

FORM 10-Q

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended

DECEMBER 31, 1996

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

COMMISSION FILE NUMBER 1-5667

CABOT CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE
(State of Incorporation)

04-2271897
(I.R.S. Employer Identification No.)

75 STATE STREET
BOSTON, MASSACHUSETTS
(Address of principal executive offices)

02109-1806
(Zip Code)

Registrant's telephone number, including area code: (617) 345-0100

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

YES X NO
--- ---

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

AS OF DECEMBER 31, 1996, THE COMPANY HAD 70,148,885 SHARES OF COMMON STOCK, PAR VALUE \$1 PER SHARE, OUTSTANDING.

CABOT CORPORATION

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Part I. Financial Information

Item 1. Financial Statements

CABOT CORPORATION
 CONSOLIDATED STATEMENTS OF INCOME
 Three Months Ended December 31, 1996 and 1995
 (Dollars in thousands, except per share amounts)

UNAUDITED

	1996	1995
	-----	-----
Revenues:		
Net sales and other operating revenues	\$ 398,825	\$ 443,031
Interest and dividend income	1,679	2,461
	-----	-----
Total revenues	400,504	445,492
	-----	-----
Costs and expenses:		
Cost of sales	279,683	305,133
Selling and administrative expenses	53,660	46,631
Research and technical service	20,926	14,277
Interest expense	9,670	9,421
Other charges, net	1,821	5,273
	-----	-----
Total costs and expenses	365,760	380,735
	-----	-----
Income before income taxes	34,744	64,757
Provision for income taxes	(12,507)	(23,960)
Equity in net income of affiliated companies	3,974	3,723
Minority interest	(1,098)	(1,169)
	-----	-----
Net income	25,113	43,351
Dividends on preferred stock, net of tax benefit of \$524 and \$475	(820)	(883)
	-----	-----
Income applicable to primary common shares	\$ 24,293	\$ 42,468
	=====	=====
Weighted average common shares outstanding (000):		
Primary	72,019	75,114
Fully diluted (Note A)	78,088	81,318
Income per common share:		
Primary	\$ 0.34	\$ 0.57
	=====	=====
Fully diluted (Note A)	\$ 0.32	\$ 0.53
	=====	=====
Dividends per common share	\$ 0.10	\$ 0.09
	=====	=====

The accompanying notes are an integral part of these financial statements.

CABOT CORPORATION
CONSOLIDATED BALANCE SHEETS
December 31, 1996 and September 30, 1996

(Dollars in thousands)

ASSETS

	December 31 1996 (Unaudited) -----	September 30 1996 -----
Current assets:		
Cash and cash equivalents	\$ 42,328	\$ 58,148
Accounts and notes receivable (net of reserve for doubtful accounts of \$4,813 and \$5,267)	292,041	363,763
Inventories:		
Raw materials	79,591	71,061
Work in process	68,103	72,914
Finished goods	83,097	72,163
Other	43,889	44,292
Total inventories	----- 274,680	----- 260,430
Prepaid expenses	18,897	17,408
Deferred income taxes	10,424	10,034
Total current assets	----- 638,370	----- 709,783
Investments:		
Equity	79,826	79,372
Other	106,223	95,680
Total investments	----- 186,049	----- 175,052
Property, plant and equipment	1,777,003	1,712,045
Accumulated depreciation and amortization	(836,036)	(809,053)
Net property, plant and equipment	----- 940,967	----- 902,992
Other assets:		
Intangible assets, net of amortization	41,782	42,735
Deferred income taxes	2,494	2,402
Other assets	26,497	24,617
Total other assets	----- 70,773	----- 69,754
Total assets	----- \$ 1,836,159 =====	----- \$ 1,857,581 =====

The accompanying notes are an integral part of these financial statements.

