

CABOT CORPORATION CONSOLIDATED STATEMENTS OF OPERATIONS

Periods ended March 31 <i>Dollars in millions, except per share amounts (unaudited)</i>	Three Months		Six Months	
	2008	2007	2008	2007
Net sales and other operating revenues.....	\$ 786	\$ 637	\$ 1,497	\$ 1,292
Cost of sales.....	<u>668</u>	<u>499</u>	<u>1,263</u>	<u>1,005</u>
Gross profit.....	118	138	234	287
Selling and administrative expenses.....	66	73	123	127
Research and technical expenses.....	<u>19</u>	<u>17</u>	<u>35</u>	<u>32</u>
Income from operations.....	33	48	76	128
Other income and expense				
Interest and dividend income.....	1	3	2	5
Interest expense.....	(9)	(9)	(18)	(18)
Other income (expense).....	<u>(2)</u>	<u>(1)</u>	<u>(4)</u>	<u>1</u>
Total other income and expense.....	<u>(10)</u>	<u>(7)</u>	<u>(20)</u>	<u>(12)</u>
Income from operations before income taxes	23	41	56	116
Provision for income taxes.....	(11)	(11)	(5)	(30)
Equity in net income of affiliated companies, net of tax.....	2	3	4	6
Minority interest in net income, net of tax.....	<u>(3)</u>	<u>(2)</u>	<u>(8)</u>	<u>(7)</u>
Net income.....	11	31	47	85
Dividends on preferred stock, net of tax benefit.....	-	(1)	-	(1)
Net income available to common shares.....	\$ 11	\$ 30	\$ 47	\$ 84
Diluted earnings per share of common stock				
Diluted.....	<u>\$ 0.17</u>	<u>\$ 0.45</u>	<u>\$ 0.73</u>	<u>\$ 1.24</u>
Weighted average common shares outstanding				
Diluted	64	69	64	69

CABOT CORPORATION SUMMARY RESULTS BY SEGMENTS

Periods ended March 31	Three Months		Six Months	
<i>Dollars in millions, except per share amounts (unaudited)</i>	2008	2007	2008	2007
SALES				
Carbon Black Business ^(A)	\$ 630	\$ 493	\$ 1,191	\$ 978
Rubber blacks.....	453	346	863	697
Performance products.....	165	134	307	257
Inkjet colorants.....	11	13	19	23
Superior MicroPowders.....	1	-	2	1
Metal Oxides Business.....	73	68	143	133
Fumed metal oxides.....	72	68	142	133
Aerogel.....	1	-	1	-
Supermetals Business.....	57	53	109	130
Specialty Fluids Business.....	16	10	32	26
Segment sales	776	624	1,475	1,267
Unallocated and other ^(B)	10	13	22	25
Net sales and other operating revenues.....	<u>\$ 786</u>	<u>\$ 637</u>	<u>\$ 1,497</u>	<u>\$ 1,292</u>
SEGMENT PROFIT				
Carbon Black Business.....	\$ 36	\$ 57	\$ 57	\$ 111
Metal Oxides Business.....	8	10	16	19
Supermetals Business.....	(2)	(2)	(1)	14
Specialty Fluids Business.....	5	3	12	11
Total Segment Profit ^(C)	47	68	84	155
Interest expense.....	(9)	(9)	(18)	(18)
General unallocated expense ^(D)	(13)	(15)	(6)	(15)
Less: Equity in net income of affiliated companies, net of tax.....	(2)	(3)	(4)	(6)
Income from operations before income taxes	23	41	56	116
Provision for income taxes.....	(11)	(11)	(5)	(30)
Equity in net income of affiliated companies, net of tax.....	2	3	4	6
Minority interest in net income, net of tax.....	(3)	(2)	(8)	(7)
Net income	11	31	47	85
Dividends on preferred stock, net of tax benefit.....	-	(1)	-	(1)
Net income available to common shares	<u>\$ 11</u>	<u>\$ 30</u>	<u>\$ 47</u>	<u>\$ 84</u>
Diluted earnings per share of common stock				
Diluted.....	<u>\$ 0.17</u>	<u>\$ 0.45</u>	<u>\$ 0.73</u>	<u>\$ 1.24</u>
Weighted average common shares outstanding				
Diluted	64	69	64	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 Chief Operating Decision-Maker to measure consolidated operating results, assess segment performance and allocate resources. Segment profit includes equity in net income of affiliated companies, 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.

