounts payable and accrued liabilities of $65 million, a decrease in Income taxes payable of $24 million, a decrease in Other liabilities of $27 million and the non-cash impact of a deferred tax benefit of $20 million.

In addition to the factors noted above, the following other elements of operations have a bearing on operating cash flows:

Restructurings — As of June 30, 2020, we had $9 million of total restructuring costs in accrued expenses in the Consolidated Balance Sheets related to certain of our global restructuring activities. In the first nine months of fiscal 2020, we paid $13 million related to these restructuring activities, and we expect to make additional cash payments of approximately $4 million in fiscal 2020 and $11 million thereafter.

Legal Matters — As of June 30, 2020, we had a $21 million reserve for existing and future respirator claims that we expect to pay over multiple years. During the second quarter of fiscal 2020, we settled a large group of respirator claims for $65.2 million. We paid $32.6 million related to these settled claims during the third quarter of fiscal 2020, and the remaining $32.6 million payable will be paid in the first quarter of fiscal 2021. We also have other lawsuits, claims and contingent liabilities arising in the ordinary course of business.

Cash Flows from Investing Activities

Investing activities consumed $252 million of cash in the first nine months of fiscal 2020 compared to $33 million of cash consumed during the same period of fiscal 2019. In the first nine months of fiscal 2020, investing activities primarily consisted of $162 million of capital expenditures for sustaining and compliance capital projects at our operating facilities as well as capacity expansion capital expenditures in Reinforcement Materials and Performance Chemicals, $84 million, net of cash acquired for the SUSN acquisition in April 2020 and $8 million for the plant that we acquired from NSCC in September 2018.

In the nine months ended June 30, 2019, investing activities consumed $33 million of cash, which was primarily driven by $155 million of capital expenditures for sustaining and compliance capital projects at our operating facilities as well as capacity expansion capital expenditures in Reinforcement Materials and Performance Chemicals, partially offset by proceeds from the sale of the Specialty Fluids business of $130 million, net of cash held in escrow of $5 million.

Cash Flows from Financing Activities

Financing activities consumed $37 million of cash in the first nine months of fiscal 2020 compared to $146 million of cash consumed during the same period of fiscal 2019. In the first nine months of fiscal 2020, financing activities primarily consisted of the repayment of $15 million of other long-term debt, share repurchases of $44 million, dividend payments to stockholders of $60 million, dividend payments to noncontrolling interests of $26 million and the repayment of $20 million of commercial paper, partially offset by the net proceeds from borrowings under our revolvers of $125 million.

In the first nine months of fiscal 2019, financing activities primarily consisted of share repurchases of $144 million, dividend payments to stockholders of $60 million, the repayment of $75 million of long-term debt, the repayment of $176 million of commercial paper, and the redemption of $25 million of preferred stock held by our former NHUMO joint venture partner, partially offset by the proceeds from the issuance of our registered notes and borrowing under our European revolver in the aggregate of $344 million.

Off-Balance Sheet Arrangements

As of June 30, 2020, we had no material transactions that meet the definition of an off-balance sheet arrangement.

Forward-Looking Information

This report on Form 10-Q contains "forward-looking statements" under the Federal securities laws. These forward-looking statements address expectations or projections about the future, including our expectations for future financial performance and the factors we expect to impact our results of operations, including how we expect the COVID-19 pandemic to impact demand for our products, our results of operations and our cash flows and our related mitigation efforts; growth in the battery market; when we expect the NSCC Carbon plant upgrades to be completed; the amount and the timing of the contingent consideration we expect to pay related to the SUSN acquisition; the amount and timing of the charge to earnings we will record and the cash outlays we will make in connection with our reorganization and the closing of certain manufacturing facilities, restructuring initiatives and under our transformation plan for our Purification Solutions business; our estimated future amortization expenses for our intangible assets; when we expect to make payments under the settlement agreement we entered into settling certain respirator liability claims; the timing of expected payments from our reserve for existing and future respirator claims; the amount of any future gain or loss we may record upon the settlement, and the timing of the completion, of certain defined benefit obligations and pension plan terminations; the sufficiency of our cash on hand, cash provided from operations and cash available under our credit facilities to fund our cash requirements; uses of available cash including anticipated capital spending, share repurchases, and future cash outlays associated with long-term contractual obligations; our expected tax rate for fiscal 2020; and the possible outcome of legal proceedings. From time to time, we also provide forward-looking statements in other materials we release to the public and in oral statements made by authorized officers.

Forward-looking 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 or difficult to predict. If known or unknown risks materialize, our actual results could differ materially from those expressed in the forward-looking statements. Importantly, as we cannot predict the duration or scope of the COVID-19 pandemic, the negative impact to our results cannot be estimated. Factors that will influence the impact on our business and operations include the duration and extent of the pandemic, the extent of imposed or recommended containment and mitigation measures, and the general economic consequences of the pandemic.

In addition to factors described elsewhere in this report, the following are some of the factors that could cause our actual results to differ materially from those expressed in our forward-looking statements: changes in raw material costs; lower than expected demand for our products; changes in environmental requirements in the U.S.; the loss of one or more of our important customers; our inability to complete capacity expansions or other development projects; the availability of raw materials; our failure to develop new products or to keep pace with technological developments; fluctuations in currency exchange rates; patent rights of others; stock and credit market conditions; the timely commercialization of products under development (which may be disrupted or delayed by technical difficulties, market acceptance, competitors' new products, as well as difficulties in moving from the experimental stage to the production stage); demand for our customers' products; competitors' reactions to market conditions; unanticipated disruptions or delays in plant operations or development projects; delays in the successful integration of structural changes, including acquisitions or joint ventures; severe weather events that cause business interruptions, including plant and power outages or disruptions in supplier or customer operations; negative or uncertain worldwide or regional economic conditions and market opportunities, including from trade relations or global health matters; the accuracy of the assumptions we used in establishing reserves for environmental matters and for our share of liability for respirator claims; and the outcome of pending litigation. These other factors and risks are discussed more fully in our 2019 10-K, our Quarterly Report for the quarterly period ended March 31, 2020 and in our subsequent SEC filings.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Information about market risks for the period ended June 30, 2020 does not differ materially from that discussed under Item 7A of our 2019 10-K.

