

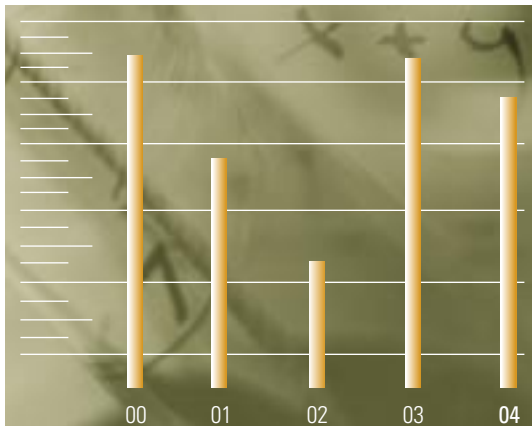
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CABOT CORPORATION

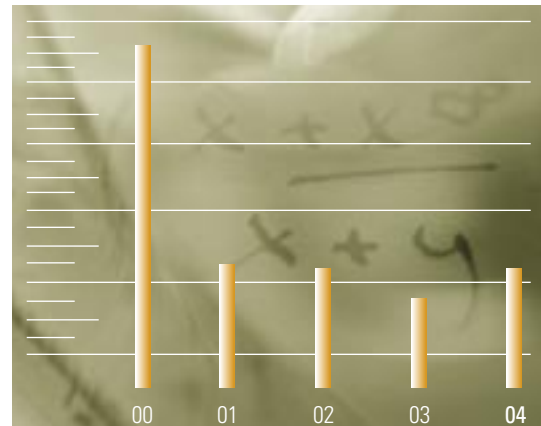
FINANCIAL HIGHLIGHTS

Dollars in millions, except per share amounts	2004	2003	Increase (Decrease) %
Operating Results			
Revenues	\$1,934	\$1,795	8%
Income from continuing operations	\$ 122	\$ 75	63%
Per diluted common share	\$ 1.79	\$ 1.08	66%
Net income	\$ 124	\$ 80	55%
Per diluted common share	\$ 1.82	\$ 1.14	60%
Financial Position (as of September 30)			
Assets	\$2,426	\$2,325	4%
Net property, plant and equipment	\$ 918	\$ 913	1%
Stockholders' equity	\$1,191	\$1,079	10%
Per common share	\$18.88	\$17.34	9%
Return on average stockholders' equity	11%	7%	4 pts

OPERATING CASH FLOW



RETURN ON AVERAGE STOCKHOLDERS' EQUITY



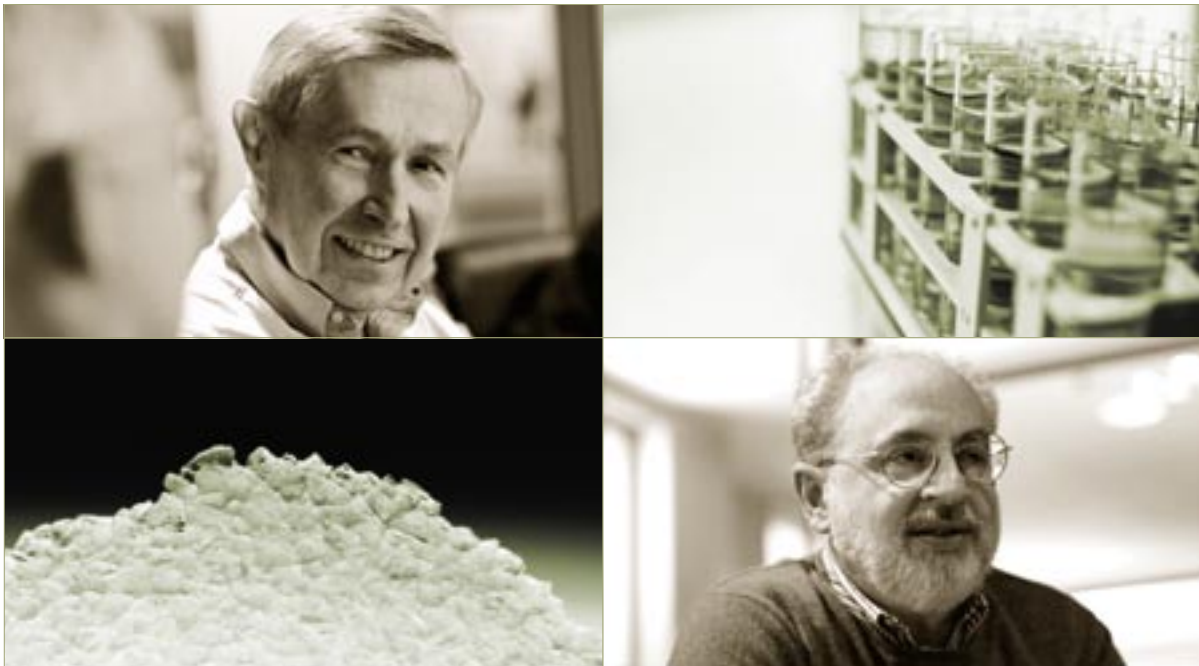
TO OUR SHAREHOLDERS

We are very pleased with our performance in 2004 and how that performance positions us for future growth. For the past ten years, we have achieved a significant increase in shareholder value and we are committed to sustaining that record. We continue to be confident of our value-creating corporate strategy, which focuses our efforts on optimizing our core businesses, developing new products and businesses, and improving our business management processes.

In 2004, in addition to a significant increase in earnings, we recorded the best safety year in the company's history. We operated our chemical businesses more effectively. We made substantial progress in our ongoing efforts to develop new products and businesses. And we generated new opportunities for future growth.

In a world in which divisiveness among countries and cultures seems common, we are impressed by our global community of employees. In our small world, we have worked hard to build a culture that values respect, alignment, cooperation and growth.

Among the many unifying aspects of our culture is a shared commitment to continuous improvement — what we call a “positive sense of dissatisfaction.” This phrase captures our belief that, no matter what we achieve, we always have many opportunities to perform better and generate greater value for our shareholders.



IN 2005, TWO SENIOR CABOT TECHNOLOGISTS, CHARLIE GRAY (TOP LEFT) AND STEVE REZNEK (BOTTOM RIGHT), WILL RETIRE. BETWEEN THEM, THEY BUILT THE SCIENTIFIC FOUNDATION FOR MANY OF THE NEW PRODUCTS AND NEW PROCESSES THAT HAVE DRIVEN OUR GROWTH IN RECENT YEARS. THEY LED THE SCIENTIFIC RESEARCH THAT RESULTED IN THE DEVELOPMENT OF CABOT MICROELECTRONICS CORPORATION (NOW AN INDEPENDENT COMPANY) AND INKJET COLORANTS (ONE OF OUR NEW BUSINESSES), AND THE DEVELOPMENT OF MANUFACTURING PROCESS IMPROVEMENTS. THEY ARE SUCCEEDED BY A NEW GENERATION OF TECHNOLOGISTS — A TALENTED TEAM OF MEN AND WOMEN, WORKING AS MATERIAL SCIENTISTS, PROCESS ENGINEERS, APPLICATION SCIENTISTS AND MECHANICAL ENGINEERS AROUND THE WORLD.



William J. Brady
*Executive Vice President
and General Manager,
Carbon Black*

Eduardo E. Cordeiro
*Vice President and
General Manager,
Cabot Supermetals*

Kennett F. Burnes
*Chairman, President and
Chief Executive Officer*

Ravijit Paintal
*General Manager,
Fumed Metal Oxides
and Aerogel*

John A. Shaw
*Executive Vice President
and Chief Financial Officer*

FINANCIAL AND BUSINESS PERFORMANCE

In 2004, we reported earnings of \$1.82 per diluted common share and revenues of \$1.9 billion, compared with \$1.14 per diluted common share and \$1.8 billion in 2003. We were aided in our efforts by the initiatives we have undertaken over the past two years to improve our operating performance. These initiatives had a significant and positive impact on business earnings in 2004. We also benefited from an improved global economy, which helped ease last year's pressure on volumes, margins and costs. By remaining diligent, we expect to find additional opportunities to improve the management of our businesses in 2005 and beyond.

In Carbon Black, lower operating costs, new supply contracts with several existing customers and improved market conditions led to a strong 2004. The migration of tire manufacturers, our major customer base, to lower-cost regions of the world continues. Historically, the strength of our Carbon Black business has been built on its expansion into emerging and growing economies. This continues today with our investment in a joint venture for the construction and operation of a manufacturing facility in TianJin, China, and the expansion of our plant in Maua, Brazil. We are also investigating opportunities in Russia. We are fortunate to have a talented and culturally diverse group of managers to operate these facilities. A sad result of these global shifts, however, is the scheduled closure, in 2005, of our carbon black plant in Altona, Australia, necessitated in part by raw material supply difficulties. Our Altona employees operated the plant very effectively for many years and contributed to our growth in Asia Pacific.

Fumed Metal Oxides also benefited from lower costs, new supply contracts and improved market conditions. This business, too, is investing in the growing potential of Chinese and Asian Pacific markets with the construction, through a joint venture, of a fumed silica manufacturing plant in Jiangxi Province, China. Once completed in 2006, this plant will be the first world-class, large-scale fumed silica plant in that country.

The improvement in global electronics markets contributed to a strong year in Cabot Supermetals (CSM). Throughout the year, CSM achieved significant cost reductions, which helped the business recover from the expiration of contracted intermediate product sales to one key customer. Also in 2004, we amended the long-term contracts for the supply of tantalum powder to two customers, extending them through 2009. We launched a new business unit for thin films, which manufactures the sputtering targets that are used in the production of electronic components, such as microprocessors.

Finally, while our Australian-based tantalum ore supplier reported business and financial difficulties during the year, we remain secure in our raw material supply — an assurance our customers value.

