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 December 31, 2021

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 56,586,811 shares of common stock, $1.00 par value per share, outstanding as of February 2, 2022.

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CABOT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
UNAUDITED

	Three Months Ended December 31	
	2021	2020
	(In millions, except per share amounts)	
Net sales and other operating revenues	$ 968	$ 746
Cost of sales	770	553
Gross profit	198	193
Selling and administrative expenses	71	61
Research and technical expenses	13	14
Purification Solutions assets held for sale impairment charge (Note D)	197	—
Income (loss) from operations	(83)	118
Interest and dividend income	3	2
Interest expense	(12)	(12)
Other income (expense)	(1)	(9)
Income (loss) before income taxes and equity in earnings of affiliated companies	(93)	99
(Provision) benefit for income taxes	12	(29)
Equity in earnings of affiliated companies, net of tax	1	—
Net income (loss)	(80)	70
Net income (loss) attributable to noncontrolling interests, net of tax	9	10
Net income (loss) attributable to Cabot Corporation	$ (89)	$ 60
Weighted-average common shares outstanding:		
Basic	56.8	56.5
Diluted	56.8	56.6
Earnings (loss) per common share:		
Basic	$ (1.57)	$ 1.06
Diluted	$ (1.57)	$ 1.06

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

CABOT CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
UNAUDITED

	Three Months Ended December 31	
	2021	2020
	(In millions)	
Net income (loss)	$ (80)	$ 70
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustment, net of tax	(28)	94
Derivatives: net investment hedges		
(Gains) losses reclassified to interest expense, net of tax	(1)	(1)
Pension and other postretirement benefit liability adjustments, net of tax	1	3
Other comprehensive income (loss), net of tax of $— and $(3)	(28)	96
Comprehensive income (loss)	(108)	166
Net income (loss) attributable to noncontrolling interests, net of tax	9	10
Foreign currency translation adjustment attributable to noncontrolling interests, net of tax	2	7
Comprehensive income (loss) attributable to noncontrolling interests	11	17
Comprehensive income (loss) attributable to Cabot Corporation	$ (119)	$ 149

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

CABOT CORPORATION
CONSOLIDATED BALANCE SHEETS
ASSETS
UNAUDITED

	December 31, 2021	September 30, 2021
	(In millions)	
Current assets:		
Cash and cash equivalents	$ 179	$ 168
Accounts and notes receivable, net of reserve for doubtful accounts of $4 and $4	660	645
Inventories:		
Raw materials	154	168
Finished goods	341	300
Other	51	55
Total inventories	546	523
Prepaid expenses and other current assets	113	89
Assets held for sale	111	—
Total current assets	1,609	1,425
Property, plant and equipment, net	1,267	1,376
Goodwill	140	140
Equity affiliates	14	40
Intangible assets, net	70	100
Deferred income taxes	57	53
Other assets	158	172
Total assets	$ 3,315	$ 3,306

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

CABOT CORPORATION
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND STOCKHOLDERS' EQUITY
UNAUDITED

	December 31, 2021	September 30, 2021
	(In millions, except share and per share amounts)	
Current liabilities:		
Short-term borrowings	$ 226	$ 72
Accounts payable and accrued liabilities	620	667
Income taxes payable	37	35
Current portion of long-term debt	373	373
Liabilities held for sale	71	—
Total current liabilities	1,327	1,147
Long-term debt	714	717
Deferred income taxes	73	73
Other liabilities	253	279
Contingencies (Note H)		
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: 56,723,411 and 56,870,237 shares, Outstanding: 56,579,992 and 56,726,818 shares	57	57
Less cost of 143,419 and 143,419 shares of common treasury stock	(4)	(4)
Additional paid-in capital	11	24
Retained earnings	1,049	1,159
Accumulated other comprehensive income (loss)	(319)	(289)
Total Cabot Corporation stockholders' equity	794	947
Noncontrolling interests	154	143
Total stockholders' equity	948	1,090
Total liabilities and stockholders' equity	$ 3,315	$ 3,306

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

CABOT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED

	Three Months Ended December 31	
	2021	2020
	(In millions)	
Cash Flows from Operating Activities:		
Net income (loss)	$ (80)	$ 70
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation and amortization	39	39
Purification Solutions assets held for sale impairment charge	197	—
Deferred tax provision (benefit)	(36)	(2)
Employee benefit plan settlement	—	6
Equity in earnings of affiliated companies	(1)	—
Non-cash compensation	6	4
Other non-cash (income) expense	5	5
Changes in assets and liabilities:		
Accounts and notes receivable	(57)	(76)
Inventories	(95)	(37)
Prepaid expenses and other assets	(27)	(10)
Accounts payable and accrued liabilities	9	14
Income taxes payable	3	7
Other liabilities	(12)	1
Cash provided (used) by operating activities	(49)	21
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(30)	(29)
Other	1	—
Cash provided (used) by investing activities	(29)	(29)
Cash Flows from Financing Activities:		
Proceeds from issuance (repayments) of commercial paper, net	156	—
Proceeds from long-term debt	—	50
Repayments of long-term debt	(5)	(66)
Purchases of common stock	(19)	(2)
Proceeds from sales of common stock	—	1
Cash dividends paid to noncontrolling interests	(8)	(1)
Cash dividends paid to common stockholders	(21)	(20)
Cash provided (used) by financing activities	103	(38)
Effects of exchange rate changes on cash	(15)	42
Increase (decrease) in cash, cash equivalents and restricted cash	10	(4)
Cash, cash equivalents and restricted cash at beginning of period	170	151
Cash, cash equivalents and restricted cash at end of period	$ 180	$ 147

The following table presents the Company's cash, cash equivalents and restricted cash by category within the Consolidated Balance Sheets:

	December 31, 2021	December 31, 2020
	(In millions)	
Cash and cash equivalents	$ 179	$ 147
Restricted cash classified within Prepaid expenses and other current assets	1	—
Cash, cash equivalents and restricted cash	$ 180	$ 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		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, 2021	56,727	$ 53	$ 24	$ 1,159	$ (289)	$ 947	$ 143	$ 1,090
Net income (loss)				(89)		(89)	9	(80)
Total other comprehensive income (loss)					(30)	(30)	2	(28)
Cash dividends paid:								
Common stock, $0.37 per share				(21)		(21)		(21)
Issuance of stock under equity compensation plans	202	—	—			—		—
Amortization of share-based compensation			6			6		6
Purchase and retirement of common stock	(349)	—	(19)	—		(19)		(19)
Balance at December 31, 2021	56,580	$ 53	$ 11	$ 1,049	$ (319)	$ 794	$ 154	$ 948

