



# Earnings Teleconference

First Quarter / Fiscal Year 2013    January 31, 2013



# Forward Looking Statements, Use of Non-GAAP Financial Measures and Definitions of Terms Used

This presentation contains forward-looking statements based on management's current expectations, estimates and projections. All statements that address expectations or projections about the future, including our ability to meet our long-term financial targets, areas and actions that will drive earnings growth, demand for our products, including when we expect demand to recover, when we expect additional manufacturing capacity to be completed, and our anticipated tax rate for fiscal 2013 are forward-looking statements. Some of the forward-looking statements may be identified by words like "expects," "anticipates," "plans," "intends," "projects," "indicates," and similar expressions. Forward-looking statements are based on our current expectations, assumptions, estimates and projections about Cabot's businesses and strategies, market trends and conditions, economic conditions and other factors. These statements are not guarantees of future performance and are subject to risks, uncertainties, potentially inaccurate assumptions, and other factors, some of which are beyond our control and difficult to predict. If known or unknown risks materialize, or should underlying assumptions prove inaccurate, our actual results could differ materially from past results and from those expressed in the forward-looking statement. Important factors that could cause our results to differ materially from those expressed in the forward-looking statements include, but are not limited to changes in raw material costs; lower than expected demand for our products; the loss of one or more of our important customers; our inability to complete capacity expansions as planned; the timing of implementation of environmental regulations; our failure to develop new products or to keep pace with technological developments; patent rights of others; the timely commercialization of products under development (which may be disrupted or delayed by technical difficulties, market acceptance, competitors' new products, as well as difficulties in moving from the experimental stage to the production stage); demand for our customers' products; competitors' reactions to market conditions; delays in the successful integration of structural changes, including acquisitions or joint ventures; the laws, regulations, policies and economic conditions, including inflation, interest and foreign currency exchange rates, of countries where we do business; and severe weather events that cause business interruptions, including plant and power outages or disruptions in supplier or customer operations. These factors are discussed more fully in the reports we file with the Securities and Exchange Commission, particularly our latest annual report on Form 10-K.

This presentation includes references to adjusted earnings per share (EPS) and total segment EBIT, which are a non-GAAP measures. A reconciliation of adjusted EPS to EPS from continuing operations, the most directly comparable GAAP financial measure, and a reconciliation of total segment EBIT to Income (loss) from continuing operations before taxes, the most directly comparable GAAP financial measure, are provided in the tables included in our first quarter earnings release and filed on our current report on Form 8-K dated January 30, 2013. The definition of adjusted EBITDA is included in our first quarter earnings release and filed on our current report on Form 8-K dated January 30, 2013 and a reconciliation of adjusted EBITDA from segment EBIT for the first quarter of fiscal 2013 is provided in the investor section of our website at <http://investor.cabot-corp.com>, under the Non-GAAP Reconciliations section.

The term "**operating tax rate**" represents the tax rate on our recurring operating results. This rate excludes discrete tax items, which are unusual or infrequent items that are excluded from the estimated annual effective tax rate and other tax items, including the impact of the timing of losses in certain jurisdictions, cumulative rate adjustment and the impact of certain items on both operating income and tax provision. The term "**product mix**" refers to the various types and grades, or mix, of products sold in a particular Business or Segment during the period, and the positive or negative impact of that mix on the revenue or profitability of the Business or Segment.





# Q1 2013 Highlights

- **Total Segment EBIT improved 11% year over year**
- **Specialty Fluids sequential EBIT decline of \$11 million**
- **Purification Solutions adds \$7 million EBIT in the first quarter**
- **Royalties from Elastomer Composites licensing agreement with Michelin running through 2022**





# Elastomer Composites



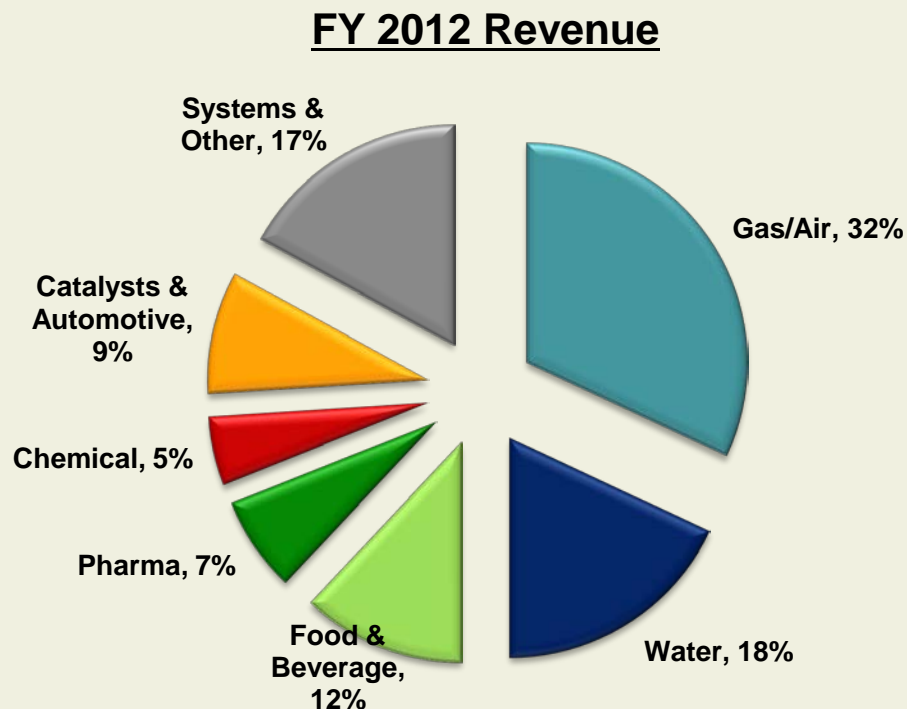
- **Agreement entered into in 2008 – new phase with royalties underway**
- **Royalties to be received through 2022**
- **Planned milestone payment collected in first quarter**
- **Commercialization of technology for tire applications progressing well**