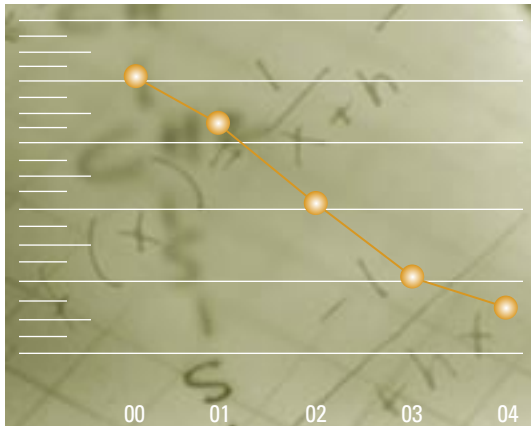
We are very pleased with the performance of our three new businesses: Inkjet Colorants, Cabot Specialty Fluids and Aerogel. The development of these businesses reflects the successful application of our technology and core competencies to existing and emerging applications and markets.

Two-thousand four was a very strong year in Inkjet Colorants, which manufactures unique, patented pigment products for inkjet applications. Revenue from the sale of our pigments increased 41 percent and, after several years of hard work, our pigments were accepted by an additional original equipment manufacturer for use in a new printer platform. We continue to apply our small molecule and polymer attachment technologies to expanding markets for inkjet printing. These technologies must remain robust so that we can support our customers in their efforts to continuously introduce new and improved printer platforms. To accomplish this, we continue our investments in research and development, and manufacturing capability. Technical innovation and a zero-defect culture are key to our future growth in this business.

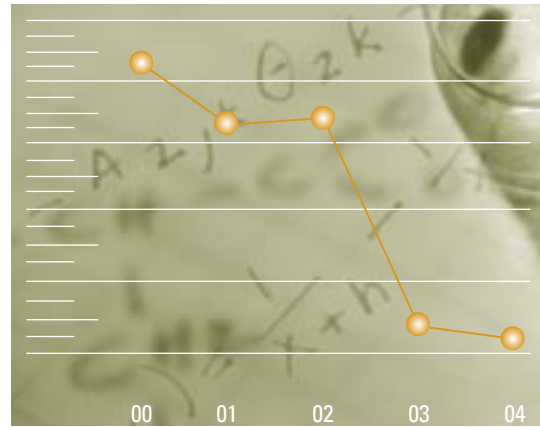
Cabot Specialty Fluids continued to build momentum in 2004. Our cesium formate drilling and completion fluids achieved excellent results in a number of wells in the North Sea and we anticipate increased activity in this region in the future. We continue to market the benefits of our fluids to oil and gas companies exploring potential reservoirs outside the North Sea, including the Gulf of Mexico, Saudi Arabia and the Caspian Sea. Our fluids help customers optimize the productivity of their wells and moderate the environmental impacts associated with the drilling and completion processes. Since its formation in the late 1990s, Cabot Specialty Fluids has completed more than 80 projects in the North Sea and Gulf of Mexico.

Aerogel, which manufactures translucent aerogel particles called Nanogels®, strengthened its position in construction markets, where Nanogels are used in daylighting applications — allowing natural light to come in, while maintaining heating or cooling. During the year, we made significant progress toward resolving manufacturing bottlenecks at our semi-works plant in Frankfurt, Germany, and pursued new markets, which could further tap the particles' exceptional insulation properties.

RECORDABLE INCIDENT RATE



LOST WORKDAYS



CREATING PARTICLES THAT MATTER

Our corporate strategy of organic growth relies on internal, and selectively acquired, investments. The course we have chosen — remain comparatively small, invest continuously in research and development, avoid disruptive mega-acquisitions and pursue high-value, breakthrough products — is different from most of our peers'. We are investing approximately \$70 million a year in new business development, and research and development activities. We continue to build a robust intellectual property portfolio. The Patent Scorecard published in May 2004 in the Massachusetts Institute of Technology's *Technology Review* ranked Cabot in the top ten percent for overall patent technology strength (number of patents times impact of patents) and the top two percent for overall patent quality in the chemical industry.

Our focus is not exclusively internal; we obtain balance with a network of external partnerships. In 2004, we expanded technical relationships with customers and universities, and established relationships with scientists and organizations working in complementary technologies. Collaborations like these reflect the role customers and others have in helping us to improve and expand our product lines, and generate new ideas for growth.

Our new products and new businesses spring from a common source: technical innovation. Our innovation is fueled by three core competencies: making and handling very fine particles; modifying the surfaces of very fine particles to alter their functionality; and designing composites (particles interacting with other media) for specific properties and applications.

We focus on creating particles with the composition, morphology, surface functionalities and formulations to support existing and emerging applications. The result is technology that improves the performance of products consumers use every day.

We apply the first of our competencies — making and handling particles — to our continuous efforts to increase the efficiency, and decrease the cost of manufacturing. In Carbon Black, for example, a one percent gain in manufacturing efficiency can produce operating cost reductions of some \$3 million a year. Developing manufacturing improvements for products that have been made for decades is challenging, but it is an effort we are applying to all our chemical businesses.

Our expertise in making and handling fine particles expanded significantly with our acquisition in 2003 of Cabot Superior MicroPowders (CSMP). With CSMP and its versatile spray-based technology, we have broadened the compositional range of our particles, and expanded our ability to control feature size — from nano to micron size. We are enthusiastic about the potential these capabilities have for supporting our entry into developing markets in lighting, energy materials, and printable electronics and displays. In 2004, CSMP launched two new business units to address two of these markets. The Energy Materials business unit is focused on producing new and improved catalysts and sorbents for energy applications. The Printable Electronics and Displays business unit is focused on developing electronic materials for use in manufacturing flat panel displays and printed circuit boards, and in printing low-cost disposable electronics, such as Radio Frequency Identification (RFID) tags and SmartCards.

We have successfully applied the second of our competencies — surface modification of particles — to several businesses, including Inkjet Colorants, where our surface attachment technology enabled us to grow our product line. We are working to expand our understanding of polymer attachment technology, since polymers may provide the speed and durability advantages to enable Inkjet Colorants to enter the market for networked printers and copiers.

Finally, we are devoting resources to our third competency: designing particle-media composites for particular applications. Here, our approach is to understand specific applications and design backwards — that is, create particle solutions. This is an important aspect of our technical competencies, since some 98 percent of our particles are used in other media.

We are pleased with the technical innovations we have achieved in recent years, many of which are reflected in the growth of our new businesses. We are committed to sustaining our new business development, and research and development investments in the future.

SUSTAINING A RECORD OF GROWTH

We believe we are well positioned to continue our strong performance in 2005. To do so, we are focusing on six major areas:

- Further reducing injuries among employees and contractors, aiming for zero incidents;
- Obtaining a successful attestation of our internal control processes, as mandated by the Sarbanes-Oxley Act of 2002;
- Further improving our operating performance, focusing on the creation of world-class manufacturing and the effectiveness of key business processes;
- Improving service to customers, building a reputation as a company that is “easy to do business with;”
- Expanding successfully in emerging economies; and
- Identifying new opportunities with potential to generate shareholder value.

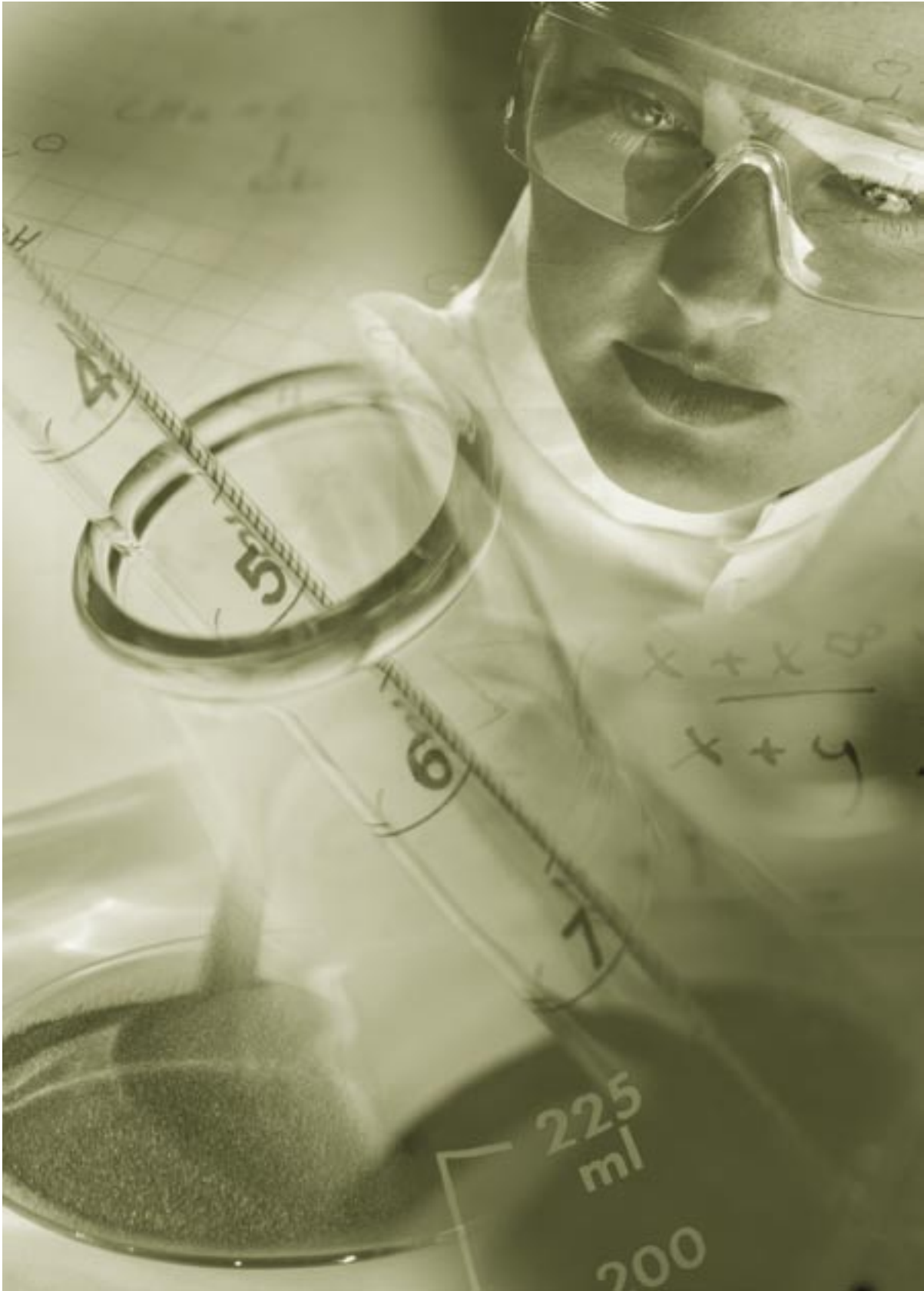
In addition to a talented global workforce, our position today can be credited to the support of our Board of Directors. At our Annual Meeting in March 2005, we will observe the retirement of John G.L. Cabot. A director since 1963 and a member of this company’s founding family, John represents the long-term strength and stability of our shareholders from which we benefit. We will miss his wisdom and experience.

