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 March 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 56,634,131 shares of common stock, $1.00 par value per share, outstanding as of May 3, 2021.

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Part I. Financial Information

Item 1. Financial Statements

CABOT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
UNAUDITED

	Three Months Ended March 31		Six Months Ended March 31	
	2021	2020	2021	2020
	(In millions, except per share amounts)			
Net sales and other operating revenues	$ 842	$ 710	$ 1,588	$ 1,437
Cost of sales	628	557	1,181	1,143
Gross profit	214	153	407	294
Selling and administrative expenses	71	114	132	178
Research and technical expenses	15	14	29	28
Specialty Fluids loss on sale and asset impairment charge	—	1	—	1
Income (loss) from operations	128	24	246	87
Interest and dividend income	2	3	4	6
Interest expense	(13)	(14)	(25)	(28)
Other income (expense)	1	(1)	(8)	(3)
Income (loss) before income taxes and equity in earnings of affiliated companies	118	12	217	62
(Provision) benefit for income taxes	(34)	(10)	(63)	(14)
Equity in earnings of affiliated companies, net of tax	1	1	1	1
Net income (loss)	85	3	155	49
Net income (loss) attributable to noncontrolling interests, net of tax	10	4	20	9
Net income (loss) attributable to Cabot Corporation	$ 75	$ (1)	$ 135	$ 40
Weighted-average common shares outstanding:				
Basic	56.6	56.6	56.6	56.7
Diluted	56.7	56.6	56.7	56.8
Earnings (loss) per common share:				
Basic	$ 1.31	$ (0.01)	$ 2.37	$ 0.70
Diluted	$ 1.30	$ (0.01)	$ 2.36	$ 0.70

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

CABOT CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
UNAUDITED

	Three Months Ended March 31		Six Months Ended March 31	
	2021	2020	2021	2020
	(In millions)			
Net income (loss)	$ 85	$ 3	$ 155	$ 49
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustment, net of tax	(76)	(78)	18	(35)
Derivatives: net investment hedges				
(Gains) losses reclassified to interest expense, net of tax	(2)	(1)	(3)	(2)
(Gains) losses excluded from effectiveness testing and amortized to interest expense, net of tax	1	1	1	1
Pension and other postretirement benefit liability adjustments, net of tax	1	—	4	1
Other comprehensive income (loss)	(76)	(78)	20	(35)
Comprehensive income (loss)	9	(75)	175	14
Net income (loss) attributable to noncontrolling interests, net of tax	10	4	20	9
Foreign currency translation adjustment attributable to noncontrolling interests, net of tax	(2)	(3)	5	—
Comprehensive income (loss) attributable to noncontrolling interests, net of tax	8	1	25	9
Comprehensive income (loss) attributable to Cabot Corporation	$ 1	$ (76)	$ 150	$ 5

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

CABOT CORPORATION
CONSOLIDATED BALANCE SHEETS
ASSETS
UNAUDITED

	March 31, 2021	September 30, 2020
	(In millions)	
Current assets:		
Cash and cash equivalents	$ 146	$ 151
Accounts and notes receivable, net of reserve for doubtful accounts of $4 and $2	578	418
Inventories:		
Raw materials	123	82
Finished goods	264	225
Other	49	52
Total inventories	436	359
Prepaid expenses and other current assets	64	50
Total current assets	1,224	978
Property, plant and equipment, net	1,334	1,314
Goodwill	139	134
Equity affiliates	40	39
Intangible assets, net	103	103
Deferred income taxes	50	53
Other assets	157	160
Total assets	$ 3,047	$ 2,781

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

CABOT CORPORATION
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND STOCKHOLDERS' EQUITY
UNAUDITED

	March 31, 2021	September 30, 2020
	(In millions, except share and per share amounts)	
Current liabilities:		
Short-term borrowings	$ 44	$ 14
Accounts payable and accrued liabilities	562	488
Income taxes payable	33	20
Current portion of long-term debt	8	7
Total current liabilities	647	529
Long-term debt	1,087	1,094
Deferred income taxes	58	58
Other liabilities	308	286
Contingencies (Note G)		
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: 56,767,240 and 56,616,030 shares, Outstanding: 56,622,455 and 56,466,638 shares	57	57
Less cost of 144,785 and 149,392 shares of common treasury stock	(4)	(4)
Retained earnings	1,094	989
Accumulated other comprehensive income (loss)	(336)	(351)
Total Cabot Corporation stockholders' equity	811	691
Noncontrolling interests	136	123
Total stockholders' equity	947	814
Total liabilities and stockholders' equity	$ 3,047	$ 2,781

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

CABOT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED

	Six Months Ended March 31	
	2021	2020
	(In millions)	
Cash Flows from Operating Activities:		
Net income (loss)	$ 155	$ 49
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation and amortization	77	78
Deferred tax provision (benefit)	1	(23)
Employee benefit plan settlement	6	—
Equity in earnings of affiliated companies	(1)	(1)
Non-cash compensation	10	3
Other non-cash (income) expense	19	4
Cash dividends received from equity affiliates	1	1
Changes in assets and liabilities:		
Accounts and notes receivable	(155)	56
Inventories	(80)	(8)
Prepaid expenses and other assets	(8)	(33)
Accounts payable and accrued liabilities	56	4
Income taxes payable	12	5
Other liabilities	(7)	(6)
Cash provided (used) by operating activities	86	129
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(69)	(119)
Cash paid for acquisition of businesses	—	(8)
Other	3	1
Cash provided (used) by investing activities	(66)	(126)
Cash Flows from Financing Activities:		
Proceeds from issuance (repayments) of commercial paper, net	31	(33)
Proceeds from long-term debt	100	197
Repayments of long-term debt	(117)	(50)
Purchases of common stock	(2)	(44)
Proceeds from sales of common stock	2	3
Cash dividends paid to noncontrolling interests	(1)	(23)
Cash dividends paid to common stockholders	(40)	(40)
Cash provided (used) by financing activities	(27)	10
Effects of exchange rate changes on cash	6	(5)
Increase (decrease) in cash, cash equivalents and restricted cash	(1)	8
Cash, cash equivalents and restricted cash at beginning of period	151	169
Cash, cash equivalents and restricted cash at end of period	$ 150	$ 177

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

	March 31, 2021	March 31, 2020
	(In millions)	
Cash and cash equivalents	$ 146	$ 142
Restricted cash classified within Prepaid expenses and other current assets	4	35
Cash, cash equivalents and restricted cash	$ 150	$ 177

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 Shares	Common Stock, Net of Treasury Stock Cost	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Cabot Corporation Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
	(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
Net income (loss)				75		75	10	85
Total other comprehensive income (loss)					(74)	(74)	(2)	(76)
Cash dividends paid:								
Common stock, $0.35 per share				(20)		(20)		(20)
Cash dividends declared to noncontrolling interests							(11)	(11)
Issuance of stock under equity compensation plans	17	—	1			1		1
Amortization of share-based compensation			6			6		6
Purchase and retirement of common stock	(1)	—	-	-		—		-
Amount reclassified to retained earnings in excess of additional paid in capital			(7)	7		—		
Balance at March 31, 2021	56,622	53	—	1,094	(336)	811	136	947

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	Retained	Accumulated Other Comprehensive	Total Cabot Corporation Stockholders'	Noncontrolling	Total Stockholders'
	Shares	Cost	Capital	Earnings	Income (Loss)	Equity	Interests	Equity
	(In millions, except share amounts)							
Balance at September 30, 2019	57,081	$ 52	$ —	$ 1,337	$ (391)	$ 998	$ 136	$ 1,134
Adoption of accounting standards				$ 3	$ (3)	—		—
Net income (loss)				41		41	5	46
Total other comprehensive income (loss)					40	40	3	43
Cash dividends paid:								
Common stock, $0.35 per share				(20)		(20)		(20)
Cash dividend declared to noncontrolling interests							(19)	(19)
Issuance of stock under equity compensation plans	273	—	1			1		1
Amortization of share-based compensation			1			1		1
Purchase and retirement of common stock	(699)	—	(2)	(32)		(34)		(34)
Balance at December 31, 2019	56,655	$ 52	$ -	$ 1,329	$ (354)	$ 1,027	$ 125	$ 1,152
Net income (loss)				(1)		(1)	4	3
Total other comprehensive income (loss)					(75)	(75)	(3)	(78)
Cash dividends paid:								
Common stock, $0.35 per share				(20)		(20)		(20)
Cash dividend declared to noncontrolling interests							(16)	(16)
Issuance of stock under equity compensation plans	30	—	2			2		2
Amortization of share-based compensation			2			2		2
Purchase and retirement of common stock	(241)	—	(4)	(6)		(10)		(10)
Balance at March 31, 2020	56,444	52	—	1,302	(429)	925	110	1,035

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, 2020 ("2020 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 March 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

Cabot's significant accounting policies have not materially changed from those described in the 2020 Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC") on November 25, 2020.

Recently Adopted Accounting Standards

In June 2016, the FASB issued a new standard on measurement of credit losses. The standard introduces a new "expected loss" impairment model that applies to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables and other financial assets. Entities are required to estimate expected credit losses over the life of financial assets and record an allowance against the assets' amortized cost basis to present them at the amount expected to be collected. The Company adopted this standard on October 1, 2020. 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.

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 to reduce complexity in certain areas. The new standard is effective for fiscal years beginning after December 15, 2020 and early adoption is permitted. 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

Shenzhen Sanshun Nano New Materials Co., Ltd

On April 1, 2020, the Company purchased Shenzhen Sanshun Nano New Materials Co., Ltd (SUSN), a leading carbon nanotube producer, for an estimated purchase price of $100 million, consisting of: (i) cash consideration of $84 million, net of $1 million acquired, (ii) contingent consideration of $3 million to be paid over the two-year period ending March 31, 2022 upon the satisfaction of certain milestones, and (iii) assumed debt of $13 million. The debt the Company assumed in the transaction was repaid in June 2020. The operating results of SUSN are included in the results of the Company's Performance Chemicals segment beginning in the third quarter of fiscal 2020.

D. Employee Benefit Plans

Net periodic defined benefit pension costs include the following:

	Three Months Ended March 31			
	2021		2020	
	Pension Benefits			
	U.S.	Foreign	U.S.	Foreign
	(In millions)			
Service cost	$ —	$ 2	$ 1	$ 2
Interest cost	—	1	1	1
Expected return on plan assets	—	(3)	(1)	(3)
Amortization of actuarial loss	—	—	—	—
Settlement charge	—	—	—	—
Net periodic benefit (credit) cost	$ —	$ —	$ 1	$ —

	Six Months Ended March 31			
	2021		2020	
	Pension Benefits			
	U.S.	Foreign	U.S.	Foreign
	(In millions)			
Service cost	$ —	$ 3	$ 1	$ 3
Interest cost	—	2	2	2
Expected return on plan assets	—	(5)	(2)	(5)
Amortization of actuarial loss	—	1	—	1
Settlement charge	6	—	—	—
Net periodic benefit (credit) cost	$ 6	$ 1	$ 1	$ 1

Other postretirement benefit costs were less than $1 million and $1 million for the three and six months ended March 31, 2021, respectively. Other postretirement benefit costs were less than $1 million and $1 million for the three and six months ended March 31, 2020, respectively.

U.S. Cash Balance Plan Termination

In fiscal 2019, the Company's Board of Directors approved a resolution to terminate the Company's U.S. pension plan. In fiscal 2020 and 2021, the pension liability was settled through a combination of lump-sum payments and purchased annuities, neither of which required an additional cash contribution to the plan. In the fourth quarter of fiscal 2020, the Company recognized a settlement charge of $3 million related to lump-sum payments made to participants who elected this option, which was recorded in Other income (expense) in the Consolidated Statements of Operations. In the first quarter of fiscal 2021, the Company recognized an additional $6 million settlement charge in Other income (expense) related to the final asset transfers through purchased annuities.

