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, 2005

or

o **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, and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. Large accelerated filer ☑ Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o 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 6, 2006 the Company had 63,245,807 shares of Common Stock, par value $1 per share, outstanding.

CABOT CORPORATION

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Part I. Financial Information

Item 1. ***Financial Statements***

CABOT CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
Three Months Ended December 31, 2005 and 2004
(In millions, except per share amounts)
(Unaudited)

	2005	2004
Net sales and other operating revenues	$ 587	$ 495
Cost of sales	481	378
Gross profit	106	117
Selling and administrative expenses	58	54
Research and technical expenses	13	15
Income from operations	35	48
Interest and dividend income	2	2
Interest expense	(6)	(8)
Other income (expense)	(4)	3
Income from continuing operations before income taxes	27	45
Provision for income taxes	(4)	(9)
Equity in net income of affiliated companies, net of tax of $1 and $0	3	2
Minority interest in net income, net of tax of $1 and $1	(4)	(3)
Income from continuing operations	22	35
Cumulative effect of an accounting change, net of tax of $1	2	—
Net income	24	35
Dividends on preferred stock, net of tax benefit of $0 and $0	(1)	(1)
Net income available to common shares	$ 23	$ 34
Weighted-average common shares outstanding, in millions:		
Basic	60	60
Diluted	68	69
Income per common share:		
Basic:		
Continuing operations	$ 0.35	$ 0.58
Cumulative effect of an accounting change	0.04	—
Net income per share — basic	$ 0.39	$ 0.58
Diluted:		
Continuing operations	$ 0.31	$ 0.51
Cumulative effect of an accounting change	0.04	—
Net income per share — diluted	$ 0.35	$ 0.51
Dividends per common share	$ 0.16	$ 0.16

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

CABOT CORPORATION

CONSOLIDATED BALANCE SHEETS
(In millions)

ASSETS
(Unaudited)

	December 31, 2005	September 30, 2005
Current assets:		
Cash and cash equivalents	$ 120	$ 181
Short-term marketable securities investments	15	30
Accounts and notes receivable, net of reserve for doubtful accounts of $6 and $4	480	430
Inventories:		
Raw materials	175	169
Work in process	110	134
Finished goods	183	151
Other	46	41
Total inventories	514	495
Prepaid expenses and other current assets	59	66
Assets held for sale	5	5
Deferred income taxes	43	41
Total current assets	1,236	1,248
Investments:		
Equity affiliates	54	63
Long-term marketable securities and cost investments	4	6
Total investments	58	69
Property, plant and equipment	2,332	2,262
Accumulated depreciation and amortization	(1,444)	(1,430)
Net property, plant and equipment	888	832
Other assets:		
Goodwill	34	25
Intangible assets, net of accumulated amortization of $9 and $9	6	6
Assets held for rent	37	37
Deferred income taxes	106	108
Other assets	60	49
Total other assets	243	225
Total assets	$ 2,425	$ 2,374

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

CABOT CORPORATION

CONSOLIDATED BALANCE SHEETS

(In millions, except for share and per share amounts)

LIABILITIES & STOCKHOLDERS' EQUITY
(Unaudited)

	December 31, 2005	September 30, 2005
Current liabilities:		
Notes payable to banks	$ 46	$ 34
Accounts payable and accrued liabilities	350	321
Income taxes payable	39	30
Deferred income taxes	1	1
Current portion of long-term debt	26	47
Total current liabilities	462	433
Long-term debt	472	463
Deferred income taxes	14	15
Other liabilities	307	307
Commitments and contingencies (Note I)		
Minority interest	62	57
Stockholders' equity:		
Preferred stock:		
Authorized: 2,000,000 shares of $1 par value		
Series B ESOP Convertible Preferred Stock 7.75% Cumulative issued: 75,336 shares, outstanding: 59,789 and 61,068 shares (aggregate per share redemption value of $43 and $44)	60	61
Less cost of shares of preferred treasury stock	(38)	(38)
Common stock:		
Authorized: 200,000,000 shares of $1 par value		
Issued and outstanding: 63,158,692 and 62,971,872 shares	63	63
Less cost of shares of common treasury stock	(5)	(5)
Additional paid-in capital	9	32
Retained earnings	1,128	1,127
Unearned compensation	—	(41)
Deferred employee benefits	(41)	(42)
Notes receivable for restricted stock	(19)	(19)
Accumulated other comprehensive loss	(49)	(39)
Total stockholders' equity	1,108	1,099
Total liabilities and stockholders' equity	$ 2,425	$ 2,374

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

CABOT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
Three Months Ended December 31, 2005 and 2004

(In millions)
(Unaudited)

	2005	2004
Cash Flows from Operating Activities:		
Net income	$ 24	$ 35
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation and amortization	30	35
Deferred tax provision	4	2
Cumulative effect of an accounting change	(2)	—
Equity in income of affiliated companies	(3)	(2)
Non-cash compensation, net	6	7
Other non-cash charges, net	7	5
Changes in assets and liabilities (net of effect of acquisition):		
Accounts and notes receivable	(18)	(16)
Inventory	(19)	(28)
Prepayments and other current assets	5	(7)
Accounts payable and accrued liabilities	(17)	(14)
Income taxes payable	9	1
Other liabilities	(15)	(6)
Other, net	6	(3)
Cash provided by operating activities	17	9
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(49)	(30)
Cash paid for acquisition of affiliate, net of cash acquired	(19)	—
Proceeds from sales of property, plant and equipment	—	1
Increase in assets held for rent	—	(1)
Purchase of marketable securities investments	(23)	(25)
Proceeds from sale and maturity of marketable securities investments	42	15
Cash used in investing activities	(49)	(40)
Cash Flows from Financing Activities:		
Repayments of long-term debt	(31)	—
Increase in current portion of long-term debt	—	—
Increase in long-term debt	22	—
Decrease in notes payable to bank, net	(11)	1
Purchases of common stock	—	(10)
Sales of common stock	1	1
Cash dividends paid to stockholders	(11)	(11)
Cash used in financing activities	(30)	(19)
Effect of exchange rate changes on cash	1	5
Decrease in cash and cash equivalents	(61)	(45)
Cash and cash equivalents at beginning of period	181	159
Cash and cash equivalents at end of period	$ 120	$ 114

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, 2005
(In millions)
(Unaudited)

	Preferred Stock, Net of Treasury Stock	Common Stock, Net of Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Unearned Compensation	Deferred Employee Benefits	Notes Receivable for Restricted Stock	Total Stockholders' Equity	Total Comprehensive Income (Loss)
2006										
Balance at September 30, 2005	$ 23	$ 58	$ 32	$ 1,127	$ (39)	$ (41)	$ (42)	$ (19)	$ 1,099	
Net income				24						$ 24
Foreign currency translation adjustment					(11)					(11)
Change in unrealized loss on derivative instruments					1					1
Total comprehensive income									14	$ 14
Common dividends paid				(10)					(10)	
Issuance of stock under employee compensation plans, net of actual forfeitures		—	9						9	
Preferred stock conversion	(1)	—	1						—	
Preferred dividends paid to Employee Stock Ownership Plan, net of tax benefit				(1)					(1)	
Principal payment by Employee Stock Ownership Plan under guaranteed loan							1		1	
Reversal of unearned compensation due to FAS 123(R) implementation			(29)	(12)		41			—	
Cumulative effect of change in accounting principle			(4)						(4)	
Balance at December 31, 2005	$ 22	$ 58	$ 9	$ 1,128	$ (49)	$ —	$ (41)	$ (19)	$ 1,108	

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

CABOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2005
Unaudited

A. Basis of Presentation

The consolidated financial statements include the accounts of Cabot Corporation and its majority-owned and controlled U.S. and non-U.S. subsidiaries ("Cabot" or the "Company"). Intercompany transactions have been eliminated.

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, 2005 ("2005 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, 2005 and 2004. 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

Cabot derives most of its revenues from the sale of rubber blacks, performance products, inkjet colorants, fumed metal oxides and tantalum and related products and from the rental and sale of cesium formate. Revenue from product sales is typically recognized when the product is shipped and title and risk of loss have passed to the customer. Revenue from the rental of cesium formate is recognized throughout the rental period based on the contracted rental amount. Customers are also billed and revenue is recognized, typically at the end of the job, for cesium formate product that is not returned. Other operating revenues, which represents less than ten percent of total revenues, include tolling, servicing and royalties for licensed technology.

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 collectibility is probable. Cabot generally is 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.

Certain customer contracts contain price protection clauses that provide for the potential reduction in past or future sales prices. Cabot analyzes these contract provisions to determine if an obligation related to these clauses exists and records revenue net of any estimated price protection commitments.

Under certain multi-year supply contracts with declining prices and minimum volumes, Cabot recognizes revenue based on the estimated average selling price over the contract lives. At December 31, 2005 and September 30, 2005, Cabot had less than a million and $1 million, respectively, of revenue deferred related to certain supply agreements representing the difference between the billed price and the estimated average selling price. The deferred revenue will be recognized as customers purchase the contracted minimum volumes through 2006.

Cabot prepares its estimates for sales returns and allowances, discounts and volume rebates quarterly based primarily on historical experience and contractual obligations updated for changes in facts and circumstances, as appropriate. The Company offers certain of its customers cash discounts and volume rebates as sales incentives. The discounts and rebates are recorded as a reduction of sales at the time revenue is recognized based on historical experience. Rebates are estimated and recorded based primarily on historical

experience and contractual obligations. A provision for sales returns and allowances is recorded at the time of sale based on historical experience as a reduction of sales.

Accounts and notes receivable as of December 31, 2005 and September 30, 2005 primarily include trade accounts receivable, which arise in the normal course of business, income tax receivables of $24 million and $23 million, respectively, and the current portion of notes receivable of $8 million and $6 million, respectively. Trade receivables are recorded at the invoiced amount and do not bear interest. 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 a historical and prospective basis. Customer account balances are charged off against the allowance when Cabot determines it is probable the receivable will not be recovered. Provisions and charge-offs were significantly impacted by a $2 million provision for a customer that filed bankruptcy during the first quarter of fiscal 2006. The activity in the allowance was not material during the first fiscal quarter of 2005. There is no off-balance sheet credit exposure related to customer receivable balances.

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.

Asset Retirement Obligations

Cabot accounts for asset retirement obligations in accordance with Statement of Financial Accounting Standards ("FAS") No. 143, "Accounting for Asset Retirement Obligations". Cabot has determined that certain legal obligations exist primarily related to site restoration activities legally required upon the closing of certain facilities. However, until a closure date is determined for a facility, these facilities and the associated legal obligations have been determined to have an indeterminate life. Accordingly, the fair value of the liability cannot be reasonably estimated and an asset retirement obligation has not been recognized. Cabot had $4 million and $5 million of asset retirement obligations at December 31, 2005 and September 30, 2005, respectively, related to the closure of the Company's carbon black manufacturing facilities in Zierbena, Spain and Altona, Australia (as further discussed in the restructuring footnote at Note H). Cabot also had a $3 million reserve at both December 31, 2005 and September 30, 2005, related to the decommissioning of storage bins used in the Supermetals Business that can not be closed without governmental approval. There was no activity in this reserve balance during the three months ending December 31, 2005. Cabot expects the liability related to the Supermetals Business to be paid over the next twenty-four to thirty-six months.

C. Stock-Based Compensation

Cabot has two equity incentive plans, the 1996 Equity Incentive Plan and the 1999 Equity Incentive Plan, for key employees. No awards may be granted under the 1996 Equity Incentive Plan after December 11, 2005, although awards previously granted under the plan may extend beyond that date. Awards under the plans have been made primarily as part of Cabot's Long-Term Incentive Program, the terms of which are determined by the Compensation Committee of the Board of Directors. These awards consist of restricted stock, which has been issued at a discount to the fair market value (60% under the 1996 plan and 70% under the 1999 plan) on the date of the award, or nonqualified stock options with an exercise price equal to the fair market value of Cabot's common stock on the date of the award. Variations of the stock options and restricted stock are made to international employees in order to provide benefits comparable to U.S. employees. Restricted stock and stock options generally vest on the third anniversary of the date of grant for participants

then employed by Cabot, and the options generally expire five years from the date of grant. There are approximately 1.4 million shares available for future grants at December 31, 2005 under the 1999 Equity Incentive Plan.

Cabot had followed Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations, which resulted in the accounting for grants of awards to employees at their intrinsic value in the consolidated financial statements. On October 1, 2005, Cabot adopted FAS No. 123(R), "Accounting for Stock-Based Compensation," using the modified prospective method, which results in the provisions of FAS 123(R) being applied to the consolidated financial statements on a going-forward basis. Prior periods have not been restated. FAS 123(R) requires companies to recognize share-based payments to employees as compensation expense on a fair value method. Under the fair value recognition provisions of FAS 123(R), stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the service period, which generally represents the vesting period. The fair value of stock options is calculated using the Black-Scholes option-pricing model and the fair value of restricted stock is based on intrinsic value. The expense recognized over the service period is required to include an estimate of the awards that will be forfeited. Previously, Cabot recorded the impact of forfeitures as they occurred. In connection with the adoption of FAS 123(R) during the first quarter of fiscal year 2006, Cabot recorded a $2 million benefit (after-tax) from the cumulative effect of the change from recording forfeitures as they occur to estimating forfeitures during the service period. In addition, the previously recognized unearned compensation balance of $41 million, as of the date of adoption, which was included as a component of stockholders' equity, was reclassified to additional paid-in capital and retained earnings.

Stock-based employee compensation expense was $6 million before tax for the three months ending December 31, 2005. The Company recognized the full impact of its equity incentive plans in the consolidated statements of operations for the three months ended December 31, 2005 under FAS 123(R) and did not capitalize any such costs on the consolidated balance sheets, as such costs that qualified for capitalization were not material. The following table presents share-based compensation expenses included in the Company's consolidated statement of operations:

Cost of sales	$ 2
Selling and administrative	3
Research and technical	1
Share-based compensation expense before tax	6
Income tax benefit	(2)
Net stock-based compensation expense	$ 4

CABOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
December 31, 2005
Unaudited

Cabot had previously adopted the provisions of FAS No. 123, "Accounting for Stock-Based Compensation", as amended by FAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure", through disclosure only. The following table illustrates the effect on net income and earnings per share for the three months ended December 31, 2004 as if the Company had applied the fair value recognition provisions of FAS No. 123(R) to stock based employee awards.

Net income, as reported	$ 35
Add: Stock-based compensation expense included in reported net income, net of related tax effects	5
Deduct: Stock-based compensation using fair value method for all awards, net of related tax effects	(6)
Pro forma net income	$ 34
Net income per common share:	
Basic, pro forma	$ 0.57
Basic, as reported	$ 0.58
Diluted, pro forma	$ 0.50
Diluted, as reported	$ 0.51

The Company uses the Black-Scholes option-pricing model to estimate the fair value of the options at the grant date. There were no option grants during the three months ended December 31, 2005 and 2004. The fair values of options outstanding as of December 31, 2005 and 2004 were calculated using the following weighted-average assumptions:

	Options Granted in		
	2005	2004	2003
Expected stock price volatility	42%	44%	46%
Risk free interest rate	3.8%	3.7%	2.2%
Expected life of options	4 years	4 years	4 years
Expected annual dividends	$ 0.64	$ 0.60	$ 0.52

The expected stock price volatility assumption was determined using the historical volatility of the Company's common stock over the expected life of the option.

CABOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
December 31, 2005
Unaudited

Stock Options

The following table summarizes the stock option activity in the equity incentive plans from September 30, 2005 through December 31, 2005:

(Options in thousands)	Stock Options	Weighted-Average Exercise Price
Outstanding at September 30, 2005	866	$ 29.42
Granted	—	—
Exercised	(57)	27.43
Cancelled	(14)	29.40
Outstanding at December 31, 2005	795	$ 29.56
Exercisable at December 31, 2005	363	$ 28.96

The following table summarizes information related to the outstanding and vested options as of December 31, 2005:

	Options Outstanding	Vested Options
Number of shares (in thousands)	795	363
Weighted Average Remaining Contractual Life	2.27	1.03
Weighted Average Exercise Price	$ 29.56	$ 28.96
Aggregate intrinsic value (in thousands)	$ 4,961	$ 2,483

The aggregate intrinsic value in the table above represents the total pretax intrinsic value, based on the Company's closing common stock price of $35.80 as of December 31, 2005, which would have been received by the option holders had all option holders exercised their options as of that date.

The following table summarizes the non-vested stock option activity in the equity incentive plans from September 30, 2005 through December 31, 2005:

(Options in thousands)	Stock Options	Weighted-Average Exercise Price
Nonvested at September 30, 2005	450	$ 29.79
Granted	—	—
Forfeited	(14)	29.40
Vested	(4)	28.00
Nonvested at December 31, 2005	432	$ 29.82

The total intrinsic value of options exercised during the three months ended December 31, 2005 and 2004 was less than a million and $3 million, respectively. The total cash received from employees as a result of employee stock option exercises during the three months ended December 31, 2005 was approximately $1 million. In connection with these exercises, the tax benefits realized by the Company for the three months ended December 31, 2005 was less than a million.

The total fair value of the shares vested during the three months ended December 31, 2005 and 2004 was less than a million and zero, respectively.

The Company settles employee stock option exercises with newly issued common shares.

As of December 31, 2005, there was $2 million of total unrecognized compensation cost related to non-vested options granted under the Company's equity incentive plans. That cost is expected to be recognized over a weighted-average period of 3.32 years.

