

CABOT CORPORATION CONSOLIDATED STATEMENTS OF OPERATIONS
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Periods ended September 30 <i>Dollars in millions, except per share amounts (unaudited)</i>	Three Months		Twelve Months	
	2007	2006	2007	2006
Net sales and other operating revenues.....	\$ 675	\$ 663	\$ 2,616	\$ 2,543
Cost of sales.....	<u>564</u>	<u>550</u>	<u>2,111</u>	<u>2,124</u>
Gross profit.....	111	113	505	419
Selling and administrative expenses.....	66	59	249	235
Research and technical expenses.....	<u>20</u>	<u>17</u>	<u>69</u>	<u>58</u>
Income from operations.....	25	37	187	126
Other income and expense				
Interest and dividend income.....	2	2	10	5
Interest expense.....	(8)	(8)	(34)	(27)
Other income (expense).....	1	(7)	5	(7)
Total other income and expense.....	<u>(5)</u>	<u>(13)</u>	<u>(19)</u>	<u>(29)</u>
Income from continuing operations before income taxes	20	24	168	97
Benefit (provision) for income taxes.....	2	4	(38)	(9)
Equity in net income of affiliated companies, net of tax.....	3	4	12	12
Minority interest in net income, net of tax.....	<u>(4)</u>	<u>(3)</u>	<u>(15)</u>	<u>(12)</u>
Income from continuing operations.....	21	29	127	88
Discontinued operations, net of tax ^(A).....	3	2	2	2
Cumulative effect of an accounting change, net of tax ^(B).....	-	(4)	-	(2)
Net income	24	27	129	88
Dividends on preferred stock, net of tax benefit.....	-	-	(1)	(2)
Net income available to common shares.....	\$ 24	\$ 27	\$ 128	\$ 86
Diluted earnings per share of common stock				
Income from continuing operations.....	\$ 0.32	\$ 0.43	\$ 1.87	\$ 1.28
Discontinued operations, net of tax ^(A)	0.04	0.03	0.03	0.03
Cumulative effect of an accounting change, net of tax ^(B)	-	(0.07)	-	(0.03)
Net income	<u>\$ 0.36</u>	<u>\$ 0.39</u>	<u>\$ 1.90</u>	<u>\$ 1.28</u>
Weighted average common shares outstanding				
Diluted	66	68	68	68

^(A) Amount relates to legal and tax settlements in connection with our discontinued operations.

^(B) 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).

CABOT CORPORATION SUMMARY RESULTS BY SEGMENTS
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Periods ended September 30	Three Months		Twelve Months	
<i>Dollars in millions, except per share amounts (unaudited)</i>	2007	2006	2007	2006
SALES				
Carbon Black Business ^(A)	\$ 521	\$ 508	\$ 2,005	\$ 1,917
Rubber blacks.....	368	367	1,416	1,378
Performance products.....	142	128	541	488
Inkjet colorants.....	10	12	46	47
Superior MicroPowders.....	1	1	2	4
Metal Oxides Business.....	71	69	271	254
Fumed metal oxides.....	71	69	270	253
Aerogel.....	-	-	1	1
Supermetals Business.....	55	66	233	292
Specialty Fluids Business.....	16	11	58	44
Segment sales	<u>663</u>	654	<u>2,567</u>	2,507
Unallocated and other ^(B)	12	9	49	36
Net sales and other operating revenues.....	<u>\$ 675</u>	<u>\$ 663</u>	<u>\$ 2,616</u>	<u>\$ 2,543</u>
SEGMENT PROFIT				
Carbon Black Business ^(C)	\$ 20	\$ 31	\$ 156	\$ 101
Metal Oxides Business ^(C)	8	9	36	22
Supermetals Business.....	1	9	15	41
Specialty Fluids Business.....	7	3	25	16
Total Segment Profit ^(D)	<u>36</u>	52	<u>232</u>	180
Interest expense.....	(8)	(8)	(34)	(27)
General unallocated expense ^(E)	(5)	(16)	(18)	(44)
Less: Equity in net income of affiliated companies, net of tax.....	<u>(3)</u>	<u>(4)</u>	<u>(12)</u>	<u>(12)</u>
Income from continuing operations before income taxes	<u>20</u>	24	<u>168</u>	97
Benefit (provision) for income taxes.....	2	4	(38)	(9)
Equity in net income of affiliated companies, net of tax.....	3	4	12	12
Minority interest in net income, net of tax.....	<u>(4)</u>	<u>(3)</u>	<u>(15)</u>	<u>(12)</u>
Income from continuing operations	<u>21</u>	29	<u>127</u>	88
Discontinued operations, net of tax ^(F)	3	2	2	2
Cumulative effect of an accounting change, net of tax ^(G)	-	(4)	-	(2)
Net income	<u>24</u>	27	<u>129</u>	88
Dividends on preferred stock, net of tax benefit.....	-	-	(1)	(2)
Net income available to common shares	<u>\$ 24</u>	<u>\$ 27</u>	<u>\$ 128</u>	<u>\$ 86</u>
Diluted earnings per share of common stock				
Income from continuing operations.....	\$ 0.32	\$ 0.43	\$ 1.87	\$ 1.28
Discontinued Operations, net of tax ^(F)	0.04	0.03	0.03	0.03
Cumulative effect of an accounting change, net of tax ^(G)	-	(0.07)	-	(0.03)
Net income	<u>\$ 0.36</u>	<u>\$ 0.39</u>	<u>\$ 1.90</u>	<u>\$ 1.28</u>
Weighted average common shares outstanding				
Diluted	66	68	68	68

