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

FORM 10-Q

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

For the quarterly period ended December 31, 2008

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.)**
Two Seaport Lane **Boston, Massachusetts** **(Address of principal executive offices)**	**02210-2019** **(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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer (Do not check if smaller reporting company) ☐
Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ 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 February 4, 2009 the Company had 65,385,355 shares of Common Stock, par value $1 per share, outstanding.

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Part I. Financial Information

Item 1. Financial Statements

CABOT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
UNAUDITED

	Three Months Ended December 31	
	2008	2007
	(In millions, except per share amounts)	
Net sales and other operating revenues	$ 652	$ 711
Cost of sales	560	594
Gross profit	92	117
Selling and administrative expenses	56	56
Research and technical expenses	18	17
Income from operations	18	44
Interest and dividend income	1	1
Interest expense	(9)	(9)
Other expense	(9)	(2)
Income from operations before income taxes, equity in net income of affiliated companies and minority interest	1	34
(Provision) benefit for income taxes	(1)	6
Equity in net income of affiliated companies, net of tax of $- and $1	2	2
Minority interest in net loss (income), net of tax of $- and $-	2	(6)
Net Income	$ 4	$ 36
Weighted-average common shares outstanding, in millions:		
Basic	63	63
Diluted	64	64
Income per common share:		
Basic:		
Net income per share—basic	$ 0.07	$ 0.57
Diluted:		
Net income per share—diluted	$ 0.07	$ 0.56
Dividends per common share	$ 0.18	$ 0.18

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

CABOT CORPORATION
CONSOLIDATED BALANCE SHEETS
ASSETS
UNAUDITED

	December 31, 2008	September 30, 2008
	(In millions)	
Current assets:		
Cash and cash equivalents	$ 149	$ 129
Short-term marketable securities	1	1
Accounts and notes receivable, net of reserve for doubtful accounts of $8 and $5	555	646
Inventories:		
Raw materials	201	193
Work in process	53	58
Finished goods	197	246
Other	35	26
Total inventories	486	523
Prepaid expenses and other current assets	49	72
Deferred income taxes	31	30
Assets held for sale	7	7
Total current assets	1,278	1,408
Investments:		
Equity affiliates	57	53
Long-term marketable securities and cost investments	1	1
Total investments	58	54
Property, plant and equipment	2,851	2,921
Accumulated depreciation and amortization	(1,806)	(1,839)
Net property, plant and equipment	1,045	1,082
Other assets:		
Goodwill	35	34
Intangible assets, net of accumulated amortization of $11 and $11	3	3
Assets held for rent	48	45
Deferred income taxes	179	173
Other assets	77	59
Total other assets	342	314
Total assets	$ 2,723	$ 2,858

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

CABOT CORPORATION
CONSOLIDATED BALANCE SHEETS (Continued)
LIABILITIES & STOCKHOLDERS' EQUITY
UNAUDITED

	December 31, 2008	September 30, 2008
	(In millions, except share and per share amounts)	
Current liabilities:		
Notes payable to banks	$ 66	$ 91
Accounts payable and accrued liabilities	351	426
Income taxes payable	28	38
Deferred income taxes	6	7
Current portion of long-term debt	49	39
Total current liabilities	500	601
Long-term debt	592	586
Deferred income taxes	16	18
Other liabilities	284	294
Commitments and contingencies (Note D)		
Minority interest	104	110
Stockholders' equity:		
Preferred stock:		
Authorized: 2,000,000 shares of $1 par value Issued and Outstanding : None and none	—	—
Common stock:		
Authorized: 200,000,000 shares of $1 par value Issued: 65,387,491 and 65,403,100 shares Outstanding: 65,268,685 and 65,277,715 shares	65	65
Less cost of 118,806 and 125,385 shares of common treasury stock	(4)	(4)
Additional paid-in capital	27	21
Retained earnings	1,135	1,143
Deferred employee benefits	(28)	(30)
Notes receivable for restricted stock	(20)	(21)
Accumulated other comprehensive income	52	75
Total stockholders' equity	1,227	1,249
Total liabilities and stockholders' equity	$ 2,723	$ 2,858

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

CABOT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED

	Three Months Ended December 31	
	2008	2007
	(In millions)	
Cash Flows from Operating Activities:		
Net income	$ 4	$ 36
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation and amortization	35	42
Deferred tax provision	(2)	(10)
Gain on sale of property, plant and equipment	—	(16)
Equity in net income of affiliated companies	(2)	(2)
Minority interest in net (loss) income	(2)	6
Non-cash compensation	6	6
Other non-cash items, net	2	—
Changes in assets and liabilities:		
Accounts and notes receivable	99	(20)
Inventories	49	(50)
Prepaid expenses and other current assets	1	(14)
Accounts payable and accrued liabilities	(88)	(18)
Income taxes payable	(2)	3
Other liabilities	(6)	(1)
Cash dividends received from equity affiliates	1	1
Other	(3)	(5)
Cash provided by (used in) operating activities	92	(42)
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(29)	(33)
Proceeds from sales of property, plant and equipment	—	18
Increase in assets held for rent	(3)	(2)
Investment in equity affiliate	(3)	—
Cash used in investing activities	(35)	(17)
Cash Flows from Financing Activities:		
Borrowings under financing arrangements	25	53
Repayments under financing arrangements	(33)	(29)
Repayments of long-term debt	(1)	(7)
(Decrease) increase in notes payable to banks, net	(16)	28
Purchases of common stock	—	(3)
Proceeds from cash contribution received from minority interest shareholders	—	8
Cash dividends paid to minority interest stockholders	(1)	(7)
Cash dividends paid to stockholders	(12)	(12)
Cash (used in) provided by financing activities	(38)	31
Effect of exchange rate changes on cash	1	3
Increase (decrease) in cash and cash equivalents	20	(25)
Cash and cash equivalents at beginning of period	129	154
Cash and cash equivalents at end of period	$ 149	$ 129

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

CABOT CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
Three Months Ended December 31, 2008
(In millions, except shares in thousands)
UNAUDITED

	Common Stock, Net of Treasury Stock		Additional Paid-in Capital	Retained Earnings	Deferred Employee Benefits	Notes Receivable for Restricted Stock	Accumulated Other Comprehensive Income	Total Stockholders' Equity	Total Comprehensive Loss
	Shares	Cost							
Balance at September 30, 2008	65,278	$ 61	$ 21	$ 1,143	$ (30)	$ (21)	$ 75	$ 1,249	
Net income				4					$ 4
Foreign currency translation adjustment							(20)		(20)
Change in unrealized gain on derivative instruments							(3)		(3)
Other comprehensive loss									(23)
Comprehensive loss								(19)	$ (19)
Common dividends paid				(12)				(12)	
Issuance of stock under employee compensation plans, net of forfeitures	(2)	—						—	
Amortization of share-based compensation			6					6	
Purchase and retirement of common and treasury stock	(7)	—						—	
Principal payment by Employee Stock Ownership Plan under guaranteed loan					2			2	
Notes receivable for restricted stock—payments and forfeitures						1		1	
Balance at December 31, 2008	65,269	$ 61	$ 27	$ 1,135	$ (28)	$ (20)	$ 52	$ 1,227	

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

CABOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008
UNAUDITED

A. Basis of Presentation

The consolidated financial statements include the accounts of Cabot (the "Company") and its wholly-owned subsidiaries and majority-owned and controlled U.S. and non-U.S. subsidiaries. Additionally, Cabot considers consolidation of entities over which control is achieved through means other than voting rights, of which there were none in the periods presented. Intercompany transactions have been eliminated in consolidation.

The unaudited consolidated 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 Cabot's Annual Report on Form 10-K for the fiscal year ended September 30, 2008 ("2008 10-K").

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, 2008 and 2007. 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.

B. Significant Accounting Policies

Revenue Recognition and Accounts Receivable

Cabot's revenue recognition policies are in compliance with Staff Accounting Bulletin ("SAB") No. 104, "Revenue Recognition," which establishes criteria that must be satisfied before revenue is realized or realizable and earned. Cabot recognizes revenue when persuasive evidence of a sales arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectability is probable. Cabot generally is able to ensure that products meet customer specifications prior to shipment. If the Company is unable to determine that the product has met the specified objective criteria prior to shipment, the revenue is deferred until product acceptance has occurred.

Shipping and handling charges related to sales transactions are recorded as sales revenue when billed to customers or included in the sales price in accordance with Emerging Issues Task Force ("EITF") 00-10, "Accounting for Shipping and Handling Fees and Costs." Shipping and handling costs are included in cost of sales.

The following table presents the percentages of total revenue recognized in each of the Company's reportable segments. Other operating revenues, which represent less than two percent of total revenues, include tolling, servicing and royalties for licensed technology.

	Three months ended December 31	
	2008	2007
Core Segment		
Rubber Blacks Business	63%	59%
Supermetals Business	7%	8%
Performance Segment	25%	30%
New Business Segment	3%	1%
Specialty Fluids Segment	2%	2%

As indicated above, Cabot derives a substantial majority of its revenues from the sale of products in the Rubber Blacks Business and Performance Segment. Revenue from these products is typically recognized when the product is shipped and title and risk of loss have passed to the customer. The Company offers certain of its customers cash discounts and volume rebates as sales incentives. The discounts and volume rebates are recorded as a reduction in sales at the time revenue is recognized and are estimated based on historical experience and contractual obligations. Cabot periodically reviews the assumptions underlying its estimates of discounts and volume rebates and adjusts its revenues accordingly. Certain Rubber Blacks Business and Performance Segment customer contracts contain price protection clauses that provide for the potential reduction in past or future sales prices under specific circumstances. Cabot analyzes these contract provisions to determine if an obligation related to these clauses exists and records revenue net of any estimated protection commitments.

Supermetals' revenues also are generally recognized when the product is shipped and title and risk of loss have passed to the customer.

CABOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
December 31, 2008
UNAUDITED

The majority of the revenue in the Specialty Fluids business arises from the rental of cesium formate. This revenue is recognized throughout the rental period based on the contracted rental terms. Customers are also billed and revenue is recognized, typically at the end of the job, for cesium formate product that is not returned.

Cabot maintains allowances for doubtful accounts based on an assessment of the collectibility of specific customer accounts, the aging of accounts receivable and other economic information on both an historical and prospective basis. Customer account balances are charged against the allowance when it is probable the receivable will not be recovered. Changes in the allowance during the first quarters of fiscal 2009 and 2008 were not material. There is no off-balance sheet credit exposure related to customer receivable balances.

Financial Instruments

Cabot's financial instruments consist primarily of cash and cash equivalents, short-term and long-term debt, and derivative instruments. The carrying values of Cabot's financial instruments approximate fair value with the exception of certain long-term debt that has not been designated with a fair value hedge. This portion of long-term debt is recorded at face value. The fair values of the Company's derivative instruments are based on quoted market prices, if such prices are available. In situations where quoted market prices are not available, the Company relies on valuation models to derive fair value. Such valuation takes into account the ability of the financial counterparty to perform. Cabot uses derivative financial instruments primarily for purposes of hedging exposures to fluctuations in interest rates and foreign currency exchange rates, which exist as part of its on-going business operations. Cabot does not enter into contracts for speculative purposes, nor does it hold or issue any financial instruments for trading purposes.

All derivatives are recognized on the consolidated balance sheets at fair value. The changes in the fair value of derivatives are recorded in either earnings or other comprehensive income, depending on whether or not the instrument is designated as part of a hedge transaction and, if designated as part of a hedge transaction, the type of hedge transaction. The gains or losses on derivative instruments reported in other comprehensive income are reclassified to earnings in the period in which earnings are affected by the underlying hedged item. The ineffective portion of all hedges is recognized in earnings.

In accordance with Cabot's risk management strategy, the Company may enter into certain derivative instruments that may not be designated as hedges for hedge accounting purposes. Although these derivatives are not designated as hedges, the Company believes that such instruments are closely correlated with the underlying exposure, thus managing the associated risk. The Company records in earnings the gains or losses from changes in the fair value of derivative instruments that are not designated as hedges.

The Company carries a variety of different cash and cash equivalents on its consolidated balance sheets. Cabot continually assesses the liquidity of cash and cash equivalents and, as of December 31, 2008, has determined that they are readily convertible to cash.

Income Tax in Interim Periods

The Company records its tax provision (benefit) on an interim basis using the estimated annual effective tax rate. This rate is applied to the current period ordinary income or loss to determine the income tax provision or benefit allocated to the interim period. Losses from jurisdictions for which no benefit can be realized and the income tax effects of unusual and infrequent items are excluded from the estimated annual effective tax rate. Valuation allowances are provided against the future tax benefits that arise from the losses in jurisdictions for which no benefit can be realized. In addition, the effects of the unusual and infrequent items are recognized in the impacted interim period as discrete items. The estimated annual effective tax rate may be significantly impacted by nondeductible expenses and the Company's projected earnings mix by tax jurisdiction. Adjustments to the estimated annual effective income tax rate are recognized in the period when such estimates are revised.

CABOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
December 31, 2008
UNAUDITED

Inventory Valuation

The cost of most raw materials, work in process and finished goods inventories in the U.S. is determined by the last-in, first-out ("LIFO") method. Had the Company used the first-in, first-out ("FIFO") method instead of the LIFO method for such inventories, the value of those inventories would have been $120 million and $140 million higher as of December 31, 2008 and September 30, 2008, respectively. The cost of other U.S. and all non-U.S. inventories is determined using the average cost method or the FIFO method.

Cabot reviews inventory for potential obsolescence periodically. In this review, the Company makes assumptions about the future demand for and market value of the inventory and based on these assumptions estimates the amount of any obsolete, unmarketable or slow moving inventory. Cabot writes down the value of these obsolete, unmarketable or slow moving inventories by an amount equal to the difference between the cost of the inventory and its estimated market value. During the three months ended December 31, 2008 the Company recorded a pre-tax charge of $10 million to write down the value of inventory in the Rubber Blacks Business in Asia Pacific to its market value. This write-down was due to the rapid decline in carbon black selling prices combined with high inventory levels in that region.

C. Employee Benefit Plans

Cabot provides defined benefit plans for all U.S. and some foreign employees. Due to recent global market declines, the Company's U.S. qualified defined benefit plan asset values declined by approximately 18% during the quarter, causing the plan to be in an underfunded position at December 31, 2008 as compared to a $2 million overfunded position at September 30, 2008. As a result, the Company anticipates that it will need to contribute approximately $2 million to this plan during fiscal 2009.

Net periodic defined benefit pension and other postretirement benefit costs during the first quarter of fiscal 2009 and 2008 include the following:

	Three Months Ended December 31							
	2008		2007		2008		2007	
	Pension Benefits				Postretirement Benefits			
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
	(Dollars in millions)							
Service cost	$ 1	$ 1	$ 1	$ 1	$—	$ —	$ 1	$ —
Interest cost	2	3	2	3	1	—	1	—
Expected return on plan assets	(2)	(3)	(2)	(3)	—	—	—	—
Amortization of actuarial loss	—	—	—	1	—	—	—	—
Net periodic benefit cost	$ 1	$ 1	$ 1	$ 2	$ 1	$ —	$ 2	$ —

CABOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
December 31, 2008
UNAUDITED

D. Commitments and Contingencies

Purchase Commitments

Cabot has entered into long-term purchase agreements primarily for the purchase of raw materials and natural gas. Under certain of these agreements the quantity of material being purchased is fixed, but the price paid changes as market prices change. The commitments in the table below are quantified on the basis of market prices at December 31, 2008.

	Payments Due by Fiscal Year						
	2009	2010	2011	2012	2013	Thereafter	Total
	(Dollars in millions)						
Core Segment							
Rubber Blacks Business	$131	$129	$ 99	$ 81	$ 76	$ 782	$1,298
Supermetals Business	30	15	16	17	6	1	85
Performance Segment	96	37	18	16	17	146	330
Specialty Fluids Segment	3	4	—	—	—	—	7
Total	$260	$185	$133	$114	$ 99	$ 929	$1,720

Guarantee Agreements

Cabot has provided certain indemnities pursuant to which it may be required to make payments to an indemnified party in connection with certain transactions and agreements. In connection with certain acquisitions and divestitures, Cabot has provided routine indemnities with respect to such matters as environmental, tax, insurance, product and employee liabilities. In connection with various other agreements, including service and supply agreements, Cabot may provide routine indemnities for certain contingencies and routine warranties. Cabot is unable to estimate the maximum potential liability for these types of indemnities as a maximum obligation is not explicitly stated in most cases and the amounts, if any, are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be reasonably estimated. The durations of the indemnities vary, and in many cases are indefinite. Cabot has not recorded any liability for these indemnities in the consolidated financial statements, except as otherwise disclosed.

Contingencies

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

Environmental Matters

As of December 31, 2008 and September 30, 2008, Cabot had $7 million on a discounted basis ($9 million on an undiscounted basis) and $9 million on a discounted basis ($10 million on an undiscounted basis), respectively, reserved for environmental matters primarily related to divested businesses. These amounts represent Cabot's best estimates of its share of costs likely to be incurred at those sites where costs are reasonably estimable based on its analysis of the extent of clean up required, alternative clean up methods available, abilities of other responsible parties to contribute and its interpretation of laws and regulations applicable to each site. Cabot reviews the adequacy of this reserve as circumstances change at individual sites. Cash payments were $1 million in each of the first quarters of fiscal 2009 and 2008 related to these environmental matters.

Respirator Liabilities

Cabot has exposure in connection with a safety respiratory products business that a subsidiary acquired from American Optical Corporation ("AO") in an April 1990 asset purchase transaction. The subsidiary manufactured respirators under the AO brand and disposed of that business in July 1995. In connection with its acquisition of the business, the subsidiary agreed, in certain circumstances, to assume a portion of AO's liabilities, including costs of legal fees together with amounts paid in settlements and judgments, allocable to AO respiratory products used prior to the 1990 purchase by the Cabot subsidiary. As more fully described in the 2008 10-K, the Company's respirator liabilities involve claims for personal injury, including asbestosis, silicosis and coal worker's pneumoconiosis, allegedly resulting from the use of AO respirators that are alleged to have been negligently designed or labeled.

CABOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
December 31, 2008
UNAUDITED

As of December 31, 2008, there were approximately 54,000 claimants in pending cases asserting claims against AO in connection with respiratory products. Cabot has a reserve to cover its expected share of liability for existing and future respirator liability claims. The book value of the reserve is being accreted up to the undiscounted liability through interest expense over the expected cash flow period, which is through 2052, and, at December 31, 2008, is approximately $14 million on a discounted basis (or $24 million on an undiscounted basis). Cash payments related to this liability were less than $1 million for the three months ended December 31, 2008.

Beryllium Claims

Cabot is a party to several pending actions in connection with its discontinued beryllium operations in Reading, Pennsylvania. Cabot entered the beryllium industry through an acquisition in 1978. The Company ceased manufacturing beryllium products at one of the acquired facilities in 1979, and the balance of its former beryllium business was sold to NGK Metals, Inc. (“NGK”) in 1986. As more fully described in the 2008 10-K, the actions are pending in several state and federal courts, and involve claims for personal injury and medical monitoring relating to alleged contact with beryllium in various ways. Cabot believes it has valid defenses to all of the beryllium actions against it and will assert them vigorously in the various venues in which claims have been asserted. In addition, there is a contractual indemnification obligation running from NGK to Cabot in connection with many of these matters. While the outcome of litigation is uncertain, the Company does not believe that the ultimate disposition of these matters will have a material adverse effect on the Company’s consolidated financial position.

AVX Contract Dispute

On March 8, 2004, AVX Corporation (“AVX”) filed an action against the Company in the United States District Court for the District of Massachusetts. The complaint alleges that Cabot violated the federal antitrust laws in connection with the parties’ January 1, 2001 tantalum supply agreement (the “Supply Agreement”) by purportedly tying AVX’s purchases of Cabot’s “flake” tantalum powder to its purchases of Cabot’s “nodular” tantalum powder. Discovery in the federal court action ended in late December 2007. No trial date has been set. The parties have filed cross-motions for summary judgment. Oral argument on those motions was heard by the court in June 2008. No decision has been issued.

On September 6, 2005, AVX filed an action in the Superior Court of Massachusetts for Suffolk County, which, in November 2005, was moved to the Business Litigation Section of the Superior Court of Massachusetts. The action alleges that Cabot improperly administered the parties’ Supply Agreement for the years 2003 through 2005. In particular, AVX claims that Cabot has not provided all of the price relief due to AVX under the “most favored customer” (“MFC”) provisions of the Supply Agreement. AVX seeks a judicial declaration of the rights of the parties to the Supply Agreement, an accounting of monies paid, due or owing under the MFC provisions, and an award of any sums not paid that should have been. Cabot filed an answer and counterclaims against AVX asserting that AVX actually underpaid for tantalum products in the period 2003 through 2005. On December 31, 2007, the court issued an order allowing AVX’s motion for partial summary judgment on one significant legal issue involving interpretation of the Supply Agreement, but denied AVX’s motion and Cabot’s cross-motion in all other respects, including AVX’s motion to dismiss Cabot’s affirmative defenses that would negate AVX’s claims. Prior to July 2008, AVX had indicated that it believed it is owed additional MFC benefits of approximately $24 million, which Cabot disputes. In July 2008, AVX attempted to assert new legal theories that increased its damage claim for additional MFC benefits to approximately $96 million. Cabot subsequently filed a motion to strike AVX’s revised claim for MFC benefits and in November 2008, the court granted Cabot’s motion and denied AVX’s additional damage claim for MFC benefits of $72 million, thereby limiting AVX’s claim to the previously stated $24 million. Cabot believes that it has valid defenses to all of AVX’s claims, including the one on which partial summary judgment was granted, and will continue to assert these defenses and its counterclaims vigorously. In addition, if necessary, Cabot has the right to appeal the court’s order allowing AVX’s motion for partial summary judgment. While the outcome of litigation is uncertain, the Company does not believe that the ultimate disposition of these matters will have a material adverse effect on the Company’s consolidated financial position.

Other

The Company has various other lawsuits, claims and contingent liabilities arising in the ordinary course of its business and in respect of the Company’s divested businesses. In the opinion of the Company, although final disposition of some or all of these other 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 consolidated financial position.

CABOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
December 31, 2008
UNAUDITED

E. Earnings Per Share

Basic and diluted earnings per share ("EPS") were calculated as follows:

	Three Months Ended December 31	
	2008	2007
	(In millions, except per share amounts)	
Basic EPS:		
Income available to common shares (numerator)	$ 4	$ 36
Weighted average common shares outstanding	65	65
Less: contingently issuable shares[1]	(2)	(2)
Adjusted weighted average common shares (denominator)	63	63
Basic EPS	$ 0.07	$ 0.57
Diluted EPS:		
Income available to common shares (numerator)	$ 4	$ 36
Adjusted weighted average common shares outstanding	63	63
Effect of dilutive securities:		
Common shares issuable[2][3]	1	1
Adjusted weighted average shares (denominator)	64	64
Diluted EPS	$ 0.07	$ 0.56

(1) Represents outstanding unvested restricted stock issued under Cabot's equity incentive plans.
(2) Represents incremental shares for the (i) assumed exercise of stock options; (ii) assumed issuance of shares pursuant to the Company's SERP obligation to employees; and (iii) outstanding unvested restricted stock issued under Cabot's equity incentive plans, net of assumed share repurchases.
(3) For the three months ended December 31, 2008 and 2007 options to purchase 529,100 and 120,600 shares of common stock, respectively, were not included in the calculation of diluted earnings per share because those options' exercise prices were greater than the average market price of Cabot common stock for those periods.

CABOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
December 31, 2008
UNAUDITED

F. Financial Information by Segment

Cabot is organized into four business segments: the Core Segment, which is further disaggregated for financial reporting purposes into the Rubber Blacks and Supermetals Businesses, the Performance Segment, the New Business Segment and the Specialty Fluids Segment. During the first quarter of fiscal 2009, management changed the allocation method of its corporate costs to its segments. Under this new method, costs that are not controlled by the segments and which primarily benefit corporate interests are not allocated to the segments and are included under the caption "Unallocated and Other" in the table below. The presentation of prior period results conforms to the new allocation method.

While the Chief Operating Decision Maker uses a number of performance measures to manage the performance of the segments and allocate resources to them, income (loss) from operations before taxes is the measure that is most consistently used and is therefore the measure presented in the table below.

	Core Segment							
	Rubber Blacks Business	Supermetals Business	Performance Segment	New Business Segment	Specialty Fluids Segment	Segment Total	Unallocated and Other [1]	Consolidated Total
	(Dollars in millions)							
Three months ended December 31, 2008								
Net sales and other operating revenues[2]	$ 399	$ 45	$ 157	$ 18	$ 15	$ 634	$ 18	$ 652
Income (loss) before taxes[3]	$ 24	$ 3	$ 3	$ (3)	$ 4	$ 31	$ (30)	$ 1
Three months ended December 31, 2007								
Net sales and other operating revenues[2]	$ 410	$ 53	$ 211	$ 10	$ 16	$ 700	$ 11	$ 711
Income (loss) before taxes[3]	$ 16	$ 3	$ 31	$ (12)	$ 8	$ 46	$ (12)	$ 34

(1) Unallocated and Other includes costs that are not controlled by the segments and which primarily benefit corporate interests, certain items and eliminations that are not allocated to the operating segments. Management does not consider these items necessary for an understanding of the operating results of the segments and such amounts are excluded in the segment reporting to the Chief Operating Decision Maker.

(2) During the third quarter of fiscal 2008, the Company purchased additional shares of one of its Rubber Blacks equity affiliates which resulted in the consolidation of its operating results in the Company's consolidated financial statements beginning April 1, 2008. In the first quarter of fiscal 2008 (prior to the consolidation), segment sales included 100% of the sales of this equity affiliate at market-based prices. Unallocated and other reflects an elimination for sales of this equity affiliate for this period, offset by royalties paid by other equity affiliates, other operating revenues and external shipping and handling fees.

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(3) Income (loss) before taxes for Unallocated and Other includes:

	Three Months Ended December 31	
	2008	2007
	(Dollars in millions)	
Interest expense	$ (9)	$ (9)
Certain items[a]	(2)	10
Equity in net income of affiliated companies[b]	(2)	(2)
Unallocated corporate costs[c]	(7)	(7)
Foreign currency transaction losses[d]	(7)	(1)
Other expense, net [e]	(3)	(3)
Total	$ (30)	$ (12)

(a) Certain items consist of amounts that are not included in segment profit before taxes ("PBT"). Certain items for the three months ended December 31, 2008 include charges of $3 million for restructuring initiatives as described in Note J offset by a benefit of $1 million related to a former carbon black facility. Certain items for the three months ended December 31, 2007 include a gain of $18 million from the sale of land in Altona, Australia, offset by charges of $7 million for restructuring initiatives and $1 million for environmental and legal reserves.
(b) Equity in net income of affiliated companies is included in segment PBT and is removed from Unallocated and Other to reconcile back to income (loss) from operations before taxes.
(c) During the first quarter of fiscal 2009, management changed the allocation method of its corporate costs to its segments. The Company has recast prior periods to conform to the new allocation method. Under this new method, costs that are not controlled by the segments and which primarily benefit corporate interests are not allocated to the segments.
(d) Foreign currency transaction gains and losses are net of other foreign currency risk management activities and are not included in segment PBT.
(e) Other expense, net, consists of investment income and other expenses that are not included in segment PBT.

The Performance Segment is comprised of the Performance Products and Fumed Metal Oxides Businesses. The net sales from each of these businesses for the three months ended December 31, 2008 and 2007 are as follows:

	Three Months Ended December 31	
	2008	2007
	(Dollars in millions)	
Performance Products	$ 105	$ 141
Fumed Metal Oxides	52	70
Total Performance Segment Sales	$ 157	$ 211

The New Business Segment is comprised of the Inkjet Colorants and the Aerogel Businesses and the business development activities of Cabot Superior MicroPowders ("CSMP"). The net sales from each of these businesses for the three months ended December 31, 2008 and 2007 are as follows:

	Three Months Ended December 31	
	2008	2007
	(Dollars in millions)	
Inkjet colorants	$ 13	$ 8
Aerogel	4	1
Superior MicroPowders	1	1
Total New Business Segment Sales	$ 18	$ 10

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G. Income Tax Uncertainties

As of December 31, 2008, the total amount of unrecognized tax benefits was $80 million. In addition, accruals of $5 million and $15 million have been recorded for penalties and interest, respectively. If the unrecognized tax benefits were recognized at a given point in time, there would be approximately a $68 million favorable impact on the Company's tax provision.

Changes in the amount of unrecognized tax benefits during the fiscal quarter are as follows:

	(Dollars in millions)
Balance at September 30, 2008	$ 80
Additions based on tax positions related to the current year	1
Reductions (including settlements and statute of limitation lapses) for tax positions of prior years	(1)
Balance at December 31, 2008	$ 80

The balances above include uncertainties related to the Company's U.S. income tax filings for the tax years 2003 and 2004. While the U.S. Internal Revenue Service ("IRS") had completed its audit of these tax years and its review of several refund claims related to these years, the results were still subject to review by the Joint Committee on Taxation ("JCT") as of December 31, 2008. In late January 2009, the Company was notified by the IRS that the JCT review had concluded with no proposed changes to the IRS report. During the second quarter of fiscal 2009, this settlement is expected to provide a reduction in the amount of uncertain tax positions of approximately $9 million and a net tax benefit of approximately $5 million. In addition, the IRS is currently auditing the tax years 2005 and 2006 and certain Cabot subsidiaries are under audit in a number of jurisdictions outside of the U.S. Lastly, certain statutes of limitations are scheduled to expire in the near future. It is reasonably possible that a further change in the unrecognized tax benefits may occur within the next twelve months related to the settlement of one or more of these audits or the lapse of applicable statutes of limitations; however, an estimated range of the impact on the unrecognized tax benefits cannot be quantified at this time.

Cabot files U.S., state, and non-U.S. income tax returns in jurisdictions with varying statutes of limitations. The 2005 through 2008 tax years generally remain subject to examination by federal tax authorities and the 2003 through 2008 tax years remain subject to examination by most state tax authorities. In significant non-U.S. jurisdictions, the 2001 through 2008 tax years generally remain subject to examination by their respective tax authorities. Our significant non-U.S. jurisdictions include the United Kingdom, Germany, Japan, Canada, China, Argentina, Brazil and the Netherlands.

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H. Fair Value Measurements

Effective October 1, 2008, Cabot implemented Statement of Financial Accounting Standard ("FAS") No. 157 ("FAS 157") for financial assets and financial liabilities reported or disclosed at fair value. As permitted by Financial Accounting Standards Board ("FASB") Staff Position No. FAS 157-2, the Company elected to defer implementation of the provisions of FAS 157 for nonfinancial assets and nonfinancial liabilities until October 1, 2009, except for nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. FAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The disclosures focus on the inputs used to measure fair value. FAS 157 establishes the following hierarchy for categorizing these inputs:

Level 1 — Quoted market prices in active markets for identical assets or liabilities

Level 2 — Significant other observable inputs (e.g. quoted prices for similar items in active markets, quoted prices for identical or similar items in markets that are not active, inputs other than quoted prices that are observable such as interest rate and yield curves, and market-corroborated inputs)

Level 3 — Significant unobservable inputs

The following table presents information about the Company's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2008:

	December 31, 2008		
	Level 1 Inputs	Level 2 Inputs	Total
	(Dollars in Millions)		
Assets at fair value:			
Equity securities[1]	$ 1	$ —	$ 1
Derivatives relating to:			
Interest rates[2]	—	5	5
Foreign currency[2]	—	2	2
Commodities[2]	—	1	1
Total assets at fair value	$ 1	$ 8	$ 9
Liabilities at fair value:			
Derivatives relating to:			
Foreign currency[2]	$ —	$ 49	$ 49
Total liabilities at fair value	$ —	$ 49	$ 49

(1) The Company's investments in equity securities are included in "Short-term marketable securities" in the consolidated balance sheet.
(2) The Company's derivatives are included in "Other assets" and "Other liabilities" in the consolidated balance sheet.

For assets that are measured using quoted prices in active markets, the total fair value is the published market price per unit multiplied by the number of units held without consideration of transaction costs. Assets and liabilities that are measured using significant other observable inputs are primarily valued by reference to quoted prices of similar assets or liabilities in active markets, adjusted for any terms specific to that asset or liability. For all other assets and liabilities for which observable inputs are used, fair value is derived through the use of fair value models, such as a discounted cash flow model or other standard pricing models.

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I. Accounting Pronouncements

New and Adopted Accounting Pronouncements

In September 2006, the FASB issued FAS No. 157, "Fair Value Measurements". FAS 157 provides guidance for (i) using fair value to measure assets and liabilities; and (ii) requires additional disclosure about the use of fair value measures, the information used to measure fair value, and the effect fair-value measurements have on earnings. The primary areas in which Cabot utilizes fair value measures are in valuing pension plan assets and liabilities, valuing hedge-related derivative financial instruments, allocating purchase price to the assets and liabilities of acquired companies, and evaluating long-term assets for potential impairment. FAS 157 does not require any new fair value measurements. In February 2008, the FASB issued FASB Staff Position FAS 157-2, which defers the effective date of FAS 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis, to fiscal years beginning after November 15, 2008. Effective October 1, 2008, Cabot adopted the portion of FAS 157 that was not deferred, which includes the disclosures in Note H, and applied the provisions of the statement prospectively to assets and liabilities measured and disclosed at fair value. The adoption of the deferred portion of FAS 157 on October 1, 2009 is not expected to have a material impact on the Company's consolidated financial statements.

In February 2007, the FASB issued FAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115" ("FAS 159"). FAS 159 permits companies to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. FAS 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value. Effective October 1, 2008, Cabot adopted FAS 159. The Company has not made any elections to use fair value under FAS 159; therefore, FAS 159 had no impact on the Company's consolidated financial statements at December 31, 2008.

Issued Accounting Standards Not Yet Adopted

In December 2007, the FASB issued FAS No. 141 (Revised 2007), "Business Combinations" ("FAS 141(R)"). FAS 141(R) establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of business combinations. FAS 141(R) is effective on a prospective basis for financial statements issued for fiscal years beginning after December 15, 2008. Accordingly, any business combination Cabot enters into after September 30, 2009 will be subject to this new standard.

In December 2007, the FASB issued FAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements—An Amendment of ARB No. 51" ("FAS 160"). FAS 160 establishes accounting and reporting standards for the ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in the parent's ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. FAS 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. FAS 160 will be effective for Cabot for the first quarter of fiscal 2010, beginning October 1, 2009. The Company is evaluating the impact of FAS 160 on its consolidated financial statements.

In March 2008, the FASB issued FAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133" ("FAS 161"). FAS 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance and cash flows. FAS 161 is effective for Cabot beginning on January 1, 2009. FAS 161 will not affect the Company's financial position or results of operations. The new standard solely affects the disclosure of information.

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J. Restructuring

Restructuring activity for the three months ended December 31, 2008 includes the costs associated with the closure of Cabot's Waverly, West Virginia plant, Cabot's 2008 Global Restructuring plan and an approximately $1 million benefit related to the previous closure of the Company's facility in Zierbena, Spain. Restructuring activity for the three months ended December 31, 2007 includes the gain on the sale of land in Altona, Australia on which a former carbon black manufacturing facility was located. The gain was approximately $18 million, before tax and net of settlement costs, which was recorded in cost of sales in the accompanying consolidated statements of operations. As of December 31, 2008, there was no reserve for the Altona, Australia restructuring. Restructuring activity was recorded in the consolidated statements of operations as follows:

	Three Months Ended December 31	
	2008	2007
	(Dollars in millions)	
Cost of sales	$ 1	$ (11)
Selling and administrative expenses	1	—
Total	$ 2	$ (11)

As of December 31, 2008, the reserve balances for the 2008 Global Restructuring plan and the Waverly, West Virginia plant closure are included in accrued expenses in the accompanying consolidated balance sheets. Details of the restructuring activity and the reserve for these plans during the three months ended December 31, 2008 are as follows:

	Severance and Employee Benefits	Environmental Remediation	Total
		(Dollars in millions)	
Reserve at September 30, 2008	$ 2	$ 1	$ 3
Charges	2	1	3
Cash paid	(1)	(1)	(2)
Reserve at December 31, 2008	$ 3	$ 1	$ 4

Cabot expects to make cash payments of approximately $3 million in the remainder of 2009 related to these plans, comprised of $2 million for severance and employee benefits and $1 million of environmental remediation costs, and $1 million in 2010 for severance and employee benefits.

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K. Subsequent Event

On January 28, 2009, in response to a significant reduction in global demand, Cabot committed to a broad-based restructuring of its operations. Over the course of calendar year 2009, Cabot plans to: (i) close its manufacturing operations located in Berre, France, in Stanlow and Dukinfield, U.K., and its tantalum powder operations in Boyertown, Pennsylvania; (ii) close its regional office in Kuala Lumpur, Malaysia; (iii) mothball assets at its manufacturing operations in Merak, Indonesia and Sarnia, Ontario; and (iv) implement short worktime at its manufacturing operations in Rheinfelden, Germany.

The Company expects this restructuring will result in a pre-tax charge to earnings of approximately $150 million, with approximately $105 million of this amount expected to be recorded during fiscal year 2009. Estimates of the total amount the Company expects to incur for each major type of cost associated with the restructuring plan are: (i) severance and employee benefits of $70 million for approximately 500 employees, (ii) accelerated depreciation and impairment of facility assets of $50 million, (iii) demolition and site clearing costs of $20 million, and (iv) contract termination costs of $10 million. The total after-tax charge is estimated to be $130 million.

Net cash outlays related to these actions are expected to be $80 million, approximately $30 million of which is expected to be paid during fiscal 2009.

The segments impacted by this restructuring are presented in the table below.

	Core Segment		Performance Segment
Location	Rubber Blacks Business	Supermetals Business	
Berre, France	X		X
Stanlow, U.K.	X		X
Dukinfield, U.K.			X
Boyertown, PA		X	
Merak, Indonesia	X		
Sarnia, Ontario	X		X
Rheinfelden, Germany			X

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

I. Critical Accounting Policies and Estimates

The preparation of our financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses and related disclosure of contingent assets and liabilities. We consider an accounting estimate to be critical to the financial statements if 1) the estimate is complex in nature or requires a high degree of judgment and 2) different estimates and assumptions were used, the results could have a material impact on the consolidated financial statements. On an ongoing basis, we evaluate our policies and estimates. We base our estimates on historical experience, current conditions and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The estimates that we believe are critical to the preparation of the Consolidated Financial Statements for the three months ended December 31, 2008 are presented below. We have other critical accounting policies that are discussed under the "Critical Accounting Policies" heading in management's discussion and analysis in our Fiscal 2008 Annual Report on Form 10-K ("2008 10-K").

Revenue Recognition and Accounts Receivable

Our revenue recognition policies are in compliance with Staff Accounting Bulletin ("SAB") No. 104, "Revenue Recognition," which establishes criteria that must be satisfied before revenue is realized or realizable and earned. We recognize revenue when persuasive evidence of a sales arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectability is probable. We generally are able to ensure that products meet customer specifications prior to shipment. If we are unable to determine that the product has met the specified objective criteria prior to shipment, the revenue is deferred until product acceptance has occurred.

Shipping and handling charges related to sales transactions are recorded as sales revenue when billed to customers or included in the sales price in accordance with Emerging Issues Task Force ("EITF") 00-10, "Accounting for Shipping and Handling Fees and Costs." Shipping and handling costs are included in cost of sales.

The following table presents the percentages of total revenue recognized in each of our reportable segments. Other operating revenues, which represent less than two percent of total revenues, include tolling, servicing and royalties for licensed technology:

	Three months ended December 31	
	2008	2007
Core Segment		
Rubber Blacks Business	63%	59%
Supermetals Business	7%	8%
Performance Segment	25%	30%
New Business Segment	3%	1%
Specialty Fluids Segment	2%	2%

As indicated above, we derive a substantial majority of revenues from the sale of products in our Rubber Blacks Business and Performance Segment. Revenue from these products is typically recognized when the product is shipped and title and risk of loss have passed to the customer. We offer certain customers cash discounts and volume rebates as sales incentives. The discounts and volume rebates are recorded as a reduction in sales at the time revenue is recognized and are estimated based on historical experience and contractual obligations. We periodically review the assumptions underlying the estimates of discounts and volume rebates and adjust revenues accordingly. Certain Rubber Blacks Business and Performance Segment customer contracts contain price protection clauses that provide for the potential reduction in past or future sales prices under specific circumstances. We analyze these contract provisions to determine if an obligation related to these clauses exists and record revenue net of any estimated protection commitments.

Supermetals' revenues also are generally recognized when the product is shipped and title and risk of loss have passed to the customer.

The majority of the revenue in the Specialty Fluids business arises from the rental of cesium formate. This revenue is recognized throughout the rental period based on the contracted rental terms. Customers are also billed and revenue is recognized, typically at the end of the job, for cesium formate product that is not returned.

We maintain allowances for doubtful accounts based on an assessment of the collectibility of specific customer accounts, the aging of accounts receivable and other economic information on both an historical and prospective basis. Customer account balances are charged against the allowance when it is probable the receivable will not be recovered. In the current economic environment there could be significant changes in the allowance owing to events such as customer liquidity matters or customer bankruptcies. Such changes could impact our results of operations and cash flows. Changes in the allowance during the first quarters of fiscal 2009 and 2008 were not material.

Inventory Valuation

The cost of most raw materials, work in process and finished goods inventories in the U.S. is determined by the last-in, first-out ("LIFO") method. Had we used the first-in, first-out ("FIFO") method instead of the LIFO method for such inventories, the value of those inventories would have been $120 million and $140 million higher as of December 31, 2008 and September 30, 2008, respectively. The cost of other U.S. and all non-U.S. inventories is determined using the average cost method or the FIFO method. In periods of rapidly rising or declining raw material costs, the inventory method we employ can have a significant impact on our profitability. Under our current LIFO method, when raw material costs are rising, our most recent higher priced purchases are the first to be charged to cost of sales. If, however, we were using a FIFO method, our purchases from earlier periods, which were at lower prices, would instead be the first charged to cost of sales. The opposite result could occur during a period of rapid decline in raw material costs, as was the case during the first quarter of fiscal 2009.

At certain times, we may decrease inventory levels to the point where layers of inventory recorded under the LIFO method that were purchased in preceding years are liquidated. The inventory in these layers may be valued at an amount that is different than our current costs. If there is a liquidation of an inventory layer, there may be an impact to our cost of sales and net income for that period. If the liquidated inventory is at a cost lower than our current cost, there would be a reduction in our cost of sales and an increase to our net income during the period. Conversely, if the liquidated inventory is at a cost higher than our current cost, there would be an increase in our cost of sales and a reduction to our net income during the period.

We review inventory for potential obsolescence periodically. In this review, we make assumptions about the future demand for and market value of the inventory and based on these assumptions estimate the amount of any obsolete, unmarketable or slow moving inventory. We write down the value of these obsolete, unmarketable or slow moving inventories by an amount equal to the difference between the cost of the inventory and its estimated market value. During the three months ended December 31, 2008 we recorded a pre-tax charge of $10 million to write down the value of inventory in the Rubber Blacks Business in Asia Pacific to its market value. This write-down was due to the

rapid decline in carbon black selling prices combined with high inventory levels in that region. This write-down may affect results in future periods when the inventory is sold since the write-down is to current market value assuming a zero profit margin going forward rather than the normal margin that is earned on this product. In addition, if actual market conditions are less favorable than those projected by management at the time of the assessment, additional inventory write-downs may be required, which could reduce our gross profit and our earnings.

Goodwill and Other Intangible Assets

We account for goodwill and other intangible assets in accordance with FAS No. 142, "Goodwill and Other Intangible Assets," ("FAS 142"). We perform an impairment test for goodwill at least annually and when events or changes in business circumstances indicate that the carrying value may not be recoverable. To test whether an impairment exists, the fair value of the applicable reporting unit is estimated based on discounted future cash flows. The calculation of fair value is sensitive to both the estimated future cash flows and the discount rate applied to those cash flows. The assumptions used to estimate the discounted cash flows are based on management's best estimates about selling prices, production and sales volumes, costs, future growth rates, capital expenditures and market conditions over an estimate of the remaining operating period at the reporting unit. The discount rate is based on the weighted average cost of capital that is determined by evaluating the risk-free rate of return, cost of debt and expected equity premiums. If an impairment exists, a loss to write down the value of goodwill to its implied fair value is recorded. While this would have no direct impact on our cash flows, it would reduce our earnings. No impairments were recorded during the first quarters of fiscal 2009 or 2008.

Financial Instruments

Our financial instruments consist primarily of cash and cash equivalents, short-term and long-term debt, and derivative instruments. The carrying values of our financial instruments approximate fair value with the exception of certain long-term debt that has not been designated with a fair value hedge. This portion of long-term debt is recorded at face value. The fair values of our derivative instruments are based on quoted market prices, if such prices are available. In situations where quoted market prices are not available, we rely on valuation models to derive fair value. Such valuation takes into account the ability of the financial counterparties to perform. We use derivative financial instruments primarily for purposes of hedging exposures to fluctuations in interest rates and foreign currency exchange rates, which exist as part of our on-going business operations. We do not enter into contracts for speculative purposes, nor do we hold or issue any financial instruments for trading purposes.

All derivatives are recognized on the consolidated balance sheets at fair value. The changes in the fair value of derivatives are recorded in either earnings or other comprehensive income, depending on whether or not the instrument is designated as part of a hedge transaction and, if designated as part of a hedge transaction, the type of hedge transaction. The gains or losses on derivative instruments reported in other comprehensive income are reclassified to earnings in the period in which earnings are affected by the underlying hedged item. The ineffective portion of all hedges is recognized in earnings.

In accordance with our risk management strategy, we may enter into certain derivative instruments that may not be designated as hedges for hedge accounting purposes. Although these derivatives are not designated as hedges, we believe that such instruments are closely correlated with the underlying exposure, thus managing the associated risk. We record in earnings the gains or losses from changes in the fair value of derivative instruments that are not designated as hedges.

We carry a variety of different cash and cash equivalents on our consolidated balance sheets. We continually assess the liquidity of cash and cash equivalents and as of December 31, 2008, we have determined that they are readily convertible to cash.

Assets and liabilities measured at fair value are classified in the fair value hierarchy based on the inputs used for valuation. Assets that are traded on an exchange with a quoted price are classified as Level 1. Assets and liabilities that are valued based on quoted prices for similar assets or liabilities in active markets, or standard pricing models using observable inputs are classified as Level 2. We currently have no assets or liabilities that are valued using unobservable inputs and therefore no assets or liabilities that are classified as Level 3. Currently, the sensitivity of fair value estimates is immaterial relative to the assets and liabilities measured at fair value, as well as to our total equity.

Litigation and Contingencies

We are involved in litigation in the ordinary course of business, including personal injury and environmental litigation. After consultation with counsel, as appropriate, we accrue a liability for litigation when it is probable that a liability has been incurred and the amount can be reasonably estimated. The estimated reserves are recorded based on our best estimate of the liability associated with such matters or the low end of the estimated range of liability if we are unable to identify a better estimate within that range. Our best

estimate is determined through the evaluation of various information, including claims, settlement offers, demands by government agencies, estimates performed by independent third parties, identification of other responsible parties and an assessment of their ability to contribute, and our prior experience. Litigation is highly uncertain and there is always the possibility of an unusual result in any particular case that may reduce our earnings and cash flows.