Restricted Stock

The following table summarizes the restricted stock activity from September 30, 2005 through December 31, 2005:

(Shares in thousands)	Restricted Stock	Weighted-Average Fair Value
Outstanding at September 30, 2005	3,092	$ 30.29
Granted	3	31.63
Vested	(5)	(36.15)
Cancelled	(84)	30.35
Outstanding at December 31, 2005	3,006	$ 30.28

As of December 31, 2005, there was $28 million of total unrecognized compensation cost related to non-vested restricted stock granted under the Company's stock plans. That cost is expected to be recognized over a weighted-average period of 1.39 years.

D. Acquisitions

Cabot has had a 50:50 joint venture arrangement with Showa Denko K.K. in an entity called Showa Cabot K.K. ("SCK"). On November 8, 2005, Cabot purchased Showa Denko K.K.'s 50% joint venture interest in SCK for $19 million and renamed the entity Cabot Japan K.K. ("CJKK"). In addition, as part of the acquisition, Cabot assumed approximately $26 million of SCK's debt obligations and approximately $10 million of unfunded pension liabilities.

This acquisition has been accounted for as a purchase. Prior to the acquisition, Cabot's investment in SCK was accounted for as an equity investment. Included in Cabot's consolidated results for the quarter ended December 31, 2005, are 50% of the operating results of SCK from October 1, 2005 through November 8, 2005 and 100% of the operating results of SCK from November 8, 2005 through December 31, 2005.

CABOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
December 31, 2005
Unaudited

The fair value of the assets acquired and liabilities and debt assumed represents the 50% of SCK that was purchased. A preliminary allocation of the purchase price is as follows:

Cash paid	$ 19
Accounts receivable	$ 20
Inventories	3
Deferred income taxes	6
Investments in marketable securities	1
Property, plant and equipment	26
Total assets acquired	$ 56
Accounts payable and accrued expenses	24
Notes payable	12
Pension obligation	10
Total liabilities assumed	$ 46
Net assets acquired	$ 10
Excess purchase price	$ 9

At December 31, 2005, the excess purchase price related to the acquisition of SCK has been included as a component of goodwill in the accompanying consolidated balance sheets.

Allocation of the purchase price is based on estimates of the fair value of the net assets acquired, and is subject to adjustment. The allocation is not yet finalized primarily due to the valuation of tangible and intangible assets, and debt and pension obligations, which will be determined using the assistance of an independent third-party specialist. As a result, preliminary estimates and assumptions are subject to change and the allocation will be finalized during fiscal 2006.

The following unaudited pro forma financial information reflects the consolidated results of operations of Cabot for the three months ended December 31, 2005 and 2004 as though the acquisition of SCK had occurred on the first day of the respective period. The pro forma operating results are presented for comparative purposes only and do not purport to present Cabot's actual operating results for these periods or results which may occur in the future:

	Three Months Ended December 31	
	2005	2004
Net sales and other operating revenues	$ 599	$ 527
Net income	$ 24	$ 36
Net income per share:		
Basic	$ 0.40	$ 0.60
Diluted	$ 0.35	$ 0.52

CABOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
December 31, 2005
Unaudited

E. Goodwill and Other Intangible Assets

The carrying amount of goodwill attributable to each reportable segment with goodwill balances and the changes in those balances during the three months ended December 31, 2005 are as follows:

(Dollars in millions)	Carbon Black Business	Metal Oxides Business	Total
Balance at September 30, 2005	$ 15	$ 10	$ 25
Increase from acquisition of SCK	9	—	9
Balance at December 31, 2005	$ 24	$ 10	$ 34

Cabot does not have any indefinite-lived intangible assets. At December 31, 2005 and September 30, 2005, Cabot had $6 million of finite-lived intangible assets. These intangible assets are comprised of $13 million for patents, $1 million for other intellectual property and $1 million of pension intangible assets related to minimum pension liabilities recorded in fiscal year 2005, less related accumulated amortization of $8 million for patents and $1 million for other intellectual property at both December 31, 2005 and September 30, 2005. Intangible assets are amortized over their estimated useful lives, which range from two to fifteen years, with a weighted average amortization period of ten years. Amortization expense is estimated to be approximately $1 million in each of the next five years.

F. Employee Benefit Plans

Net periodic defined benefit pension and other postretirement benefit costs include the following components for the three months ended December 31, 2005 and 2004:

	Three Months Ended December 31							
	2005		2004		2005		2004	
	Pension Benefits				Postretirement Benefits			
(Dollars in millions)	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
Service cost	$ 1	$ 2	$ 1	$ 2	$ 1	$ —	$ 1	$ —
Interest cost	2	2	1	3	1	—	1	—
Expected gain on plan assets	(2)	(3)	(2)	(3)	—	—	—	—
Recognized loss	1	—	—	1	1	—	—	—
Net periodic benefit cost	$ 2	$ 1	$ —	$ 3	$ 3	$ —	$ 2	$ —

In connection with the Altona plant closure and subsequent settlement of the related employee benefit plans, the Company has recognized $1 million of previously unrecognized actuarial gains. This has been included as a component of the Altona restructuring charges.

G. 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. In most cases, a maximum obligation is not explicitly stated, thus the potential amount of future maximum payments cannot be reasonably estimated. The duration of the indemnities varies, and in

many cases is indefinite. Cabot has not recorded any liability for these indemnities in the consolidated financial statements, except as otherwise disclosed.

H. Restructuring

Altona Restructuring

In October 2004, Cabot initiated a plan to shut down its Altona, Australia carbon black manufacturing facility due to Cabot's raw materials supplier's indication that it would cease supply in September 2005, as well as the decline of the carbon black business in Australia. Production at this facility ceased on October 3, 2005. As of December 31, 2005, Cabot expects the shutdown plan to result in a pre-tax charge to earnings of approximately $23 million, which is expected to be offset by gains on the sale of the land on which the facility is located. These gains are estimated to be between approximately $7 million and $10 million (net of transaction costs). The $23 million of estimated charges includes approximately $7 million for severance and employee benefits, $6 million for accelerated depreciation of the facility assets, $1 million for the demolition of the facility, $2 million for asset retirement obligations related to site remediation and restoration and $7 million for the realization of foreign currency translation adjustments. All charges associated with this restructuring initiative are related to the Carbon Black Business. Since October 2004, Cabot has recorded $15 million of these charges in the consolidated statements of operations and anticipates that the remaining $8 million of charges will be incurred over the next nine months in connection with the closure, demolition and site remediation and restoration of the property.

Details of the Altona restructuring activity and the reserve during the three months ended December 31, 2005 are as follows:

(Dollars in millions)	Severance and Employee Benefits	Asset Retirement Obligation	Total
Reserve at September 30, 2005	$ 4	$ 2	$ 6
Charges	—	1	1
Costs charged against assets	1	—	1
Cash Paid	(3)	(1)	(4)
Reserve at December 31, 2005	$ 2	$ 2	$ 4

European and Zierbena Restructuring

As of December 31, 2005, the Company had restructuring reserves for severance and employee benefits of $1 million related to the fiscal 2003 European restructuring plan and the closure of Cabot's carbon black manufacturing facility in Zierbena, Spain and $2 million of asset retirement obligations related to site remediation and restoration of the facility in Zierbena, Spain. The facility is located on leased land and Cabot is required to perform site remediation and restoration activities as a condition of the lease agreement. At December 31, 2005, $9 million of foreign currency translation adjustments existed related to the Zierbena entity. These will be realized upon substantial liquidation of this entity. As of December 31, 2005, the Company has recorded $54 million of restructuring charges since the initiation of this restructuring plan and, with the exception of the foreign currency translation adjustment related to the Zierbena entity, does not expect to incur significant additional charges related to this plan. Charges associated with this restructuring initiative are primarily related to the Carbon Black Business. Cabot expects the remaining accruals to be paid out over the next three to six months in connection with the completion of the site remediation and restoration.

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Details of the activity in the European and Zierbena restructuring reserve during the three months ended December 31, 2005 are as follows:

(Dollars in millions)	Severance and Employee Benefits	Asset Retirement Obligations	Total
Reserve at September 30, 2005	$ 1	$ 3	$ 4
Cash paid	—	(1)	(1)
Reserve at December 31, 2005	$ 1	$ 2	$ 3

As of December 31, 2005, the reserve balances for the Altona, European and Zierbena restructurings are included in accrued expenses in the consolidated balance sheets.

Restructuring costs were recorded in the consolidated statements of operations for the three months ended December 31, 2005 and 2004 as follows:

(Dollars in millions)	Three Months Ended December 31	
	2005	2004
Cost of sales	$ —	$ 4
Selling and administrative expense	1	—
Total	$ 1	$ 4

I. Commitments and Contingencies

As of December 31, 2005 and September 30, 2005, Cabot had approximately $18 million and $17 million, respectively, reserved for environmental matters primarily related to divested businesses. This reserve represents Cabot's best estimate 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. At December 31, 2005, $5 million of the $18 million reserve for environmental matters is recognized on a discounted basis and is being accreted up to the undiscounted liability through interest expense over the expected cash flow period.

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 transaction. As more fully described in the 2005 10-K, the Company's respirator liabilities involve claims for personal injury, including asbestosis and silicosis, allegedly resulting from the use of AO respirators that are alleged to have been negligently designed or labeled. As of December 31, 2005, there were approximately 89,000 claimants in pending cases asserting claims against AO in connection with respiratory products. The reserve recorded is expected to cover Cabot's 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, and, at December 31, 2005, is approximately $18 million (or $31 million on an undiscounted basis).

Cabot is a party to various other lawsuits and subject to other claims and contingent liabilities arising in the ordinary course of its business. Although final disposition of some or all of these suits and claims may

impact Cabot's financial statements in a particular period, the Company does not expect the disposition of these suits and claims, in the aggregate, to have a material adverse effect on Cabot's financial position.

Cabot has entered into long-term purchase agreements for various key raw materials in the Carbon Black, Metal Oxides and Supermetals Businesses. As discussed in Note O, on February 8, 2006, the Company and Sons of Gwalia reached a settlement on the dispute over the price to be paid by the Supermetals Business for tantalum ore under an existing supply agreement. The companies terminated the existing agreement and entered into a new three-year tantalum ore supply agreement that incorporates a significantly reduced annual volume commitment. Under the new agreement, Cabot will pay higher prices for ore than under the prior agreement. Total purchases under this new Supermetals Business agreement, and all of Cabot's other businesses' long-term purchase agreements, are expected to be approximately $139 million, $117 million, $110 million, $50 million, $39 million and $458 million for fiscal years ending September 30, 2006, 2007, 2008, 2009, 2010 and thereafter, respectively.

J. Stockholders' Equity

The following table summarizes the changes in shares of stock for the three months ended December 31, 2005:

Preferred Stock (in thousands)	
Balance at September 30, 2005	61
Converted preferred stock	(1)
Balance at December 31, 2005	60
Preferred Treasury Stock (in thousands)	
Balance at September 30, 2005	17
Balance at December 31, 2005	17
Common Stock (in thousands)	
Balance at September 30, 2005	62,972
Issued common stock	83
Purchased and retired common stock	(84)
Converted preferred stock	187
Balance at December 31, 2005	63,158
Common Treasury Stock (in thousands)	
Balance at September 30, 2005	152
Issued common treasury stock	(1)
Balance at December 31, 2005	151

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K. Comprehensive Income (Loss)

The pre-tax, tax and after-tax effects of the components of other comprehensive income (loss) for the three months ended December 31, 2005 and 2004 are as follows:

	Pre-Tax	Tax	After-Tax
Three months ended December 31, 2005			
Foreign currency translation adjustments	$ (11)	$ —	$ (11)
Unrealized holding gain arising during period on derivative instruments	1	—	1
Other comprehensive income (loss)	$ (10)	$ —	$ (10)
Three months ended December 31, 2004			
Foreign currency translation adjustments	$ 52	$ —	$ 52
Unrealized holding loss arising during period on derivative instruments	(6)	2	(4)
Minimum pension liability adjustment	(1)	—	(1)
Other comprehensive income (loss)	$ 45	$ 2	$ 47

The balance of the after-tax components comprising accumulated other comprehensive income (loss) as of December 31, 2005 and September 30, 2005 is summarized below:

(Dollars in millions)	December 31, 2005	September 30, 2005
Foreign currency translation adjustments	$ (19)	$ (8)
Unrealized holding gain on available-for-sale securities	1	1
Unrealized holding loss on derivative investments	(11)	(12)
Minimum pension liability adjustment	(20)	(20)
Accumulated other comprehensive loss	$ (49)	$ (39)

L. Earnings Per Share

Basic and diluted earnings per share ("EPS") were calculated for the three months ended December 31, 2005 and 2004 as follows:

(In millions, except per share amounts)	Three Months Ended December 31 2005	2004
Basic EPS:		
Income available to common shares (numerator)	$ 23	$ 34
Weighted average common shares outstanding	63	63
Less: contingently issuable shares(1)	(3)	(3)
Adjusted weighted average common shares (denominator)	60	60
Basic EPS	$ 0.39	$ 0.58

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(In millions, except per share amounts)	Three Months Ended December 31 2005	2004
Diluted EPS:		
Income available to common shares	$ 23	$ 34
Dividends on preferred stock	1	1
Income available to common shares plus assumed conversions (numerator)	$ 24	$ 35
Weighted average common shares outstanding	60	60
Effect of dilutive securities(2)		
Assumed conversion of preferred stock	6	7
Common shares issuable(3)	2	2
Adjusted weighted average shares (denominator)	68	69
Diluted EPS	$ 0.35	$ 0.51

(1) Represents outstanding restricted stock issued under Cabot's Equity Incentive Plans.

(2) Represents outstanding restricted stock and stock options issued under Cabot's Equity Incentive Plans.

(3) For the three month periods ending December 31, 2005 and 2004, options to purchase .1 million and zero, respectively, shares of common stock 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 during such periods.

M. Financial Information by Segment

During the last quarter of fiscal 2005, management changed its segment reporting structure to better reflect the way the Company manages and thinks about the businesses. Under the new reporting structure, Cabot is organized into four reportable segments: the Carbon Black Business, the Metal Oxides Business, the Supermetals Business, and the Specialty Fluids Business. Prior year segment information, which included the disclosure of reportable segments, has been restated to reflect this change. The following table provides financial information by segment for the three months ended December 31, 2005 and 2004:

(Dollars in millions)	Carbon Black(1)	Metal Oxides	Supermetals	Specialty Fluids	Segment Total	Unallocated and Other(2)	Consolidated Total
2005							
Net sales and other operating revenues(3)	$ 419	$ 57	$ 93	$ 10	$ 579	$ 8	$ 587
Income (loss) from continuing operations before taxes(4)	21	2	11	4	38	(11)	27
2004							
Net sales and other operating revenues(3)	345	60	77	7	489	6	495
Income (loss) from continuing operations before taxes(4)	30	6	16	2	54	(9)	45

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(1) Due to the acquisition of Showa Cabot K.K. during the first quarter of fiscal 2006, the assets of the Carbon Black Business include 100% of the assets of Showa Cabot K.K and as such have increased from $1,287 million at September 31, 2005 to $1,467 million at December 31, 2005. Segment assets exclude cash, short-term investments, investments other than equity basis, income taxes receivable and deferred taxes, which are not allocated to the businesses.

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

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

(Dollars in millions)	Three Months Ended December 31 2005	2004
Equity affiliate sales	$ (8)	$ (9)
Royalties paid by equity affiliates	2	2
Shipping and handling fees and other	14	13
Total	$ 8	$ 6

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

(Dollars in millions)	Three Months Ended December 31 2005	2004
Interest expense	$ (6)	$ (8)
Certain items and other income (expense), net[a]	1	(2)
Equity in net income of affiliated companies	(3)	(2)
Foreign currency transaction gains (losses)[b]	(3)	3
Total	$ (11)	$ (9)

(a) Certain items and other income (expense), net includes investment income, and certain other items that are not included in segment PBT. These certain items for the first quarter of fiscal 2006 include $1 million for restructuring charges as discussed in Note H and $1 million of cost reduction initiatives in the Supermetals Business. These certain items for fiscal 2005 include $4 million of restructuring charges.

(b) Net of other foreign currency risk management activity.

The Carbon Black Business is primarily comprised of the rubber blacks, performance products and inkjet colorants product lines as well as the business development activities of Superior MicroPowders. The revenues from each of these product lines are as follows:

(Dollars in millions)	Three Months Ended December 31 2005	2004
Rubber blacks	$ 298	$ 225
Performance products	109	110
Inkjet colorants	11	9
Superior MicroPowders	1	1
Total Carbon Black Sales	$ 419	$ 345

The Metal Oxides Business is primarily comprised of the fumed metal oxides (including fumed silica and fumed alumina and dispersions thereof) and aerogels product lines. The revenues from each of these product lines are as follows:

(Dollars in millions)	Three Months Ended December 31 2005	2004
Fumed metal oxides	$ 57	$ 60
Aerogels	—	—
Total Metal Oxides Sales	$ 57	$ 60

N. Recent Accounting Pronouncements

In March 2005, the FASB issued Interpretation No. 47, “Accounting for Conditional Asset Retirement Obligations” (“FIN 47”), which clarifies certain terminology contained in FAS No. 143, “Accounting for Asset Retirement Obligations”. The interpretation will result in (i) more consistent recognition of liabilities relating to asset retirement obligations, (ii) more information about expected future cash outflows associated with those obligations and (iii) more information about investments in long-lived assets because additional asset retirement costs will be recognized as part of the carrying amounts of the assets. The guidance is effective for the Company no later than the fourth quarter of fiscal 2006, although earlier adoption is permitted. Cabot is in the process of evaluating the impact of adoption of FIN 47 on its consolidated financial statements.