Item 4. Controls and Procedures

As of June 30, 2020, we carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and our principal financial officer, of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of that date.

There were no changes in our internal control over financial reporting that occurred during our fiscal quarter ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. As a result of the COVID-19 pandemic, certain of our employees have been working remotely and certain manufacturing sites have been operating with limited personnel on-site. We have not identified any material changes in our internal control over financial reporting as a result of these changes to the working environment. We are continually monitoring and assessing the COVID-19 situation to determine any potential impacts on the design and operating effectiveness of our internal controls over financial reporting.

Part II. Other Information

Item 6. Exhibits

Exhibit No.	Description
Exhibit 3.1	Restated Certificate of Incorporation of Cabot Corporation effective January 9, 2009 (incorporated herein by reference to Exhibit 3.1 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2008, file reference 1-5667, filed with the SEC on February 9, 2009).
Exhibit 3.2	The By-laws of Cabot Corporation as amended January 8, 2016 (incorporated herein by reference to Exhibit 3.1 of Cabot Corporation's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2015, file reference 1-5667, filed with the SEC on February 5, 2016).
Exhibit 10.1*	First Amendment, dated June 8, 2020, to Credit Agreement dated October 23, 2015 among Cabot Corporation, JPMorgan Chase Bank, N.A., J.P. Morgan Securities LLC, Citigroup Global Markets Inc., Citibank, N.A., Bank of America, N.A., Mizuho Bank, Ltd., TD Bank, N.A., and Wells Fargo Bank, National Association, and the other lenders party thereto.
Exhibit 10.2*	First Amendment, dated June 8, 2020,to Credit Agreement dated May 22, 2019 among Cabot Corporation, certain subsidiaries of Cabot, the lenders referred to therein, Wells Fargo Bank, National Association, Wells Fargo Securities, LLV, PNC Bank, National Association, U.S. Bank National Association and Mizuho Bank, Ltd.
Exhibit 31.1*	Certification of Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
Exhibit 31.2*	Certification of Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
Exhibit 32**	Certifications of the Principal Executive Officer and the Principal Financial Officer pursuant to 18 U.S.C. Section 1350.
Exhibit 101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
Exhibit 101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
Exhibit 101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
Exhibit 101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
Exhibit 101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
Exhibit 101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
Exhibit 104*	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, formatted in Inline XBRL (included in Exhibit 101).

* Filed herewith.

** Furnished herewith.

SIGNATURES

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.

	CABOT CORPORATION
Date: August 7, 2020	By: /s/ ERICA MCLAUGHLIN **Erica McLaughlin** **Senior Vice President and Chief Financial Officer** **(Duly Authorized Officer)**
Date: August 7, 2020	By: /s/ LISA M. DUMONT **Lisa M. Dumont** **Vice President and Controller** **(Chief Accounting Officer)**

Exhibit 10.1

EXECUTION VERSION

FIRST AMENDMENT TO CREDIT AGREEMENT

This **FIRST AMENDMENT TO CREDIT AGREEMENT** (this "First Amendment") is made and entered into as of June 8, 2020, by and among **CABOT CORPORATION**, a Delaware corporation (the "Company"), the Designated Borrowers as of the date hereof (together with the Company, collectively, the "Borrowers"), **JPMORGAN CHASE BANK, N.A.**, as Administrative Agent, and Lenders constituting Required Lenders as of the date hereof.

WHEREAS, the Borrowers are party to that certain Credit Agreement, dated as of October 23, 2015 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrowers, the Lenders from time to time party thereto and the Administrative Agent; and

WHEREAS, the Borrowers have requested that each of the Lenders agree, and Lenders constituting Required Lenders under the terms of the Credit Agreement have agreed, on the terms and subject to the conditions set forth herein, to make certain amendments to the Credit Agreement;

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Definitions; Loan Document. Capitalized terms used in this First Amendment without definition shall have the meaning assigned to such terms in the Credit Agreement. This First Amendment shall constitute a Loan Document for all purposes of the Credit Agreement and the other Loan Documents.

2. Amendments to the Credit Agreement. The Credit Agreement is hereby amended as follows:

a. New Definitions. Section 1.01 of the Credit Agreement is hereby amended by adding the following new definitions in alphabetical order:

"***Affected Financial Institution***" means (a) any EEA Financial Institution or (b) any UK Financial Institution.

"***Ancillary Document***" has the meaning assigned to it in Section 10.06(b).

"***Beneficial Ownership Certification***" means a certification regarding beneficial ownership as required by the Beneficial Ownership Regulation.

"***Beneficial Ownership Regulation***" means 31 C.F.R. § 1010.230.

"***Benefit Plan***" means any of (a) an "employee benefit plan" (as defined in Section 3(3) of ERISA) that is subject to Title I of ERISA, (b) a "plan" as defined in Section 4975 of the Code to which Section 4975 of the Code applies, and (c) any Person whose assets include (for purposes of the Plan Asset Regulations or otherwise for purposes of Title I of ERISA or Section 4975 of the Code) the assets of any such "employee benefit plan" or "plan".

"***BHC Act Affiliate***" of a party means an "affiliate" (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

"***Covenant Relief Period***" means July 1, 2020 through and including June 30, 2021.