Second Quarter Earnings Announcement, Fiscal 2008

CABOT CORPORATION CONDENSED CONSOLIDATED FINANCIAL POSITION

	March 31, 2008	September 30, 2007
	<i>(unaudited)</i>	<i>(audited)</i>
<i>Dollars in millions, except share and per share amounts</i>		
Current assets:		
Cash and cash equivalent:	\$ 111	\$ 154
Short-term marketable securities	1	2
Accounts and notes receivable, net of reserve for doubtful accounts of \$6 and \$6	644	563
Inventories:		
Raw materials	181	154
Work in process	63	77
Finished goods	237	184
Other	32	27
Total inventories	<u>513</u>	<u>442</u>
Prepaid expenses and other current assets	84	72
Deferred income taxes	37	35
Assets held for sale	7	7
Total current assets	<u>1,397</u>	<u>1,275</u>
Investments:		
Equity affiliates	69	65
Long-term marketable securities and cost investments	2	3
Total investments	<u>71</u>	<u>68</u>
Property, plant and equipment	3,005	2,823
Accumulated depreciation and amortization	<u>(1,951)</u>	<u>(1,807)</u>
Net property, plant and equipment	<u>1,054</u>	<u>1,016</u>
Other assets:		
Goodwill	38	34
Intangible assets, net of accumulated amortization of \$11 and \$10	3	4
Assets held for rent	45	42
Deferred income taxes	121	120
Other assets	92	77
Total other assets	<u>299</u>	<u>277</u>
Total assets	<u>\$ 2,821</u>	<u>\$ 2,636</u>

Second Quarter Earnings Announcement, Fiscal 2008

CABOT CORPORATION CONDENSED CONSOLIDATED FINANCIAL POSITION

	March 31, 2008	September 30, 2007
<i>Dollars in millions, except share and per share amounts</i>	<i>(unaudited)</i>	<i>(audited)</i>
Current liabilities:		
Notes payable to bank:	\$ 147	\$ 67
Accounts payable and accrued liabilities	402	427
Income taxes payable	42	36
Deferred income taxes	1	2
Current portion of long-term debt	39	15
Total current liabilities	<u>631</u>	<u>547</u>
Long-term debt	487	503
Deferred income taxes	11	16
Other liabilities	341	300
Minority interest	89	76
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: None		
Outstanding: None		
Common stock:		
Authorized: 200,000,000 shares of \$1 par value	65	65
Issued: 64,626,502 and 65,424,674 shares		
Outstanding: 64,484,058 and 65,279,803 shares		
Less cost of 142,443 and 144,871 shares of common treasury stock	(5)	(5)
Additional paid-in capital	-	-
Retained earnings	1,132	1,119
Deferred employee benefits	(32)	(34)
Notes receivable for restricted stock	(19)	(19)
Accumulated other comprehensive income	121	68
Total stockholders' equity	<u>1,262</u>	<u>1,194</u>
Total liabilities and stockholders' equity	<u>\$ 2,821</u>	<u>\$ 2,636</u>

