

First Quarter Earnings Announcement, Fiscal 2007

CABOT CORPORATION CONSOLIDATED STATEMENTS OF OPERATIONS

Periods ended December 31	Three Months	
<i>Dollars in millions, except per share amounts (unaudited)</i>	2006	2005
Net sales and other operating revenues.....	\$ 655	\$ 587
Cost of sales.....	<u>506</u>	<u>481</u>
Gross profit.....	149	106
Selling and administrative expenses.....	54	58
Research and technical expenses.....	15	13
Income from operations.....	<u>80</u>	<u>35</u>
Other income and expense		
Interest and dividend income.....	2	2
Interest expense.....	(9)	(6)
Other income (expense)	2	(4)
Total other income and expense.....	<u>(5)</u>	<u>(8)</u>
Income from continuing operations before income taxes	<u>75</u>	<u>27</u>
Provision for income taxes.....	(19)	(4)
Equity in net income of affiliated companies, net of tax.....	3	3
Minority interest in net income, net of tax.....	<u>(5)</u>	<u>(4)</u>
Income from continuing operations.....	54	22
Cumulative effect of accounting change, net of tax.....	<u>-</u>	<u>2</u>
Net income.....	54	24
Dividends on preferred stock.....	-	(1)
Income available to common shares.....	<u>\$ 54</u>	<u>\$ 23</u>
Diluted earnings per share of common stock		
Income from continuing operations.....	\$ 0.79	\$ 0.31
Cumulative effect of accounting change.....	-	0.04
Net income	<u>\$ 0.79</u>	<u>\$ 0.35</u>
Weighted average common shares outstanding		
Diluted.....	69	68

CABOT CORPORATION SUMMARY RESULTS BY SEGMENTS

Periods ended December 31	Three Months	
<i>Dollars in millions, except per share amounts (unaudited)</i>	2006	2005
SALES		
Carbon Black Business ^(A)	\$ 485	\$ 419
Rubber blacks.....	351	298
Performance products.....	123	109
Inkjet colorants.....	10	11
Superior MicroPowders.....	1	1
Metal Oxides Business.....	65	57
Fumed metal oxides.....	65	57
Aerogel.....	-	-
Supermetals Business.....	77	93
Specialty Fluids Business.....	16	10
Segment sales	643	579
Unallocated and other ^(B)	12	8
Net sales and other operating revenues.....	\$ 655	\$ 587
SEGMENT PROFIT		
Carbon Black Business.....	\$ 54	\$ 21
Metal Oxides Business.....	9	2
Supermetals Business.....	16	11
Specialty Fluids Business.....	8	4
Total Segment Profit ^(C)	87	38
Interest expense.....	(9)	(6)
General unallocated expense ^(D)	-	(2)
Less: Equity in net income of affiliated companies, net of tax.....	(3)	(3)
Income from continuing operations before income taxes	75	27
Provision for income taxes.....	(19)	(4)
Equity in net income of affiliated companies, net of tax.....	3	3
Minority interest in net income, net of tax.....	(5)	(4)
Income from continuing operations	54	22
Cumulative effect of accounting change, net of tax ^(E)	-	2
Net income	54	24
Dividends on preferred stock.....	-	(1)
Income available to common shares	\$ 54	\$ 23
Diluted earnings per share of common stock		
Income from continuing operations.....	\$ 0.79	\$ 0.31
Cumulative effect of accounting change ^(E)	-	0.04
Net income.....	\$ 0.79	\$ 0.35
Weighted average common shares outstanding		
Diluted.....	69	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) 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 accounting change for implementation of FAS 123(R).

CABOT CORPORATION CONDENSED CONSOLIDATED FINANCIAL POSITION

	December 31, 2006	September 30, 2006
	<i>(unaudited)</i>	<i>(audited)</i>
<i>Dollars in millions, except share and per share amounts</i>		
Current liabilities:		
Notes payable to banks	\$ 69	\$ 58
Accounts payable and accrued liabilities	355	384
Income taxes payable	39	27
Deferred income taxes	2	2
Current portion of long-term debt	48	34
Total current liabilities	<u>513</u>	<u>505</u>
Long-term debt	437	459
Deferred income taxes	20	20
Other liabilities	287	286
Minority interest	72	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 and outstanding: 34,714 and 38,734 shares (aggregate		
redemption value of \$35 and \$39)	52	56
Less cost of 17,161 shares of preferred treasury stock	(38)	(38)
Common stock:		
Authorized: 200,000,000 shares of \$1 par value		
Issued and outstanding: 64,207,914 and 63,432,651	64	64
Less cost of 146,389 shares of common treasury stock	(5)	(5)
Additional paid-in capital	23	7
Retained earnings	1,202	1,160
Deferred employee benefits	(37)	(38)
Notes receivable for restricted stock	(19)	(20)
Accumulated other comprehensive income	19	10
Total stockholders' equity	<u>1,261</u>	<u>1,196</u>
Total liabilities and stockholders' equity	<u>\$ 2,590</u>	<u>\$ 2,534</u>

