

CABOT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended September 30		
	2019	2018	2017
	(In millions, except per share amounts)		
Net sales and other operating revenues	\$ 3,337	\$ 3,242	\$ 2,717
Cost of sales	2,652	2,470	2,060
Gross profit	685	772	657
Selling and administrative expenses	290	308	262
Research and technical expenses	60	66	57
Specialty Fluids loss on sale and asset impairment charge (Note D)	29	—	—
Purification Solutions long-lived assets impairment charge (Note G)	—	162	—
Purification Solutions goodwill impairment charge (Note G)	—	92	—
Income (loss) from operations	306	144	338
Interest and dividend income	9	10	9
Interest expense	(59)	(54)	(53)
Other income (expense)	(1)	17	5
Income (loss) from continuing operations before income taxes and equity in earnings of affiliated companies	255	117	299
(Provision) benefit for income taxes	(70)	(193)	(33)
Equity in earnings of affiliated companies, net of tax	1	2	7
Net income (loss)	186	(74)	273
Net income (loss) attributable to noncontrolling interests, net of tax of \$6, \$10 and \$6	29	39	25
Net income (loss) attributable to Cabot Corporation	\$ 157	\$ (113)	\$ 248
Weighted-average common shares outstanding:			
Basic	58.7	61.7	62.3
Diluted	58.8	61.7	62.7
Earnings per common share:			
Basic	\$ 2.64	\$ (1.85)	\$ 3.94
Diluted	\$ 2.63	\$ (1.85)	\$ 3.91

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

CABOT CORPORATION
CONSOLIDATED BALANCE SHEETS
ASSETS

	September 30	
	2019	2018
	(In millions, except share and per share amounts)	
Current assets:		
Cash and cash equivalents	\$ 169	\$ 175
Accounts and notes receivable, net of reserve for doubtful accounts of \$3 and \$7	530	637
Inventories	466	511
Prepaid expenses and other current assets	45	63
Total current assets	1,210	1,386
Property, plant and equipment	3,546	3,520
Accumulated depreciation	(2,198)	(2,224)
Net property, plant and equipment	1,348	1,296
Goodwill	90	93
Equity affiliates	39	52
Intangible assets, net	96	98
Assets held for rent	—	118
Deferred income taxes	163	134
Other assets	58	67
Total assets	\$ 3,004	\$ 3,244

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CABOT CORPORATION
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30	
	2019	2018
	(In millions, except share and per share amounts)	
Current liabilities:		
Short-term borrowings	\$ 33	\$ 249
Accounts payable and accrued liabilities	537	613
Income taxes payable	22	29
Current portion of long-term debt	7	35
Redeemable preferred stock	—	26
Total current liabilities	599	952
Long-term debt	1,024	719
Deferred income taxes	41	42
Other liabilities	206	252
Commitments and contingencies (Note T)		
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: 57,250,454 and 60,566,375 shares		
Outstanding 57,080,589 and 60,366,569 shares	57	61
Less cost of 169,865 and 199,806 shares of common treasury stock	(5)	(7)
Additional paid-in capital	—	—
Retained earnings	1,337	1,417
Accumulated other comprehensive income (loss)	(391)	(317)
Total Cabot Corporation stockholders' equity	998	1,154
Noncontrolling interests	136	125
Total stockholders' equity	1,134	1,279
Total liabilities and stockholders' equity	\$ 3,004	\$ 3,244

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CABOT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended September 30		
	2019	2018	2017
	(In millions)		
Cash Flows from Operating Activities:			
Net income (loss)	\$ 186	\$ (74)	\$ 273
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Depreciation and amortization	148	149	155
Specialty Fluids loss on sale and asset impairment charge	29	—	—
Impairment of investment in equity affiliate	11	—	—
Long-lived asset impairment charge	—	162	—
Goodwill impairment charge	—	92	—
Deferred tax provision (benefit)	(27)	91	(31)
Employee benefit plan settlement	7	—	—
Gain on sale of land	—	(39)	—
Gain on sale of investments	—	(10)	—
Equity in net income of affiliated companies	(1)	(2)	(7)
Non-cash compensation	11	22	16
Other non-cash (income) expense	(3)	16	(3)
Changes in assets and liabilities:			
Accounts and notes receivable	73	(127)	(64)
Inventories	27	(105)	(61)
Prepaid expenses and other current assets	18	(27)	(14)
Accounts payable and accrued liabilities	(75)	122	91
Income taxes payable	(6)	7	(2)
Other liabilities	(37)	12	(16)
Cash dividends received from equity affiliates	2	9	11
Cash provided by operating activities	363	298	348
Cash Flows from Investing Activities:			
Additions to property, plant and equipment	(224)	(229)	(147)
Proceeds from sale of business	135	—	—
Cash paid for acquisition of business, net of cash acquired of \$—, \$ and \$—	(3)	(64)	—
Proceeds from the sale of land	—	39	—
Proceeds from sales of investments	—	11	—
Other	(2)	(3)	(2)
Cash used in investing activities	(94)	(246)	(149)
Cash Flows from Financing Activities:			
Borrowings under financing arrangements	29	—	1
Repayments under financing arrangements	(29)	(4)	(3)
Increase (decrease) in short-term borrowings, net	—	(4)	2
Proceeds from (repayments of) issuance of commercial paper, net	(216)	249	—
Proceeds from long-term debt, net of issuance costs	352	90	—
Repayments of long-term debt	(75)	(251)	(2)
Repayments of redeemable preferred stock	(25)	—	—
Purchases of common stock	(173)	(142)	(61)
Proceeds from sales of common stock	4	22	21
Cash dividends paid to noncontrolling interests	(23)	(21)	(14)
Cash dividends paid to common stockholders	(80)	(80)	(77)
Cash used in financing activities	(236)	(141)	(133)
Effects of exchange rate changes on cash	(39)	(16)	14
Increase (decrease) in cash and cash equivalents	(6)	(105)	80
Cash and cash equivalents at beginning of year	175	280	200
Cash and cash equivalents at end of year	\$ 169	\$ 175	\$ 280
Income taxes paid	\$ 99	\$ 84	\$ 69
Interest paid	\$ 47	\$ 47	\$ 48

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