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, 2020	56,467	$ 53	$ —	$ 989	$ (351)	$ 691	$ 123	$ 814
Net income (loss)				60		60	10	70
Total other comprehensive income (loss)					89	89	7	96
Cash dividends paid:								
Common stock, $0.35 per share				(20)		(20)		(20)
Cash dividends declared to noncontrolling interests						—	(1)	(1)
Issuance of stock under equity compensation plans	192	—	1			1		1
Amortization of share-based compensation			4			4		4
Purchase and retirement of common stock	(53)	—	(2)			(2)		(2)
Amount reclassified to retained earnings in excess of additional paid in capital			(3)	3		—		—
Balance at December 31, 2020	56,606	$ 53	$ -	$ 1,032	$ (262)	$ 823	$ 139	$ 962

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, 2021 ("2021 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 December 31, 2021 and 2020. 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.

B. Significant Accounting Policies

Recently Adopted Accounting Standards

In December 2019, the FASB issued a new standard Simplifying the Accounting for Income Taxes. The new guidance simplifies the accounting for income taxes by removing several exceptions in the current standard and adding guidance that reduces complexity in certain areas. The new standard is effective for fiscal years beginning after December 15, 2020. The Company adopted this standard on October 1, 2021. The adoption of this standard did not materially impact the Company's consolidated financial statements.

Recent Accounting Pronouncements

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

Tokai Carbon (Tianjin) Co.

In November 2021, Cabot entered into an agreement with Tokai Carbon Group to purchase its carbon black manufacturing facility in Tianjin, China, Tokai Carbon (Tianjin) Co., for approximately $9 million, which is subject to the satisfaction or waiver of customary closing adjustments. The purchase is expected to close in the second quarter of fiscal 2022.

D. Divestiture

Pending Sale of Purification Solutions Business

In November 2021, the Company and an affiliate of funds advised by One Equity Partners ("OEP") entered into a Share Purchase Agreement (the "Agreement") for the sale of Cabot's Purification Solutions business (the "Business"), a reporting segment of the Company, subject to the satisfaction or waiver of the conditions set forth in the Agreement.

Under the terms of the Agreement, OEP will acquire the Business on a cash-free and debt-free basis in a transaction valued at approximately $111 million, subject to certain debt-like and other closing adjustments, including a customary working capital adjustment. The net cash proceeds from the transaction are expected to be approximately $80 million, to be paid at the closing. The transaction is expected to close in the second quarter of fiscal 2022.

During the first quarter of fiscal 2022, the assets and liabilities of the Business met the criteria for assets held for sale. The sale of the Business does not meet the criteria to be reported as a discontinued operation as it does not constitute a significant strategic business shift that will have a major effect on the Company's operations and financial results.

In addition, based on the carrying value of the Business as of December 31, 2021 and an estimate of its fair value less costs to sell, Cabot recorded a pre-tax impairment charge of $197 million ($160 million after-tax) in the first quarter of fiscal 2022.

The following table summarizes the carrying amounts of the major classes of assets and liabilities of the Business classified as held for sale as of December 31, 2021, and the associated impairment charge:

	(In millions)	
Assets		
Accounts and notes receivable, net of reserve for doubtful accounts	$	37
Inventories		67
Prepaid expenses and other current assets		2
Property, plant and equipment, net		106
Equity affiliates		28
Intangible assets, net		27
Deferred income taxes		31
Other assets		10
Total assets held for sale		308
Impairment of assets held for sale		(197)
Adjusted assets held for sale	$	111
Liabilities		
Short-term borrowings	$	(2)
Accounts payable and accrued liabilities		(51)
Income taxes payable		(1)
Long-term debt		(17)
Total liabilities assumed		(71)
Total net assets held for sale	$	40

Sale of Marshall Mine

In September 2020, the Company entered into an agreement to sell its lignite mine located in Marshall, Texas to ADA Carbon Solutions, LLC (“ADACS”) for a nominal amount. As part of the transaction, the Company agreed to fund a portion of the costs ADACS expects to incur to close the mine. Additionally, in conjunction with the sale, the Business entered into a long-term supply agreement with ADACS, a producer of lignite-based activated carbon, which included an agreement for the Company to fund certain capital expenditures. As of December 31, 2021, $11 million was included in Accounts payable and accrued liabilities on the Consolidated Balance Sheets for these mine closure costs and capital expenditures. In connection with the sale of the Business, the Company plans to settle this liability in full with ADACS in the second quarter of fiscal 2022.

E. Employee Benefit Plans

Net periodic defined benefit pension costs include the following:

	Three Months Ended December 31			
	2021		2020	
	Pension Benefits (In millions)			
Service cost	$	1	$	1
Interest cost		1		1
Expected return on plan assets		(2)		(2)
Amortization of actuarial loss		—		1
Settlement charge(1)		—		6
Net periodic benefit (credit) cost	$	—	$	7

(1) In the first quarter of fiscal 2021, the Company recognized a $6 million settlement charge in Other income (expense) in the Consolidated Statements of Operations related to the final asset transfers associated with the termination

Other postretirement benefit costs were less than $1 million for each of the three months ended December 31, 2021 and 2020.

F. 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 three months ended December 31, 2021 are as follows:

	Reinforcement Materials	Performance Chemicals (In millions)	Total
Balance at September 30, 2021	$ 48	$ 92	$ 140
Foreign currency impact	—	—	—
Balance at December 31, 2021	$ 48	$ 92	$ 140

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

	December 31, 2021			September 30, 2021		
	Gross Carrying Value	Accumulated Amortization	Net Intangible Assets (In millions)	Gross Carrying Value	Accumulated Amortization	Net Intangible Assets
Intangible assets with finite lives						
Developed technologies[(1)]	$ 36	$ (7)	$ 29	$ 62	$ (12)	$ 50
Trademarks[(1)]	2	—	2	11	(1)	10
Customer relationships	60	(21)	39	60	(20)	40
Total intangible assets	$ 98	$ (28)	$ 70	$ 133	$ (33)	$ 100

(1) Developed technologies intangible assets with a carrying value of $25 million and accumulated amortization of $5 million and trademark intangible assets with a carrying value of $8 million and accumulated amortization of $1 million related to the Purification Solutions business were classified as assets held for sale as of December 31, 2021.

