CABOT MICROELECTRONICS CORPORATION

THIRD QUARTER FISCAL 2009 CONFERENCE CALL SCRIPT

JULY 23, 2009

Good morning. With me today are Bill Noglows, Chairman and CEO, and Bill Johnson, Chief Financial Officer.

This morning we reported results for our third quarter of fiscal year 2009, which ended June 30. A copy of our press release is available in the investor relations section of our website, cabotcmp.com, or by calling our investor relations office at 630-499-2600. Today's conference call is being recorded and will be archived for four weeks on our website. The script of this morning's formal comments will also be available there.

Please remember that our discussions today may include "forward-looking statements" that involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from these forward-looking statements. These risk factors are discussed in our SEC filings, including our report filed on Form 10-Q for the second quarter of fiscal 2009, ended March 31, and Form 10-K for the fiscal year ended September 30, 2008. We assume no obligation to update any of this forward-looking information.

I will now turn the call over to Bill Noglows.

Thanks, Amy. Good morning, everyone, and thanks for joining us.

This morning we are pleased to announce strong financial results for our third quarter of fiscal 2009, including sequential revenue growth in excess of 90 percent, a gross profit margin of 46.6 percent of revenue, and earnings per share of 39 cents. This represents a significant improvement over our second fiscal quarter when our results were negatively impacted by the global economic recession, a severe correction of excess semiconductor device inventories, and seasonal weakness. While the economic recession continues, a combination of improved underlying demand and inventory replenishment within the semiconductor industry has begun to positively impact demand for our products.

Our revenue growth this quarter was heavily influenced by sharply higher sales to foundry customers, which is not surprising given that in the aggregate TSMC and UMC publicly reported revenues that approximately doubled from their previous quarters. While we sell products to all semiconductor device manufacturers across all segments, approximately one third of our total revenue base is derived from sales to the top four foundries. As a result, there has been a strong historical correlation between demand for our CMP products and the monthly revenue reported by the two large foundries in Taiwan, and this quarter was no exception.

Reports by certain industry analysts indicate that there appears to be some strengthening of demand in certain segments like smart phones and netbooks, and in certain geographic regions such as China. At the same time, they suggest that the recent increase in IC device manufacturing is partly due to inventory replenishment within the supply chain, which they expect to be largely completed by the end of the September quarter. Although we are starting to see some positive signs, we are still waiting for solid evidence of broad based improvement in end-use electronics demand, which is imperative for sustained long-term growth for the industry and for our company. We are hopeful that the upcoming back-to-school and holiday seasons will generate higher demand this year and that corporate IT spending will begin to pick up again in calendar 2010. However, as always, we remain cautious regarding future revenue trends given the historical volatility of the industry, and our limited visibility into end-use electronics demand.

We continue to believe that we are well positioned to operate successfully over a range of future demand environments. We have an experienced management team that has successfully navigated through difficult times in the past. During the current economic downturn, we have prudently managed the company's costs during the challenging first nine months of the fiscal year while retaining the flexibility to quickly ramp up our business to meet the 90 percent sequential increase in demand that we experienced during our fiscal third quarter. As a result, our balance sheet remains strong, with $171 million in cash and no debt outstanding, and our company has continued to generate cash during this severe economic environment.

We are encouraged by the recent upturn in our business, but we remain cautious given the uncertainty as to the future demand environment, so we remain diligent with respect to the fiscal management of our company. The cost savings programs that we implemented as we entered the economic downturn remain in effect, and have contributed to our achieving the lowest level of quarterly operating expenses in over three years.

As we navigate through this uncertain demand environment, we remain focused on continued execution of our primary strategy of strengthening and growing our core CMP consumables business, as well as growing our Engineered Surface Finishes business.

During the quarter, we made excellent progress on a number of strategic long-term initiatives, the most important of which relates to our recent acquisition of Epoch Material Company. We continue to be very excited about the addition of Epoch and the value we believe it has and will create. During our third fiscal quarter we successfully completed the first phase of our Epoch integration plan. This first phase was completed ahead of schedule, allowing us to expedite execution on our longer term integration goals, which we believe will lead to capturing significant synergies. For example, before acquiring Epoch, we utilized third party warehouses to provide logistics services for our business in Taiwan, and we are currently transitioning to using Epoch's automated warehouse facility in the Kaohsiung Science Park for most of our logistics needs in Taiwan. We have also started to achieve additional revenue by using our extensive global sales, logistics and technical support network to sell Epoch's products outside of Taiwan, rather than through a third party distributor.

Customer feedback regarding our acquisition of Epoch has been extremely positive, and we believe that it is evidence of our progress on our strategic initiative of Connecting with Customers. In particular, our customers in Taiwan are thrilled that we have made such a significant investment in the region. We continue to be delighted with this strategic move, and look forward to the continued success that has been demonstrated thus far by our integration teams.

A second accomplishment this quarter relates to our Operations Excellence initiative and our ongoing efforts to optimize our supply chain and manufacturing capacity. We recently decided to bring in-house the small portion of our total CMP slurry production that has been produced by a North American toll manufacturer. Over the next 12 months, we plan to transition this CMP slurry production to our own manufacturing plant in Aurora, Illinois, which we expect will improve our overall operational efficiency and competitiveness. As part of the transition, we are working closely with our customers to make this change seamless for them.

A third important business highlight was our receiving an "Editor's Choice Best Products" award for our D100 CMP polishing pad, which was presented to us by Semiconductor International Magazine at SEMICON West last week in San Francisco. We are delighted to receive this prestigious industry recognition for our pad's strong technical performance and attractive cost of ownership. Our D100 CMP polishing pad was developed, commercialized and is now in use by over 20 customers in a variety of high volume applications, reflecting the successful execution of our Technology Leadership initiative. In addition, we have continued to improve our pad manufacturing yields every quarter since we began high volume manufacturing. We believe our pads business represents the most significant current growth opportunity for Cabot Microelectronics, and we are pleased with the success that we have achieved to date.