The most significant reserves that we have established are for environmental remediation and respirator litigation claims. The amount accrued for environmental matters reflects our assumptions about remediation requirements at the contaminated sites, the nature of the remedies, the outcome of discussions with regulatory agencies and other potentially responsible parties at multi-party sites, and the number and financial viability of other potentially responsible parties. A portion of the reserve for environmental matters is recognized on a discounted basis, which requires the use of an estimated discount rate and estimates of future cash flows associated with the liability. These liabilities can be affected by the availability of new information, changes in the assumptions on which the accruals are based, unanticipated government enforcement action or changes in applicable government laws and regulations, which could result in higher or lower costs.

Our current estimate of the cost of our share of existing and future respirator liability claims is based on facts and circumstances existing at this time. Developments that could affect our estimate include, but are not limited to, (i) significant changes in the number of future claims, (ii) changes in the rate of dismissals without payment of pending silica and non-malignant asbestos claims, (iii) significant changes in the average cost of resolving claims, (iv) significant changes in the legal costs of defending these claims, (v) changes in the nature of claims received, (vi) changes in the law and procedure applicable to these claims, (vii) the financial viability of other parties which contribute to the settlement of respirator claims, (viii) a change in the availability of insurance coverage maintained by the entity from which we acquired the safety respiration products business, (ix) changes in the allocation of costs among the various parties paying legal and settlement costs and (x) a determination that our interpretation of the contractual obligations on which we have estimated our share of liability is inaccurate. We cannot determine the impact of these potential developments on our current estimate of our share of liability for these existing and future claims. Accordingly, the actual amount of these liabilities for existing and future claims could be different than the reserved amount. Further, if the timing of our actual payments made for respirator claims differs significantly from our estimated payment schedule, and we could no longer reasonably predict the timing of such payments, we could then be required to record the reserve amount on an undiscounted basis on our consolidated balance sheets, causing an immediate impact to earnings.

Income Taxes

Our business operations are global in nature, and we are subject to taxes in numerous jurisdictions. Tax laws and tax rates vary substantially in these jurisdictions and are subject to change given the political and economic climate in those countries. We file our tax returns in accordance with our interpretations of each jurisdiction’s tax laws.

Significant judgment is required in determining our worldwide provision for income taxes and recording the related tax assets and liabilities. In the ordinary course of our business, there are operational decisions, transactions, facts and circumstances, and calculations which make the ultimate tax determination uncertain. Furthermore, our tax positions are periodically subject to challenge by taxing authorities throughout the world. We have recorded reserves for taxes and associated interest and penalties that may become payable in future years as a result of audits by tax authorities. Any significant impact as a result of changes in underlying facts, law, tax rates, tax audit, or review could lead to adjustments to our income tax expense, our effective tax rate, or our cash flow.

We record our tax provision (benefit) on an interim basis using the estimated annual effective tax rate. This rate is applied to the current period ordinary income or loss to determine the income tax provision or benefit allocated to the interim period. Losses from jurisdictions for which no benefit can be realized and the income tax effects of unusual and infrequent items are excluded from the estimated annual effective tax rate. Valuations allowances are provided against the future tax benefits that arise from the losses in jurisdictions for which no benefit can be realized. In addition, the effects of the unusual and infrequent items are recognized in the impacted interim period as discrete items. The estimated annual effective tax rate may be significantly impacted by nondeductible expenses and our projected earnings mix by tax jurisdiction. Adjustments to the estimated annual effective income tax rate are recognized in the period that such estimates are revised.

Additionally, in accordance with FAS 109 “Accounting for Income Taxes” we have established valuation allowances against a variety of deferred tax assets, including net operating loss carry-forwards, foreign tax credits, and other income tax credits. Valuation allowances take into consideration our ability to use these deferred tax assets and reduce the value of such items to the amount that is deemed more likely than not to be recoverable. Our ability to utilize these deferred tax assets is dependent on achieving our forecast of future taxable operating income over an extended period of time. We review our forecast in relation to actual results and expected trends on a quarterly basis. Failure to achieve our operating income targets may change our assessment regarding the recoverability of our net deferred tax assets and such change could result in a valuation allowance being recorded against some or all of our net deferred tax assets. An increase in a valuation allowance would result in additional income tax expense, lower stockholders’ equity and could have a significant impact on our earnings in future periods. The release of valuation allowances in periods when these tax attributes become realizable would reduce our effective tax rate.

Restructuring Activities

Our consolidated financial statements detail specific charges relating to restructuring activities as well as the actual spending that has occurred against the resulting accruals. Our restructuring charges are estimates based on our preliminary assessments of (i) severance benefits to be granted to employees, which are based on known benefit formulas and identified job grades, (ii) costs to vacate certain facilities and (iii) asset impairments. Because these accruals are estimates, they are subject to change as a result of deviations from initial restructuring plans or subsequent information that may come to our attention. These deviations may lead to changes in estimates, which would then be reflected in our consolidated financial statements.

II. Results of Operations

Overview

During the first quarter of fiscal 2009, operating results declined compared to the first quarter of fiscal 2008 as weakness in the tire, automotive, construction and electronics markets, including customer de-stocking, reduced volumes.

- During the first quarter of fiscal 2009, our Rubber Blacks Business PBT benefited by $22 million from higher prices in our supply contracts, reflecting contract adjustments relating to higher feedstock costs from prior periods. Rapidly falling feedstock costs during the quarter led to a $10 million positive impact from our LIFO accounting methodology. These factors more than offset lower volumes and a $10 million inventory write-down, leading to an increase in profitability when compared to the first quarter of fiscal 2008.
- In the Supermetals Business, higher prices offset lower volumes leading to flat profitability when comparing the first quarter of fiscal 2009 to the same period of fiscal 2008.
- The Performance Segment was affected by reduced demand and customer de-stocking in the automotive, construction and electronics markets in the first quarter of fiscal 2009, leading to lower volumes. These declines more than offset a $10 million positive LIFO impact from rapidly falling carbon black feedstock costs, leading to a decline in profitability when compared to the first quarter of fiscal 2008.
- Profitability in the Specialty Fluids Segment decreased in the first quarter of fiscal 2009 when compared to the first quarter of fiscal 2008 due to a slowdown of drilling activity in the North Sea and the mix of revenue generated from fluid rental versus that of fluids sold.
- The New Business Segment increased its revenue and cash flow during the first quarter of fiscal 2009. This increase in revenues, combined with lower costs, led to improved profitability when compared to the first quarter of fiscal 2008.
- During the first quarter of fiscal 2009, our cash flow from operations was $92 million, a portion of which was derived from a $61 million decrease in working capital.

In January 2009, we announced a restructuring of our operations, including a plan to close four of our manufacturing operations and one regional office, mothball assets at two additional sites and other significant cost cutting measures. These restructuring activities will take place over the course of calendar year 2009 and are expected to result in a minimum of $80 million of annual fixed cost savings in fiscal 2010.

First Quarter Fiscal 2009 versus First Quarter Fiscal 2008—Consolidated

Net Sales and Gross Profit

	Three Months Ended December 31	
	2008	2007
	(Dollars in millions)	
Net sales and other operating revenues	$ 652	$ 711
Gross profit	$ 92	$ 117

The $59 million decrease in net sales from the first quarter of fiscal 2008 to the first quarter of fiscal 2009 was due primarily to lower volumes ($210 million) from weakness in the tire, automotive, construction and electronics markets and an unfavorable foreign currency impact ($8 million). These factors were only partially offset by higher selling prices ($140 million).

Gross profit declined by $25 million due principally to volume weakness, particularly in the Performance Segment. These lower volumes offset the favorable impact of higher prices in our rubber blacks supply contracts, the LIFO benefit from rapidly falling carbon black feedstock costs and an improvement in new business performance from increased revenues and lower costs.

During the first quarter of fiscal 2009 we recorded $1 million pre-tax of restructuring related charges as cost of sales in the consolidated statement of operations. This is compared to $11 million of restructuring related income recorded as cost of sales for the first quarter of fiscal 2008, which included an $18 million pre-tax benefit from the sale of land at our former carbon black facility in Altona, Australia.

Selling and Administrative Expenses

	Three Months Ended December 31	
	2008	2007
	(Dollars in millions)	
Selling and administrative expenses	$ 56	$ 56

Selling and administrative expenses were flat in the first quarter of fiscal 2009 when compared to the same period in fiscal 2008. Lower expenses from cost reduction efforts and a favorable foreign currency impact on our expenses offset a $3 million increase in bad debt reserves. We recorded $1 million pre-tax of restructuring related charges as selling and administrative expenses in the first quarters of both fiscal 2008 and fiscal 2009.

Research and Technical Expenses

	Three Months Ended December 31	
	2008	2007
	(Dollars in millions)	
Research and technical expenses	$ 18	$ 17

The $1 million increase in research and technical expenses in the first quarter of fiscal 2009 compared to the first quarter of fiscal 2008 was principally due to higher spending on process development efforts related to our Cabot Elastomer Composite technology.

Interest Expense

	Three Months Ended December 31	
	2008	2007
	(Dollars in millions)	
Interest expense	$ (9)	$ (9)

Interest expense for the first quarter of fiscal 2009 was flat when compared to the first quarter of fiscal 2008 despite higher debt balances in the first quarter of fiscal 2009 due principally to a more favorable mix of interest rates.

Other Expense

	Three Months Ended December 31	
	2008	2007
	(Dollars in millions)	
Other Expense	$ (9)	$ (2)

The $7 million increase in other expense in the first quarter of fiscal 2009 compared to the first quarter of fiscal 2008 was due principally to losses on foreign currency transactions, including an intercompany loan in Brazil denominated in U.S. dollars and charges related to the repatriation of a portion of our Bolivars held in Venezuela.

Effective Tax Rate

We recorded an income tax provision in the first quarter of fiscal 2009 of $1 million. This includes an unfavorable impact of $4 million relating to the effect of non-deductible losses, net tax benefits of $2 million from the renewal of U.S. research and experimentation credits and benefits of $1 million from tax settlements and releases. Without these factors, the tax rate for the first quarter of fiscal 2009 would have been approximately 36%. This compares to an income tax benefit recorded in the first quarter of fiscal 2008 of $6 million. This included a $7 million net benefit from tax settlements as well as a $7 million benefit from tax credits approved by the Chinese tax authorities during the quarter. Without these tax benefits, the tax rate for the first quarter of fiscal 2008 would have been approximately 27%. Due to a geographic shift in the makeup of our earnings, we expect our tax rate for operations for fiscal 2009 to be between 35% and 37%, exclusive of the tax impact of restructuring charges and any tax settlements or tax reserve releases. We would anticipate this rate to return to our previously lower level with a more normalized earnings pattern.

The IRS has recently completed its audit of tax years 2003 and 2004 and its review of several refund claims related to these years, which were still subject to review by the Joint Committee on Taxation ("JCT") as of December 31, 2008. In late January 2009, we were notified by the IRS that the JCT review had concluded with no proposed changes to the IRS report. During the second quarter of fiscal 2009, this settlement is expected to provide a net tax benefit of approximately $5 million and a net cash receipt of approximately $15 million. We are also currently under audit by the IRS for tax years 2005 and 2006 and are under audit in a number of jurisdictions outside of the U.S. It is possible that some of the non-US audits will be resolved in fiscal 2009, which may impact our effective tax rate going forward.

Minority Interest in Net Loss (Income), net of tax

	Three Months Ended December 31	
	2008	2007
	(Dollars in millions)	
Minority interest in net loss (income), net of tax	$ 2	$ (6)

Minority interest in net loss (income), net of tax is the means by which the minority shareholders' portion of the income or loss in our consolidated joint ventures is removed from our consolidated statement of operations. In the first quarter of fiscal 2009, in total, these joint ventures experienced losses, primarily driven by lower volumes and inventory write-downs. This, in turn, led to our minority shareholders in these ventures absorbing a portion of these losses, resulting in a benefit to our consolidated statement of operations. In the first quarter of fiscal 2008, our consolidated joint ventures were profitable in total. Accordingly, our joint venture partners shared partially in these profits, and we removed their portion of this income from our consolidated results through minority interest.

Net Income

We reported net income for the first quarter of fiscal 2009 of $4 million ($0.07 per diluted common share after-tax) compared to net income of $36 million ($0.56 per diluted common share after-tax) in the same period of fiscal 2008.

First Quarter Fiscal 2009 versus First Quarter Fiscal 2008—By Business Segment

The following discussion of results includes information on our reportable segment sales and segment (or business) operating profit before tax ("PBT"). Segment PBT is a non-GAAP financial measure and is not intended to replace income (loss) from operations before taxes, the most directly comparable GAAP financial measure. In calculating segment PBT we exclude certain items, meaning items that are significant and unusual or infrequent, as these amounts are not believed to reflect the true underlying business performance. Specifically, in calculating segment PBT we include equity in net income of affiliated companies, royalties paid by equity affiliates and minority interest but exclude interest expense, foreign currency translation gains and losses, interest income and dividend income. Further, beginning in the first quarter of fiscal 2009, we exclude certain corporate costs that are not controlled by the Segments and which primarily benefit corporate interests. Our Chief Operating Decision-Maker uses segment PBT to evaluate changes in the operating results of each segment before non-operating factors and before certain items and to allocate resources to the segments. We believe that this non-GAAP measure also assists our investors in evaluating the changes in our results and performance. A reconciliation of segment PBT and income (loss) from operations is set forth below.

When explaining the changes in our PBT between periods, we use several terms. The term "fixed costs" means fixed manufacturing costs, including utilities. The term "inventory related changes" means the impact of changes related to items such as (i) inventory obsolescence and valuation reserves; (ii) utilization variances; and (iii) other increases or decreases in costs associated with the production of inventory. The term "LIFO impact" includes two factors: (i) the impact of current inventory costs being recognized immediately in cost of goods sold ("COGS") under a last-in first-out method, compared to the older costs that would have been included in COGS under a first-in first-out method ("COGS impact"); and (ii) the impact of reductions in inventory quantities, causing historical inventory costs to flow through COGS ("liquidation impact"). The LIFO impact on PBT in the first quarter of fiscal 2009 is all "COGS impact".

Total segment PBT, certain items, other unallocated items (which includes unallocated corporate costs), and income (loss) from operations before income taxes for the three months ended December 31, 2008 and 2007 are set forth in the table below. The details of certain items and other unallocated items are shown below.

	Three Months Ended December 31	
	2008	2007
	(Dollars in millions)	
Total segment PBT	$ 31	$ 46
Certain items	(2)	10
Other unallocated items	(28)	(22)
Income from operations before income taxes	$ 1	$ 34

Total segment PBT decreased by $15 million in the first quarter of fiscal 2009 when compared to the first quarter of fiscal 2008. The decline was driven principally by lower volumes ($78 million) from weakness in the tire, automotive, construction and electronics markets. These lower volumes were partially offset by higher prices relative to raw material costs ($57 million), including pricing in our rubber blacks supply contracts reflecting higher feedstock costs from prior periods, and the LIFO benefit from rapidly falling feedstock costs, partially offset by a $10 million inventory write-down. Additionally, foreign currency translation benefited results by $6 million in the first quarter of fiscal 2009 when compared to the same period of fiscal 2008.

Certain Items:

Details of the certain items for the first quarter of fiscal 2009 and 2008 are as follows:

	Three Months Ended December 31	
	2008	2007
	(Dollars in millions)	
Environmental reserves and legal settlements	$ —	$ (1)
Restructuring initiatives:		
Global	(2)	—
Altona, Australia	—	18
North America	(1)	(6)
Europe	1	(1)
Total certain items, pre-tax	$ (2)	$ 10

In the first quarter of fiscal 2009, $2 million, pre-tax, of charges related to previously announced restructuring initiatives were recorded as certain items. In the same period of fiscal 2008, $10 million, pre-tax, of income from restructuring activities was recorded as certain items, which included $18 million from the sale of land at our former carbon black facility in Altona, Australia.

Other Unallocated Items:

	Three Months Ended December 31	
	2008	2007
	(Dollars in millions)	
Interest expense	$ (9)	$ (9)
Equity in net income of affiliated companies	(2)	(2)
Unallocated corporate costs	(7)	(7)
Foreign currency transaction losses	(7)	(1)
Other expense, net	(3)	(3)
Total	$ (28)	$ (22)

Core Segment

Sales and PBT for the Rubber Blacks and Supermetals Businesses, which together comprise the Core Segment, for the first quarter of fiscal 2009 and 2008 are as follows:

	Three Months Ended December 31	
	2008	2007
	(Dollars in millions)	
Rubber Blacks Business Sales	$ 399	$ 410
Supermetals Business Sales	45	53
Total Sales	$ 444	$ 463
Rubber Blacks Business PBT	$ 24	$ 16
Supermetals Business PBT	3	3
Total PBT	$ 27	$ 19

Rubber Blacks Business

Sales in the Rubber Blacks Business decreased by $11 million in the first quarter of fiscal 2009 when compared to the same period of fiscal 2008. Lower volumes ($118 million) from weakness in the tire and automotive industries combined with unfavorable foreign currency translation impacts ($6 million) to more than offset higher selling prices ($108 million).

Rubber Blacks PBT increased by $8 million in the first quarter of fiscal 2009 when compared to the first quarter of fiscal 2008. This increase was driven principally by increased pricing relative to feedstock costs ($37 million), which included $22 million of benefit from our rubber blacks supply contracts and a $10 million favorable LIFO impact, partially offset by a $10 million inventory write-down to reduce inventory values to current market prices. Additionally, lower fixed costs and favorable foreign currency translation benefited results. All of these factors were partially offset by 29% lower volumes ($34 million).

Historically, our rubber blacks supply contracts provide for a price adjustment on the first day of each quarter to account for changes in feedstock costs and, in some cases, changes in other relevant costs. The feedstock adjustments are based upon the average of a relevant index over a three-month period. Because of the need to communicate these adjustments to our customers in a timely manner, the contracts typically provide for the adjustments to be calculated in the month preceding the quarter. Accordingly, the calculation has been typically based upon the average of the three months preceding the month in which the calculation is made. In periods of rapidly changing feedstock costs this time lag can have a significant impact on the results of the Rubber Blacks Business. For example, the contract price adjustment applicable to sales made in the quarter ended December 31, 2008 was calculated using the relevant index average during the months of June, July and August. Our raw material costs for the same quarter were based on actual feedstock costs in August, September and October, which were considerably lower. This resulted in a $22 million positive impact on PBT in the first quarter of fiscal 2009, compared to a $9 million unfavorable impact in the first quarter of fiscal 2008. During the first quarter of fiscal 2009 we renegotiated many of these agreements with our customers to provide for monthly pricing adjustments to account for changes in feedstock costs. While approximately 50% of the total volume of our Rubber Blacks Business continues to be sold under contract, only half of these contracted volumes is sold under agreements containing a four month lag in the time when prices are adjusted for feedstock costs.

Supermetals Business

Sales in the Supermetals Business decreased by $8 million in the first quarter of fiscal 2009 when compared to the first quarter of fiscal 2008. The decrease was driven principally by lower volumes ($15 million), partially offset by higher prices ($5 million) and a foreign currency benefit ($2 million).

PBT in the Supermetals Business in the first quarter of fiscal 2009 was flat when compared to the same period of fiscal 2008 as higher prices ($5 million) and the positive impact of foreign currency translation ($1 million) offset lower volumes ($6 million).

Performance Segment

Sales and PBT for the Performance Segment for the first quarter of fiscal 2009 and 2008 are as follows:

	Three Months Ended December 31	
	2008	2007
	(Dollars in millions)	
Performance Products Business Sales	$ 105	$ 141
Fumed Metal Oxides Business Sales	52	70
Segment Sales	$ 157	$ 211
Segment PBT	$ 3	$ 31

Sales in the Performance Segment decreased by $54 million in the first quarter of fiscal 2009 when compared to the first quarter of fiscal 2008. The decline was driven principally by lower volumes ($74 million) from weakness in the automotive, construction and electronics industries, partially offset by higher selling prices ($18 million).

PBT in the Performance Segment in the first quarter of fiscal 2009 was $28 million lower when compared to the first quarter of fiscal 2008. Volumes in the Performance Products and Fumed Metal Oxides Businesses were 37% and 30% lower than in the same period of fiscal 2008, respectively. These lower volumes, resulting from a combination of customer de-stocking and underlying demand decline in the automotive, construction and electronics markets, unfavorably affected PBT by $37 million. The impact of these lower volumes, combined with the unfavorable effects of inventory related changes ($5 million) from lower production levels, more than offset the $14 million favorable impact of higher prices relative to raw material costs, which included a $10 million LIFO benefit from rapidly falling carbon black feedstock costs.

New Business Segment

Sales and PBT for the New Business Segment for the first fiscal quarter of 2009 and 2008 are as follows:

	Three Months Ended December 31	
	2008	2007
	(Dollars in millions)	
Inkjet Colorants Business Sales	$ 13	$ 8
Aerogel Business Sales	4	1
Superior MicroPowders Sales	1	1
Segment Sales	$ 18	$ 10
Segment PBT	$ (3)	$ (12)

Sales in the New Business Segment increased by $8 million in the first quarter of fiscal 2009 when compared to the first quarter of fiscal 2008. The loss in the New Business Segment for the first quarter of fiscal 2009 was $3 million, which is a $9 million improvement from the first quarter of fiscal 2008. During fiscal 2008, we took steps to improve the pace and efficiency of our new business development efforts, including the elimination during the third quarter of fiscal 2008 of certain underperforming projects. These actions have led to increased revenues and lower costs in this Segment. Specifically, the increase in revenues in the Inkjet Colorants Business was due to higher volumes in both the OEM and aftermarket market segments, while an increase in orders in both the construction and oil and gas market segments led to higher revenues in the Aerogel Business.

Specialty Fluids Segment

Sales and PBT for the Specialty Fluids Segment for the first quarter of fiscal 2009 and 2008 are as follows:

	Three Months Ended December 31	
	2008	2007
	(Dollars in millions)	
Segment Sales	$ 15	$ 16
Segment PBT	$ 4	$ 8

Both sales and PBT in the Specialty Fluids Segment declined in the first quarter of fiscal 2009 when compared to the first quarter of fiscal 2008. These declines were due to a slowdown in drilling activity in the North Sea. Both rental revenue and volume of fluid sold declined in the first quarter of fiscal 2009, resulting in the lower revenues. The decline in rental revenue was more significant than the decline in volume of fluid sold, leading to a larger impact on PBT than on revenue due to the higher margin associated with rental revenue.

III. Cash Flow and Liquidity

Overview

Our liquidity position improved during the quarter primarily driven by decreasing carbon black feedstock costs which resulted in reduced working capital requirements. At December 31, 2008, we had cash or cash equivalents of $149 million, and current availability under our revolving and other credit facilities of approximately $160 million. While the availability of our credit facilities is dependent upon the financial viability of our lenders, we have no reason to believe that such liquidity will be unavailable or decreased. Our revolving credit facility contains financial covenants as to debt to total capitalization ratio and the level of subsidiary debt. At December 31, 2008 we were in compliance with these covenants and expect to remain so. All available cash is on deposit with banking institutions that we continue to believe are financially sound.

We expect cash on hand, cash from operations and present financing arrangements, including our unused lines of credit, to be sufficient to meet our cash requirements for the foreseeable future. This includes our anticipated debt repayments, capital expenditures and cash restructuring costs to be made during the next twelve months.