CABOT CORPORATION
CONSOLIDATED BALANCE SHEETS
December 31, 1996 and September 30, 1996

(Dollars in thousands)

LIABILITIES & STOCKHOLDERS' EQUITY

	December 31 1996 (Unaudited)	September 30 1996
	-----	-----
Current liabilities:		
Notes payable to banks	\$ 244,520	\$ 233,779
Current portion of long-term debt	114,570	16,175
Accounts payable and accrued liabilities	232,211	250,749
U.S. and foreign income taxes payable	20,486	26,083
Deferred income taxes	953	918
	-----	-----
Total current liabilities	612,740	527,704
	-----	-----
Long-term debt	219,796	321,497
Deferred income taxes	91,748	88,320
Other liabilities	151,024	147,991
Commitments and contingencies (Note B)		
Minority interest	26,697	27,138
Stockholders' Equity (Note C):		
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 (aggregate redemption value of \$70,671 and \$71,193)	75,336	75,336
Less cost of shares of preferred treasury stock	(7,089)	(6,565)
Common stock:		
Authorized: 200,000,000 shares of \$1 par value Issued: 135,549,936 shares	135,550	135,550
Additional paid-in capital	23,993	23,618
Retained earnings	1,193,791	1,176,708
Less cost of common treasury stock (including unearned amounts of \$13,791 and \$16,611)	(685,292)	(650,981)
Deferred employee benefits	(63,855)	(64,283)
Unrealized gain on marketable securities	34,253	29,874
Foreign currency translation adjustments	27,467	25,674
	-----	-----
Total stockholders' equity	734,154	744,931
	-----	-----
Total liabilities and stockholders' equity	\$ 1,836,159	\$ 1,857,581
	=====	=====

The accompanying notes are an integral part of these financial statements.

CABOT CORPORATION
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 Three Months Ended December 31, 1996 and 1995

(Dollars in thousands)

UNAUDITED

	1996	1995
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 25,113	\$ 43,351
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	27,041	23,542
Deferred tax provision	(490)	62
Equity in net income of affiliated companies, net of dividends received	(1,629)	(258)
Other, net	2,165	2,414
Changes in assets and liabilities, net of consolidation of equity affiliates:		
(Increase) decrease in accounts receivable	(11,637)	837
Increase in inventory	(13,584)	(34,677)
Decrease in accounts payable and accruals	(19,342)	(17,283)
Increase in prepayments and intangible assets	(3,102)	(695)
Decrease in income taxes payable	(5,688)	(266)
Other, net	1,992	(29,295)
	-----	-----
Cash (used) provided by operating activities	839	(12,268)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(58,648)	(28,621)
Proceeds on sale of business	35,000	
Investments and acquisitions	(3,962)	
Cash from consolidation of equity affiliates		9,306
Other	101	1,254
	-----	-----
Cash used by investing activities	(27,509)	(18,061)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of long-term debt	(3,684)	(10,247)
Increase in short-term debt	59,754	103,345
Purchases of treasury stock	(38,217)	(90,410)
Sales and issuances of treasury stock	1,407	2,025
Cash dividends paid to stockholders	(8,031)	(7,499)
Redemption of preferred stock purchase rights		(1,840)
	-----	-----
Cash used by financing activities	11,229	(4,626)
Effect of exchange rate changes on cash	(379)	159
	-----	-----
Decrease in cash and cash equivalents	(15,820)	(34,796)
Cash and cash equivalents at beginning of period	58,148	90,792
	-----	-----
Cash and cash equivalents at end of period	\$ 42,328	\$ 55,996
	=====	=====

The accompanying notes are an integral part of these financial statements.

CABOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1996

A. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Cabot Corporation and majority-owned and controlled domestic and foreign subsidiaries. Investments in majority-owned affiliates where control does not exist and investments in 20 percent to 50 percent owned affiliates are accounted for on the equity method.

The financial statements have been prepared in accordance with the requirements of Form 10-Q and consequently do not include all disclosures required by Form 10-K. Additional information may be obtained by referring to the Company's Form 10-K for the year ended September 30, 1996.

The financial information submitted herewith is unaudited and reflects all adjustments which are, in the opinion of management, necessary to provide a fair statement of the results for the interim periods ended December 31, 1996 and 1995. All such adjustments are of a normal recurring nature. The results for interim periods are not necessarily indicative of the results to be expected for the fiscal year.

Earnings Per Share

The computation of fully diluted earnings per share considers the conversion of the Company's Series B ESOP Convertible Preferred Stock held by the Company's Employee Stock Ownership Plan, and also includes the potentially dilutive effects of the Company's Equity Incentive Plan adopted in 1989 and the 1996 Equity Incentive Plan.

Reclassification

Certain amounts in fiscal 1996 have been reclassified to conform to the fiscal 1997 presentation.