E. 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 six months ended March 31, 2021 are as follows:

	Reinforcement Materials	Performance Chemicals	Total
		(In millions)	
Balance at September 30, 2020	$ 46	$ 88	$ 134
Foreign currency impact	2	3	5
Balance at March 31, 2021	$ 48	$ 91	$ 139

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

	March 31, 2021			September 30, 2020		
	Gross Carrying Value	Accumulated Amortization	Net Intangible Assets	Gross Carrying Value	Accumulated Amortization	Net Intangible Assets
	(In millions)					
Intangible assets with finite lives						
Developed technologies	$ 62	$ (10)	$ 52	$ 60	$ (8)	$ 52
Trademarks	11	(1)	10	11	(1)	10
Customer relationships	59	(18)	41	56	(15)	41
Total intangible assets	$ 132	$ (29)	$ 103	$ 127	$ (24)	$ 103

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 eighteen years. Amortization expense for each of the three months ended March 31, 2021 and 2020 was $2 million and is included in Cost of sales, Selling and administrative expenses and Research and technical expenses in the Consolidated Statements of Operations. Amortization expense for the six months ended March 31, 2021 and 2020 was $4 million and $3 million, respectively, 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 $8 million each year for the next five fiscal years.

F. Accumulated Other Comprehensive Income (Loss)

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, 2020, attributable to Cabot Corporation	$ (307)	$ (44)	$ (351)
Other comprehensive income (loss) before reclassifications	94	(1)	93
Amounts reclassified from AOCI	(1)	4	3
Less: Other comprehensive income (loss) attributable to noncontrolling interests	7	—	7
Balance at December 31, 2020, attributable to Cabot Corporation	(221)	(41)	(262)
Other comprehensive income (loss) before reclassifications	(76)	1	(75)
Amounts reclassified from AOCI	(1)	—	(1)
Less: Other comprehensive income (loss) attributable to noncontrolling interests	(2)	—	(2)
Balance at March 31, 2021, attributable to Cabot Corporation	$ (296)	$ (40)	$ (336)

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

	Affected Line Item in the Consolidated Statements of Operations	Three Months Ended March 31		Six Months Ended March 31	
		2021	2020	2021	2020
		(In millions)			
Derivatives: net investment hedges					
(Gains) losses reclassified to interest expense	Interest expense (Note L)	$ (2)	$ (1)	$ (3)	$ (2)
(Gains) losses excluded from effectiveness testing and amortized to interest expense	Interest expense (Note L)	1	1	1	1
Pension and other postretirement					
Amortization of actuarial losses and prior service cost (credit)	Net Periodic Benefit Cost (Note D)	—	—	1	1
Settlement charge	Net Periodic Benefit Cost (Note D)	—	—	6	—
Total before tax		(1)	—	5	—
Tax impact	Provision (benefit) for income taxes	—	—	(3)	—
Total after tax		$ (1)	$ —	$ 2	$ —

G. 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 2020 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 2020 10-K, the "Payor Group").

On February 28, 2020, Cabot, with certain members of the Payor Group, entered into a settlement agreement resolving a large group of claims, including claims alleging serious injury, brought by coal workers in Kentucky and West Virginia represented by common legal counsel. The Company's share of this liability was $65.2 million, and during the second quarter of fiscal 2020, Cabot recorded a charge of $50 million for this settlement, which was included in Selling and administrative expenses in the Consolidated Statements of Operations. The Company paid $32.6 million of the settlement during the third quarter of fiscal 2020 and the remaining $32.6 million in the first quarter of fiscal 2021.

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 $22 million and $24 million as of March 31, 2021 and September 30, 2020, respectively.

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) changes in the number of pending and 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, the actual amount of these liabilities for pending and future claims could be different than the reserved amount.

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.

H. Income Tax

Effective Tax Rate

	Three Months Ended March 31		Six Months Ended March 31	
	2021	2020	2021	2020
	(Dollars in millions)			
(Provision) benefit for income taxes	$ (34)	$ (10)	$ (63)	$ (14)
Effective tax rate	29%	81%	29%	22%

For the three and six months ended March 31, 2021, the (Provision) benefit for income taxes included a net discrete tax benefit of $1 million and a net discrete tax expense of $1 million, respectively. For the three and six months ended March 31, 2020, the (Provision) benefit for income taxes included a net discrete tax benefit of $1 million and $11 million, respectively. The $11 million benefit was comprised of $5 million related to changes in uncertain tax positions and $6 million related to the impact of tax reform legislation in a foreign jurisdiction.

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 further 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 2017 through 2019 tax years generally remain subject to examination by the IRS and various tax years from 2005 through 2019 remain subject to examination by the respective state tax authorities. In significant non-U.S. jurisdictions, various tax years from 2003 through 2020 remain subject to examination by their respective tax authorities.

During the three and six months ended March 31, 2021, Cabot released uncertain tax positions of less than $1 million and $1 million, respectively, due to the expiration of statutes of limitations in various jurisdictions. During the three and six months ended March 31, 2020, Cabot released uncertain tax positions of $2 million and $8 million, respectively, due to audit settlements and the expiration of statutes of limitations in various jurisdictions.

I. Earnings Per Share

The following tables summarize the components of the basic and diluted earnings (loss) per common share ("EPS") computations:

	Three Months Ended March 31		Six Months Ended March 31	
	2021	2020	2021	2020
	(In millions, except per share amounts)			
Basic EPS:				
Net income (loss) attributable to Cabot Corporation	$ 75	$ (1)	$ 135	$ 40
Less: Undistributed earnings allocated to participating securities(1)	1	—	1	—
Earnings (loss) allocated to common shareholders (numerator)	$ 74	$ (1)	$ 134	$ 40
Weighted average common shares and participating securities outstanding	57.4	57.3	57.3	57.5
Less: Participating securities(1)	0.8	0.7	0.7	0.8
Adjusted weighted average common shares (denominator)	56.6	56.6	56.6	56.7
Earnings (loss) per common share - basic:	$ 1.31	$ (0.01)	$ 2.37	$ 0.70
Diluted EPS:				
Earnings (loss) allocated to common shareholders	$ 74	$ (1)	$ 134	$ 40
Plus: Earnings allocated to participating securities	1	—	1	—
Less: Adjusted earnings allocated to participating securities(2)	1	—	1	—
Earnings (loss) allocated to common shareholders (numerator)	$ 74	$ (1)	$ 134	$ 40
Adjusted weighted average common shares outstanding	56.6	56.6	56.6	56.7
Effect of dilutive securities:				
Common shares issuable(3)	0.1	—	0.1	0.1
Adjusted weighted average common shares (denominator)	56.7	56.6	56.7	56.8
Earnings (loss) per common share - diluted:	$ 1.30	$ (0.01)	$ 2.36	$ 0.70

(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 March 31		Six Months Ended March 31	
	2021	2020	2021	2020
	(In millions)			
Calculation of undistributed earnings (loss):				
Net income (loss) attributable to Cabot Corporation	$ 75	$ (1)	$ 135	$ 40
Less: Dividends declared on common stock	20	20	40	40
Less: Dividends declared on participating securities	—	—	—	—
Undistributed earnings (loss)	$ 55	$ (21)	$ 95	$ —
Allocation of undistributed earnings (loss):				
Undistributed earnings (loss) allocated to common shareholders	$ 54	$ (21)	$ 94	$ —
Undistributed earnings allocated to participating shareholders	1	—	1	—
Undistributed earnings (loss)	$ 55	$ (21)	$ 95	$ —

(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 and six months ended March 31, 2021, 1,120,460 and 1,377,609 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. For the six months ended March 31, 2020, 1,113,013 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. For the three months ended March 31, 2020, 1,858,582 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.

J. Restructuring

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

	Three Months Ended March 31		Six Months Ended March 31	
	2021	2020	2021	2020
	(In millions)			
Cost of sales	$ —	$ 4	$ 3	$ 5
Selling and administrative expenses	—	1	—	8
Research and technical expenses	1	—	1	—
Total	$ 1	$ 5	$ 4	$ 13

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

	Severance and Employee Benefits	Environmental Remediation	Non-cash Asset Impairment	Other	Total
			(In millions)		
Reserve at September 30, 2020	$ 5	$ 4	$ —	$ —	$ 9
Charges (gain)	—	—	2	1	3
Cost charged against assets	—	—	(2)	—	(2)
Cash paid	(2)	—	—	(1)	(3)
Reserve at December 31, 2020	3	4	—	—	7
Charges (gain)	1	—	—	—	1
Costs charged against assets / (liabilities)	—	—	—	—	—
Cash paid	(2)	—	—	—	(2)
Reserve at March 31, 2021	2	4	—	—	6

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.

2020 Reorganization

During fiscal 2020, the Company initiated several actions to enable the Company to perform certain activities more cost-effectively. These actions primarily consisted of the reorganization of Cabot’s leadership structure, the creation of a Global Business Services function and other operational efficiency initiatives. A majority of these actions were completed in fiscal 2020. During the six months ended March 31, 2020, the Company recorded charges of $12 million and paid cash of $7 million related to these activities. As of March 31, 2021, the Company had recorded total charges of $18 million, of which $17 million was recorded in fiscal 2020, primarily related to severance costs, and also had $2 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 2021 and $3 million thereafter primarily related to site demolition costs associated with the reorganization. As of March 31, 2021, the Company had paid a total of $15 million in cash, of which $13 million was paid in fiscal 2020, and expects to have future cash outlays of approximately $2 million in the remainder of fiscal 2021 and $4 million thereafter related to the reorganization.

Purification Solutions Transformation Plan

In December 2018, the Company initiated a transformation plan to improve the long-term performance of the Purification Solutions segment. The purpose of the plan is to focus the business’s product portfolio, optimize its manufacturing assets, and streamline its organizational structure to support the new focus. As of March 31, 2021, the Company had recorded total charges of $14 million for this plan, of which $11 million was recorded in prior fiscal years, primarily related to severance costs, and also had $1 million of accrued severance and other charges in the Consolidated Balance Sheets related to these actions. The Company expects to record additional restructuring charges of approximately $2 million throughout the rest of fiscal 2021 and $1 million thereafter primarily related to decommissioning costs associated with the business’s manufacturing facility in Marshall, Texas. As of March 31, 2021, the Company has paid a total of $11 million in cash for this plan, of which $9 million was paid in prior fiscal years, and expects to have future cash outlays of approximately $2 million in the remainder of fiscal 2021 and $2 million thereafter related to this plan.

K. 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 six months of either fiscal 2021 or 2020.

At March 31, 2021 and September 30, 2020, Cabot had derivatives relating to foreign currency risks, including a net investment hedge and forward foreign currency contracts, carried at fair value. At March 31, 2021, the fair value of these derivatives was a net liability of $21 million and was included in Prepaid expenses and other current assets and Other liabilities on the Consolidated Balance Sheets. At September 30, 2020, the fair value of these derivatives was a net liability of $1 million and was included in Prepaid expenses and other current assets and Other liabilities 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 March 31, 2021 and September 30, 2020, the fair value of guaranteed investment contracts, included in Other assets on the Consolidated Balance Sheets was $11 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 March 31, 2021 and September 30, 2020, 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 $1.07 billion and $1.14 billion, respectively, as of March 31, 2021, and $1.08 billion and $1.18 billion, respectively, as of September 30, 2020. 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.

L. 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 March 31, 2021 and September 30, 2020 to manage foreign currency risk.