CABOT CORPORATION CONDENSED CONSOLIDATED FINANCIAL POSITION

	December 31, 2006	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	\$ 183	\$ 189
Short-term marketable securities	31	1
Accounts and notes receivable, net of reserve for doubtful accounts of \$7 and \$6	538	534
Inventories:		
Raw materials	124	131
Work in process	106	109
Finished goods	153	139
Other	44	41
Total inventories	<u>427</u>	<u>420</u>
Prepaid expenses and other current assets	93	75
Deferred income taxes	35	36
Total current assets	<u>1,307</u>	<u>1,255</u>
Investments:		
Equity affiliates	59	59
Long-term marketable securities and cost investments	3	3
Total investments	<u>62</u>	<u>62</u>
Property, plant and equipment	2,584	2,531
Accumulated depreciation and amortization	<u>(1,620)</u>	<u>(1,567)</u>
Net property, plant and equipment	<u>964</u>	<u>964</u>
Other assets:		
Goodwill	32	31
Intangible assets, net of accumulated amortization of \$10 and \$10	4	5
Assets held for rent	40	40
Deferred income taxes	99	100
Other assets	82	77
Total other assets	<u>257</u>	<u>253</u>
Total assets	<u>\$ 2,590</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				
Rubber blacks	298	346	367	367	1,378	351				
Performance products	109	117	134	128	488	123				
Inkjet colorants	11	12	12	12	47	10				
Superior MicroPowders	1	1	1	1	4	1				
Metal Oxides Business	57	62	66	69	254	65				
Fumed metal oxides	57	62	65	69	253	65				
Aerogel	-	-	1	-	1	-				
Supermetals Business	93	67	66	66	292	77				
Specialty Fluids Business	10	11	12	11	44	16				
Segment Sales	579	616	658	654	2,507	643				
Unallocated and other ^(B)	8	11	8	9	36	12				
Net sales and other operating revenues	\$ 587	\$ 627	\$ 666	\$ 663	\$ 2,543	\$ 655				
Segment Profit										
Carbon Black Business ^(C)	\$ 21	\$ 26	\$ 23	\$ 31	\$ 101	\$ 54				
Metal Oxides Business ^(C)	2	5	6	9	22	9				
Supermetals Business	11	12	9	9	41	16				
Specialty Fluids	4	4	5	3	16	8				
Total Segment Profit ^(D)	38	47	43	52	180	87				
Income from operations										
Interest expense	(6)	(7)	(6)	(8)	(27)	(9)				
General unallocated expense ^(E)	(2)	(24)	(2)	(16)	(44)	-				
Less: Equity in net income of affiliated companies, net of tax	(3)	(4)	(1)	(4)	(12)	(3)				
Income from continuing operations before income taxes	27	12	34	24	97	75				
(Provision) benefit for income taxes	(4)	(1)	(8)	4	(9)	(19)				
Equity in net income of affiliated companies, net of tax	3	4	1	4	12	3				
Minority interest in net income, net of tax	(4)	(3)	(2)	(3)	(12)	(5)				
Net income from continuing operations	22	12	25	29	88	54				
Cumulative effect of accounting changes, net of taxes ^(F)	2	-	-	(4)	(2)	-				
Discontinued operations ^(G)	-	-	-	2	2	-				
Net income	24	12	25	27	88	54				
Dividends on preferred stock, net of tax benefit	(1)	-	(1)	-	(2)	-				
Net income available to common shares	\$ 23	\$ 12	\$ 24	\$ 27	\$ 86	\$ 54				
Net income per common share										
Net income from continuing operations	\$ 0.31	\$ 0.17	\$ 0.37	\$ 0.43	\$ 1.28	\$ 0.79				
Cumulative effects of accounting changes ^(F)	0.04	-	-	(0.07)	(0.03)	-				
Discontinued operations ^(G)	-	-	-	0.03	0.03	-				
Net income (loss)	\$ 0.35	\$ 0.17	\$ 0.37	\$ 0.39	\$ 1.28	\$ 0.79				
Weighted average common shares outstanding										
Diluted	68	69	69	68	68	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. These amounts also include the \$27 million settlement payment to the Sons of Gwalia in the second quarter of 2006.

(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.

First Quarter Earnings Announcement, Fiscal 2007

CABOT CORPORATION CERTAIN ITEMS - Exhibit I

Periods ended December 31 <i>Dollars in millions, except per share amounts (unaudited)</i>	Three Months			
	2006 \$	2006 per share ^(A)	2005 \$	2005 per share ^(A)
<u>Certain items before income taxes</u>				
Restructuring initiatives - Global	\$ (2)	\$ (0.02)	\$ -	\$ -
Restructuring initiatives - Altona	(1)	(0.01)	(1)	(0.01)
Cost reduction initiatives	-	-	(1)	(0.01)
Total certain items	(3)	(0.03)	(2)	(0.02)
Cumulative effect of accounting change ^(B)	-	-	4	0.04
Total certain items and cumulative effect of accounting change	(3)	(0.03)	2	0.02
Tax impact of certain items and cumulative effect of accounting change	1	-	(1)	-
Total certain items and cumulative effect of accounting change, after tax	\$ (2)	\$ (0.03)	\$ 1	\$ 0.02

Periods ended December 31 <i>Dollars in millions, except per share amounts (unaudited)</i>	Three Months	
	2006	2005
<u>Statement of Operations Line Item</u>		
Cost of sales	\$ 2	\$ -
Selling and administrative expenses	1	2
Total certain items	\$ 3	\$ 2

Periods ended December 31 <i>Dollars in millions, except per share amounts (unaudited)</i>	Three Months	
	2006	2005
<u>Certain items by Segment</u>		
Carbon Black Business	\$ 3	\$ 1
Supermetals Business	-	1
Total certain items	\$ 3	\$ 2

(A) Per share amounts are calculated after tax.

(B) Cumulative benefit of accounting change from implementation of FAS 123(R).