B. COMMITMENTS AND CONTINGENCIES

The Company has various lawsuits, claims and contingent liabilities. In the opinion of the Company, although final disposition of all of its suits and claims may impact the Company's financial statements in a particular period, they should not, in the aggregate, have a material adverse effect on the Company's financial position. As of the end of the quarter, approximately \$37 million was committed for various capital projects.

CABOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
December 31, 1996
UNAUDITED

C. STOCKHOLDERS' EQUITY

The following table summarizes the changes in stockholders' equity for the three months ended December 31, 1996.

(Dollars in thousands)

	Preferred Stock		Preferred Treasury Stock		Common Stock	
	Shares Issued	Value	Shares	Cost	Shares Issued	Value
Balance at September 30, 1996	75,336	\$75,336	5,744	\$(6,565)	135,549,936	\$135,550
Net income						
Common stock dividends paid						
Issuance of treasury stock under employee compensation plans						
Purchase of treasury stock - common						
Purchase of treasury stock - preferred			213	(524)		
Sale of treasury stock to Cabot Retirement Incentive Savings Plan						
Preferred stock dividends paid to Employee Stock Ownership Plan, net of tax						
Principal payment by Employee Stock Ownership Plan under guaranteed loan						
Amortization of unearned compensation						
Unrealized gain, net of deferred tax						
Foreign currency translation adjustments						
Balance at December 31, 1996	75,336	\$75,336	5,957	\$(7,089)	135,549,936	\$135,550

	Additional Paid-in Capital	Retained Earnings	Common Treasury Stock		Unearned Compensation
			Shares	Cost	
Balance at September 30, 1996	\$ 23,618	\$ 1,176,708	63,960,725	\$(634,370)	\$(16,611)
Net income		25,113			
Common stock dividends paid		(7,210)			
Issuance of treasury stock under employee compensation plans	(216)		(24,344)	174	470
Purchase of treasury stock - common			1,503,460	(37,693)	
Purchase of treasury stock - preferred					
Sale of treasury stock to Cabot Retirement Incentive Savings Plan	591		(38,790)	388	
Preferred stock dividends paid to Employee Stock Ownership Plan, net of tax		(820)			
Principal payment by Employee Stock Ownership Plan under guaranteed loan					
Amortization of unearned compensation					2,350
Unrealized gain, net of deferred tax					
Foreign currency translation adjustments					
Balance at December 31, 1996	\$ 23,993	\$ 1,193,791	65,401,051	\$(671,501)	\$(13,791)

	Deferred Employee Benefits -----	Unrealized Gain/(Loss) Marketable Securities -----	Foreign Currency Translation Adjustments -----	Total Stockholders' Equity -----
Balance at September 30, 1996	\$(64,283)	\$29,874	\$25,674	\$ 744,931
Net income				25,113
Common stock dividends paid				(7,210)
Issuance of treasury stock under employee compensation plans				428
Purchase of treasury stock - common				(37,693)
Purchase of treasury stock - preferred				(524)
Sale of treasury stock to Cabot Retirement Incentive Savings Plan				979
Preferred stock dividends paid to Employee Stock Ownership Plan, net of tax				(820)
Principal payment by Employee Stock Ownership Plan under guaranteed loan	428			428
Amortization of unearned compensation				2,350
Unrealized gain, net of deferred tax		4,379		4,379
Foreign currency translation adjustments			1,793	1,793
Balance at December 31, 1996	<u>\$(63,855)</u> =====	<u>\$34,253</u> =====	<u>\$27,467</u> =====	<u>\$ 734,154</u> =====

Item 2. Management's Discussion and Analysis of
Financial Condition and Results of Operations

I. RESULTS OF OPERATIONS

Sales and operating profit by industry segment are shown in the accompanying table on page 11.

THREE MONTHS ENDED DECEMBER 31, 1996 VERSUS
THREE MONTHS ENDED DECEMBER 31, 1995

Net income for the first quarter of fiscal 1997 was \$25.1 million (\$0.32 per common share, fully diluted), compared with net income of \$43.4 million (\$0.53 per common share, fully diluted) in the same quarter a year ago. Net sales and other operating revenues decreased 10% to \$398.8 million from \$443.0 million. Total operating profit was \$50.4 million for the quarter, compared to \$80.1 million in the same quarter a year ago, reflecting lower margins in the Company's carbon black business. Results for the first quarter of fiscal 1996 included \$65.7 million of revenues and \$2.9 million of operating profit from the Company's former coal handling subsidiary, which was sold at the end of that fiscal year.

