



# Earnings Teleconference

Fourth Quarter / Fiscal Year 2012    October 31, 2012



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

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

This presentation includes references to adjusted earnings per share (EPS) and total segment EBIT, which are a non-GAAP measures. A reconciliation of adjusted EPS to EPS from continuing operations, the most directly comparable GAAP financial measure, and a reconciliation of total segment EBIT to Income (loss) from continuing operations before taxes, the most directly comparable GAAP financial measure, are provided in the tables included in our fourth quarter earnings release and filed on our current report on Form 8-K dated October 30, 2012. The definition of adjusted ROIC is provided in Item 6. of our most recent Annual Report on Form 10K. The definition of adjusted EBITDA is included in our fourth quarter earnings release and filed on our current report on Form 8-K dated October 30, 2012.

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

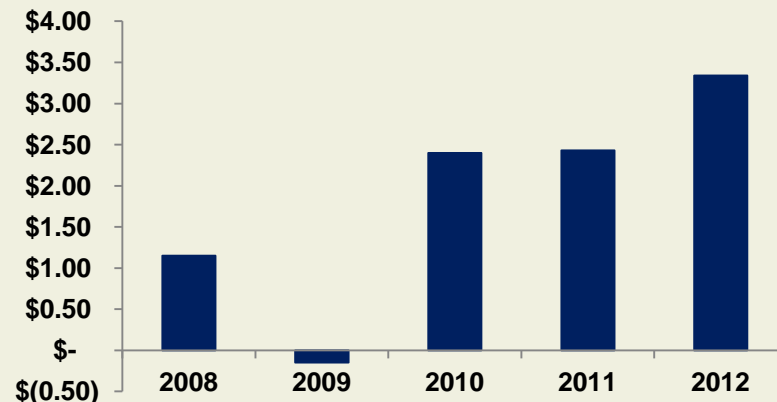




# Fiscal 2012 Highlights

- **\$3.34 of Adjusted EPS**
  - 37% year on year improvement
  - Continued growth trajectory
- **Total Segment EBIT improvement of \$55 million driven by value pricing, improved product mix, energy efficiency investments and new product introductions**
  - Reinforcement Materials +24%
  - Advanced Technologies +58%
- **Manufacturing expansions completed**
  - Rubber Blacks Indonesia, South America
  - Specialty Compounds Tianjin, China
  - Fumed Silica Jiangxi, China
  - Inkjet Massachusetts, U.S.A.
- **Transformation of Portfolio**
  - Divestiture of Supermetals
  - Acquisition of Norit

Adjusted Earnings per Share



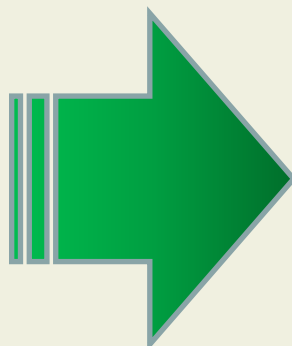


# Portfolio Transformation

## Step Change in Performance from FY 2008 to FY 2012

- Adjusted EPS from \$1.15 to \$3.34
- Adjusted ROIC from 8% to 12%

(Dollars in millions)	FY 2008
Rubber Blacks	\$120
Performance Segment	\$125
New Business & Specialty Fluids Segments	(\$7)
Supermetals	(\$1)*
<b>Total Segment EBIT, excluding Supermetals</b>	<b>\$238</b>



(Dollars in millions)	FY 2012
Reinforcement Materials	\$227
Performance Materials	\$128
Advanced Technologies	\$49
Purification Solutions	\$5**
<b>Total Segment EBIT</b>	<b>\$409</b>

- Total Segment EBIT increased 72%
- Significant improvement in Reinforcement Materials and Advanced Technologies
- Divested cyclical Supermetals business
- Acquired Norit, a global leader in purification solutions



\* As reported in fiscal year 2008 before divestiture of the business

\*\* Represents 2 months of operating results from the July 31, 2012 acquisition



# Attractive Portfolio Today

## Cabot Corporation

**Revenue** \$3,300

**Net Income** \$389

**Adjusted EPS** \$3.34

Fiscal Year Ended  
September 30, 2012  
(USD in millions)