The future depends on our success in finding opportunities to create value. With the formidable strengths of our employees, culture and technologies, we are confident that we will continue our record of growth.



Kennett F. Burnes

Chairman, President and Chief Executive Officer



Chemicals . . .

They're in the substances we live on (air, water) and the products we use every day (vehicles, pharmaceuticals, electronics).

At Cabot, the particles we create through technical innovation form the initial link in the supply chain leading to consumer products. Looking ahead to the final link — the end application — we design particles that support the performance attributes consumers value: durable tires, permanent inks, sag-resistant adhesives, lightweight laptops, natural-light work environments.

Our technical innovation is fueled by three core competencies: making and handling very fine particles; modifying the surfaces of very fine particles to alter their functionality; and designing composites (particles interacting with other media) for specific properties and applications.

We continue to discover unique things our particles can, or might, do. We are expanding the boundaries of our technical space to ensure our particles remain essential to the world in which we live.

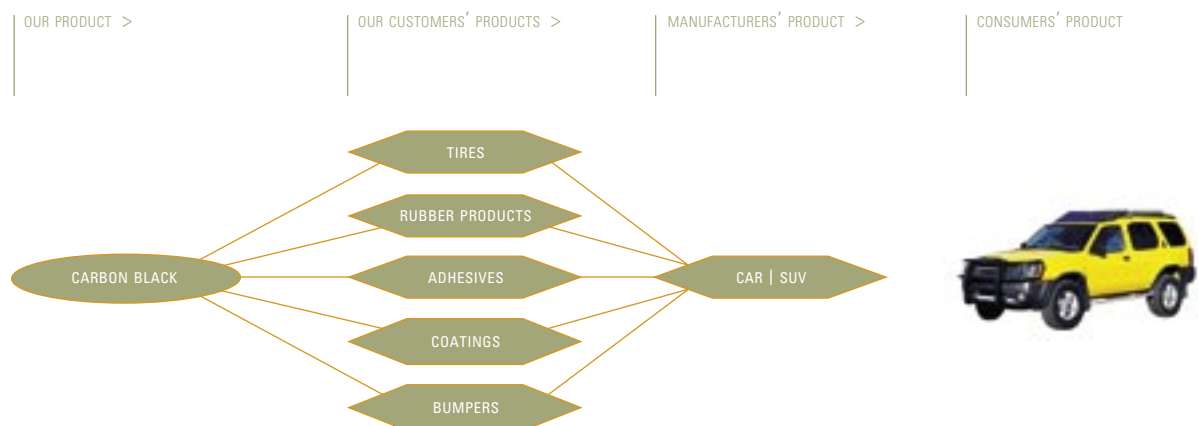
We invite you to explore, on the following pages, the role our technology plays in the manufacture of some familiar consumer products. These are just a sampling of the many products that begin with Cabot particles.

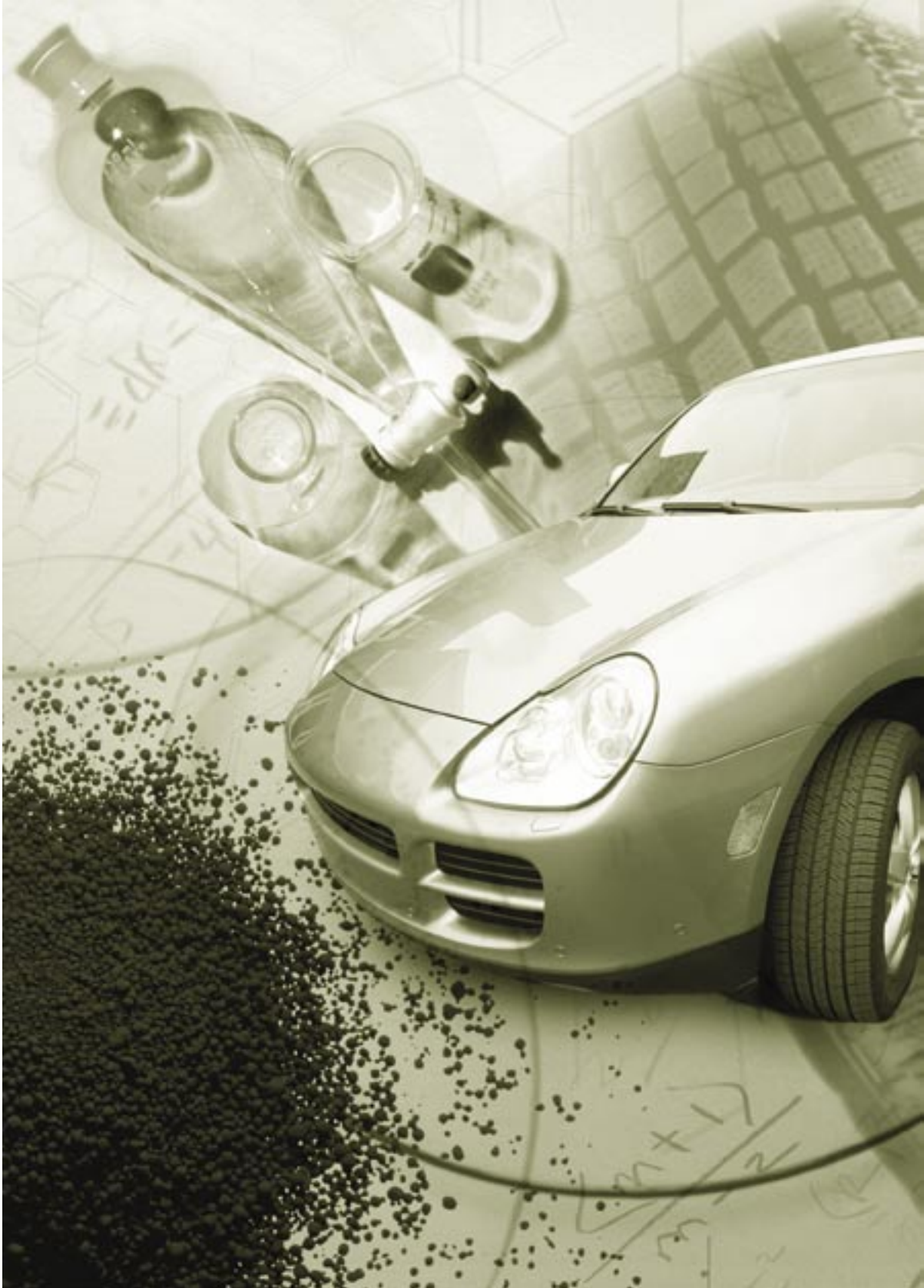
Carbon Black,

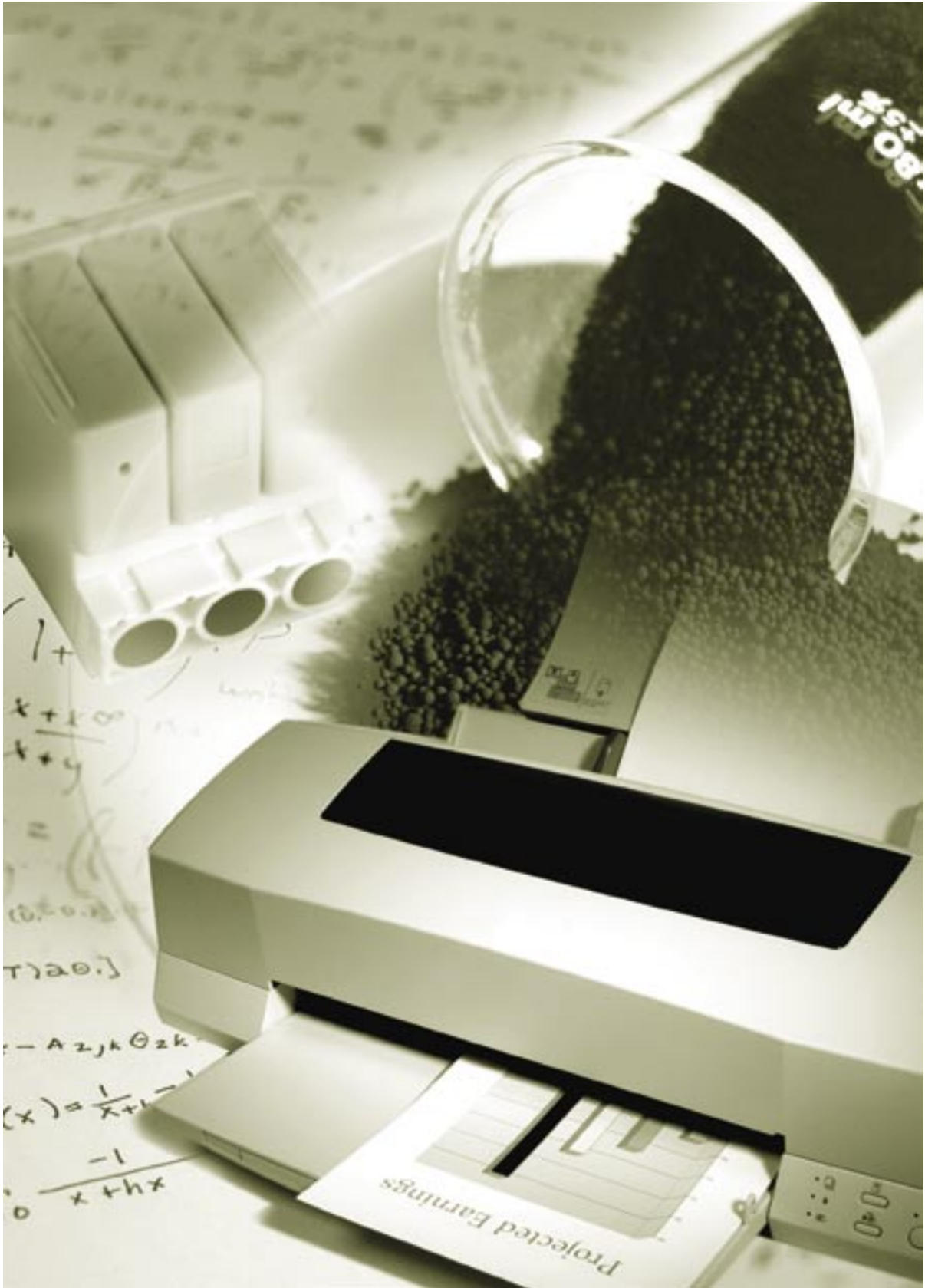
the business on which Cabot Corporation was founded, thrives today on the particle's unique and, in some applications, virtually irreplaceable, functionality. Carbon black provides reinforcement, pigmentation, electrical conductivity, ultraviolet protection and other essential properties to products consumers use every day. Manufactured to match customer needs and performance requirements, carbon black is sold to diverse markets, including the automotive, building materials, agricultural, coatings, toners, inkjet printing and electronics markets.

