

**CABOT CORPORATION CONSOLIDATED STATEMENTS OF OPERATIONS**

Periods ended March 31	Three Months		Six Months	
<i>Dollars in millions, except per share amounts (unaudited)</i>	<b>2007</b>	2006	<b>2007</b>	2006
Net sales and other operating revenues.....	\$ 637	\$ 627	\$ 1,292	\$ 1,214
Cost of sales.....	<u>499</u>	542	<u>1,005</u>	1,023
Gross profit.....	138	85	287	191
Selling and administrative expenses.....	63	59	117	117
Research and technical expenses.....	<u>17</u>	14	<u>32</u>	27
<b>Income from operations.....</b>	<b><u>58</u></b>	12	<b><u>138</u></b>	47
<b>Other income and expense</b>				
Interest and dividend income.....	3	1	5	3
Interest expense.....	(9)	(7)	(18)	(13)
Other income (expense).....	<u>(1)</u>	6	<u>1</u>	2
Total other income and expense.....	<u>(7)</u>	-	<u>(12)</u>	(8)
<b>Income from continuing operations before income taxes .....</b>	<b>51</b>	12	<b>126</b>	39
Provision for income taxes.....	(15)	(1)	(34)	(5)
Equity in net income of affiliated companies, net of tax.....	3	4	6	7
Minority interest in net income, net of tax.....	<u>(2)</u>	(3)	<u>(7)</u>	(7)
<b>Net income from continuing operations.....</b>	<b>37</b>	12	<b>91</b>	34
<b>Cumulative effect of an accounting change, net of tax.....</b>	<b>-</b>	-	-	2
<b>Net income .....</b>	<b>37</b>	12	<b>91</b>	36
Dividends on preferred stock, net of tax benefit.....	<u>(1)</u>	-	<u>(1)</u>	(1)
<b>Net income available to common shares.....</b>	<b><u>\$ 36</u></b>	<b>\$ 12</b>	<b><u>\$ 90</u></b>	<b><u>\$ 35</u></b>
<b>Diluted earnings per share of common stock</b>				
Income from continuing operations.....	\$ 0.54	\$ 0.17	\$ 1.33	\$ 0.48
Cumulative effect of an accounting change, net of tax	<u>-</u>	-	<u>-</u>	0.04
Net income .....	<b><u>\$ 0.54</u></b>	<b><u>\$ 0.17</u></b>	<b><u>\$ 1.33</u></b>	<b><u>\$ 0.52</u></b>
<b>Weighted average common shares outstanding</b>				
Diluted .....	69	69	69	69

**CABOT CORPORATION SUMMARY RESULTS BY SEGMENTS**

Periods ended March 31 <i>Dollars in millions, except per share amounts (unaudited)</i>	Three Months		Six Months	
	2007	2006	2007	2006
<b>SALES</b>				
Carbon Black Business <sup>(A)</sup> .....	\$ 493	\$ 476	\$ 978	\$ 895
Rubber blacks.....	346	346	697	644
Performance products.....	134	117	257	226
Inkjet colorants.....	13	12	23	23
Superior MicroPowders.....	-	1	1	2
Metal Oxides Business.....	68	62	133	119
Fumed metal oxides.....	68	62	133	119
Aerogel.....	-	-	-	-
Supermetals Business.....	53	67	130	160
Specialty Fluids Business.....	10	11	26	21
Segment sales .....	624	616	1,267	1,195
Unallocated and other <sup>(B)</sup> .....	13	11	25	19
Net sales and other operating revenues.....	<u>\$ 637</u>	<u>\$ 627</u>	<u>\$ 1,292</u>	<u>\$ 1,214</u>
<b>SEGMENT PROFIT</b>				
Carbon Black Business.....	\$ 57	\$ 26	\$ 111	\$ 47
Metal Oxides Business.....	10	5	19	7
Supermetals Business.....	(2)	12	14	23
Specialty Fluids Business.....	3	4	11	8
<b>Total Segment Profit</b> <sup>(C)</sup> .....	<u>68</u>	<u>47</u>	<u>155</u>	<u>85</u>
Interest expense.....	(9)	(7)	(18)	(13)
General unallocated expense <sup>(D)</sup> .....	(5)	(24)	(5)	(26)
Less: Equity in net income of affiliated companies, net of tax.....	<u>(3)</u>	<u>(4)</u>	<u>(6)</u>	<u>(7)</u>
<b>Income from continuing operations before income taxes</b> .....	<u>51</u>	<u>12</u>	<u>126</u>	<u>39</u>
Provision for income taxes.....	(15)	(1)	(34)	(5)
Equity in net income of affiliated companies, net of tax.....	3	4	6	7
Minority interest in net income, net of tax.....	<u>(2)</u>	<u>(3)</u>	<u>(7)</u>	<u>(7)</u>
<b>Income from continuing operations</b> .....	<u>37</u>	<u>12</u>	<u>91</u>	<u>34</u>
Cumulative effect of an accounting change, net of tax <sup>(E)</sup> .....	-	-	-	2
<b>Net income</b> .....	<u>37</u>	<u>12</u>	<u>91</u>	<u>36</u>
Dividends on preferred stock, net of tax benefit.....	(1)	-	(1)	(1)
<b>Net income available to common shares</b> .....	<u>\$ 36</u>	<u>\$ 12</u>	<u>\$ 90</u>	<u>\$ 35</u>
<b>Diluted earnings per share of common stock</b>				
Income from continuing operations.....	\$ 0.54	\$ 0.17	\$ 1.33	\$ 0.48
Cumulative effect of an accounting change, net of tax <sup>(E)</sup> .....	-	-	-	0.04
Net income .....	<u>\$ 0.54</u>	<u>\$ 0.17</u>	<u>\$ 1.33</u>	<u>\$ 0.52</u>
<b>Weighted average common shares outstanding</b>				
Diluted .....	69	69	69	69