In October 2004, the American Jobs Creation Act of 2004 (“AJCA”) was signed into law. The AJCA replaces an export incentive with a deduction from domestic manufacturing income. Cabot is both an exporter and a domestic manufacturer. The Company’s loss of the export incentive tax benefit is expected to materially exceed the tax benefit it should receive from the domestic manufacturing deduction. The AJCA also allows U.S. companies to repatriate certain earnings from their foreign subsidiaries in 2006 at an effective tax rate of 5.25%. The Company does not expect to take advantage of this opportunity, nor does it expect that there is a material benefit available given Cabot’s particular circumstances and the various requirements under the law. The Company, however, will continue to study the impact and opportunities of the AJCA as additional guidance becomes available from the IRS. In response, the FASB has issued Staff Position (“FSP”) No. 109-1 and 109-2, which outline accounting treatment for the impacts of the AJCA. The FSPs state that (i) any benefit that companies may have from the domestic manufacturing deduction be treated as a special deduction

and, accordingly, any benefit would be reported in the year in which the income is earned and (ii) regarding the impact resulting from the repatriation of unremitted earnings in the period in which the enacted tax law was passed, companies may wait until they have the information necessary to determine the amount of the earnings they intend to repatriate.

O. Subsequent Events

On January 31, 2006, Cabot sold the property, plant and equipment assets related to Supermetal's direct finished tantalum sputtering target business to Tosoh SMD, a division of Tosoh Corporation. These assets were recorded at their fair value and classified as assets held for sale at December 31, 2005. There was no gain or loss recognized in connection with the sale.

On February 8, 2006, the Company and Sons of Gwalia reached a settlement on the dispute over the price that was to be paid for tantalum ore under an existing supply agreement. Under the terms of this settlement, the Company made a lump sum payment of $27 million to terminate the existing supply agreement and other related agreements with Sons of Gwalia. The companies have entered into a new three-year tantalum ore supply agreement that incorporates a significantly reduced annual volume commitment. Under the new agreement, Cabot will pay higher prices for ore than under the prior agreement.

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

I. Critical Accounting Policies

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) if different estimates and assumptions were used, the result 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 are presented below.

Revenue Recognition and Accounts Receivable

We derive most of our revenues from the sale of rubber blacks, performance products, inkjet colorants, fumed metal oxides, tantalum and related products and from the rental and sale of cesium formate. Revenue from product sales is typically recognized when the product is shipped and title and risk of loss have passed to the customer. Revenue from the rental of cesium formate is recognized throughout the rental period based on the contracted rental amount. Customers are also billed and revenue is recognized, typically at the end of the job, for cesium formate product that is not returned. Other operating revenues, which represents less than ten percent of total revenues, include tolling, servicing and royalties for licensed technology.

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 collectibility 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.

Under certain multi-year supply contracts with declining prices and minimum volumes, we recognize revenue based on the estimated average selling price over the contract lives. Certain customer contracts contain price protection clauses that provide for the potential reduction in past or future sales prices. We analyze these contract provisions to determine if an obligation related to these clauses exists and record revenue net of any estimated price protection commitments. Significant changes in future market conditions and future sales prices could trigger these price protection obligations and adversely impact our revenue.

The allowance for doubtful accounts is based on our assessment of the collectibility of specific customer accounts, the aging of our accounts receivable and other economic information on both a historical and prospective basis. Additionally, we estimate sales returns based on historical trends in our customers' product returns. While bad debt charge-offs and product returns have not been significant historically, if there is a deterioration of a major customer's creditworthiness, actual defaults are higher than our previous experience or actual returns do not reflect historical trends, our estimates of the recoverability of the amounts due us and our sales would be adversely affected.

We offer sales discounts and volume rebates to certain customers. We prepare estimates for these discounts and rebates based primarily on historical experience and contractual obligations updated for changes in facts and circumstances, as appropriate. If sales are significantly different from our historical experience, our estimates of sales discounts and volume rebates would be affected.

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 $81 million higher as of December 31, 2005. The cost of other U.S. and all non-U.S. inventories is determined using the average cost method or the FIFO method.

We review inventory for potential obsolescence recoverability 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 our inventories for estimated obsolescence or unmarketable inventory by an amount equal to the difference between the cost of inventory and the estimated market value. In cases where the market value of inventories is below cost, the inventory is adjusted to its market value. Historically, such write-downs have not been significant. If actual market conditions are less favorable than those projected by management at the time of the assessment, however, additional inventory write-downs may be required, which could have a negative impact on gross profit.

Goodwill and Other Intangible Assets

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 cash flows. The calculation is sensitive to both the estimated future cash flows and the discount rate. The assumptions used to estimate the discounted cash flows are based on management's best estimates about selling prices, production and sales volume, 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.

Valuation of Long-Lived Assets

Our long-lived assets primarily include property, plant, equipment, long-term investments and assets held for rent. We review the carrying values of long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be recoverable. Such circumstances would include, but are not limited to, a significant decrease in the market price of the long-lived asset, a significant adverse change in the way the asset is being used, a decline in the physical condition of the asset or a history of operating or cash flow losses associated with the use of the asset.

We make various estimates and assumptions when analyzing whether there is an impairment of our long-lived assets, excluding goodwill and long-term investments. These estimates and assumptions include determining which cash flows are directly related to the potentially impaired asset, the useful life of the asset over which the cash flows will occur, their amounts and the asset's residual value, if any. An asset impairment exists when the carrying value of the asset is not recoverable based on the undiscounted estimated cash flows expected from the asset. The impairment loss is determined by the excess of the assets carrying value over its fair value. Our estimated cash flows reflect management's assumptions about selling prices, production and sales volume, costs and market conditions over an estimate of the remaining useful life.

The fair values of long-term investments are dependent on the financial performance of the entities in which the Company invests and the external factors inherent in the markets in which they operate. We consider these factors as well as the forecasted financial performance of the investment entities when assessing the potential impairment of these investments.

Pensions and Other Postretirement Benefits

We maintain both defined benefit and defined contribution plans for our employees. In addition, we provide certain health care and life insurance benefits for retired employees. Plan obligations and annual expense calculations are based on a number of key assumptions. The assumptions, which are specific for each of our U.S. and foreign plans, are related to general economic conditions, including interest rates, expected return on plan assets, and the rate of compensation increases for employees. Projected health care benefits reflect our assumptions about health care cost trends. The cost of providing plan benefits also depends on participant demographic assumptions including assumptions regarding retirements, mortality, employee turnover and plan participation levels. If actual experience differs from these assumptions, the cost of providing these benefits could increase or decrease. Actual results that differ from the assumptions are generally accumulated and amortized over future periods and, therefore, affect the recognized expense and recorded obligation in such future periods.

Litigation and Contingencies

Cabot is 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 have an adverse effect on the results of operations.

The most significant reserves that we have established are for environmental remediation and respirator litigation claims. As of December 31, 2005, we had $18 million reserved for various environmental matters. The amount accrued 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.

As of December 31, 2005, we also had $18 million accrued for respirator liability claims. 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) significant changes in the average cost of resolving claims, (iii) significant changes in the legal costs of defending these claims, (iv) changes in the nature of claims received, (v) changes in the law and procedure applicable to these claims, (vi) the financial viability of other parties who contribute to the settlement of respirator claims, and (vii) a determination that our interpretation of the contractual obligations on which we have estimated our share of liability is inaccurate. While we believe the current best estimate is recorded, 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.

Income Taxes

We estimate our income taxes in each jurisdiction in which we are subject to tax. This process involves estimating the tax exposure for differences between actual results and estimated results and recording the

amount of income taxes payable for the current year and deferred tax assets and liabilities for future tax consequences. A valuation allowance is established when it is more likely than not that all or a portion of a deferred tax asset will not be realized. We evaluate the realizability of our net deferred tax assets on a quarterly basis and valuation allowances are provided as required. In making this assessment, we are required to consider all available positive and negative evidence to determine whether, based on such evidence, it is more likely than not that some portion or all of our net deferred assets will be realized in future periods. This assessment requires significant judgement. In addition, we have made significant estimates involving current and deferred income taxes. We analyze our tax positions and do not recognize current and future tax benefits until it is deemed probable that the tax positions will be sustained in the respective tax jurisdiction.

We have filed our tax returns in accordance with our interpretations of each jurisdiction's tax laws and have established reserves for potential differences in interpretation of those laws. In the event that actual results are significantly different from these estimates, our provision for income taxes could be significantly impacted. A 1% change in the effective tax rate would change income tax expense of the quarter ended December 31, 2005 by less than $1 million.

Significant Accounting Policies

We have other significant accounting policies that are discussed in Note A of the Notes to our Consolidated Financial Statement in our fiscal 2005 Form 10-K. Certain of these policies include the use of estimates, but do not meet the definition of critical because they generally do not require estimates or judgements that are as difficult or subjective to measure. However, these policies are important to an understanding of the consolidated financial statements.

II. Results of Operations

As noted in the 2005 Form 10-K, management changed its segment reporting structure to better reflect the way we manage and think about our businesses. Under the revised reporting structure, we are organized into four reportable segments: the Carbon Black Business, the Metal Oxides Business, the Supermetals Business, and the Specialty Fluids Business. The Carbon Black Business is comprised of the rubber blacks, performance products and inkjet colorants product lines as well as the business development activities of Superior MicroPowders. The Metal Oxides Business is comprised of the fumed metal oxides and aerogel product lines. Discussions of prior period results reflect the new segment structure.

The discussion of our results includes information on diluted earnings per share, segment and product line sales, and segment operating profit before taxes ("PBT"). We use segment PBT to measure our consolidated operating results and assess segment performance. This discussion has been prepared on a basis consistent with segment reporting as outlined in Note M of the Consolidated Financial Statements.

Overview

During the first quarter of fiscal 2006, we experienced an overall decline in profitability when compared to the first quarter of 2005 which was mainly the result in the Carbon Black Business of the continued rise in raw material costs and higher utility costs from significant natural gas price increases in Europe and of higher ore costs in the Supermetals Business. However, these increased costs were somewhat offset by volume growth in the Supermetals Business, price increases within the Carbon Black Business and increased profitability in the inkjet colorants product line and the Specialty Fluids Business.

Cabot has had a 50:50 joint venture arrangement with Showa Denko K.K. in an entity called Showa Cabot K.K. ("SCK"). On November 8, 2005, Cabot purchased Showa Denko K.K.'s 50% joint venture interest in SCK for $19 million and renamed the entity Cabot Japan K.K. ("CJKK"). In addition, as part of the acquisition, Cabot assumed approximately $26 million of SCK's debt obligations and approximately $10 million of unfunded pension liabilities.

Our consolidated working capital increased during the first quarter of fiscal 2006 from prior year end resulting from higher selling prices which increased accounts receivable and higher inventory costs and levels.

However, it is important to note that the current quarter change in working capital includes the impact of consolidating the acquisition of SCK into our accounts. We continue to focus our efforts on improving our overall working capital position. Working capital and operating cash flow are discussed in more detail in the cash flow and liquidity section below.

First Quarter Fiscal Year 2006 versus First Quarter Fiscal Year 2005 — Consolidated

Net Sales and Gross Profit

We reported an increase in sales of 19% from $495 million in the first quarter of last year to $587 million for the same quarter this year. The increase was primarily due to higher pricing in the Carbon Black Business ($49 million), higher volumes in the Supermetals Business ($18 million) and the acquisition of SCK, which was previously a 50% owned nonconsolidated equity affiliate ($21 million).

Gross margin was 18% in the first quarter of fiscal 2006 compared to 24% in the same quarter of fiscal 2005. Overall gross profit decreased $11 million in the first quarter of fiscal 2006 compared to the same quarter of last year. This decrease primarily resulted from the excess of raw material cost increases in the rubber blacks and performance products product lines of the Carbon Black Business over increases in selling prices ($4 million) and from lower prices in the Supermetals Business ($2 million). In addition, the decrease in volumes ($2 million) and higher costs ($2 million) in the Metal Oxides Business contributed to the overall decrease in consolidated gross profit.

Selling and Administrative Expense

Selling and administrative expense for the first quarter of fiscal 2006 was $58 million, an increase of 7% from $54 million in the first quarter of last year. This increase was mainly the result of recording a bad debt reserve ($2 million) related to a European Carbon Black Business customer who filed for bankruptcy protection. Additionally, an increase in spending related to our business process improvement initiative, initially undertaken in the later part of fiscal 2005, increased overall selling and administrative expense during the quarter.

Research and Technical Expense

Research and technical spending was $13 million for the first quarter of 2006 compared with $15 million in the first quarter of 2005. The decrease was primarily a result of timing of expenditures and lower research and development spending in the Supermetals Business.

Interest and Dividend Income and Interest Expense

Interest and dividend income remained constant at $2 million for the first quarters of fiscal 2006 and 2005, as our lower average cash and investments position was offset by higher interest rates paid on our cash balances.

Interest expense was $6 million in the first quarter of fiscal 2006 compared to $8 million in the first quarter fiscal 2005. The decrease in fiscal year 2006 was primarily due to the capitalization of interest related to the construction of our new facilities in China and the expansion of our existing facility in Brazil.

Other Income/(Expense)

We had other expense of $4 million in the first quarter of fiscal 2006 compared to income of $3 million in the same quarter of fiscal 2005. The change in the other income (expense) balance in fiscal year 2006 is primarily due to foreign currency fluctuations ($6 million).

Effective Tax Rate

Income tax expense in the first quarter of fiscal 2006 was $4 million, which represents an effective tax rate on continuing operations of 16% as compared to 20% for the first quarter of fiscal 2005. The tax rate was

decreased due to a settlement of a non-US tax audit, which resulted in a $4 million tax benefit from the release of previously recorded tax reserves. The first quarter of 2005 tax rate was impacted by a $3 million tax benefit related to the closure of the Altona facility. In addition, the Company is currently in settlement negotiations with the Internal Revenue Service for tax years 2000-2002 and is under audit in a number of jurisdictions outside of the US. It is possible that some of these audits will be resolved in fiscal 2006 which may impact our effective tax rate in the periods during which these settlements occur. The Company expects its effective tax rate for continuing operations for fiscal 2006 to be between 24% and 26% exclusive of the impact of any audit settlements.

Equity in Net Income of Affiliates

Our share of earnings from equity affiliates was $3 million and $2 million in first quarters of fiscal years 2006 and 2005, respectively. The increase of $1 million in fiscal year 2006 was due to improved operating results in our affiliates in Mexico, Malaysia, and Venezuela.

Net Income

We reported net income for the first quarter of fiscal 2006 of $24 million ($0.35 per diluted common share) compared to $35 million of net income ($0.51 per diluted common share) for the first quarter of fiscal 2005. Results for the first quarter of fiscal 2006 include $1 million of pre-tax charges ($0.01 per diluted common share after tax) for restructuring activities related to the Altona shutdown, $1 million of pre-tax charges ($0.01 per diluted common share after tax) for cost reduction initiatives in our Supermetals Business and $4 million of pre-tax income ($0.04 per diluted common share after tax) related to the cumulative effect of an accounting change due to our implementation of the new stock based compensation standard (FAS 123(R)) during the first quarter of fiscal 2006. The first quarter of 2005 results contained $4 million of pre-tax charges ($0.04 per diluted common share after tax) and $4 million of tax benefits ($0.04 per diluted common share after tax) from certain items and discontinued operations.

Details of the certain items for the first quarter of fiscal 2006 compared to the first quarter of fiscal 2005 are as follows:

(Dollars in millions, pre-tax) (Unaudited)	Three Months Ended December 31 2005	2004
Net income	$ 24	$ 35
Certain items		
Restructuring initiatives	(1)	(4)
Cost reduction initiatives	(1)	—
Subtotal of certain items	(2)	(4)
Cumulative effect of accounting change	4	—
Total certain items and cumulative effect of accounting change, pre-tax	2	4
Tax impact of certain items and cumulative effect of accounting change	(1)	4
Total certain items and cumulative effects of accounting change after tax	$ 1	$ —

The certain items for the first quarters of fiscal 2006 and 2005 described in the preceding table are recorded in the consolidated statements of income as follows:

(Dollars in millions, pre-tax) (Unaudited)	Three Months Ended December 31 2005	2004
Statement of income line item:		
Cost of sales	$ —	$ (4)
Selling and administrative expenses	(2)	—
Total certain items, pre-tax	$ (2)	$ (4)

First Quarter Fiscal Year 2006 versus First Quarter Fiscal Year 2005 — By Business Segment

For the first quarter of fiscal year 2006, we recorded income from continuing operations, before taxes, of $27 million as compared to $45 million in fiscal year 2005. These amounts include certain and other unallocated items of $11 million and 9 million, respectively (the details of which are described in Note M of our consolidated financial statements). These items are not included in total segment PBT of $38 million and $54 million for the quarters ending December 31, 2005 and 2004, respectively.

The decrease in total segment PBT in the first quarter of fiscal year 2006 when compared to the same period of fiscal 2005 relates primarily to the excess of higher raw material costs over implemented price increases in the Carbon Black Business ($4 million), higher anticipated ore costs in the Supermetals Business ($5 million), lower volumes in both the Carbon Black and Metal Oxides Businesses ($6 million) and higher natural gas costs in the Metal Oxides Business ($2 million).

Carbon Black Business

Segment sales and PBT for the Carbon Black Business for the first quarter ending December 31, 2005 and 2004 are as follows:

(Dollars in millions)	2005	2004
Segment Sales	$ 419	$ 345
Segment PBT	$ 21	$ 30

Sales in the Carbon Black Business increased 21% from $345 million in first quarter of fiscal 2005 to $419 million in first quarter of fiscal 2006. This increase was due primarily to higher prices ($49 million) and the impact of consolidating the results of SCK, which was previously a 50% owned equity affiliate, in the quarter ended December 31, 2005 ($21 million). These increases were slightly offset by lower volumes ($1 million).