THE SUPPLY CHAIN BEGINS with a mobile world, dependent on transportation — from jumbo jets to compact cars. Automakers want carbon black that can help them improve a car's safety performance, decrease its weight and reduce its cost... all while creating a better looking, better running product for consumers. From the carbon black used in under-the-hood applications (gaskets, belts, hydraulic hoses) to that used in exterior applications (tires, paints, window seals), carbon black's broad functionality is essential to a car's appearance and operation.

CABOT TECHNOLOGY enables Carbon Black to design particles that add value to our customers' products and the products consumers use every day. Our expertise in modifying the surfaces of very fine particles provides the basis for the creation of new carbon black products, which help make emerging technologies possible. For example, our initial carbon blacks for inks were — and continue to be — used in conventional printing (newspapers); succeeding generations are now being used in inkjet printing (digital); and future generations are being designed for printable electronics and displays.





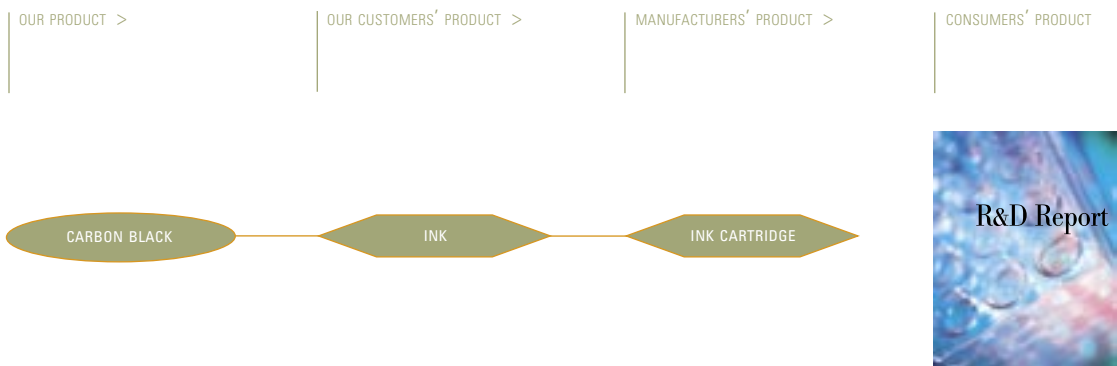


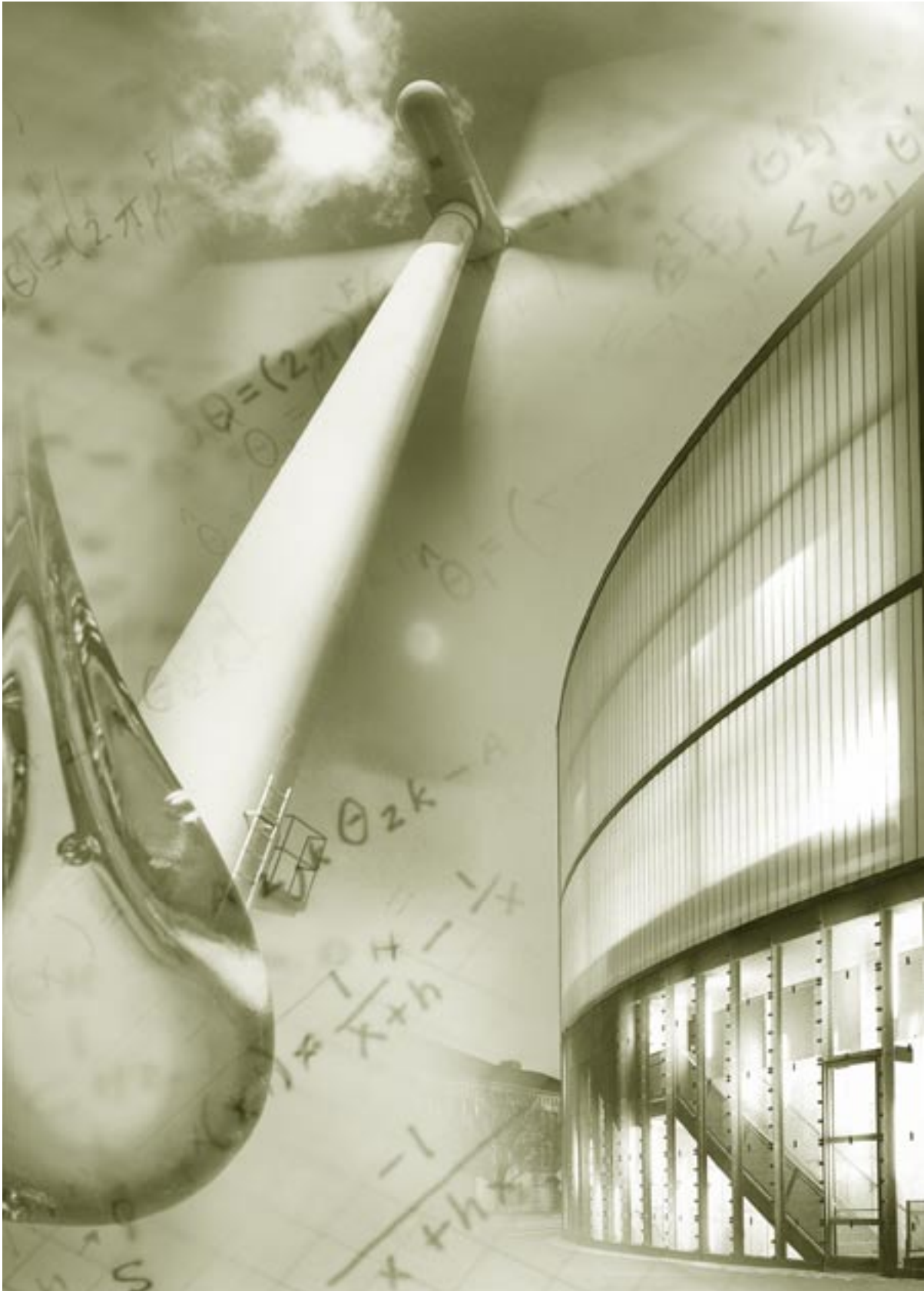
Inkjet Colorants, which

emerged from the Carbon Black business, manufactures pigment-based colorant dispersions for the inkjet printing market. The dispersions are used in aqueous inks to impart reliability, waterfastness, lightfastness, rub resistance and optical density (jetness). With their small and stable particles, low viscosity and high purity, inkjet colorants have proven popular in the SOHO (small office/home office) market. New opportunities include the market for high-speed networked printers.

THE SUPPLY CHAIN BEGINS with a run-up in the use of desktop printing by small business operators and at-home workers. The early generations of inks that consumers used in desktop printers lacked jetness, smudged and faded. Durable, glossy and optically dense ink: this is what consumers want to see on the printed page. The creation of inks with pigment-based, versus dye-based, technology provided consumers with the performance properties they valued.

CABOT TECHNOLOGY enables Inkjet Colorants to surface treat special grades of carbon black and other pigments, and create high-quality inkjet inks. The expansion of our surface modification technology (small molecule attachment) paved the way for our growth from black pigments into color pigments, and our growing capabilities in polymer attachment technology are opening doors into emerging markets and applications, including opportunities in high-volume, high-speed printing.



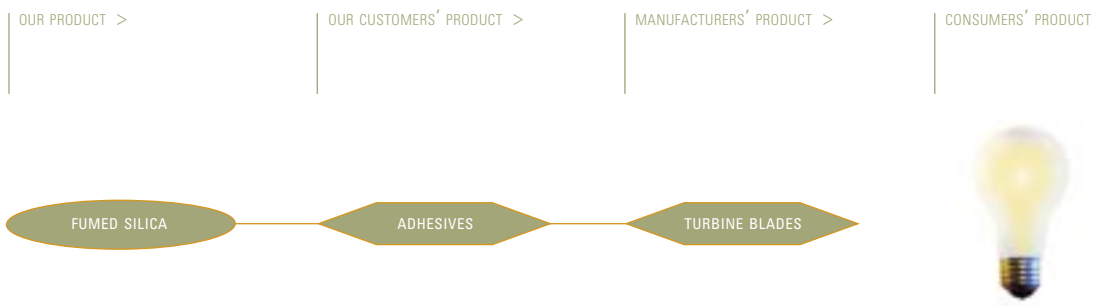


Fumed Metal Oxides

manufactures a wide range of specialty products, including fumed silica and fumed alumina, in powder and dispersed forms. Fumed silica is an ultra-fine, high-purity particle, which is used as a reinforcing, thickening, abrasive, thixotropic, suspending and anti-caking agent in a wide array of products, including adhesives, sealants, silicone rubber, cosmetics, inks, coatings, polishing slurries and pharmaceuticals. The products are used in various applications by the automotive, construction, microelectronics and consumer products industries.