"***Covered Entity***" means any of the following:

(i) a "covered entity" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b);

(ii) a "covered bank" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or

(iii) a "covered FSI" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

"***Covered Party***" has the meaning assigned to it in Section 10.17.

"***Default Right***" has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

"***Federal Reserve Bank of New York's Website***" means the website of the NYFRB at http://www.newyorkfed.org, or any successor source.

"***First Amendment Effective Date***" means June 8, 2020.

"***Liabilities***" means any losses, claims (including intraparty claims), demands, damages or liabilities of any kind.

"***NYFRB***" means the Federal Reserve Bank of New York.

"***NYFRB Rate***" means, for any day, the greater of (a) the Federal Funds Effective Rate in effect on such day and (b) the Overnight Bank Funding Rate in effect on such day (or for any day that is not a Business Day, for the immediately preceding Business Day); provided that if none of such rates are published for any day that is a Business Day, the term "NYFRB Rate" means the rate for a federal funds transaction quoted at 11:00 a.m. New York City time on such day received by the Administrative Agent from a federal funds broker of recognized standing selected by it; provided, further, that if any of the aforesaid rates as so determined be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

"***Overnight Bank Funding Rate***" means, for any day, the rate comprised of both overnight federal funds and overnight Eurocurrency borrowings by U.S.-managed banking offices of depository institutions, as such composite rate shall be determined by the NYFRB as set forth on the Federal Reserve Bank of New York's Website from time to time, and published on the next succeeding Business Day by the NYFRB as an overnight bank funding rate.

"***Plan Asset Regulations***" means 29 CFR § 2510.3-101 *et seq.*, as modified by Section 3(42) of ERISA, as amended from time to time.

"***PTE***" means a prohibited transaction class exemption issued by the U.S. Department of Labor, as any such exemption may be amended from time to time.

"***QFC***" has the meaning assigned to the term "qualified financial contract" in, and shall be interpreted in accordance with, 12 U.S.C. 5390(c)(8)(D).

"***QFC Credit Support***" has the meaning assigned to it in Section 10.17.

"***Resolution Authority***" means an EEA Resolution Authority or, with respect to any UK Financial Institution, a UK Resolution Authority.

"***Supported QFC***" has the meaning assigned to it in Section 10.17.

"***UK Financial Institutions***" means any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended from time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any person falling within IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain affiliates of such credit institutions or investment firms.

"***UK Resolution Authority***" means the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution.

"***U.S. Special Resolution Regime***" has the meaning assigned to it in Section 10.17.

b. Amended Definitions. Section 1.01 of the Credit Agreement is hereby amended by amending and restating the following definitions in their entirety to read as follows:

"***Alternate Base Rate***" means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the NYFRB Rate in effect on such day plus ½ of 1% and (c) the Adjusted LIBO Rate for a one month Interest Period on such day (or if such day is not a Business Day, the immediately preceding Business Day) plus 1%; provided that for the purpose of this definition, the Adjusted LIBO Rate for any day shall be based on the LIBO Screen Rate (or if the LIBO Screen Rate is not available for such one month Interest Period, the Interpolated Rate) at approximately 11:00 a.m. London time on such day but shall otherwise be calculated in accordance with the definition of "LIBO Rate", subject to the interest rate floors set forth therein. Any change in the Alternate Base Rate due to a change in the Prime Rate, the NYFRB Rate or the Adjusted LIBO Rate shall be effective from and including the effective date of such change in the Prime Rate, the NYFRB Rate or the Adjusted LIBO Rate, respectively. For the avoidance of doubt, if the Alternate Base Rate as determined pursuant to the foregoing would be less than 1.00%, such rate shall be deemed to be 1.00% for purposes of this Agreement.

"***Bail-In Action***" means the exercise of any Write-Down and Conversion Powers by the applicable Resolution Authority in respect of any liability of an Affected Financial Institution.

"***Bail-In Legislation***" means (a) with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law, regulation rule or requirement for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule and (b) with respect to the United Kingdom, Part I of the United Kingdom Banking Act 2009 (as amended from time to time) and any other law, regulation or rule applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (other than through liquidation, administration or other insolvency proceedings).

"***EEA Financial Institution***" means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA

Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

"***EEA Member Country***" means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

"***EEA Resolution Authority***" means any public administrative authority or any Person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"***EU Bail-In Legislation Schedule***" means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor Person), as in effect from time to time.

"***Federal Funds Effective Rate***" means, for any day, the rate calculated by the NYFRB based on such day's federal funds transactions by depositary institutions, as determined in such manner as shall be set forth on the Federal Reserve Bank of New York's Website from time to time, and published on the next succeeding Business Day by the NYFRB as the effective federal funds rate; provided that if the Federal Funds Effective Rate as so determined would be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

"***LIBO Rate***" means, with respect to any Eurocurrency Borrowing for any applicable currency and for any Interest Period, the LIBO Screen Rate at approximately 11:00 a.m., London time, two (2) Business Days prior to the commencement of such Interest Period (or, in the case of Loans denominated in Pounds Sterling, on the day of); provided that if the LIBO Screen Rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement; provided, further, that if the LIBO Screen Rate shall not be available at such time for such Interest Period with respect to the applicable currency then the LIBO Rate shall be the Interpolated Rate or, if applicable pursuant to the terms of Section 2.14(a), the applicable Reference Bank Rate, in either case at approximately 11:00 a.m., London time, two (2) Business Days prior to the commencement of such Interest Period. For the avoidance of doubt, if the LIBO Rate as determined pursuant to the foregoing would be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