Description	Borrowing	Notional Amount March 31, 2021	Notional Amount September 30, 2020	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 29 million	USD 54 million	No designation

(1) As of March 31, 2021, Cabot's forward foreign exchange contracts were denominated in Indonesian rupiah and Czech koruna. As of September 30, 2020, Cabot's forward foreign exchange contracts were denominated in Canadian dollar, Indonesian rupiah and Czech koruna. At both March 31, 2021 and September 30, 2020 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 March 31, 2021, the fair value of these swaps was a net liability of $21 million and was included in Prepaid expenses and other current assets and Other liabilities and the cumulative loss of $17 million was included in AOCI on the Consolidated Balance Sheets. As of September 30, 2020, the fair value of these swaps was a net liability of $1 million and was included in Prepaid expenses and other current assets and Other Liabilities, and the cumulative gain of $2 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 March 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	$ (5)	$ 14	$ (2)	$ (2)	$ 1	$ 1

	Six Months Ended March 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	$ (18)	$ 10	$ (3)	$ (3)	$ 1	$ 1

M. Financial Information by Segment

The Company identifies a business 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 Company has determined that all of its businesses are operating segments. 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.

The Reinforcement Materials segment consists of the rubber blacks and elastomer composites product lines.

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

	Three Months Ended March 31		Six Months Ended March 31	
	2021	2020	2021	2020
	(In millions)			
Performance Additives	$ 203	$ 168	$ 387	$ 338
Formulated Solutions	91	77	174	149
Total Performance Chemicals	$ 294	$ 245	$ 561	$ 487

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 March 31, 2021						
Revenues from external customers(2)	$ 434	$ 294	$ 63	$ 791	$ 51	$ 842
Income (loss) before income taxes(3)	$ 89	$ 58	$ 2	$ 149	$ (31)	$ 118
Three Months Ended March 31, 2020						
Revenues from external customers(2)	$ 355	$ 245	$ 64	$ 664	$ 46	$ 710
Income (loss) before income taxes(3)	$ 61	$ 31	$ 3	$ 95	$ (83)	$ 12
Six Months Ended March 31, 2021						
Revenues from external customers(2)	$ 809	$ 561	$ 122	$ 1,492	$ 96	$ 1,588
Income (loss) before income taxes(3)	$ 177	$ 112	$ —	$ 289	$ (72)	$ 217
Six Months Ended March 31, 2020						
Revenues from external customers(2)	$ 734	$ 487	$ 123	$ 1,344	$ 93	$ 1,437
Income (loss) before income taxes(3)	$ 108	$ 72	$ 1	$ 181	$ (119)	$ 62

(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 March 31		Six Months Ended March 31	
	2021	2020	2021	2020
	(In millions)			
Royalties, the impact of unearned revenue, the removal of 100% of the sales of an equity method affiliate and discounting charges for certain notes receivable	$ (5)	$ (1)	$ (10)	$ (2)
Shipping and handling fees	38	30	71	61
By-product sales	18	17	35	34
Total	$ 51	$ 46	$ 96	$ 93

(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 March 31		Six Months Ended March 31	
	2021	2020	2021	2020
	(In millions)			
Interest expense	$ (13)	$ (14)	$ (25)	$ (28)
Certain items(a)				
Employee benefit plan settlement and other charges (Note D)	1	(1)	(5)	(3)
Global restructuring activities (Note J)	(1)	(5)	(4)	(13)
Acquisition and integration-related charges	(1)	(1)	(2)	(2)
Legal and environmental matters and reserves	—	(51)	—	(50)
Specialty Fluids loss on sale and asset impairment charges	—	(1)	—	(1)
Indirect tax settlement credits	—	3	—	3
Other	—	—	(1)	(1)
Total certain items, pre-tax	(1)	(56)	(12)	(67)
Unallocated corporate costs(b)	(16)	(12)	(29)	(22)
General unallocated income (expense)(c)	—	—	(5)	(1)
Less: Equity in earnings of affiliated companies, net of tax(d)	1	1	1	1
Total	$ (31)	$ (83)	$ (72)	$ (119)

(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 March 31, 2021			
	Reinforcement Materials	Performance Chemicals	Purification Solutions	Consolidated Total
	(In millions)			
Americas	$ 163	$ 78	$ 26	$ 267
Asia Pacific	185	122	9	316
Europe, Middle East and Africa	86	94	28	208
Segment revenues from external customers	434	294	63	791
Unallocated and other				51
Net sales and other operating revenues				$ 842

	Three Months Ended March 31, 2020			
	Reinforcement Materials	Performance Chemicals	Purification Solutions	Consolidated Total
	(In millions)			
Americas	$ 154	$ 76	$ 29	$ 259
Asia Pacific	122	79	9	210
Europe, Middle East and Africa	79	90	26	195
Segment revenues from external customers	355	245	64	664
Unallocated and other				46
Net sales and other operating revenues				$ 710

	Six Months Ended March 31, 2021			
	Reinforcement Materials	Performance Chemicals	Purification Solutions	Consolidated Total
	(In millions)			
Americas	$ 312	$ 147	$ 51	$ 510
Asia Pacific	340	240	18	598
Europe, Middle East and Africa	157	174	53	384
Segment revenues from external customers	809	561	122	1,492
Unallocated and other				96
Net sales and other operating revenues				$ 1,588

	Six Months Ended March 31, 2020			
	Reinforcement Materials	Performance Chemicals	Purification Solutions	Consolidated Total
	(In millions)			
Americas	$ 295	$ 152	$ 55	$ 502
Asia Pacific	292	173	18	483
Europe, Middle East and Africa	147	162	50	359
Segment revenues from external customers	734	487	123	1,344
Unallocated and other				93
Net sales and other operating revenues				$ 1,437

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 2020 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. Cabot is also organized for operational purposes into three geographic regions: the Americas; Europe, Middle East and Africa; 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. In calculating our operating tax rate, we exclude discrete tax items, which include: (i) unusual or infrequent items, such as a significant release or establishment of a valuation allowance, (ii) items related to uncertain tax positions, such as the tax impact of audit settlements, interest on tax reserves, and the release of tax reserves from the expiration of statutes of limitations, and (iii) other discrete tax items, such as the tax impact of legislative changes and, on a quarterly basis, the timing of losses in certain jurisdictions and the cumulative rate adjustment, if applicable. We also exclude the tax impact of certain items, as defined below in the discussion of Total segment EBIT, on both operating income and the tax provision. When the tax impact of a certain item is also a discrete tax item, it is classified as a certain item for our definition of operating tax rate. 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 "Second Quarter of Fiscal 2021 versus Second Quarter Fiscal 2020—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. Total segment EBIT 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 "Second quarter of Fiscal 2021 versus Second quarter of Fiscal 2020—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:

- Asset impairment charges, which primarily include charges associated with an impairment of goodwill or other long-lived assets.
- Inventory reserve adjustment, which generally result from an evaluation performed as part of an impairment analysis.
- 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.
- Indirect tax settlement credits, which includes favorable settlements resulting in the recoveries of indirect taxes.
- 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 our processes.
- Legal and environmental matters and reserves, 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.
- Gains (losses) on sale of investments, which primarily relate to the sale of investments accounted for using the cost method.
- Gains (losses) on sale of businesses.
- Non-recurring gains (losses) on foreign exchange, which primarily relate to the impact of controlled currency devaluations on our net monetary assets denominated in that currency.
- Executive transition costs, which include incremental charges, including stock compensation charges, associated with the retirement or termination of employment of senior executives of the Company.
- 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

Our business, results of operations and cash flows in fiscal 2020 were adversely affected by the COVID-19 pandemic and its impact on our customers and our operations, predominately in the second and third fiscal quarters. As our customers in China began to restart operations at the end of March 2020, and in the Americas and Europe in May and June 2020, demand for our products began to improve. This recovery continued into the fourth quarter of fiscal 2020, and by October 2020, our volumes had largely recovered from the COVID-related lows we experienced in fiscal 2020. We saw further strengthening of demand in the first half of 2021 as the recovery was also complemented by replenishment of stocks in the value chain, particularly in our Performance Chemicals segment, following the depletion of inventory levels in the value chain during fiscal 2020.

Despite this improvement in demand for our products, 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 level and timing of COVID-19 vaccine distribution across the world will impact the economic recovery and growth. Additionally, if there is a resurgence in the COVID-19 pandemic impacting our business, it could cause us to recognize write-downs or impairments for certain assets, or a reduction in our borrowing availability under our credit agreements. These factors could also result in an adverse impact on our revenue as well as our overall profitability. In addition, the COVID-19 pandemic is 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 global logistics challenges or the semi-conductor chip shortage persist or intensify, they could negatively impact the results of our Performance Chemicals segment.

During the second quarter of fiscal 2021, Income (loss) before income taxes and equity in earnings of affiliated companies increased compared to the second quarter of fiscal 2020. The increase is driven by the increase in Total segment EBIT of $54 million and a $50 million charge in fiscal 2020 related to a legal settlement. The increase in Total segment EBIT was driven by higher volumes in Reinforcement Materials and Performance Chemicals and higher unit margins primarily in Performance Chemicals.

Second quarter of Fiscal 2021 versus Second quarter of Fiscal 2020—Consolidated

Net Sales and Other Operating Revenues and Gross Profit

	Three Months Ended March 31		Six Months Ended March 31	
	2021	2020	2021	2020
	(In millions)			
Net sales and other operating revenues	$ 842	$ 710	$ 1,588	$ 1,437
Gross profit	$ 214	$ 153	$ 407	$ 294

The $132 million increase in net sales and other operating revenues in the second quarter of fiscal 2021 compared to the second quarter of fiscal 2020 was driven by higher volumes ($87 million), favorable impact from foreign currency translation ($24 million) and favorable price and product mix across all segments (combined $15 million). The higher volumes in fiscal 2021 were driven by stronger demand across all regions as compared to lower volumes in fiscal 2020 due to demand declines resulting from the COVID-19 pandemic. The favorable price and product mix was driven by higher prices from higher feedstock costs that are passed through to our customers in the Reinforcement Materials segment and favorable price and product mix in the Performance Chemicals segment driven by higher sales into automotive applications and targeted growth initiatives.

The $151 million increase in net sales and other operating revenues in the first six months of fiscal 2021 compared to the first six months of fiscal 2020 was driven by higher volumes ($108 million) in the Reinforcement Materials and Performance Chemicals segments, favorable impact from foreign currency translation ($33 million), primarily in the Performance Chemicals segment, and favorable price and product mix (combined $7 million) across all segments. The higher volumes in fiscal 2021 were driven by stronger demand across all regions as compared to lower volumes in fiscal 2020 due to demand declines resulting from the COVID-19 pandemic.

Gross profit increased by $61 million in the second quarter of fiscal 2021 compared to the second quarter of fiscal 2020. Gross profit increased by $113 million in the first six months of fiscal 2021 compared to the first six months of fiscal 2020. The gross profit increase in both comparative periods was primarily due to higher volumes and unit margins in the Reinforcement Materials and Performance Chemicals segments.

Selling and Administrative Expenses

	Three Months Ended March 31		Six Months Ended March 31	
	2021	2020	2021	2020
	(In millions)			
Selling and administrative expenses	$ 71	$ 114	$ 132	$ 178

Selling and administrative expenses decreased by $43 million and $46 million in the second quarter and first six months of fiscal 2021, respectively, compared to the same periods of fiscal 2020, primarily due to a $50 million legal settlement recorded during the second quarter of fiscal 2020. The decrease was partially offset by increased incentive compensation.

Research and Technical Expenses

	Three Months Ended March 31		Six Months Ended March 31	
	2021	2020	2021	2020
	(In millions)			
Research and technical expenses	$ 15	$ 14	$ 29	$ 28

Research and technical expenses increased by $1 million in each of the second quarter and the first six months of fiscal 2021 compared to the same periods of fiscal 2020.