THE SUPPLY CHAIN BEGINS with the growing need for alternative sources of energy. Wind farms — clusters of wind turbines — address this need by harnessing the wind to generate a sustainable source of energy. A growing industry in Europe, wind farms are attracting attention in the U.S. Atop towers rising some 90 meters are rotating blades, ranging in length from 25 to 60 meters. The blades are constructed of lightweight, high-strength composite materials, bonded with specialty adhesives. Cabot's fumed silica provides critical characteristics in these adhesives: through rheology and sag control, they facilitate the application of the adhesives in the composite materials.

CABOT TECHNOLOGY enables Fumed Metal Oxides to design and modify particles and their surfaces, supporting customers in their efforts to develop new and more advanced applications. Our technology enables us to control the size and structure of fine particles, and to modify their surface energy and chemistry to achieve unique performance characteristics. Our understanding of the ways in which our particles interact in customers' applications allows us to pursue new and promising markets.

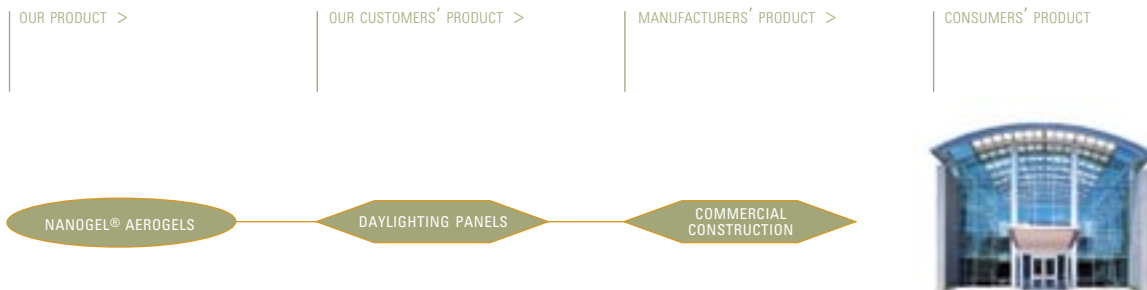


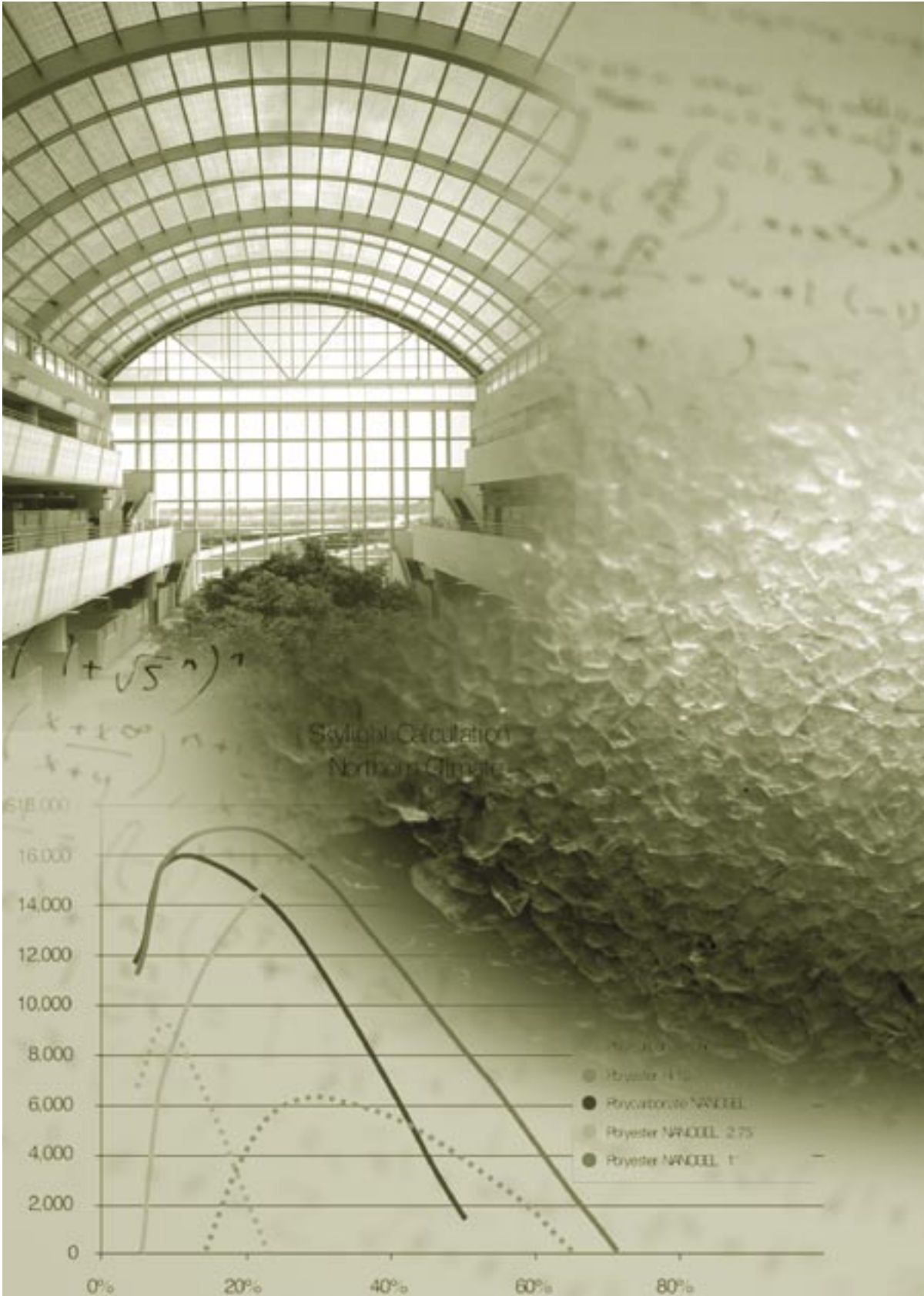
Aerogel

manufactures environmentally friendly hydrophobic silica particles, called Nanogel® aerogels, which provide advanced thermal and acoustical insulation. Now being used in architectural and natural daylighting panels, aerogel particles are exceptionally versatile and show promise in a wide range of potential applications, including specialized insulation aerogel composites for high-performance thermal containers and transportation vehicles, and aerogel rheological control agents for surface coating and adhesive applications.

THE SUPPLY CHAIN BEGINS with the benefits of glare-free natural daylight. Studies have shown that by incorporating natural light into their environments, schools increase learning rates among students; retail stores sell more than their artificially lit competitors; and workplaces have more productive employees. Unlike traditional wall and skylight panels, which can lose heating and cooling due to poor thermal performance, panels made with Nanogel® aerogels are energy efficient. Now, architects have more choices when working to design environments that make more of light, and less of sound and energy consumption.

CABOT TECHNOLOGY enabled Aerogel to create a new class of hydrophobic silica particles. Nanogel® aerogel particles are exceptional insulators, non-toxic, not readily combustible, translucent or opaque (depending on the application) and familiarly known as "solid smoke," given their identification as the lightest solid known. Cabot's skill in making, handling and modifying aerogel particles is opening the door to a wide array of potential applications. Cabot's progress in developing a manufacturing technology is intended to make production of aerogel particles commercially viable on a larger scale and at a lower cost than earlier technologies.



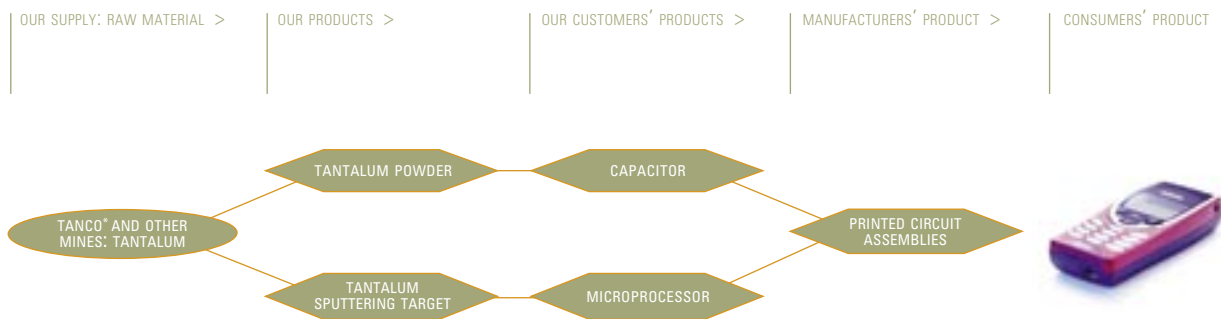


Cabot Supermetals

is one of the world's largest and most technologically advanced manufacturers of tantalum and niobium products, which provide capacitance, corrosion resistance and superconductivity. Cabot Supermetals continues to discover new applications and markets for these products. In 2004, for example, the business launched a unit dedicated to the manufacture of tantalum sputtering targets, which are used in manufacturing a wide range of electronics. With its contracts and ownership of tantalum ore supplies, Cabot Supermetals has one of the strongest raw material positions in the industry. In addition to electronics, major markets for tantalum and niobium products include aerospace, defense, chemicals processing and high-intensity discharge lighting.