In the Specialty Chemicals and Materials Group, net sales were \$340.2 million, compared with \$344.0 million last year. The effects of greater specialty chemical volumes globally were more than offset by the effects of lower carbon black selling prices, primarily in the European and Pacific Asia markets. The Group reported operating profit of \$45.9 million for the first quarter, compared with \$71.8 million for the first quarter of fiscal 1996. More than half of the year-to-year decrease in operating profit occurred in the Company's European carbon black business. Price concessions made during 1996 and higher year-to-year feedstock costs, which the Company could not recover from its customers, resulted in tighter margins in that business. Higher year-to-year feedstock costs also affected North American carbon black margins during the first quarter, but were partially offset by higher selling prices.

The Company's Performance Materials Division (CPM), which primarily manufactures tantalum products, experienced 20% lower volumes in the first quarter compared to the same quarter last year. CPM's customers continued to draw down their tantalum inventories from excessive levels caused by a slowdown in the U.S. electronics industry market during 1996.

The Cab-O-Sil fumed silica business reported increased earnings for the first quarter, due primarily to an 18% increase in volumes from the first quarter of last year.

As expected, increased spending on research and development and marketing costs associated with new product, new business and market development initiatives accounted for \$6.8 million of the year-to-year operating profit decrease. The Company is pursuing a number of new product and new business development opportunities as part of a growth strategy.

In the Energy Group, sales decreased to \$58.6 million from \$99.0 million in the first quarter of fiscal 1996. The first quarter of fiscal 1996 results included revenues of \$65.7 million from the Company's former coal handling subsidiary, TUCO INC. The Company sold TUCO at the end of fiscal 1996. Excluding TUCO revenues from the Energy Group's 1996 results to form a comparative basis, the Group's revenues increased 76% in the first quarter of fiscal 1997.

Management's Discussion and Analysis of
Financial Condition and Results of Operations (Continued)

I. RESULTS OF OPERATIONS (CONTINUED)

The Energy Group's operating profit was \$4.5 million, compared with \$8.3 million in the first quarter of 1996. Excluding the coal handling business' results and a gain from the reduction of the Company's ownership position in the Trinidad liquefaction joint venture from the 1996 results to form a comparative basis, the Group's operating profit increased \$2.4 million, or 114% in the first quarter of fiscal 1997. The earnings increase reflected higher gas prices and greater availability of liquefied natural gas.

The Company's income tax rate for the first quarter was 36%, compared with a 37% rate for fiscal 1996.

II. CASH FLOWS AND LIQUIDITY

During the quarter, the Company generated \$0.8 million of cash from operations. Working capital increased \$44.6 million primarily due to business seasonality. Effective September 30, 1996, the Company sold its TUCO INC. subsidiary for \$77 million. Accordingly, during the quarter, the Company received \$35 million in cash, which included \$8 million of working capital adjustments, and \$50 million in the form of a debt repayment on Cabot's behalf from the respective buyer.

Capital expenditures totaled \$58.6 million during the three months ended December 31, 1996. The Company expects to spend a total of \$200 million to \$225 million on capital projects during fiscal year 1997. The major components of the 1997 capital program include new carbon black capacity to support the contracts with U.S. tire manufacturers, Clean Air Act compliance, differentiated product manufacturing capabilities, new business expansion spending and normal plant maintenance spending.

During the quarter, the Company repurchased approximately 1,500,000 shares of common stock. These repurchases were funded with the proceeds from the sale of its TUCO INC. subsidiary and short term borrowings. At the end of the quarter, approximately 1,800,000 shares remained under the April 1996 repurchase authorization for 4,000,000 shares.

The Company's ratio of total debt (including short-term debt net of cash) to capital increased to 41% from 40% at the beginning of the three month period. On February 6, 1997, the Company issued \$90 million of medium-term notes maturing from 2004 to 2011 with a weighted average interest rate of approximately 7%. The proceeds from the issuance were used to repay short-term debt.

During the quarter, the Company renegotiated its line of credit agreement. The facility was increased to \$300 million from \$250 million and was extended to January 3, 2002. Management expects cash from operations and present financing arrangements, including the Company's unused line of credit of \$300 million, to be sufficient to meet the Company's cash requirements for the foreseeable future.