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

	Three Months Ended March 31		Six Months Ended March 31	
	2021	2020	2021	2020
	(In millions)			
Interest and dividend income	$ 2	$ 3	$ 4	$ 6
Interest expense	$ (13)	$ (14)	$ (25)	$ (28)
Other income (expense)	$ 1	$ (1)	$ (8)	$ (3)

Interest and dividend income decreased $1 million and $2 million in the second quarter of fiscal 2021 and for the six months ended March 31, 2021, respectively, as compared to the same periods of fiscal 2020, primarily due to lower interest rates.

Interest expense decreased $1 million and $3 million in the second quarter of fiscal 2021 and for the six months ended March 31, 2021, respectively, as compared to the same periods of fiscal 2020, primarily due to lower interest rates.

Other income (expense) changed by $2 million in the second quarter of fiscal 2021 compared to the same period of fiscal 2020, primarily due to reduced pension cost and a favorable impact from foreign currency translation. For the six months ended March 31, 2021, Other income (expense) changed by $5 million compared to the same period of fiscal 2020. The change was primarily due to settlement of the U.S. cash balance pension plan in the first quarter of fiscal 2021.

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

	Three Months Ended March 31		Six Months Ended March 31	
	2021	2020	2021	2020
	(Dollars in millions)			
(Provision) benefit for income taxes	$ (34)	$ (10)	$ (63)	$ (14)
Effective tax rate	29%	81%	29%	22%
Impact of discrete tax items(1):	-	15%	1%	22%
Impact of certain items	(1)%	(67)%	(2)%	(15)%
Operating tax rate	28%	29%	28%	29%

(1) For purposes of determining our Operating Tax Rate for the three and six months ended March 31, 2021, the impact of discrete tax items included a net discrete tax benefit of $1 million and $3 million, respectively. For the three and six months ended March 31, 2020, the impact of discrete tax items included a net discrete tax benefit of $3 million and $13 million, respectively. Discrete tax items are comprised of unusual or infrequent items, items related to uncertain tax positions, and other discrete tax items, as further described above under the heading "Definition of Terms and Non-GAAP Financial Measures". For the three and six months ended March 31, 2020, discrete tax items are primarily comprised of changes in uncertain tax positions and the impact of tax reform legislation in a foreign jurisdiction.

For fiscal year 2021, the Operating tax rate is expected to be in the range of 27% to 29%. 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.

We file U.S. federal and state and non-U.S. income tax returns in jurisdictions with varying statutes of limitations. We are under audit in a number of jurisdictions. It is possible that some of these audits will be resolved in fiscal 2021 and could impact our effective tax rate. We have filed our tax returns in accordance with the tax laws, in all material respects, in each jurisdiction and maintain tax reserves for uncertain tax positions.

Net Income (Loss) Attributable to Noncontrolling Interests

	Three Months Ended March 31		Six Months Ended March 31	
	2021	2020	2021	2020
	(In millions)			
Equity in earnings of affiliated companies, net of tax	$ 1	$ 1	$ 1	$ 1
Net income (loss) attributable to noncontrolling interests, net of tax	$ 10	$ 4	$ 20	$ 9

Equity in earnings of affiliated companies, net of tax, remained flat in both the second quarter and the first six months of fiscal 2021 compared to the same periods of fiscal 2020.

Net income (loss) attributable to noncontrolling interests, net of tax, increased by $6 million and $11 million in the second quarter of fiscal 2021 and for the six months ended March 31, 2021, respectively, as compared to the same periods in fiscal 2020 primarily due to higher profitability from our joint ventures in China.

Net Income Attributable to Cabot Corporation

In the second quarter and first six months of fiscal 2021, we reported Net income (loss) attributable to Cabot Corporation of $75 million and $135 million, or $1.30 per diluted common share and $2.36 per diluted common share, respectively. This compares to Net income (loss) attributable to Cabot Corporation of $(1) million and $40 million, or $(0.01) per diluted common share and $0.70 per diluted common share, respectively, in the second quarter and first six months of fiscal 2020. The higher net income in the second quarter of fiscal 2021 and first six months of fiscal 2021 compared with the same periods in fiscal 2020 is primarily due to improved EBIT in the Reinforcement Materials and Performance Chemicals segments. In addition, results for these periods in fiscal 2020 included a $50 million legal settlement charge.

Second quarter of Fiscal 2021 versus Second quarter of Fiscal 2020—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 and six months ended March 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 M of our Notes to the Consolidated Financial Statements.

	Three Months Ended March 31		Six Months Ended March 31	
	2021	2020	2021	2020
	(In millions)			
Income (loss) before income taxes and equity in earnings of affiliated companies	$ 118	$ 12	$ 217	$ 62
Less: Certain items	(1)	(56)	(12)	(67)
Less: Other unallocated items	(30)	(27)	(60)	(52)
Total segment EBIT	$ 149	$ 95	$ 289	$ 181

In the second quarter of fiscal 2021, Income (loss) before income taxes and equity in earnings of affiliated companies increased by $106 million and Total segment EBIT increased by $54 million. The increase in Income (loss) before income taxes and equity earnings of affiliated companies was driven by increased Total segment EBIT and a $50 million charge in the second quarter of fiscal 2020 related to a legal settlement. The increase in Total segment EBIT was driven by higher volumes and unit margins, partially offset by higher fixed costs in the Reinforcement Materials and Performance Chemicals segments. Higher volumes in the Reinforcement Materials ($28 million) and Performance Chemicals segment ($17 million) were driven by stronger demand across all regions and key end markets due to continued market recovery from the COVID-19 pandemic. Higher unit margins in the Reinforcement Materials segment ($4 million) were primarily due to price increases in Asia ahead of rising feedstock costs. Higher unit margins in the Performance Chemicals segment ($14 million) were largely due to favorable product mix in our specialty carbons and fumed metal oxide product lines due to higher demand in more specialized applications.

In the first six months of fiscal 2021, Income (loss) before income taxes and equity in earnings of affiliated companies increased by $155 million and Total segment EBIT increased by $108 million. The increase in Income (loss) before income taxes and equity earnings of affiliated companies was driven by increased Total segment EBIT and a $50 million charge in the second quarter of fiscal 2020 related to a legal settlement. The increase in Total segment EBIT was driven by higher volumes and unit margins. Higher volumes in the Performance Chemicals ($30 million) and Reinforcement Materials segments ($28 million) were driven by stronger demand across all regions due to continued market recovery from the COVID-19 pandemic. Higher unit margins in the Reinforcement Materials segment ($37 million) were primarily due to price increases in Asia ahead of rising feedstock costs. Higher unit margins in the Performance Chemicals segment ($17 million) were largely due to favorable product mix in our specialty carbons and specialty compounds product lines.

Certain Items

Details of the certain items for the second quarter and first six months of fiscal 2021 and fiscal 2020 are as follows:

	Three Months Ended March 31		Six Months Ended March 31	
	2021	2020	2021	2020
	(In millions)			
Employee benefit plan settlement and other charges (Note D)	$ 1	$ (1)	$ (5)	$ (3)
Global restructuring activities (Note J)	(1)	(5)	(4)	(13)
Acquisition and integration-related charges	(1)	(1)	(2)	(2)
Legal and environmental matters and reserves	—	(51)	—	(50)
Specialty Fluids loss on sale and asset impairment charges	—	(1)	—	(1)
Indirect tax settlement credits	—	3	—	3
Other	—	—	(1)	(1)
Total certain items, pre-tax	(1)	(56)	(12)	(67)
Tax-related certain items:				
Tax impact of certain items	(4)	8	(2)	10
Discrete tax items	1	3	3	13
Total tax-related certain items	(3)	11	1	23
Total certain items, after tax	$ (4)	$ (45)	$ (11)	$ (44)

The tax impact of certain items is determined by (1) starting with the current and deferred income tax expense or benefit included in Net income (loss) attributable to Cabot Corporation, and (2) subtracting the tax expense or benefit on "adjusted earnings". Adjusted earnings is defined as the pre-tax income attributable to Cabot Corporation excluding certain items. The tax expense or benefit on adjusted earnings is calculated by applying the operating tax rate, as defined under the heading "Definition of Terms and Non-GAAP Financial Measures", to adjusted earnings.

Other Unallocated Items

	Three Months Ended March 31		Six Months Ended March 31	
	2021	2020	2021	2020
	(In millions)			
Interest expense	$ (13)	$ (14)	$ (25)	$ (28)
Unallocated corporate costs	(16)	(12)	(29)	(22)
General unallocated income (expense)	—	—	(5)	(1)
Less: Equity in earnings of affiliated companies, net of tax	1	1	1	1
Total other unallocated items	$ (30)	$ (27)	$ (60)	$ (52)

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 second quarter and first six months of fiscal 2021 and 2020 were as follows:

	Three Months Ended March 31		Six Months Ended March 31	
	2021	2020	2021	2020
	(In millions)			
Reinforcement Materials Sales	$ 434	$ 355	$ 809	$ 734
Reinforcement Materials EBIT	$ 89	$ 61	$ 177	$ 108

Sales in Reinforcement Materials increased by $79 million in the second quarter of fiscal 2021 compared to the same period of fiscal 2020, primarily due to higher volumes ($62 million), a favorable price and product mix (combined $9 million), and a favorable impact from foreign currency translation ($8 million). The higher volumes in fiscal 2021 were driven by stronger demand across all regions as compared to lower volumes in fiscal 2020 due to demand declines resulting from the COVID-19 pandemic. The favorable price and product mix was primarily due to higher prices from higher feedstock costs that are passed through to our customers.

In the first six months of fiscal 2021, sales in Reinforcement Materials increased by $75 million when compared to the first six months of fiscal 2020. The increase was primarily due to higher volumes ($67 million) and a favorable impact from foreign currency translation ($6 million). The higher volumes in fiscal 2021 were driven by stronger demand across all regions as compared to lower volumes in fiscal 2020 due to demand declines resulting from the COVID-19 pandemic.

EBIT in Reinforcement Materials in the second quarter of fiscal 2021 increased $28 million compared to the same period of fiscal 2020. During the second quarter of fiscal 2021, the segment had 18% higher volumes ($28 million). The higher volumes in fiscal 2021 were driven by stronger demand across all regions as compared to lower volumes in fiscal 2020 due to demand declines resulting from the COVID-19 pandemic.

EBIT in Reinforcement Materials increased $69 million in the first six months of fiscal 2021 compared to the same period of fiscal 2020. The increase was driven by higher unit margins ($37 million), higher volumes ($28 million), and a favorable impact from foreign currency translation ($5 million). The higher unit margins were driven by improved pricing and product mix in Asia. The higher volumes in fiscal 2021 were driven by stronger demand across all regions as compared to lower volumes in fiscal 2020 due to demand declines resulting from the COVID-19 pandemic.

We expect demand to remain strong in the second half of the fiscal year. We also anticipate higher feedstock costs flow-through in Asia and higher fixed costs in the second half as compared to the first half of the fiscal year for planned plant maintenance activities.

Performance Chemicals

Sales and EBIT for Performance Chemicals for the second quarter and first six months of fiscal 2021 and 2020 were as follows:

	Three Months Ended March 31		Six Months Ended March 31	
	2021	2020	2021	2020
	(In millions)			
Performance Additives Sales	$ 203	$ 168	$ 387	$ 338
Formulated Solutions Sales	91	77	174	149
Performance Chemicals Sales	$ 294	$ 245	$ 561	$ 487
Performance Chemicals EBIT	$ 58	$ 31	$ 112	$ 72

Sales in Performance Chemicals increased by $49 million in the second quarter of fiscal 2021 compared to the same period of fiscal 2020, primarily due to increased volumes ($30 million), the favorable impact from foreign currency translation ($13 million), and favorable price and product mix (combined $5 million). The higher volumes were primarily due to stronger demand across our key product lines and inventory replenishment by our customers. The favorable product mix was due to higher demand in automotive applications in our specialty carbons product line and in targeted growth initiatives.