### Reinforcement Materials

**EBIT** \$227

**EBITDA** \$309

**EBITDA Margin** 15%

Carbon blacks for  
tires and industrial  
rubber applications

### Performance Materials

**EBIT** \$128

**EBITDA** \$175

**EBITDA Margin** 19%

Specialty carbons and  
compounds and  
fumed silicas for  
adhesives & sealants,  
coatings, toners  
plastics, wire & cable,  
polishing slurries

### Advanced Technologies

**EBIT** \$49

**EBITDA** \$62

**EBITDA Margin** 30%

Inkjet colorants,  
aerogel, security  
materials, elastomer  
composites, and  
cesium formate  
drilling fluids for a  
wide range of high  
value applications

### Purification Solutions\*

**EBIT** \$55\*

**EBITDA** \$90\*

**EBITDA Margin** 25%\*

Activated carbons for  
use in purification of  
water, air, food and  
beverages,  
pharmaceutical  
products, and other  
liquids & gases

\* Adjusted Stand-Alone Twelve Months Ended September 30, 2012 (USD in millions), excluding purchase accounting adjustments and certain items; Acquired by Cabot July 31, 2012



# Growth Trajectory Continues

**Plan to achieve \$4.90 - \$5.00 adjusted EPS in fiscal 2014**

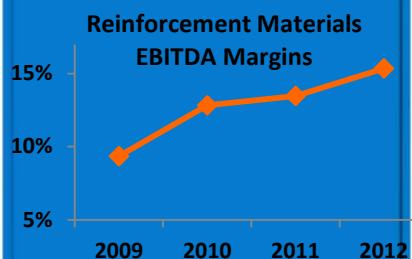
## Margin Improvement

### Value Pricing

### Portfolio Optimization

### Process Technology

- Yield Improvement
- Energy Recovery & Efficiency



## Capacity Expansion

### Reinforcement Materials

- China
- Indonesia
- South America
- Europe

### Performance Materials

- Specialty Carbons and Compounds
- Fumed Metal Oxides



## New Product & New Business Development

### Advanced Technologies

- Office & Commercial Inkjet Printing
- Batteries
- CEC and Aerogel
- Specialty Fluids
- Geographic & Customer Growth

### Performance Materials

- Displays
- Structural Adhesives
- Plastics

### Reinforcement Materials

- HiPer



## Portfolio Management

### Acquisition of Norit N.V. (Jul'12)

- Purification Solutions enhances portfolio of businesses

### Sale of Supermetals Business (Jan'12)

- Reduced Volatility
- Allows Focus on Specialty Chemicals Portfolio

**Norit**  
leading in purification





# Q4 2012 Highlights

- **Macroeconomic environment remains challenging**
- **Reinforcement Materials unfavorably impacted by volume softness, high cost feedstock, incremental sourcing costs and a more competitive environment in China**
- **Performance Materials leveraging new fumed silica and specialty compounds capacity in China**
- **Strong Advanced Technologies performance**
- **Integration of Purification Solutions proceeding well with progress made on commercial and technology synergies**





# Operating Results

	Fiscal Year 2012	FY12 Year on Year	Q4 2012	Q4 Year on Year	Q4 Sequential
Segment EBIT (in millions)	\$409	+16%	\$96	+22%	-12%
Adjusted EPS	\$3.34	+37%	\$0.75	+36%	-25%
Adjusted EBITDA (in millions)	\$508	+14%	\$128	+23%	-4%

- **FY12 Year on Year Segment EBIT improved \$55 million (+16%)**
  - Significant Reinforcement Materials and Advanced Technologies improvement
- **Q4 Year on Year Segment EBIT improved \$17 million**
  - Improvement in all segments
- **Q4 Sequential Segment EBIT declined \$13 million**
  - Reinforcement Materials experienced unfavorable impacts from high cost feedstock, sourcing and a more competitive environment in China
  - Weaker seasonal volumes in Specialty Carbons and Compounds
  - Purification Solutions includes two months of results from the acquisition closing date of July 31, 2012







# Reinforcement Materials

## Fourth Quarter Performance

In millions	FY12	FY11	4Q12	4Q11	3Q12
Net sales	\$2,019	\$1,952	\$479	\$528	\$517
Segment EBIT	\$227	\$183	\$41	\$38	\$59