(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) 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 the certain items listed in Exhibit I. The amount for the twelve months ended September 30, 2006 also includes the \$27 million settlement payment to the Sons of Gwalia.

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

(G) 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).

CABOT CORPORATION CONDENSED CONSOLIDATED FINANCIAL POSITION

	September 30 2007	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	\$ 154	\$ 189
Short-term marketable securities	2	1
Accounts and notes receivable, net of reserve for doubtful accounts of \$6 and \$6	576	534
Inventories:		
Raw materials	154	131
Work in process	77	109
Finished goods	173	139
Other	27	41
Total inventories	<u>431</u>	<u>420</u>
Prepaid expenses and other current assets	79	75
Deferred income taxes	35	36
Total current assets	<u>1,277</u>	<u>1,255</u>
Investments:		
Equity affiliates	65	59
Long-term marketable securities and cost investments	3	3
Total investments	<u>68</u>	<u>62</u>
Property, plant and equipment	2,823	2,531
Accumulated depreciation and amortization	<u>(1,807)</u>	<u>(1,567)</u>
Net property, plant and equipment	<u>1,016</u>	<u>964</u>
Other assets:		
Goodwill	34	31
Intangible assets, net of accumulated amortization of \$11 and \$10	4	5
Assets held for rent	42	40
Deferred income taxes	115	100
Other assets	78	77
Total other assets	<u>273</u>	<u>253</u>
Total assets	<u>\$ 2,634</u>	<u>\$ 2,534</u>