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 seventeen years. Amortization expense was $2 million for each of the three months ended December 31, 2021 and 2020 and 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 $6 million each year for the next five fiscal years.

G. Accumulated Other Comprehensive Income (Loss) ("AOCI")

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	Pension and Other Postretirement Benefit Liability Adjustments	Total
		(In millions)	
Balance at September 30, 2021, attributable to Cabot Corporation	$ (265)	$ (24)	$ (289)
Other comprehensive income (loss) before reclassifications	(28)	1	(27)
Amounts reclassified from AOCI	(1)	—	(1)
Less: Other comprehensive income (loss) attributable to noncontrolling interests	2	—	2
Balance at December 31, 2021, attributable to Cabot Corporation	$ (296)	$ (23)	$ (319)

The amounts reclassified out of AOCI and into the Consolidated Statements of Operations in each of the three months ended December 31, 2021 and 2020 were as follows:

	Affected Line Item in the Consolidated Statements of Operations	Three Months Ended December 31 2021	2020
		(In millions)	
Derivatives: net investment hedges			
(Gains) losses reclassified to interest expense	Interest expense	$ (1)	$ (1)
Pension and other postretirement			
Amortization of actuarial losses and prior service cost (credit)	Net Periodic Benefit Cost (Note E)	—	1
Settlement charge	Net Periodic Benefit Cost (Note E)	—	6
Total before tax		$ (1)	$ 6

H. 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 2021 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. 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 2021 10-K, the "Payor Group").

Cabot has a reserve to cover its expected share of liabilities for pending 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 $44 million at both December 31, 2021 and September 30, 2021.

The Company’s current estimate of the cost of its share of pending and future respirator liability claims is based on facts and circumstances existing at this time, including the number and nature of the remaining claims. 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 or changes in our assessment of the viability of these claims, (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 payment of respirator claims, (ix) exhaustion or changes in the recoverability of the insurance coverage maintained by certain members of the Payor Group, or a change in the availability of the indemnity provided by a former owner of AO, (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. The Company cannot determine the impact of these potential developments on its current estimate of its share of liability for existing and future 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, it is reasonably possible that the liabilities for existing and future claims could change in the near term and that change could be material.

Insurance Recoveries - Pepinster, Belgium

In July 2021, the Company’s Specialty Compounds manufacturing and research and development facility in Pepinster, Belgium experienced significant flooding. Full production is temporarily halted and is not expected to resume until the second quarter of fiscal 2022. During fiscal 2021, the Company recorded expenses of $17 million for clean-up costs, inventory, and fixed asset impairments and simultaneously recognized a fully offsetting loss recovery from expected insurance proceeds.

During the first quarter of fiscal 2022 the Company recorded additional expenses of $5 million for clean-up costs, inventory, and fixed asset impairments and simultaneously recognized a fully offsetting loss recovery from expected insurance proceeds as the Company expects insurance proceeds in excess of the total incurred costs and policy deductibles. The flood-related expenses and loss recovery are both included within Cost of sales in the Consolidated Statements of Operations for the first quarter of fiscal 2022.

During fiscal 2021, the Company received insurance proceeds of $8 million. During the first quarter of fiscal 2022, the Company received additional insurance proceeds of $5 million which is included in Cash provided by operating activities in the Consolidated Statements of Cash Flows for the first quarter of fiscal 2022. At both December 31, 2021 and September 30, 2021 the receivable for insurance recoveries was $9 million and is included in Accounts and notes receivable on the Consolidated Balance Sheet.

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.

I. Income Tax

Effective Tax Rate

	Three Months Ended December 31	
	2021	2020
	(Dollars in millions)	
(Provision) benefit for income taxes	$ 12	$ (29)
Effective tax rate	13%	29%

For the three months ended December 31, 2021, the (Provision) benefit for income taxes included a net discrete tax benefit of $37 million after valuation allowance which was recorded as part of the pending Purification Solutions business divestiture and assets held for sale impairment. For the three months ended December 31, 2020, the (Provision) benefit for income taxes included a net discrete tax expense of $2 million.

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. 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. Losses from jurisdictions for which no benefit can be recognized are excluded from the overall computations of the estimated annual effective tax rate and a separate estimated annual effective tax rate is computed and applied to ordinary income or loss in the loss jurisdiction.

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.

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 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 2018 through 2020 tax years generally remain subject to examination by the IRS and various tax years from 2005 through 2020 remain subject to examination by the respective state tax authorities. In significant non-U.S. jurisdictions, various tax years from 2005 through 2020 remain subject to examination by their respective tax authorities.

During each of the three months ended December 31, 2021 and 2020, Cabot released uncertain tax positions of $1 million, due to 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 December 31	
	2021	2020
	(In millions, except per share amounts)	
Basic EPS:		
Net income (loss) attributable to Cabot Corporation	$ (89)	$ 60
Less: Dividends and dividend equivalents to participating securities	—	—
Less: Undistributed earnings allocated to participating securities(1)	—	—
Earnings (loss) allocated to common shareholders (numerator)	$ (89)	$ 60
Weighted average common shares and participating securities outstanding	57.7	57.2
Less: Participating securities(1)	0.9	0.7
Adjusted weighted average common shares (denominator)	56.8	56.5
Earnings (loss) per common share - basic:	$ (1.57)	$ 1.06
Diluted EPS:		
Earnings (loss) allocated to common shareholders	$ (89)	$ 60
Plus: Earnings allocated to participating securities	—	—
Less: Adjusted earnings allocated to participating securities(2)	—	—
Earnings (loss) allocated to common shareholders (numerator)	$ (89)	$ 60
Adjusted weighted average common shares outstanding	56.8	56.5
Effect of dilutive securities:		
Common shares issuable(3)	—	0.1
Adjusted weighted average common shares (denominator)	56.8	56.6
Earnings (loss) per common share - diluted:	$ (1.57)	$ 1.06