Carbon Black Business segment PBT decreased 30%, from $30 million in the first quarter of fiscal 2005 to $21 million in the first quarter of fiscal 2006. The decrease in PBT was due principally to raw material cost increases in excess of price increases ($4 million) and lower volumes ($4 million). However, inclusive of the higher energy costs, manufacturing costs were consistent with the prior year.

Product Line Sales Summary

The following table sets forth sales by product line for the Carbon Black Business for the first quarter ending December 31, 2005 and 2004:

(Dollars in millions)	2005	2004
Rubber blacks	$ 298	$ 225
Performance products	109	110
Inkjet colorants	11	9
Superior MicroPowders	1	1
Total Carbon Black Sales	$ 419	$ 345

Rubber blacks

During the first quarter of fiscal 2006, sales increased in the rubber blacks product line as a result of feedstock related price increases and the inclusion of SCK, of which we acquired the remaining 50% equity interest on November 8, 2005. The profitability of this product line was negatively impacted by the time lag between the rise in our raw material costs and the timing of contracted price increases, as well as by an increase in other energy costs, mainly natural gas in Europe.

We are generally able to recover increased feedstock costs and, therefore, maintain margins through the operation of pricing formulas in our annual and long-term supply contracts. Most of our 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 calculated in the month prior to the beginning of the three-month period in which the price change is effective, and typically are based upon the average of a relevant index over the prior three month period. Because of this time lag, during the first quarter of fiscal 2006, the increase in our actual feedstock costs was greater than the cost adjustment resulting from the formulas for which we use the relevant index averages during the months of June through August, 2005. Over time, if feedstock costs stabilize or decline, the current negative financial impact of this lag on our results should be mitigated.

While feedstock costs had moderated somewhat during the first fiscal quarter, recently they have experienced more volatility and are trending upward. This may have an unfavorable impact on our margins in future quarters.

There continues to be a delay in the start-up of operations of our new carbon black manufacturing unit in Maua, Brazil as a result of environmental permitting matters. The Company expects this unit to be operational by the end of calendar year 2006. In connection with this, additional capital expenditures may be required for environmental emissions control measures.

Performance products

Revenues for performance products were consistent in the first quarter of fiscal 2006 compared to the first quarter of fiscal 2005 despite a 6% decline in volumes. In our non-contracted business, we continued to experience some negative volume impact from the hurricanes in North America, which briefly disrupted the manufacturing operations at one of our sites. In addition, price increases implemented to respond to escalating raw material costs negatively impacted volume of this product line on a global basis in the first quarter of fiscal 2006.

During the first quarter of fiscal 2006, the profitability of the product line was negatively impacted by the volume impacts noted above as well as increased raw material and other energy costs.

Inkjet colorants

Inkjet colorants reported a 22% increase in revenue from the first quarter of fiscal 2005 to the first quarter of fiscal 2006 due to a 39% volume increase. Volumes increased in both the OEM and after market segments of the product line. The favorable volume impact on revenue was partially offset by a decrease in average price, reflecting a change in product mix and a shift from experimental stage pricing levels to prices

more consistent with longer term commercial sales. In addition, profitability of inkjet colorants was lower due to the additional costs of our ongoing investment in manufacturing capacity needed to support the growth of this product line.

Metal Oxides Business

Segment sales and PBT for the Metal Oxides Business for the first quarter ending December 31, 2005 and 2004 are as follows:

(Dollars in millions)	2005	2004
Segment Sales	$ 57	$ 60
Segment PBT	$ 2	$ 6

In the first quarter of fiscal 2006, sales in the Metal Oxides Business decreased 5% compared to the same quarter of fiscal 2005. This decrease was due primarily to lower volumes ($2 million) in the fumed metal oxides product line.

During the first quarter of fiscal 2006, the Metal Oxides Business had a decrease in PBT of $4 million, from $6 million in 2005 to $2 million in 2006. The decline in PBT resulted from the margin impact of decreased volumes ($2 million), increased natural gas and energy costs ($1 million) and higher per unit cost of sales resulting from lower operating rates ($1 million).

Product Line Sales Summary

The following table sets forth sales by product line for the Metal Oxides Business for the first quarters ending December 31, 2005 and 2004:

(Dollars in millions)	2005	2004
Fumed metal oxides	$ 57	$ 60
Aerogels	—	—
Total Metal Oxides Sales	$ 57	$ 60

Fumed metal oxides

During the first quarter of fiscal 2006, the fumed metal oxides product line saw a decrease in overall volumes of 6%. Reduced demand from the traditional silicones and electronics markets was partially offset by higher volumes in other segments of the business. The profitability of the fumed metal oxides product line was also negatively impacted by higher natural gas costs and higher costs resulting from a significant equipment failure at a supplier's hydrogen gas facility co-located at our plant in Tuscola, Illinois. This disruption has negatively impacted both our production capacity and our costs during the first quarter of fiscal 2006. However, we have continued to meet all of our customer needs and we anticipate that our hydrogen supply will be back to normal by the end of the second quarter. The additional costs incurred from this disruption during the quarter was $2 million, which we believe will be recovered. It is anticipated that the lower volumes that occurred in the quarter will be recovered with stronger sales for the remainder of the fiscal year.

Aerogels

During the first quarter of fiscal 2006, the aerogels product line made significant progress in its ability to operate the plant at higher capacity levels and over a more sustained period of time. The product line continues to market its products for translucent panels in architectural applications and to develop other commercial applications.

Supermetals Business

Segment sales and PBT for the Supermetals Business for the first quarters ending December 31, 2005 and 2004 are as follows:

(Dollars in millions)	2005	2004
Segment Sales	$ 93	$ 77
Segment PBT	$ 11	$ 16

In the Supermetals Business, sales increased $16 million from $77 million in the first quarter of fiscal 2005 to $93 million in the first quarter of fiscal 2006. The increase in sales was mainly the result of higher volumes ($18 million) which were partially offset by lower market prices ($2 million). During the first quarter of fiscal 2006, we experienced growth in both contracted and market volumes. As the Supermetals Business continues to transition from fixed price and fixed volume contracts to market based prices, we anticipate contract volumes will reduce over the remainder of the fiscal year as these contracts expire. We believe that we will be able to replace the lost contract volumes with open market volumes, but at lower prices which may negatively impact our profitability.

The Supermetals Business PBT decreased by $5 million from the first quarter of fiscal 2005 to the first quarter of fiscal 2006. This decrease was due primarily to higher raw material costs, which are based on a LIFO inventory costing method. These costs include higher full year ore costs reflecting the price of our purchases from Sons of Gwalia based on the new supply contract noted below for the fiscal year. Additionally, lower manufacturing operating rates, which resulted in a $22 million reduction in inventory, negatively impacted profitability for the first fiscal quarter of 2006 and offset the higher volumes noted above.

On February 8, 2006, we reached a settlement with the Sons of Gwalia on the dispute over the price we were to pay for tantalum ore under an existing supply agreement. Under the terms of this settlement, we made a lump sum payment of $27 million to terminate the existing supply agreement and other related agreements with Sons of Gwalia. The companies have entered into a new three-year tantalum ore supply agreement that incorporates a significantly reduced annual volume commitment. Under the new agreement, Cabot will pay higher prices for ore than under the prior agreement. Excluding the $27 million lump sum payment, the new agreement is expected to result in an annual increase in tantalum ore cost of approximately $13 million.

On January 31, 2006, we sold the property, plant and equipment assets related to the direct finished tantalum sputtering target business to Tosoh SMD, a division of Tosoh Corporation. These assets were recorded at their fair value and classified as assets held for sale at December 31, 2005. There was no gain or loss recognized in connection with the sale.

Specialty Fluids Business

Segment sales and PBT for the Specialty Fluids Business for the first quarters ending December 31, 2005 and 2004 are as follows:

(Dollars in millions)	2005	2004
Segment Sales	$ 10	$ 7
Segment PBT	$ 4	$ 2

Sales in the Specialty Fluids Business increased by $3 million in the first quarter of fiscal 2006 when compared to the same period in 2005 driven mainly by an increase in the quantity of fluid being used. While the number of jobs increased by one, from six to seven, compared to the fiscal 2005 period, the size of the jobs during the fiscal 2006 quarter was larger.

The PBT for this Business increased $2 million in the first quarter of fiscal 2006 when compared to the first quarter of fiscal 2005, due primarily to increased fluid utilization and several large jobs that took place during the first quarter of fiscal 2006. The business continued to broaden its base of activity, successfully

completing its 100th well with the first use of cesium formate in a well in Hungary. This project represented the first time that cesium formate was used in a land well.

III. Cash Flow and Liquidity

Our cash balance decreased by $61 million in the first three months of fiscal 2006, from $181 million as of September 30, 2005 to $120 million on December 31, 2005. During the first quarter of fiscal 2005, the cash balance declined by $45 million, from $159 million on September 30, 2004. The following descriptions of the reasons for these changes in our cash balances refer to the various sections of our Consolidated Statements of Cash Flows, which appears in Item 1 of this quarterly report on Form 10-Q for the three months ended December 31, 2005.

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 $17 million in the first quarter of fiscal 2006 compared to $9 million in the same period of fiscal 2005. The change in the first quarter of fiscal 2006 from 2005 in cash from operating activities was due primarily to increases from taxes payable and prepaid expenses, offset partly by lower income net of non-cash items. Within working capital, changes in accounts receivable, inventory and accounts payable and accrued liabilities consumed $54 million during the first quarter of fiscal 2006, which was $4 million less than the same quarter of fiscal 2005. Accounts receivable increased due to higher selling prices, inventories increased due to higher raw material costs and higher finished goods costs and levels, while accounts payable and accrued expenses declined due primarily to year end incentive compensation payments.

Cash flows from investing activities, which are primarily driven by additions to property, plant and equipment, as well as changes in marketable securities balances, consumed $49 million of cash in the first quarter of fiscal 2006 as compared to $40 million in the same quarter of fiscal year 2005. The increased investing activity was principally due to higher capital expenditures which totaled $49 million in the quarter, which are described below, and the net proceeds from the sale and maturity of marketable securities of $19 million that were used to fund operations. Additionally, we purchased from our 50:50 joint venture partner Showa Denko K.K. its 50% interest of the shares in Showa Cabot K.K. (“SCK”) in Japan for $19 million in cash and renamed the entity Cabot Japan K.K (“CJKK”).

Capital spending on property, plant and equipment for the first three months of fiscal 2006 and 2005 was $49 million and $30 million, respectively. During the first quarter of fiscal year 2006, we made extensive capital expenditures in our carbon black facility in Maua, Brazil and the new carbon black and fumed metal oxide facilities in China. Capital expenditures for fiscal 2006 are expected to be in excess of $250 million and include the acquisition of SCK, replacement projects, plant expansions and the completion of projects started in fiscal year 2005.

Cash flows from financing activities, which primarily include changes in debt and dividend payments in the first quarter of fiscal year 2006, consumed $30 million, compared to $19 million in the first quarter of fiscal year 2005. The primary factors in the fiscal year 2006 financing activities were the repayments of medium term notes totaling $30 million, $15 million of new loans to fund capital projects in China, an $11 million decrease in short term notes payable to banks, net of acquisition activity, and payments of dividends of $11 million. The primary factors in the 2005 financing activities were related to payments of dividends of $11 million and purchases of approximately 272,000 shares of Cabot common stock for $10 million.

Cabot has a $18 million reserve for environmental matters as of December 31, 2005 for remediation costs at various environmental sites. These sites are primarily associated with businesses divested in prior years. We anticipate making payments totaling $6 million during fiscal 2006. We do not expect remaining expenditures to be concentrated in any one year. Additionally, we have recorded an $18 million reserve for respirator claims as of December 31, 2005 and we expect to pay approximately $11 million over the next five years. We have other litigation costs associated with lawsuits arising in the ordinary course of business including claims filed against the Company in connection with certain discontinued operations.

In October 2004, we initiated a plan to shut down our Altona, Australia carbon black manufacturing facility due to our raw materials supplier's indication that it would cease supply in September 2005, as well as the decline of the carbon black business in Australia. Production at this facility ceased on October 3, 2005. As of December 31, 2005, we expect the restructuring initiatives to result in a pre-tax charge to earnings of approximately $23 million. As of December 31, 2005, we have recorded $15 million of restructuring charges and expect to record an additional $8 million over the next nine months. The estimated charge of $23 million includes $7 million of foreign currency translation adjustments that will be realized as a non-cash charge upon substantial liquidation of our legal entity in Altona, Australia which we expect will occur upon completion of the closing activities.

In fiscal 2003, we initiated a European restructuring plan to reduce costs, enhance customer service and create a stronger and more competitive organization. The European restructuring initiatives are primarily related to the Carbon Black Business and included the closure of our carbon black manufacturing facility in Zierbena, Spain, the consolidation of administrative services for all European businesses in one shared service center, the implementation of a consistent staffing model for all manufacturing facilities in Europe, and the discontinuance of two energy projects. As of December 31, 2005, we have recorded $54 million of European restructuring charges, of which $3 million remains to be paid out over the next three to six months. There also remains $9 million of foreign currency translation adjustments which will be realized as a non-cash charge upon substantial liquidation of our legal entity in Zierbena, Spain.

At December 31, 2005, $7 million of restructuring costs remain in accrued expenses in the consolidated balance sheet. We made cash payments of $5 million in the first quarter of fiscal 2006 and $2 million in the first quarter of fiscal 2005 related to restructuring costs and expect to make cash payments of $7 million throughout the remainder of fiscal 2006 related to severance and employee benefits charges and site remediation costs.

Cabot has entered into long-term purchase agreements for various key raw materials in the Carbon Black, Metal Oxides and Supermetals Businesses. As discussed in Note O of the Consolidated Financial Statements, on February 8, 2006, Cabot and Sons of Gwalia reached a settlement on the dispute over the price to be paid by the Supermetals Business for tantalum ore under an existing supply agreement. The companies terminated the existing agreement and entered into a new three-year tantalum ore supply agreement that incorporates a significantly reduced annual volume commitment. Under the new agreement, Cabot will pay higher prices for ore than under the prior agreement. Total purchases under this new Supermetals Business agreement, and all of Cabot's other businesses' long-term purchase agreements, are expected to be approximately $139 million, $117 million, $110 million, $50 million, $39 million and $458 million for fiscal years ending September 30, 2006, 2007, 2008, 2009, 2010 and thereafter, respectively.

During the first quarter of fiscal 2006, as part of our acquisition of SCK, we acquired a new defined benefit plan. We anticipate making cash contributions of approximately $3 million to this plan during fiscal 2006.

At December 31, 2005, our long-term debt obligations totaled $498 million, of which $26 million will come due in the next twelve months. Included in the current portion of long-term debt is a 1.5 billion yen ($13 million) bank loan that matures in April 2006.

We expect cash on hand, cash from operations and present financing arrangements, including Cabot's unused line of credit, to be sufficient to meet our additional cash requirements for the next twelve months and the foreseeable future.

Cautionary Factors That May Affect Future Results: This report on Form 10-Q contains "forward-looking statements" under the Federal securities laws. These forward-looking statements include statements relating to our future business performance; our ability to recover feedstock costs under our annual and long-term rubber blacks supply contracts; feedstock and energy costs; sales expectations for the fumed metal oxides product line and expectations regarding the product line's hydrogen supply; sales expectations for the Supermetals Business; when we expect to obtain environmental permits necessary to operate our newly constructed rubber blacks manufacturing unit in Maua, Brazil; our expected effective tax rate for fiscal 2006;

the amount of charges and payments associated with restructuring initiatives; the amount and timing of payments associated for environmental remediation and for respirator claims; and the outcome of pending litigation.

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 and difficult to predict. If known or unknown risks materialize, or should underlying assumptions prove inaccurate, our actual results could differ materially from past results and 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 Cabot's actual results to differ materially from those expressed in our forward-looking statements: domestic and global economic conditions; a continuing rise in feedstock costs and a higher than expected increase in natural gas prices; lower than expected demand for our products; changes in capacity utilization; fluctuations in currency exchange rates; unforeseen delays in obtaining environmental permits; the outcome of tax audits; our ability to implement restructuring initiatives as planned; the occurrence of unexpected environmental costs for sites that are not known to us or as to which it is currently not possible to make an estimate; the accuracy of assumptions used in establishing a reserve for our share of liability for respirator claims; and the outcome of pending litigation. A detailed description of the factors and risks that could affect Cabot's actual results are discussed in our 2005 10-K.

IV. Recent Accounting Pronouncements

In March 2005, the FASB issued Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" ("FIN 47"), which clarifies certain terminology contained in FAS No. 143, "Accounting for Asset Retirement Obligations". The interpretation will result in (i) more consistent recognition of liabilities relating to asset retirement obligations, (ii) more information about expected future cash outflows associated with those obligations and (iii) more information about investments in long-lived assets because additional asset retirement costs will be recognized as part of the carrying amounts of the assets. The guidance is effective for the Company no later than the fourth quarter of fiscal 2006, although earlier adoption is permitted. Cabot is in the process of evaluating the impact of adoption of FIN 47 on its consolidated financial statements.