Fourth Quarter Earnings Announcement, Fiscal 2007

CABOT CORPORATION CONDENSED CONSOLIDATED FINANCIAL POSITION

	September 30 2007	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 bank:	\$ 67	\$ 58
Accounts payable and accrued liabilities	429	384
Income taxes payable	36	27
Deferred income taxes	2	2
Current portion of long-term debt	15	34
Total current liabilities	<u>549</u>	<u>505</u>
Long-term debt	503	459
Deferred income taxes	16	20
Other liabilities	307	286
Minority interest	77	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: None and 55,895 shares	-	56
Outstanding: None and 38,734 shares (aggregate redemption value of \$39 at \$1,000 per share)		
Less cost of zero and 17,161 shares of preferred treasury stock	-	(38)
Common stock:		
Authorized: 200,000,000 shares of \$1 par value		
Issued: 65,424,674 and 63,579,040 shares	65	64
Outstanding: 65,279,803 and 63,432,651 shares		
Less cost of 144,871 and 146,389 shares of common treasury stock	(5)	(5)
Additional paid-in capital	-	7
Retained earnings	1,107	1,160
Deferred employee benefits	(34)	(38)
Notes receivable for restricted stock	(19)	(20)
Accumulated other comprehensive income	68	10
Total stockholders' equity	<u>1,182</u>	<u>1,196</u>
Total liabilities and stockholders' equity	<u>\$ 2,634</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
Sales										
Carbon Black Business ^(A)	\$ 419	\$ 476	\$ 514	\$ 508	\$ 1,917	\$ 485	\$ 493	\$ 506	\$ 521	\$ 2,005
Rubber blacks	298	346	367	367	1,378	351	346	351	368	1,416
Performance products	109	117	134	128	488	123	134	142	142	541
Inkjet colorants	11	12	12	12	47	10	13	13	10	46
Superior MicroPowders	1	1	1	1	4	1	-	-	1	2
Metal Oxides Business	57	62	66	69	254	65	68	67	71	271
Fumed metal oxides	57	62	65	69	253	65	68	66	71	270
Aerogel	-	-	1	-	1	-	-	1	-	1
Supermetals Business	93	67	66	66	292	77	53	48	55	233
Specialty Fluids Business	10	11	12	11	44	16	10	16	16	58
Segment Sales	579	616	658	654	2,507	643	624	637	663	2,567
Unallocated and other ^(B)	8	11	8	9	36	12	13	12	12	49
Net sales and other operating revenues	\$ 587	\$ 627	\$ 666	\$ 663	\$ 2,543	\$ 655	\$ 637	\$ 649	\$ 675	\$ 2,616
Segment Profit										
Carbon Black Business ^(C)	\$ 21	\$ 26	\$ 23	\$ 31	\$ 101	\$ 54	\$ 57	25	\$ 20	\$ 156
Metal Oxides Business ^(C)	2	5	6	9	22	9	10	9	8	36
Supermetals Business	11	12	9	9	41	16	(2)	-	1	15
Specialty Fluids Business	4	4	5	3	16	8	3	7	7	25
Total Segment Profit ^(D)	38	47	43	52	180	87	68	41	36	232
Interest expense	(6)	(7)	(6)	(8)	(27)	(9)	(9)	(8)	(8)	(34)
General unallocated income (expense) ^(E)	(2)	(24)	(2)	(16)	(44)	-	(15)	1	(5)	(18)
Less: Equity in net income of affiliated companies, net of tax	(3)	(4)	(1)	(4)	(12)	(3)	(3)	(3)	(3)	(12)
Income from continuing operations before income taxes	27	12	34	24	97	75	41	31	20	168
Benefit (provision) for income taxes	(4)	(1)	(8)	4	(9)	(19)	(11)	(9)	2	(38)
Equity in net income of affiliated companies, net of tax	3	4	1	4	12	3	3	3	3	12
Minority interest in net income, net of tax	(4)	(3)	(2)	(3)	(12)	(5)	(2)	(4)	(4)	(15)
Net income from continuing operations	22	12	25	29	88	54	31	21	21	127
Discontinued operations, net of tax^(F)	-	-	-	2	2	-	-	(1)	3	2
Cumulative effect of accounting changes, net of tax^(G)	2	-	-	(4)	(2)	-	-	-	-	-
Net income	24	12	25	27	88	54	31	20	24	129
Dividends on preferred stock, net of tax benefit	(1)	-	(1)	-	(2)	-	(1)	-	-	(1)
Net income available to common shares	\$ 23	\$ 12	\$ 24	\$ 27	\$ 86	\$ 54	\$ 30	\$ 20	\$ 24	\$ 128
Diluted earnings per share of common stock										
Net income from continuing operations	\$ 0.31	\$ 0.17	\$ 0.37	\$ 0.43	\$ 1.28	\$ 0.79	\$ 0.45	\$ 0.31	\$ 0.32	\$ 1.87
Discontinued operations, net of tax ^(F)	-	-	-	0.03	0.03	-	-	(0.01)	0.04	0.03
Cumulative effects of accounting changes, net of tax ^(G)	0.04	-	-	(0.07)	(0.03)	-	-	-	-	-
Net income	\$ 0.35	\$ 0.17	\$ 0.37	\$ 0.39	\$ 1.28	\$ 0.79	\$ 0.45	\$ 0.30	\$ 0.36	\$ 1.90
Weighted average common shares outstanding										
Diluted	68	69	69	68	68	69	69	68	66	68

(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. These amounts also include the \$27 million settlement payment to the Sons of Gwalia in the second quarter of 2006.

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

(G) 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).