(A) Segment sales for certain operating segments within the Carbon Black Business include 100% of sales of one equity affiliate at market-based prices.

(B) Unallocated and other reflects an elimination for sales of one equity affiliate offset by royalties paid by equity affiliates and external shipping and handling fees.

(C) Segment profit is a measure used by Cabot's operating decision-makers to measure consolidated operating results and assess segment performance. Segment profit includes equity in net income of affiliated companies and excludes royalties paid by equity affiliates, minority interest and allocated corporate costs.

(D) General unallocated expense includes foreign currency transaction gains (losses), interest income, dividend income, and the certain items listed in Exhibit I.

(E) Cumulative benefit of an accounting change for implementation of FAS 123 (R), net of tax.

*Second Quarter Earnings Announcement, Fiscal 2007*

**CABOT CORPORATION CONDENSED CONSOLIDATED FINANCIAL POSITION**

	<b>March 31 2007</b>	September 30, 2006
	<i>(unaudited)</i>	<i>(audited)</i>
<i>Dollars in millions, except share and per share amounts</i>		
Current assets:		
Cash and cash equivalents	\$ 248	\$ 189
Short-term marketable securities	21	1
Accounts and notes receivable, net of reserve for doubtful accounts of \$5 and \$6	541	534
Inventories:		
Raw materials	137	131
Work in process	99	109
Finished goods	149	139
Other	43	41
Total inventories	<u>428</u>	<u>420</u>
Prepaid expenses and other current assets	78	75
Deferred income taxes	34	36
Total current assets	<u>1,350</u>	<u>1,255</u>
Investments:		
Equity affiliates	59	59
Long-term marketable securities and cost investments	2	3
Total investments	<u>61</u>	<u>62</u>
Property, plant and equipment	2,616	2,531
Accumulated depreciation and amortization	<u>(1,657)</u>	<u>(1,567)</u>
Net property, plant and equipment	<u>959</u>	<u>964</u>
Other assets:		
Goodwill	33	31
Intangible assets, net of accumulated amortization of \$10 and \$10	4	5
Assets held for rent	42	40
Deferred income taxes	97	100
Other assets	79	77
Total other assets	<u>255</u>	<u>253</u>
Total assets	<u>\$ 2,625</u>	<u>\$ 2,534</u>

Second Quarter Earnings Announcement, Fiscal 2007

**CABOT CORPORATION CONDENSED CONSOLIDATED FINANCIAL POSITION**

	<b>March 31 2007</b>	September 30, 2006
<i>Dollars in millions, except share and per share amounts</i>	<i>(unaudited)</i>	<i>(audited)</i>
Current liabilities:		
Notes payable to banks	\$ 69	\$ 58
Accounts payable and accrued liabilities	379	384
Income taxes payable	38	27
Deferred income taxes	2	2
Current portion of long-term debt	18	34
Total current liabilities	<u>506</u>	<u>505</u>
Long-term debt	442	459
Deferred income taxes	19	20
Other liabilities	290	286
Minority interest	68	68
Stockholders' equity:		
Preferred stock:		
Authorized: 2,000,000 shares of \$1 par value		
Series B ESOP Convertible Preferred Stock 7.75% Cumulative		
Authorized: 200,000 shares		
Issued: 50,580 and 55,895 shares	50	56
Outstanding: 33,419 and 38,734 shares (aggregate redemption value of \$33 and \$39 at \$1,000 per share)		
Less cost of 17,161 shares of preferred treasury stock	(38)	(38)
Common stock:		
Authorized: 200,000,000 shares of \$1 par value		
Issued: 64,506,134 and 63,579,040 shares	65	64
Outstanding: 64,361,188 and 63,432,651 shares		
Less cost of 144,946 and 146,389 shares of common treasury stock	(5)	(5)
Additional paid-in capital	29	7
Retained earnings	1,228	1,160
Deferred employee benefits	(36)	(38)
Notes receivable for restricted stock	(19)	(20)
Accumulated other comprehensive income	26	10
Total stockholders' equity	<u>1,300</u>	<u>1,196</u>
Total liabilities and stockholders' equity	<u>\$ 2,625</u>	<u>\$ 2,534</u>