CABOT CORPORATION

Fiscal 2007

Fiscal 2008

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
Sales										
Carbon Black Business ^(A)	\$ 485	\$ 493	\$ 506	\$ 521	\$ 2,005	\$ 560	\$ 630			\$ 1,191
Rubber blacks	351	346	351	368	1,416	409	453			863
Performance products	123	134	142	142	541	142	165			307
Inkjet colorants	10	13	13	10	46	8	11			19
Superior MicroPowders	1	-	-	1	2	1	1			2
Metal Oxides Business	65	68	67	71	271	70	73			143
Fumed metal oxides	65	68	66	71	270	70	72			142
Aerogel	-	-	1	-	1	-	1			1
Supermetals Business	77	53	48	55	233	53	57			109
Specialty Fluids Business	16	10	16	16	58	16	16			32
Segment Sales	643	624	637	663	2,567	699	776			1,475
Unallocated and other ^(B)	12	13	12	12	49	12	10			22
Net sales and other operating revenues	\$ 655	\$ 637	\$ 649	\$ 675	\$ 2,616	\$ 711	\$ 786			\$ 1,497
Segment Profit										
Carbon Black Business	\$ 54	\$ 57	\$ 25	\$ 20	\$ 156	\$ 21	\$ 36			\$ 57
Metal Oxides Business	9	10	9	8	36	8	8			16
Supermetals Business	16	(2)	-	1	15	1	(2)			(1)
Specialty Fluids Business	8	3	7	7	25	7	5			12
Total Segment Profit ^(C)	87	68	41	36	232	37	47			84
Interest expense	(9)	(9)	(8)	(8)	(34)	(9)	(9)			(18)
General unallocated income (expense) ^(D)	-	(15)	1	(5)	(18)	8	(13)			(6)
Less: Equity in net income of affiliated companies, net of tax	(3)	(3)	(3)	(3)	(12)	(2)	(2)			(4)
Income from continuing operations before income taxes	75	41	31	20	168	34	23			56
Benefit (provision) for income taxes	(19)	(11)	(9)	2	(38)	6	(11)			(5)
Equity in net income of affiliated companies, net of tax	3	3	3	3	12	2	2			4
Minority interest in net income, net of tax	(5)	(2)	(4)	(4)	(15)	(6)	(3)			(8)
Net income from continuing operations	54	31	21	21	127	36	11			47
Discontinued operations, net of tax^(E)	-	-	(1)	3	2	-	-			-
Net income	54	31	20	24	129	36	11			47
Dividends on preferred stock, net of tax benefit	-	(1)	-	-	(1)	-	-			-
Net income available to common shares	\$ 54	\$ 30	\$ 20	\$ 24	\$ 128	\$ 36	\$ 11			\$ 47
Diluted earnings per share of common stock										
Net income from continuing operations	\$ 0.79	\$ 0.45	\$ 0.31	\$ 0.32	\$ 1.87	\$ 0.56	\$ 0.17			\$ 0.73
Discontinued operations, net of tax ^(E)	-	-	(0.01)	0.04	0.03	-	-			-
Net income	\$ 0.79	\$ 0.45	\$ 0.30	\$ 0.36	\$ 1.90	\$ 0.56	\$ 0.17			\$ 0.73
Weighted average common shares outstanding										
Diluted	69	69	68	66	68	64	64			64

(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) Segment profit is a measure used by Cabot's Chief Operating Decision-Maker to measure consolidated operating results, assess segment performance and allocate resources. Segment profit includes equity in net income of affiliated companies, 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 certain items listed in Exhibit I.

(E) Amounts relate to legal and tax settlements in connection with our discontinued operations.

Second Quarter Earnings Announcement, Fiscal 2008

CABOT CORPORATION CERTAIN ITEMS - Exhibit I

Periods ended March 31 <i>Dollars in millions, except per share amounts (unaudited)</i>	Three Months				Six Months			
	2008 \$	2008 per share ^(A)	2007 \$	2007 per share ^(A)	2008 \$	2008 per share ^(A)	2007 \$	2007 per share ^(A)
<u>Certain items before income taxes</u>								
Environmental reserves/settlement	\$ -	\$ -	\$ (5)	\$ (0.06)	\$ (1)	\$ (0.01)	\$ (5)	\$ (0.06)
Carbon Black antitrust litigation	-	-	(10)	(0.09)	-	-	(10)	(0.09)
CEO transition costs	(4)	(0.04)	-	-	(4)	(0.04)	-	-
Restructuring initiatives:								
- Global	-	-	(2)	(0.02)	-	-	(4)	(0.04)
- Altona, Australia	-	-	-	-	18	0.20	(1)	(0.01)
- North America	(7)	(0.08)	-	-	(13)	(0.15)	-	-
- Europe ^(B)	(1)	(0.01)	-	-	(2)	(0.02)	-	-
Total certain items	(12)	(0.13)	(17)	(0.17)	(2)	(0.02)	(20)	(0.20)
Tax impact of certain items	4		5		1		6	
Total certain items	\$ (8)	\$ (0.13)	\$ (12)	\$ (0.17)	\$ (1)	\$ (0.02)	\$ (14)	\$ (0.20)

Periods ended March 31 <i>Dollars in millions (unaudited)</i>	Three Months		Six Months		Periods ended March 31 <i>Dollars in millions (unaudited)</i>	Three Months		Six Months	
	2008	2007	2008	2007		2008	2007	2008	2007
<u>Statement of Operations Line Item</u>					<u>Certain items by Segment^(C)</u>				
Cost of sales	(8)	(6)	3	(8)	Carbon Black Business	\$ (11)	(14)	\$ -	(17)
Selling and administrative expenses	(4)	(11)	(5)	(12)	Supermetals Business	-	(2)	-	(2)
Total certain items	\$ (12)	\$ (17)	\$ (2)	\$ (20)	Metal Oxides	(1)	-	(1)	-
					Other	-	(1)	(1)	(1)
					Total certain items	\$ (12)	\$ (17)	\$ (2)	\$ (20)

^(A) Per share amounts are calculated after tax.

^(B) Charges relate to former carbon black facilities.

^(C) Amounts are included in general unallocated expenses and are not included in Segment PBT.