CABOT CORPORATION

Management's Discussion and Analysis of
Financial Condition and Results of Operations (Continued)

(Dollars in millions, except per share amounts)

UNAUDITED

	Three Months Ended	
	12/31/96	12/31/95
Industry Segment Data		
Sales:		
Specialty Chemicals and Materials	\$ 340.2	\$ 344.0
Energy	58.6	99.0
	-----	-----
Net sales	\$ 398.8	\$ 443.0
	=====	=====
Operating profit:		
Specialty Chemicals and Materials	\$ 45.9	\$ 71.8
Energy	4.5	8.3
	-----	-----
Total operating profit	50.4	80.1
Interest expense	(9.7)	(9.4)
General corporate/other expenses	(6.0)	(5.9)
	-----	-----
Income before income taxes	34.7	64.8
Provision for income taxes	(12.5)	(24.0)
Equity in net income of affiliated companies	4.0	3.7
Minority interest	(1.1)	(1.1)
	-----	-----
Net income	25.1	43.4
Dividends on preferred stock	(0.8)	(0.9)
	-----	-----
Income applicable to primary common shares	\$ 24.3	\$ 42.5
	=====	=====
Income per common share:		
Primary	\$ 0.34	\$ 0.57
	=====	=====
Fully diluted	\$ 0.32	\$ 0.53
	=====	=====

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The exhibit numbers in the following list correspond to the number assigned to such exhibits in the Exhibit Table of Item 601 of Regulation S-K:

Exhibit Number -----	Description -----
4	Second Supplemental Indenture, dated as of January 31, 1997, between Cabot Corporation and State Street Bank and Trust Company, Trustee, filed herewith.
11	Statement Regarding Computation of Per Share Earnings, filed herewith.
12	Statement Regarding Computation of Ratio of Earnings to Fixed Charges, filed herewith.
25	Statement of Eligibility under the Trust Indenture Act of 1939 of a Corporation Designated to Act as Trustee, filed herewith.
27	Financial Data Schedule, filed herewith. (Not included with printed copy of the Form 10-Q.)

(b) Reports on Form 8-K

No report on Form 8-K was filed by the Company during the three months ended December 31, 1996.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CABOT CORPORATION

Date: February 14, 1997

/s/ Kenyon C. Gilson

Kenyon C. Gilson
Executive Vice President and
Chief Financial Officer

Date: February 14, 1997

/s/ William T. Anderson

William T. Anderson
Acting Corporate Controller
(Chief Accounting Officer)

SECOND SUPPLEMENTAL INDENTURE, dated as of January 31, 1997, between CABOT CORPORATION, a corporation duly organized and existing under the laws of the State of Delaware (herein called the "Company"), having its principal executive offices at 75 State Street, Boston, Massachusetts, and THE STATE STREET BANK AND TRUST COMPANY, a Massachusetts trust company (herein called the "Trustee"), having its principal corporate trust office at Two International Place, Boston, Massachusetts 02110.

RECITALS

WHEREAS, the Company has entered into an Indenture dated as of December 1, 1987 and supplemented by a First Supplemental Indenture dated June 17, 1992 (as the same may be modified by the Trust Indenture Reform Act of 1990, the "Indenture"), with The First National Bank of Boston, as the Trustee's predecessor, to provide for the issuance from time to time of the Company's Securities, to be issued in one or more series; and

WHEREAS, Section 9.01 of the Indenture provides, among other things, that the Company and the Trustee may enter into indentures supplemental to the Indenture to cure any ambiguity, omission, defect or inconsistency or to make other formal changes and to make any change that does not adversely affect the rights of any Securityholder; and

WHEREAS, the Trustee became the successor to The First National Bank of Boston, as Trustee under the Indenture, pursuant to Section 7.09 of the Indenture; and

WHEREAS, all conditions have been complied with, all actions have been taken and all things have been done which are necessary to make this Second Supplemental Indenture a valid and binding supplement to the Indenture.

NOW, THEREFORE, THIS SECOND SUPPLEMENTAL INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all holders of Securities, as follows:

Section 1. Definitions. Capitalized terms not defined herein shall have their associated meanings as defined in the Indenture.