In the first six months of fiscal 2021, sales in Performance Chemicals increased $74 million when compared to the same period of fiscal 2020. The increase was primarily due to higher volumes ($51 million), and the favorable impact from foreign currency translation ($21 million). The higher volumes were primarily due to stronger demand across our key product lines and inventory replenishment by our customers.

EBIT in Performance Chemicals increased by $27 million in the second quarter of fiscal 2021 compared to the second quarter of fiscal 2020 primarily due to increased volumes ($17 million), and higher unit margins ($14 million), partially offset by higher fixed cost ($5 million). Increased volumes resulted from increased demand across key product lines and inventory replenishment by our customers. Favorable unit margins were driven by our specialty carbons and fumed metal oxides product lines from higher demand in more specialized applications. Increased fixed costs were driven by higher depreciation related to a new fumed metal oxides plant.

EBIT in Performance Chemicals increased by $40 million in the first six months of fiscal 2021 when compared to the same period of fiscal 2020 primarily due to increased volumes ($30 million), higher unit margins ($17 million), and a favorable impact from foreign currency translation ($6 million), partially offset by higher fixed costs ($12 million). Higher volumes across all product lines resulted from continuing strength in demand and inventory replenishment by our customers. Favorable unit margins were driven by our specialty carbons and specialty compounds product lines due to higher demand in automotive applications and in targeted growth initiatives. Increased fixed costs were driven by higher depreciation from the startup of our new fumed metal oxides plant and certain one-time plant costs.

Looking ahead to the second half of the fiscal year, we anticipate overall demand to remain strong. However, we anticipate demand into automotive applications to moderate in the second half of the fiscal year as compared to the first half of the fiscal year due to the semi-conductor chip shortage and higher fixed costs due to the timing of spending.

Purification Solutions

Sales and EBIT for Purification Solutions for the second quarter and first six months of fiscal 2021 and 2020 were as follows:

	Three Months Ended March 31		Six Months Ended March 31	
	2021	2020	2021	2020
	(In millions)			
Purification Solutions Sales	$ 63	$ 64	$ 122	$ 123
Purification Solutions EBIT	$ 2	$ 3	$ —	$ 1

Sales in Purification Solutions decreased by $1 million in the second quarter of fiscal 2021 compared to the same period of fiscal 2020 due to lower volumes ($5 million), partially offset by favorable impact from foreign currency translation ($3 million) and improved pricing and a more favorable product mix (combined $1 million). The lower volumes were primarily due to lower sales in mercury removal products.

Sales in Purification Solutions decreased by $1 million in the first six months of fiscal 2021 when compared to the same period of fiscal 2020 due to lower volumes ($10 million), partially offset by the favorable impact from foreign currency translation ($5 million), and improved pricing and a more favorable product mix (combined $4 million). The lower volumes were primarily due to lower sales in mercury removal products.

EBIT in Purification Solutions decreased by $1 million in the second quarter of fiscal 2021 compared to the second quarter of fiscal 2020 due to lower volumes ($3 million), and an unfavorable impact of changing inventory levels ($3 million), partially offset by lower fixed costs ($5 million). The lower volumes were primarily due to lower sales in mercury removal products. Reduced fixed cost were driven by the sale of our mine in Marshall, TX and the related long-term activated carbon supply agreement.

EBIT in Purification Solutions decreased by $1 million in the first six months of fiscal 2021 when compared to the same period of fiscal 2020 due to an unfavorable impact of changing inventory levels ($8 million) and lower volumes ($6 million), partially offset by lower fixed costs ($11 million) and higher unit margins ($2 million). The lower volumes were primarily due to a decrease in demand in mercury removal products, while the higher unit margins were primarily due to an improved product mix and higher prices. Reduction in fixed costs were driven by the sale of our mine in Marshall, TX and the related long-term activated carbon supply agreement.

As we look to the second half of the fiscal year, we expect EBIT in Purification Solutions to continue to benefit from higher seasonal volumes.

Cash Flows and Liquidity

Overview

Our liquidity position, as measured by cash and cash equivalents plus borrowing availability, decreased by $127 million during the first six months of fiscal 2021, which was largely attributable to the termination of our $100 million unsecured revolving credit agreement (the "Canadian Credit Agreement") and higher net working capital, partially offset by higher business earnings. As of March 31, 2021, we had cash and cash equivalents of $146 million and borrowing availability under our revolving credit agreements of $1.2 billion.

We have access to borrowings under the following two credit agreements:

- $1 billion unsecured revolving credit agreement (the "JPM 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 October 2022. The JPM Credit Agreement provides liquidity for working capital and general corporate purposes and supports our commercial paper program.
- €300 million unsecured revolving credit agreement (the "Euro Credit Agreement" and together with the JPM 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 JPM 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.

During the second fiscal quarter of 2021, we terminated our $100 million unsecured revolving credit agreement with TD Bank, NA, as Lender, which had a maturity date of September 2021. The Canadian Credit Agreement provided liquidity for working capital and general corporate purposes for certain of our Canadian subsidiaries. We had no borrowings under this agreement during either fiscal 2021 or 2020.

As of March 31, 2021, we were in compliance with our 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 total debt not to exceed consolidated EBITDA (earnings before interest, taxes, depreciation and amortization) for the four quarters then ending by more than 3.50 to 1.00. Because of the uncertainty of the overall financial impact of the COVID-19 pandemic and to increase our financial flexibility, we amended the Credit Agreements as of June 8, 2020 to, among other changes, set the consolidated total debt to consolidated EBITDA ratio at 4.50 to 1.00 for the fiscal quarters ending September 30, 2020 through June 30, 2021.

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 revolving credit facility borrowings to meet our U.S. cash needs. We generally reduce our commercial paper balance and, if applicable, borrowings under the 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 our revolving credit facilities. As of March 31, 2021, there were no borrowings on the JPM Credit Agreement. As of March 31, 2021, our borrowings under the Euro Credit Agreement totaled $140 million and we had $44 million of commercial paper outstanding.

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 continue to actively manage the business throughout the ongoing COVID-19 pandemic to maintain cash flow and we anticipate sufficient liquidity from (i) cash on hand; (ii) cash flows from operating activities; and (iii) cash available from our 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 provided 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 $86 million in the first six months of fiscal 2021 compared to $129 million of cash provided by operating activities during the same period of fiscal 2020.

Cash provided by operating activities in the first six months of fiscal 2021 was driven by business earnings excluding the non-cash impact of depreciation and amortization of $77 million, which was partially offset by an increase in net working capital of $179 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 made in the first quarter of fiscal 2021 related to a respirator litigation settlement in fiscal 2020 as discussed in Note G.

Cash provided by operating activities in the first six months of fiscal 2020 was driven by business earnings excluding $55 million of non-cash items, which includes depreciation and amortization of $78 million and a decrease in Accounts and notes receivable of $56 million, partially offset by an increase in Prepaid expenses and other current assets of $33 million.

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

Restructurings — As of March 31, 2021, we had $6 million of total restructuring costs in accrued expenses in the Consolidated Balance Sheets related to certain of our global restructuring activities. In the first six months of fiscal 2021, we paid $5 million related to these restructuring activities, and we expect to make additional cash payments of approximately $6 million in fiscal 2021 and $8 million thereafter.

Litigation Matters — As of March 31, 2021, we had a $22 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 $66 million of cash in the first six months of fiscal 2021 compared to $126 million of cash consumed in the first six months of fiscal 2020. In both periods, investing activities primarily consisted of capital expenditures for sustaining and compliance capital projects at our operating facilities as well as capacity expansion capital expenditures. In the first six months of fiscal 2021, capacity expansion capital expenditures were primarily in Performance Chemicals, and in the same period of fiscal 2020 they were primarily in Performance Chemicals and Reinforcement Materials. In addition, in the first six months of fiscal 2020, we paid $8 million for the plant that we acquired from Nippon Steel Carbon Co., Ltd. in September 2018.

Capital expenditures for fiscal 2021 are expected to be approximately $200 million. Our planned capital spending program for fiscal 2021 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 consumed $27 million of cash in the first six months of fiscal 2021 compared to $10 million of cash provided during the same period of fiscal 2020. In the first six months of fiscal 2021, financing activities primarily consisted of dividend payments to stockholders of $40 million and net repayments from borrowings under our revolvers of $17 million, which consisted of proceeds of $100 million less repayments of $117 million.

In the first six months of fiscal 2020, financing activities primarily consisted of net proceeds from borrowings under our revolvers of $147 million, which consisted of proceeds of $197 million less repayments of $50 million, share repurchases of $44 million, dividend payments to stockholders of $40 million, and the repayment of $33 million of commercial paper.

Off-Balance Sheet Arrangements

As of March 31, 2021, we had no material transactions that meet the definition of an off-balance sheet arrangement.

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 for future financial performance and the factors we expect to impact our results of operations, including the factors we expect to impact results in our Reinforcement Materials, Performance Chemicals, and Purification Solutions segment in the second half of fiscal 2021; the amount and the timing of the contingent consideration we expect to pay related to the SUSN acquisition; the amount and timing of the charge to earnings we will record and the cash outlays we will make in connection with our reorganization and the closing of certain manufacturing facilities, restructuring initiatives and under our transformation plan for our Purification Solutions business; our estimated future amortization expenses for our intangible assets; the timing of expected payments from our reserve for pending and future respirator claims; our entry into cross-currency swaps and other financial instruments to manage foreign currency risks; the sufficiency of our cash on hand, cash provided from operations and cash available under our credit facilities and commercial paper program to fund our cash requirements; our expectations regarding our ability to repatriate funds or access additional debt under our revolving credit facilities; uses of available cash including anticipated capital spending; our expected operating tax rate for fiscal 2021; and the possible outcome of legal 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 with certainty. Factors that will influence the impact on our business and operations include the duration and extent of the pandemic, the level and timing of vaccine distribution around the world and its impact on the 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.

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; 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 2020 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 March 31, 2021 does not differ materially from that discussed under Item 7A of our 2020 10-K.

Item 4. Controls and Procedures

As of March 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 March 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. As permitted by the rules and regulations of the Securities and Exchange Commission we excluded from our assessment the internal controls over financial reporting at Shenzhen Sanshun Nano New Materials Co., Ltd ("SUSN"), which was acquired on April 1, 2020, for the period ended March 31, 2021. As a result of the COVID-19 pandemic, certain of our employees have been working remotely and certain manufacturing sites have been operating with limited personnel on-site. We have not identified any material changes in our internal control over financial reporting as a result of these changes to the working environment. We are continually monitoring and assessing the COVID-19 situation to determine any potential impacts on the design and operating effectiveness of our internal controls over financial reporting.

Part II. Other Information

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 10.1*†	Amended and Restated 2017 Long-Term Incentive Plan.
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 March 31, 2021, formatted in Inline XBRL (included in Exhibit 101).

* Filed herewith.

** Furnished herewith.

† Management contract or compensatory plan or arrangement.

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: May 5, 2021

By: /s/ ERICA MCLAUGHLIN

Erica McLaughlin
Senior Vice President and Chief Financial Officer
(Duly Authorized Officer)

Date: May 5, 2021

By: /s/ LISA M. DUMONT

Lisa M. Dumont
Vice President and Controller
(Chief Accounting Officer)

Exhibit 10.1

CABOT CORPORATION
AMENDED AND RESTATED 2017 LONG-TERM INCENTIVE PLAN
(effective March 11, 2021)

1. DEFINED TERMS

Exhibit A, which is incorporated by reference, defines the terms used in the Plan and sets forth certain operational rules related to those terms.