Cash Flows from Operating Activities

Cash generated by operating activities, which consists of net income adjusted for the various non-cash items included in income, changes in working capital and changes in certain other balance sheet accounts, totaled $92 million in the first quarter of fiscal 2009 compared to a use of cash from operating activities of $42 million during the first quarter of fiscal 2008. The principal drivers of the cash generated from operations in the first quarter of fiscal 2009 were a $99 million decrease in receivables due to lower sales volumes and receivables collections and a $49 million decrease in inventories due to reductions in inventory levels and declines in carbon black feedstock costs. These sources of cash were partially offset by the use of cash for accounts payable and accrued liabilities due to the timing of certain payments. In the first quarter of fiscal 2008 rising carbon black feedstock costs and the need for higher inventory quantities resulted in a $20 million and $50 million increase in receivables and inventories, respectively. These uses of cash were partially offset by stronger net income from operations in that quarter.

We expect to receive a net cash refund in the second quarter of fiscal 2009 of approximately $15 million from the settlement of the IRS audit of tax years 2003 and 2004 and related refund claims. This refund, however, is expected to be largely offset during the second quarter by cash tax payments scheduled to be paid in other jurisdictions.

Restructurings

As of December 31, 2008, we had $4 million of total restructuring costs in accrued expenses in the consolidated balance sheet related to the closure of our plant in Waverly, West Virginia and our 2008 global restructuring plan. We made cash payments of $2 million during the first quarter of fiscal 2009 related to restructuring costs.

On January 28, 2009, we announced a significant restructuring of our operations. Over the course of calendar year 2009, we intend to close four of our manufacturing operations and one regional office. In addition, we plan to mothball assets at two sites and implement short worktime at one site. The restructuring is expected to result, in total, in an approximate $80 million cash charge and non-cash charges of approximately $70 million. A majority of the total costs will be incurred during fiscal 2009. This restructuring plan, which will impact the Core and Performance segments, is expected to deliver in excess of $80 million of annual fixed cost savings in fiscal 2010.

Repatriation of Foreign Currency

During the first quarter of fiscal 2009, we repatriated a portion of our cash balance denominated in Bolivars. We recognized a foreign exchange loss as a result of this transaction. As of December 31, 2008, we had cash denominated in Bolivars of approximately $9 million in Venezuela, which has been translated at the official exchange rate. We continue to be concerned about the amount that we will be able to receive when we repatriate some or all of this cash as we have not received approval to exchange the Bolivars at the official rate. If we are unable to repatriate this cash at the official exchange rate or if the official exchange rate devalues, we may incur additional reductions to our earnings and translated cash balances would be reduced.

Environmental and Litigation

We have recorded a $7 million reserve on a discounted basis ($9 million on an undiscounted basis) as of December 31, 2008, for environmental remediation costs at various sites. These sites are primarily associated with businesses divested in prior years. Additionally, we have recorded a $14 million reserve on a discounted basis ($24 million on an undiscounted basis) for respirator claims as of December 31, 2008. We anticipate that these expenditures will be made over a number of years, and will not be concentrated in any one year. We also have other litigation costs associated with lawsuits arising in the ordinary course of business including claims filed against us in connection with certain discontinued operations.

Employee Benefit Plans

We provide defined benefit plans for all U.S. and some foreign employees. Due to recent global market declines, our U.S. qualified defined benefit plan asset values declined by approximately 18% during the quarter, causing the plan to be in an underfunded position at December 31, 2008. While in the past several years we have not been required to make a contribution to the U.S. plan, the decline in the plan asset values will require us to contribute approximately $2 million to this plan during fiscal 2009.

Cash Flows from Investing Activities

Cash flows from investing activities consumed $35 million of cash in the first quarter of fiscal 2009 compared to $17 million in the first quarter of fiscal 2008. During the first quarter of fiscal 2009, capital expenditures of $32 million included an investment of $3 million in a carbon black joint venture located in China and residual spending to complete rubber blacks capacity expansion at an existing facility in China and energy centers at other rubber blacks facilities. In fiscal 2008 capital expenditures were offset by the proceeds of $18 million received from the sale of the land on which our Altona, Australia carbon black plant was located.

Cash Flows from Financing Activities

Financing activities used $38 million of cash during the first quarter of fiscal 2009 compared to $31 million of cash provided in the first quarter of fiscal 2008. In the first quarter of fiscal 2009 financing cash flows were primarily driven by the net reduction in debt of $25 million and a dividend payment of $12 million. In fiscal 2008 a total increase of $45 million in debt offset by the quarterly dividend payment of $12 million resulted in the positive cash flow from financing activities.

Contractual Obligations

Purchase Commitments

We have entered into long-term purchase agreements primarily for the purchase of raw materials and natural gas. Under certain of these agreements the quantity of material being purchased is fixed, but the price we pay changes as market prices change. The commitments in the table below are quantified on the basis of market prices at December 31, 2008.

	Payments Due by Fiscal Year						
	2009	2010	2011	2012	2013	Thereafter	Total
	(Dollars in millions)						
Core Segment							
Rubber Blacks Business	$131	$129	$ 99	$ 81	$ 76	$ 782	$1,298
Supermetals Business	30	15	16	17	6	1	85
Performance Segment	96	37	18	16	17	146	330
Specialty Fluids Segment	3	4	—	—	—	—	7
Total	$260	$185	$133	$114	$ 99	$ 929	$1,720

Off-balance sheet arrangements

Cabot has no material transactions that meet the definition of an off-balance sheet arrangement.

Forward-Looking Information

This report on Form 10-Q contains “forward-looking statements” under the Federal securities laws. These forward-looking statements address expectations or projections about the future, including our expectations concerning the amount and timing of the charge to earnings we will record in connection with, and the annualized fixed cost savings we expect to realize from, the restructuring initiative we announced in January 2009; the benefits we expect to receive from recent tax settlements; our expected tax rate for fiscal 2009; the amount and timing of charges and payments associated with restructurings and cost reduction initiatives we have previously undertaken; the amount and timing of payments associated with environmental remediation and respirator claims; the amount and timing of cash contributions we may make to our U.S. qualified defined benefit plan; the outcome of pending litigation; capital expenditures for fiscal 2009; cash requirements and uses of available cash; and our ability to meet cash requirements for the foreseeable future.

Forward-looking statements are based on our current expectations, assumptions, estimates and projections about Cabot's businesses and strategies, market trends and conditions, economic conditions and other factors. These statements are not guarantees of future performance and are subject to risks, uncertainties, potentially inaccurate assumptions, and other factors, some of which are beyond our control or difficult to predict. If known or unknown risks materialize, or should underlying assumptions prove inaccurate, our actual results could differ materially from those expressed in the forward-looking statements.

In addition to factors described elsewhere in this report, the following are some of the factors that could cause our actual results to differ materially from those expressed in the forward-looking statements: changes in raw material costs; lower than expected demand for our products; fluctuations in currency exchange rates; patent rights of others; stock and credit market conditions; the timely commercialization of products under development (which may be disrupted or delayed by technical difficulties, market acceptance, competitors' new products, as well as difficulties in moving from the experimental stage to the production stage); our ability to successfully implement our cost reduction initiatives and organizational restructurings; demand for our customers' products; competitors' reactions to market conditions; the accuracy of the assumptions we used in establishing a reserve for our share of liability for respirator claims; and the outcome of pending litigation. Other factors and risks are discussed in our 2008 10-K.

We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Investors are advised, however, to consult any further disclosures we make on related subjects in future 10-K, 10-Q and 8-K reports filed with the Securities and Exchange Commission.

IV. Recently Issued Accounting Pronouncements

Issued Accounting Standards Not Yet Adopted

In December 2007, the FASB issued FAS No. 141 (Revised 2007), "Business Combinations" ("FAS 141(R)"). FAS 141(R) establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of business combinations. FAS 141(R) is effective on a prospective basis for financial statements issued for fiscal years beginning after December 15, 2008. Accordingly, any business combination we enter into after September 30, 2009 will be subject to this new standard.

In December 2007, the FASB issued FAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements—An Amendment of ARB No. 51" ("FAS 160"). FAS 160 establishes accounting and reporting standards for the ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in the parent's ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. FAS 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. FAS 160 will be effective for us for the first quarter of fiscal 2010, beginning October 1, 2009. We are evaluating the impact of FAS 160 on our consolidated financial statements.

In March 2008, the FASB issued FAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133" ("FAS 161"). FAS 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance and cash flows. FAS 161 is effective for us beginning on January 1, 2009. FAS 161 will not affect our financial position or results of operations. The new standard solely affects the disclosure of information.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Information about market risks for the period ended December 31, 2008 does not differ materially from that discussed under Item 7A of our fiscal 2008 Annual Report on Form 10-K.

Item 4. Controls and Procedures

As of December 31, 2008, we carried out an evaluation, under the supervision and with the participation of our management, including our President and Chief Executive Officer and our Executive Vice President and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based upon that evaluation, our President and Chief Executive Officer and our Executive Vice President and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of that date.

There were no changes in our internal control over financial reporting that occurred during our fiscal quarter ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

Respirator Liabilities

We have exposure in connection with a safety respiratory products business that a subsidiary acquired from American Optical Corporation ("AO") in an April 1990 asset purchase transaction. The subsidiary manufactured respirators under the AO brand and disposed of that business in July 1995. In connection with its acquisition of the business, the subsidiary agreed, in certain circumstances, to assume a portion of AO's liabilities, including costs of legal fees together with amounts paid in settlements and judgments, allocable to AO respiratory products used prior to the 1990 purchase by the Cabot subsidiary. As more fully described in our 2008 10-K, our respirator liabilities involve claims for personal injury, including asbestosis, silicosis and coal worker's pneumoconiosis, allegedly resulting from the use of AO respirators that are alleged to have been negligently designed or labeled. As of December 31, 2008, there were approximately 54,000 claimants in pending cases asserting claims against AO in connection with respiratory products. We have a reserve to cover our expected share of liability for existing and future respirator liability claims. The book value of the reserve is being accreted up to the undiscounted liability through interest expense over the expected cash flow period, which is through 2052, and, at December 31, 2008, is approximately $14 million on a discounted basis (or $24 million on an undiscounted basis).

Beryllium Claims

We are a party to several pending actions in connection with our discontinued beryllium operations in Reading, Pennsylvania. We entered the beryllium industry through an acquisition in 1978. We ceased manufacturing beryllium products at one of the acquired facilities in 1979, and the balance of our former beryllium business was sold to NGK Metals, Inc. ("NGK") in 1986. As more fully described in the 2008 10-K, the actions are pending in several state and federal courts and involve claims for personal injury and medical monitoring relating to alleged contact with beryllium in various ways. During the first quarter of fiscal 2009, one of the personal injury claims pending against us in state court in Pennsylvania was settled, leaving two personal injury claims pending against us in that court as of December 31, 2008.

We believe we have valid defenses to all of the beryllium actions and will assert them vigorously in the various venues in which claims have been asserted. In addition, there is a contractual indemnification obligation running from NGK to Cabot in connection with many of these matters.

AVX

In September 2005, AVX filed an action in the Superior Court of Massachusetts for Suffolk County, which, in November 2005, was moved to the Business Litigation Section of the Superior Court of Massachusetts. The action alleges that Cabot improperly administered the parties' Supply Agreement for the years 2003 through 2005. In particular, AVX claims that we have not provided all of the price relief due to AVX under the "most favored customer" ("MFC") provisions of the Supply Agreement. AVX seeks a judicial declaration of the rights of the parties to the Supply Agreement, an accounting of monies paid, due or owing under the MFC provisions, and an award of any sums not paid that should have been. We filed an answer and counterclaims against AVX asserting that AVX actually underpaid for tantalum products in the period 2003 through 2005. On December 31, 2007, the court issued an order allowing AVX's motion for partial summary judgment on one significant legal issue involving interpretation of the Supply Agreement, but denied AVX's motion and our cross-motion in all other respects, including AVX's motion to dismiss Cabot's affirmative defenses that would negate AVX's claims. Prior to July 2008, AVX had indicated that it believed it is owed additional MFC benefits of approximately $24 million, which we dispute. In July 2008, AVX attempted to assert new legal theories that increased its damage claim for additional MFC benefits to approximately $96 million. We subsequently filed a motion to strike AVX's revised claim for MFC benefits and in November 2008, the court granted our motion and denied AVX's additional damage claim for MFC benefits of $72 million, thereby limiting AVX's claim to the previously stated $24 million. AVX subsequently filed a motion requesting the court to reconsider or clarify this ruling, which was denied in its entirety.

We believe that we have valid defenses to all of AVX's claims, including the one on which partial summary judgment was granted, and will continue to assert these defenses and our counterclaims vigorously. In addition, if necessary, we have the right to appeal the court's order allowing AVX's motion for partial summary judgment.

Other Matters

We have various other lawsuits, claims and contingent liabilities arising in the ordinary course of our business, including a number of claims asserting premises liability for asbestos exposure, and in respect of our divested businesses. In our opinion, although final disposition of some or all of these other suits and claims may impact our financial statements in a particular period, they should not, in the aggregate, have a material adverse effect on our consolidated financial position.

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended September 30, 2008.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The table below sets forth information regarding the Company's purchases of its equity securities during the first quarter ended December 31, 2008.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
October 1, 2008 – October 31, 2008	13,159	$ 13.54	1,759	4,312,837
November 1, 2008 – November 30, 2008	3,470	$ 12.19	470	4,312,367
December 1, 2008 – December 31, 2008	30,660	$ 11.47	810	4,311,557
Total	47,289		3,039	

(1) On May 11, 2007, we announced publicly that our Board of Directors authorized us to repurchase five million shares of our common stock in the open market or in privately negotiated transactions. On September 14, 2007, our Board of Directors increased the share repurchase authorization to 10 million shares. This authority does not have a set expiration date.

Included in the shares repurchased from time to time by Cabot under the Board's authorization are shares of common stock repurchased from employees at fair market value to satisfy tax withholding obligations that arise on the vesting of shares of restricted stock and the exercise of stock options. During the first quarter of fiscal 2009, of the 3,039 shares repurchased pursuant to the Board's authorization, 2,229 were repurchased from employees in private transactions and 810 were repurchased from employees to satisfy tax withholding obligations. The average price paid for the 3,039 shares was $24.09.

From time to time, we also repurchase shares of unvested restricted stock from employees whose employment is terminated before such shares vest. These shares are repurchased pursuant to the terms of our equity incentive plans and are not included in the shares repurchased under the Board's authorization. During the first quarter of fiscal 2009, we repurchased 44,250 forfeited shares pursuant to the terms of our equity incentive plans. The purchase price for these repurchased shares was the employee's original purchase price for the stock, which under the terms of the Company's long term incentive compensation program since 1999 has been an amount equal to 30% of the fair market value of such shares on the date of grant. The average price per share paid for these forfeited shares was $11.28.

Item 6. Exhibits

The following Exhibits are filed herewith:

Exhibit 3.1	Restated Certificate of Incorporation of Cabot Corporation effective January 9, 2009.
Exhibit 10.1*	Cabot Corporation Amended and Restated Supplemental Cash Balance Plan dated December 31, 2008.
Exhibit 10.2*	Cabot Corporation Amended and Restated Supplemental Retirement Savings Plan dated December 31, 2008.
Exhibit 10.3*	Amendment to Cabot Corporation Senior Management Severance Protection Plan dated December 31, 2008.
Exhibit 10.4*	Amendment to Cabot Corporation Short-Term Incentive Compensation Plan dated December 31, 2008.
Exhibit 10.5*	Amendment No. 2 to Cabot Corporation Amended and Restated Deferred Compensation Plan dated December 31, 2008.
Exhibit 31.1	Certification of Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
Exhibit 31.2	Certification of Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
Exhibit 32	Certifications of the Principal Executive Officer and the Principal Financial Officer pursuant to 18 U.S.C. Section 1350.

* Management contract or compensatory plan or arrangement.

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 9, 2009

By: /s/ JONATHAN P. MASON
Jonathan P. Mason
Executive Vice President and Chief Financial Officer
(Duly Authorized Officer)

Date: February 9, 2009

By: /s/ JAMES P. KELLY
James P. Kelly
Vice President and Controller
(Chief Accounting Officer)

Exhibit Index

Exhibit No.	Description
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Exhibit 3.1

RESTATED CERTIFICATE OF INCORPORATION

OF

CABOT CORPORATION

(Originally incorporated July 14, 1960)

Pursuant to Section 245, Subchapter VIII, Chapter 1, Title 8

of the

General Corporation Law of Delaware

CABOT CORPORATION, a corporation organized and existing under the General Corporation Law of the State of Delaware, by authority of its Board of Directors set forth in a vote duly adopted on November 14, 2008, restates and integrates its Restated Certificate of Incorporation to read in full as herein set forth:

FIRST: The name of this corporation is

CABOT CORPORATION

SECOND: Its principal office in the State of Delaware is located at Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name and address of its resident agent is The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801.

THIRD: The nature of the business of this corporation and the objects or purposes to be transacted, promoted and carried on by it are as follows:

1. To acquire, by merger, consolidation, or otherwise, the businesses now owned and carried on by the following corporations organized and existing under the Laws of the Commonwealth of Massachusetts:

(a) Godfrey L. Cabot, Inc.

(b) Cabot Carbon Company

(c) Cabot Shops, Inc.

(d) Cabot Gasoline Corporation

together with all their property, rights, privileges, powers and franchises; and to assume in connection therewith all of the debts, liabilities and duties of the said Massachusetts corporations.

2. To manufacture, produce, compound, refine, buy or otherwise acquire, to sell or otherwise dispose of, and to deal in chemicals of every description, chemical mixtures, medicines,

pharmaceutical supplies, chemical and medicinal preparations, drugs (except as forbidden by law), and any other chemical products in the form of raw materials or otherwise, and by-products derived from the manufacture thereof or made therefrom, carbon black, furnace black, dye-stuffs, cements, minerals, superphosphates, soap, fertilizers, paints, varnishes, pigments, polishes, stains, oils, acids, alcohols, coal, coke, coal-tar, coal-tar products and derivatives, peat, peat products, rubber, rubber goods, synthetic rubber, butadiene, and other petrochemicals of every description, and all other products related to any one or more of the foregoing.

3. To prospect, explore, drill for, produce and accumulate oil and gas, liquefied petroleum gas and natural gasoline; to buy, lease or otherwise acquire, to sell, lease or otherwise dispose of, and to deal in oil, gas, natural gasoline and any and all materials incidental to or necessary for the production of oil, gas, natural gasoline, and all the by-products thereof, and oil and gas rights, privileges and leases of all kinds and descriptions.

4. To mine, produce, manufacture, refine, handle, buy, or otherwise acquire, and to sell or otherwise dispose of, and to deal in elements, minerals, metals, ores, precious stones and base materials of every nature and products using the same.

5. To buy, sell, manufacture, fabricate, produce and deal in steel, iron, and other metals, metal products, and all other building materials; to construct, maintain, work or operate, plants, mills, furnaces, factories, engines, boilers, machinery and tools; and to carry on the business of mechanical engineers and dealers in machinery and manufacturers of plants, engines and other machinery, tool makers, brass founders, metal workers, boiler makers, mill-wrights, machinists, iron and steel converters, smiths, builders, carpenters, metallurgists, and electrical, civil, mechanical and water supply engineers.

6. To conduct research, scientific or technical investigations and experiments, development work and pilot plant work, and training and educational programs, and to seek for and develop inventions, processes, improvements, new or improved products, and uses for products, new or improved manufacturing and operating techniques and methods, and wider scientific, technical, manufacturing and operating knowledge, and to furnish, to this corporation or to others, consulting, engineering, testing, experimental and other services, all as may relate or be incidental to or be useful or advantageous in or in connection with any business, operation or activity in which this corporation is authorized to engage.

7. To manage and operate, in whole or in part, and to keep the books, accounts and records, in whole or in part, of any other corporation, firm or entity, and to enter into contracts for the performance of such service.

8. To carry on any manufacturing, selling, management, service, research or other business, operation or activity which is lawful to be carried on by a corporation organized under the General Corporation Law of the State of Delaware as amended, whether or not similar or related or incidental to or useful or advantageous in or in connection with the businesses, operations and activities referred to in the foregoing paragraphs.

9. To manufacture, produce, purchase, lease or otherwise acquire, to own, operate, and process, to sell, lease or otherwise dispose of, and to deal in all kinds of machines, machinery, plant equipment, tools, materials, merchandise, fixtures, goods and other property of all kinds useful in or in connection with any business or activity in which this corporation is authorized to engage.

10. To explore, prospect, buy, lease or otherwise acquire, to own, hold and operate, to sell, lease or otherwise dispose of, and to deal in lands, mining claims, water claims, water rights, mineral rights, and any other rights, oil wells, gas wells, oil lands, gas lands and other real property, the rights and

interest in and to real property, manufacturing plants, laboratories, pilot plants, oil refineries, gas works and plants, including plants for the production of coke, gasoline, and other by-products, mines, smelters, warehouses, offices and other buildings, structures, building equipment, pipelines, railroads, and real estate improvements, all to the extent permitted by law and as may relate or be incidental to or be useful in or in connection with any business or activity in which this corporation is authorized to engage.

11. To acquire, hold, use, sell, assign, lease, grant licenses under, or otherwise dispose of, letters patent of the United States or any foreign country, patent rights, licenses and privileges, inventions, improvements and processes, copyrights, trademarks and trade names, relating to or useful in connection with any business in which this corporation is authorized to engage.

12. To subscribe for, purchase or otherwise acquire, to hold and own, to sell, assign, transfer or otherwise dispose of, and generally to deal in and with, securities, and while the holder or owner thereof to have and exercise all rights, powers and privileges of ownership, including the right to vote or consent or give proxies or powers of attorney therefor; and to carry on any business, operation or activity through a wholly or partly owned subsidiary.

13. To acquire by purchase, exchange, merger or consolidation or otherwise all or any part of the property and assets, including the business, good will, rights and franchises, of any corporation, association, trust, firm or individual wherever organized, created or located, and in payment or exchange therefor to pay cash, transfer property and issue securities to the transferor or its security holders and to assume or become liable for any liabilities and obligations; and to hold and operate or in any manner to dispose of all or any part of the property and assets so acquired.

14. To dispose by sale, exchange, merger or consolidation or otherwise, of all or any part of the property and assets, including the business, good will, rights and franchises, of this corporation, to any corporation, association, trust, firm or individual wherever organized, created or located, for cash or property, including securities, or the assumption of the liabilities and obligations of this corporation, and if desired, and subject to the rights of creditors and preferred stockholders (if any), to distribute such cash, securities or other property to the security holders of this corporation in exchange for or in partial or complete liquidation or redemption of their securities.

15. To enter into, make and perform contracts of every kind and description with any person, firm, association, corporation, municipality, county, state, body politic or government or colony or dependency thereof.

16. To have one or more offices and to carry on all or any of operations and businesses in any and all parts of the world.

17. To borrow money and obtain credit; for money borrowed or for sale or pledge or in order to pay, evidence or secure any liability or obligation, to execute, issue and deliver and sell, pledge or otherwise dispose of bonds, notes, debentures or other evidences of indebtedness, secured or unsecured; to give security for any such bonds, notes, debentures or other evidences of indebtedness or for any purchase price, guaranty, line of credit, covenant, fidelity or performance bond or any other liability or obligation and any premium interest and other sums due thereon or therewith and any covenants or obligations connected therewith; and for the foregoing purposes to mortgage or pledge or execute an indenture of mortgage or deed of trust upon or create a lien upon or other security title or security interest in all or any part of the property and assets, real and personal, of this corporation, then owned or thereafter acquired.

18. To lend money, credit or security to, and to guarantee or assume any liabilities and

obligations of, and to aid in any other manner any corporation, association, trust, firm or individual wherever organized, created or located, any of whose securities are held by this corporation or in whose affairs or prosperity this corporation has a lawful interest, and to do all acts and things designed to protect, improve or enhance the value of such securities or interest.