THE SUPPLY CHAIN BEGINS with consumers' insatiable appetite for electronics, from cellphones, laptops and digital cameras, to entertainment accessories in their cars. Consumers want electronics that are compact, lightweight, powerful and multifunctional. Tantalum plays a leading role in providing these properties. The high capacitance, volumetric efficiency and temperature capabilities of tantalum products influence the size, performance and reliability of our customers' products and, ultimately, the cellphones consumers hold in their hands.

CABOT TECHNOLOGY enables Cabot Supermetals to custom-engineer capacitor powders to customer-specific performance needs. Nodular, angular and proprietary flake powders are particularly suited to high-voltage applications. In metallurgical products, such as sputtering targets, our expertise enables us to control texture, grain size, dimensional conformance and homogeneity, resulting in consistent and predictable performance.



*The Cabot-owned Tantalum Mining Corporation, Manitoba, Canada





Cabot Specialty Fluids

manufactures cesium formate-based fluids for drilling and completing oil and gas wells. More than twice the weight of water, solids-free and environmentally friendly, the fluids help optimize the well construction process and improve the well drilling rate. Through our ownership of the Tantalum Mining Corporation (TANCO), Manitoba, Canada, we hold a leading position in the world's known reserves of pollucite, from which cesium is extracted.

THE SUPPLY CHAIN BEGINS with the world's increasing consumption of oil and gas. Exploration has discovered oil and gas reservoirs, located thousands of feet beneath the North Sea, Gulf of Mexico, Caspian Sea and other water masses. Tapping these reservoirs is difficult: drilling companies must maximize well productivity while minimizing wellbore damage. Each reservoir is different in its geology, temperature, pressure, and chemical and physical properties. By matching product and services to individual well demands, cesium formate enables customers to achieve production rates that meet or exceed their expectations.

CABOT TECHNOLOGY resulted in the creation of a unique business model. Cabot Specialty Fluids manufactures its core product, cesium formate, using a proprietary conversion process. Cabot then designs applications with its customers, rents its product along with supporting engineering services and, once customers' applications are complete, reclaims and recycles the product. Cabot Specialty Fluids continuously explores technical advances in chemical manufacturing, including advances in filtration and separation technologies, as a means of recovering the greatest amount of fluids possible for recycling back into inventory.



CONDENSED CONSOLIDATED BALANCE SHEETS ^(A)

September 30 (Dollars in millions, except per share amounts)

2004

2003

Assets

Current assets:

Cash and cash equivalents	\$ 159	\$ 247
Short-term marketable securities investments	70	—
Accounts and notes receivable, net of reserve for doubtful accounts of \$5 and \$3	384	333
Inventories	482	456
Prepaid expenses and other current assets	38	35
Deferred income taxes	40	40
Total current assets	1,173	1,111

Investments:

Equity affiliates	56	50
Long-term marketable securities and cost investments	37	27
Total investments	93	77

Property, plant and equipment	2,356	2,202
Accumulated depreciation and amortization	(1,438)	(1,289)
Net property, plant and equipment	918	913

Other assets:

Goodwill	111	110
Intangible assets, net of accumulated amortization of \$8 and \$6	7	9
Assets held for rent	33	29
Deferred income taxes	35	34
Other assets	56	42
Total other assets	242	224

Total assets	\$ 2,426	\$ 2,325
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^(A) The consolidated financial statements include the accounts of Cabot Corporation and majority-owned and controlled U.S. and non-U.S. subsidiaries (Cabot). Investments in 20-to-50 percent owned affiliates are accounted for using the equity method. Intercompany transactions have been eliminated. The Notes to the consolidated financial statements included in Cabot's Form 10-K for fiscal 2004 are an integral part of these condensed consolidated financial statements. Certain amounts in 2003 have been reclassified to conform to the 2004 presentation.

CONDENSED CONSOLIDATED BALANCE SHEETS ^(A)

September 30 (Dollars in millions, except per share amounts)

2004

2003

Liabilities and Stockholders' Equity

Current liabilities:

Notes payable to banks	\$ 24	\$ 15
Accounts payable and accrued liabilities	290	278
Income taxes payable	50	40
Deferred income taxes	—	3
Current portion of long-term debt	8	40
Total current liabilities	372	376

Long-term debt	506	516
Deferred income taxes	22	15
Other liabilities	290	299

Commitments and contingencies ^(B)

Minority interest	45	40
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Stockholders' equity:

Preferred stock:

Authorized: 2,000,000 shares of \$1 par value Series A Junior Participating Preferred Stock issued and outstanding: none		
Series B ESOP Convertible Preferred Stock 7.75% Cumulative Issued: 75,336 shares, outstanding: 47,534 and 53,490 shares (aggregate redemption value of \$48 and \$53)	64	70
Less cost of shares of preferred treasury stock	(38)	(38)

Common stock:

Authorized: 200,000,000 shares of \$1 par value issued and outstanding: 63,055,006 and 62,243,010 shares	63	62
Less cost of shares of common treasury stock	(5)	(5)
Additional paid-in capital	52	14
Retained earnings	1,218	1,160
Unearned compensation	(49)	(36)
Deferred employee benefits	(45)	(48)
Notes receivable for restricted stock	(19)	(21)
Accumulated other comprehensive loss	(50)	(79)

Total stockholders' equity	1,191	1,079
Total liabilities and stockholders' equity	\$2,426	\$2,325

^(B) Cabot is a defendant, or potentially responsible party, in various lawsuits and environmental proceedings wherein substantial amounts are claimed or at issue.

The Notes to the consolidated financial statements included in Cabot's Form 10-K for fiscal 2004 are an integral part of these condensed consolidated financial statements. Certain amounts in 2003 have been reclassified to conform to the 2004 presentation.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME ^(A)

Years ended September 30 (Dollars in millions, except per share amounts)	2004	2003	2002
Net sales and other operating revenues	\$1,934	\$1,795	\$1,557
Cost of sales	1,457	1,373	1,128
Gross profit	477	422	429
Selling and administrative expenses	217	251	233
Research and technical expense	53	64	48
Income from operations	207	107	148
Interest and dividend income	6	5	9
Interest expense	(30)	(28)	(28)
Other (charges) income	(19)	10	5
Income from continuing operations before taxes	164	94	134
Provision for income taxes	(39)	(17)	(30)
Equity in net income of affiliated companies, net tax of \$4, \$2 and \$3	6	5	5
Minority interest in net income, net of tax of \$2, \$2, and \$1	(9)	(7)	(4)
Net income from continuing operations	122	75	105
Discontinued operations:			
Income from operations of discontinued businesses, net of income taxes of (\$1), \$2 and \$1	2	5	1
Net Income	124	80	106
Dividends on preferred stock, net of tax benefit of \$1, \$1 and \$2	(3)	(3)	(3)
Income available to common shares	\$ 121	\$ 77	\$ 103
Weighted-average common shares outstanding, in millions:			
Basic	59	59	59
Diluted	68	70	71
Income per common share:			
Basic:			
Continuing operations	\$ 2.04	\$ 1.24	\$ 1.74
Income from operations of discontinued businesses	0.03	0.08	0.02
Net income per share – basic	\$ 2.07	\$ 1.32	\$ 1.76
Diluted:			
Continuing operations:	\$ 1.79	\$ 1.08	\$ 1.48
Income from operations of discontinued businesses	0.03	0.06	0.02
Net income per share - diluted	\$ 1.82	\$ 1.14	\$ 1.50

^(A) The Company's effective tax rate from continuing operations was 24%, 18%, and 22% in fiscal 2003 and 2002, respectively. The Notes to the consolidated financial statements included in Cabot's Form 10-K for fiscal 2004 are an integral part of these condensed consolidated financial statements. Certain amounts in 2003 and 2002 have been reclassified to conform to the 2004 presentation.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended September 30 (Dollars in millions)	2004	2003	2002
Cash Flows from Operating Activities:			
Net income	\$ 124	\$ 80	\$ 106
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	134	135	109
Deferred tax expense (benefit)	—	(31)	(4)
Equity in net income of affiliated companies	(7)	(5)	(5)
Impairment charges	15	33	16
Non-cash compensation	25	23	22
In process research and development charge	—	14	—
Gain on sale of investment	—	(35)	—
Other non-cash charges, net	14	14	6
Changes in assets and liabilities, net of acquisitions and the effect of consolidation of equity affiliates:			
Accounts and notes receivable	(45)	4	(8)
Inventories	(20)	(21)	(61)
Accounts payable and accrued liabilities	7	20	(4)
Income taxes payable	4	3	9
Other liabilities	(15)	1	14
Other, net	5	23	(5)
Cash provided by operating activities	241	258	195
Cash Flows from Investing Activities:			
Additions to property, plant and equipment	(119)	(129)	(146)
(Increase) decrease in assets held for rent	(4)	(4)	(3)
Proceeds from sales of property, plant and equipment	4	2	2
Purchases of interest in equity affiliate	(2)	—	—
Purchases of marketable securities investments	(110)	—	(9)
Acquisitions, net of cash acquired	—	(16)	(89)
Proceeds from sale of marketable securities investments	5	36	—
Cash from consolidation of equity affiliates	—	—	10
Cash used in investing activities	(226)	(111)	(235)
Cash Flows from Financing Activities:			
Proceeds from long-term debt	—	250	—
Repayments of long-term debt	(37)	(227)	(28)
(Increase) decrease in notes payable to banks, net	14	(32)	(27)
Purchases of preferred and common stock	(54)	(41)	(82)
Sales of preferred and common stock	9	19	6
Cash dividends paid to stockholders	(40)	(36)	(35)
Cash dividends paid to minority interest stockholders	(6)	(4)	(5)
Restricted stock loan repayments	13	7	7
Cash used in financing activities	(101)	(64)	(164)
Effect of exchange rate changes on cash	(2)	5	(1)
(Decrease) increase in cash and cash equivalents	(88)	88	(205)
Cash and cash equivalents at beginning of year	247	159	364
Cash and cash equivalents at end of year	\$ 159	\$ 247	\$ 159

The Notes to the consolidated financial statements included in Cabot's Form 10-K for fiscal 2004 are an integral part of these condensed consolidated financial statements. Certain amounts in 2003 and 2002 have been reclassified to conform to the 2004 presentation.