Section 2. Successor Trustee. The Trustee succeeded The First National Bank of Boston, as Trustee under the Indenture, pursuant to Section 7.09 of the Indenture, with effect from and after October 2, 1995 (the "Effective Date").

Section 3. Incorporation of Indenture. From and after the date hereof, the Indenture, as supplemented and amended by this Second Supplemental Indenture, shall be read, taken and construed as one and the same instrument with respect to the Securities.

Section 4. Acceptance of Trust. The Trustee accepts the trusts created by the Indenture, from and after the Effective Date, as supplemented by this Second Supplemental Indenture, and agrees to perform the same upon the terms and conditions in the Indenture, as supplemented by this Second Supplemental Indenture.

Section 5. Counterparts. This Second Supplemental Indenture may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed, and their respective seals to be hereunto affixed and attested, all as of the date first above written.

CABOT CORPORATION

BY: /s/ Kenyon C. Gilson

Kenyon C. Gilson,
Executive Vice President and
Chief Financial Officer

ATTEST:

/s/ Edith C. McGuinness

Edith C. McGuinness
Assistant Secretary

THE STATE STREET BANK AND
TRUST COMPANY, as Trustee

BY: /s/ Henry W. Seemore

Henry W. Seemore,
Assistant Vice President

ATTEST:

/s/ Eric J. Donaghey

EXHIBIT 11

CABOT CORPORATION AND CONSOLIDATED SUBSIDIARIES
 STATEMENT REGARDING COMPUTATION OF PER SHARE EARNINGS
 For the three month period ended December 31, 1996
 (In thousands, except per share amounts)

	Primary -----	Fully Diluted -----
Shares of common stock outstanding at October 1, 1996, less treasury stock	71,589	71,589
Plus net weighted shares of treasury stock purchased	(692)	(692)
Plus common stock equivalents:		
Effect of convertible preferred stock conversion		6,069
Effect of equity incentive awards	1,122	1,122
	-----	-----
Weighted average shares outstanding	72,019	78,088
	=====	=====
Income applicable to common shares	\$ 24,293	\$ 24,293
Dividends on preferred stock		820
Preferred stock conversion compensation shortfall		(511)
	-----	-----
Earnings applicable to common shares	\$ 24,293	\$ 24,602
	=====	=====
Earnings per common share	\$ 0.34	\$ 0.32
	=====	=====

CABOT CORPORATION AND CONSOLIDATED SUBSIDIARIES

STATEMENT REGARDING COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Dollars in thousands)

	Three Months	Years ended September 30				
	ended December 31, 1996	1996	1995	1994	1993	1992
Earnings:						
Pre-tax income from continuing operations	\$34,744	\$279,834	\$256,029	\$118,325	\$ 67,900	\$116,599
Distributed income of affiliated companies	2,345	11,173	11,699	5,638	5,988	5,766
Add fixed charges:						
Interest on indebtedness	9,670	41,718	35,639	41,668	44,043	41,714
Portion of rents representative of the interest factor	1,209	4,837	5,515	5,879	4,838	4,933
Income as adjusted	\$47,968	\$337,562	\$308,882	\$171,510	\$122,769	\$169,012
Fixed charges:						
Interest on indebtedness	\$ 9,670	\$ 41,718	\$ 35,639	\$ 41,668	\$ 44,043	\$ 41,714
Capitalized interest	--	--	--	--	--	3,963
Portion of rents representative of the interest factor	1,209	4,837	5,515	5,879	4,838	4,933
Total fixed charges	\$10,879	\$ 46,555	\$ 41,154	\$ 47,547	\$ 48,881	\$ 50,610
Ratio of earnings to fixed charges	4.41	7.25	7.51	3.61	2.51	3.34

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

STATEMENT OF ELIGIBILITY UNDER THE
TRUST INDENTURE ACT OF 1939 OF A
CORPORATION DESIGNATED TO ACT AS TRUSTEE

Check if an Application to Determine Eligibility
of a Trustee Pursuant to Section 305(b)(2)

STATE STREET BANK AND TRUST COMPANY
(Exact name of trustee as specified in its charter)

Massachusetts
(Jurisdiction of incorporation or
organization if not a U.S. national bank)

04-1867445
(I.R.S. Employer
Identification No.)