(1) Participating securities consist of shares underlying all outstanding and achieved performance-based restricted stock units and all 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 December 31	
	2021	2020
	(In millions)	
Calculation of undistributed earnings (loss):		
Net income (loss) attributable to Cabot Corporation	$ (89)	$ 60
Less: Dividends declared on common stock	21	20
Less: Dividends declared on participating securities	—	—
Undistributed earnings (loss)	$ (110)	$ 40
Allocation of undistributed earnings (loss):		
Undistributed earnings (loss) allocated to common shareholders	$ (110)	$ 40
Undistributed earnings allocated to participating shareholders	—	—
Undistributed earnings (loss)	$ (110)	$ 40

(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 three months ended December 31, 2021, 2,356,941 incremental shares of common stock, which includes shares of participating securities as described in (1) above, were excluded from the calculation of diluted earnings per share because the inclusion of these shares would have been antidilutive due to the Company's net loss position. For the three months ended December 31, 2020, 1,305,993 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.

K. Restructuring

Cabot's restructuring activities were recorded in the Consolidated Statements of Operations in the three months ended December 31, 2021 and 2020 as follows:

	Three Months Ended December 31	
	2021	2020
	(In millions)	
Cost of sales	$ 1	$ 3
Selling and administrative expenses	1	—
Total	$ 2	$ 3

Details of all restructuring activities and the related reserves during the three months ended December 31, 2021 were as follows:

	Severance and Employee Benefits	Environmental Remediation	Total
	(In millions)		
Reserve at September 30, 2021	$ 5	$ 4	$ 9
Charges (gain)	2	—	2
Cash paid	(2)	—	(2)
Reserve at December 31, 2021	$ 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.

Reorganization Actions

Beginning in fiscal 2020, the Company has been undertaking various actions that it believes will enable it to perform certain activities more effectively. These actions have primarily consisted of the reorganization of Cabot’s leadership structure, the creation of a Global Business Services function and other operational efficiency initiatives. As of December 31, 2021, the Company had recorded total charges of $24 million, of which $22 million was recorded in prior fiscal years, primarily related to severance costs, and also had $4 million of accrued severance charges in the Consolidated Balance Sheets related to these actions. The Company expects to record additional restructuring charges of approximately $1 million throughout the rest of fiscal 2022 and $2 million thereafter, primarily related to severance and site demolition costs associated with these reorganization activities. As of December 31, 2021, the Company had paid a total of $19 million in cash, of which $18 million was paid in prior fiscal years, and expects to have future cash outlays of approximately $4 million in the remainder of fiscal 2022 and $3 million thereafter related to these reorganization activities.

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 three months of either fiscal 2022 or 2021.

At December 31, 2021 and September 30, 2021, Cabot had derivatives relating to foreign currency risks, including a net investment hedge and forward foreign currency contracts, carried at fair value. At December 31, 2021, the fair value of these derivatives was a net asset of $3 million and was included in Prepaid expenses and other current assets, and Other assets on the Consolidated Balance Sheets. At September 30, 2021, the fair value of these derivatives was a net asset of $3 million and was included in Prepaid expenses and other current assets, Accounts payable and accrued liabilities, 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 each of December 31, 2021 and September 31, 2021, the fair value of guaranteed investment contracts included in Other assets on the Consolidated Balance Sheets was $10 million. 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 December 31, 2021 and September 30, 2021, 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 $1.06 billion and $1.12 billion, respectively, as of December 31, 2021, and $1.06 billion and $1.13 billion, respectively, as of September 30, 2021. 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 December 31, 2021 and September 30, 2021 to manage foreign currency risk.

		Notional Amount		
Description	**Borrowing**	**December 31, 2021**	**September 30, 2021**	**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 36 million	USD 48 million	No designation

(1) As of both December 31, 2021 and September 30, 2021, Cabot's forward foreign exchange contracts were denominated in Indonesian rupiah and Czech koruna and the fair value of these derivative instruments were a nominal amount.

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 December 31, 2021, the fair value of these swaps was an asset of $3 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. As of September 30, 2021, the fair value of these swaps was an asset of $3 million and was included in Prepaid expenses and other current assets and Other assets, and the cumulative gain of $6 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 December 31					
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
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	$ —	$ (13)	$ (1)	$ (1)	$ —	$ —

N. Financial Information by Segment

The Company identifies a product line 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 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. In November 2021, the Company entered into an agreement to sell the Purification Solutions business as discussed in Note D. Upon consummation of the transaction, the Company will be organized into two reportable segments.

The Reinforcement Materials segment combines the reinforcing carbons and engineered elastomer composites product lines.

The Performance Chemicals segment combines the specialty carbons, fumed metal oxides, battery materials 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 months ended December 31, 2021 and 2020 were as follows:

	Three Months Ended December 31	
	2021	2020
	(In millions)	
Performance Additives	$ 227	$ 184
Formulated Solutions	75	83
Total Performance Chemicals	$ 302	$ 267

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	Segment Total	Unallocated and Other(1)	Consolidated Total
			(In millions)			
Three Months Ended December 31, 2021						
Revenues from external customers(2)	$ 541	$ 302	$ 61	$ 904	$ 64	$ 968
Income (loss) before income taxes(3)	$ 85	$ 52	$ —	$ 137	$ (230)	$ (93)
Three Months Ended December 31, 2020						
Revenues from external customers(2)	$ 375	$ 267	$ 59	$ 701	$ 45	$ 746
Income (loss) before income taxes(3)	$ 88	$ 54	$ (2)	$ 140	$ (41)	$ 99

(1) 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.

