

CABOT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended September 30		
	2018	2017	2016
	(In millions, except per share amounts)		
Net sales and other operating revenues	\$ 3,242	\$ 2,717	\$ 2,411
Cost of sales	2,461	2,054	1,836
Gross profit	781	663	575
Selling and administrative expenses	305	260	275
Research and technical expenses	66	56	53
Purification Solutions long-lived assets impairment charge (Note F)	162	—	—
Purification Solutions goodwill impairment charge (Note F)	92	—	—
Income (loss) from operations	156	347	247
Interest and dividend income	10	9	5
Interest expense	(54)	(53)	(54)
Other income (expense)	5	(4)	(7)
Income (loss) from continuing operations before income taxes and equity in earnings of affiliated companies	117	299	191
(Provision) benefit for income taxes	(193)	(33)	(33)
Equity in earnings of affiliated companies, net of tax	2	7	3
Income (loss) from continuing operations	(74)	273	161
Income (loss) from discontinued operations, net of tax of \$—, \$— and \$1	—	—	1
Net income (loss)	(74)	273	162
Net income (loss) attributable to noncontrolling interests, net of tax of \$10, \$6 and \$4	39	25	15
Net income (loss) attributable to Cabot Corporation	<u>\$ (113)</u>	<u>\$ 248</u>	<u>\$ 147</u>
Weighted-average common shares outstanding:			
Basic	61.7	62.3	62.4
Diluted	61.7	62.7	62.9
Earnings per common share:			
Basic:			
Income (loss) from continuing operations attributable to Cabot Corporation	\$ (1.85)	\$ 3.94	\$ 2.32
Income (loss) from discontinued operations	—	—	0.02
Net income (loss) attributable to Cabot Corporation	<u>\$ (1.85)</u>	<u>\$ 3.94</u>	<u>\$ 2.34</u>
Diluted:			
Income (loss) from continuing operations attributable to Cabot Corporation	\$ (1.85)	\$ 3.91	\$ 2.30
Income (loss) from discontinued operations	—	—	0.02
Net income (loss) attributable to Cabot Corporation	<u>\$ (1.85)</u>	<u>\$ 3.91</u>	<u>\$ 2.32</u>
Dividends per common share	\$ 1.29	\$ 1.23	\$ 1.04

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

CABOT CORPORATION
CONSOLIDATED BALANCE SHEETS
ASSETS

	September 30	
	2018	2017
	(In millions, except share and per share amounts)	
Current assets:		
Cash and cash equivalents	\$ 175	\$ 280
Accounts and notes receivable, net of reserve for doubtful accounts of \$7 and \$9	637	527
Inventories	511	433
Prepaid expenses and other current assets	63	59
Total current assets	1,386	1,299
Property, plant and equipment	3,520	3,602
Accumulated depreciation	(2,224)	(2,297)
Net property, plant and equipment	1,296	1,305
Goodwill	93	154
Equity affiliates	52	56
Intangible assets, net	98	137
Assets held for rent	118	104
Deferred income taxes	134	237
Other assets	67	46
Total assets	\$ 3,244	\$ 3,338

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CABOT CORPORATION
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30	
	2018	2017
	(In millions, except share and per share amounts)	
Current liabilities:		
Short-term borrowings	\$ 249	\$ 7
Accounts payable and accrued liabilities	613	457
Income taxes payable	29	22
Current portion of long-term debt	35	256
Redeemable preferred stock	26	—
Total current liabilities	952	742
Long-term debt	719	661
Deferred income taxes	42	38
Other liabilities	252	245
Redeemable preferred stock	—	27
Commitments and contingencies (Note S)		
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: 60,566,375 and 62,087,627 shares		
Outstanding 60,366,569 and 61,884,347 shares	61	62
Less cost of 199,806 and 203,280 shares of common treasury stock	(7)	(6)
Additional paid-in capital	—	—
Retained earnings	1,417	1,707
Accumulated other comprehensive income (loss)	(317)	(259)
Total Cabot Corporation stockholders' equity	1,154	1,504
Noncontrolling interests	125	121
Total stockholders' equity	1,279	1,625
Total liabilities and stockholders' equity	\$ 3,244	\$ 3,338

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CABOT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended September 30		
	2018	2017	2016
	(In millions)		
Cash Flows from Operating Activities:			
Net income (loss)	\$ (74)	\$ 273	\$ 162
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Depreciation and amortization	149	155	161
Long-lived asset impairment charge	162	—	23
Goodwill impairment charge	92	—	—
Deferred tax provision (benefit)	91	(31)	(36)
Gain on sale of land	(39)	—	—
Gain on sale of investments	(10)	—	—
Equity in net income of affiliated companies	(2)	(7)	(3)
Non-cash compensation	22	16	17
Other non-cash (income) expense	16	(3)	5
Changes in assets and liabilities:			
Accounts and notes receivable	(127)	(64)	25
Inventories	(105)	(61)	54
Prepaid expenses and other current assets	(27)	(14)	1
Accounts payable and accrued liabilities	122	91	(27)
Income taxes payable	7	(2)	(4)
Other liabilities	12	(16)	5
Cash dividends received from equity affiliates	9	11	9
Cash provided by operating activities	298	348	392
Cash Flows from Investing Activities:			
Additions to property, plant and equipment	(229)	(147)	(112)
Proceeds from the sale of land	39	—	16
Change in assets held for rent	(3)	(6)	(8)
Cash paid for acquisition of business, net of cash acquired of \$1, \$— and \$—	(64)	—	—
Proceeds from sales of investments	11	—	—
Other	—	4	—
Cash used in investing activities	(246)	(149)	(104)
Cash Flows from Financing Activities:			
Borrowings under financing arrangements	—	1	—
Repayments under financing arrangements	(4)	(3)	(3)
Increase in short-term borrowings, net	(4)	2	—
Proceeds (repayments) from issuance of commercial paper, net	249	—	(12)
Proceeds from long-term debt, net of issuance costs	90	—	248
Repayments of long-term debt	(251)	(2)	(301)
Purchases of common stock	(142)	(61)	(45)
Proceeds from sales of common stock	22	21	10
Cash dividends paid to noncontrolling interests	(21)	(14)	(16)
Cash dividends paid to common stockholders	(80)	(77)	(65)
Cash used in financing activities	(141)	(133)	(184)
Effects of exchange rate changes on cash	(16)	14	19
Increase (decrease) in cash and cash equivalents	(105)	80	123
Cash and cash equivalents at beginning of year	280	200	77
Cash and cash equivalents at end of year	\$ 175	\$ 280	\$ 200
Income taxes paid	\$ 84	\$ 69	\$ 66
Interest paid	\$ 47	\$ 48	\$ 51

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