225 Franklin Street, Boston, Massachusetts 02110
(Address of principal executive offices) (Zip Code)

John R. Towers, Esq. Senior Vice President and Corporate Secretary
225 Franklin Street, Boston, Massachusetts 02110
(617)654-3253
(Name, address and telephone number of agent for service)

CABOT CORPORATION
(Exact name of obligor as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

04-2271897
(I.R.S. Employer
Identification No.)

75 STATE STREET
BOSTON, MA 02109
(Address of principal executive offices) (Zip Code)

CABOT CORPORATION SERIES A MEDIUM - TERM NOTES
(Title of indenture securities)

GENERAL

ITEM 1. GENERAL INFORMATION.

FURNISH THE FOLLOWING INFORMATION AS TO THE TRUSTEE:

- (a) NAME AND ADDRESS OF EACH EXAMINING OR SUPERVISORY AUTHORITY TO WHICH IT IS SUBJECT.

Department of Banking and Insurance of The Commonwealth of Massachusetts, 100 Cambridge Street, Boston, Massachusetts.

Board of Governors of the Federal Reserve System, Washington, D.C., Federal Deposit Insurance Corporation, Washington, D.C.

ITEM 2. AFFILIATIONS WITH OBLIGOR.

IF THE OBLIGOR IS AN AFFILIATE OF THE TRUSTEE, DESCRIBE EACH SUCH AFFILIATION.

The obligor is not an affiliate of the trustee or of its parent, State Street Boston Corporation.

(See note on page 6.)

ITEM 3. THROUGH ITEM 15. NOT APPLICABLE.

ITEM 16. LIST OF EXHIBITS.

LIST BELOW ALL EXHIBITS FILED AS PART OF THIS STATEMENT OF ELIGIBILITY.

1. A COPY OF THE ARTICLES OF ASSOCIATION OF THE TRUSTEE AS NOW IN EFFECT.

A copy of the Articles of Association of the trustee, as now in effect, is on file with the Securities and Exchange Commission as Exhibit 1 to Amendment No. 1 to the Statement of Eligibility and Qualification of Trustee (Form T-1) filed with the Registration Statement of Morse Shoe, Inc. (File No. 22-17940) and is incorporated herein by reference thereto.

2. A COPY OF THE CERTIFICATE OF AUTHORITY OF THE TRUSTEE TO COMMENCE BUSINESS, IF NOT CONTAINED IN THE ARTICLES OF ASSOCIATION.

A copy of a Statement from the Commissioner of Banks of Massachusetts that no certificate of authority for the trustee to commence business was necessary or issued is on file with the Securities and Exchange Commission as Exhibit 2 to Amendment No. 1 to the Statement of Eligibility and Qualification of Trustee (Form T-1) filed with the Registration Statement of Morse Shoe, Inc. (File No. 22-17940) and is incorporated herein by reference thereto.

3. A COPY OF THE AUTHORIZATION OF THE TRUSTEE TO EXERCISE CORPORATE TRUST POWERS, IF SUCH AUTHORIZATION IS NOT CONTAINED IN THE DOCUMENTS SPECIFIED IN PARAGRAPH (1) OR (2), ABOVE.

A copy of the authorization of the trustee to exercise corporate trust powers is on file with the Securities and Exchange Commission as Exhibit 3 to Amendment No. 1 to the Statement of Eligibility and Qualification of Trustee (Form T-1) filed with the Registration Statement of Morse Shoe, Inc. (File No. 22-17940) and is incorporated herein by reference thereto.

4. A COPY OF THE EXISTING BY-LAWS OF THE TRUSTEE, OR INSTRUMENTS CORRESPONDING THERETO.

A copy of the by-laws of the trustee, as now in effect, is on file with the Securities and Exchange Commission as Exhibit 4 to the Statement of Eligibility and Qualification of Trustee (Form T-1) filed with the Registration Statement of Eastern Edison Company (File No. 33-37823) and is incorporated herein by reference thereto.

5. A COPY OF EACH INDENTURE REFERRED TO IN ITEM 4. IF THE OBLIGOR IS IN DEFAULT.

Not applicable.

6. THE CONSENTS OF UNITED STATES INSTITUTIONAL TRUSTEES REQUIRED BY SECTION 321(b) OF THE ACT.

The consent of the trustee required by Section 321(b) of the Act is annexed hereto as Exhibit 6 and made a part hereof.