(2) 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 December 31	
	2021	2020
	(In millions)	
Shipping and handling fees	$ 39	$ 33
By-product sales	28	17
Other	(3)	(5)
Total	$ 64	$ 45

(3) 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 December 31	
	2021	2020
	(In millions)	
Interest expense	$ (12)	$ (12)
Certain items[(a)]		
Purification Solutions assets held for sale impairment charge (Note D)	(197)	—
Divestiture related charges	(4)	—
Global restructuring activities (Note K)	(2)	(3)
Legal and environmental matters and reserves	(1)	—
Acquisition and integration-related charges	(1)	(1)
Employee benefit plan settlement and other charges	—	(6)
Other	1	(1)
Total certain items, pre-tax	(204)	(11)
Unallocated corporate costs[(b)]	(14)	(13)
General unallocated income (expense)[(c)]	1	(5)
Less: Equity in earnings of affiliated companies, net of tax[(d)]	1	—
Total	$ (230)	$ (41)

(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 December 31, 2021			
	Reinforcement Materials	Performance Chemicals	Purification Solutions	Consolidated Total
	(In millions)			
Americas	$ 206	$ 90	$ 27	$ 323
Asia Pacific	240	136	8	384
Europe, Middle East and Africa	95	76	26	197
Segment revenues from external customers	541	302	61	904
Unallocated and other				64
Net sales and other operating revenues				$ 968

	Three Months Ended December 31, 2020			
	Reinforcement Materials	Performance Chemicals	Purification Solutions	Consolidated Total
	(In millions)			
Americas	$ 149	$ 69	$ 25	$ 243
Asia Pacific	155	118	9	282
Europe, Middle East and Africa	71	80	25	176
Segment revenues from external customers	375	267	59	701
Unallocated and other				45
Net sales and other operating revenues				$ 746

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 2021 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 is organized into three reportable business segments: Reinforcement Materials, Performance Chemicals, and Purification Solutions. In November 2021, the Company entered into an agreement to sell the Purification Solutions business as discussed in Note D of our Notes to the Consolidated Financial Statements. Upon consummation of the transaction, the Company will be organized into two reportable segments. Cabot is also organized for operational purposes into three geographic regions: the Americas; Europe, Middle East and Africa ("EMEA"); and Asia Pacific. The discussion of our results of operations for the periods presented reflects 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. The operating tax rate is calculated based upon management's forecast of the annual operating tax rate for the fiscal year applied to adjusted pre-tax earnings. The operating tax rate excludes income tax (expense) benefit on certain items, discrete tax items and, on a quarterly basis the timing of losses in certain jurisdictions. The income tax (expense) benefit on certain items is determined using the applicable rates in the taxing jurisdictions in which the certain items occurred and includes both current and deferred income tax (expense) benefit based on the nature of the certain items. Discrete tax items include, but are not limited to, changes in valuation allowance, uncertain tax positions, and other tax items, such as the tax impact of legislative changes. 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 "First Quarter of Fiscal 2022 versus First Quarter of Fiscal 2021—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. Our definition of Total segment EBIT may not be comparable to the definition used by other companies and it 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 "First quarter of Fiscal 2022 versus First quarter of Fiscal 2021—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:

- 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.
- Legal and environmental reserves and matters, 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.
- Asset impairment charges, which primarily include charges associated with an impairment of goodwill, other long-lived assets or assets held for sale.
- Charges related to the divestiture of our Purification Solutions business, which include accelerated costs associated with the change in control and employee incentive compensation
- 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 Cabot's processes.
- Indirect tax settlement credits, which includes favorable settlements resulting in the recoveries of indirect taxes.
- Gains (losses) on sale of a business.
- 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 first quarter of fiscal 2022, Income (loss) before income taxes and equity in earnings of affiliated companies was a loss of $93 million as compared to income of $99 million in the first quarter of fiscal 2021. The decrease was driven by the Purification Solutions assets held for sale impairment charge of $197 million due to the planned divestiture of the business, partially offset by strong earnings across our segments.

We continue to closely monitor possible impacts to our business as a result of the COVID-19 pandemic. Despite the improvement in demand for our products since the early days of the pandemic in fiscal 2020, the duration and scope of the COVID-19 pandemic continues to be uncertain. Infection rates remain high in many parts of the world and the virulence and spread of different strains of the virus and the level and timing of COVID-19 vaccine distribution across the world will impact the economic recovery and growth and the general economic consequences of the pandemic. In addition, the COVID-19 pandemic and other factors are having a negative impact on the cost and availability of global transportation and the availability of semi-conductor chips for the automotive industry. If these conditions persist or intensify, they could negatively impact our results. Further, the COVID-19 pandemic has also contributed to increased costs and decreased availability of labor and materials for construction projects, and these factors have increased the costs of our capital improvement projects and may delay our completion of such projects.

First quarter of Fiscal 2022 versus First quarter of Fiscal 2021—Consolidated

Net Sales and Other Operating Revenues and Gross Profit

	Three Months Ended December 31	
	2021	2020
	(In millions)	
Net sales and other operating revenues	$ 968	$ 746
Gross profit	$ 198	$ 193

The $222 million increase in net sales and other operating revenues in the first quarter of fiscal 2022 compared to the first quarter of fiscal 2021 was driven by favorable price and product mix (combined $207 million) across all segments and increased energy center by-product revenue ($11 million). These increases were partially offset by lower volumes ($6 million). The favorable price and product mix was driven by higher prices from higher feedstock costs that are generally passed through to our customers in the Reinforcement Materials segment and favorable price and product mix in the Performance Chemicals segment driven by targeted growth initiatives and price increases to recover rising input costs, including raw material and energy, and other costs including packaging and transportation. The increased energy center by-product revenue was due to higher energy prices. The decrease in volumes was driven by plant downtime of a fence-line partner in our fumed metal oxides product line and the continued plant outage at our Belgium specialty compounds site, partially offset by Reinforcement Materials volume increase in Asia and growth in products sold to our battery materials applications.

Gross profit increased by $5 million in the first quarter of fiscal 2022 compared to the first quarter of fiscal 2021. The gross profit increase was primarily due to higher unit margins in the Reinforcement Materials and Performance Chemicals segments.

Selling and Administrative Expenses

	Three Months Ended December 31	
	2021	2020
	(In millions)	
Selling and administrative expenses	$ 71	$ 61

Selling and administrative expenses increased by $10 million in the first quarter of fiscal 2022 compared to the same period of fiscal 2021, primarily due to increased incentive compensation and costs associated with the Purification Solutions divestiture.

Research and Technical Expenses

	Three Months Ended December 31	
	2021	2020
	(In millions)	
Research and technical expenses	$ 13	$ 14

Research and technical expenses decreased by $1 million in the first quarter of fiscal 2022 compared to the same period of fiscal 2021.