19. The directors of this corporation are authorized to make charitable contributions as defined in the United States Internal Revenue Code, as from time to time amended, in such amounts as the directors may determine to be reasonable.

20. To do any and all acts and things in this Article Third set forth, to the same extent as an individual might or could do, as principal, factor, consignee, agent, contractor or otherwise, and either alone or in conjunction or jointly with any corporation, association, trust, firm or individual; and, in general, to do any and all acts and things and to engage in any and all businesses whatsoever, necessary, suitable, advantageous or proper for or in connection with or incidental to the exercise, transaction, promotion or carrying on of any of the businesses, powers, purposes or objects in this Article Third set forth; excepting in every case all acts, things and businesses forbidden by law.

21. In this Article Third the word “securities” means, to the extent that the context permits, stocks, shares, bonds, notes, debentures and other evidences of interest in or indebtedness of any corporation, association, trust or firm, and notes and other evidences or indebtedness of any individual, and bonds, notes, debentures and other evidences of indebtedness of any country, state, county, city, town or other governmental body or agency.

22. In this certificate of incorporation, unless it is otherwise expressly provided, the statements of the businesses, objects and purposes of this corporation shall be construed both as objects and powers, the enumeration of specific powers shall not be held to limit or restrict in any manner the exercise by this corporation of the general powers conferred upon corporations by the laws of the State of Delaware, and no statement of any business, object or purpose shall be deemed to limit or be exclusive of any other stated business, object or purpose, but all are separate and cumulative and all may be transacted, promoted and carried on separately or together and at any time and from time to time.

FOURTH: The total number of shares of common stock which this corporation shall have authority to issue is two hundred million shares and the par value of each of such shares is One Dollar ($1.00) amounting in the aggregate to Two Hundred Million Dollars ($200,000,000).

The total number of shares of preferred stock which this corporation shall have authority to issue is two million shares and the par value of each of such shares is One Dollar ($1.00) amounting in the aggregate to Two Million Dollars ($2,000,000). The Board of Directors may provide for the issuance of such preferred stock in one or more series, each series to have such voting powers, full or limited, or no voting powers, such designations, preferences and relative participating, optional or other special rights, and such qualifications, limitations or restrictions thereof, and to be subject to such terms of redemption, if any, as shall be specified by the Board of Directors and stated and expressed in the vote or votes of the Board of Directors providing for the issue of such preferred stock.

The holders of the common stock shall be entitled to one vote for each share of common stock registered in their respective names on the books of this corporation.

The board of directors may from time to time, in connection with any employee stock option or purchase plan, fix limitations and restrictions on the transfer of any or all of the authorized but unissued shares of this corporation made available for such stock option or purchase plan, such restrictions to take effect upon the issue of such shares. No such limitation or restriction shall be valid unless notice thereof is given on the certificate or certificates representing such shares.

No stockholder of this corporation shall by reason of his holding shares of any class have any pre-emptive or preferential right to purchase or subscribe to any shares of any class of this corporation, now or hereafter to be authorized, or any notes, debentures, bonds, or other securities convertible into or carrying options or warrants to purchase shares of any class, now or hereafter to be authorized, whether or not the issue of any such shares, or such notes, debentures, bonds or other securities would adversely affect the dividend or voting rights of such stockholder, other than such rights, if any, as the board of directors, in its discretion from time to time may grant, and at such price as the board of directors in its discretion may fix; and the board of directors may issue shares of any class of this corporation, or any notes, debentures, bonds, or other securities convertible into or carrying options or warrants to purchase shares of any class, without offering any such shares or securities, either in whole or in part, to the existing stockholders of any class.

FIFTH: The minimum amount of capital with which the corporation will commence business is One Thousand Dollars ($1,000.00).

The board of directors, without the assent of or other action by the stockholders, may from time to time authorize the issue and sale of shares of stock of this corporation now or hereafter authorized, for such consideration and upon such terms as the board of directors may determine, or the board of directors may authorize such consideration and terms to be fixed in whole or in part by any officer or officers of this corporation.

SIXTH: This corporation is to have perpetual existence.

SEVENTH: The private property of the stockholders shall not be subject to the payment of corporate debts to any extent whatever.

EIGHTH: The following provisions are inserted for the regulation and conduct of the affairs of this corporation, and it is expressly provided that they are intended to be in furtherance and not in limitation or exclusion of the powers elsewhere conferred herein or in the by-laws or conferred by law:

(a) Except as may be otherwise expressly required by law or by other provisions of this certificate of incorporation or by the by-laws, the board of directors shall have and may exercise, transact, manage, promote and carry on all of the powers, authorities, businesses, objects and purposes of this corporation.

(b) The directors who are not directors emeritus shall be divided into three classes of approximately equal size. At the annual meeting to be held January 21, 1969, one class shall be elected to a term of three years, another class to a term of two years, and the third class to a term of one year; and at each subsequent annual election the successors to directors whose terms shall expire that year shall each be elected to a term of three years. The directors emeritus, if any, shall be elected or appointed for such terms and shall have such duties not contrary to law as may from time to time be provided for in the by-laws. No director need be a stockholder. The election of directors need not be by ballot unless the by-laws shall so require.

(c) By-laws may be made, altered, amended or repealed by (i) the affirmative vote of the holders of at least seventy-five percent (75%) of the voting power of the shares of the then outstanding shares of stock of all classes and series of this corporation entitled to vote generally in the election of directors voting together as a single class or (ii) a vote of the majority of the directors then in office at any annual, regular, or special stockholders or directors meeting, called for that purpose, the notice of which

shall specify the subject matter of the proposed new by-law or the alteration, amendment, or repeal of an existing by-law, or the articles to be affected thereby. Any by-law whether made, altered, amended, or repealed by the stockholders or directors may be repealed, amended, further amended, or reinstated, as the case may be, by either the stockholders or the directors as aforesaid.

(d) The board of directors may at any time set apart out of any of the funds of this corporation available for dividends a reserve or reserves for any proper purpose and may at any time reduce or abolish any such reserve. Any other proper reserves may also be carried.

(e) This corporation may purchase, hold, sell and transfer shares of its own capital stock, but shall not use its funds or property for the purchase of its own shares of capital stock when such use would cause any impairment of the capital of this corporation, subject always to the right of this corporation to reduce its capital or to redeem any preferred or special shares out of capital as permitted by law. Shares of its own capital stock belonging to this corporation shall not be voted upon directly or indirectly.

(f) The board of directors may from time to time authorize and maintain bonus, profit sharing or other types of incentive or compensation plans or pension or retirement plans for the employees (including officers and directors) of this corporation or of its subsidiaries, affiliates or any other corporation, association, trust or firm wherever organized, created or located in whose affairs or prosperity this corporation has any lawful interest and fix the amount of the profits to be distributed or shared and determine the persons to participate in any such plans and the amounts of their respective participation or benefits.

(g) The board of directors may from time to time determine whether and to what extent and at what times and places and under what conditions and regulations the accounts and books and papers of this corporation, or any of them, shall be open to the inspection of the stockholders, and no stockholder shall have any right to inspect any account, book or document of this corporation, except as and to the extent expressly provided by law with reference to the right of stockholders to examine the original or duplicate stock ledger, or otherwise expressly provided by law, or except as expressly authorized by resolution of the board of directors.

(h) The directors of this corporation are likely to be connected with other corporations, partnerships, associations or firms with which from time to time this corporation may have business dealings. No contract or other transaction between this corporation and any other corporation, partnership, association or firm and no act of this corporation shall be affected by the fact that directors of this corporation are pecuniarily or otherwise interested in, or are directors, members, or officers of such other corporation, partnership, association or firm. Any director individually, or any firm of which such director may be a member, may be a party to or may be pecuniarily or otherwise interested in any contract or transaction of this corporation, provided that the fact that he or such firm is so interested shall be disclosed or shall have been known to the board of directors or a majority thereof. Every contract, act or transaction which at any annual meeting of the stockholders, or at any special meeting of the stockholders called for the purpose, among others, of considering such contract, act or transaction, shall be authorized, approved or ratified by vote of the holders of a majority of the shares of the capital stock of this corporation present in person or represented by proxy at such meeting (provided that a quorum of stockholders be there present or represented by proxy) shall be as valid and binding upon this corporation and upon all its stockholders as though such a contract, act or transaction had been expressly authorized, approved and ratified by every stockholder of this corporation.

(i) (1) No director of this corporation shall be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director’s duty of loyalty to this corporation or its stockholders, (ii) for acts or omissions

not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, as the same exists or hereafter may be amended, or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law is hereafter amended to authorize the further elimination or limitation of this liability of directors, then the liability of a director of the corporation, in addition to the limitation on personal liability provided herein, shall be limited to the fullest extent permitted by the amended Delaware General Corporation Law. Any repeal or modification of this Article by the stockholders of this corporation shall be prospective only, and shall not adversely affect any limitation on the personal liability of a director of this corporation for acts or omissions prior to such repeal or modification.

(2) No officer or employee of this corporation shall be liable to this corporation for any loss or damage suffered by it on account of any action taken or omitted to be taken by him in good faith as an officer or employee of this corporation, if such person exercised or used the same degree of care and skill as a prudent man would have exercised or used under the circumstances in the conduct of his own affairs.

(3) For purposes of determining compliance with this paragraph (i), any director, officer or employee of this corporation shall be deemed to have taken actions or omitted to take actions in good faith if the action taken or omitted to be taken by him or her was taken or omitted in reliance in good faith upon the advice of counsel for this corporation, or the books of account or other records of this corporation, or reports or information made or furnished to this corporation by any official, accountant, engineer, agent, or employee of this corporation, or by any independent public accountant or auditor, counsel, engineer, appraiser, investment banker or other expert retained or employed by this corporation, by the directors, by any committee of the board of directors of this corporation or by any authorized officer of this corporation.

(j) The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (and whether or not by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another company, partnership, joint venture, trust or other enterprise, or is or was serving as a fiduciary of any employee benefit plan, fund or program sponsored by the corporation or such other company, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding, to the extent and under the circumstances permitted by the General Corporation Law of The State of Delaware as amended from time to time. Such indemnification (unless ordered by a court) shall be made as authorized in a specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standards of conduct set forth in the General Corporation Law of the State of Delaware. Such determination shall be made (1) by the board of directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such quorum is not obtainable, or even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders. The foregoing right of indemnification shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any by-law, agreement, vote of stockholders or disinterested directors or otherwise, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(k) Any action required or permitted to be taken by the stockholders of the corporation must be taken at a duly called annual or special meeting of the stockholders of the corporation and may not be taken by any consent in writing by such stockholders.

NINTH: Whenever a compromise or arrangement is proposed between this corporation and its creditors or any class of them and/or between this corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this corporation or of any creditor or stockholder thereof, or on the application of any receiver or receivers appointed for this corporation under the provisions of section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this corporation under the provisions of section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all of the creditors or class of creditors, and/or on all the stockholders or class of stockholders of this corporation, as the case may be, and also on this corporation.

TENTH: 1. Vote Required for Certain Business Combinations.

In addition to any affirmative vote required by law or this restated certificate of incorporation, and except as otherwise expressly provided in section 2 of this Article TENTH:

(a) Any merger or consolidation of this corporation or any subsidiary (as hereinafter defined) with (1) any interested stockholder (as hereinafter defined) or (2) any other corporation or other person (whether or not itself an interested stockholder) which is, or after such merger or consolidation would be, an affiliate (as hereinafter defined) of an interested stockholder; or

(b) Any plan of exchange for all outstanding shares of this corporation or any subsidiary or for any class of shares of either with (1) any interested stockholder or (2) any other corporation or other person (whether or not itself an interested stockholder) which is, or after such plan of exchange would be, an affiliate of an interested stockholder; or

(c) Any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any interested stockholder or any affiliate of any interested stockholder of any assets of this corporation or any subsidiary having an aggregate fair market value (as hereinafter defined) of $20,000,000 or more; or

(d) The issuance or transfer by this corporation or any subsidiary (in one transaction or a series of transactions) of any securities of this corporation or any subsidiary to any interested stockholder or any affiliate of any interested stockholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate fair market value of $20,000,000 or more; or

(e) The adoption of any plan or proposal for the liquidation or dissolution of this corporation proposed by or on behalf of an interested stockholder or any affiliate of any interested stockholder; or

(f) Any reclassification of securities (including any reverse stock split), or recapitalization of this corporation, or any merger or consolidation of this corporation with any of its subsidiaries or any other transaction (whether or not with or into or otherwise involving an

interested stockholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of stock or securities convertible into stock of this corporation or any subsidiary which is directly or indirectly owned by any interested stockholder or any affiliate of any interested stockholder;

shall require the affirmative vote of the holders of at least 66 2/3 percent of the combined voting power of the then outstanding shares of stock of all classes and series of this corporation entitled to vote generally in the election of directors (the "voting stock"), in each case voting together as a single class. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law or by this restated certificate of incorporation or any vote or votes adopted pursuant to Article THIRD of this restated certificate of incorporation or in any agreement with any national securities exchange or otherwise.

2. When Higher Vote is not Required. The provisions of this Article TENTH shall not be applicable to any particular business combination (as hereinafter defined), and such business combination shall require only such affirmative vote as is required by law, any other provision of this restated certificate of incorporation, any preferred stock designation or any agreement with any national securities exchange, if, all of the conditions specified in either of the following paragraphs (a) and (b) are met:

(a) Approval by Continuing Directors. The business combination shall have been approved by a majority of the continuing directors (as hereinafter defined), it being understood that this condition shall not be capable of satisfaction unless there is at least one continuing director; or

(b) Price and Procedure Requirements. All of the following conditions shall have been met:

(1) The aggregate amount of the cash and the fair market value as of the date of the consummation of the business combination of any consideration other than cash to be received per share by holders of common stock (as hereinafter defined) in such business combination shall be at least equal to the highest of the following:

(A) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the interested stockholder for any shares of common stock acquired by it (i) within the two-year period immediately prior to the first public announcement of the proposal of the business combination (the "announcement date") or (ii) in the transaction in which it became an interested stockholder, whichever is higher; or

(B) the fair market value per share of common stock on the announcement date or on the date on which the interested stockholder became an interested stockholder (such latter date is referred to in this Article TENTH as the "determination date"), whichever is higher; or

(C) (if applicable) the price per share equal to the fair market value per share of common stock determined pursuant to paragraph (b)(1)(B) above, multiplied by the ratio of (i) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the interested stockholder for any shares of common stock acquired by it within the two-year period immediately prior to the announcement date to (ii) the fair market value per share of common stock on the first day in such two-year period upon which the interested stockholder acquired any shares of common stock; and

(2) The consideration to be received by holders of a particular class or series of outstanding voting stock (including common stock) shall be in cash or in the same form as the interested stockholder has previously paid for shares of such class. If the interested stockholder has paid for shares of voting stock with varying forms of consideration, the form of consideration to be received by holders of such class or series of voting stock shall be either cash or the form used to acquire beneficially the largest number of shares of such class or series of voting stock previously acquired by it; and

(3) After such interested stockholder has become an interested stockholder and prior to the consummation of such business combination:

(A) except as approved by a majority of the continuing directors, there shall have been no failure to declare and pay at the regular date therefor any full quarterly dividends (whether or not cumulative) on any outstanding preferred stock;

(B) there shall have been (i) no reduction in the annual rate of dividends paid on the common stock (except as necessary to reflect any subdivision of the common stock), except as approved by a majority of the continuing directors, and (ii) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of the common stock, unless the failure so to increase such annual rate is approved by a majority of the continuing directors; and

(C) such interested stockholder shall not have become the beneficial owner of any additional shares of voting stock except as part of the transaction in which it became an interested stockholder; and

(4) After such interested stockholder has become an interested stockholder, such interested stockholder shall not have received the benefit, directly or indirectly (except proportionately as a stockholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the corporation, whether in anticipation of or in connection with such business combination or otherwise; and

(5) A proxy or information statement describing the proposed business combination and complying with the requirements of the Securities Exchange Act of 1934 (the "1934 Act") and the rules and regulations thereunder (or any subsequent provisions replacing such 1934 Act, rules or regulations) shall be mailed to public stockholders of the corporation at least 30 days prior to the consummation of such business combination (whether or not such proxy or information statement is required to be mailed pursuant to the 1934 Act or subsequent provisions).

3. Certain Definitions. For the purposes of this Article TENTH:

(a) "affiliate" or "associate" has the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the 1934 Act, as in effect on February 8, 1985.

(b) "board" means the board of directors of this corporation.

(c) A person is a "beneficial owner" of any voting stock:

(1) which such person or any of its affiliates or associates beneficially owns, directly or indirectly; or

(2) which such person or any of its affiliates or associates has (A) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (B) the right to vote or direct the vote pursuant to any agreement, arrangement or understanding; or

(3) which are beneficially owned, directly or indirectly, by any other person with which such person or any of its affiliates or associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of voting stock.

(d) The term "business combination" means any transaction which is referred to in any one or more of paragraphs (a) through (f) of Section 1.

(e) "common stock" means the common capital stock of this corporation.

(f) "continuing director" means any member of the board who is unaffiliated with and not a nominee of the interested stockholder and was a member of the board prior to the time that the interested stockholder became an interested stockholder, and any successor of a continuing director who is unaffiliated with, and not a nominee of the interested stockholder and who is recommended to succeed a continuing director by a majority of continuing directors then on the board.

(g) "fair market value" means: (1) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the 1934 Act on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing price or bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by a majority of the continuing directors in good faith; and (2) in the case of stock that is not traded on any United States registered securities exchange nor in any over-the-counter market or in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by a majority of the continuing directors in good faith.

(h) "interested stockholder" means any person (other than this corporation or any subsidiary) who or which:

(1) is the beneficial owner, directly or indirectly, of more than 10 percent of the combined voting power of the then outstanding voting stock; or

(2) is an affiliate of the corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 10 percent or more of the voting power of the then outstanding voting stock; or

(3) is an assignee of or has otherwise succeeded to the beneficial ownership of any shares of voting stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by any interested stockholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

For the purpose of determining whether a person is an interested stockholder pursuant to this paragraph (h) of this Section 3, the number of shares of voting stock deemed to be outstanding shall include shares deemed owned through application of paragraph (c) of this section 3 but shall not include any other shares of voting stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(i) A "person" means any individual, firm, corporation, group (as such term is used in Rule 13d of the General Rules and Regulations under the 1934 Act as in effect on February 8, 1985) or other entity.

(j) "subsidiary" means any corporation of which a majority of any class of equity security is owned, directly or indirectly, by this corporation; provided, however, that for the purposes of the definition of interested stockholder set forth in paragraph (h) of this section 3, the term "subsidiary" means only a corporation of which a majority of each class of equity security is owned, directly or indirectly, by this corporation.

4. Powers of the Board. A majority of the continuing directors shall have the power and duty to determine for the purposes of this Article TENTH, on the basis of information known to them after reasonable inquiry, all facts necessary to determine compliance with this Article TENTH, including without limitation, (a) whether a person is an interested stockholder; (b) the number of shares of voting stock beneficially owned by any person; (c) whether a person is an affiliate or associate of another person; (d) whether the requirements of section 2(b) of this Article TENTH have been met with respect to any proposed business combination, and (e) whether the assets which are the subject of any business combination have, or the consideration to be received for the issuance or transfer of securities by this corporation or any subsidiary in any business combination has, an aggregate fair market value of $20,000,000 or more. Any such determination made in good faith shall be binding and conclusive for all purposes of this Article TENTH.

5. No Effect on Fiduciary Obligations of Interested Stockholders. Nothing contained in this Article TENTH shall be construed to relieve any interested stockholder from any fiduciary obligation imposed by law.

ELEVENTH: This corporation reserves the right to amend, alter, change or repeal any provision contained in this certificate of incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

Notwithstanding any provision of law, this restated certificate of incorporation or the by-laws of this corporation (and notwithstanding the fact that a lesser percentage may be specified by law, this restated certificate of incorporation or the by-laws of this corporation), and in addition to any affirmative vote of the holders of any class of preferred stock of this corporation outstanding or any other class of capital stock of this corporation or any series of any of the foregoing then outstanding which is required by law or by or pursuant to this restated certificate of incorporation, the affirmative vote of the holders of seventy-five percent (75%) or more of the voting power of the shares of the then outstanding shares of stock of all classes and series of this corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to alter, amend or repeal paragraph (a), (b), (c) or (k) of Article EIGHTH, Article TENTH or this Article ELEVENTH of this restated certificate of incorporation or to adopt any provision inconsistent therewith.

TWELTH: The directors may be paid their expenses, if any, of attendance at each meeting of the board of directors and may be paid a fixed sum for attendance at each meeting of the board of directors or a stated salary as director. No such payment shall preclude any director from serving this corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

This Restated Certificate of Incorporation restates and integrates the corporation's Restated Certificate of Incorporation as heretofore amended by Certificates of Amendment as filed with the Secretary of State of the State of Delaware on February 14, 1985, February 19, 1987 and March 12, 1996, Certificates of Designation and amendments thereto filed with the Secretary of State of the State of Delaware on December 3, 1986, November 18, 1988, November 20, 1995, November 21, 2005 and September 19, 2008, and a Certificate of Change of Registered Agent and Registered Office as filed with the Secretary of State of the State of Delaware on August 9, 1999, and eliminates certain provisions that under the General Corporation Law of Delaware are no longer required to be included in the Certificate of Incorporation. Except for such provisions so eliminated, this Restated Certificate of Incorporation does not further amend the corporation's Restated Certificate of Incorporation as heretofore amended and no discrepancy exists between those provisions and the provisions of this Restated Certificate of Incorporation.

IN WITNESS WHEREOF, CABOT CORPORATION has caused this Restated Certificate of Incorporation to be duly executed this 7th day of January, 2009 by Patrick M. Prevost, its President and Chief Executive Officer, and attested by Jane A. Bell, its Secretary.

CABOT CORPORATION

By: /s/ Patrick M. Prevost
Patrick M. Prevost
President and Chief Executive Officer

ATTEST:

By: /s/ Jane A. Bell
Jane A. Bell
Secretary

Exhibit 10.1

CABOT CORPORATION

AMENDED AND RESTATED

SUPPLEMENTAL CASH BALANCE PLAN

PREAMBLE

A supplemental pension program was authorized by a vote of the Board of Directors of Cabot Corporation (the "Corporation") on September 10, 1976. Pursuant to that vote, letter agreements were entered into between the Corporation and certain of the Corporation's executive officers.

The Supplemental Cash Balance Plan (as herein amended and restated, and as the same may hereafter be amended, the "Supplemental CBP" or the "Plan") was originally adopted pursuant to a vote of the Board of Directors of the Corporation on February 10, 1984, its purpose being to provide benefits to a designated group of managers who are highly compensated employees of the Corporation or its subsidiaries, supplemental to the benefits provided under the Corporation's tax-qualified pension program. The Plan is intended to be "a plan which is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended from time to time. The Corporation currently provides tax-qualified pension benefits through its Cash Balance Plan (together with predecessor programs, the "Cash Balance Plan").

The amendment and restatement of the Plan set forth herein is intended *inter alia* to conform the Plan to the requirements of Section 409A of the Code, including the transition rules and exemptive relief provisions thereunder, and shall be construed consistently with that intent.

The provisions of this amended and restated Plan are effective as of January 1, 2009. Except as otherwise specifically provided herein, the rights and benefits of an individual who was a participant in the Plan and ceased to be a participant on or prior to December 31, 2008, will be determined in accordance with the provisions of the Plan as in effect on the date he or she ceased to be a participant and in accordance with the requirements of Section 409A, as applicable.