"***LIBO Screen Rate***" with respect to any Eurocurrency Borrowing for any applicable currency and for any Interest Period, the London interbank offered rate as administered by ICE Benchmark Administration (or any other Person that takes over the administration of such rate for the relevant currency) for a period equal in length to such Interest Period as displayed on pages LIBOR01 or LIBOR02 of the Reuters screen that displays such rate (or, in the event such rate does not appear on a Reuters page or screen, on any successor or substitute page on such screen that displays such rate, or on the appropriate page of such other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion); provided that if the LIBO Screen Rate as so determined would be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

"***Prime Rate***" means the rate of interest last quoted by The Wall Street Journal as the "Prime Rate" in the U.S. or, if The Wall Street Journal ceases to quote such rate, the highest per annum interest rate published by the Federal Reserve Board in Federal Reserve Statistical Release H.15 (519) (Selected Interest Rates) as the "bank prime loan" rate or, if such rate is no longer quoted therein, any similar rate quoted therein (as determined by the Administrative

Agent) or any similar release by the Federal Reserve Board (as determined by the Administrative Agent). Each change in the Prime Rate shall be effective from and including the date such change is publicly announced or quoted as being effective.

"***Write-Down and Conversion Powers***" means, (a) with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule, and (b) with respect to the United Kingdom, any powers of the applicable Resolution Authority under the Bail-In Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers.

c. Amendment to Article I. Article I of the Credit Agreement is hereby amended by adding the following new Sections 1.05 and 1.06 thereof to read as follows:

"SECTION 1.05. Letter of Credit Amounts. Unless otherwise specified herein, the amount of a Letter of Credit at any time shall be deemed to be the amount of such Letter of Credit available to be drawn at such time; provided that with respect to any Letter of Credit that, by its terms or the terms of any Letter of Credit Agreement related thereto, provides for one or more automatic increases in the available amount thereof, the amount of such Letter of Credit shall be deemed to be the maximum amount of such Letter of Credit after giving effect to all such increases, upon such maximum amount being available to be drawn at such time.

SECTION 1.06. Divisions. For all purposes under the Loan Documents, in connection with any division or plan of division under Delaware law (or any comparable event under a different jurisdiction's laws): (a) if any asset, right, obligation or liability of any Person becomes the asset, right, obligation or liability of a different Person, then it shall be deemed to have been transferred from the original Person to the subsequent Person, and (b) if any new Person comes into existence, such new Person shall be deemed to have been organized and acquired on the first date of its existence by the holders of its Equity Interests at such time."

d. Amendment to Section 2.18(a). Section 2.18(a) of the Credit Agreement is hereby amended by replacing "270 Park" with "383 Madison."

e. Amendment to Section 3.10. Section 3.10 of the Credit Agreement is hereby amended by adding the following language to the end of the section:

"As of the First Amendment Effective Date, to the best knowledge of the Borrower, the information included in the Beneficial Ownership Certification provided on or prior to the First Amendment Effective Date to any Lender in connection with this Agreement is true and correct in all respects."

f. Amendment to Section 5.01. Section 5.01 of the Credit Agreement is hereby amended by (i) deleting "and" at the end of clause (e) thereof, (ii) deleting "." at the end of clause (f) and replacing it with "; and" and (iii) adding a new clause (g) to read as follows:

"(g) promptly following any request therefor, information and documentation reasonably requested by the Administrative Agent or any Lender required for purposes of compliance with applicable "know your customer" and anti-money laundering rules and regulations, including the Patriot Act and the Beneficial Ownership Regulation."

g. Amendment to Section 6.01(o). Section 6.01(o) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"(o) Liens not otherwise permitted by the foregoing clauses of this Section securing Indebtedness in an aggregate principal amount at any time outstanding not to exceed (i) five percent (5%) of Consolidated Tangible Net Worth at any time during the Covenant Relief Period and (ii) ten percent (10%) of Consolidated Tangible Net Worth at any time other than during the Covenant Relief Period."

h. Amendment to Section 6.02. Section 6.02 of the Credit Agreement is hereby amended by replacing the first instance of "liquidate" with "divide, liquidate".

i. Amendment to Section 6.05. Section 6.05 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"SECTION 6.05. Financial Covenant. It will not permit the Consolidated Leverage Ratio as of the last day of any Reference Period to be greater than:

(a) 3.50:1.00, commencing with the Reference Period ending March 31, 2020 and tested for all quarters thereafter ending on or prior to June 30, 2020;

(b) 4.50:1.00, commencing with the Reference Period ending September 30, 2020 and tested for all quarters thereafter ending on or prior to June 30, 2021; and

(c) 3.50:1.00, commencing with the Reference Period ending September 30, 2021 and tested for all quarters thereafter;

provided, however, that at the election of the Company (prior written notice of which shall be given to the Administrative Agent), following the consummation of any Material Acquisition, the Consolidated Leverage Ratio (x) as at the end of the fiscal quarter in which such Material Acquisition occurs and the three fiscal quarters immediately thereafter, shall not be greater than 4.00:1.00 and (y) as at the end of any fiscal quarter thereafter, shall not be greater than 3.50:1.00, in each case, except for any fiscal quarter during the Covenant Relief Period (during which time the Consolidated Leverage Ratio shall not be greater than 4:50:1.00)."