2. PURPOSE

The Plan has been established to advance the interests of the Company and its stockholders by providing for the grant to Participants of Stock-based and other incentive Awards to (i) enhance the Company's ability to attract and retain employees, consultants, advisors and others who are in a position to make significant contributions to the success of the Company and its subsidiaries and (ii) encourage Participants to take into account the long-term interests of the Company and its stockholders through ownership of shares of Stock.

3. ADMINISTRATION

The Administrator has discretionary authority, subject only to the express provisions of the Plan, to interpret the Plan; determine eligibility for and grant Awards; determine, modify or waive the terms and conditions of any Award; determine the form of settlement of Awards (whether in cash, shares of Stock or other property); prescribe forms, rules and procedures under the Plan and for Awards; and otherwise do all things necessary to carry out the purposes of the Plan. Determinations of the Administrator made under the Plan will be conclusive and will bind all parties.

4. LIMITS ON AWARDS UNDER THE PLAN

(a) **Number of Shares**. Subject to the provisions of Section 7(b), the maximum number of shares of Stock that may be delivered in satisfaction of Awards under the Plan shall be 7,877,853 (inclusive of shares that may be delivered in satisfaction of Awards granted under the Plan prior to the Effective Date), plus the number of shares of Stock that as of the Effective Date are subject to awards under the Company's 2009 Long-Term Incentive Plan (the "**2009 Plan**") (which shall not exceed 383,766 shares) and that on or after the Effective Date expire or are terminated, surrendered or canceled without the delivery of any shares of Stock, or are forfeited or reacquired by the Company, in accordance with the terms of such plan. Up to 7,877,853 shares of Stock set forth in the preceding sentence may be issued in satisfaction of ISOs, but nothing in this Section 4(a) will be construed as requiring that any, or any fixed number of, ISOs be awarded under the Plan. For purposes of this Section 4(a), the number of shares of Stock delivered in satisfaction of Awards will be determined (i) by including shares of Stock withheld by the Company in payment of the exercise price or purchase price of the Award or an award granted under the 2009 Plan or in satisfaction of tax withholding requirements with respect to the Award or an award granted under the 2009 Plan, (ii) by including the full number of shares covered by a SAR any portion of which is settled in Stock (and not only the number of shares of Stock delivered in settlement of such Award), and (iii) by excluding any shares of Stock underlying Awards settled in cash or that otherwise expire or become unexercisable without having been exercised or that terminate or are forfeited to or repurchased by the Company due to failure to vest. For the avoidance of doubt, the number of shares of Stock available for delivery under the Plan will not be increased by any shares of Stock subject to Awards that are withheld by the Company in payment of the exercise price or purchase price of the Award or in satisfaction of tax withholding requirements with respect to the Award, any shares of Stock covered by a SAR any portion of which is settled in stock, or any shares of Stock that have been delivered under the Plan and that are subsequently repurchased using proceeds directly attributable to Stock Option exercises. The limits set forth in this Section 4(a) shall be construed to comply with Section 422. To the extent consistent with the requirements of Section 422 and the regulations thereunder, and other applicable legal requirements (including applicable stock exchange requirements), Stock issued under Substitute Awards will not reduce the number of shares available for Awards under the Plan. The number of shares of Stock that may be delivered under Substitute Awards will be in addition to the limitations set forth in this Section 4(a) on the number of shares available for issuance under the Plan, and such Substitute Awards will not be subject to the per-Participant Award limits described in Section 4(c) below.

(b) **Fungible Share Plan**. Each share of Stock subject to an Award consisting of Stock Options and/or SARs shall be counted against the limits set forth in Section 4(a) as one share. Each share of Stock subject to any other Award to be settled in Stock shall be counted against the limits set forth in Section 4(a) as 2.4 shares.

(c) **Type of Shares**. Stock delivered by the Company under the Plan may be authorized but unissued Stock or previously issued Stock acquired by the Company. No fractional shares of Stock will be delivered under the Plan.

(d) **Individual Limits**. The following additional limits will apply to Awards of the specified type granted to any person in any fiscal year:

(1) Stock Options: 500,000 shares of Stock.

(2) SARS: 500,000 shares of Stock.

(3) Awards other than Stock Options or SARS: 500,000 shares of Stock.

In applying the foregoing limits, (i) all Awards of the specified type granted to the same person in the same fiscal year will be aggregated and made subject to one limit; (ii) the limits applicable to Stock Options and SARs refer to the number of shares of Stock underlying such Awards; (iii) the share limit under clause (3) refers to the maximum number of shares of Stock (determined without regard to Section 4(b)) that may be delivered, or the value of which could be paid in cash or other property, under an Award of the type specified in clause (3) assuming a maximum payout; and (iv) Awards that are settled in cash will count against the applicable share limit under clause (1), (2) or (3).

5. ELIGIBILITY AND PARTICIPATION

The Administrator will select Participants from among those key Employees, consultants and advisors to the Company or its Affiliates who, in the opinion of the Administrator, are in a position to make a significant contribution to the success of the Company and its Affiliates, or to other individuals who would otherwise meet the eligibility conditions set forth above in this Section 5 but for the fact that they are not yet an Employee, consultant or advisor if the Company reasonably anticipates that such individuals will begin providing direct services to the Company or its Affiliates within twelve (12) months after the date of grant of the Award to such individual (and such individuals do in fact begin providing such services within that time period); *provided*, that for so long as the Company's 2015 Directors' Stock Compensation Plan (or any successor plan) (the "**Directors' Plan**") is in effect, non-employee members of the Board shall not be eligible to participate in this Plan and instead shall participate in the Directors' Plan. Eligibility for ISOs is limited to employees of the Company or of a "parent corporation" or "subsidiary corporation" of the Company as those terms are defined in Section 424 of the Code.

6. RULES APPLICABLE TO AWARDS

(a) **All Awards**

(1) **Award Provisions**. The Administrator will determine the terms of all Awards, subject to the limitations provided herein. By accepting (or, under such rules as the Administrator may prescribe, being deemed to have accepted) an Award, the Participant agrees to the terms of the Award and the Plan. Notwithstanding any provision of this Plan to the contrary, Substitute Awards may contain terms and conditions that are inconsistent with the terms and conditions specified herein, as determined by the Administrator.

(2) **Term of Plan**. No Awards may be made after the tenth anniversary of the Effective Date, but previously granted Awards may continue beyond that date in accordance with their terms.

(3) **Transferability**. Neither ISOs nor, except as the Administrator otherwise expressly provides in accordance with the second sentence of this Section 6(a)(3), other Awards may be transferred other than by will or by the laws of descent and distribution, and during a Participant's lifetime ISOs (and, except as the Administrator otherwise expressly provides in accordance with the second sentence of this Section 6(a)(3), other Awards requiring exercise) may be exercised only by the Participant. The Administrator may permit Awards other than ISOs to be transferred by gift, subject to applicable securities and other laws and such limitations as the Administrator may impose, *provided*, that no Stock Option may be transferred for value or consideration.

(4) **Vesting; Termination of Employment**. The Administrator may determine the time or times at which an Award will vest or become exercisable, the terms on which an Award requiring exercise will remain exercisable and the effect of a termination of a Participant's Employment on Awards then held by the Participant. Without limiting the foregoing, the Administrator may at any time accelerate the vesting or exercisability of an Award, regardless of any adverse or potentially adverse tax consequences resulting from such acceleration. Unless the Administrator expressly provides otherwise, however, the following rules will apply: immediately upon the cessation of the Participant's Employment, each Award requiring exercise that is then held by the Participant or by the Participant's permitted transferees, if any, that is then not vested and/or exercisable will terminate, and all other Awards that are then held by the Participant or by the Participant's permitted transferees, if any, to the extent not already vested will be forfeited.

(5) **Taxes**. The Administrator will make such provision for the withholding of taxes as it deems necessary. The Administrator may, but need not, hold back shares of Stock from an Award (but not in excess of the maximum withholding amount consistent with the Award being subject to equity accounting treatment under applicable accounting rules (including FASB ASC Topic 718 (or any successor provision))) or permit a Participant to tender previously owned shares of Stock in satisfaction of tax withholding requirements, in each case, to the extent and in such amounts as determined by the Administrator.

(6) **Dividend Equivalents, Etc**. The Administrator may provide for the payment of amounts (on terms and subject to conditions established by the Administrator) in lieu of cash dividends or other cash distributions with respect to Stock subject to an Award whether or not the holder of such Award is otherwise entitled to share in the actual dividend or distribution in respect of such Award. Any entitlement to dividend equivalents or similar entitlements will be established and administered either consistent with an exemption from, or in compliance with, the requirements of Section 409A. Dividends or dividend equivalent amounts payable in respect of Awards that are subject to restrictions may be subject to such limits or restrictions as the Administrator may impose. In no event, however, will any dividend or dividend equivalent amounts be paid in respect of any Stock Option or SAR or portion thereof until the Stock Option, SAR or portion thereof, as applicable, has vested.

(7) **Rights Limited**. Nothing in the Plan will be construed as giving any person the right to continued employment or service with the Company or its Affiliates, or any rights as a stockholder except as to shares of Stock actually issued under the Plan. The loss of existing or potential profit in Awards will not constitute an element of damages in the event of termination of Employment for any reason, even if the termination is in violation of an obligation of the Company or any Affiliate to the Participant.

(8) **Coordination with Other Plans**. Awards under the Plan may be granted in tandem with, or in satisfaction of or substitution for, other Awards under the Plan or awards made under other compensatory plans or programs of the Company or its Affiliates. For example, but without limiting the generality of the foregoing, awards under other compensatory plans or programs of the Company or its Affiliates may be settled in Stock (including, without limitation, Unrestricted Stock) if the Administrator so determines, in which case the shares delivered shall be treated as awarded under the Plan (and shall reduce the number of shares thereafter available under the Plan in accordance with the rules set forth in Section 4).

(9) **Additional Restrictions**. The Administrator may cancel, rescind, withhold or otherwise limit or restrict any Award at any time if the Participant is not in compliance with all applicable provisions of the Award agreement and the Plan, or if the Participant breaches any agreement with the Company or its Affiliates with respect to non-competition, non-solicitation, confidentiality or other restrictive covenants. Without limiting the generality of the foregoing, the Administrator may recover Awards made under the Plan and payments or shares of Stock delivered under or gain in respect of any Award in accordance with any applicable Company clawback or recoupment policy, as such policy may be amended and in effect from time to time, or as otherwise required by applicable law or applicable stock exchange listing standards, including, without limitation, Section 10D of the Securities Exchange Act of 1934, as amended (the “**1934 Act**”).

(b) **Awards Requiring Exercise**

(1) **Time and Manner of Exercise**. Unless the Administrator expressly provides otherwise, an Award requiring exercise by the holder will not be deemed to have been exercised until the Administrator receives a notice of exercise (in form acceptable to the Administrator), which may be an electronic notice, signed (including electronic signature in a form acceptable to the Administrator) by the appropriate person and accompanied by any payment required under the Award. Any attempt to exercise a Stock Option or SAR by any person other than the Participant will not be given effect unless the Administrator has received such evidence as it may require that the person exercising the Stock Option or SAR has the right to do so.

(2) **Exercise Price**. The exercise price (or the base value from which appreciation is to be measured) of each Award requiring exercise shall be 100% (in the case of an ISO granted to a ten-percent shareholder within the meaning of subsection (b)(6) of Section 422, 110%) of the Fair Market Value of the Stock subject to the Award, determined as of the date of grant, or such higher amount as the Administrator may determine in connection with the grant. Except in connection with a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares) or as otherwise contemplated by Section 7 below, the Company may not, without obtaining stockholder approval, (A) amend the terms of outstanding Stock Options or SARs to reduce the exercise price or base value of such Stock Options or SARs, (B) cancel outstanding Stock Options or SARs in exchange for Stock Options or SARs with an exercise price or base value that is less than the exercise price or base value of the original Stock Options or SARs, or (C) cancel outstanding Stock Options or SARs that have a per-share exercise price or base value greater than the Fair Market Value of a share of Stock on the date of such cancellation in exchange for cash or other consideration.