SEGMENT DATA

Years Ended September 30 (Dollars in millions)	Chemical Businesses	Supermetals	Specialty Fluids	Segment Total	Unallocated and Other ⁽¹⁾	Consolidated Total
2004						
Revenues from external customers ⁽²⁾	\$1,546	\$338	\$27	\$1,911	\$ 23	\$1,934
Depreciation and amortization	108	20	3	131	3	134
Equity in net income of affiliated companies	6	—	—	6	—	6
Income (loss) from continuing operations before taxes ⁽³⁾	132	77	6	215	(51)	164
Assets ⁽⁴⁾	1,386	572	72	2,030	396	2,426
Investment in equity-basis affiliates	56	—	—	56	—	56
Total expenditures for additions to long-lived assets ⁽⁵⁾	97	21	6	124	111	235
2003						
Revenues from external customers ⁽²⁾	\$1,371	\$393	\$12	\$1,776	\$ 19	\$1,795
Depreciation and amortization	106	24	2	132	3	135
Equity in net income of affiliated companies	5	—	—	5	—	5
Income (loss) from continuing operations before taxes ⁽³⁾	88	108	(2)	194	(100)	94
Assets ⁽⁴⁾	1,307	566	54	1,927	398	2,325
Investment in equity-basis affiliates	50	—	—	50	—	50
Total expenditures for additions to long-lived assets ⁽⁵⁾	117	25	5	147	2	149
2002						
Revenues from external customers ⁽²⁾	\$1,217	\$304	\$18	\$1,539	\$ 18	\$1,557
Depreciation and amortization	88	16	2	106	3	109
Equity in net income of affiliated companies	4	1	—	5	—	5
Income (loss) from continuing operations before taxes ⁽³⁾	101	79	2	182	(48)	134
Assets ⁽⁴⁾	1,186	571	52	1,809	289	2,098
Investment in equity-basis affiliates	47	1	—	48	—	48
Total expenditures for additions to long-lived assets ⁽⁵⁾	\$ 92	\$142	\$ 5	\$ 239	\$ 18	\$ 257

⁽¹⁾ Unallocated and Other includes certain corporate items and eliminations that are not allocated to the operating segments.

⁽²⁾ Revenues from external customers for the Chemical Business includes 100% of sales from one equity affiliate and transfers of materials at cost and at market-based prices. Unallocated and Other reflects an adjustment for the equity affiliate sales and includes royalties paid by equity affiliates offset by external shipping and handling fees:

	2004	2003	2002
Equity affiliate sales	\$ (36)	\$ (32)	\$ (28)
Royalties paid by equity affiliates	8	6	5
Shipping and handling fees	51	45	41
Total	\$ 23	\$ 19	\$ 18

⁽³⁾ Profit or loss from continuing operations before taxes for Unallocated and Other includes:

	2004	2003	2002
Interest expense	\$ (30)	\$ (28)	\$ (28)
Corporate governance costs/other expenses, net ^(a)	(13)	(66)	(15)
Equity in net income of affiliated companies	(6)	(5)	(5)
Foreign currency transaction gains (losses) ^(b)	(2)	(1)	—
Total	\$ (51)	\$(100)	\$ (48)

^(a) Corporate governance costs/other expenses, net includes investment income, and certain other items that are not included in segment PBT. These certain items for fiscal 2004 include \$6 million for restructuring charges, a \$12 million charge for the impairment of an investment, income of \$2 million related to respirator reserve recoveries, and \$2 million of charges related to other non-operating items. These certain items for fiscal 2003 include \$51 million for restructuring charges, a \$14 million charge for acquired in-process research and development, a \$22 million charge for the impairment of two investments, a \$20 million reserve for respirator claims, a \$4 million asset impairment charge, proceeds of \$4 million for insurance recoveries and proceeds of \$35 million for the sale of an equity interest in an investment. Other items in fiscal 2002 include an \$8 million charge for pension and postretirement benefit plans, a \$5 million charge for a respirator reserve, \$1 million for severance charges, a \$3 million charge for an environmental reserve, \$13 million for asset impairment charges, \$2 million for a translation adjustment at a closed plant, \$1 million for non-capitalizable currency transaction costs and proceeds of \$8 million for insurance recoveries.

^(b) Net of other hedging activity.

⁽⁴⁾ Unallocated and Other assets includes cash, short-term investments, investments other than equity basis, income taxes receivable, deferred taxes and headquarters' assets.

⁽⁵⁾ Expenditures for additions to long-lived assets include total equity and other investments (including available-for-sale securities), property, plant and equipment, intangible assets and assets held for rent.

The Notes to the consolidated financial statements included in Cabot's Form 10-K for fiscal 2004 are an integral part of these condensed consolidated financial statements. Certain amounts in 2003 and 2002 have been reclassified to conform to the 2004 presentation.

SELECTED FINANCIAL DATA — FIVE-YEAR SUMMARY

Years ended September 30 (Dollars in millions, except per share amounts)	2004	2003	2002	2001	2000
Consolidated Income					
Net sales and other operating revenues	\$1,934	\$1,795	\$1,557	\$1,670	\$1,574
Cost of sales	1,457	1,373	1,128	1,239	1,164
Gross profit	477	422	429	431	410
Selling and administrative expenses	217	251	233	228	183
Research and technical service	53	64	48	48	43
Income from operations ^(a)	207	107	148	155	184
Interest and dividend income	6	5	9	28	6
Interest expense	(30)	(28)	(28)	(32)	(33)
Other (charges) income ^(b)	(19)	10	5	(1)	—
Income from continuing operations before income taxes	164	94	134	150	157
Provision for income taxes ^(c)	(39)	(17)	(30)	(42)	(57)
Equity in net income of affiliated companies	6	5	5	20	13
Minority interest	(9)	(7)	(4)	(7)	(5)
Net income from continuing operations	122	75	105	121	108
Discontinued operations: ^(d)					
Income from operations of discontinued businesses, net of income taxes	2	5	1	—	36
Gain on sales of business, net of income taxes ^(e)	—	—	—	3	309
Net income	\$ 124	\$ 80	\$ 106	\$ 124	\$ 453
Common Share Data					
Diluted Net Income:					
Continuing operations	\$ 1.79	\$ 1.08	\$ 1.48	\$ 1.62	\$ 1.46
Discontinued operations:					
Income from operations of discontinued businesses	0.03	0.06	0.02	—	0.49
Gain on sale of business	—	—	—	0.04	4.25
Net Income	\$ 1.82	\$ 1.14	\$ 1.50	\$ 1.66	\$ 6.20
Dividends	\$ 0.60	\$ 0.54	\$ 0.52	\$ 0.48	\$ 0.44
Stock prices ^(f) — Close	\$38.57	\$28.51	\$21.00	\$39.90	\$18.19
Average diluted shares outstanding — millions	68	70	71	74	73
Shares outstanding at year end — millions	63	62	62	63	68
Consolidated Financial Position					
Total current assets	\$1,173	\$1,111	\$ 932	\$ 956	\$1,192
Net property, plant and equipment	918	913	889	811	810
Other assets	335	301	277	196	181
Total assets	\$2,426	\$2,325	\$2,098	\$1,963	\$2,183
Total current liabilities	\$ 372	\$ 376	\$ 295	\$ 302	\$ 533
Long-term debt	506	516	495	419	329
Other long-term liabilities and minority interest	357	354	331	274	274
Stockholders' equity	1,191	1,079	977	950	1,047
Total liabilities and stockholders' equity	\$2,426	\$2,325	\$2,098	\$1,945	\$2,183
Working capital	\$ 801	\$ 735	\$ 637	\$ 654	\$ 659
Selected Financial Ratios					
Income from continuing operations as a percentage of sales	6%	4%	7%	7%	7%
Return on average stockholders' equity	11%	7%	11%	12%	58%
Net debt-to-capitalization ratio	24%	22%	27%	9%	(29%)
Earnings to fixed charges ratio	6x	4x	5x	5x	5x

^(a) Income from operations for 2004 includes a charge of \$6 million for restructuring and income of \$2 million for a reduction of the respirator reserve and income of \$1 million for insurance recoveries. Income from operations for 2003 includes charges of \$51 million for restructuring, \$14 million for acquired in-process research and development, \$20 million for a reserve for respirator claims, \$4 million for asset impairments, and proceeds of \$4 million for insurance recoveries. Income from operations for 2002 includes a \$5 million charge for the respirator claims liability, a \$5 million asset impairment, a \$3 million charge to increase the environmental reserve, an \$8 million charge related to the cancellation of an energy project, a \$1 million charge for severance, and the benefit of \$8 million for insurance recoveries. Income from operations for 2001 includes a \$2 million charge related to the discontinuance of a toll manufacturing agreement and the benefit of a \$1 million insurance recovery. Additionally, results include a \$10 million and \$3 million charge to accelerate the vesting of the shares issued under the Long Term Incentive Compensation Program, and a \$7 million and \$1 million cash payments related to the retirement of the Chief Executive Officer and the resignation of the Chief Financial Officer, respectively. Income from operations for 2000 reflects an \$18 million charge for the closure of two plants, a \$2 million environmental charge and a benefit of a \$10 million insurance recovery.

^(b) Other (charges) income for 2004 includes charges of \$12 million for an investment impairment and \$3 million for currency translation adjustments. Other (charges) income for 2003 includes a \$22 million charge for the impairment of two investments and proceeds of \$35 million for the sale of an equity interest in an investment. Other (charges) income for 2002 includes \$2 million of costs related to a translation adjustment at a closed plant and a \$1 million charge for non-capitalizable currency transaction costs related to the acquisition of Cabot Supermetals Japan. In 2001, other (charges) income includes a \$1 million recovery of costs from a translation adjustment at a closed plant.