SECTION 1 Definitions

When used herein, the words and phrases defined shall have the following meanings. Capitalized words and phrases that are not defined herein shall have the meanings assigned to them in the Cash Balance Plan.

1.1. “Beneficiary” means the individual(s) or entity(ies) entitled under Section 3.10 below to receive any benefits hereunder upon the death of a Supplemental CBP Participant.

1.2. “Code” means the Internal Revenue Code of 1986, as amended from time to time.

1.3. “Corporation” means Cabot Corporation.

1.4. “Committee” means the Benefits Committee as defined in the Cash Balance Plan.

1.5. “Employer” means the Corporation and/or any Affiliated Employer, as required by the context.

1.6. “Retirement” means Separation from Service following attainment of (i) age fifty-five (55) with at least ten years of Service, or (ii) age 65. An individual who has Separated from Service by reason of Retirement shall be treated as having “Retired.”

1.7. “Section 409A” means Section 409A of the Code and guidance issued thereunder.

1.8. “Separation from Service” means and correlative terms mean a “separation from service” (as that term is defined at Treas. Regs. § 1.409A-1(h)) from the Corporation and from all other corporations and trades or businesses, if any, that would be treated as a single “service recipient” with the Corporation under Treas. Regs. § 1.409A-1(h)(3).

1.9. “Specified Employee” means a Supplemental CBP Participant who (i) has a Separation from Service in the period beginning July 1 of any given year and ending June 30 of the following year and (ii) was a “key employee” (determined under Section 416(i)(1)(A)(i), (ii) or (iii) of the Code, applied in accordance with the regulations thereunder and disregarding Section 416(i)(5) of the Code) at any time during the 12-month period ending on the March 31 immediately preceding such July 1; provided, however, that such Participant will be treated as a Specified Employee hereunder only if on the date of such Participant’s Separation from Service, the Company (or any other corporation forming part of the Employer) is a corporation any stock of which is publicly traded on an established securities market or otherwise.

1.10. “Supplemental CBP Participant” means an individual who participates in the Plan in accordance with Section 2 below.

SECTION 2 Participation

2.1. Participation. Any person who was a participant in the Supplemental CBP on December 31, 2008, will continue to participate in the Plan in accordance with its terms after such date. Each other individual who is a Participant in the Cash Balance Plan shall be eligible to participate in and accrue benefits under this Plan for any calendar year if such individual satisfies either (a) or (b) below for such year:

(a) This Section 2.1(a) is satisfied if such individual’s base salary for any such year (as determined by the Committee), before reduction for deferrals, if any, under the Cabot Retirement Savings Plan, the Corporation’s nonqualified Deferred Compensation Plan, or any salary deferral under Sections 125 and 132 of the Code, equals or exceeds the dollar limitation applicable to such year under Section 401(a) (17) of the Code.

(b) This Section 2.1(b) is satisfied if such individual's Compensation for such year, reduced by deferrals, if any, under the Corporation's nonqualified Deferred Compensation Plan equals or exceeds the dollar limitation applicable to such year under Section 401(a)(17) of the Code.

For purposes of Section 3(36) of ERISA, the Supplemental CBP shall be treated as two separate plans, one of which will be deemed to provide only benefits (if any) in excess of the limitations of Section 415 of the Code.

SECTION 3 Benefits

3.1. Amount of Benefits. The amount of the benefit payable by the Corporation under this Supplemental CBP with respect to a Supplemental CBP Participant shall be: (i) the Accrued Benefit, if any, which would be payable with respect to such individual under the Cash Balance Plan (determined after applying the vesting schedule and provisions of the Cash Balance Plan, including any special vesting applicable upon a Change in Control) if such Accrued Benefit were determined without regard to the limitations of Sections 401(a)(17) and 415 of the Code (and the corresponding limitations under the Cash Balance Plan) and based on Compensation unreduced (but only if Section 2.1(a) is satisfied) for any deferrals under the Corporation's nonqualified Deferred Compensation Plan reduced by (ii) the portion of the Accrued Benefit described in clause (i) above which is actuarially equivalent to any special additions credited to such individual's Cash Balance Plan Account (and interest credits on such special additions) in accordance with the provisions of Appendix H, Appendix I, and similar Appendices of the Cash Balance Plan, and further reduced by (iii) the benefit actually payable with respect to the Supplemental CBP Participant under the Cash Balance Plan.

3.2. Time and Form of Benefit Payments.

(a) In General. In the event of a Supplemental CBP Participant's Separation from Service for any reason, the benefit payable under Section 3.1 shall be paid, in the case of a single payment, within 60 days following such Separation or, in the case of installment payments, biweekly in each regular payroll payment of the Company commencing with the first payroll of the Company in the calendar year following the calendar year in which the Supplemental CBP Participant Separates from Service. Notwithstanding the above, in the case of a Supplemental CBP Participant who is a Specified Employee, payment shall be made, (A) in the case of a single payment, on the date that is six (6) months following the date of such Separation or, (B) in the case of installment payments, (i) any installment payments payable during the first six (6) months following the Participant's Separation from Service shall be paid on the later of the date described in the first sentence of this Section 3.2 and the date that is six (6) months following such Separation, and (ii) payments thereafter shall be made as described in the first sentence of this Section 3.2. All amounts payable hereunder shall be paid in cash.

(b) Separations Prior to January 1, 2009. A Supplemental CBP Participant who Separates or Separated from Service on or before December 31, 2008, and who has not been paid or commenced payment on or prior to such date, will be paid in 2009 as soon as reasonably practicable (in the case of a single payment) or commencing as of the first payroll of the Company in calendar year 2009, (in the case of installments), in each case in the form selected by such Participant in his or her form-of-payment election made pursuant to Section 3.2(c) below; provided, however, the Committee shall distribute the Participant's vested benefit in a single lump-sum payment in calendar year 2009 if the present value of the amount payable under Section 3.1 (determined on the basis of actuarial assumptions chosen in accordance with Section 3.7) is less than $50,000 on December 31, 2008.

(c) Form-of-Payment Election. A Supplemental CBP Participant may elect to receive his or her benefit payable under the Plan in either a single lump sum payment or in installments for 3, 5, or 10 years (a "form-of-payment election"). Any person who is or was a Supplemental CBP Participant on December 31, 2008 shall deliver a form-of-payment election in writing in a form and manner acceptable to the Committee on or before December 31, 2008, with the exception of Supplemental CBP Participants whose vested benefit was distributed in the first calendar quarter of 2009 pursuant to section 3.2(a) above. Such form-of-payment election will become irrevocable on December 31, 2008 (subject to Section 3.4) and will be effective with respect to all benefits of the Supplemental CBP Participant hereunder. A Supplemental CBP Participant who first becomes eligible to participate in the Plan on or after January 1, 2009 shall make a form-of-payment election in accordance with Section 3.3. If a Supplemental CBP Participant does not make any election with respect to the payment of his or her benefits hereunder, then such benefits shall be paid in a single payment as described in Section 3.2(a). Notwithstanding a Supplemental CBP Participant's election under this Section 3.2(c) to receive installment payments, if the present value of the amount payable under Section 3.1 (determined on the basis of actuarial assumptions chosen in accordance with Section 3.7) is less than $50,000 at the time of the Supplemental CBP Participant's Separation from Service, the Committee shall distribute the Participant's vested benefit in a single lump-sum payment within 60 days following such Separation, notwithstanding the Supplemental CBP Participant's form-of-payment election.

(d) Computation of Installment Payments, etc. For each Supplement CBP Participant who has elected an installment form-of-payment, the Committee shall maintain a memorandum account from and after such Participant's Separation from Service to reflect the amount payable to the Participant and notional earnings credited pursuant to this Section 3.2(d). The amount of each installment shall be calculated so as to result in equal installments over the installment period by (1) determining on December 31 of the year in which the Participant Separated from Service the amount of benefits payable to the Participant pursuant to Section 3.1; (2) measuring notional earnings with respect to the declining account balance from the date of the Participant's Separation to the end of the installment period using as the earnings measure the average yield of Treasury Constant Maturities, one (1) year, for the month of November of the calendar year in which the Participant Separated from Service, as published in the Federal Reserve Statistical Release; and (3) assuming that the account balance is reduced at the beginning of each year in the installment period by the aggregate amount of installment payments to be made for that year.

3.3. First Year of Participation. Notwithstanding Section 3.2 above, an individual who first satisfies the eligibility criteria of the Plan during the course of a calendar year and accordingly accrues a benefit under Section 3.1 for such calendar year may make a form-of-payment election by delivering to the Committee an election in writing, in a form and manner acceptable to the Committee, by December 31 of such calendar year, and such election shall govern the payment of any benefits accrued during such calendar year and subsequent years. If a Supplemental CBP Participant does not make any election with respect to the payment of his or her benefits hereunder, then such benefits shall be paid in a single payment as described in Section 3.2(a). This Section 3.3 is intended to comply with Treas. Regs. § 1.409A-2(a)(7)(iii) (relating to first year of eligibility in excess benefit plans), and shall be construed accordingly.

3.4. Election Changes in General. The Supplemental CBP Participant may change his or her form-of-payment election by submitting a new election to the Committee, provided, that no election made under this Section 3.4 shall take effect until twelve (12) months after it is made. If a Supplemental CBP Participant changes a form-of-payment election, payment or commencement of payment of the benefit payable under the new form-of-payment election shall be delayed by five years measured from the date on which the pre-change form of payment would have been made or commenced. For example, (A) under a valid change in payment form from a lump sum to installments, the first installment payment shall be made five years after the date the lump sum would otherwise have been paid, and (B) under a valid change from an installment form of payment to a lump sum payment, the lump sum shall be paid five years after the first installment would have been made. Any election change made in accordance with this Section 3.4 shall be binding on the Supplemental CBP Participant when made and may be altered only by a subsequent election change that complies with the requirements of this Section 3.4.

3.5. Section 409A Transition Period. Notwithstanding the above, the Committee has the authority to permit, in its sole discretion, changes to form-of-payment elections that do not meet the requirements of Section 3.4 to the extent permitted by transition guidance under Section 409A, pursuant to such procedures as the Committee may determine.

3.6. Death of Participant. If a Supplemental CBP participant dies before his or her Separation from Service, the Corporation shall pay to the decedent's Beneficiary in a single payment as soon as reasonably practicable, but no later than 60 days following such Participant's death, an amount equal to (i) the actuarial equivalent (determined on the basis of actuarial assumptions chosen in accordance with Section 3.7 hereof) of the death benefit that would be payable under the Cash Balance Plan if such benefit were determined without regard to the limitations of Sections 401(a)(17) and 415 of the Code (and the corresponding limitations under the Cash Balance Plan) and based on Compensation not reduced (but only if Section 2.1(a) is satisfied) for any deferrals under the Corporation's nonqualified Deferred Compensation Plan, reduced by (ii) the portion of the death benefit described in clause (i) above which is actuarially equivalent to any special additions credited to such decedent's Cash Balance Plan Account (and interest credits on such special additions) in accordance with the provisions of Appendix H, Appendix I, and similar Appendices of the Cash Balance Plan, and further reduced by (iii) the death benefit actually payable under the Cash Balance Plan. If a Supplemental CBP Participant

dies following his or her Separation from Service but prior to the complete distribution of his or her account balance, the Corporation shall pay to the decedent's Beneficiary in a single payment as soon as reasonably practicable, but no later than 60 days following such Participant's death, an amount equal to the remaining balance in such Participant's memorandum account. Notwithstanding the requirement that the Corporation pay the Supplemental CBP Participant's death benefit within 60 days following the Participant's death, the Corporation shall not be liable to the Participant nor to the estate nor beneficiary of the Participant, by reason of any acceleration of income or additional tax under Section 409A of the Code, or for any other reason in connection with the timely payment of such benefit. The Committee reserves the right to request a certified death certificate or other confirmation of death satisfactory to the Committee at its discretion with respect to a payment to be made to the Supplemental CBP Participant's Beneficiary, and if so requested by the Committee, the provision of such confirmation of death shall be a precondition to payment to the Participant's Beneficiary.

3.7. Actuarial Equivalency, Etc. Benefits payable hereunder shall be actuarially adjusted to carry out the purposes of this Supplemental CBP, which is intended (i) to offset reductions in the value of benefits under the Cash Balance Plan attributable to (A) the limitations of Sections 401(a)(17) and 415 of the Code and (B) reductions in Compensation caused by deferrals under the Corporation's nonqualified Deferred Compensation Plan, and (ii) to ensure that the different ways in which the aggregate benefit hereunder and under the Cash Balance Plan may be paid are of substantially equivalent value. The actuarial assumptions used in determining actuarial equivalency hereunder shall be determined from time to time by the Committee and may, but need not, be the same as those used to determine actuarial equivalency under the Cash Balance Plan; provided, that upon and following a Change in Control, the actuarial assumptions used for purposes of this Supplemental CBP shall not be less favorable to Supplemental CBP Participants or their Beneficiaries than those last specified by the Committee prior to the Change in Control, or to the extent none was so specified, than those applicable under the Cash Balance Plan.

3.8. Benefits Unfunded. This Supplemental CBP shall not be construed to create a trust of any kind or a fiduciary relationship between any Employer and a Supplemental CBP Participant. Neither Supplemental CBP Participants nor their Beneficiaries, nor any other person, shall have any rights against any Employer or its assets in respect of any benefits hereunder, other than rights as general creditors. Nothing in this Section 3.8, however, shall preclude an Employer from establishing and funding a trust for the purpose of paying benefits hereunder, if such trust's assets are subject to the claims of the Employer's general creditors in the event of the Employer's bankruptcy or insolvency.

3.9. Designation of Beneficiary. A Supplemental CBP Participant may designate, in writing, one or more Beneficiaries under this Supplemental CBP who may be the same as or different from those named in the Cash Balance Plan to receive benefits, if any, payable upon the Supplemental CBP Participant's death; provided, that in the case of a Supplemental CBP Participant who is married at the time of death, the Supplemental CBP Participant's surviving spouse shall be treated as the sole Beneficiary unless he or she has consented (in accordance with procedures similar to those in the Cash Balance Plan relating to spousal consent) to the designation of one or more other Beneficiaries. In the absence of any Beneficiary so designated, benefits payable following death shall be paid to the Supplemental CBP participant's surviving

spouse, if any; if none, to such person or persons (including the decedent's estate) as are designated to receive any benefits remaining to be paid under the Cash Balance Plan; or if none of the foregoing, to such person or persons as shall be designated by the Committee.

SECTION 4 Certain Forfeitures

4.1. Forfeiture of Supplemental Benefits. Notwithstanding anything to the contrary in this Supplemental CBP, benefits payable hereunder shall be forfeited by the Supplemental CBP Participant if the Supplemental CBP Participant's Separation from Service was requested by an Employer and the termination was determined by the Committee to be for "cause." For purposes of this Supplemental CBP, "cause" shall mean any action or failure to act by the Supplemental CBP Participant which the Committee in its sole discretion determines to have constituted negligence or misconduct in the performance of the Supplemental CBP Participant's duty to his or her Employer. Notwithstanding the foregoing provisions of this Section 4.1, in respect of any termination of a Supplemental CBP Participant's employment requested by such Employer within the two-year period immediately following a Change in Control, "cause" shall mean only (i) the willful and continued failure by the Supplemental CBP Participant to perform substantially his or her duties with the Employer, after a written demand for substantial performance is delivered to the Supplemental CBP Participant by the Employer which demand specifies the manner in which the Employer believes that the Supplemental CBP Participant has not substantially performed the Supplemental CBP Participant's duties, or (ii) the willful engaging by the Supplemental CBP Participant in conduct which is demonstrably and materially injurious to the Employer, monetarily or otherwise. For purposes of clauses (i) and (ii) of the preceding sentence, no act, or failure to act, on the Supplemental CBP Participant's part shall be deemed "willful" unless done, or omitted to be done, by the Supplemental CBP Participant not in good faith and without reasonable belief that the Supplemental CBP Participant's act or failure to act was in the best interest of the Employer.

SECTION 5 Administration

5.1. Duties of Committee. This Supplemental CBP shall be administered by the Committee in accordance with its terms and purposes. The Committee shall determine, in accordance with Section 3 hereunder, the amount and manner of payment of the benefits due to or on behalf of each Supplemental CBP Participant from this Supplemental CBP and shall cause them to be paid by the Corporation accordingly. The Committee may delegate its powers, duties and responsibilities to one or more individuals (including in the discretion of the Committee employees of one or more Employers) or one or more committees of such individuals.

5.2. Finality of Decision. The decisions made, and the actions taken, by the Committee in the administration of this Supplemental CBP shall be final and conclusive with respect to all persons, and neither the Committee nor individual members thereof, nor its or their delegates hereunder, shall be subject to individual liability with respect to this Supplemental CBP.

5.3. Benefit Claims; Appeal and Review.

(a) If any person believes that he or she is being denied any rights or benefits under this Supplemental CBP, such person may file a claim in writing with the Committee or its designee. If any such claim is denied, the Committee or its designee will notify such person of its decision in writing. Such notification shall be written in a manner calculated to be understood by such person and will contain (i) specific reasons for denial, (ii) specific reference to pertinent plan provisions, (iii) a description of any additional material or information necessary for such person to perfect such claim and an explanation of why such material or information is necessary, and (iv) information as to the steps to be taken if the person wishes to submit a request for review. Such notification will be given within 90 days after the claim is received by the Committee or its designee (or within 180 days, if special circumstances require an extension of time for processing the claim, and if written notice of such extension and circumstances is given to such person within the initial 90-day period). If such notification is not given within such period, the claim will be considered denied as of the last day of such period and such person may request a review of his or her claim by the Committee.

(b) Within 60 days after the date on which a person receives a written notice of a denied claim (or, if applicable, within 60 days after the date on which such denial is considered to have occurred) such person (or his or her duly authorized representative) may (i) file a written request with the Committee for a review of his or her denied claim and of pertinent documents and (ii) submit written issues and comments to the Committee. The Committee will notify such person of its decision in writing. Such notification will be written in a manner calculated to be understood by such person and will contain specific reasons for the decision as well as specific references to pertinent plan provisions. The decision on review will be made within 60 days after the request for review is received by the Committee (or within 120 days, if special circumstances require an extension of time for processing the request, such as an election by the Committee to hold a hearing, and if written notice of such extension and circumstances is given to such person within the initial 60-day period). If the decision on review is not made within such period, the claim will be considered denied.

SECTION 6 Amendment and Termination

6.1. Amendment and Termination. While the Corporation intends to maintain this Supplemental CBP in conjunction with the Cash Balance Plan for as long as it deems necessary, the Board of Directors reserves the right to amend and/or terminate it at any time for whatever reasons it may deem appropriate; provided, that no such amendment shall reduce the benefit amount that a Supplemental CBP Participant would be entitled to receive hereunder if he or she were deemed to have terminated employment (other than by reason of death) immediately prior to the date of such amendment, unless the Supplemental CBP Participant consents to such reduction. For clarification, a Supplemental CBP Participant's benefit under this Plan may fluctuate, up and down, due to increases and decreases in the Participant's Accrued Benefit under the Cash Balance Plan as a result of increases or decreases to the limits under Sections 401(a)(17) and 415 of the Code. Such fluctuations are not "amendments" for purposes of the immediately preceding sentence.

Notwithstanding any other provision hereunder, during the two-year period immediately following a Change in Control, this Supplemental CBP may not be terminated, altered or amended in a way that would decrease future accrual of, eligibility for, or entitlement to, a benefit hereunder. This Section 6.1 may not be altered or amended during that same two-year period in any way except with the prior written consent of all of the then Supplemental CBP Participants.

Upon termination of the Plan, payments hereunder shall be accelerated only to the extent permitted by Section 409A.

SECTION 7 Miscellaneous

7.1. No Employment Rights. Nothing contained in this Supplemental CBP shall be construed as a contract of employment between any Employer and a Supplemental CBP Participant, or as giving any Supplemental CBP Participant the right to be continued in the employment of an Employer, or as a limitation of the right of an Employer to discharge any Supplemental CBP Participant, with or without cause.

7.2. Assignment. Subject to the provisions of this Supplemental CBP relating to payment of benefits upon the death of a Supplemental CBP Participant, the benefits payable under this Supplemental CBP may not be assigned, alienated, transferred, pledged, or encumbered.

7.3. Withholding, Etc. Benefits payable under this Supplemental CBP shall be subject to all applicable federal, state or other tax withholding requirements. To the extent any amount credited or accrued hereunder for the benefit of a Supplemental CBP Participant's benefit is treated as "wages" for FICA/Medicare or FUTA tax purposes on a current basis (or when vested) rather than when distributed, all as determined by the Committee, then the Committee shall require that the Supplemental CBP Participant either (i) timely pay such taxes in cash by separate check to his or her Employer, or (ii) make other arrangements satisfactory to such Employer (e.g., additional withholding from other wage payments) for the payment of such taxes. To the extent a Supplemental CBP Participant fails to pay or provide for such taxes as required, the Committee may suspend the Supplemental CBP Participant's participation in the Supplemental CBP or reduce benefits accrued hereunder.

7.4. Distribution of Taxable Amounts. Anything in the Plan to the contrary notwithstanding, in the event an amount deferred under the Plan gives rise to an income inclusion under Section 409A, or state, local or foreign tax obligations, or the income tax at source on wages imposed under Section 3401 prior to the time otherwise payable hereunder, an amount equal to the aggregate amount of such income inclusion (in the case of a Section 409A income inclusion) or the aggregate amount of such taxes shall be paid from the affected Supplemental CBP Participant's Memorandum Account to such Supplemental CBP Participant or Beneficiary, in each case to the extent permitted by Section 409A. Any amount to the credit of a Supplemental CBP Participant's Account shall be determined to be includible in income under Section 409A upon the earlier of:

(a) determination by the Internal Revenue Service addressed to the Supplemental CBP Participant or Beneficiary which is not appealed; or

(b) a final determination by the United States Tax Court or any other Federal Court affirming any such determination by the Internal Revenue Service that amounts credited to a Supplemental CBP Participant's Account are includible in income under Section 409A.

7.5. No Guarantee of Benefits. Nothing contained in the Plan shall constitute a guarantee by the Corporation, Affiliated Employer, the Committee, or any other person or entity that the assets of the Corporation or Affiliated Employers will be sufficient to pay any benefits hereunder. No Supplemental CBP Participant shall have any right to receive a benefit payment under the Plan except in accordance with the terms of the Plan.

7.6. Incapacity of Recipient. If any person entitled to a benefit payment under the Plan is deemed by the Committee to be incapable of personally receiving and giving a valid receipt for such payment, then, unless and until claim therefor shall have been made by a duly appointed guardian or other legal representative of such person, the Committee may provide for such payment or any part thereof to be made to any other person or institution then contributing toward or providing for the care and maintenance of such person. Any such payment shall be a payment for the account of such person and a complete discharge of any liability of the Corporation and Affiliated Employers and the Plan therefor.

7.7. Limitations on Liability. In no event shall the employees, officers, directors, or stockholders of the Corporation or any Affiliated Employer be liable to any individual or entity on account of any claim arising by reason of the Plan provisions or any instrument or instruments implementing its provisions, or for the failure of any Participant, Beneficiary or other individual or entity to be entitled to any particular tax consequences with respect to the Plan or any credit or payment hereunder. Neither the Corporation nor any Affiliated Employer, nor any of their officers or directors, nor any other person charged with administrative responsibilities under the Plan, shall be liable to any employee or former employee of the Corporation or any Affiliated Employer, or to any spouse or other beneficiary of any such employee or former employee, by reason of the failure of any benefit hereunder to comply with the requirements of Section 409A.