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

	Three Months Ended December 31	
	2021	2020
	(In millions)	
Interest and dividend income	$ 3	$ 2
Interest expense	$ (12)	$ (12)
Other income (expense)	$ (1)	$ (9)

Interest and dividend income increased $1 million in the first quarter of fiscal 2022 compared to the same period of fiscal 2021, primarily due to higher interest rates.

Interest expense remained flat in the first quarter of fiscal 2022 compared to the same period of fiscal 2021.

Other income (expense) changed by $8 million in the first quarter of fiscal 2022 compared to the same period of fiscal 2021, primarily due to a charge from the settlement of our U.S. pension plan in the first quarter of fiscal 2021 and a favorable comparison of the impact from foreign currency translation.

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

	Three Months Ended December 31			
	2021		2020	
Dollars in millions	(Provision) / Benefit for Income Taxes	Rate	(Provision) / Benefit for Income Taxes	Rate
Effective tax rate	$ 12	13%	$ (29)	29%
Less: Non-GAAP tax adjustments(1)	42		4	
Operating tax rate	$ (30)	27%	$ (33)	30%

(1) Non-GAAP tax adjustments made to arrive at the operating tax provision include the income tax (expense) benefit on certain items, discrete tax items, and, on a quarterly basis, the timing of losses in certain jurisdictions, as further described above under the heading "Definition of Terms and Non-GAAP Financial Measures".

For the three months ended December 31, 2021, the (Provision) benefit for income taxes was a benefit of $12 million compared to a $29 million provision for the same period in 2020. Included in the (Provision) benefit for income taxes in the first quarter of fiscal 2022 is a discrete tax benefit of $37 million related to the pending Purification Solutions business divestiture and assets held for sale impairment. Our income taxes are affected by the mix of earnings in the tax jurisdictions in which we operate, and are impacted by the presence of valuation allowances in certain tax jurisdictions.

For fiscal 2022, the Operating tax rate is expected to be in the range of 27% to 28%. 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.

Net Income (Loss) Attributable to Noncontrolling Interests

	Three Months Ended December 31	
	2021	2020
	(In millions)	
Equity in earnings of affiliated companies, net of tax	$ 1	$ —
Net income (loss) attributable to noncontrolling interests, net of tax	$ 9	$ 10

Equity in earnings of affiliated companies, net of tax, increased by $1 million in the first quarter of fiscal 2022 compared to the same period of fiscal 2021.

Net income (loss) attributable to noncontrolling interests, net of tax, decreased by $1 million in the first quarter of fiscal 2022 compared to the same period in fiscal 2021.

Net Income Attributable to Cabot Corporation

In the first quarter of fiscal 2022, we reported Net income (loss) attributable to Cabot Corporation of ($89) million or ($1.57) per diluted common share. This compares to Net income (loss) attributable to Cabot Corporation of $60 million or $1.06 per diluted common share in the first quarter of fiscal 2021. The lower net income was primarily due to the Purification Solutions assets held for sale impairment charge of $197 million.

First quarter of Fiscal 2022 versus First quarter of Fiscal 2021—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 months ended December 31, 2021 and 2020 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 December 31	
	2021	2020
	(In millions)	
Income (loss) before income taxes and equity in earnings of affiliated companies	$ (93)	$ 99
Less: Certain items	(204)	(11)
Less: Other unallocated items	(26)	(30)
Total segment EBIT	$ 137	$ 140

In the first quarter of fiscal 2022, Income (loss) before income taxes and equity in earnings of affiliated companies decreased by $192 million and Total segment EBIT decreased by $3 million. The decrease in Income (loss) before income taxes and equity earnings of affiliated companies was driven by the Purification Solutions assets held for sale impairment charge of $197 million. The decrease in Total segment EBIT was driven by higher fixed costs in the Reinforcement Materials segment and lower volumes in the Performance Chemicals segments, partially offset by higher volumes in the Reinforcement Materials segment and favorable unit margin in Reinforcement Materials and Performance Chemicals segments. Higher fixed costs in Reinforcement Materials ($15 million) were primarily due to higher utility and maintenance costs. Lower volumes in the Performance Chemicals segment ($10 million) were primarily due to plant downtime of a fence-line partner in our fumed metal oxides product line and the continued plant outage at our Belgium specialty compounds site, partially offset by volume growth in battery materials applications. Higher volumes in the Reinforcement Materials segment ($7 million) were primarily driven by higher replacement tire and off-the-road tire demand in Asia. Higher unit margins in the Reinforcement Materials segment ($5 million) were driven by the impact of higher energy prices on our energy center and yield investments. Higher unit margins in the Performance Chemicals segment ($9 million) were driven by favorable product mix in both our specialty carbons and fumed metal product lines and strong pricing in our fumed metal oxides product line.

Certain Items

Details of the certain items for the first quarter of fiscal 2022 and 2021 are as follows:

	Three Months Ended December 31	
	2021	2020
	(In millions)	
Purification Solutions assets held for sale impairment charge (Note D)	(197)	—
Divestiture related charges	(4)	—
Global restructuring activities (Note K)	(2)	(3)
Legal and environmental matters and reserves	(1)	—
Acquisition and integration-related charges	(1)	(1)
Employee benefit plan settlement and other charges	—	(6)
Other	1	(1)
Total certain items, pre-tax	(204)	(11)
Non-GAAP tax adjustments	42	4
Total certain items, after tax	$ (162)	$ (7)

Other Unallocated Items

	Three Months Ended December 31	
	2021	2020
	(In millions)	
Interest expense	$ (12)	$ (12)
Unallocated corporate costs	(14)	(13)
General unallocated income (expense)	1	(5)
Less: Equity in earnings of affiliated companies, net of tax	1	—
Total other unallocated items	$ (26)	$ (30)

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 first quarter of fiscal 2022 and 2021 were as follows:

	Three Months Ended December 31	
	2021	2020
	(In millions)	
Reinforcement Materials Sales	$ 541	$ 375
Reinforcement Materials EBIT	$ 85	$ 88

Sales in Reinforcement Materials increased by $166 million in the first quarter of fiscal 2022 compared to the same period of fiscal 2021, primarily due to a favorable price and product mix (combined $150 million) and higher volumes ($15 million). The favorable price and product mix was primarily due to higher prices from higher feedstock costs that are generally passed through to our customers. The higher volumes in fiscal 2022 were driven by stronger demand in Asia driven by higher replacement tire and off-the-road tire demand.