# Purification Solutions

- **Purification Solutions fits well within Cabot**
  - Attractive and diversified end markets
  - Proprietary process technology
  - Differentiated products with over 150 formulations
  - Aligned applications development and technical service
  - New product and market opportunities
- **Long-term growth opportunity remains significant**

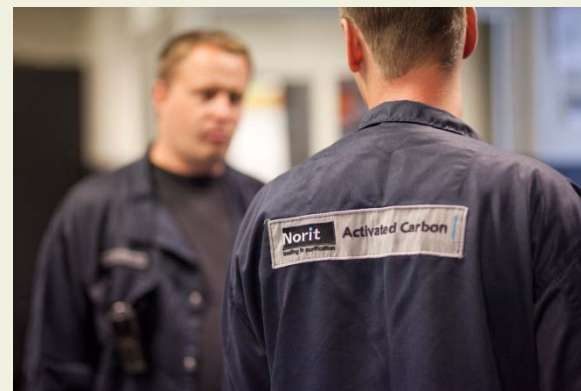






# Purification Solutions Integration Update

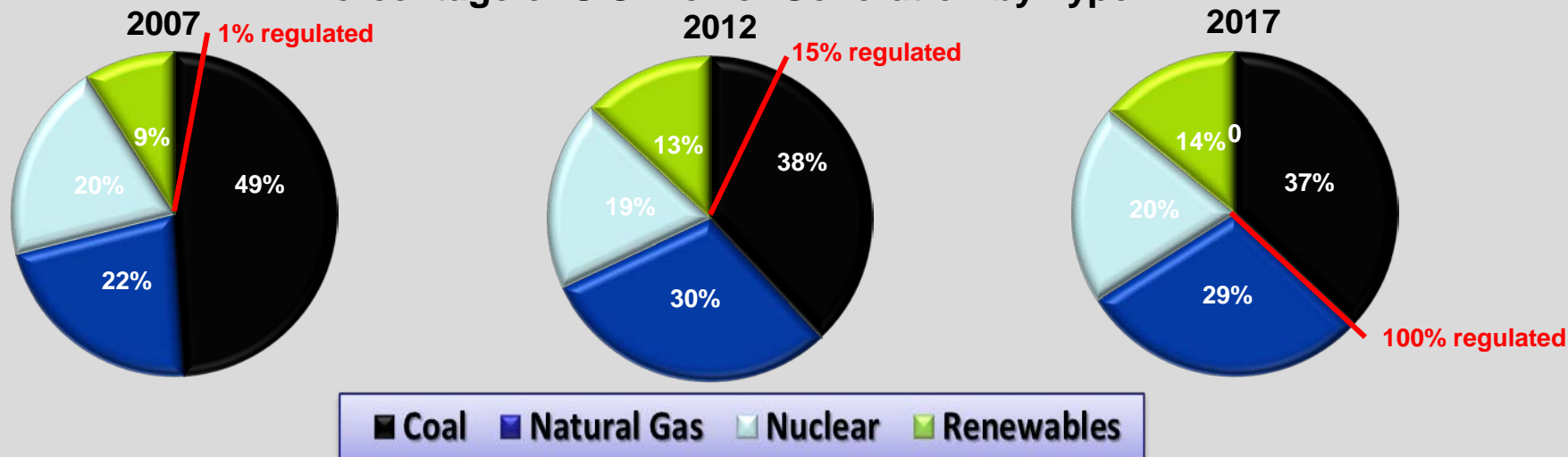
- **Integration progressing on schedule**
- **Management additions to ensure long-term success**
- **Functions integrated into Cabot's organization**
- **Additional market and cost synergies identified**