Fourth Quarter Earnings Announcement, Fiscal 2007

CABOT CORPORATION CERTAIN ITEMS - Exhibit I

Periods ended September 30 <i>Dollars in millions, except per share amounts (unaudited)</i>	Three Months				Twelve Months			
	2007	2007	2006	2006	2007	2007	2006	2006
	\$	per share ^(A)	\$	per share ^(A)	\$	per share ^(A)	\$	per share ^(A)
<u>Certain items before income taxes</u>								
Environmental reserves/settlement	\$ -	\$ -	\$ -	\$ -	\$ (6)	\$ (0.07)	\$ -	\$ -
Restructuring initiatives - Global	1	0.01	(10)	(0.10)	(3)	(0.03)	(10)	(0.10)
Restructuring initiatives - Altona	-	-	(7)	(0.11)	(1)	(0.01)	(11)	(0.15)
Cost reduction initiatives	-	-	-	-	-	-	(3)	(0.04)
Restructuring - North America	(5)	(0.06)	-	-	(8)	(0.09)	-	-
Legal reserves/settlements	(2)	(0.02)	-	-	(12)	(0.11)	-	-
Acquisition of flamed synthesis technology	(4)	(0.04)	-	-	(4)	(0.04)	-	-
Gwalia settlement payment	-	-	-	-	-	-	(27)	(0.25)
Total certain items	(10)	(0.11)	(17)	(0.21)	(34)	(0.35)	(51)	(0.54)
Discontinued operations ^(B)	3	0.04	2	0.03	2	0.03	2	0.03
Cumulative effect of an accounting change ^(C)	-	-	(6)	(0.07)	-	-	(2)	(0.03)
Total certain items, cumulative effect of an accounting change and discontinued operations	(7)	(0.07)	(21)	(0.25)	(32)	(0.32)	(51)	(0.54)
Tax impact of certain items, cumulative effect of an accounting change and discontinued operations	2	-	5	-	10	-	15	-
Total certain items, cumulative effect of an accounting change and discontinued operations, after tax	\$ (5)	\$ (0.07)	\$ (16)	\$ (0.25)	\$ (22)	\$ (0.32)	\$ (36)	\$ (0.54)

Periods ended September 30 <i>Dollars in millions (unaudited)</i>	Three Months		Twelve Months		Periods ended September 30 <i>Dollars in millions (unaudited)</i>	Three Months		Twelve Months	
	2007	2006	2007	2006		2007	2006	2007	2006
<u>Statement of Operations Line Item</u>					<u>Certain items by Segment</u>				
Net sales and other operating revenues	\$ -	\$ -	\$ -	\$ 1	Carbon Black Business	\$ (6)	\$ (17)	\$ (26)	\$ (21)
Cost of sales	(5)	(5)	(16)	(35)	Supermetals Business	(4)	-	(6)	(30)
Selling and administrative expenses	(1)	(4)	(14)	(9)	Other	-	-	(2)	-
Research and technical expenses	(4)	-	(4)	-	Total certain items	\$ (10)	\$ (17)	\$ (34)	\$ (51)
Other	-	(8)	-	(8)					
Total certain items	\$ (10)	\$ (17)	\$ (34)	\$ (51)					

(A) Per share amounts are calculated after tax.

(B) Amount relates to legal and tax settlements in connection with our discontinued operations.

(C) 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).

CABOT CORPORATION
SUPPLEMENTAL BUSINESS INFORMATION
FOURTH QUARTER AND FULL FISCAL YEAR 2007

The following discussion of our results includes information on our reportable segment sales and operating profit before taxes (“PBT”). We use segment PBT to measure our consolidated operating results and to assess segment performance. When explaining the changes in our PBT period on period, we use several terms. The term “fixed costs” means fixed manufacturing costs, including utilities. The term “inventory related charges” means differences attributable to items such as (i) inventory obsolescence and valuation reserves; (ii) utilization variances; and (iii) other increases or decreases in costs associated with the production of inventory. The term “product mix” refers to the various types and grades of products sold by a particular business or product line during the quarter, and the positive or negative impact of that mix on the variable margin and profitability of the business or product line.

BUSINESS SEGMENT DETAIL

Volume Detail

The following chart details the percentage change in volume by product line for the fourth quarter of 2007 as compared to the fourth quarter of 2006 and the third quarter of 2007, as well as for the full year 2007 compared to the full year 2006.

	Fourth quarter 2007 vs. Fourth quarter 2006	Fourth quarter 2007 vs. Third quarter 2007	FY 2007 vs. FY 2006
Rubber Blacks	3%	(2)%	4%
North America	(9)%	(7)%	(11)%
South America	5%	2%	5%
Europe	(4)%	(11)%	3%
Asia Pacific	3%	5%	6%
China	28%	9%	27%
Performance Products	4%	flat volumes	2%
Inkjet Colorants	(12)%	(14)%	(4)%
Fumed Metal Oxides	(1)%	6%	5%

Profit Before Tax (PBT) Detail

Following is a quantification of the key factors impacting PBT for the Business reporting segments for the fourth quarter of 2007, as compared to both the fourth quarter of 2006 and the third quarter of 2007.