(3) **Payment of Exercise Price**. Where the exercise of an Award is to be accompanied by payment, payment of the exercise price shall be by cash or check acceptable to the Administrator, or, if so permitted by the Administrator and if legally permissible,

(i) through the delivery of shares of Stock that have a Fair Market Value equal to the exercise price, (ii) through a broker-assisted exercise program acceptable to the Administrator, (iii) by other means acceptable to the Administrator, or (iv) by any combination of the foregoing permissible forms of payment. The delivery of shares in payment of the exercise price under clause (i) above may be accomplished either by actual delivery or by constructive delivery through attestation of ownership, subject to such rules as the Administrator may prescribe.

(4) **Maximum Term**. Awards requiring exercise will have a maximum term not to exceed ten (10) years from the date of grant (or five years from the date of grant in the case of an ISO granted to a 10-percent stockholder described in Section 6(b)(2) above).

7. EFFECT OF CERTAIN TRANSACTIONS

(a) **Mergers, Etc.** Except as otherwise provided in an Award or by the Administrator, the following provisions shall apply in the event of a Covered Transaction and Awards may be treated as set forth in subsections (1), (2) and/or (3) below, in the discretion of the Administrator:

(1) **Assumption or Substitution**. If the Covered Transaction is one in which there is an acquiring or surviving entity, the Administrator may provide (A) for the assumption or continuation of some or all outstanding Awards or any portion thereof or (B) for the grant of new awards in substitution therefor by the acquiror or survivor or an affiliate of the acquiror or survivor.

(2) **Cash-Out of Awards**. Subject to Section 7(a)(5), the Administrator may provide for payment (a "**cash-out**"), with respect to some or all Awards or any portion thereof, equal in the case of each affected Award or portion thereof to the excess, if any, of (A) the Fair Market Value of one share of Stock times the number of shares of Stock subject to the Award or such portion, over (B) the aggregate exercise or purchase price, if any, under the Award or such portion (in the case of a SAR, the aggregate base value above which appreciation is measured), in each case on such payment terms (which need not be the same as the terms of payment to holders of Stock) and other terms, and subject to such conditions, as the Administrator determines; it being understood that if the exercise or purchase price (or base value) of an Award is equal to or greater than the Fair Market Value of one share of Stock, the Award may be cancelled with no payment due hereunder in respect of such Award.

(3) **Acceleration of Certain Awards**. Subject to Section 7(a)(5), the Administrator may provide that some or all Awards requiring exercise will become fully exercisable and/or that the delivery of any shares of Stock remaining deliverable under some or all outstanding Awards of Stock Units (including Restricted Stock Units and Performance Awards to the extent consisting of Stock Units) will be accelerated in full and such shares will be delivered, prior to the Covered Transaction, in each case on a basis that gives the holder of the Award a reasonable opportunity, as determined by the Administrator, following exercise of such Award or the delivery of the shares underlying such Award, as the case may be, to participate as a stockholder in the Covered Transaction.

(4) **Termination of Awards Upon Consummation of Covered Transaction**. Each Award will terminate upon consummation of the Covered Transaction, other than the following: (i) Awards assumed pursuant to Section 7(a)(1) above and (ii) outstanding shares of Restricted Stock (which shall be treated in the same manner as other shares of Stock, subject to Section 7(a)(5) below).

(5) **Additional Limitations**. Any share of Stock and any cash or other property delivered pursuant to Section 7(a)(2) or Section 7(a) (3) above with respect to an Award may, in the discretion of the Administrator, contain such restrictions, if any, as the Administrator deems appropriate to reflect any performance or other vesting conditions to which the Award was subject and that did not lapse (and were not satisfied) in connection with the Covered Transaction. For purposes of the immediately preceding sentence, a cash-out under Section 7(a)(2) or Section 7(a)(3) will not, in and of itself, be treated as the lapsing (or satisfaction) of a performance or other vesting condition. In the case of Restricted Stock that does not vest in connection with the Covered Transaction, the Administrator may require that any amounts delivered, exchanged or otherwise paid in respect of such Stock in connection with the Covered Transaction be placed in escrow or otherwise made subject to such restrictions as the Administrator deems appropriate to carry out the intent of the Plan.

(b) **Changes in and Distributions With Respect to Stock**

(1) **Basic Adjustment Provisions**. In the event of a stock dividend, stock split or combination of shares (including a reverse stock split), recapitalization or other change in the Company's capital structure that constitutes an equity restructuring within the meaning of FASB ASC Topic 718 (or any successor provision), the Administrator shall make appropriate adjustments to the maximum number of shares specified in Section 4(a) that may be delivered under the Plan and to the maximum share limits described in Section 4(d), and shall also make appropriate adjustments to the number and kind of shares of stock or securities subject to Awards then outstanding or subsequently granted, any exercise prices relating to Awards and any other provision of Awards affected by such change.

(2) **Certain Other Adjustments**. The Administrator may also make adjustments of the type described in Section 7(b)(1) above to take into account distributions to stockholders other than those provided for in Section 7(a) and 7(b)(1), or any other event, if the Administrator determines that adjustments are appropriate to avoid distortion in the operation of the Plan and to preserve the value of Awards made hereunder.

(3) **Continuing Application of Plan Terms**. References in the Plan to shares of Stock will be construed to include any stock or securities resulting from an adjustment pursuant to this Section 7.

8. LEGAL CONDITIONS ON DELIVERY OF STOCK

The Company will not be obligated to deliver any shares of Stock pursuant to the Plan or to remove any restriction from shares of Stock previously delivered under the Plan until: (i) the Company is satisfied that all legal matters in connection with the issuance and delivery of such shares have been addressed and resolved; (ii) if the outstanding Stock is at the time of delivery listed on any stock exchange or national market system, the shares to be delivered have been listed or authorized to be listed on such exchange or system upon official notice of issuance; and (iii) all conditions of the Award have been satisfied or waived. If the sale of Stock has not been registered under the Securities Act of 1933, as amended, the Company may require, as a condition to the exercise or settlement of the Award, such representations or agreements as counsel for the Company may consider appropriate to avoid violation of such Act. The Company may require that certificates evidencing Stock issued under the Plan bear an appropriate legend reflecting any restriction on transfer applicable to such Stock, and the Company may hold the certificates pending lapse of the applicable restrictions.

9. AMENDMENT AND TERMINATION

The Administrator may at any time or times amend the Plan or any outstanding Award for any purpose which may at the time be permitted by law, and may at any time terminate the Plan as to any future grants of Awards; *provided*, that except as otherwise expressly provided in the Plan the Administrator may not, without the Participant's consent, alter the terms of an Award so as to affect materially and adversely the Participant's rights under the Award, unless the Administrator expressly reserved the right to do so at the time of the Award. Any amendments to the Plan shall be conditioned upon stockholder approval only to the extent, if any, such approval is required by law (including the Code and applicable stock exchange requirements), as determined by the Administrator.

10. OTHER COMPENSATION ARRANGEMENTS

The existence of the Plan or the grant of any Award will not in any way affect the Company's right to award a person bonuses or other compensation in addition to Awards under the Plan.

11. MISCELLANEOUS

(a) **Waiver of Jury Trial**. By accepting an Award under the Plan, each Participant waives any right to a trial by jury in any action, proceeding or counterclaim concerning any rights under the Plan and any Award, or under any amendment, waiver, consent, instrument, document or other agreement delivered or which in the future may be delivered in connection therewith, and agrees that any such action, proceeding or counterclaim shall be tried before a court and not before a jury. By accepting an Award under the Plan, each Participant certifies that no officer, representative, or attorney of the Company has represented, expressly or otherwise, that the Company would not, in the event of any action, proceeding or counterclaim, seek to enforce the foregoing waivers.

(b) **Limitation of Liability**. Notwithstanding anything to the contrary in the Plan, neither the Company, nor any Affiliate, nor the Administrator, nor any person acting on behalf of the Company, any Affiliate, or the Administrator, shall be liable to any Participant or to the estate or beneficiary of any Participant or to any other holder of an Award by reason of any acceleration of income, or any additional tax, asserted by reason of the failure of an Award to satisfy the requirements of Section 422 or Section 409A or by reason of Section 4999 of the Code.

(c) **Section 409A of the Code**. The Plan as well as payments and benefits under the Plan are intended either to be exempt from or, to the extent subject thereto, to comply with, the requirements under Section 409A, and, accordingly, to the maximum extent permitted, the Plan shall be interpreted in accordance therewith. Notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, the Participant shall not be considered to have terminated employment or service with the Company or any Affiliate for purposes of the Plan until the Participant would be considered to have incurred a "separation from service" from the Company and its Affiliates within the meaning of Section 409A (after giving effect to the presumptions contained therein). Notwithstanding anything to the contrary in the Plan, to the extent that any Awards (or any other amounts payable under any plan, program or arrangement of the Company or any of its Affiliates) are payable upon a separation from service and such payment would result in the imposition of any individual tax and penalty interest charges imposed under Section 409A, the settlement and payment of such Awards (or other amounts) shall instead be made on the first business day after the date that is six (6) months following such separation from service (or death, if earlier). Each amount to be paid or benefit to be provided under the Plan shall be construed as a separate identified payment for purposes of Section 409A and the right to a series of installment payments under the Plan is to be treated as a right to a series of separate payments. The Company makes no representation that any or all of the payments or benefits described in the Plan will be exempt from or comply with

Section 409A and makes no undertaking to preclude Section 409A from applying to any such payment. The Participant shall be solely responsible for the payment of any taxes and penalties incurred under Section 409A or any corresponding state or local law.

12. ESTABLISHMENT OF SUB-PLANS

The Administrator may from time to time establish one or more sub-plans under the Plan for purposes of satisfying applicable blue sky, securities or tax laws of various jurisdictions. The Administrator will establish such sub-plans by adopting supplements to the Plan setting forth (i) such limitations on the Administrator's discretion under the Plan as it deems necessary or desirable and (ii) such additional terms and conditions not otherwise inconsistent with the Plan as it deems necessary or desirable. All supplements so established will be deemed to be part of the Plan, but each supplement will apply only to Participants within the affected jurisdiction (as determined by the Administrator).

13. GOVERNING LAW

(a) **Certain Requirements of Corporate Law**. Awards shall be granted and administered consistent with the requirements of applicable Delaware law relating to the issuance of stock and the consideration to be received therefor, and with the applicable requirements of the stock exchanges or other trading systems on which the Stock is listed or entered for trading, in each case as determined by the Administrator.

(b) **Other Matters**. Except as otherwise provided by the express terms of an Award agreement, under a sub-plan described in Section 12 or as provided in Section 13(a) above, the provisions of the Plan and of Awards under the Plan and all claims or disputes arising out of our based upon the Plan or any Award under the Plan or relating to the subject matter hereof or thereof will be governed by and construed in accordance with the domestic substantive laws of the Commonwealth of Massachusetts without giving effect to any choice or conflict of laws provision or rule that would cause the application of the domestic substantive laws of any other jurisdiction.

(c) **Jurisdiction**. By accepting an Award, each Participant will be deemed to (a) have submitted irrevocably and unconditionally to the jurisdiction of the federal and state courts located within the geographic boundaries of the United States District Court for the District of Massachusetts for the purpose of any suit, action or other proceeding arising out of or based upon the Plan or any Award; (b) agree not to commence any suit, action or other proceeding arising out of or based upon the Plan or an Award, except in the federal and state courts located within the geographic boundaries of the United States District Court for the District of Massachusetts; and (c) waive, and agree not to assert, by way of motion as a defense or otherwise, in any such suit, action or proceeding, any claim that he or she is not subject personally to the jurisdiction of the above-named courts, that his or her property is exempt or immune from attachment or execution, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that the Plan or an Award or the subject matter thereof may not be enforced in or by such court.