j. Amendment to Section 10.06(b). Section 10.06(b) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"(b) Delivery of an executed counterpart of a signature page of (x) this Agreement, (y) any other Loan Document and/or (z) any document, amendment, approval, consent, information, notice (including, for the avoidance of doubt, any notice delivered pursuant to Section 10.01), certificate, request, statement, disclosure or authorization related to this Agreement, any other Loan Document and/or the transactions contemplated hereby and/or thereby (each an "***Ancillary Document***") that is an Electronic Signature transmitted by telecopy, emailed pdf. or any other electronic means that reproduces an image of an actual executed signature page shall be effective as delivery of a manually executed counterpart of this Agreement, such other Loan Document or such Ancillary Document, as applicable. The words "execution," "signed," "signature," "delivery," and words of like import in or relating to this Agreement, any other Loan Document and/or any Ancillary Document shall be deemed to include Electronic Signatures, deliveries or the keeping of records in any electronic form (including deliveries by telecopy, emailed pdf. or any other electronic means that reproduces an image of an actual executed signature page), each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act or any similar state laws based on the Uniform Electronic Transactions Act; provided that, without limiting the foregoing, (i) the Administrative Agent and each of the Lenders shall be entitled to rely on such Electronic Signature purportedly given by or on behalf of the Borrowers without further verification thereof and without any obligation to review the appearance or form of any such Electronic Signature and (ii) upon the reasonable request of the Administrative Agent or any Lender, any Electronic Signature shall be promptly followed by a manually executed counterpart. Without limiting the generality of the foregoing, each Borrower hereby (i) agrees that, for all purposes, including without limitation, in connection with any workout, restructuring, enforcement of remedies, bankruptcy proceedings or litigation among the Administrative Agent, the Lenders, and the Borrowers, Electronic Signatures transmitted by telecopy, emailed pdf. or any other electronic means that reproduces an image of an actual executed signature page and/or any electronic images of this Agreement, any other Loan Document and/or any Ancillary Document shall have the same legal effect, validity and enforceability as any paper original, (ii) the Administrative Agent and each of the Lenders may, at its option, create one or more copies of this Agreement, any other Loan Document and/or any Ancillary Document in the form of an imaged electronic record in any format, which shall be deemed created in the ordinary course of such Person's business, and destroy the original paper document (and all such electronic records shall be considered an original for all purposes and shall have the same legal effect, validity and enforceability as a paper record), (iii) waives any argument, defense or right to contest the legal effect, validity or enforceability of this Agreement, any other Loan Document and/or any Ancillary Document based solely on the lack of paper original copies of this Agreement, such other Loan Document and/or such Ancillary Document, respectively, including with respect to any signature pages thereto and (iv) waives any claim against any Administrative Agent, any Arranger, any syndication agent, any co-documentation agent any Issuing Bank and any Lender, and any Related Party of any of the foregoing Persons for any Liabilities arising solely from the Administrative Agent's and/or any Lender's reliance on or use of Electronic Signatures and/or transmissions by telecopy, emailed pdf. or any other electronic means that reproduces an image of an actual executed signature page, including any Liabilities arising as a result of the failure of the Borrowers to use any available security measures in connection with the execution, delivery or transmission of any Electronic Signature."

k. Correction to Extension Agreement and Amendment to Article X. The Credit Agreement is hereby amended to correct a typographical error made in that certain Extension Agreement to Credit Agreement dated December 14, 2016. The Section titled "Acknowledgement and Consent to Bail-In of EEA Financial Institutions" inserted into the Credit Agreement in such Extension Agreement is corrected to be Section 10.16 rather than Section 9.16 and furthermore, Section 10.16, as hereby corrected, is hereby amended and restated in its entirety by replacing Section 10.16 and adding Sections 10.17 and 10.18 to read as follows:

"SECTION 10.16. Acknowledgement and Consent to Bail-In of Affected Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Affected Financial Institution arising under any Loan Document may be subject to the Write-Down and Conversion Powers of the applicable Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by the applicable Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an Affected Financial Institution; and

(b) the effects of any Bail-In Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such Affected Financial Institution, its parent entity, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of the applicable Resolution Authority.

SECTION 10.17. <u>Acknowledgement Regarding Any Supported QFCs</u>. To the extent that the Loan Documents provide support, through a guarantee or otherwise, for Swap Agreements or any other agreement or instrument that is a QFC (such support "***QFC Credit Support***" and each such QFC a "***Supported QFC***"), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the "***U.S. Special Resolution Regimes***") in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States):

In the event a Covered Entity that is party to a Supported QFC (each, a "***Covered Party***") becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Loan Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Loan Documents were governed by the laws of the United States or a state of the United States. Without limitation of the foregoing, it is understood and agreed that rights and remedies of the parties with respect to a Defaulting

Lender shall in no event affect the rights of any Covered Party with respect to a Supported QFC or any QFC Credit Support.

SECTION 10.18. Certain ERISA Matters. (a) Each Lender (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent, and each Arranger and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower or any other Loan Party, that at least one of the following is and will be true:

(i) such Lender is not using "plan assets" (within the meaning of the Plan Asset Regulations) of one or more Benefit Plans with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit or the Commitments,

(ii) the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement,

(iii) (A) such Lender is an investment fund managed by a "Qualified Professional Asset Manager" (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Loans, the Letters of Credit, the Commitments and this Agreement, (C) the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement, or

(iv) such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Lender.

(b) In addition, unless sub-clause (i) in the immediately preceding clause (a) is true with respect to a Lender or such Lender has provided another representation, warranty and covenant as provided in sub-clause (iv) in the immediately preceding clause (a), such Lender further (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent, and each Arranger and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower or any other Loan Party, that none of the Administrative Agent, or any Arranger, any syndication agent, any co-documentation agent or any of their respective Affiliates is a fiduciary with respect to the assets of such Lender (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Loan Document or any documents related to hereto or thereto)."