# CABOT CORPORATION

## Fiscal 2006

## Fiscal 2007

In millions, except per share amounts (unaudited)	Dec. Q.	Mar. Q.	June Q.	Sept. Q.	FY	Dec. Q.	Mar. Q.	June Q.	Sept. Q.	FY
<b>Sales</b>										
Carbon Black Business <sup>(A)</sup>	\$ 419	\$ 476	\$ 514	\$ 508	\$ 1,917	\$ 485	\$ 493			\$ 978
Rubber blacks	298	346	367	367	1,378	351	346			697
Performance products	109	117	134	128	488	123	134			257
Inkjet colorants	11	12	12	12	47	10	13			23
Superior MicroPowders	1	1	1	1	4	1	-			1
Metal Oxides Business	57	62	66	69	254	65	68			133
Fumed metal oxides	57	62	65	69	253	65	68			133
Aerogel	-	-	1	-	1	-	-			-
Supermetals Business	93	67	66	66	292	77	53			130
Specialty Fluids Business	10	11	12	11	44	16	10			26
Segment Sales	579	616	658	654	2,507	643	624			1,267
Unallocated and other <sup>(B)</sup>	8	11	8	9	36	12	13			25
<b>Net sales and other operating revenues</b>	<b>\$ 587</b>	<b>\$ 627</b>	<b>\$ 666</b>	<b>\$ 663</b>	<b>\$ 2,543</b>	<b>\$ 655</b>	<b>\$ 637</b>			<b>\$ 1,292</b>
<b>Segment Profit</b>										
Carbon Black Business <sup>(C)</sup>	\$ 21	\$ 26	\$ 23	\$ 31	\$ 101	\$ 54	\$ 57			\$ 111
Metal Oxides Business <sup>(C)</sup>	2	5	6	9	22	9	10			19
Supermetals Business	11	12	9	9	41	16	(2)			14
Specialty Fluids Business	4	4	5	3	16	8	3			11
Total Segment Profit <sup>(D)</sup>	38	47	43	52	180	87	68			155
<b>Income from operations</b>										
Interest expense	(6)	(7)	(6)	(8)	(27)	(9)	(9)			(18)
General unallocated expense <sup>(E)</sup>	(2)	(24)	(2)	(16)	(44)	-	(5)			(5)
Less: Equity in net income of affiliated companies, net of tax	(3)	(4)	(1)	(4)	(12)	(3)	(3)			(6)
Income from continuing operations before income taxes	27	12	34	24	97	75	51			126
(Provision) benefit for income taxes	(4)	(1)	(8)	4	(9)	(19)	(15)			(34)
Equity in net income of affiliated companies, net of tax	3	4	1	4	12	3	3			6
Minority interest in net income, net of tax	(4)	(3)	(2)	(3)	(12)	(5)	(2)			(7)
<b>Net income from continuing operations</b>	<b>22</b>	<b>12</b>	<b>25</b>	<b>29</b>	<b>88</b>	<b>54</b>	<b>37</b>			<b>91</b>
<b>Cumulative effect of accounting changes, net of tax <sup>(F)</sup></b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>(4)</b>	<b>(2)</b>	<b>-</b>	<b>-</b>			<b>-</b>
<b>Discontinued operations <sup>(G)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>2</b>	<b>-</b>	<b>-</b>			<b>-</b>
Net income	24	12	25	27	88	54	37			91
Dividends on preferred stock, net of tax benefit	(1)	-	(1)	-	(2)	-	(1)			(1)
<b>Net income available to common shares</b>	<b>\$ 23</b>	<b>\$ 12</b>	<b>\$ 24</b>	<b>\$ 27</b>	<b>\$ 86</b>	<b>\$ 54</b>	<b>\$ 36</b>			<b>\$ 90</b>
<b>Diluted earnings per share of common stock</b>										
Net income from continuing operations	\$ 0.31	\$ 0.17	\$ 0.37	\$ 0.43	\$ 1.28	\$ 0.79	\$ 0.54			\$ 1.33
Cumulative effects of accounting changes, net of tax <sup>(F)</sup>	0.04	-	-	(0.07)	(0.03)	-	-			-
Discontinued operations <sup>(G)</sup>	-	-	-	0.03	0.03	-	-			-
Net income	\$ 0.35	\$ 0.17	\$ 0.37	\$ 0.39	\$ 1.28	\$ 0.79	\$ 0.54			\$ 1.33
<b>Weighted average common shares outstanding</b>										
Diluted	68	69	69	68	68	69	69			69

(A) Segment sales for certain operating segments within the Carbon Black Business include 100% of sales of one equity affiliate at market-based prices.