In addition to the award from Semiconductor International, we also won two customer supplier awards this quarter. We are proud to have earned these customer awards, and we believe they are evidence that we continue to build on our customer relationships and provide innovative, leading-edge solutions with the quality systems, supply assurance and technical support expected by our customers.

In summary, we are pleased with our financial and operational results for this quarter, which we believe reflect both improving industry conditions and also the continued execution of our strategies and key initiatives. In our view, there are a number of indications that the industry may have bottomed, but we are still cautious regarding future industry trends. We remain confident in our ability to adapt to a range of industry environments without compromising our operations, quality or intellectual capital. In addition, we believe the strong cash generating business model of our core CMP consumables business will continue to serve us well in this uncertain environment.

And with that, I'll turn the call over to Bill Johnson. Bill?

Thanks, Bill, and good morning everyone.

Revenue for the third quarter of fiscal 2009 was $86.4 million, which was down by 10.9 percent from the third quarter of fiscal 2008 and up 90.4 percent from the previous quarter. Despite the continued economic downturn, which drove a decrease in revenue from the prior year, we experienced a significant sequential increase in demand across all business areas and geographies, which we began to see in March.

Drilling down into revenue by business area, tungsten slurries contributed 37.9 percent of total quarterly revenue, with revenue down 16.2 percent from the same quarter a year ago and up 71.4 percent sequentially.

Sales of Copper products represented 17.3 percent of our total revenue, and increased 3.4 percent from the same quarter last year and 106.7 percent sequentially. Our third fiscal quarter includes a full quarter impact of the Epoch business, which we acquired in late February. Also included in our Copper business is our Barrier removal product line, revenue from which increased by 11.4 percent from the same quarter a year ago.

Dielectric slurries provided 30.6 percent of our revenue this quarter, with sales down 14.6 percent from the same quarter a year ago and up 131.0 percent sequentially.

Data Storage products represented 4.9 percent of our quarterly revenue; this revenue was up 44.7 percent from the same quarter last year and up 25.6 percent sequentially. The increase in revenue reflects an important customer win and represents the second sequential quarter of double-digit sales growth.

Sales of our polishing pads represented 6.1 percent of our total revenue for the quarter; and increased 15.8 percent from the same quarter last year and 112.9 percent sequentially.

Finally, revenue from our Engineered Surface Finishes, or ESF business, which includes QED, generated 3.2 percent of our total sales, and was down 44.5 percent from the same quarter last year and up 58.2 percent sequentially. Remember that our QED business is mainly capital equipment oriented, so quarter-to-quarter revenue volatility is common. Our backlog of QED system orders that we expect to ship next quarter has increased, so at present we expect revenue from our ESF business to increase again in the September quarter.

Our gross profit this quarter represented 46.6 percent of revenue, compared to 46.8 percent in the same quarter a year ago and 28.0 percent in the prior quarter. Compared to the year ago quarter, the slight decrease in gross profit percentage was primarily due to a lower valued product mix, partially offset by lower fixed costs, reflecting our recent cost reduction initiatives. The increase in gross profit percentage versus the previous quarter was primarily due to significantly increased utilization of our manufacturing capacity on the sharply higher level of sales volume.

Now I'll turn to operating expenses, which include research, development and technical, selling and marketing, and general and administrative costs. Operating expenses this quarter of $25.1 million were 23 percent lower than the $32.5 million reported in the third quarter of fiscal 2008. The decrease was primarily driven by lower staffing related costs, lower professional fees, which include costs to enforce our intellectual property, and lower travel expenses. These cost savings were partially offset by incremental expenses relating to our acquisition of Epoch. Operating expenses were $4.9 million lower than the $30.0 million reported in the previous quarter, mainly due to the absence of $3.6 million in specific expense items reported in the previous quarter, as well as lower staffing related costs and professional fees. As Bill mentioned, operating expenses in our third fiscal quarter were at the lowest level since our second quarter of fiscal 2006.

Year-to-date, total operating expenses were $84.4 million, which is $8.8 million, or 9.5 percent, lower than during the same period last year. We expect operating expenses for full fiscal year 2009 to be at the low end of our previous guidance range of $115 million to $120 million.

Diluted earnings per share were 39 cents this quarter, down from 43 cents reported in the third quarter of fiscal 2008 on lower revenue as a result of the economic downturn, partially offset by the benefits of our cost reduction efforts. Diluted earnings per share were up from a net loss of 44 cents per share reported in the previous quarter on sharply increased demand for our products and lower operating expenses.

Turning now to cash and balance sheet related items, capital additions for the quarter were $2.0 million, depreciation and amortization expense was $6.3 million and share-based compensation expense was $2.8 million. We ended the quarter with a healthy cash balance of $171.2 million, which is $12.3 million higher than last quarter, and no debt outstanding.

I'll conclude my remarks with a few comments on recent sales and order patterns.

Recall that during our earnings call for the second fiscal quarter we discussed our achievement of a 40 percent sequential monthly revenue increase in March. This trend continued into April as we experienced another 40 percent sequential revenue increase. Our revenue continued to rise in May and again in June, but at more modest rates. As we observe orders for our CMP consumables products received to date in July that we expect to ship by the end of the month, we see July results trending at roughly the average monthly rate we experienced in our fiscal third quarter. However, I would caution, as I always do, that several weeks of CMP related orders out of a quarter represent only a limited window on full quarter results.

Thank you for your time this morning and your interest in Cabot Microelectronics. We look forward to the next opportunity to speak with you. Goodbye.