Carbon Black Business-

- Fourth quarter 2007 vs. fourth quarter 2006: pricing (unfavorable \$18 million); currency (unfavorable \$2 million); volume (favorable \$5 million); inventory related charges and timing of certain costs (favorable \$4 million); raw material costs (less than \$1 million impact)
- Fourth quarter 2007 vs. third quarter 2007- raw material costs (unfavorable \$26 million); volume (unfavorable \$3 million); pricing (favorable \$16 million); inventory related charges and timing of certain costs (favorable \$8 million)

Variability in carbon black feedstock costs significantly impacts financial results for both the Carbon Black Business segment and the Company as a whole on a quarterly basis. The table below quantifies, in

millions of dollars, the impact on PBT of both the time lag of our feedstock related pricing adjustments on our contracted rubber blacks business and the immediate recognition of feedstock costs in North America.

	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007
Quarter 1	(3)	(11)	13
Quarter 2	4	1	5
Quarter 3	(15)	(7)	(16)
Quarter 4	(19)	10	(14)
Full year impact	(33)	(7)	(12)

Metal Oxides Business

- Fourth quarter 2007 vs. fourth quarter 2006: roughly flat with favorable product mix being offset by lower plant utilization
- Fourth quarter 2007 vs. third quarter 2007: roughly flat with increased volumes being offset by inventory related charges and lower plant utilization

Supermetals Business

- Fourth quarter 2007 vs. fourth quarter 2006- pricing (unfavorable \$9 million); raw materials (unfavorable \$2 million); volumes (unfavorable \$2 million); fixed costs (favorable \$6 million)
- Fourth quarter 2007 vs. third quarter 2007- volumes (favorable \$2 million); product mix (unfavorable \$3 million)

Revenue Detail

The following charts quantify, in millions of dollars, the key factors impacting sales revenue for the Business reporting segments for the fourth quarter of 2007, as compared to both the fourth quarter of 2006 and the third quarter of 2007.

	Fourth quarter 2007 vs. Fourth quarter 2006		
	<u>Volume</u>	<u>Price/ Product Mix</u>	<u>Foreign Currency</u>
<i>Carbon Black Business</i>	14	(24)	20
<i>Metal Oxides Business</i>	(2)	2	2
<i>Supermetals Business</i>	(2)	(9)	-

	Fourth quarter 2007 vs. Third quarter 2007		
	<u>Volume</u>	<u>Price/ Product Mix</u>	<u>Foreign Currency</u>
<i>Carbon Black Business</i>	(7)	15	4
<i>Metal Oxides Business</i>	3	1	-
<i>Supermetals Business</i>	10	(3)	-

CORPORATE DETAIL

Capital Expenditures- Cabot spent approximately \$62 million in capital expenditures during the fourth quarter of 2007. For the full year, capital expenditures were \$146 million, compared to \$236 million for the full year 2006.

Open Market Share Repurchases- During the fourth quarter and full year 2007, the Company repurchased approximately 4 million and 4.6 million shares, respectively, of its common stock on the open market for a cash cost of approximately \$164 million and \$190 million, respectively.

Working Capital- Working capital decreased by \$3 million on a constant dollar basis (an increase of \$34 million at actual exchange rates) during fiscal 2007. On a constant dollar basis, the decrease was driven by an increase in payables and accruals partially offset by an increase in receivables.

Effective Tax Rate- The Company's effective tax rate for net income from continuing operations was a 12% benefit for the fourth quarter and a 23% provision for the full year 2007. During the fourth quarter and full year 2007 the Company recorded tax benefits in continuing operations from the settlement of various tax audits of approximately \$5 million (\$0.07 per diluted common share) and \$3 million (\$0.05 per diluted common share), respectively. The Company also recorded a tax benefit of \$3 million (\$0.04 per diluted common share) during the fourth quarter for the cumulative tax rate adjustment. Excluding the impact of these tax benefits, the Company's effective tax rate would have been approximately 25% for both the fourth quarter and full fiscal year 2007.