^(c) The Company's effective tax rate was 24%, 18%, 22%, 28% and 36% for 2004, 2003, 2002, 2001, and 2000 respectively.

^(d) Discontinued operations include the liquefied natural gas (LNG) and Cabot Microelectronics businesses as well as other discontinued businesses.

^(e) Gain from the sale of the liquefied natural gas (LNG) business, net of tax.

^(f) The stock prices presented are adjusted to reflect the 2000 stock dividend distribution of Cabot's ownership in Cabot Microelectronics.

Certain amounts in 2003, 2002, 2001 and 2000 have been reclassified to conform to the 2004 presentation.

MANAGEMENT RESPONSIBILITY

It is the Company's policy that all disclosures made by the Company to its stockholders or the investment community should be accurate and complete, made on a timely basis as required by applicable law and stock exchange requirements, and that taken together, fairly present the Company's financial condition and results of operations in all material respects. To assist senior management in considering the materiality of information and determining the Company's disclosure obligations on a timely basis, the Company has established a Disclosure Committee. The condensed financial statements included in this Annual Report were prepared by Cabot Corporation in conformity with generally accepted accounting principles. Cabot's management is responsible for the reliability of these financial statements and for the data, estimates and judgments that underlie them.

Cabot maintains a system of internal control over financial reporting to provide reasonable assurance that the Company's records accurately and fairly reflect transactions and use of assets, that transactions are recorded to permit preparation of Cabot's financial statements in accordance with generally accepted accounting principles, that transactions are made only as authorized, and that assets are safeguarded from loss or unauthorized use. The system is monitored and evaluated on an ongoing basis by management in conjunction with Cabot's internal audit staff, PricewaterhouseCoopers LLP ("PwC"), the Company's independent registered public accounting firm, and the Audit Committee of Cabot's Board of Directors.

PwC was engaged by the Audit Committee of the Board of Directors to audit the financial statements included in Cabot's Form 10-K, from which the condensed financial statements included in this Annual Report were derived. PwC's audit was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States).

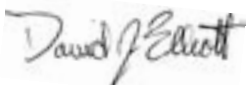
Cabot's Audit Committee provides general oversight with respect to PwC and the integrity of Cabot's financial statements. The Committee is composed entirely of non-employee directors and meets regularly with Cabot management, the internal auditors and PwC to review the quality of Cabot's financial reporting, the adequacy and effectiveness of Cabot's internal control over financial reporting and audit results. Cabot's internal auditors and PwC have full and direct access to the Audit Committee, with and without management present.



Kennett F. Burnes
Chairman, President and Chief Executive Officer



John A. Shaw
Executive Vice President and Chief Financial Officer



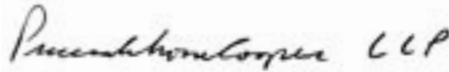
David J. Elliott
Controller

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Cabot Corporation:

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Cabot Corporation and its subsidiaries as of September 30, 2004 and 2003, and the related consolidated statements of income, of cash flows and of changes in stockholders' equity for each of the three years in the period ended September 30, 2004 (not presented herein) appearing in Item 8 of Form 10-K for the year ended September 30, 2004; and in our report dated December 13, 2004, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.



Boston, Massachusetts
December 13, 2004

MANAGEMENT CERTIFICATIONS

On April 8, 2004, in accordance with Section 3.03A.12(a) of the New York Stock Exchange Listed Company Manual, Kennett F. Burnes submitted a certification to the NYSE stating that he was not aware of any violations by Cabot Corporation of the NYSE's Corporate Governance listing standards as of that date.

The certifications, with respect to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2004 required by Section 302 of the Sarbanes-Oxley Act, have been filed as Exhibits 31(i) and 31(ii) to Cabot's Corporation's Annual Report on Form 10-K. The Annual Report on Form 10-K is filed with the Securities and Exchange Commission. To request a copy, which will be provided without charge, please write Cabot's Investor Relations Department at the address or telephone number listed on page 32 of this report. You may also find a copy on our web site at: www.cabot-corp.com.

CABOT CORPORATION DIRECTORS

Kennett F. Burnes
Chairman, President and
Chief Executive Officer

Dirk L. Blevi
Executive Vice President

John G.L. Cabot
former Vice Chairman
Cabot Corporation

John S. Clarkeson
Co-Chairman
The Boston Consulting
Group, Inc.
(management consulting)

Arthur L. Goldstein
former Chairman
Ionics, Incorporated
(water purification)

Gautam S. Kaji
former Managing
Director of Operations
World Bank Group

Roderick C.G. MacLeod
Co-Founder and Principal
St. Martins Finance Ltd. and
Waverley Investments Ltd.
(private equity investment companies)

John H. McArthur
Dean Emeritus
Graduate School of
Business Administration
Harvard University

John F. O'Brien
former President and
Chief Executive Officer
Allmerica Financial
Corporation
(holding company for insurance
and other financial services
corporations)

Ronaldo H. Schmitz
former Member of the
Group Board
Deutsche Bank AG

Lydia W. Thomas
President and
Chief Executive Officer
Mitretek Systems, Inc.
(research and development
for public interest)

Mark S. Wrighton
Chancellor
Washington University
in St. Louis

CORPORATE OFFICERS

Kennett F. Burnes
Chairman, President and
Chief Executive Officer

John A. Shaw
Executive Vice President and
Chief Financial Officer

Dirk L. Blevi
Executive Vice President

William J. Brady
Executive Vice President

Nicholas P. Ballas
Vice President

James A. Belmont
Vice President

Brian A. Berube
Vice President and
General Counsel

Craig A. Bickel
Vice President

Eduardo E. Cordeiro
Vice President

Carol A. Flack
Vice President

Paul J. Gormisky
Vice President

Charles A. Gray
Vice President

Aad van der Heijden
Vice President

Ho-il Kim
Vice President

Helmut Lorat
Vice President

Karen M. Morrissey
Vice President

Thomas H. Odle
Vice President

Martin O'Neill
Vice President

John M. Re
Vice President

Steven R. Reznick
Vice President

Chang Loo Sih
Vice President

Roland R. Silverio
Vice President

Robby D. Sisco
Vice President

Janis O. Studer
Vice President

Friedrich von Gottberg
Vice President

Xinsheng Zhang
Vice President

David J. Elliott
Controller

Paul J. Mueller
Assistant Controller

Jane A. Bell
Secretary

Luc Duchesneau
Assistant Treasurer

John M. Wagner
Assistant Treasurer

Michaela Allbee
Assistant Secretary

Martha A. Finnegan
Assistant Secretary

Stephen H. Markowitz
Assistant Secretary

CORPORATE INFORMATION

Corporate Offices

Cabot Corporation
Two Seaport Lane
Suite 1300
Boston, Massachusetts 02210-2019
(617) 345-0100

Investor Relations

Investor inquiries are welcome and individuals are invited to contact our offices by letter at the address above, or by telephone at (617) 342-6244.

For information about Cabot Corporation and our businesses, visit our web site at: www.cabot-corp.com.

Stock Listing

Cabot Corporation common stock is listed on the New York, Boston, and Pacific stock exchanges and the Chicago Board Options Exchange under the symbol CBT. The price range in which the stock has traded, as reported on the composite tape, and the quarterly cash dividends paid in the past two years are shown below.

Quarterly Stock Price and Dividend Data

Fiscal 2004	Dec.	Mar.	June	Sept.
Cash dividends per share	\$0.15	\$0.15	\$0.15	\$0.15
Price range of common stock				
High	\$33.20	\$35.60	\$40.70	\$40.81
Low	\$26.68	\$29.47	\$31.65	\$35.20

Fiscal 2003	Dec.	Mar.	June	Sept.
Cash dividends per share	\$0.13	\$0.13	\$0.13	\$0.15
Price range of common stock				
High	\$27.59	\$26.80	\$30.34	\$30.80
Low	\$19.45	\$20.80	\$23.00	\$24.92

Annual Meeting

The Annual Meeting of Stockholders will be held on Thursday, March 10, 2005 at 4:00 p.m., at the World Trade Center, 200 Seaport Boulevard, Boston, Massachusetts. All stockholders are invited to attend.

Stock Transfer Agent and Registrar

Registered shareholders may contact the transfer agent through the Internet or by phone for information or assistance with receiving proxy materials electronically through the Internet, direct deposit of dividend payments, dividend check replacements, account history, lost stock certificates, taxable income or to report address changes. The transfer agent provides telephone assistance Monday-Friday, 9:00 a.m. to 5:00 p.m. (Eastern Time). Extended service is available 24 hours a day, 7 days a week to callers with touch-tone telephones via the transfer agent's Interactive Voice Response System.

Please mention Cabot Corporation, your name as printed on your stock certificates, your Social Security number, and your address and telephone number in all correspondences with the transfer agent.

EquiServe Trust Company, N.A.

P.O. Box 43010
Providence, RI 02940-3010

Stockholder inquiries: (781) 575-3170 or (800) 730-4001

For the hearing impaired: (800) 952-9245 (TTY/TDD)

Web site: www.equiserve.com

Dividend Reinvestment Plan

Cabot Corporation offers a convenient dividend reinvestment and cash purchase plan for registered stockholders, providing a simple way to increase investment in Cabot Corporation (CBT) common stock. The plan allows stockholders to automatically reinvest all or part of their dividends into additional Cabot shares. Participation in the plan also allows registered stockholders to purchase up to \$10,000 worth of Cabot Corporation stock, on a quarterly basis, free of brokerage fees and commissions. To request an enrollment form, write or call EquiServe at the address noted above.

Design: SVP Partners | Wilton, CT
Executive Photography: Ted Kawalerski | Sleepy Hollow, NY
Photo-illustrations: Jim Coon | Hartford, CT
Architectural photo on page 16 courtesy of photographer Paul Warchol.
Architectural photo on page 19 courtesy of photographer Bill Lemke.



Cabot Corporation | Two Seaport Lane | Suite 1300 | Boston, Massachusetts | 02210-2019 | www.cabot-corp.com