7.8. Provisions to Facilitate Plan Operations. If it is impossible or difficult to ascertain the person to receive any benefit under the Plan, the Committee may, in its discretion and subject to applicable law, direct payment to the person it deems appropriate consistent with the Plan's purposes; or retain such amounts in the Plan for payment to a court pending judicial determination of the rights thereto. Any payment under this Section 7.8 shall be a complete discharge of any liability for the making of such payment under the provisions of the Plan.

7.9. Correction of Payment Mistakes. Any mistake in the payment of a Supplemental CBP Participant's benefits under the Plan may be corrected by the Committee when the mistake is discovered. The mistake may be corrected in any reasonable manner authorized by the Committee (e.g., adjustment in the amount of future benefit payments, repayment to the Plan of an overpayment, or catch-up payment to a Supplemental CBP Participant for an underpayment). In appropriate circumstances (e.g., where a mistake is not timely discovered), the Committee may waive the making of any correction. A Supplemental Plan Participant or Beneficiary receiving an overpayment by mistake shall repay the overpayment if requested to do so by the Committee.

7.10. Schedules. The Committee may by Schedule modify the benefits available hereunder to one or more specified individuals. The provisions of each such Schedule shall, with respect to the individual or individuals thereby affected, be deemed a part of the Supplemental CBP and shall be incorporated herein.

7.11. Law Applicable. This Supplemental CBP shall be construed in accordance with the laws of the Commonwealth of Massachusetts.

IN WITNESS WHEREOF, this instrument is executed this 31st day of December, 2008.

CABOT CORPORATION

By: /s/ Robby D. Sisco
Vice President, Human Resources

Exhibit 10.2

CABOT CORPORATION

AMENDED AND RESTATED

SUPPLEMENTAL RETIREMENT SAVINGS PLAN

PREAMBLE

Cabot Corporation (the "Corporation") initially adopted the Cabot Corporation Supplemental Retirement Incentive Savings Plan, a nonqualified supplemental plan, pursuant to a vote of the Board of Directors of the Corporation on February 10, 1984. The Supplemental Retirement Incentive Savings Plan incorporated a supplemental profit-sharing plan previously authorized by the Board of Directors on September 10, 1976. The Supplemental Retirement Incentive Savings Plan was amended and restated effective September 9, 1988, and subsequently amended from time to time. The Corporation adopted the Cabot Corporation Supplemental Employee Stock Ownership Plan pursuant to a vote of the Board of Directors, effective September 9, 1988, and subsequently amended the plan from time to time.

Effective December 31, 2000, the Cabot Corporation Retirement Incentive Savings Plan was merged with and into the Cabot Corporation Employee Stock Ownership Plan, and the combined amended and restated plan was renamed the Cabot Corporation Retirement Savings Plan (the "CRSP"). Further, effective December 31, 2000, the Supplemental Retirement Incentive Savings Plan was merged with and into the Supplemental Employee Stock Ownership Plan, and the combined amended and restated plan was renamed the Cabot Supplemental Retirement Savings Plan (the "Plan").

The 2008 amendment and restatement of the Plan set forth herein is intended *inter alia* to conform the Plan to the requirements of Section 409A of the Internal Revenue Code, as amended from time to time, including the transition rules and exemptive relief provisions thereunder ("Section 409A"), and shall be construed consistent with that intent. For purposes of Section 409A compliance, the Plan consists of two parts: (i) amounts deferred on behalf of a Participant that were earned and vested on or after January 1, 2005, including all income, gains and losses credited or charged with respect thereto ("Section 409A deferrals") and (ii) amounts deferred on behalf of a Participant that were earned and vested on or before December 31, 2004 (including all income, gains and losses credited or charged with respect thereto) ("grandfathered deferrals"). With respect to Section 409A deferrals, the Plan is intended to comply with the requirements of Section 409A and shall be interpreted and administered in a manner consistent with such requirements. With respect to grandfathered deferrals, the Plan is intended to be grandfathered for purposes of Section 409A and therefore exempt from Section 409A.

The provisions of this amended and restated Plan are effective as of January 1, 2009 except with respect to grandfathered deferrals, which will continue to be governed by the terms of the Plan as in effect on December 31, 2004. The grandfathered deferrals have not been amended or modified after October 3, 2004, and a copy of the Plan as in effect on December 31, 2004 is attached hereto as Appendix A.

The purpose of the Plan is to provide benefits to a designated group of managers who are highly compensated employees of the Corporation or its subsidiaries, supplemental to benefits provided under the CRSP. The Plan is intended to be "a plan which is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended from time to time.

Except as otherwise specifically provided herein, the rights and benefits, if any, of an individual who was a participant in the Plan (including any component predecessor plan) and who ceased to be a participant on or prior to December 31, 2008, will be determined in accordance with the provisions of the Plan as in effect on the date he or she ceased to be a participant and in accordance with the requirements of Section 409A as applicable.

SECTION 1 Definitions

When used herein, capitalized words and phrases shall have the following meanings. Capitalized words and phrases that are not defined herein shall have the meanings assigned to them in the CRSP.

1.1. "Applicable Matching Percentage" means (i) for any period for which Basic Matching Contributions but no discretionary Matching Contributions are made under Section 6.5(a) of the CRSP, five and five-eighths (5.625%) percent; and (ii) for any period for which discretionary Matching Contributions are made under the CRSP, 5.625% plus the maximum rate (expressed as a percentage of Compensation) at which discretionary Matching Contributions are made for such period with respect to any participant in the CRSP.

1.2. "Beneficiary" means the individual(s) or entity(ies) entitled under Section 3.6 below to receive any benefits hereunder upon the death of a Supplemental Plan Participant.

1.3. "CRSP" means the Cabot Corporation Retirement Savings Plan.

1.4. "Code" means the Internal Revenue Code of 1986, as amended from time to time.

1.5. "Committee" means the Benefits Committee as defined in the CRSP.

1.6. "Corporation" means Cabot Corporation.

1.7. "Employer" means the Corporation and/or any Affiliated Employer, as required by the context.

1.8. "Memorandum Account" means the account established by the Corporation on behalf of each Supplemental Plan Participant, to which amounts described in Sections 3.1 shall be credited. The Committee shall establish such subaccounts as may be necessary or desirable to implement the terms of this Plan.

1.9. “Plan” means this Supplemental Retirement Savings Plan.

1.10. “Retirement” means Separation from Service with the Corporation and other Affiliated Employers by the Supplemental Plan Participant following attainment of his or her Early Retirement Date or Normal Retirement Date. An individual who has Separated from Service by reason of Retirement shall be treated as having “Retired.”

1.11. “Section 409A” means Section 409A of the Code and guidance issued thereunder.

1.12. “Separation from Service” means and correlative terms mean a “separation from service” (as that term is defined at Treas. Regs. § 1.409A-1(h)) from (i) in the case of a Participant employed by the Corporation, the Corporation and from all other corporations and trades or businesses, if any, that would be treated as a single “service recipient” with the Corporation under Treas. Regs. § 1.409A-1(h)(3) or (ii) in the case of a Participant employed by an Affiliated Employer other than the Corporation, such Affiliated Employer and from all other corporations and trades or businesses, if any, that would be treated as a single “service recipient” with such Affiliated Employer under Treas. Regs. § 1.409A-1(h)(3).

1.13. “Specified Employee” means a Supplemental Plan Participant who (i) has a Separation from Service in the period beginning July 1 of any given year and ending June 30 of the following year and (ii) was a “key employee” (determined under Section 416(i)(1)(A)(i), (ii) or (iii) of the Code, applied in accordance with the regulations thereunder and disregarding Section 416(i)(5) of the Code) at any time during the 12-month period ending on the March 31 immediately preceding such July 1; provided, however, that such Participant will be treated as a Specified Employee hereunder only if on the date of such Participant’s Separation from Service, the Company (or any other corporation forming part of the Employer) is a corporation any stock of which is publicly traded on an established securities market or otherwise.

1.14. “Supplemental Plan Participant” means an individual who participates in the Plan in accordance with Section 2 below.

1.15. “Valuation Date” means any business day the New York Stock Exchange is open for trading and such other date or dates as may be specified by the Investment Committee of the Corporation from time to time.

SECTION 2 Participation

2.1. Participation. Any person who was a participant in the Plan on December 31, 2008, will continue to participate in the Plan in accordance with its terms after such date. Each other individual who is a participant in the CRSP shall begin participation in and shall accrue benefits as provided in Section 3 from the first day of the first month following the date that such individual satisfies either (a) or (b) below, and, with respect to accruals described in Section 3.1(a), also satisfies (c) below.

(a) This Section 2.1(a) is satisfied if such individual’s base salary for any such year (as determined by the Committee), before reduction for deferrals, if any, under the CRSP, the Corporation’s nonqualified Deferred Compensation Plan, or any salary deferral under Sections 125 and 132 of the Code, equals or exceeds the dollar limitation applicable to such year under Section 401(a)(17) of the Code.

(b) This Section 2.1(b) is satisfied if such individual's Compensation for such year, reduced for deferrals, if any, under the Corporation's nonqualified Deferred Compensation Plan equals or exceeds the dollar limitation applicable to such year under Section 401(a)(17) of the Code.

(c) This Section 2.1(c) is satisfied if, for such year (or for such portion of the year during which he or she satisfies the requirements of (a) or (b) above) such individual has elected to participate in pre-tax deferrals and/or after-tax contributions under the CRSP to the maximum extent permissible thereunder (taking into account any limitations imposed under the CRSP to comply with the qualification requirements of the Code) and accordingly has received the maximum possible Matching Contribution under the CRSP.

For purposes of Section 3(36) of ERISA, the Plan shall be treated as two separate plans, one of which will be deemed to provide only benefits (if any) in excess of the limitations of section 415 of the Code.

SECTION 3 Benefits

3.1. Credits to Memorandum Accounts.

(a) For each Plan Quarter for which Matching Contributions are made to the CRSP, the Committee shall, as soon as practicable after the close of such quarter accrue to the Memorandum Account of each individual who is a Supplemental Plan Participant for all or any part of such period, an amount equal to the excess of (i) the Applicable Matching Percentage of the Supplemental Plan Participant's Compensation for such period (such Compensation to be determined, solely for this purpose, without regard to the limitations described in the last paragraph of Section 2.22 of the CRSP, but taking into account the limitations described in Section 2.22(b) of the CRSP), over (ii) the sum of (A) the amount which is actually allocated to the Supplemental Plan Participant's Matching Contribution Account in the CRSP with respect to such period, plus (B) any additional credit made for the benefit of the Supplemental Plan Participant with respect to such period under Section 4(a)(ii) of the Corporation's nonqualified Deferred Compensation Plan.

(b) (i) As soon as practicable after the end of each Plan Year, the Committee shall also accrue to each Supplemental Plan Participant's Memorandum Account an amount equal to the amount (if any) that would have been contributed for the benefit of the Supplemental Plan Participant by his or her Employer under Section 6.6 of the CRSP for such Plan Year had the limitations of Sections 401(a)(17) and 415 of the Code and the corresponding limitations under the CRSP not applied and had such contributions and allocations under the CRSP been based on Compensation increased (but only if Section 2.1(a) is satisfied) by deferrals (if any) under the Corporation's nonqualified Deferred Compensation Plan, such amount to be reduced by the amount (if any) which is actually contributed and allocated under Section 6.6 of the CRSP to the Supplemental Plan Participant's Matching Contribution Account.

(c) (ii) As soon as practicable after the last business day of each Plan Quarter, the Committee shall also accrue to each Supplemental Plan Participant's Memorandum Account an amount equal to the amount (if any) that would have been contributed to the Supplemental Plan Participant's ESOP Allocation Account by his or her Employer under Sections 7.5 of the CRSP for such Plan Quarter had the limitations of Sections 401(a) (17) and 415 of the Code and the corresponding limitations under the CRSP not applied and had such contributions and allocations under the CRSP been based on Compensation increased (but only if Section 2.1(a) is satisfied) by deferrals (if any) under the Corporation's nonqualified Deferred Compensation Plan, such amount to be reduced by the amount (if any) which is actually contributed and allocated to the Supplemental Plan Participant's ESOP Allocation Account under Section 7.5 of the CRSP.

(d) Amounts accrued hereunder shall be converted to units and treated as if invested in the Cabot Stock Fund under the CRSP, except as provided in Section 3.1(e). With respect to each unit credited to a Supplemental Plan Participant's Memorandum Account (i) for the period prior to a Supplemental Plan Participant's Separation from Service, an amount equivalent to each cash dividend paid with respect to a share in the Cabot Stock Fund will be treated as being paid and reinvested in the Cabot Stock Fund and (ii) from and after the date of a Supplemental Plan Participant's Separation from Service, an amount equivalent to each cash dividend paid with respect to a share in the Cabot Stock Fund will be credited to a cash subaccount of such Participant's Memorandum Account.

(e) From and after the date of a Change in Control, each Memorandum Account shall be treated as if invested (i) in a fixed-income vehicle earning interest at the rate earned by the most currently issued 10-year Treasury Notes on the date of reference or (ii) on such other reasonable basis as the Committee shall determine from time to time; provided, that this paragraph shall operate to change the basis for measuring investment return on Memorandum Accounts upon a Change in Control only if such change would then be consistent with continued exemption of interests hereunder from the definition of "derivative securities" under Rule 16a-1(c) promulgated under the Securities Exchange Act of 1934, as amended (or any successor Rule). The earnings shall be determined and shall accrue as of each Valuation Date until all amounts have been paid to or on behalf of the Supplemental Plan Participant.

3.2. Amount, Form and Timing of Benefit Payments.

(a) In General. In the event of a Supplemental Plan Participant's Separation from Service with the Employer for any reason, his or her vested balance under the Plan shall be paid, in the case of a single payment, within 60 days following such Separation or, in the case of annual installment payments, the first installment payment shall be made within 90 days following such Separation from Service, with subsequent payments made in January of each year thereafter. Notwithstanding the above, in the

case of a Supplemental Plan Participant who is a Specified Employee, payment shall be made, in the case of a single payment, on the date that is six (6) months following the date of such Separation or, in the case of annual installment payments, the first payment shall be made on the date that is six (6) months following such Separation, with subsequent payments made in January of each year thereafter.

All amounts payable hereunder shall be paid in cash or whole shares of common stock of the Corporation as follows:

(i) If a Supplemental Plan Participant was employed by the Employer on or after January 1, 2002, then payment shall be made in common stock; and

(ii) If a Supplement Plan Participant terminated employment with the Employer prior to January 1, 2002, then such payment shall be made in cash, unless such individual irrevocably elected, at such time and in such manner as prescribed by the Committee, to receive payment in common stock. A Supplemental Plan Participant shall be entitled to make one such election.

Paragraphs (i) and (ii) above, notwithstanding, amounts represented by fractional shares of common stock shall be paid in cash.

For purposes of this paragraph, the vested balance of a Supplemental Plan Participant's benefit under the Plan shall mean:

(i) in the event of a Supplemental Plan Participant's termination of employment with the Employer by reason of Retirement, death or becoming a Disabled Participant, the entire balance of his or her Memorandum Account; and

(ii) in the event of a Supplemental Plan Participant's termination of employment with the Employer other than by reason of Retirement, death or becoming a Disabled Participant, the product of (A) the balance of his or her Memorandum Account determined under Section 3.1, times (B) the percentage representing the vested interest of such Supplemental Plan Participant in his or her CRSP Account as determined under the vesting rules applicable to a Supplemental Plan Participant's Matching Account, Discretionary Contributions Account, and ESOP Allocation Account under the CRSP.

(b) Form-of-Payment Election. A Supplemental Plan Participant may elect to receive his or her benefits payable under the Plan in either a single payment or in annual installments for 3, 5 or 10 years (a "form-of-payment election"). Any person who is or was a Supplemental Plan Participant on December 31, 2008 and who has Section 409A deferrals under the Plan shall deliver a form-of-payment election in writing in a form and manner acceptable to the Committee on or before December 31, 2008. Such form-of-payment election will become irrevocable on December 31, 2008 (subject to Section 3.2(d)) and will be effective with respect to all Section 409A deferrals of the Supplemental Plan Participant. A Supplemental Plan Participant who first becomes eligible to participate in the Plan on or after January 1, 2009 shall make a form-of-payment election in accordance with Section 3.2(c). If a Supplemental Plan Participant

does not make any election with respect to the payment of his or her Memorandum Account, then such benefits shall be paid in a single payment as described in Section 3.2(a). If the Supplemental Plan Participant's Memorandum Account is to be distributed in installments, the amount of each installment shall be calculated so as to result in equal installments over the installment period by (1) dividing the balance of the Supplemental Plan Participant's Memorandum Account on the date of Separation from Service by the closing price of one share of Cabot common stock on the New York Stock Exchange on such date and (2) dividing the amount obtained in (1) by the number of installments to be paid. Any amount(s) credited to a cash subaccount pursuant to Section 3.1(d) shall be paid in cash with the installment payment next following the date such amount is credited to the subaccount. Except as provided below in Section 3.2(f), a Supplemental Plan Participant may have only one form-of-payment election in effect at any time with respect to his or her Memorandum Account and such election shall control the manner in which the entirety of the Account will be paid.

(c) First Year of Participation. Notwithstanding Section 3.2(b) above, an individual who first satisfies the eligibility criteria of the Plan during the course of a calendar year and accordingly accrues a benefit under Section 2.1 for such calendar year may make a form-of-payment election by delivering to the Committee or its designee an election in writing, in a form and manner acceptable to the Committee or its designee, by December 31 of such calendar year, and such election shall govern the payment of any benefits accrued during such calendar year and subsequent years. If a Supplemental Plan Participant does not make any election with respect to the payment of his or her Memorandum Account, then such benefits shall be paid in a single payment as described in Section 3.2(a). This Section 3.2(c) is intended to comply with Treas. Regs. § 1.409A-2(a)(7)(iii) (relating to first year of eligibility in excess benefit plans), and shall be construed accordingly.

(d) Election Changes in General. The Supplemental Plan Participant may change his or her form-of-payment election by submitting a new election to the Committee or its designee, provided, that no election made under this Section 3.2(d) shall take effect until twelve (12) months after it is made. Except as provided in Section 3.2(e) below, if a Supplemental Plan Participant changes a form-of-payment election, payment or commencement of payment of the benefit payable under the new form-of-payment election shall be delayed by five years measured from the date on which the pre-change form of payment would have been made or commenced. For example, (A) under a valid change in payment form from a single payment to installments, the first installment payment shall be made five years after the date the single payment would otherwise have been paid, and (B) under a valid change from an installment form of payment to a single payment, the single payment shall be paid five years after the first installment would have been made. Any change election made in accordance with this Section 3.2(d) shall be binding on the Supplemental Plan Participant when made and may be altered only by a subsequent change election that complies with the requirements of this Section 3.2(d).

(e) Section 409A Transition Period. Notwithstanding the above, a Supplemental Plan Participant may, consistent with the transition rules under Section 409A, change a form-of-payment election without regard to the limitations of Section 3.2(d) above if such election is made in writing in a form and manner acceptable to the Committee or its designee on or before December 31, 2008; provided, however, that such election will not be effective with respect to a Supplemental Plan Participant who Separates or Separated from Service in the same calendar year in which such election is made.

(f) Grandfathered Deferrals. Notwithstanding the above, (i) a form-of-payment election as described in Section 3.2(b), (ii) a changed form-of-payment election as described in Section 3.2(d) and (iii) a transition election as described in Section 3.2(e) in each case will apply only to the portion of a Supplemental Plan Participant's Memorandum Account that is attributable to Section 409A deferrals as defined in the Preamble of the Plan. A Supplemental Plan Participant may elect a form of payment or change a form-of-payment election with respect to grandfathered deferrals only in accordance with the terms of the Plan as in effect on December 31, 2004 (Appendix A). Accordingly, and notwithstanding anything herein to the contrary, a Supplemental Plan Participant who has both grandfathered and Section 409A deferrals under the Plan may have separate form-of-payment elections in effect at one time with respect to each type of deferral.

(g) Accounts less than $50,000. Notwithstanding a Participant's election under Section 3.2(b) to receive installment payments, if the present value of the amount to be paid in installments as calculated pursuant to Section 3.2(b) is less than $50,000 at the time of the Participant's Separation from Service, the Committee shall distribute the vested balance of such Participant's Memorandum Account in a single payment within 60 days following such Separation.

(h) Death of Participant. If a Supplemental Plan Participant dies while still employed by the Employer, or following a Separation from Service but prior to the complete distribution of his or her vested benefit, the vested balance of the Supplemental Plan Participant's account shall be paid to his or her Beneficiary in a lump sum as soon as reasonably practicable, but no later than 60 days, following such Participant's death; provided, however, that the Company shall not be liable to the Participant nor to the estate nor beneficiary of the Participant, by reason of any acceleration of income or additional tax under Section 409A of the Code, or for any other reason in connection with the timely payment of any amount under this Section 3.2(h). The Committee reserves the right to request a certified death certificate or other confirmation of death satisfactory to the Committee at its discretion with respect to a payment to be made to the Participant's Beneficiary, and if so requested by the Committee, the provision of such confirmation of death shall be a precondition to payment to the Participant's Beneficiary.

3.3. Nature of Memorandum Account. The Memorandum Account maintained by the Corporation for a Supplemental Plan Participant shall be a book-entry account only, shall hold no actual shares of the Corporation's stock, and shall represent no interest in or ownership of any such stock. Supplemental Plan Participants shall have no voting rights or any other shareholder rights by reason of participation in this Plan.

3.4. No Payment While Employed. No amounts accrued hereunder on behalf of a Supplemental Plan Participant may be distributed prior to his or her Separation from Service with the Employer. If a Supplemental Plan Participant who Separated from Service returns to the employ of the Employer, any benefits remaining to be paid to such Supplemental Plan Participant shall continue to be paid pursuant to Section 3.2 as if no such reemployment had occurred.

3.5. Benefits Unfunded. This Plan shall not be construed to create a trust of any kind or a fiduciary relationship between any Employer and a Supplemental Plan Participant. Neither Supplemental Plan Participants nor their beneficiaries, nor any other person, shall have any rights against any Employer or its assets in respect of any benefits hereunder, other than rights as general creditors. Nothing in this Section 3.5, however, shall preclude an Employer from establishing and funding a trust for the purpose of paying benefits hereunder, if such trust's assets are subject to the claims of the Employer's general creditors in the event of bankruptcy or insolvency.

3.6. Designation of Beneficiary. A Supplemental Plan Participant may designate, in writing, one or more beneficiaries under this Supplemental Plan, who may be the same as or different than those named under the CRSP to receive benefits, if any, payable upon the Supplemental Plan Participant's death; provided, that in the case of a Supplemental Plan Participant who is married at time of death, the Supplemental Plan Participant's surviving spouse shall be treated as the sole Beneficiary unless he or she has consented (in accordance with procedures similar to those in the CRSP relating to spousal consent) to the designation of one or more other Beneficiaries. In the absence of any beneficiary so designated, benefits payable following death shall be paid to the Supplemental Plan Participant's surviving spouse, if any; if none, to such person or persons (including the decedent's estate) as are designated to receive any benefits remaining to be paid under the CRSP; or if none of the foregoing, to such person or persons as shall be designated by the Committee.