## Key Highlights

- FY2012 EBIT increase of \$44M (+24%) vs. FY2011
- Value pricing, yield and energy recovery technology driving improved unit margins
- Volume weakness in Q4 2012 due to macroeconomic environment
- High cost feedstock, sourcing expenses and competitive environment in China unfavorably impact Q4 2012

## Segment Outlook

- Challenging economic environment expected to continue through calendar year-end
- Supply negotiations progressing for calendar year 2013
- New South America debottleneck completed in Q4 2012
- New China plant on track for 2013 completion





# Performance Materials

## Fourth Quarter Performance

In millions	FY12	FY11	4Q12	4Q11	3Q12
Net sales	\$914	\$880	\$227	\$228	\$247
Segment EBIT	\$128	\$140	\$34	\$27	\$38

### Key Highlights

- FY2012 EBIT decrease of \$12M (-9%) vs. FY2011
- Higher fixed costs from new capacity and segment management costs offsetting higher volumes
- Volume improvement in Q4 2012 from new capacity additions

### Segment Outlook

- Leverage new capacity for volume growth
- Fumed Metal Oxides expansion in Barry, Wales to be completed by the end of calendar year 2012





# Advanced Technologies

## Fourth Quarter Performance

In millions	FY12	FY11	4Q12	4Q11	3Q12
Net sales	\$210	\$186	\$57	\$55	\$57
Segment EBIT	\$49	\$31	\$16	\$14	\$12

## Key Highlights

- FY2012 EBIT increase of \$18M (58%) vs. FY2011
- Strong FY12 Specialty Fluids results from larger and more complex jobs and higher product sales
- Q4 2012 experienced strong results in Specialty Fluids, Inkjet Colorants and Elastomer Composites

## Segment Outlook

- Increasing Specialty Fluids geographic profile in Asia Pacific
- Commercial printing momentum continues for Inkjet Colorants
- Elastomer Composites progress picking up





# Purification Solutions

## Fourth Quarter Performance

In millions	FY12	FY11	4Q12	4Q11	3Q12
Net sales	\$61	\$-	\$61	\$-	\$-
Segment EBIT	\$5	\$-	\$5	\$-	\$-

## Key Highlights

- Acquisition completed July 31, 2012
- Actual EBIT for the 2 months of Cabot ownership was \$5 million
- Financing secured at attractive rates
- \$720 million increase in debt balance to finance acquisition

## Segment Outlook

- Confident in long-term growth potential of the gas and air market
- Growth in water, food & beverage, pharma, chemicals and other applications progressing well
- High integration activity level to ensure maximum benefits achieved





# Purification Solutions Adjusted Stand-Alone Results

## Adjusted Stand-Alone Financial Information\*

In millions	FY12	FY11	4Q12	4Q11	3Q12
Net sales	\$357	\$362	\$91	\$94	\$90
Segment EBITDA	\$90	\$94	\$19	\$23	\$23

- FY 2012 net sales decreased from prior year due to lower volumes in the gas and air end markets, partially offset by growth in other end markets
- FY 2012 EBITDA declined from prior year as higher pricing and margins were offset by 5% lower volumes in the gas and air end markets, and higher maintenance costs
- Q4 2012 EBITDA decreased from the prior year due to unfavorable product mix, higher maintenance costs, a 2% decrease in volumes from lower sales to the gas and air end markets partially offset by higher volumes in other markets



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



# Q4 2012 Corporate Financials

## Cash

- Quarter end cash balance of \$120 million
- Use of cash for the acquisition of Norit N.V.
- Capital expenditures of \$108 million
- Net working capital decrease of \$64 million, including additional \$121 million of Norit net working capital
- Quarter end debt balance of \$1.4 billion, an increase of \$720 million from June due to financing of the Norit acquisition

## Taxes

- Fourth quarter operating tax rate of 26%, excluding certain items

## Fiscal 2013

- Forecast capital expenditures between \$250 - \$300 million
- Anticipate operating tax rate for fiscal 2013 between 25% - 26%







# Summary

- **37% improvement in FY 2012 adjusted EPS**
  - Value pricing and improved product mix
  - Yield and energy efficiency investments
  - New product introductions
- **Company strengthened with portfolio changes**
- **Macroeconomic environment challenging**
- **Well positioned when demand recovers**
- **2014 adjusted EPS target of \$4.90 - \$5.00 maintained**





**CABOT**