EXHIBIT A
Definition of Terms

The following terms, when used in the Plan, will have the meanings and be subject to the provisions set forth below:

“Administrator”: The Compensation Committee; *provided*, that the Compensation Committee may delegate (i) to one or more of its members or to one or more members of the Board such of its duties, powers and responsibilities as it may determine; (ii) to one or more officers of the Company the power to grant rights or options to the extent permitted by Section 157(c) of the Delaware General Corporation Law; (iii) to one or more officers of the Company the authority to allocate other Awards among such persons eligible to receive Awards under the Plan as such delegated officer or officers determine consistent with such delegation; *provided*, that with respect to any delegation described in this clause (iii) the Compensation Committee (or a properly delegated member or members of such Committee) shall have specified the class of persons eligible under the Plan to receive such Awards, the number of shares of Stock under such Awards and the consideration, if any, to be paid therefor; and (iv) to such Employees or other persons as it determines such ministerial tasks as it deems appropriate. In the event of any delegation described in the preceding sentence, the term “Administrator” shall include the person or persons so delegated to the extent of such delegation.

“Affiliate”: Any corporation or other entity that stands in a relationship to the Company that would result in the Company and such corporation or other entity being treated as a single employer under Sections 414(b) or 414(c) of the Code, except that such Sections shall be applied by substituting “at least 50%” for “at least 80%” wherever applicable; *provided*, *however*, that in determining eligibility for the grant of a Stock Option or SAR by reason of service for an Affiliate, “Affiliate” shall mean any corporation or other entity in a chain of corporations all of which have a controlling interest in another corporation or other entity in the chain, beginning with the parent entity and ending with the entity for which the Award recipient was providing (or was expected to provide, in accordance with Section 5 of the Plan) services on the grant date of the Award (defining the term “controlling interest” based on “at least 50 percent” rather than “at least 80 percent”). The Company may at any time by amendment provide that different ownership thresholds apply (consistent with Section 409A, where applicable).

“Award”: Any or a combination of the following:

(i) Stock Options.

(ii) SARs.

(iii) Restricted Stock.

(iv) Unrestricted Stock.

(v) Stock Units, including Restricted Stock Units.

(vi) Performance Awards.

(viii) Awards (other than Awards described in (i) through (vi) above) that are convertible into or otherwise based on Stock.

“Board”: The Board of Directors of the Company.

“Change in Control”: Upon the following event or events:

(A) an event in which any “person” as such term is used in Sections 13(d) and 14(d) of the 1934 Act (other than (i) the Company, (ii) any subsidiary of the Company, (iii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company or of any subsidiary of the Company, or (iv) any company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company), is or becomes the “beneficial owner” (as defined in Section 13(d) of the 1934 Act), together with all affiliates and Associates (as such terms are used in Rule 12b-2 of the General Rules and Regulations under the 1934 Act) of such person, directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company’s then outstanding securities;

(B) the consummation of the merger or consolidation of the Company with any other company, other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any subsidiary of the Company, at least 65% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) after which no "person" (with the method of determining "beneficial ownership" used in clause (A) of this definition) owns more than 25% of the combined voting power of the securities of the Company or the surviving entity of such merger or consolidation;

(C) if during any period of two consecutive years (not including any period prior to the execution of the Plan), individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has conducted or threatened a proxy contest, or has entered into an agreement with the Company to effect a transaction described in clause (A), (B) or (D) of this definition) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office, who either were directors at the beginning of the period or whose election or nomination for election was previously so approved cease for any reason to constitute at least a majority thereof; or

(D) the complete liquidation of the Company or the sale or disposition by the Company of all or substantially all of the Company's assets.

Notwithstanding the foregoing, in any case where the occurrence of a Change in Control could affect the vesting of or payment under an Award subject to the requirements of Section 409A, to the extent required to comply with Section 409A, the term "Change of Control" shall mean an occurrence that both (i) satisfies the requirements set forth above in this definition and (ii) is a "change in control event" as that term is defined in the regulations under Section 409A. If all or a portion of any Award constitutes deferred compensation under Section 409A and such Award (or portion thereof) is to be settled, distributed or paid on an accelerated basis due to a Change in Control that is not a "change in control event" under Section 409A, if such settlement, distribution or payment would result in additional tax under Section 409A, such Award (or portion thereof) shall vest at the time of the Change of Control (provided such accelerated vesting will not result in additional tax under Section 409A), but settlement, distribution or payment, as the case may be, shall only be accelerated to the maximum extent possible without resulting in a violation of Section 409A.

"Code": The U.S. Internal Revenue Code of 1986 as from time to time amended and in effect, or any successor statute as from time to time in effect.

"Compensation Committee": The Compensation Committee of the Board.

"Company": Cabot Corporation.

"Covered Transaction": Any of (i) a consolidation, merger, or similar transaction or series of related transactions, including a sale or other disposition of stock, in which the Company is not the surviving corporation or which results in the acquisition of all or substantially all of the Company's then outstanding common stock by a single person or entity or by a group of persons and/or entities acting in concert, (ii) a sale or transfer of all or substantially all the Company's assets, (iii) a Change in Control or (iv) a dissolution or liquidation of the Company. Where a Covered Transaction involves a tender offer that is reasonably expected to be followed by a merger described in clause (i) (as determined by the Administrator), the Covered Transaction shall be deemed to have occurred upon consummation of the tender offer.

Notwithstanding the foregoing, in any case where the occurrence of a Covered Transaction could affect the vesting of or payment under an Award subject to the requirements of Section 409A, to the extent required to comply with Section 409A, the term "Covered Transaction" shall mean an occurrence that both (i) satisfies the requirements set forth above in this definition and (ii) is a "change in control event" as that term is defined in the regulations under Section 409A. If all or a portion of any Award constitutes deferred compensation under Section 409A and such Award (or portion thereof) is to be settled, distributed or paid on an accelerated basis due to a Covered Transaction that is not a "change in control event" under Section 409A, if such settlement, distribution or payment would result in additional tax under Section 409A, such Award (or portion thereof) shall vest at the time of the Covered Transaction (provided such accelerated vesting will not result in additional tax under Section 409A), but settlement, distribution or payment, as the case may be, shall only be accelerated to the maximum extent possible without resulting in a violation of Section 409A.

"Disability": means the Participant meets one of the following requirements: (1) the Award recipient is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, (2) the Award recipient is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits under a disability plan of the Company, or (3) the Award recipient has been determined by the Social Security Administration to be totally disabled.

"Effective Date": The date the Plan, as amended and restated by the Board on January 25, 2021, is approved by stockholders of the Company.

"Employee": Any person who is employed by the Company or an Affiliate.

"Employment": A Participant's employment or other service relationship with the Company and its Affiliates. Employment will be deemed to continue, unless the Administrator expressly provides otherwise, so long as the Participant is employed by, or otherwise is providing services in a capacity described in Section 5 to, the Company or an Affiliate. If a Participant's employment or other service relationship is with an Affiliate and that entity ceases to be an Affiliate, the Participant's Employment will be deemed to have terminated when the entity ceases to be an Affiliate unless the Participant transfers Employment to the Company or its remaining Affiliates or the Administrator expressly determines otherwise.

"**Fair Market Value":** As of a particular date, (i) the closing price for a share of Stock as reported on the New York Stock Exchange (or on any other national securities exchange on which the Stock is then listed) for that date or, if no closing price is reported for that date, the closing price on the next preceding date for which a closing price was reported or (ii) in the event that the Stock is not traded on a national securities exchange or as otherwise determined by the Administrator, the fair market value of a share of Stock determined by the Administrator consistent with the rules of Section 422 and Section 409A to the extent applicable.

"ISO": A Stock Option intended to be an "incentive stock option" within the meaning of Section 422. Each option granted pursuant to the Plan will be treated as providing by its terms that it is to be a non-incentive stock option unless, as of the date of grant, it is expressly designated as an ISO.

"Participant": A person who is granted an Award under the Plan.

"Performance Award": An Award subject to Performance Criteria.

"Performance Criteria": Specified criteria, other than the mere continuation of Employment or the mere passage of time, the satisfaction of which is a condition for the grant, exercisability, vesting or full enjoyment of an Award, which may include, among other measures, any measure of performance relating to any or any combination of the following (measured either absolutely or by reference to an index or indices or a peer group or select group of companies and determined either on a consolidated basis or, as the context permits, on a divisional, subsidiary, line of business, project or geographical basis or in combinations thereof and subject to such adjustments, if any, as the Administrator specifies): sales; revenues; assets; costs; earnings before or after deduction for all or any portion of interest, taxes, depreciation or amortization, whether or not on a continuing operations or an aggregate or per share basis; return on equity, investment, capital or assets; one or more operating ratios or metrics; borrowing levels, leverage ratios or credit rating; market share; capital expenditures; cash flow; productivity measures; one or more working capital measures; stock price; or stockholder return or shareholder value; sales of particular products or services; customer acquisition or retention; collection of outstanding accounts or debts; safety, health or environmental affairs performance; compliance; acquisitions and divestitures (in whole or in part); joint ventures and strategic alliances; spin-offs, split-ups and the like; reorganizations; recapitalizations, restructurings, financings (issuance of debt or equity); or refinancings. A Performance Criterion and any targets with respect thereto need not be based on an increase, a positive or improved result or avoidance of loss. An Award may specify more than one Performance Goal and, with respect to any Performance Goal, may specify levels of achievement at which different levels of payment may be earned. The Administrator may adjust Performance Criteria in its discretion, including to reflect events (for example, the impact of charges for restructurings, discontinued operations, mergers, acquisitions, other unusual or infrequently occurring items, and the cumulative effects of tax or accounting changes, each as defined by U.S. generally accepted accounting principles) occurring during the applicable performance period that affect the applicable Performance Criterion or Criteria.

"Plan": The Cabot Corporation Amended and Restated 2017 Long-Term Incentive Plan as from time to time amended and in effect.

"Restricted Stock": Stock subject to restrictions requiring that it be redelivered or offered for sale to the Company if specified conditions are not satisfied.

"Restricted Stock Unit": A Stock Unit that is, or as to which the delivery of Stock or cash in lieu of Stock is, subject to the satisfaction of specified performance or other vesting conditions.

"SAR": A right entitling the holder upon exercise to receive an amount (payable in cash or in shares of Stock of equivalent value) equal to the excess of the Fair Market Value of the shares of Stock subject to the right over the base value from which appreciation under the SAR is to be measured.

"Section 409A": Section 409A of the Code.

"Section 422": Section 422 of the Code.

"Stock": Common Stock of the Company, par value $1.00 per share.

"Stock Option": An option entitling the holder to acquire shares of Stock upon payment of the exercise price.

"Stock Unit": An unfunded and unsecured promise, denominated in shares of Stock, to deliver Stock or cash measured by the value of Stock in the future.

"Substitute Awards": Awards issued under the Plan in substitution for equity awards of an acquired company that are converted, replaced or adjusted in connection with the acquisition.

"Unrestricted Stock": Stock not subject to any restrictions under the terms of the Award.

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: May 5, 2021

/s/ SEAN D. 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: May 5, 2021

/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 March 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: May 5, 2021

/s/ SEAN D. KEOHANE

Sean D. Keohane
President and Chief Executive Officer

Date: May 5, 2021

/s/ ERICA MCLAUGHLIN

Erica McLaughlin
Senior Vice President and
Chief Financial Officer