7. A COPY OF THE LATEST REPORT OF CONDITION OF THE TRUSTEE PUBLISHED PURSUANT TO LAW OR THE REQUIREMENTS OF ITS SUPERVISING OR EXAMINING AUTHORITY.

A copy of the latest report of condition of the trustee published pursuant to law or the requirements of its supervising or examining authority is annexed hereto as Exhibit 7 and made a part hereof.

NOTES

In answering any item of this Statement of Eligibility and Qualification which relates to matters peculiarly within the knowledge of the obligor or any underwriter for the obligor, the trustee has relied upon information furnished to it by the obligor and the underwriters, and the trustee disclaims responsibility for the accuracy or completeness of such information.

The answer furnished to Item 2. of this statement will be amended, if necessary, to reflect any facts which differ from those stated and which would have been required to be stated if known at the date hereof.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, as amended, the trustee, State Street Bank and Trust Company, a corporation organized and existing under the laws of The Commonwealth of Massachusetts, has duly caused this statement of eligibility and qualification to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of Boston and The Commonwealth of Massachusetts, on the 29TH DAY OF JANUARY, 1997.

STATE STREET BANK AND TRUST COMPANY

By /s/ Henry W. Seemore

HENRY W. SEEMORE
ASSISTANT VICE PRESIDENT

EXHIBIT 6

CONSENT OF THE TRUSTEE

Pursuant to the requirements of Section 321(b) of the Trust Indenture Act of 1939, as amended, in connection with the proposed issuance by CABOT CORPORATION of its CABOT CORPORATION SERIES A MEDIUM - TERM NOTES, we hereby consent that reports of examination by Federal, State, Territorial or District authorities may be furnished by such authorities to the Securities and Exchange Commission upon request therefor.

STATE STREET BANK AND TRUST COMPANY

By: /s/ Henry W. Seemore

HENRY W. SEEMORE
ASSISTANT VICE PRESIDENT

DATED: JANUARY 29, 1997

EXHIBIT 7

Consolidated Report of Condition of State Street Bank and Trust Company of Boston, Massachusetts and foreign and domestic subsidiaries, a state banking institution organized and operating under the banking laws of this commonwealth and a member of the Federal Reserve System, at the close of business December 31, 1995, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act and in accordance with a call made by the Commissioner of Banks under General Laws, Chapter 172, Section 22(a).

ASSETS	Thousands of Dollars
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin	1,331,827
Interest-bearing balances	5,971,326
Securities	6,325,054
Federal funds sold and securities purchased under agreements to resell in domestic offices of the bank and its Edge subsidiary	5,436,994
Loans and lease financing receivables:	
Loans and leases, net of unearned income4,308,339	
Allowance for loan and lease losses 63,491	
Loans and leases, net of unearned income and allowances	4,244,848
Assets held in trading accounts	1,042,846
Premises and fixed assets	374,362
Other real estate owned	3,223
Investments in unconsolidated subsidiaries	31,624
Customers' liability to this bank on acceptances outstanding ...	57,472
Intangible assets	68,384
Other assets	670,058
Total assets	25,558,018 =====
 LIABILITIES	
Deposits:	
In domestic offices	6,880,231
Noninterest-bearing4,728,115	
Interest-bearing2,152,116	
In foreign offices and Edge subsidiary	9,607,427
Noninterest-bearing 28,265	
Interest-bearing9,579,162	
Federal funds purchased and securities sold under agreements to repurchase in domestic offices of the bank and of its Edge subsidiary	5,913,969
Demand notes issued to the U.S. Treasury and Trading Liabilities	530,406
Other borrowed money	493,191
Bank's liability on acceptances executed and outstanding	57,387
Other liabilities	620,287 -----
Total liabilities	24,102,898 -----
 EQUITY CAPITAL	
Common stock	29,176
Surplus	228,448
Undivided profits	1,197,496 -----
Total equity capital	1,455,120 -----
Total liabilities and equity capital	25,558,018 =====

I, Rex S. Schuette, Senior Vice President and Comptroller of the above named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Rex S. Schuette

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

David A. Spina
Marshall N. Carter
Charles F. Kaye

3-MOS
SEP-30-1996
DEC-31-1996
42,328
0
296,854
4,813
274,680
638,370
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75,336
135,550
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1,836,159
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34,744
12,507
25,113
0
0
0
25,113
0.34
0.32