3. **No Waiver.** Nothing contained in this First Amendment shall be deemed to (i) constitute a waiver of any Default or Event of Default that may heretofore or hereafter occur or have occurred and be continuing or to otherwise modify any provision of the Credit Agreement or any other Loan Document (except as a result of the amendment expressly set forth in Paragraph 2 of this First Amendment), or (ii) give rise to any defenses or counterclaims to the Administrative Agent's or any of the Lenders' right to compel payment of the Obligations when due or to otherwise enforce their respective rights and remedies under the Credit Agreement and the other Loan Documents. The Borrowers hereby acknowledge that the Administrative Agent and the Lenders have not made any agreement or commitment to modify the Loan Documents other than as expressly set forth herein, and nothing in this First Amendment shall be construed to imply any willingness on the part of the Administrative Agent or the Lenders to grant any future consent or waiver of any of the terms and conditions of the Credit Agreement or the other Loan Documents. The Administrative Agent and Lenders hereby reserve all rights and remedies available to them under the Loan Documents and applicable law.

4. **Conditions to Effectiveness**. This First Amendment shall become effective on the first date upon which each of the following conditions has been satisfied:

a. The Administrative Agent (or its counsel) shall have received from the Borrowers and each of the requisite Lenders either (i) a counterpart of this First Amendment signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include facsimile or other electronic transmission of a signed counterpart of this First Amendment) that such party has signed a counterpart of this First Amendment.

b. The Administrative Agent (or its counsel) shall have received in form and substance satisfactory to the Administrative Agent that certain fee letter (the "First Amendment Fee Letter") duly executed and delivered by each of the Borrowers.

c. The Company shall pay to each Lender that executes and delivers a copy of this First Amendment to the Administrative Agent (or its counsel) on or prior to the proposed date of effectiveness, through the Administrative Agent, an amendment fee (the "Amendment Fee") in an amount equal to 0.10% of such Lender's Commitments (whether used or unused) as of such date. The Amendment Fee shall be fully earned and due and payable in full on the date hereof. The Amendment Fee is not refundable for any reason or under any circumstances.

d. The Administrative Agent and the Lenders shall have received all fees specified in the First Amendment Fee Letter, and shall have been reimbursed for all reasonable out of pocket expenses (including reasonable legal fees and expenses) required to be reimbursed by the Borrowers hereunder to the extent invoiced in reasonable detail, consistent with past practices one (1) Business Day prior to the First Amendment Effective Date.

5. **Legal Fees**. The Company agrees to pay promptly, upon receiving an invoice therefor in reasonable detail consistent with past practices, reasonable fees, charges and disbursements of Goulston & Storrs, PC, counsel to the Administrative Agent (directly to such counsel if requested by the Administrative Agent) incurred in connection with this First Amendment.

6. **Representations and Warranties**. The Borrowers represent and warrant to the Administrative Agent and the Lenders as follows:

a. The execution, delivery and performance of this First Amendment and the transactions contemplated hereby (i) are within each Borrower's corporate powers, (ii) have been duly authorized by all necessary corporate and, if required, stockholder action, (iii) been duly executed and delivered by each Borrower, (iv) do not and will not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority or any other Person, (v) do not and will not violate any applicable law, rule or regulation of any Governmental Authority or any Organization Document of any Borrower, and (vi) do not and will not conflict with or result in any material breach or contravention of, or the creation of any material Lien under, or require any material payment to be made under (A) any material Contractual Obligation to which any Borrower is a party or affecting any Borrower or the properties of any Borrower or any of its Subsidiaries or (B) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which any Borrower or the properties of any Borrower or any of its Subsidiaries is subject.

b. This First Amendment has been duly executed and delivered by each Borrower that is party hereto and constitutes a legal, valid and binding obligation of each Borrower, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

c. The representations and warranties made by the Borrowers in the Loan Documents are true and correct in all material respects (or in all respects if the applicable representation or warranty is already qualified by concepts of materiality) on and as of the date hereof, as though made on the date hereof.

d. Both immediately before and after giving effect to this First Amendment, no Default or Event of Default has occurred and is continuing or would result therefrom.

7. **Ratification, etc**. Except for certain provisions that are expressly amended by this First Amendment, the Credit Agreement, the other Loan Documents and all documents, instruments and agreements related thereto are hereby ratified and confirmed in all respects and shall continue in full force and effect. This First Amendment and the Credit Agreement shall hereafter be read and construed together as a single document, and all references in the Credit Agreement, any other Loan Document or any agreement or instrument related to the Credit Agreement shall hereafter refer to the Credit Agreement as amended by this First Amendment.

8. **Reaffirmation of Guarantee**. The Company hereby reaffirms its guarantee contained in Article IX of the Credit Agreement of the payment when and as due of the Obligations of the Designated Borrowers, and acknowledges and agrees that such guarantee is and shall remain in full force and effect after giving effect to this First Amendment.

9. **GOVERNING LAW. THIS FIRST AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK.**

10. **Counterparts**. This First Amendment may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this First Amendment by telecopy, emailed .pdf or any other electronic means that reproduces an image of the actual executed signature page shall be effective as delivery of a manually executed counterpart of this First Amendment. The words "execution," "signed," "signature," "delivery," and words of like import in or relating to this First Amendment, any document to be signed in connection with this First Amendment and the transactions contemplated hereby shall be deemed to include Electronic Signatures, deliveries or the keeping of records in any electronic form (including deliveries by telecopy, emailed pdf. or any other electronic means that reproduces an image of an actual executed signature page), each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be; provided that nothing herein shall require the Administrative Agent to accept Electronic Signatures in any form or format without its prior written consent and pursuant to procedures approved by it; provided, further, without limiting the foregoing, (i) to the extent the Administrative Agent has agreed to accept any Electronic Signature, the Administrative Agent and each of the Lenders shall be entitled to rely on such Electronic Signature purportedly given by or on behalf of the Borrower or any other Loan Party without further verification thereof and without any obligation to review the appearance or form of any such Electronic signature and (ii) upon the request of the Administrative Agent or any Lender, any Electronic Signature shall be promptly followed by a manually executed counterpart.