In October 2004, the American Jobs Creation Act of 2004 ("AJCA") was signed into law. The AJCA replaces an export incentive with a deduction from domestic manufacturing income. Cabot is both an exporter and a domestic manufacturer. The Company's loss of the export incentive tax benefit is expected to materially exceed the tax benefit it should receive from the domestic manufacturing deduction. The AJCA also allows U.S. companies to repatriate up to $500 million of earnings from their foreign subsidiaries in 2005 or 2006 at an effective tax rate of 5.25%. The Company does not expect to take advantage of this opportunity, nor does it expect that there is a material benefit available, given our particular circumstances and the various requirements under the law. The Company, however, will continue to study the impact and opportunities of the AJCA, as additional guidance becomes available from the IRS. In response, the FASB has issued Staff Position ("FSP") No. 109-1 and 109-2, which outline accounting treatment for the impacts of AJCA. The FSPs state that (i) any benefit that companies may have from the domestic manufacturing deduction be treated as a special deduction and accordingly any benefit would be reported in the year in which the income is earned and (ii) regarding the impact resulting from the repatriation of unremitted earnings in the period in which the enacted tax law was passed, companies may wait until they have the information necessary to determine the amount of the earnings they intend to repatriate.

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk***

Information about market risks for the period ended December 31, 2005 does not differ materially from that discussed under Item 7A of our fiscal 2005 Form 10-K.

Item 4. ***Controls and Procedures***

As of December 31, 2005, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chairman of the Board, President and Chief Executive Officer and its Executive Vice President and Chief Financial Officer, of the effectiveness of the Company's 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, the Company's Chairman of the Board, President and Chief Executive Officer and its Executive Vice President and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of that date.

There were no changes in the Company's internal control over financial reporting that occurred during the Company's fiscal quarter ending December 31, 2005 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. On November 8, 2005, the Company purchased the 50% interest it did not already own in Showa Cabot K.K. from our joint venture partner Showa Denko K.K. and renamed the entity Cabot Japan K.K. ("CJKK") (See Note D of the Consolidated Financial Statements for more information). The Company is in the process of reviewing the internal control structure of CJKK and will make appropriate changes as we incorporate our controls and procedures at CJKK. We intend to disclose any material changes in our internal control over financial reporting resulting from the acquisition of CJKK within or prior to our first annual assessment of internal control over financial reporting that is required to include CJKK.

Part II. Other Information

Item 1. ***Legal Proceedings***

Environmental Proceedings

During the summer of 1998, Cabot joined a group of companies in forming the Ashtabula River Cooperative Group ("ARCG"), which collectively agreed on an allocation for funding private party shares of a public/private partnership (the Ashtabula River Partnership (the "ARP")), established to conduct navigational dredging and environmental restoration of the Ashtabula River (the "River") in Ashtabula, Ohio. The ARP expects to obtain additional funding from the federal government for the project under either the Water Resources Development Act ("WRDA") or the Great Lakes Legacy Act ("GLLA"). Under the statutory formula available for funding this project under WRDA or GLLA, approximately 50% to 65% of the project's cost would be borne by the federal government, leaving approximately 35% to 50% of the cost for non-federal participants. The current cost estimates for the project range from approximately $50 to $60 million. In December 2005, the EPA announced the approval of a project to dredge the upstream portion of the river under GLLA, with a 50% cost sharing by the federal government. The remaining downstream portion is expected to be approved under WRDA. The State of Ohio has pledged a contribution of $7 million to the project, which will reduce the cost to be borne by the non-federal participants. The ARCG has agreed to bear a substantial percentage of the remaining costs, of which Cabot expects to have a significant share. In addition, the ARCG has received a notice of claim from the Ashtabula River Natural Resources Trustees for natural resource damages related to the River and the amount of that claim remains to be negotiated.

Other 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 transaction. As more fully described in our fiscal 2005 Form 10-K, the Company's respirator liabilities involve claims for personal injury, including asbestosis and silicosis, allegedly resulting from the use of AO respirators that are alleged to have been negligently designed or labeled. As of December 31, 2005, there were approximately 89,000 claimants in pending cases asserting claims against AO in connection with respiratory products. The reserve recorded is expected to cover Cabot's 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, and, at December 31, 2005, is approximately $18 million (or $31 million on an undiscounted basis).

Other

On July 29, 2002, AVX Corporation commenced an action against us in the United States District Court for the District of Massachusetts. The complaint involved a tantalum supply agreement between the Company and AVX, one of our tantalum supply customers, and alleged unfair and deceptive trade practices, breach of contract and other related matters. This action was dismissed during fiscal year 2003. In connection with the dismissal, we filed an action against AVX in the Business Litigation Section of the Superior Court of Massachusetts seeking declaratory judgment as to the validity of the supply agreement, as well as a declaration that we are not in breach of an alleged prior agreement, that Cabot did not engage in unfair and deceptive trade practices and other related matters. In October 2003, we filed a motion for summary judgment as to all but one claim in dispute. In June 2004, the Court granted our partial summary judgment motion regarding these matters, leaving as the only remaining dispute whether some of the product supplied by Cabot under the supply agreement with AVX was in conformity with contract specifications. During the fourth quarter of fiscal 2005, AVX dismissed the remaining claims regarding product conformity without prejudice. In October 2005, AVX filed an appeal of the Court's June 2004 decision granting Cabot partial summary judgment.

On March 8, 2004, AVX filed another action against us in the United States District Court for the District of Massachusetts. This complaint alleged that we violated the federal antitrust laws in connection with the tantalum supply agreement between Cabot and AVX by tying the purchase of one type of tantalum product by AVX to the purchase of other types. In November 2004, the District Court granted Cabot's motion to dismiss this complaint on procedural grounds. During the fourth quarter of fiscal 2005, the First Circuit Court of Appeals reversed the District Court's dismissal and remanded the matter back to District Court. Discovery has not yet begun.

On September 6, 2005, AVX filed a lawsuit in the Superior Court of Massachusetts for Suffolk County alleging that we have improperly administered our tantalum supply agreement with them. In particular, AVX claims that we have not provided all of the price relief due to them pursuant to "most favored nation" ("MFN") pricing provisions in the agreement. AVX is seeking a declaration of the rights of the parties to the agreement, an accounting of monies paid, due or owing under the MFN provisions, and an award of any sums not paid that should have been. We have filed an answer and a counterclaim against AVX asserting that AVX has not paid the full amounts for product in accordance with a proper construction of the MFN provisions. This action was moved to the Business Litigation Section of the Superior Court of Massachusetts in November 2005. During all of the litigation described above, AVX has continued to purchase product under its contract.

In July 2004, Sons of Gwalia Ltd. filed a Request for Arbitration with the London Court of International Arbitration seeking arbitration between the Sons of Gwalia and Cabot to determine the price at which Cabot would purchase tantalum ore under a long-term supply agreement between the parties. In August 2003, we exercised our option to extend this contract for a five year period commencing January 1, 2006. Although the contract contains all provisions for determining the price at which Cabot would purchase ore during the period of extension, Cabot and Sons of Gwalia were not in agreement as to the application of those provisions and the Sons of Gwalia filed the Request for Arbitration pursuant to the terms of the contract. Arbitration hearings took place in September and October 2005. On February 8, 2006, we settled our dispute with the Sons of Gwalia. Under the settlement, Cabot paid Sons of Gwalia a lump sum of US $27 million to terminate the existing supply agreement and other related agreements with Sons of Gwalia, and we entered into a new three-year tantalum ore supply agreement.

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 financial position.

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, 2005.

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, 2005 — October 31, 2005	23,500	$ 33.68	—	2,686,546
November 1, 2005 — November 30, 2005	21,187	$ 33.12	187	2,686,359
December 1, 2005 — December 31, 2005	41,046	$ 33.65	1,246	2,685,113
Total	85,733		1,433	

(1) On May 14, 2004, the Company announced publicly that the Board of Directors authorized the Company to repurchase five million shares of the Company's common stock in the open market or in privately negotiated transactions. Included in the shares repurchased from time to time by Cabot under this authorization are shares of common stock repurchased from employees to satisfy tax withholding obligations that arise on the vesting of shares of restricted stock or the exercise of stock options issued under the Company's equity incentive plans. During the first fiscal quarter, of the 1,433 shares repurchased pursuant to this authorization, none were repurchased on the open market and 1,433 shares were repurchased from employees to satisfy tax withholding obligations. From time to time, the Company also repurchases shares of unvested restricted stock from employees whose employment is terminated before such shares vest. These shares are repurchased pursuant to the terms of the Company's equity compensation plans and are not included in the shares repurchased under the May 2004 Board authorization. During the first fiscal quarter, the Company repurchased 84,300 shares pursuant to the terms of its equity incentive plans.

Item 6. ***Exhibits***

The following Exhibits are filed herewith:

Exhibit 3.1	—	Certificate of Incorporation of Cabot Corporation restated effective October 24, 1983, as amended, including the Amended Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock of Cabot Corporation filed with the Delaware Secretary of State on November 21, 2005.
Exhibit 10.1	—	Separation Agreement between Cabot Corporation and John A. Shaw, signed by Mr. Shaw on January 4, 2006.
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.

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

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

Date: February 8, 2006

By: /s/ James P. Kelly
James P. Kelly
Controller
(Chief Accounting Officer)

Date: February 8, 2006

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EXHIBIT INDEX

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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 October 14, 1983, restates and integrates its 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 No. 100 West Tenth Street, in the City of Wilmington, County of New Castle. The name and address of its resident agent is The Corporation Trust Company, No. 100 West Tenth 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 oher products related to any one or more of the foregoing.

3. To prospect, explore, drill for, produce and accumulate oil and gas, liquified 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 eighty million shares and the par value of each of such shares is one dollar ($1.00) amounting in the aggregate to Eighty Million Dollars ($80,000,000).

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 retrictions 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 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 a vote of the stockholders or 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) No person 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 a director, member of a directors' committee or officer 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. Without limitation of the foregoing, any such person shall be deemed to have exercised or used such degree of care and skill if he took or omitted to take such action in reliance in good faith upon 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 or other expert retained or employed by this corporation and selected with reasonable care by the board of directors, by any such committee or by any authorized officer of this corporation.

(j) The Company shall indemnify any person who was or is 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 Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another 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.

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: 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.

ELEVENTH: 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 Certificate of Incorporation as heretofore amended by Certificates of Amendment as filed with the Secretary of State of the State of Delaware on May 7, 1968, January 21, 1969, March 8, 1971, February 21, 1978 and October 8, 1980, 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 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 14th day of October, 1983 by Robert A. Charpie, its President, and attested by Walter F. Greeley, its Secretary.

CABOT CORPORATION

By: /S/ ROBERT A. CHARPIE

Robert A. Charpie, President

ATTEST:

By /S/ WALTER F. GREELEY

Walter F. Greeley, Secretary

CERTIFICATE OF SECRETARY

The undersigned, Walter F. Greeley, hereby certifies that he is the duly elected, Qualified and acting Secretary of CABOT CORPORATION, a corporation organized and existing under the laws of the State of Delaware, and that the foregoing 16 numbered pages are a true, correct and complete copy of the Restated Certificate of Incorporation of said Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and impressed the corporate seal of CABOT CORPORATION on this 14th day of October, 1983.

/S/ WALTER F. GREELEY
- --------------------------
Secretary [Corporate Seal]

CERTIFICATE OF AMENDMENT

OF

RESTATED CERTIFICATE OF INCORPORATION

CABOT CORPORATION, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of said Corporation, by unanimous written consent and agreement in lieu of a formal meeting, dated as of November 21, 1984, adopted a vote setting forth the proposed amendment to the Restated Certificate of Incorporation of said Corporation, declaring said amendment to be advisable and recommending the adoption of said amendment by vote of the stockholders of the Corporation at its Annual Meeting of Stockholders called for February 8, 1985. The vote setting forth the proposed amendment is as follows:

VOTED: That the Restated Certificate of Incorporation of this Corporation be amended, subject to stockholder approval, as follows:

1. by renumbering the present Articles "TENTH" and "ELEVENTH" as "ELEVENTH" and "TWELFTH".

2. by adding the following language at the end of newly numbered Article ELEVENTH:

"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 66-2/3 percent 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) or (c) of Article EIGHTH or Article TENTH of this restated certificate of incorporation or to adopt any provision inconsistent therewith."

3. by adding a new Article TENTH as follows:

"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."

SECOND: That thereafter, pursuant to vote of its Board of Directors, the Annual Meeting of Stockholders of said Corporation was duly called and held, upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware, at which meeting the necessary number of shares as required by statute were voted in favor of the amendment.

THIRD: That said amendments were duly adopted in accordance with the applicable provision of Section 242 of the General Corporation Law of the State of Delaware.

FOURTH: That the capital of said Corporation shall not be reduced under or by reason of said amendment.

IN WITNESS WHEREOF, said CABOT CORPORATION has caused this certificate to be signed by Robert A. Charpie, its President, and attested by Henley R. Webb, its Assistant Secretary this 11th day of February, 1985.

ATTEST: CABOT CORPORATION

/s/ Henley R. Webb
- ----------
Assistant Secretary

By /s/ Robert A. Charpie

President

CERTIFICATE OF DESIGNATION, PREFERENCES AND
RIGHTS OF SERIES A JUNIOR PARTICIPATING PREFERRED STOCK

of

CABOT CORPORATION

Pursuant to Section 151 of the General Corporation Law
of the State of Delaware

We, Robert A. Charpie, President, and Walter F. Greeley, Secretary, of Cabot Corporation, a corporation organized and existing under the General Corporation Law of the State of Delaware, in accordance with the provisions of Section 103 thereof, DO HEREBY CERTIFY:

That pursuant to the authority conferred upon the Board of Directors by the Restated Certificate of Incorporation, as amended, of the said Corporation, the said Board of Directors on November 14, 1986, adopted the following resolution creating a series of 800,000 shares of Preferred Stock designated as Series A Junior Participating Preferred Stock:

VOTED, that pursuant to the authority vested in the Board of Directors of this Corporation in accordance with the provisions of its Restated Certificate of Incorporation, as amended, a series of Preferred Stock of the Corporation be and it hereby is created, and that the designation and amount thereof and the voting powers, preferences and relative, participating, optional and other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof are as follows:

Section 1. DESIGNATION AND AMOUNT. The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" and the number of shares constituting such series shall be 800,000.

Section 2. DIVIDENDS AND DISTRIBUTIONS.

(A) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Series A Junior Participating Preferred Stock with respect to dividends, the holders of shares of Series A Junior Participating Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of

funds legally available for the purpose, quarterly dividends payable in cash on the eleventh day of January, March, June and September in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Junior Participating Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $25 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared (but not withdrawn) on the common stock, par value $1.00 per share, of the Corporation (the "Common Stock") since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Junior Participating Preferred Stock. In the event the Corporation shall at any time after November 14, 1986 (the "Rights Declaration Date") (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series A Junior Participating Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Junior Participating Preferred Stock as provided in paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $25 per share on the Series A

Junior Participating Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Junior Participating Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Junior Participating Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Junior Participating Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

Section 3. VOTING RIGHTS. The holders of shares of Series A Junior Participating Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Junior Participating Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to which

holders of shares of Series A Junior Participating Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein, by the Restated Certificate of Incorporation, as amended, or by law, the holders of shares of Series A Junior Participating Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) (i) If at any time dividends on any Series A Junior Participating Preferred Stock shall be in arrears in an amount equal to six (6) quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a "default period") which shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Series A Junior Participating Preferred Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, all holders of Preferred Stock (including holders of the Series A Junior Participating Preferred Stock) with dividends in arrears in an amount equal to six (6) quarterly dividends thereon, voting as a class, irrespective of series, shall have the right to elect two (2) Directors.

(ii) During any default period, such voting right of the holders of Series A Junior Participating Preferred Stock may be exercised initially at a special meeting called pursuant to subparagraph (iii) of this Section 3(C) or at any annual meeting of stockholders, and thereafter at annual meetings of stockholders, provided that neither such voting right nor the right of the holders of any other series of Preferred Stock, if any, to increase, in certain cases, the authorized number of Directors shall be exercised unless the holders of one-third in number of shares of Preferred Stock outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Common Stock shall not affect the exercise by the holders of Preferred Stock of such voting right. At any meeting at which the holders of

Preferred Stock shall exercise such voting right initially during an existing default period, they shall have the right, voting as a class, to elect Directors to fill such vacancies, if any, in the Board of Directors as may then exist up to two (2) Directors or, if such right is exercised at an annual meeting, to elect two (2) Directors. If the number which may be so elected at any special meeting does not amount to the required number, the holders of the Preferred Stock shall have the right to make such increase in the number of Directors as shall be necessary to permit the election by them of the required number. After the holders of the Preferred Stock shall have exercised their right to elect Directors in any default period and during the continuance of such period, the number of Directors shall not be increased or decreased except by vote of the holders of Preferred Stock as herein provided or pursuant to the rights of any equity securities ranking senior to or PARI PASSU with the Series A Junior Participating Preferred Stock.

(iii) Unless the holders of Preferred Stock shall, during an existing default period, have previously exercised their right to elect Directors, the Board of Directors may order, or any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding, irrespective of series, may request, the calling of a special meeting of the holders of Preferred Stock, which meeting shall thereupon be called by the President, a Vice-President or the Secretary of the Corporation. Notice of such meeting and of any annual meeting at which holders of Preferred Stock are entitled to vote pursuant to this paragraph (C) (iii) shall be given to each holder of record of Preferred Stock by mailing a copy of such notice to him at his last address as the same appears on the books of the Corporation. Such meeting shall be called for a time not earlier than 20 days and not later than 60 days after such order or request or in default of the calling of such meeting within 60 days after such order or request, such meeting may be called on similar notice by any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding. Notwithstanding the provisions of this paragraph (C)(iii), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of the stockholders.