EBIT in Reinforcement Materials in the first quarter of fiscal 2022 decreased by $3 million compared to the same period of fiscal 2021. During the first quarter of fiscal 2022, the segment had higher fixed costs ($15 million), largely offset by 4% higher volumes ($7 million) and higher unit margins ($5 million). The higher fixed costs were primarily due to higher costs associated with utilities and maintenance. The higher unit margins were driven by the benefit of higher energy prices on our energy center and yield investments.

As we look to the second quarter of the fiscal year, we expect EBIT in Reinforcement Materials to improve due to the outcome of our calendar year 2022 customer agreements. We expect volumes to remain solid with sequential improvement expected in EMEA and the Americas, and a normal seasonal demand pattern in China related to the Lunar New Year.

Performance Chemicals

Sales and EBIT for Performance Chemicals for the first quarter of fiscal 2022 and 2021 were as follows:

	Three Months Ended December 31	
	2021	2020
	(In millions)	
Performance Additives Sales	$ 227	$ 184
Formulated Solutions Sales	75	83
Performance Chemicals Sales	$ 302	$ 267
Performance Chemicals EBIT	$ 52	$ 54

Sales in Performance Chemicals increased by $35 million in the first quarter of fiscal 2022 compared to the same period of fiscal 2021, primarily due to favorable price and product mix (combined $52 million), partially offset by lower volumes ($19 million). The favorable price and product mix was due to increased pricing to recover rising input cost across the segment and a favorable product mix in our specialty carbons and fumed metal product lines. The lower volumes were primarily due to plant downtime of a fence-line partner in our fumed metal oxides product line and the continued plant outage at our Belgium specialty compounds site, partially offset by continued momentum in battery materials applications driven by higher demand for electric vehicles.

EBIT in Performance Chemicals decreased by $2 million in the first quarter of fiscal 2022 compared to the first quarter of fiscal 2021 primarily due to decreased volumes ($10 million), partially offset by higher unit margins ($9 million). Higher unit margins were driven by favorable product mix in both our specialty carbons and fumed metal product lines and strong pricing in our fumed metal oxides product line.

As we look to the second quarter of the fiscal year, we expect a step up in sequential volumes in our Performance Chemicals segment as our specialty compounds and fumed metal oxides plants come back on-line. We expect to continue to implement price increases to offset rising input and operating costs across the segment.

Purification Solutions

Sales and EBIT for Purification Solutions for the first quarter of fiscal 2022 and 2021 were as follows:

	Three Months Ended December 31	
	2021	2020
	(In millions)	
Purification Solutions Sales	$ 61	$ 59
Purification Solutions EBIT	$ —	$ (2)

Sales in Purification Solutions increased by $2 million in the first quarter of fiscal 2022 compared to the same period of fiscal 2021 due to favorable price ($5 million), partially offset by lower volumes ($3 million). The favorable price was due to price increases. The lower volumes were primarily due to lower sales in environmental applications.

EBIT in Purification Solutions increased by $2 million in the first quarter of fiscal 2022 compared to the first quarter of fiscal 2021 due to lower fixed costs.

We expect to close the sale of the Purification Solutions business during the second quarter of fiscal 2022.

Liquidity and Capital Resources

Overview

Our liquidity position, as measured by cash and cash equivalents plus borrowing availability, decreased by $151 million during the first three months of fiscal 2022, which was largely attributable to reduced borrowing availability under our $1 billion unsecured revolving credit agreement (the "U.S. Credit Agreement") due to a higher outstanding commercial paper balance at the end of the period. The higher commercial paper balance was used to fund an increase in net working capital resulting from the impact of rising raw material costs on our inventory balance and higher prices on our accounts receivables balance. Additionally, during the first quarter of fiscal 2022 we resumed share repurchase activity after temporarily halting share repurchase activity in the second quarter of fiscal 2020. As of December 31, 2021, we had cash and cash equivalents of $179 million and borrowing availability under our revolving credit agreements of $983 million.

As of December 31, 2021, we had access to borrowings under the following two credit agreements:

- $1 billion unsecured revolving credit agreement (the "U.S. 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 August 2026, subject to two one-year options to extend the maturity, exercisable on or prior to August 6, 2022 and August 6, 2023. The U.S. Credit Agreement supports our issuance of commercial paper, and borrowings under it may be used for working capital, letters of credit and other general corporate purposes.
- €300 million unsecured revolving credit agreement (the "Euro Credit Agreement", and together with the U.S. 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 U.S. 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.

As of December 31, 2021, we were in compliance with the 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 net debt, with the ability to offset such debt by the lesser of (i) unrestricted cash and cash equivalents and (ii) $150 million, to consolidated EBITDA not to exceed 3.50 to 1.00.

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 are currently using a combination of commercial paper and borrowings from the U.S. Credit Agreement to meet our U.S. cash needs. We generally reduce our commercial paper balance and, if applicable, borrowings under our Credit Agreements, at quarter-end using cash derived from customer collections, settlement of intercompany balances and short-term intercompany loans. If additional funds are needed in the U.S., we expect to be able to repatriate funds or to access additional debt under the Credit Agreements. As of December 31, 2021, we had $226 million of commercial paper outstanding and our borrowings under the Euro Credit Agreement totaled $131 million.

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.

We anticipate sufficient liquidity from (i) cash on hand; (ii) cash flows from operating activities; and (iii) cash available from the Credit Agreements and our commercial paper program to meet our operational and capital investment needs and financial obligations for the foreseeable future. The liquidity we derive from cash flows from operations is, to a large degree, predicated on our ability to collect our receivables in a timely manner, the cost of our raw materials, and our ability to manage inventory levels.

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 used 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 $49 million in the first three months of fiscal 2022 compared to $21 million of cash provided by operating activities during the same period of fiscal 2021.

Cash used by operating activities in the first three months of fiscal 2022 was driven by an increase in net working capital of $143 million. The increase in net working capital was driven by an increase in accounts receivable due to higher sales and an increase in inventory driven by a higher cost of raw materials, partially offset by an increase in accounts payable.