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IN WITNESS WHEREOF, each of the undersigned has duly executed this First Amendment to Credit Agreement as a sealed instrument as of the date first set forth above.

CABOT CORPORATION, as the Company and a Borrower

By: /s/ Erica McLaughlin
Name: Erica McLaughlin
Title: Senior Vice President and Chief Financial Officer

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent, an Issuing Bank and a Lender

By:	/s/ Peter Predun
Name:	Peter Predun
Title:	Executive Director

CITIBANK, N.A.

By: /s/ Millie Schild
Name:Millie Schild
Title:Vice President

MIZUHO BANK, LTD.,
as a Lender

By: /s/ Donna DeMagistris
Name:Donna DeMagistris
Title:Executive Director

TD BANK, N.A., as a Lender

By: /s/ Christopher Matheson
Name:Christopher Matheson
Title:Senior Vice President

BANK OF AMERICA, N.A.,
as a Lender

By: /s/ Robert C. Megan
Name: Robert C. Megan
Title: Senior Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Cody King
Name:Cody King
Title:Vice President

BANK OF CHINA, NEW YORK BRANCH,
as a Lender

By: /s/ Raymond Qiao
Name:Raymond Qiao
Title:Executive Vice President

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Mark Irey
Name:Mark Irey
Title:Vice President

CITIZENS BANK, N.A.

By: /s/ Patrick Keffer
Name:Patrick Keffer
Title:Senior Vice President

GOLDMAN SACHS BANK USA,
as a Lender

By: /s/ Jamie Minieri
Name:Jamie Minieri
Title:Authorized Signatory

PNC BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Eileen P. Murphy
Name: Eileen P. Murphy
Title: Vice President

Exhibit 10.2

EXECUTION VERSION

FIRST AMENDMENT TO CREDIT AGREEMENT

This **FIRST AMENDMENT TO CREDIT AGREEMENT** (this "First Amendment") is dated as of June 8, 2020, among **CABOT CORPORATION** (the "Company"), each undersigned Borrower (collectively, the "Borrowers" and each, a "Borrower" and together with the Company, the "Loan Parties"), **WELLS FARGO BANK, NATIONAL ASSOCIATION**, as Administrative Agent, and Lenders constituting Required Lenders as of the date hereof. Capitalized terms used herein without definition shall have the meaning assigned to such terms in that certain Credit Agreement, dated as of May 22, 2019 (as the same may be amended or otherwise modified, the "Credit Agreement"), among the Loan Parties, the Lenders from time to time party thereto and the Administrative Agent. This First Amendment shall constitute a Loan Document for all purposes of the Loan Documents.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Amendments to the Credit Agreement. The Credit Agreement is hereby amended as follows:

a. New Definition. Section 1.01 of the Credit Agreement is amended by adding ""***Covenant Relief Period***" means July 1, 2020 through and including June 30, 2021." as a new definition in alphabetical order.

b. Amendment to "Alternate Base Rate". The last sentence of the definition of "Alternate Base Rate" in Section 1.01 of the Credit Agreement is restated in its entirety to read as follows:

"For the avoidance of doubt, if the Alternate Base Rate as determined pursuant to the foregoing would be less than 1.00%, such rate shall be deemed to be 1.00% for purposes of this Agreement."

c. Amendment to "LIBO Rate". The definition of "LIBO Rate" in Section 1.01 of the Credit Agreement is amended by adding a new sentence at the end thereof to read as follows:

"For the avoidance of doubt, if the LIBO Rate as determined pursuant to the foregoing would be less than zero, such rate shall be deemed to be zero for purposes of this Agreement."

d. Amendment to Section 6.01(o). Section 6.01(o) of the Credit Agreement is restated in its entirety to read as follows:

"(o) Liens not otherwise permitted by the foregoing clauses of this Section securing Indebtedness in an aggregate principal amount at any time outstanding not to exceed (i) five percent (5%) of Consolidated Tangible Net Worth at any time during the Covenant Relief Period and (ii) ten percent (10%) of Consolidated Tangible Net Worth at any time other than during the Covenant Relief Period."

e. Amendment to Section 6.05. Section 6.05 of the Credit Agreement is restated in its entirety to read as follows:

"SECTION 6.05. Financial Covenant. It will not permit the Consolidated Leverage Ratio as of the last day of any Reference Period to be greater than:

(a) 3.50:1.00, commencing with the Reference Period ending March 31, 2020 and tested for all quarters thereafter ending on or prior to June 30, 2020;

(b) 4.50:1.00, commencing with the Reference Period ending September 30, 2020 and tested for all quarters thereafter ending on or prior to June 30, 2021; and

(c) 3.50:1.00, commencing with the Reference Period ending September 30, 2021 and tested for all quarters thereafter;

provided, however, that at the election of the Company (prior written notice of which shall be given to the Administrative Agent), following the consummation of any Material Acquisition, the Consolidated Leverage Ratio (x) as at the end of the fiscal quarter in which such Material Acquisition occurs and the three fiscal quarters immediately thereafter, shall not be greater than 4.00:1.00 and (y) as at the end of any fiscal quarter thereafter, shall not be greater than 3.50:1.00, in each case, except for any fiscal quarter during the Covenant Relief Period (during which time the Consolidated Leverage Ratio shall not be greater than 4:50:1.00)."