# Purification Solutions Coal-Fired Utilities Market

Percentage of U.S. Power Generation by Type



Source: *EIA Electricity Data, December 2012 Monthly Report*

- Growth opportunity from coal-fired utility segment in U.S. remains significant
- Currently, demand is unfavorably impacted by low natural gas price
- Industry has excess capacity as suppliers have been preparing for 2015
- Maintaining industry leadership of activated carbon and systems





# Purification Solutions Looking Ahead

- **Long-term opportunity for coal-fired utilities market remains positive**
  - U.S. regulation effective 2015
- **Solid growth in water, food & beverage, pharmaceuticals, and catalyst end markets**
- **Significant emerging market opportunities**







# Q1 2013 Operating Results

	Q1 2013	Q1 Year on Year	Q1 Sequential
Segment EBIT (in millions)	\$90	+11%	-6%
Adjusted EPS	\$0.66	+5%	-10%
Adjusted EBITDA (in millions)	\$126	+22%	-2%

- **Q1 Year on Year Segment EBIT improved \$9 million**
  - Higher pricing and improved product mix
  - Performance Materials volume improvement
  - Addition of Purification Solutions
  - Elastomer Composites royalty and technology milestone payment
- **Q1 Sequential Segment EBIT declined \$6 million**
  - Specialty Fluids decline from lower level of activity
  - Lower volumes in Reinforcement Materials and Performance Materials
  - Partially offset by improvement in Purification Solutions
  - Lower fixed costs





# Reinforcement Materials

## First Quarter Performance

In millions	1Q13	1Q12	4Q12
Net sales	\$475	\$489	\$479
Segment EBIT	\$50	\$55	\$41

## Key Highlights

- Value pricing, yield and energy recovery technology drive improved unit margins
- Volume weakness in Q1 2013 due to macroeconomic environment
- Competitive environment in China unfavorably impacted Q1 2013

## Segment Outlook

- Challenging near-term economic environment
- Demand expected to improve in 2013
- New China plant on track for 2013 completion





# Performance Materials

## First Quarter Performance

In millions	1Q13	1Q12	4Q12
Net sales	\$196	\$205	\$227
Segment EBIT	\$26	\$21	\$34

## Key Highlights

- 25% higher Fumed Metal Oxides volumes year over year from new products and utilization of new capacity
- Lower Specialty Carbons and Compounds volumes from customer inventory management
- Completed Fumed Metal Oxides expansion in Barry, Wales

## Segment Outlook

- January volumes rebound from weak December
- Leverage new capacity for volume growth
- Growth from new, differentiated products





# Advanced Technologies

## First Quarter Performance

In millions	1Q13	1Q12	4Q12
Net sales	\$38	\$39	\$57
Segment EBIT	\$7	\$5	\$16

## Key Highlights

- Weak Specialty Fluids results from lower rental activity in Q1 2013
- Elastomer Composites royalty and technology milestone payment received from Michelin in Q1 2013
- Restructuring savings benefit results

## Segment Outlook

- Increasing activity levels in Specialty Fluids going forward
- Elastomer Composites royalties to continue through 2022





# Purification Solutions

## Adjusted Stand-Alone Financial Information\*

In millions	1Q13	1Q12	4Q12
Net sales	\$93	\$88	\$91
Segment EBITDA	\$20	\$23	\$19

### Key Highlights

- Sequential improvement in EBITDA from favorable product mix and lower manufacturing costs
- Year over year decline in volumes in gas and air purification end markets partially offset by growth in other end markets

### Segment Outlook

- Confident in long-term growth potential of the gas and air market
- Near-term coal-fired utilities market challenging
- Robust growth in water, food & beverage, pharma, chemicals and other applications



\*All information provided is adjusted stand-alone, excluding purchase accounting adjustments and certain items





# Q1 2013 Corporate Financials

## Cash

- Quarter-end cash balance of \$91 million
- Use of cash for capital expenditures of \$62 million
- Net working capital increase of \$88 million
- Liquidity remains strong at \$588 million

## Taxes

- First quarter operating tax rate of 27%, excluding certain items
- Fiscal 2013 expected operating tax rate between 25% and 27%





# Growth Drivers

**Target of \$4.90 - \$5.00 adjusted EPS in 2014**

**Margin  
Improvement**

**Capacity  
Expansion**

**New Product &  
New Business  
Development**

**Portfolio  
Management**

- **Margin improvement and new product launches on track**
- **New business improvement progressing well**
- **Efficient and geographically-advantaged capacity will be leveraged with demand recovery**
- **Growth potential for Purification Solutions is strong**





# Summary

- **Cautious about near-term outlook, but anticipate demand recovery in 2013**
- **Well positioned with competitive capacity and new, differentiated products**
- **Economic recovery needed to achieve 2014 adjusted EPS target of \$4.90 - \$5.00**
- **Remain focused on areas we can control to drive earnings growth**





**CABOT**