(iv) In any default period, the holders of Common Stock, and other classes of stock of the Corporation if applicable, shall continue to be entitled to elect the whole number of Directors until the holders of Preferred Stock shall have exercised their right to elect two (2) Directors voting as a class, after the exercise of which right (x) the Directors so elected by the holders of Preferred Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may (except as provided in paragraph (C)(ii) of this Section 3) be filled by vote of a majority of the remaining Directors theretofore elected by the holders of the class of stock which elected the Director whose office shall have become vacant. References in this paragraph (C) to Directors elected by the holders of a particular class of stock shall include Directors elected by such Directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Preferred Stock as a class to elect Directors shall cease, (y) the term of any Directors elected by the holders of Preferred Stock as a class shall terminate, and (z) the number of Directors shall be such number as may be provided for in the certificate of incorporation or by-laws irrespective of any increase made pursuant to the provisions of paragraph (C)(ii) of this Section 3 (such number being subject, however, to change thereafter in any manner provided by law or in the certificate of incorporation or by-laws). Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining Directors.

(D) Except as set forth herein, holders of Series A Junior Participating Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. CERTAIN RESTRICTIONS.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Junior Participating Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Junior Participating Preferred Stock outstanding shall have been paid in full, the Corporation shall not

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, except dividends paid ratably on the Series A Junior Participating Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Junior Participating Preferred Stock;

(iv) purchase or otherwise acquire for consideration any shares of Series A Junior Participating Preferred Stock, or any

shares of stock ranking on a parity with the Series A Junior Participating Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. REACQUIRED SHARES. Any shares of Series A Junior Participating Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

Section 6. LIQUIDATION, DISSOLUTION OR WINDING UP. (A) Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Series A Junior Participating Preferred Stock shall have received $225 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series A Liquidation Preference"). Following the payment of the full amount of the Series A Liquidation Preference, no additional distributions shall be made to the holders of shares of Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Common Stock shall have received an

amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Series A Liquidation Preference by (ii) 100 (as appropriately adjusted as set forth in subparagraph C below to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock) (such number in clause (ii) immediately above being referred to as the "Adjustment Number"). Following the payment of the full amount of the Series A Liquidation Preference and the Common Adjustment in respect of all outstanding shares of Series A Junior Participating Preferred Stock and Common Stock, respectively, holders of Series A Junior Participating Preferred Stock and holders of shares of Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to one (1) with respect to such Preferred Stock and Common Stock, on a per share basis, respectively.

(B) In the event, however, that there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other series of preferred stock, if any, which rank on a parity with the Series A Junior Participating Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences. In the event, however, that there are not sufficient assets available to permit payment in full of the Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Common Stock.

(C) In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. CONSOLIDATION, MERGER, ETC. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series A Junior Participating Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Junior Participating Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. REDEMPTION. The outstanding shares of Series A Junior Participating Preferred Stock may be redeemed at the option of the Board of Directors as a whole, but not in part, at any time, or from time to time, at a cash price per share equal to 105 percent of (i) the product of the Adjustment Number times the Average Market Value (as such term is hereinafter defined) of the Common Stock, plus (ii) all dividends which on the redemption date have accrued on the shares to be redeemed and have not been paid, or declared and a sum sufficient for the payment thereof set apart, without interest. The "Average Market Value" is the average of the closing sale prices of the Common Stock during the 30 day period immediately preceding the date before the redemption date 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 Securities Exchange Act of 1934, as amended, on which such

stock is listed, or, if such stock is not listed on any such exchange, the average of the closing sale prices with respect to a share of Common Stock during such 30-day period, as quoted 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 of the Common Stock as determined by the Board of Directors in good faith.

Section 9. RANKING. The Series A Junior Participating Preferred Stock shall rank junior to all other series of the Corporation's Preferred Stock as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

Section 10. AMENDMENT. The Restated Certificate of Incorporation, as amended, of the Corporation shall not be further amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Junior Participating Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding shares of Series A Junior Participating Preferred Stock, voting separately as a class.

Section 11. FRACTIONAL SHARES. Series A Junior Participating Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holders fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Junior Participating Preferred Stock.

IN WITNESS WHEREOF, we have executed and subscribed this Certificate and do affirm the foregoing as true under the penalties of perjury this 2nd day of December , 1986.

/s/ Robert A. Charpie

President

Attest:

/s/ Walter F. Greeley
- ---
Secretary

CERTIFICATE OF AMENDMENT

OF

RESTATED CERTIFICATE OF INCORPORATION

CABOT CORPORATION, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of said Corporation, at a meeting duly held on November 14, 1986, adopted votes setting forth proposed amendments to the Restated Certificate of Incorporation of said Corporation, declaring said amendments to be advisable and recommending the adoption of said amendments by vote of the stockholders of the Corporation at its Annual Meeting of Stockholders called for February 13, 1987. The votes setting forth the proposed amendments are as follows:

VOTED: That it is advisable for this Corporation to amend its Restated Certificate of Incorporation by the proposed amendments described below and that this board recommends the adoption of such proposed amendments by vote of the Corporation at its Annual Meeting of Stockholders called for February 13, 1987:

a. To delete paragraph (i) of Article EIGHTH and insert in its place the new paragraph (i) of Article EIGHTH as follows:

(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.

b. To delete paragraph (j) of Article EIGHTH and insert in its place a new paragraph (j) of Article EIGHTH as follows:

(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.

VOTED That it is advisable for this Corporation to amend its Restated Certificate of Incorporation by the proposed amendments described below and that this board recommends the adoption of such proposed amendments by vote of the Corporation at its Annual Meeting of Stockholders called for February 13, 1987:

a. To delete paragraph (c) of Article EIGHTH and insert in its place the new paragraph (c) of Article EIGHTH as follows:

(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.

b. To add a new paragraph (k) to Article EIGHTH of the Restated Certificate of Incorporation as follows:

(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.

c. To delete the last paragraph of Article ELEVENTH commencing with the word "Notwithstanding" and insert the following in its place:

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.

SECOND: That thereafter, pursuant to vote of its Board of Directors, the Annual Meeting of Stockholders of said Corporation was duly called and held, upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware, at which meeting the necessary number of shares as required by statute were voted in favor of the amendments.

THIRD: That said amendments were duly adopted in accordance with the applicable provision of Section 242 of the General Corporation Law of the State of Delaware.

FOURTH: That the capital of said Corporation shall not be reduced under or by reason of said amendment.

IN WITNESS WHEREOF, said CABOT CORPORATION has caused this certificate to be signed by Robert A. Charpie, its Chairman, and attested by Charles D. Gerlinger, its Assistant Secretary this 13th day of February, 1987.

ATTEST: CABOT CORPORATION

/s/ Charles D. Gerlinger
- ------------------------
Assistant Secretary

By /s/ Robert A. Charpie

Chairman

CERTIFICATE OF DESIGNATIONS

SERIES B ESOP CONVERTIBLE PREFERRED STOCK

of

CABOT CORPORATION

Pursuant to Section 151 of the General
Corporation Law of the State of Delaware

I, Samuel W. Bodman, Chairman of the Board of the Cabot Corporation ("Company"), a corporation organized and existing under the General Corporation Law of the State of Delaware, in accordance with the provisions of Section 151 thereof, DO HEREBY CERTIFY that, pursuant to the authority conferred upon the Board of Directors by the Restated Certificate of Incorporation of the Company, as amended, the Board of Directors authorized the series of Preferred Stock hereinafter provided for and established the voting powers thereof and authorized an Executive Committee of the Board of Directors to adopt, and said Committee has adopted, the following resolution creating a series of 200,000 shares of Preferred Stock, $1.00 par value, designated as Series B ESOP Convertible Preferred Stock:

VOTED: That, pursuant to the authority vested in the Board of Directors of the Company in accordance with the provisions of its Restated Certificate of Incorporation, as amended, and pursuant to the authority vested in the

Executive Committee by the Board of Directors a series of Preferred Stock of the Company be, and it hereby is, created, and that the designation and amount thereof and the voting powers, preferences and relative, participating, optional or other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof, are as follows:

Section 1. Designation and Amount; Special Purpose Restricted Transfer Issue.

(A) The shares of this series of Preferred Stock shall be designated as Series B ESOP Convertible Preferred Stock ("Series B Preferred Stock") and the number of shares constituting such series shall be 200,000.

(B) Shares of Series B Preferred Stock shall be issued only to a trustee or trustees (or to any successor trustee or trustees) acting on behalf of one or more employee stock ownership plans or other employee benefit plans of the Company (the "Trustee"). Certificates representing shares of Series B Preferred Stock shall be legended to reflect any restrictions on transfer imposed on such shares at the time of issuance. Notwithstanding the foregoing provisions of this paragraph (B) of Section 1, shares of Series B Preferred Stock (i) may be converted into shares of Common Stock as provided by Section 5 hereof and the shares of Common Stock issued upon such conversion may be transferred by the holder

thereof as permitted by law and (ii) shall be redeemable by the Company or by the holder upon the terms and conditions provided by Sections 6, 7 and 8 hereof.

Section 2. Dividends and Distributions.

(A) Subject to the provisions for adjustment hereinafter set forth, the holders of shares of Series B Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available therefor, cash dividends ("Preferred Dividends") in an amount per share equal to $ 77.50 per share per annum, and no more, payable quarterly, in arrears, one-quarter on the last business day of each calendar quarter (each a "Dividend Payment Date") commencing on December 30, 1988, to holders of record at the start of business on such Dividend Payment Date. Preferred Dividends shall begin to accrue on outstanding shares of Series B Preferred Stock from the date of issuance of such shares of Series B Preferred Stock. Preferred Dividends shall accrue on a daily basis whether or not declared and whether or not the Company shall have earnings or surplus out of which such dividends could be paid at the time, and Preferred Dividends accrued on the shares of Series B Preferred Stock for any period less than a full quarterly period between Dividend Payment Dates shall be computed on the basis of a 360-day year of 30-day months. Accumulated but unpaid Preferred Dividends shall cumulate as

of the Dividend Payment Date on which they first became payable, but no interest shall accrue on accumulated but unpaid Preferred Dividends.

(B) So long as any Series B Preferred Stock shall be outstanding, no dividend shall be declared or paid or set apart for payment on any other series of stock ranking on a parity with the Series B Preferred Stock as to dividends, unless there shall also be or have been declared and paid or set apart for payment on the Series B Preferred Stock like dividends for all dividend payment periods of the Series B Preferred Stock ending on or before the dividend payment date of such parity stock, ratably in proportion to the respective amounts of dividends accumulated and unpaid through such dividend payment period on the Series B Preferred Stock and accumulated and unpaid or payable on such parity stock through the dividend payment period on such parity stock ending on such dividend payment date. In the event that full cumulative dividends on the Series B Preferred Stock have not been declared and paid or set apart for payment when due, the Company shall not declare or pay or set apart for payment any dividends or make any other distributions on, or make any payment on account of the purchase, redemption or other retirement of, any other class of stock or series thereof of the Company ranking, as to dividends or as to distributions in the event of a liquidation, dissolution or winding-up of

the Company, junior to the Series B Preferred Stock until full cumulative dividends on the Series B Preferred Stock shall have been declared and paid or declared and set aside for payment; PROVIDED, HOWEVER, that the foregoing shall not apply to (i) any dividend payable solely in any shares of any stock ranking, as to dividends or as to distributions in the event of a liquidation, dissolution or winding-up of the Company, junior to the Series B Preferred Stock, (ii) the purchase of shares of any stock ranking, as to dividends or as to distributions in the event of a liquidation, dissolution or winding-up of the Company, junior to the Series B Preferred Stock either (A) pursuant to any employee or director incentive or benefit plan or arrangement (including any employment, severance or consulting agreement) of the Company or any subsidiary of the Company heretofore or hereafter adopted or (B) in exchange solely for shares of any other stock ranking, as to dividends or as to distributions in the event of a liquidation, dissolution or winding up of the Company, junior to the Series B Preferred Stock, or (iii) any payment made in respect of the purchase or redemption of the Rights, as defined in paragraph (F) of Section 5 hereof, or any rights similar thereto.

SECTION 3. VOTING RIGHTS. The holders of shares of Series B Preferred Stock shall have the following voting rights:

(A) The holders of Series B Preferred Stock shall be entitled to vote on all matters submitted to a vote of the holders of Common Stock of the Company, voting together with the holders of Common Stock (and holders of any other class or series of stock which may similarly be entitled to vote with the shares of Common Stock) as one class. Each share of the Series B Preferred Stock shall be entitled to the number of votes equal to the number of shares of Common Stock into which such share of Series B Preferred Stock could be converted on the record date for determining the stockholders entitled to vote, rounded down to the nearest vote; it being understood that whenever the "Conversion Price" (as defined in Section 5 hereof) is adjusted as provided in Section 9 hereof, the voting rights of the Series B Preferred Stock shall also be similarly adjusted.

(B) Except as otherwise required by law or set forth herein, holders of Series B Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock and holders of any other class or series of stock which may similarly be entitled to vote with the shares of Common Stock) for the taking of any corporate action. Any increase or decrease in the authorized class of Preferred Stock (but not below the number of shares thereof then outstanding) shall not be deemed to alter or change the

powers, preferences, or special rights of the shares of Series B Preferred Stock so as to affect them adversely within the meaning of the General Corporation Law of the State of Delaware.

Section 4. Liquidation, Dissolution or Winding Up.

(A) Upon any voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of Series B Preferred Stock shall be entitled to receive out of the assets of the Company which remain after satisfaction in full of all valid claims of creditors of the Company and which are available for payment to stockholders and subject to the rights of the holders of any stock of the Company ranking senior to or on a parity with the Series B Preferred Stock in respect of distributions upon liquidation, dissolution or winding up of the Company, before any amount shall be paid or distributed among the holders of Common Stock or any other shares ranking junior to the Series B Preferred Stock in respect of distributions upon liquidation, dissolution or winding up of the Company, liquidating distributions in the amount of $1,000 per share, plus an amount equal to all accumulated and unpaid dividends (including dividends declared and set aside) and accrued dividends thereon to the date fixed for distribution, and no more. If upon any liquidation, dissolution or winding up of the Company, the amounts payable with respect to the

Series B Preferred Stock and any other stock ranking as to any such distribution on a parity with the Series B Preferred Stock are not paid in full, the holders of the Series B Preferred Stock and such other stock shall share ratably in any distribution of assets in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount to which they are entitled as provided by the foregoing provisions of this paragraph 4(A), the holders of shares of Series B Preferred Stock shall not be entitled to any further right or claim to any of the remaining assets of the Company.

(B) Neither the merger or consolidation of the Company with or into any other corporation or other entity, nor the merger or consolidation of any other corporation or other entity with or into the Company, nor the sale, transfer or lease of all or any portion of the assets of the Company, shall be deemed to be a liquidation, dissolution or winding up of the Company for purposes of this Section 4, but the holders of Series B Preferred Stock shall nevertheless be entitled in the event of any such merger or consolidation to the rights provided by Section 8 hereof.

(C) Written notice of any voluntary or involuntary liquidation, dissolution or winding up of the Company, stating the payment date or dates when, and the place or places where, the amounts distributable to holders of Series

B Preferred Stock in such circumstances shall be payable, shall be given by first-class mail, postage prepaid, mailed not less than twenty (20) days prior to any payment date stated therein, to the holders of Series B Preferred Stock, at the address shown on the books of the Company or any transfer agent for the Series B Preferred Stock.

Section 5. Conversion into Common Stock.

(A) A holder of shares of Series B Preferred Stock shall be entitled, at any time prior to the close of business on the date fixed for redemption of such shares pursuant to Section 6, 7 or 8 hereof, to cause any or all of such shares to be converted into shares of Common Stock, initially at a conversion rate equal to the ratio of $1,000 to the amount which initially shall be $ 45.73 and which shall be adjusted as hereinafter provided (such amount, as so adjusted, is hereinafter sometimes referred to as the "Conversion Price") (that is, a conversion rate initially equivalent to 21.8675 shares of Common Stock for each share of Series B Preferred Stock so converted but that is subject to adjustment as the Conversion Price is adjusted as hereinafter provided).

(B) Any holder of shares of Series B Preferred Stock desiring to convert such shares into shares of Common Stock shall surrender the certificate or certificates representing the shares of Series B Preferred Stock being

converted, duly assigned or endorsed for transfer to the Company (or accompanied by duly executed stock powers relating thereto), at the principal executive office of the Company or the offices of the transfer agent for the Series B Preferred Stock or such office or offices in the continental United States of an agent for conversion as may from time to time be designated by notice to the holders of the Series B Preferred Stock by the Company or the transfer agent for the Series B Preferred Stock, accompanied by written notice of conversion, on any day which is a business day in the city of Boston, Massachusetts. Such notice of conversion shall specify (i) the number of shares of Series B Preferred Stock to be converted and the name or names in which such holder wishes the certificate or certificates for Common Stock to be issued and for any shares of Series B Preferred Stock not to be so converted to be issued (subject to compliance with applicable legal requirements if any of said certificates are to be issued in a name other than the name of the holder), and (ii) the address to which such holder wishes delivery to be made of such new certificates to be issued upon such conversion.

(C) Upon surrender of a certificate representing a share or shares of Series B Preferred Stock for conversion, the Company shall, as promptly as practicable after such surrender, issue and send by hand delivery (with receipt to

be acknowledged) or by first class mail, postage prepaid, to the holder thereof or to such holder's designee, at the address designated by such holder, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled upon conversion. In the event that there shall have been surrendered a certificate or certificates representing shares of Series B Preferred Stock, only part of which are to be converted, the Company shall issue and deliver to such holder or such holder's designee a new certificate or certificates representing the number of shares of Series B Preferred Stock which shall not have been converted.