2. **Conditions to Effectiveness**. This First Amendment shall become effective on the first date upon which each of the following conditions has been satisfied:

a. The Administrative Agent (or its counsel) shall have received from the Loan Parties and each of the requisite Lenders a counterpart of this First Amendment signed on behalf of such party.

b. The Loan Parties shall pay to each Lender that executes and delivers a copy of this First Amendment to the Administrative Agent (or its counsel) on or prior to the date hereof, through the Administrative Agent, an amendment fee ("Amendment Fee") equal to 0.10% of such Lender's Commitments (whether used or unused) as of such date. The Amendment Fee shall be fully earned and due and payable in full on the date hereof in Euros, and is not refundable for any reason or under any circumstances. The Administrative Agent and the Lenders shall have been reimbursed for all reasonable out of pocket expenses (including reasonable legal fees and expenses) required to be reimbursed by the Loan Parties hereunder to the extent invoiced in reasonable detail, consistent with past practices one Business Day prior to the First Amendment Effective Date.

3. **Representations and Warranties**. The Loan Parties represent and warrant to the Administrative Agent and the Lenders as follows: (a) the representations and warranties made by the Loan Parties in the Loan Documents are true and correct in all material respects (or in all respects if the applicable representation or warranty is already qualified by concepts of materiality) on and as of the date hereof, as though made on the date hereof, and (b) both immediately before and after giving effect to this First Amendment, no Default or Event of Default has occurred and is continuing or would result therefrom.

4. **Miscellaneous.** Nothing contained herein shall be deemed to (i) constitute a waiver of any Default or Event of Default that may heretofore or hereafter occur or have occurred and be continuing or to otherwise modify any provision of any Loan Document (except as a result of the amendments expressly set forth in Paragraph 1 hereof), or (ii) give rise to any defenses or counterclaims to the Administrative Agent's or any of the Lenders' right to compel payment of the Obligations when due or to otherwise enforce their respective rights and remedies under the Loan Documents. Nothing herein shall be construed to imply any willingness on the part of the Administrative Agent or the Lenders to grant any future consent or waiver of any of the terms and conditions of the Loan Documents. The Administrative Agent and Lenders hereby reserve all rights and remedies available to them under the Loan Documents and applicable law. Except as amended hereby, the Loan Documents and all documents, instruments and agreements related thereto are hereby ratified and confirmed in all respects and shall continue in full force and effect. This First Amendment and the Credit Agreement shall hereafter be read and construed together as a single document, and all references in the Credit Agreement, any other Loan Document or any agreement or instrument related to the Credit Agreement shall hereafter refer to the Credit Agreement as amended by this First Amendment. The Company hereby reaffirms its guarantee contained in Article IX of the Credit Agreement of the payment when and as due of the Obligations of the Borrowers, and acknowledges and agrees that such guarantee is and shall remain in full force and effect after giving effect to this First Amendment. THIS FIRST AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK. This First Amendment may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, each of the undersigned has duly executed this First Amendment to Credit Agreement as a sealed instrument as of the date first set forth above.

CABOT CORPORATION, as the Company and as Guarantor

By: /s/ Erica McLaughlin
Name: Erica McLaughlin
Title: Senior Vice President & Chief Financial Officer

CABOT LUXEMBOURG TC S.A.R.L., LUXEMBOURG, SCHAFFHAUSEN BRANCH, as a Borrower

By: /s/ Janine Maus
Name: Janine Maus
Title: Branch Office Manager

By: /s/ Aled Rees
Name: Aled Rees
Title: Authorized Signatory

CABOT GMBH, as a Borrower

By: /s/ Andreas Cendra
Name: Andreas Cendra
Title: Managing Director

By: /s/ Ivana Jovanovic
Name: Ivana Jovanovic
Title: Managing Director

CABOT SWITZERLAND GMBH, as a Borrower

By: /s/ Ivana Jovanovic
Name: Ivana Jovanovic
Title: Manager

By: /s/ Aled Rees
Name: Aled Rees
Title: President of Management

CABOT CARBON LIMITED, as a Borrower

By: /s/ Ivana Jovanovic
Name: Ivana Jovanovic
Title: Director

By: /s/ Helen McCulloch
Name: Helen McCulloch
Title: Director

PT CABOT INDONESIA, as a Borrower

By: /s/ Chew Chee Hean
Name: Chew Chee Hean
Title: Director

By: /s/ Dixy Olyviardy
Name: Dixy Olyviardy
Title: President Director

PT CABOT ASIA PACIFIC SOUTH, as a Borrower

By: /s/ Chew Chee Hean
Name: Chew Chee Hean
Title: Director

By: /s/ Dixy Olyviardy
Name: Dixy Olyviardy
Title: President Director

WELLS FARGO BANK, NATIONAL ASSOCIATION, as the Administrative Agent, a Lender and a Swingline Lender

By: /s/ Cody King
Name: Cody King
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Mark Irey
Name: Mark Irey
Title: Vice President

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Eileen P. Murphy
Name: Eileen P. Murphy
Title: Vice President

MIZUHO BANK, LTD., as a Lender

By: /s/ Donna DeMagistris
Name: Donna DeMagistris
Title: Executive Director

Exhibit 31.1

Principal Executive Officer Certification

I, Sean D. Keohane, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cabot Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2020

/s/ Sean D. Keohane

Sean D. Keohane
President and
Chief Executive Officer

Exhibit 31.2

Principal Financial Officer Certification

I, Erica McLaughlin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cabot Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 7, 2020

/s/ ERICA MCLAUGHLIN

Erica McLaughlin
Senior Vice President and
Chief Financial Officer

Exhibit 32

**Certifications Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002**

In connection with the filing of the Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 (the “Report”) by Cabot Corporation (the “Company”), each of the undersigned hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

1. The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 7, 2020

/s/ SEAN D. KEOHANE
Sean D. Keohane
President and Chief Executive Officer

Date: August 7, 2020

/s/ ERICA MCLAUGHLIN
Erica McLaughlin
Senior Vice President and
Chief Financial Officer