SECTION 4 Certain Forfeitures

4.1. Termination for Cause. Notwithstanding anything to the contrary in this Plan, benefits payable hereunder shall be forfeited by the Supplemental Plan Participant if the Supplemental Plan Participant's Separation from Service was requested by the Employer and the termination was determined by the Committee to be for "cause." For purposes of this Plan, "cause" shall mean any action or failure to act by the Supplemental Plan Participant which the Committee in its sole discretion determines to have constituted negligence or misconduct in the performance of the Supplemental Plan Participant's duty to his or her Employer. Notwithstanding the foregoing provisions of this Section 4.1, in respect of any termination of a Supplemental Plan Participant's employment requested by an Employer within the two-year period immediately following a Change in Control, "cause" shall mean only (i) the willful and continued failure by the Supplemental Plan Participant to substantially perform his or her duties with his or her Employer, after a written demand for substantial performance is delivered to the Supplemental Plan Participant by the Employer which demand specifies the manner in which the Employer believes that the Supplemental Plan Participant has not substantially performed the Supplemental Plan Participant's duties, or (ii) the willful engaging by the Supplemental Plan Participant in conduct which is demonstrably and materially injurious to the Employer,

monetarily or otherwise. For purposes of clauses (i) and (ii) of the preceding sentence, no act, or failure to act, on the Supplemental Plan Participant's part shall be deemed "willful" unless done, or omitted to be done, by the Supplemental Plan Participant not in good faith and without reasonable belief that the Supplemental Plan Participant's act or failure to act was in the best interest of the Employer.

4.2. Other Separations from Service. In the event of a Supplemental Plan Participant's Separation from Service other than by reason of death, Retirement or becoming a Disabled Participant, that portion of his or her Memorandum Account balance that is not payable under Section 3.2(a) shall be promptly forfeited. If such Supplemental Plan Participant is later reemployed by the Employer under circumstances entitling him or her to a restoration of all or a portion of his or her account balance under the CRSP, the Committee shall make an appropriate corresponding restorative adjustment to his or her Memorandum Account hereunder.

SECTION 5 Administration

5.1. Duties of Committee. This Plan shall be administered by the Committee in accordance with its terms and purposes. The Committee shall determine, in accordance with Section 3 hereunder, the amount and manner of payment of the benefits due to or on behalf of each Supplemental Plan Participant from this Plan and shall cause them to be paid by the Corporation accordingly. The Committee may delegate its powers, duties and responsibilities to one or more individuals (including in the Committee's discretion employees of one or more Affiliated Employers) or one or more committees of such individuals.

5.2. Finality of Decision. The decisions made by and the actions taken by the Committee in the administration of this Plan shall be final and conclusive with respect to all persons, and neither the Committee nor individual members thereof, nor its or their delegates hereunder, shall be subject to individual liability with respect to this Plan.

5.3. Benefit Claims; Appeal and Review.

(a) If any person believes that he or she is being denied any rights or benefits under this Plan, such person may file a claim in writing with the Committee or its designee. If any such claim is denied the Committee or its designee will notify such person of its decision in writing. Such notification shall be written in a manner calculated to be understood by such person and will contain (i) specific reasons for denial, (ii) specific reference to pertinent plan provisions, (iii) a description of any additional material or information necessary for such person to perfect such claim and an explanation of why such material or information is necessary, and (iv) information as to the steps to be taken if the person wishes to submit a request for review.

Such notification will be given within 90 days after the claim is received by the Committee or its designee (or within 180 days, if special circumstances require an extension of time for processing the claim, and if written notice of such extension and circumstances is given to such person within the initial 90-day period). If such notification is not given within such period, the claim will be considered denied as of the last day of such period and such person may request a review of his or her claim by the Committee.

(b) Within 60 days after the date on which a person receives a written notice of a denied claim (or, if applicable, within 60 days after the date on which such denial is considered to have occurred) such person (or his or her duly authorized representative) may (i) file a written request with the Committee for a review of his or her denied claim and of pertinent documents and (ii) submit written issues and comments to the Committee. The Committee will notify such person of its decision in writing. Such notification will be written in a manner calculated to be understood by such person and will contain specific reasons for the decision as well as specific references to pertinent Plan provisions. The decision on review will be made within 60 days after the request for review is received by the Committee (or within 120 days, if special circumstances require an extension of time for processing the request, such as an election by the Committee to hold a hearing, and if written notice of such extension and circumstances is given to such person within the initial 60-day period). If the decision on review is not made within such period, the claim will be considered denied.

SECTION 6 Amendment and Termination

6.1. Amendment and Termination. While the Corporation intends to maintain this Plan in conjunction with the CRSP for as long as it deems necessary, the Board of Directors reserves the right to amend and/or terminate it at any time for whatever reasons it may deem appropriate; provided, that no such amendment shall reduce the balance of any Supplemental Plan Participant's Memorandum Account as of the Valuation Date next preceding the date of such amendment unless the Supplemental Plan Participant consents to such reduction.

Notwithstanding any other provision hereunder, during the two-year period immediately following a Change in Control, this Plan may not be terminated, altered or amended in a way that would decrease future accrual of, eligibility for, or entitlement to, benefits hereunder. This Section 6.1 may not be altered or amended during that same two-year period in any way except with the prior written consent of all of the then Supplemental Plan Participants.

Upon termination of the Plan, payments hereunder shall be accelerated only to the extent permitted by Section 409A.

SECTION 7 Miscellaneous

7.1. No Employment Rights. Nothing contained in this Plan shall be construed as a contract of employment between any Affiliated Employer and a Supplemental Plan Participant, or as giving any Supplemental Plan Participant the right to be continued in the employment of an Affiliated Employer, or as a limitation of the right of an Affiliated Employer to discharge any Supplemental Plan Participant, with or without cause.

7.2. Assignment. Subject to the provisions of this Plan relating to payment of benefits upon the death of a Supplemental Plan Participant, the benefits payable under this Plan may not be assigned, alienated, transferred, pledged, or encumbered.

7.3. Withholding, Etc. Benefits payable under this Plan shall be subject to all applicable federal, state or other tax withholding requirements. To the extent any amount credited hereunder to a Supplemental Plan Participant's account is treated as "wages" for FICA/Medicare or FUTA tax purposes on a current basis (or when vested), rather than when distributed, all as determined by the Committee, then the Committee shall require that the Supplemental Plan Participant either (i) timely pay such taxes in cash by separate check to his or her Affiliated Employer, or (ii) make other arrangements satisfactory to such Employer (e.g., additional withholding from other wage payments) for the payment of such taxes. To the extent a Supplemental Plan Participant fails to pay or provide for such taxes as required, the Committee may suspend the Supplemental Plan Participant's participation in the Plan or reduce amounts credited or to be credited hereunder.

7.4. Distribution of Taxable Amounts. Anything in the Plan to the contrary notwithstanding, in the event an amount deferred under the Plan gives rise to an income inclusion under Section 409A, or state, local or foreign tax obligations, or the income tax at source on wages imposed under Section 3401 prior to the time otherwise payable hereunder, an amount equal to the aggregate amount of such income inclusion (in the case of a Section 409A income inclusion) or the aggregate amount of such taxes shall be paid from the affected Supplemental Plan Participant's Memorandum Account to such Supplemental Plan Participant or Beneficiary, in each case to the extent permitted by Section 409A. Any amount to the credit of a Supplemental Plan Participant's Account shall be determined to be includible in income under Section 409A upon the earlier of:

(a) determination by the Internal Revenue Service addressed to the Supplemental Plan Participant or Beneficiary which is not appealed; or

(b) a final determination by the United States Tax Court or any other Federal Court affirming any such determination by the Internal Revenue Service that amounts credited to a Supplemental Plan Participant's Account are includible in income under Section 409A.

7.5. No Guarantee of Benefits. Nothing contained in the Plan shall constitute a guarantee by the Corporation, Affiliated Employer, the Committee, or any other person or entity that the assets of the Corporation or Affiliated Employers will be sufficient to pay any benefits hereunder. No Supplemental Plan Participant shall have any right to receive a benefit payment under the Plan except in accordance with the terms of the Plan.

The Corporation, Affiliated Employers, and Committee do not in any way guarantee any Supplemental Plan Participant's Memorandum Account against loss or depreciation, whether caused by poor performance of an earnings measure or by any other event or occurrence. In no event shall the employees, officers, directors, or stockholders of the Corporation or Affiliated Employers be liable to any individual or entity on account of any claim arising by reason of the Plan provisions or any instrument or instruments implementing its provisions, or for the failure of any Supplemental Plan Participant, Beneficiary or other individual or entity to be entitled to any particular tax consequences with respect to the Plan or any credit or payment hereunder.

7.6. Incapacity of Recipient. If any person entitled to a benefit payment under the Plan is deemed by the Committee to be incapable of personally receiving and giving a valid receipt for such payment, then, unless and until claim therefor shall have been made by a duly appointed guardian or other legal representative of such person, the Committee may provide for such payment or any part thereof to be made to any other person or institution then contributing toward or providing for the care and maintenance of such person.

Any such payment shall be a payment for the account of such person and a complete discharge of any liability of the Corporation and Affiliated Employers and the Plan therefor.

7.7. Limitations on Liability. Notwithstanding any of the preceding provisions of the Plan, neither the Corporation nor Affiliated Employers, nor any individual acting as employee or agent of the foregoing, nor the Committee shall be liable to any Supplemental Plan Participant or other person for any claim, loss, liability or expense incurred in connection with the Plan. Neither the Corporation nor any of its officers or directors, nor any other person charged with administrative responsibilities under the Plan, shall be liable to any employee or former employee of the Corporation, or to any spouse or other beneficiary of any such employee or former employee, by reason of the failure of any benefit hereunder to comply with the requirements of Section 409A.

7.8. Provisions to Facilitate Plan Operations. If it is impossible or difficult to ascertain the person to receive any benefit under the Plan, the Committee may, in its discretion and subject to applicable law, direct payment to the person it deems appropriate consistent with the Plan's purposes; or retain such amounts in the Plan for payment to a court pending judicial determination of the rights thereto. Any payment under this Section 7.8 shall be a complete discharge of any liability for the making of such payment under the provisions of the Plan.

7.9. Correction of Payment Mistakes. Any mistake in the payment of a Supplemental Plan Participant's benefits under the Plan may be corrected by the Committee when the mistake is discovered. The mistake may be corrected in any reasonable manner authorized by the Committee (e.g., adjustment in the amount of future benefit payments, repayment to the Plan of an overpayment, or catch-up payment to a Supplemental Plan Participant for an underpayment). In appropriate circumstances (e.g., where a mistake is not timely discovered), the Committee may waive the making of any correction. A Supplemental Plan Participant or Beneficiary receiving an overpayment by mistake shall repay the overpayment if requested to do so by the Committee.

7.10. Schedules. The Committee may by Schedule modify the benefits available hereunder to one or more specified individuals. The provisions of each such Schedule shall, with respect to the individual or individuals thereby affected, be deemed a part of the Plan and shall be incorporated herein.

7.11. Law Applicable. This Plan shall be construed in accordance with the laws of the Commonwealth of Massachusetts.

IN WITNESS WHEREOF, this instrument is executed this 31st day of December, 2008.

CABOT CORPORATION

By: /s/ Robby D. Sisco
Vice President, Human Resources

APPENDIX A

[copy of December 31, 2004 Plan document]

Exhibit 10.3

AMENDMENT TO
CABOT CORPORATION
SENIOR MANAGEMENT SEVERANCE PROTECTION PLAN

Cabot Corporation, a Delaware corporation (the "Company"), pursuant to Section 8.2 of the Cabot Corporation Senior Management Protection Plan (the "Plan") and Section 4.F of the Cabot Corporation Benefits Committee Amended and Restated Charter (the "Charter"), hereby amends the Plan effective January 1, 2009, as follows:

1. The following three sentences are added at the end of Article I, Establishment of Plan:

"The Plan is intended to comply with the requirements of Section 409A, including the transition rules and exemptive relief provisions thereunder, and shall be construed and administered accordingly. A termination of employment shall not be deemed to have occurred for purposes of any provision of the Plan providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Section 409A and, for purposes of any such provision of the Plan, references to a "termination," "termination of employment" or like terms shall mean "separation from service". Notwithstanding the above, neither the Company nor any of its officers or directors, nor any other person charged with administrative responsibilities under the Plan, shall be liable to any Participant or former Participant, or to any spouse or other beneficiary of any such Participant, by reason of the failure of any benefit hereunder to comply with the requirements of Section 409A."

2. The following definition is added at Section 2.19 and the definitions previously numbered 2.19 and above are renumbered accordingly:

"2.19 "Section 409A" means Section 409A of the Internal Revenue of 1986, as amended from time to time, including guidance issued thereunder."

3. The following new Section 4.2(f) is added:

"4.2(f) All business or legal expenses or other reimbursements or in-kind benefits payable under the Plan that would constitute nonqualified deferred compensation subject to Section 409A, including any continuation of benefits during the Continuation Period in Section 4.2(d) and any outplacement services in Section 4.2(e), to the extent Section 409A is applicable in each case, shall be subject to the following requirements: (i) they shall be paid during the specified period or periods set forth in the Plan, but in no event later than the last day of the taxable year following the taxable year in which such expenses were incurred by the Participant, (ii) no such reimbursement or expenses eligible for reimbursement in any taxable year shall in any way affect the Participant's right to reimbursement of any other expenses eligible for reimbursement in any other taxable year, and (iii) the Participant's right to reimbursement or in-kind benefits shall not be subject to liquidation in exchange for any other benefit."

4. The following new Section 4.2(g) is added:

"4.2(g) Notwithstanding any other payment schedule provided in the Plan to the contrary, if the Participant is identified on the date of his separation from service as a "specified employee" as defined below, then, with regard to any payment that is considered nonqualified deferred compensation subject to Section 409A and payable on account of a "separation from service," such payment shall be made on the date which is the earlier of (A) the expiration of the six (6)-month period measured from the date of the Participant's "separation from service" and (B) the date of the Participant's death (the "Delay Period") to the extent required under Section 409A. Upon the expiration of the Delay Period, all payments delayed pursuant to this Section shall be paid to the Participant in a lump sum, and all remaining payments due under the Plan shall be paid or provided in accordance with the normal payment dates specified for them therein. "Specified employee" means a Participant who (i) has a separation from service in the period beginning July 1 of any given year and ending June 30 of the following year and (ii) was a "key employee" (determined under Section 416(i)(1)(A)(i), (ii) or (iii) of the Code, applied in accordance with the regulations thereunder and disregarding Section 416(i)(5) of the Code) at any time during the 12-month period ending on the March 31 immediately preceding such July 1; provided, however, that such Participant will be treated as a specified employee hereunder only if on the date of such Participant's separation from service, the Company (or any other corporation treated as a single employer with the Company) is a corporation any stock of which is publicly traded on an established securities market or otherwise."

5. A new Section 4.5(d) is added as follows:

"Any tax gross up paid by the Company pursuant to this Section 4.5 shall be paid as provided above, but in any event no later than the end of the Participant's taxable year next following the taxable year in which the Participant remits the related taxes to the relevant taxing authorities or, where no taxes are remitted, but expenses are incurred as a result of an audit or litigation related to such tax liability, such expenses shall be paid or reimbursed no later than the end of the Participant's taxable year next following the taxable year in which the audit is completed or there is a final settlement or resolution of the litigation."

In Witness Whereof, the Company has caused this Amendment to be signed by its duly authorized officer this 31st day of December 2008 and the undersigned officer certifies that the Charter has been approved by a resolution duly adopted by the Company's Board of Directors.

CABOT CORPORATION

By: /s/ Robby D. Sisco
Name: Robby D. Sisco
Vice President, Human Resources

Exhibit 10.4

AMENDMENT TO
CABOT CORPORATION
SHORT-TERM INCENTIVE COMPENSATION PLAN

Cabot Corporation, a Delaware corporation (the "Company"), pursuant to Section VIII of the Cabot Corporation Short-Term Incentive Compensation Plan (the "Plan") and Section 4.F of the Cabot Corporation Benefits Committee Amended and Restated Charter (the "Charter"), hereby amends the Plan effective January 1, 2009, as follows:

A new Section VI is added as follows and the sections previously numbered VI and above are renumbered accordingly:

"Unless an Award letter or other documentation establishing an Award provides a specified and objectively determinable payment date or schedule to the contrary, all payments under the Plan will be made after the right to payment vests and in all events by March 15 of the calendar year following the calendar year in which the right to payment vests (or, if later, by the 15th day of the third month following the end of the Company's taxable year in which the right to payment vests). For purposes of the foregoing sentence, a right to payment will be treated as having vested when it is no longer subject to a substantial risk of forfeiture. Payments hereunder are intended to fall under the short-term deferral exception to Section 409A of the Internal Revenue Code of 1986, as amended, and shall be construed and administered accordingly."

In Witness Whereof, the Company has caused this Amendment to be signed by its duly authorized officer this 31st day of December 2008.

CABOT CORPORATION

By: /s/ Robby D. Sisco
Name: Robby D. Sisco
Vice President, Human Resources

Exhibit 10.5

AMENDMENT NO. 2
TO
CABOT CORPORATION
AMENDED AND RESTATED DEFERRED COMPENSATION PLAN

Cabot Corporation, a Delaware corporation (the "Company"), pursuant to Section 9 of the Cabot Corporation Amended and Restated Deferred Compensation Plan, as amended November 9, 2007 (the "Plan"), hereby amends the Plan, as follows, effective January 1, 2009:

1. The following definitions are added as Sections 2.16 and 2.17 and the prior Section 2.16 is renumbered as 2.18:

Section 2.16 "Separation from Service." A "separation from service" (as that term is defined at Treas. Regs. § 1.409A-1(h)) from the Company and from all other corporations and trades or businesses, if any, that would be treated as a single "service recipient" with the Company under Treas. Regs. § 1.409A-1(h)(3). Wherever the terms "separation from service", "termination of employment" (or other correlative terms) appearing in the Plan affect a Participant's entitlement to, or the timing of, the payment of any amount of deferred compensation subject to Section 409A of the Code, such terms shall be construed to require a "Separation from Service" as defined in this Section 2.16.

Section 2.17 "Specified Employee." A Participant who (i) has a Separation from Service in the period beginning July 1 of any given year and ending June 30 of the following year and (ii) was a "key employee" (determined under Section 416(i)(1)(A)(i), (ii) or (iii) of the Code, applied in accordance with the regulations thereunder and disregarding Section 416(i)(5) of the Code) at any time during the 12-month period ending on the March 31 immediately preceding such July 1; provided, however, that such Participant will be treated as a Specified Employee hereunder only if at the date of such Participant's Separation from Service, the Company (or any other corporation forming part of the Employer) is a corporation any stock of which is publicly traded on an established securities market or otherwise.

2. Section 5(a) is amended in its entirety to read as follows:

(a) Form and timing of distributions; in general. Amounts credited to a Participant's Account for any year under Section 4(a) above (the "deferral year")

(i) consisting of the Participant's deferrals under Section 3, adjusted for notional earnings under Section 4(b) above, shall be paid as the Participant elects either

(x) upon the expiration of a fixed period of years, but in no event earlier than the third anniversary of the beginning of the deferral year (a "fixed-period election"), or

(y) upon the Participant's Separation from Service (a "separation-from-service election"); and

(ii) consisting of credits to the Participant's Account made by the Employer, adjusted for notional earnings under Section 4(b) above, shall be paid upon the Participant's Separation from Service.

Any election made under this Section 5(a) shall not be effective for any deferral year unless made prior to the beginning of the deferral year or within 30 days of the Participant's becoming eligible to participate in the Plan, in the case of an initial year of participation described in Section 3(b) above, and once made shall be irrevocable.

An amount distributable pursuant to a fixed-period election shall be paid in a lump sum in January of the year specified in such fixed-period election (a "fixed-period payment date"). Any amount distributable pursuant to 5(a)(ii) for the deferral year to which a fixed-period election relates shall be paid in a lump sum as soon as reasonably practicable upon the Participant's Separation from Service, but no later than 60 days following such Separation. If the Participant Separates from Service prior to a fixed-period payment date, the amount that would otherwise have been payable on such date shall instead be paid in a lump sum as soon as reasonably practicable, but no later than 60 days following such Separation.

Upon making a separation-from-service election, a Participant may elect to have amounts distributable under both sections 5(a)(i) and 5(a)(ii) for the deferral year to which such election relates paid either in a lump sum or in installments over a period of three, five or ten years (a "form-of-payment election"). If a Participant chooses a lump sum form of payment, such lump sum shall be paid as soon as reasonably practicable, but no later than 60 days following the Participant's Separation from Service, subject to any election change pursuant to Section 5(b). If a Consultant or an Eligible Employee chooses an installment form of payment, installment payments shall be paid biweekly in each regular payroll payment of the Company and shall commence as of the first payroll period of the Company in the calendar year following the calendar year in which such Participant Separates from Service, subject to any election change pursuant to Section 5(b). If a Director chooses an installment form of payment, installment payments shall be paid quarterly and shall commence as of the last day of the quarter in which the Director Separates from Service. Notwithstanding a Participant's election under this Section 5(a) to receive installment payments, if the present value of the amount to be paid in installments is less than $50,000 at the time of the Participant's Separation from Service, all amounts otherwise distributable to such Participant as installments shall be paid in a lump sum as soon as reasonably practicable, but no later than 60 days following such Separation.

A Participant may have more than one fixed-period payment election in effect at one time with respect to his or her Account and may have both a fixed-period payment election or elections and a separation-from-service election in effect at one time with respect to his or her Account. For example, a Participant may elect to have deferrals for 2008 paid in 2012, deferrals for 2009 paid upon Separation from Service, and deferrals for 2010 paid in 2015. However, except as provided below in Section 5(c), a Participant may have only one form of payment election in effect at any time with respect to all amounts the Participant has elected to have paid upon Separation from Service under Sections 5(a)(i)(y) and 5(a)(ii).

3. Section 5(d) is amended in its entirety to read as follows:

" Key Employees. Notwithstanding the provisions of Section (a) above, any lump sum payment distributable upon the separation from service of a Participant who is a Specified Employee shall be paid on the date that is six months after the date of the Participant's Separation from Service. If a Participant who is a Specified Employee has elected an installment form of payment, any installment payments payable during the first six months following the date of such Participant's separation from service shall instead be paid on the later of (i) the date provided in Section 5(a) and (ii) the date that is six months following such Participant's Separation from Service."

4. The second sentence of Section 5(e) is replaced in its entirety with the following two sentences:

" If death occurs prior to the commencement or completion of installment distributions to the Participant, the Administrator shall distribute the remaining balance of the decedent's Account to the designated beneficiary(ies), or to the decedent's estate where applicable, in a lump sum as soon as reasonably practicable, but no later than 90 days, following such Participant's death; provided, however, that the Company shall not be liable to the Participant nor to the estate nor beneficiary of the Participant, by reason of any acceleration of income or additional tax under Section 409A of the Code, or for any other reason in connection with the timely payment of any amount under this Section 5(e). The Administrator reserves the right to request a certified death certificate or other confirmation of death satisfactory to the Administrator at his or her discretion with respect to a payment to be made to the Participant's beneficiary, and if so requested by the Administrator, the provision of such confirmation of death shall be a precondition to payment to the Participant's beneficiary."

5. Section 5(g)(ii) is amended by replacing the word "monthly" each place it occurs in such Section with the word "biweekly."

In Witness Whereof, the Company has caused this Amendment to be signed by its duly authorized officer this 31st day of December, 2008.

CABOT CORPORATION

By: /s/ Robby D. Sisco
Its: Vice President, Human Resources

EXHIBIT 31.1

Principal Executive Officer Certification

I, Patrick M. Prevost, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cabot Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2009

/s/ Patrick M. Prevost

Patrick M. Prevost
President and Chief Executive Officer

EXHIBIT 31.2

Principal Financial Officer Certification

I, Jonathan P. Mason, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cabot Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2009

/s/ Jonathan P. Mason

Jonathan P. Mason

Executive Vice President and Chief Financial Officer

EXHIBIT 32

Certifications Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002

In connection with the filing of the Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 (the "Report") by Cabot Corporation (the "Company"), each of the undersigned hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

1. The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ PATRICK M. PREVOST
Patrick M. Prevost
President and Chief Executive Officer
February 9, 2009

/s/ JONATHAN P. MASON
Jonathan P. Mason
Executive Vice President and
Chief Financial Officer
February 9, 2009