(D) A conversion of shares of Series B Preferred Stock into shares of Common Stock made at the option of the holder thereof shall be effective as of the close of business on the day on which the Company receives written notice of conversion pursuant to paragraph (B) of this Section 5. On and after the effective day of conversion, the shares of Series B Preferred so converted shall no longer be deemed to be outstanding for any purpose, and the person or persons entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock, but no allowance or adjustment shall be made in respect of dividends payable to holders of Common Stock of record on any date

prior to such effective date. The Company shall not be obligated to pay any dividends which shall have been declared and shall be payable to holders of shares of Series B Preferred Stock on a Dividend Payment Date if such Dividend Payment Date for such dividend shall be on or subsequent to the effective date of conversion of such shares, unless such declared dividends have been set aside for payment prior to the effective date of conversion of such shares, which dividends shall be paid on the effective date of conversion.

(E) The Company shall not be obligated to deliver to holders of Series B Preferred Stock any fractional shares of Common Stock issuable upon any conversion of such shares of Series B Preferred Stock, but in lieu thereof may make a cash payment in respect thereof in any manner permitted by law. Such cash payment shall be in an amount equal to such fraction multiplied by the Fair Market Value per share of the Common Stock (as defined in Section 9 hereof) at the close of business on the day of conversion.

(F) Prior to the Distribution Date (as defined in Section 3(a) of the Rights Agreement (defined below), if the Company shall issue shares of Common Stock upon conversion of shares of Series B Preferred Stock as contemplated by this Section 5, the Company shall issue together with each such share of Common Stock one right (a "Right", and collectively the "Rights") to purchase Series A Junior Participating Preferred Stock of the Company (or

other securities in lieu thereof) pursuant to the Rights Agreement dated as of November 14, 1986, and amended and restated as of August 12, 1988, between the Company and The First National Bank of Boston, as Rights Agent, as such agreement may from time to time be amended (the "Rights Agreement"), or any rights issued to holders of Common Stock of the Company in addition thereto or in replacement therefor.

(G) The Company shall at all times reserve and keep available out of its authorized and unissued Common Stock, solely for issuance upon the conversion of shares of Series B Preferred Stock as herein provided, free from any preemptive rights, such number of shares of Common Stock as shall from time to time be issuable upon the conversion of all the shares of Series B Preferred Stock then outstanding. Notwithstanding the foregoing, the Company shall be entitled to deliver upon conversion of shares of Series B Preferred Stock, as herein provided, shares of Common Stock reacquired and held in the treasury of the Company (in lieu of the issuance of authorized and unissued shares of Common Stock), so long as any such treasury shares are free and clear of all liens, charges, security interests or encumbrances. The Company shall prepare and shall use its best efforts to obtain and keep in force such governmental or regulatory permits or other authorizations as may be required by law,

and shall comply with all requirements as to registration or qualification of the Common Stock (and all requirements to list the Common Stock which are at the time applicable) as shall from time to time be sufficient to effect the conversion of all shares of Series B Preferred Stock then outstanding and convertible into shares of Common Stock.

Section 6. Redemption At the Option of the Company.

(A) The Series B Preferred Stock shall be redeemable, in whole or in part, at the option of the Company at any time after November 18, 1991, or on or before November 18, 1991 if permitted by paragraph (C) or (D) of this Section 6, at the following redemption prices per share (or, if pursuant to paragraph (C) of this Section 6, at the redemption price set forth therein):

DURING THE TWELVE-MONTH PERIOD BEGINNING NOVEMBER 19	PRICE PER SHARE
1988	$1077.50
1989	$1069.75
1990	$1062.00
1991	$1054.25
1992	$1046.50
1993	$1038.75
1994	$1031.00
1995	$1023.25
1996	$1015.50
1997	$1007.75

and thereafter at $1,000 per share, plus, in each case, an amount equal to all accumulated and unpaid dividends and accrued dividends thereon to the date fixed for redemption.

Payment of the redemption price shall be made by the Company in cash or shares of Common Stock, or a combination thereof, as permitted by paragraph (E) of this Section 6. From and after the close of business on the date fixed for redemption, dividends on shares of Series B Preferred Stock called for redemption will cease to accrue, such shares will no longer be deemed to be outstanding and all rights in respect of such shares of the Company shall cease, except the right to receive the redemption price, provided that shares of Series B Preferred Stock may be converted pursuant to Section 5 hereof at any time prior to the close of business on the date fixed for redemption of such shares pursuant to Sections 6, 7 or 8 hereof. If less than all of the outstanding shares of Series B Preferred Stock are to be redeemed, the Company shall either redeem a portion of the shares of each holder determined pro rata based on the number of shares held by each holder or shall select the shares to be redeemed by lot or by any other manner deemed equitable, as may be determined by the Board of Directors of the Company.

(B) Unless otherwise required by law, notice of redemption with respect to a redemption under this Section 6 (but not Section 7 or 8) will be sent to the holders of Series B Preferred Stock at the address shown on the books of the Company or any transfer agent for the Series B Preferred Stock by first class mail, postage prepaid, mailed not less than twenty (20) days nor more than sixty (60) days prior to the redemption date.

Each such notice shall state: (i) the redemption date; (ii) the total number of shares of the Series B Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; (v) that dividends on the shares to be redeemed will cease to accrue on such redemption date; and (vi) the conversion rights of the shares to be redeemed, the period within which conversion rights may be exercised, and the Conversion Price and number of shares of Common Stock issuable upon conversion of a share of Series B Preferred Stock at the time. Upon surrender of the certificates for any shares called for redemption pursuant to the provisions of this Section 6 or the provisions of Sections 7 or 8 hereof, which shares have not previously been converted (properly endorsed or assigned for transfer, if the Board of Directors of the Company shall so require and the notice shall so state), such shares shall be redeemed by the Company at the date fixed for redemption and at the applicable redemption price set forth in this Section 6 or in Sections 7 or 8 hereof.

(C) In the event (i) of a change in the federal tax law of the United States of America which has the effect of precluding the Company from claiming any of the tax deductions

for dividends paid on the Series B Preferred Stock when such dividends are used as provided under Section 404(k)(2) of the Internal Revenue Code of 1986, as amended and in effect on the date shares of Series B Preferred Stock are initially issued, (ii) that shares of Series B Preferred Stock are held by an employee benefit plan intended to qualify as an employee stock ownership plan within the meaning of Section 4975 of the Internal Revenue Code of 1986, as amended, and such plan does not so qualify, or (iii) that the Company, in good faith after consultation with counsel to the Company, determines that the voting provisions contained herein are not in compliance with Rule 19c-4 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the Company may, in its sole discretion and notwithstanding anything to the contrary in paragraph (A) of this Section 6, elect to redeem such shares at a redemption price equal to the amount payable in respect of the shares upon liquidation of the Company pursuant to Section 4 hereof (including the amount equal to all accumulated and unpaid dividends and accrued dividends thereon to the date fixed for redemption, as provided by Section 4 hereof).

(D) Notwithstanding anything to the contrary in paragraph (A) of this Section 6, the Company may, in its sole discretion, elect to redeem any or all of the shares of

Series B Preferred Stock at any time on or prior to November 18, 1991 on the terms and conditions set forth in paragraphs (A) and (B) of this Section 6, if the last reported sales price, regular way, of a share of Common Stock, as reported on the New York Stock Exchange Composite Tape or, if the Common Stock is not listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange on which such stock is listed or admitted to trading or, if the Common Stock is not listed or admitted to trading on any national securities exchange, on the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ") or, if the Common Stock is not quoted on such National Market System, the average of the closing bid and asked prices in over-the-counter market as reported by NASDAQ, for at least twenty (20) trading days within a period of thirty (30) consecutive trading days ending within five (5) days of the notice of redemption, equals or exceeds one hundred forty percent (140%) of the Conversion Price (giving effect equitably in making such calculation to any adjustments required by Section 9 hereof).

(E) The Company, at its option, may make payment of the redemption price required upon redemption of shares of Series B Preferred Stock in cash or in shares of Common Stock (or fractional shares thereof), or in a combination of such

shares and cash, any such shares to be valued for such purpose at their Fair Market Value (as defined in paragraph G of Section 9 hereof, provided, however, that in calculating their Fair Market Value the Adjustment Period shall be deemed to be the five (5) consecutive trading days preceding, and including, the date of redemption), except that any payment required to be made under paragraph (C) of Section 8 shall be made in cash.

Section 7. Other Redemption Rights.

(A) Shares of Series B Preferred Stock shall be redeemed by the Company for cash or, if the Company so elects, in shares of Common Stock (or fractional shares thereof), or a combination of such shares and cash, any such shares of Common Stock to be valued for such purpose at their Fair Market Value (as defined in paragraph (G) of Section 9 hereof, provided, however, that in calculating their Fair Market Value the Adjustment Period shall be deemed to be the five (5) consecutive trading days preceding, and including, the date of redemption), at the redemption prices per share set forth in paragraph (B) of this Section 7, at the option of the holder, at any time and from time to time upon notice to the Company given not less than five (5) business days prior to the date fixed by the holder in such notice for such redemption, when and to the extent necessary (i) for such holder to provide for distributions required to be made

under, or to satisfy an investment election provided to participants in accordance with, the Cabot Corporation Employee Stock Ownership Plan and Trust Agreement, dated as of November 16, 1988, as the same may be amended or any successor plan (the "Plan"), or (ii) for such holder to make payment of principal, interest or premium due and payable (whether as scheduled or upon acceleration) (a) on the $75,000,000 aggregate principal amount of ESOP Notes Due December 31, 2013 of the trust under the Plan (but only if to remedy or prevent a default under such ESOP Notes or related loan documentation, in each case as amended), or (b) on any other indebtedness incurred by the holder for the benefit of the Plan (but only if to remedy or prevent a default thereunder).

(B) For the purposes of clause (i) of paragraph (A) of this Section 7, the redemption price of a share of Series B Preferred Stock shall be an amount equal to the Fair Market Value (as defined in paragraph G of Section 9 hereof) of such share of Series B Preferred Stock. For the purposes of clause (ii) of paragraph (A) of this Section 7, the redemption price of a share of Series B Preferred Stock shall be equal to the amount payable in respect of such share upon liquidation of the Company pursuant to Section 4 hereof (including the amount equal to all accumulated and unpaid dividends and accrued dividends thereon to the date fixed for redemption as provided by Section 4 hereof).

Section 8. Consolidation, Merger, etc.

(A) In the event that the Company shall consummate any consolidation or merger or similar transaction, however named, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged solely for or changed, reclassified or converted solely into stock of any successor or resulting company (including the Company) that constitutes "qualifying employer securities" with respect to a holder of Series B Preferred Stock within the meaning of Section 409(e) of the Internal Revenue Code of 1986, as amended, and Section 407(c)(5) of the Employee Retirement Income Security Act of 1974, as amended, or any successor provisions of law, and, if applicable, for a cash payment in lieu of fractional shares, if any, the shares of Series B Preferred Stock of such holder shall be assumed by and shall become preferred stock of such successor or resulting company, having in respect of such company insofar as possible the same powers, preferences and relative, participating, optional or other special rights (including the redemption rights provided by Sections 6, 7 and 8 hereof), and the qualifications, limitations or restrictions thereon, that the Series B Preferred Stock had immediately prior to such transaction, except that after such transaction each share of the Series B Preferred Stock shall be convertible, otherwise on the terms and conditions provided

by Section 5 hereof, into the qualifying employer securities so receivable by a holder of the number of shares of Common Stock into which such shares of Series B Preferred Stock could have been converted immediately prior to such transaction if such holder of Common Stock failed to exercise any rights of election to receive any kind or amount of stock, securities, cash or other property (other than such qualifying employer securities and a cash payment, if applicable, in lieu of fractional shares) receivable upon such transaction (provided that, if the kind or amount of qualifying employer securities receivable upon such transaction is not the same for each non-electing share, then the kind and amount of qualifying employer securities receivable upon such transaction for each non-electing share shall be the kind and amount so receivable per share by a plurality of the non-electing shares). The rights of the Series B Preferred Stock as preferred stock of such successor or resulting company shall successively be subject to adjustments pursuant to Section 9 hereof after any such transaction as nearly equivalent as practicable to the adjustments provided for by such section prior to such transaction. The Company shall not consummate any such merger, consolidation or similar transaction unless all then outstanding shares of the Series B Preferred Stock shall be

assumed and authorized by the successor or resulting company as aforesaid.

(B) In the event that the Company shall consummate any consolidation or merger or similar transaction, however named, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged for or changed, reclassified or converted into other stock or securities or cash or any other property, or any combination thereof, other than any such consideration which is constituted solely of qualifying employer securities (as referred to in paragraph (A) of this Section 8) and cash payments, if applicable, in lieu of fractional shares, each outstanding share of Series B Preferred Stock shall, without any action on the part of the Company or any holder thereof (but subject to paragraph (C) of this Section 8), be deemed converted by virtue of such merger, consolidation or similar transaction immediately prior to such consummation into the number of shares of Common Stock into which such share of Series B Preferred Stock could have been converted at such time and each share of Series B Preferred Stock shall, by virtue of such transaction and on the same terms as apply to the holders of Common Stock, be converted into or exchanged for the aggregate amount of stock, securities, cash or other property (payable in like kind) receivable by a holder of the number of shares of Common Stock into which such share of Series B

Preferred Stock could have been converted immediately prior to such transaction if such holder of Common Stock failed to exercise any rights of election as to the kind or amount of stock, securities, cash or other property receivable upon such transaction (provided that, if the kind or amount of stock, securities, cash or other property receivable upon such transaction is not the same for each non-electing share, then the kind and amount of stock, securities, cash or other property receivable upon such transaction for each non-electing share shall be the kind and amount so receivable per share by a plurality of the non-electing shares).

(C) In the event the Company shall enter into any agreement providing for any consolidation or merger or similar transaction described in paragraph (B) of this Section 8, then the Company shall as soon as practicable thereafter (and in any event at least ten (10) business days before consummation of such transaction) give notice of such agreement and the material terms thereof to each holder of Series B Preferred Stock and each such holder shall have the right to elect, by written notice to the Company, to receive, upon consummation of such transaction (if and when such transaction is consummated), from the Company or the successor of the Company, in lieu of what would otherwise be the result under paragraph (B) of this Section 8 (and in redemption and retirement of such share of Series B Preferred

Stock, but without any premium), a cash payment equal to the amount payable in respect of such share of Series B Preferred Stock upon liquidation of the Company pursuant to Section 4 hereof, (including an amount equal to all accumulated and unpaid dividends and accrued dividends thereon to the date fixed for redemption as provided by Section 4 hereof). No such notice of redemption shall be effective unless given to the Company prior to the close of business on the fifth business day prior to consummation of such transaction, unless the Company or the successor of the Company shall waive such prior notice, but any notice of redemption so given prior to such time may be withdrawn by notice of withdrawal given to the Company prior to the close of business on the fifth business day prior to consummation of such transaction.

Section 9. Anti-dilution Adjustments.

(A) In the event the Company shall, at any time or from time to time while any of the shares of Series B Preferred Stock are outstanding, (i) pay a dividend or make a distribution in respect of the Common Stock, to the extent that such dividend or distribution consists of shares of Common Stock, (ii) subdivide the outstanding shares of Common Stock, or (iii) combine the outstanding shares of Common Stock into a smaller number of shares, in each case whether by reclassification of shares, recapitalization of the

Company (excluding a recapitalization effected by a merger or consolidation to which Section 8 hereof applies) or otherwise, the Conversion Price in effect immediately prior to such action shall be adjusted by multiplying such Conversion Price by the fraction the numerator of which is the number of shares of Common Stock outstanding immediately before such event and the denominator of which is the number of shares of Common Stock outstanding immediately after such event. An adjustment made pursuant to this paragraph 9(A) shall be given effect, upon payment of such a dividend or distribution, as of the record date for the determination of shareholders entitled to receive such dividend or distribution (on a retroactive basis) and in the case of a subdivision or combination shall become effective immediately as of the effective date thereof.

(B) In the event that the Company shall, at any time or from time to time while any of the shares of Series B Preferred Stock are outstanding, issue to holders of shares of Common Stock as a dividend or distribution, including by way of a reclassification of shares or a recapitalization of the Company, rights or warrants to purchase shares of Common Stock (but not including as such rights or warrants the Rights (as defined in Section 5 hereof) or any securities convertible into or exchangeable for shares of Common Stock) at a purchase price per share less than the Fair Market Value

(as hereinafter defined) of a share of Common Stock on the date of issuance of such rights or warrants, to the extent that such dividend or distribution consists of such rights or warrants, then, subject to the provisions of paragraphs (E) and (F) of this Section 9, the Conversion Price shall be adjusted by multiplying such Conversion Price by the fraction the numerator of which shall be the number of shares of Common Stock outstanding immediately before such issuance of rights or warrants plus the number of shares of Common Stock which could be purchased at the Fair Market Value of a share of Common Stock at the time of such issuance for the maximum aggregate consideration payable upon exercise in full of all such rights or warrants and the denominator of which shall be the number of shares of Common Stock outstanding immediately before such issuance of rights or warrants plus the maximum number of shares of Common Stock that could be acquired upon the exercise in full of all such rights and warrants.