Cash provided by operating activities in the first three months of fiscal 2021 was driven by business earnings excluding the non-cash impact of depreciation and amortization of $39 million, which was partially offset by an increase in net working capital of $99 million. The increase in net working capital was driven by an increase in accounts receivable due to higher sales, an increase in inventory driven by a higher cost of raw materials, and a $32.6 million cash payment related to a respirator litigation settlement in the fiscal 2020 period.

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

Restructurings — As of December 31, 2021, 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 three months of fiscal 2022, we paid $2 million related to these restructuring activities, and we expect to make additional cash payments of approximately $8 million in fiscal 2022 and $4 million thereafter.

Litigation Matters — As of December 31, 2021, we had a $44 million reserve for pending and future respirator claims that we expect to pay over multiple years. During 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 fiscal 2020, and the remaining $32.6 million 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 $29 million of cash in the first three months of both fiscal 2022 and fiscal 2021. In both periods, investing activities included capital expenditures for sustaining and compliance capital projects at our operating facilities as well as capacity expansion capital expenditures primarily in Performance Chemicals.

Capital expenditures for fiscal 2022 are expected to be between $250 million and $275 million. Our planned capital spending program for fiscal 2022 is primarily for sustaining, compliance and improvement capital projects at our operating facilities as well as capacity expansion capital expenditures in Performance Chemicals.

Cash Flows from Financing Activities

Financing activities provided $103 million of cash in the first three months of fiscal 2022 compared to $38 million of cash used during the same period of fiscal 2021. In the first three months of fiscal 2022, financing activities primarily consisted of issuance of commercial paper of $156 million partially offset by dividend payments to stockholders of $21 million, share repurchases of $19 million, dividend payments to noncontrolling interests of $8 million, and net repayments of long-term debt of $5 million. We plan to refinance our $350 million in registered notes with a coupon of 3.7% that mature in July of 2022 ahead of the notes’ maturity.

In the first three months of fiscal 2021, financing activities primarily consisted of dividend payments to stockholders of $20 million and net repayments from borrowings under our Credit Agreements of $16 million, which consisted of proceeds of $50 million less repayments of $65 million.

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 regarding our future business performance and overall prospects; segment growth and the assumptions underlying our growth expectations; demand for our products; when we expect to close the sale of our Purification Solutions business, the amount of the cash proceeds we expect to receive upon the closing of the transaction; research and development activities; the resumption of activities at our facility in Pepinster, Belgium; when we expect to close our purchase from Tokai Carbon Group of its carbon black facility in Tianjin, China; the settlement of liabilities related to the Marshall, Texas mine; the timing of payments for costs associated with reorganization actions; the sufficiency of our cash on hand, cash provided from operations and cash available under our credit and commercial paper facilities to fund our cash requirements; our plans to refinance the 3.7% Notes that mature in July 2022; anticipated capital spending; regulatory developments; restructuring charges and charges related to flooding at our Pepinster, Belgium facility; cash requirements and uses of available cash, including future cash outlays associated with restructurings, environmental remediation costs and future respirator liabilities and the timing of such outlays; exposure to interest rate and foreign exchange risk; amortization expenses; our ability to recover such assets; our operating tax rate; and the possible outcome of legal and environmental 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 virulence and spread of different strains of the virus and the level and timing of vaccine distribution around the world and its impact on the stability of economic recovery and growth, the degree of disruption in our supply chain from global logistics matters resulting from the COVID-19 pandemic, and the general economic consequences of the pandemic. Further, the COVID-19 pandemic has also contributed to increased costs and decreased availability of labor and materials for construction projects, and these factors have increased the costs of our capital improvement projects and may delay our completion of such projects.

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: industry capacity utilization and competition from other specialty chemical companies; safety, health and environmental requirements and related constraints imposed on our business; regulatory and financial risks related to climate change developments; volatility in the price and availability of energy and raw materials; a significant adverse change in a customer relationship or the failure of a customer to perform its obligations under agreements with us; failure to achieve growth expectations from new products, applications and technology developments; failure to realize benefits from acquisitions, alliances, or joint ventures or achieve our portfolio management objectives; negative or uncertain worldwide or regional economic conditions and market opportunities, including from trade relations or global health matters; litigation or legal proceedings; tax rates and fluctuations in foreign currency exchange and interest rates; our inability to complete capacity expansions or other development projects; and the accuracy of the assumptions we used in establishing reserves for our share of liability for respirator claims. These other factors and risks are discussed more fully in our 2021 10-K and in our subsequent SEC filings.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Information about market risks for the period ended December 31, 2021 does not differ materially from that discussed under Item 7A of our 2021 10-K.

Item 4. Controls and Procedures

As of December 31, 2021, 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 controls over financial reporting that occurred during our fiscal quarter ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

The table below sets forth information regarding Cabot's purchases of its equity securities during the quarter ended December 31, 2021:

Period	Total Number of Shares Purchased(1)(2)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs(1)
October 1, 2021 - October 31, 2021	—	$ —	—	5,023,665
November 1, 2021 - November 30, 2021	—	$ —	—	5,023,665
December 1, 2021 - December 31, 2021	286,391	$ 55.87	286,391	4,737,274
Total	286,391		286,391	

(1) On July 13, 2018, Cabot publicly announced that the Board of Directors authorized the Company to repurchase up to an additional ten million shares of its common stock on the open market or in privately negotiated transactions, increasing the balance of shares available for repurchase at that time to approximately eleven million shares. The current authorization does not have a set expiration date.

(2) Total number of shares purchased does not include 62,751 shares withheld to pay taxes on the vesting of equity awards made under the Company's equity incentive plans or to pay the exercise price of options exercised during the period.

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 7, 2021 (incorporated herein by reference to Exhibit 3.1 of Cabot Corporation's Current Report on Form 8-K, file reference 1-5667, filed with the SEC on January 12, 2021).
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 December 31, 2021, 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: February 4, 2022	By: /s/ ERICA MCLAUGHLIN **Erica McLaughlin** **Senior Vice President and Chief Financial Officer** **(Duly Authorized Officer)**
Date: February 4, 2022	By: /s/ LISA M. DUMONT **Lisa M. Dumont** **Vice President and Controller** **(Chief Accounting Officer)**

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: February 4, 2022

/s/ SEAN 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: February 4, 2022

/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 December 31, 2021 (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: February 4, 2022

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

Date: February 4, 2022

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