(B) Unallocated and other reflects an elimination for sales for one equity affiliate offset by royalties paid by equity affiliates and external shipping and handling fees.

(C) The fourth quarter and fiscal year end 2006 amounts include a reclassification of \$4 million of profit from the Carbon Black segment to the Metal Oxides segment. This reclassification was deemed to be immaterial for purposes of the annual segment reporting in the September 30, 2006 consolidated financial statements.

(D) Segment profit is a measure used by Cabot's operating decision-makers to measure consolidated operating results and assess segment performance. Segment profit includes equity in net income of affiliated companies, royalties paid by equity affiliates, minority interest and allocated corporate costs.

(E) General unallocated expense includes foreign currency transaction gains (losses), interest income, dividend income and certain items listed in Exhibit I.

(F) Amounts relate to the cumulative benefit resulting from the adoption of FAS 123(R) in the first quarter of 2006 of \$0.04 and the cumulative expense resulting from the adoption of FIN 47 in the fourth quarter of 2006 of (\$0.07).

(G) Amount relates to a favorable tax settlement recognized during the period from our discontinued liquified natural gas business.

Second Quarter Earnings Announcement, Fiscal 2007

**CABOT CORPORATION CERTAIN ITEMS - Exhibit I**

Periods ended March 31 <i>Dollars in millions, except per share amounts (unaudited)</i>	Three Months				Six Months			
	2007	2007	2006	2006	2007	2007	2006	2006
	\$	per share <sup>(A)</sup>	\$	per share <sup>(A)</sup>	\$	per share <sup>(A)</sup>	\$	per share <sup>(A)</sup>
<u>Certain items before income taxes</u>								
Environmental reserves/settlement	\$ (5)	\$ (0.06)	\$ -	\$ -	\$ (5)	\$ (0.06)	\$ -	\$ -
Restructuring initiatives - Global	(2)	(0.02)	-	-	(4)	(0.04)	-	-
Restructuring initiatives - Altona	-	-	(2)	(0.02)	(1)	(0.01)	(3)	(0.03)
Cost reduction initiatives	-	-	(2)	(0.02)	-	-	(3)	(0.03)
Gwalia settlement payment	-	-	(27)	(0.25)	-	-	(27)	(0.25)
Total certain items	<u>(7)</u>	<u>(0.08)</u>	<u>(31)</u>	<u>(0.29)</u>	<u>(10)</u>	<u>(0.11)</u>	<u>(33)</u>	<u>(0.31)</u>
Cumulative effect of an accounting change <sup>(B)</sup>	-	-	-	-	-	-	4	0.04
Total certain items and cumulative effect of an accounting change	<u>(7)</u>	<u>(0.08)</u>	<u>(31)</u>	<u>(0.29)</u>	<u>(10)</u>	<u>(0.11)</u>	<u>(29)</u>	<u>(0.27)</u>
Tax impact of certain items and cumulative effect of an accounting change	2	-	11	-	3	-	10	-
Total certain items and cumulative effect of an accounting change, after tax	<u>\$ (5)</u>	<u>\$ (0.08)</u>	<u>\$ (20)</u>	<u>\$ (0.29)</u>	<u>\$ (7)</u>	<u>\$ (0.11)</u>	<u>\$ (19)</u>	<u>\$ (0.27)</u>

Periods ended March 31 <i>Dollars in millions (unaudited)</i>	Three Months		Six Months	
	2007	2006	2007	2006
<u>Statement of Operations Line Item</u>				
Net sales and other operating revenues	\$ -	\$ 1	\$ -	\$ 1
Cost of sales	6	(30)	8	(30)
Selling and administrative expenses	1	(2)	2	(4)
Total certain items	<u>\$ 7</u>	<u>\$ (31)</u>	<u>\$ 10</u>	<u>\$ (33)</u>

Periods ended March 31 <i>Dollars in millions (unaudited)</i>	Three Months		Six Months	
	2007	2006	2007	2006
<u>Certain items by Segment</u>				
Carbon Black Business	\$ 4	\$ (2)	\$ 7	\$ (3)
Supermetals Business	2	(29)	2	(30)
Other	1	-	1	-
Total certain items	<u>\$ 7</u>	<u>\$ (31)</u>	<u>\$ 10</u>	<u>\$ (33)</u>

(A) Per share amounts are calculated after tax.

(B) Cumulative benefit resulting from adoption of FAS 123(R) in the first quarter of 2006, net of tax.