

CABOT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended September 30		
	2017	2016	2015
	(In millions, except per share amounts)		
Net sales and other operating revenues	\$ 2,717	\$ 2,411	\$ 2,871
Cost of sales	2,065	1,833	2,286
Gross profit	652	578	585
Selling and administrative expenses	260	275	282
Research and technical expenses	56	53	58
Purification Solutions long-lived assets impairment charge (Note E)	—	—	210
Purification Solutions goodwill impairment charge (Note E)	—	—	352
Income (loss) from operations	336	250	(317)
Interest and dividend income	9	5	4
Interest expense	(53)	(54)	(53)
Other income (expense)	(4)	(7)	(11)
Income (loss) from continuing operations before income taxes and equity in earnings of affiliated companies	288	194	(377)
(Provision) benefit for income taxes	(29)	(34)	45
Equity in earnings of affiliated companies, net of tax	7	3	4
Income (loss) from continuing operations	266	163	(328)
Income (loss) from discontinued operations, net of tax of \$—, \$1 and \$—	—	1	2
Net income (loss)	266	164	(326)
Net income (loss) attributable to noncontrolling interests, net of tax of \$6, \$4 and \$5	25	15	8
Net income (loss) attributable to Cabot Corporation	<u>\$ 241</u>	<u>\$ 149</u>	<u>\$ (334)</u>
Weighted-average common shares outstanding:			
Basic	62.3	62.4	63.4
Diluted	62.7	62.9	63.4
Earnings per common share:			
Basic:			
Income (loss) from continuing operations attributable to Cabot Corporation	\$ 3.83	\$ 2.36	\$ (5.29)
Income (loss) from discontinued operations	—	0.02	0.02
Net income (loss) attributable to Cabot Corporation	<u>\$ 3.83</u>	<u>\$ 2.38</u>	<u>\$ (5.27)</u>
Diluted:			
Income (loss) from continuing operations attributable to Cabot Corporation	\$ 3.80	\$ 2.34	\$ (5.29)
Income (loss) from discontinued operations	—	0.02	0.02
Net income (loss) attributable to Cabot Corporation	<u>\$ 3.80</u>	<u>\$ 2.36</u>	<u>\$ (5.27)</u>
Dividends per common share	\$ 1.23	\$ 1.04	\$ 0.88

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

CABOT CORPORATION
CONSOLIDATED BALANCE SHEETS
ASSETS

	September 30	
	2017	2016
	(In millions, except share and per share amounts)	
Current assets:		
Cash and cash equivalents	\$ 280	\$ 200
Accounts and notes receivable, net of reserve for doubtful accounts of \$9 and \$8	527	456
Inventories	396	342
Prepaid expenses and other current assets	59	49
Total current assets	1,262	1,047
Property, plant and equipment	3,602	3,433
Accumulated depreciation	(2,297)	(2,143)
Net property, plant and equipment	1,305	1,290
Goodwill	154	152
Equity affiliates	56	53
Intangible assets, net	137	140
Assets held for rent	104	97
Deferred income taxes	250	216
Other assets	46	40
Total assets	\$ 3,314	\$ 3,035

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CABOT CORPORATION
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30	
	2017	2016
	(In millions, except share and per share amounts)	
Current liabilities:		
Notes payable	\$ 7	\$ 7
Accounts payable and accrued liabilities	457	364
Income taxes payable	22	25
Current portion of long-term debt	256	1
Total current liabilities	742	397
Long-term debt	661	914
Deferred income taxes	38	41
Other liabilities	245	285
Redeemable preferred stock	27	26
Commitments and contingencies (Note R)		
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: 62,087,627 and 62,449,425 shares		
Outstanding 61,884,347 and 62,210,711 shares	62	62
Less cost of 203,280 and 238,714 shares of common treasury stock	(6)	(7)
Additional paid-in capital	—	—
Retained earnings	1,683	1,544
Accumulated other comprehensive income (loss)	(259)	(325)
Total Cabot Corporation stockholders' equity	1,480	1,274
Noncontrolling interests	121	98
Total stockholders' equity	1,601	1,372
Total liabilities and stockholders' equity	\$ 3,314	\$ 3,035

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CABOT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended September 30		
	2017	2016	2015
	(In millions)		
Cash Flows from Operating Activities:			
Net income (loss)	\$ 266	\$ 164	\$ (326)
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Depreciation and amortization	155	161	183
Long-lived asset impairment charge	—	23	210
Goodwill impairment charge	—	—	352
Deferred tax provision (benefit)	(35)	(35)	(86)
Employee benefit plan settlement	—	—	18
Equity in net income of affiliated companies	(7)	(3)	(4)
Non-cash compensation	16	17	12
Tax benefit from stock based compensation awards	(8)	—	(2)
Other non-cash (income) expense	(3)	5	6
Changes in assets and liabilities:			
Accounts and notes receivable	(64)	25	154
Inventories	(50)	51	58
Prepaid expenses and other current assets	(14)	1	16
Accounts payable and accrued liabilities	91	(27)	(75)
Income taxes payable	(2)	(4)	(19)
Other liabilities	(16)	5	(12)
Cash dividends received from equity affiliates	11	9	14
Cash provided by operating activities	340	392	499
Cash Flows from Investing Activities:			
Additions to property, plant and equipment	(147)	(112)	(141)
Proceeds from the sale of land	—	16	—
Change in assets held for rent	(6)	(8)	(21)
Other	4	—	—
Cash used in investing activities	(149)	(104)	(162)
Cash Flows from Financing Activities:			
Borrowings under financing arrangements	1	—	—
Repayments under financing arrangements	(3)	(3)	(3)
Increase in notes payable, net	2	—	—
Repayments from issuance of commercial paper, net	—	(12)	(18)
Proceeds from long-term debt, net of issuance costs	—	248	—
Repayments of long-term debt	(2)	(301)	(57)
Purchases of common stock	(61)	(45)	(101)
Proceeds from sales of common stock	21	10	4
Tax benefit from stock based compensation awards	8	—	2
Cash dividends paid to noncontrolling interests	(14)	(16)	(27)
Cash dividends paid to common stockholders	(77)	(65)	(56)
Cash used in financing activities	(125)	(184)	(256)
Effects of exchange rate changes on cash	14	19	(71)
Increase (decrease) in cash and cash equivalents	80	123	10
Cash and cash equivalents at beginning of year	200	77	67
Cash and cash equivalents at end of year	\$ 280	\$ 200	\$ 77
Income taxes paid	\$ 69	\$ 66	\$ 78
Interest paid	\$ 48	\$ 51	\$ 42

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