(C) In the event the Company shall, at any time or from time to time while any of the shares of Series B Preferred Stock are outstanding, make an Extraordinary Distribution (as hereinafter defined) in respect of the Common Stock, whether by dividend, distribution, reclassification of shares or recapitalization of the Company (excluding a recapitalization or reclassification effected by a merger or consolidation to which Section 8 hereof applies)

or effect a Pro Rata Repurchase (as hereinafter defined) of Common Stock where the aggregate amount paid in the Extraordinary Distribution or the aggregate premium paid in the Pro Rata Repurchase over the Fair Market Value of the shares of Common Stock repurchased (as determined on the expiration date (including all extensions thereof) of the applicable tender offer or exchange offer), either alone or when combined with aggregate amounts or premiums paid in respect of any other Extraordinary Distributions or Pro Rata Repurchases effected within the preceding twelve-month period (which other Extraordinary Distributions or Pro Rata Repurchases have not been previously taken into account for the purpose of adjusting the Conversion Price pursuant to this paragraph (C) of Section 9) exceeds twelve and one-half percent (12 - 1/2%) of the aggregate Fair Market Value of all shares of Common Stock outstanding on the record date in respect of such Extraordinary Distribution or on the expiration date (including all extensions thereof) of the applicable tender offer or exchange offer in respect of such Pro Rata Repurchase, as the case may be, the Conversion Price in effect immediately prior to such Extraordinary Distribution or Pro Rata Repurchase shall, subject to paragraphs (E) and (F) of this Section 9, be adjusted by multiplying such Conversion Price by the fraction the numerator of which is (i) the product of (x) the number of

shares of Common Stock outstanding immediately before such Extraordinary Distribution or Pro Rata Repurchase multiplied by (y) the Fair Market Value of a share of Common Stock on the record date with respect to an Extraordinary Distribution, or on the expiration date (including all extensions thereof) of the applicable tender offer or exchange offer with respect to a Pro Rata Repurchase minus (ii) the Fair Market Value of the Extraordinary Distribution or the aggregate purchase price of the Pro Rata Repurchase, as the case may be, and the denominator of which shall be the product of (A) the number of shares of Common Stock outstanding immediately before such Extraordinary Distribution or Pro Rata Repurchase minus, in the case of a Pro Rata Repurchase, the number of shares of Common Stock repurchased by the Company multiplied by (B) the Fair Market Value of a share of Common Stock on the record date with respect to an Extraordinary Distribution or on the expiration date (including all extensions thereof) of the applicable tender offer or exchange offer. The Company shall send each holder of Series B Preferred Stock (i) notice of its intent to make any Extraordinary Distribution and (ii) notice of any offer by the Company to make a Pro Rata Repurchase, in each case at the same time as, or as soon as practicable after, such offer is first communicated (including by announcement of a record date in accordance with the rules of any stock

exchange on which the Common Stock is listed or admitted to trading) to holders of Common Stock. Such notice shall indicate the intended record date and the amount and nature of such Extraordinary Distribution, or the number of shares subject to such offer for a Pro Rata Repurchase and the purchase price payable by the Company pursuant to such offer, as well as the Conversion Price and the number of shares of Common Stock into which a share of Series B Preferred Stock may be converted at such time.

(D) In the event the Company shall, at any time or from time to time while any of the shares of Series B Preferred Stock are outstanding, issue, sell or exchange shares of Common Stock (other than pursuant to any employee or director incentive or benefit plan or arrangement, including any employment, severance or consulting agreement, of the Company or any subsidiary of the Company heretofore or hereafter adopted) for a consideration having a Fair Market Value on the date of such issuance, sale or exchange of fifty percent (50%) or less of the Fair Market Value of such shares on the date of such issuance, sale or exchange, then, subject to the provisions of paragraphs (E) and (F) of this Section 9, the Conversion Price shall be adjusted by multiplying such Conversion Price by the fraction the numerator of which shall be the sum of (i) the Fair Market Value of all the shares of Common Stock outstanding on the day immediately preceding

such issuance, sale or exchange plus (ii) the Fair Market Value of the consideration received by the Company in respect of such issuance, sale or exchange of shares of Common Stock, and the denominator of which shall be the product of (i) the Fair Market Value of a share of Common Stock on the day immediately preceding such issuance, sale or exchange multiplied by (ii) the sum of the number of shares of Common Stock outstanding on such day plus the number of shares of Common Stock so issued, sold or exchanged by the Company.

(E) Notwithstanding any other provisions of this Section 9, the Company shall not be required to make immediately any adjustment of the Conversion Price unless such adjustment would require an increase or decrease of at least one percent (1%) in the Conversion Price. Any lesser adjustment shall be carried forward and shall be made no later than the earlier of (i) three years after the event which gives rise to such adjustment and (ii) the time of the next subsequent adjustment which, together with any adjustment or adjustments so carried forward, shall amount to an increase or decrease of at least one percent (1%) in the Conversion Price.

(F) If the Company shall make any dividend or distribution on the Common Stock or issue any Common Stock, other capital stock or other security convertible into or exchangeable for capital stock of the Company or any rights

or warrants to purchase or acquire any such security, which transaction does not result in an adjustment to the Conversion Price pursuant to the foregoing provisions of this Section 9, the Board of Directors of the Company may consider, but shall be under no legal obligation to consider, whether such action is of such a nature that an adjustment to the Conversion Price should equitably be made in respect of such transaction. If in such case the Board of Directors of the Company determines that an adjustment to the Conversion Price should be made, an adjustment shall be made effective as of such date, as determined by the Board of Directors of the Company. The determination of the Board of Directors of the Company as to whether an adjustment to the Conversion Price should be made pursuant to the foregoing provisions of this paragraph 9(F), and, if so, as to what adjustment should be made and when, shall be final and binding on the Company and all stockholders of the Company. Without limiting the foregoing, the Company shall be entitled to make such additional adjustments in the Conversion Price, in addition to those required by the foregoing provisions of this Section 9, as shall be necessary in order that any dividend or distribution in shares of capital stock of the Company, subdivision, reclassification or combination of shares of stock of the Company or any recapitalization of the Company

or other event shall not be taxable to holders of the Common Stock.

(G) For purposes of this Resolution, the following definitions shall apply:

"Extraordinary Distribution" shall mean any dividend or other distribution (i) of cash, including for this purpose regular quarterly cash dividends declared and paid by the Company, and (ii) of any shares of capital stock of the Company (other than shares of Common Stock referred to in clause (i) of paragraph (A) of this Section 9), other securities of the Company (other than rights or warrants of the type referred to in paragraph (B) of this Section 9), evidence of indebtedness of the Company or any other person or any other property (including shares of any subsidiary of the Company), or any combination thereof, each as valued at Fair Market Value.

"Fair Market Value" shall mean (a) as to cash, the amount of cash, and (b) as to shares of Common Stock or any other class of capital stock or securities of the Company or any other issuer which are publicly traded, the average of the Current Market Prices (as hereinafter defined) of such shares or securities for each day of the Adjustment Period (as hereinafter defined). "Current Market Price" of publicly traded shares of Common Stock or any other class of capital stock or other security of the Company or any other issuer for a day shall mean the last reported sales price, regular way,

or, in case no sale takes place on such day, the average of the reported closing bid and asked prices, regular way, in either case as reported on the New York Stock Exchange Composite Tape or, if such security is not listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange on which such security is listed or admitted to trading, or if not listed or admitted to trading on any national securities exchange, on the NASDAQ National Market System or, if such security is not quoted on such National Market System, the average of the closing bid and asked prices on such day in the over-the-counter market as reported by NASDAQ or, if bid and asked prices for such security on such day shall not have been reported through NASDAQ, the average of the bid and asked prices for such day as furnished by any New York Stock Exchange member firm regularly making a market in such security selected for such purpose by the Board of Directors of the Company or a committee thereof on each trading day during the Adjustment Period. "Adjustment Period" shall mean the period of five (5) consecutive trading days, selected by the Board of Directors of the Company or a committee thereof, during the 20 trading days preceding, and including, the date as of which the Fair Market Value of a security is to be determined. The "Fair Market Value" of any security which is not publicly traded or of any other property shall mean the

fair value thereof as determined by an independent investment banking or appraisal firm experienced in the valuation of such securities or property selected in good faith by the Board of Directors of the Company or a committee thereof, or, if no such investment banking or appraisal firm is in the good faith judgment of the Board of Directors or such committee available to make such determination, as determined in good faith by the Board of Directors of the Company or such committee.

"Pro Rata Repurchase" shall mean any purchase of shares of Common Stock by the Company or any subsidiary thereof, whether for cash, shares of capital stock of the Company, other securities of the Company, evidences of indebtedness of the Company or any other person or any other property (including shares of a subsidiary of the Company), or any combination thereof, pursuant to any tender offer or exchange offer subject to Section 13(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any successor provision of law.

(H) Whenever an adjustment to the Conversion Price and the related voting rights of the Series B Preferred Stock is required pursuant to this Resolution, the Company shall forthwith place on file with the transfer agent for the Common Stock and the Series B Preferred Stock if there be one, and with the Secretary of the Company, a statement

signed by two officers of the Company stating the adjusted Conversion Price determined as provided herein and the resulting conversion ratio, and the voting rights (as appropriately adjusted), of the Series B Preferred Stock. Such statement shall set forth in reasonable detail such facts as shall be necessary to show the reason and the manner of computing such adjustment, including any determination of Fair Market Value involved in such computation. Promptly after each adjustment to the Conversion Price and the related voting rights of the Series B Preferred Stock, the Company shall mail a notice thereof and of the then prevailing conversion ratio to each holder of shares of Series B Preferred Stock.

Section 10. Ranking; Retirement of Shares.

(A) The Series B Preferred Stock shall rank senior to the Series A Junior Participating Preferred Stock and the Common Stock as to the payment of dividends and the distribution of assets on liquidation, dissolution and winding-up of the Company, and, unless otherwise provided in the Restated Certificate of Incorporation of the Company, as amended, or a Certificate of Designations relating to a subsequent series of Preferred Stock, $1.00 par value, of the Company, the Series B Preferred Stock shall rank junior to all other series of the Company's Preferred Stock, $1.00 par

value, as to the payment of dividends and the distribution of assets on liquidation, dissolution or winding-up.

(B) Any shares of Series B Preferred Stock acquired by the Company by reason of the conversion or redemption of such shares as provided by this Resolution, or otherwise so acquired, shall be retired as shares of Series B Preferred Stock and restored to the status of authorized but unissued shares of Preferred Stock, $1.00 par value, of the Company, undesignated as to series, and may thereafter be reissued as part of a new series of such Preferred Stock as permitted by law.

Section 11. Miscellaneous.

(A) All notices referred to herein shall be in writing, and all notices hereunder shall be deemed to have been given upon the earlier of receipt thereof or three (3) business days after the mailing thereof if sent by registered mail (unless first-class mail shall be specifically permitted for such notice under the terms of this Resolution) with postage prepaid, addressed: (i) if to the Company, to its office at 950 Winter Street, Waltham, Massachusetts 02254 or to the transfer agent for the Series B Preferred Stock, or other agent of the Company designated as permitted by this Resolution, or (ii) if to any holder of the Series B Preferred Stock or Common Stock, as the case may be, to such holder at the address of such holder as listed in the stock

record books of the Company (which may include the records of any transfer agent for the Series B Preferred Stock or Common Stock, as the case may be) or (iii) to such other address as the Company or any such holder, as the case may be, shall have designated by notice similarly given.

(B) The term "Common Stock" as used in this Resolution means the Company's Common Stock of $1.00 par value, as the same exists at the date of filing of a Certificate of Designations relating to Series B Preferred Stock or any other class of stock resulting from successive changes or reclassifications of such Common Stock consisting solely of changes in par value, or from par value to no par value, or from no par value to par value. In the event that, at any time as a result of an adjustment made pursuant to Section 9 of this Resolution, the holder of any share of Series B Preferred Stock upon thereafter surrendering such shares for conversion shall become entitled to receive any shares or other securities of the Company other than shares of Common Stock, the Conversion Price in respect of such other shares or securities so receivable upon conversion of shares of Series B Preferred Stock shall thereafter be adjusted, and shall be subject to further adjustment from time to time, in a manner and on terms as nearly equivalent as practicable to the provisions with respect to Common Stock contained in Section 9 hereof, and the provisions of Sections

1 through 8 and 10 and 11 of this Resolution with respect to the Common Stock shall apply on like or similar terms to any such other shares or securities.

(C) The Company shall pay any and all stock transfer and documentary stamp taxes that may be payable in respect of any issuance or delivery of shares of Series B Preferred Stock or shares of Common Stock or other securities issued on account of Series B Preferred Stock pursuant hereto or certificates representing such shares or securities. The Company shall not, however, be required to pay any such tax which may be payable in respect of any transfer involved in the issuance or delivery of shares of Series B Preferred Stock or Common Stock or other securities in a name other than that in which the shares of Series B Preferred Stock with respect to which such shares or other securities are issued or delivered were registered, or in respect of any payment to any person with respect to any such shares or securities other than a payment to the registered holder thereof, and shall not be required to make any such issuance, delivery or payment unless and until the person otherwise entitled to such issuance, delivery or payment has paid to the Company the amount of any such tax or has established, to the satisfaction of the Company, that such tax has been paid or is not payable.

(D) In the event that a holder of shares of Series B Preferred Stock shall not by written notice designate the name in which shares of Common Stock to be issued upon conversion of such shares should be registered or to whom payment upon redemption of shares of Series B Preferred Stock should be made or the address to which the certificate or certificates representing such shares, or such payment, should be sent, the Company shall be entitled to register such shares, and make such payment, in the name of the holder of such Series B Preferred Stock as shown on the records of the Company and to send the certificate or certificates representing such shares, or such payment, to the address of such holder shown on the records of the Company.

(E) Unless otherwise provided in the Restated Certificate of Incorporation, as amended, of the Company, all payments in the form of dividends, distributions on voluntary or involuntary dissolution, liquidation or winding-up or otherwise made upon the shares of Series B Preferred Stock and any other stock ranking on a parity with the Series B Preferred Stock with respect to such dividends or distributions shall be made pro rata, so that amounts paid per share on the Series B Preferred Stock and such other stock shall in all cases bear to each other the same ratio that the required dividends, distributions or payments, as the case may be, then payable per share on the shares of the

Series B Preferred Stock and such other stock bear to each other.

(F) The Company may appoint, and from time to time discharge and change, a transfer agent for the Series B Preferred Stock. Upon any such appointment or discharge of a transfer agent, the Company shall send notice thereof by first-class mail, postage prepaid, to each holder of record of Series B Preferred Stock.

IN WITNESS WHEREOF, I have executed and subscribed this Certificate of Designations and do affirm the foregoing as true under the penalties of perjury this 17th day of November, 1988.

/s/ Samuel W. Bodman

Samuel W. Bodman
Chairman of the Board

ATTEST:

/s/ Charles Gerlinger
- ---
Charles Gerlinger
Secretary

AMENDED CERTIFICATE OF DESIGNATION, PREFERENCES AND
RIGHTS OF SERIES A JUNIOR PARTICIPATING
PREFERRED STOCK OF CABOT CORPORATION

(Pursuant to Section 151
of the General Corporation Law of the State of Delaware)

We, Kennett F. Burnes, President, and Charles D. Gerlinger, Secretary of Cabot Corporation (the "Corporation"), a corporation organized and existing under the General Corporation Law of the State of Delaware, in accordance with the provisions of Section 103 thereof, DO HEREBY CERTIFY as follows:

That pursuant to the authority conferred upon the Board of Directors by the Certificate of Incorporation of the said Corporation, said Board of Directors on November 10, 1995, voted to create a series of 1,000,000 shares of Preferred Stock designated as Series A Junior Participating Preferred Stock:

VOTED, that pursuant to the authority granted to and vested in the Board of Directors of this Corporation in accordance with the provisions of the Corporation's Certificate of Incorporation and Section 151(g) of the General Corporation Law of the State of Delaware, the Board of Directors hereby approves and adopts an amendment to the Certificate of Designation, Preferences and Rights of the Series A Junior Participating Preferred Stock of Cabot Corporation, which Certificate is hereby amended in its entirety, and hereby states the designation and number of shares, and fixes the relative rights, preferences and limitations thereof (in addition to the provisions set forth in the Corporation's Certificate of Incorporation which are applicable to the Preferred Stock of all classes and series) as follows:

Section 1. Designation and Amount. There shall be a series of Preferred Stock, par value $1.00 per share, of the Corporation which shall be designated as "Series A Junior Participating Preferred Stock," par value $1.00 per share, and the number of shares constituting such series shall be 1,000,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series A Junior Participating Preferred Stock to a number less than that of the shares then outstanding plus the number of shares issuable upon exercise of outstanding rights, options or warrants or upon conversion of outstanding securities issued by the Corporation.

Section 2. Dividends and Distributions.

(A) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the Series A Junior Participating Preferred Stock with respect to dividends, the holders of shares of Series A

Junior Participating Preferred Stock in preference to the holders of shares of Common Stock, par value $1.00 per share (the "Common Stock"), of the Corporation and any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the last day of each fiscal quarter of the Corporation in each year or such other dates as the Board of Directors of the Corporation shall approve (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Junior Participating Preferred Stock in an amount per share (rounded to the nearest cent) equal to the greater of (a) $18.00 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Junior Participating Preferred Stock. In the event the Corporation shall at any time after November 24, 1995 (the "Rights Declaration Date") (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide (by a stock split or otherwise) the outstanding Common Stock, or (iii) combine (by a reverse stock split or otherwise) the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series A Junior Participating Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Junior Participating Preferred Stock as provided in paragraph (A) above at the time it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $18.00 per share on the Series A Junior Participating Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) So long as any shares of the Series A Junior Participating Preferred Stock are outstanding, no dividends or other distributions shall be declared, paid or distributed, or set aside for payment or distribution, on the Common Stock unless, in each

case, the dividend required by this Section 2 to be declared on the Series A Junior Participating Preferred Stock shall have been declared.

(D) The holders of the shares of the Series A Junior Participating Preferred Stock shall not be entitled to receive any dividends or other distributions except as provided herein.

(E) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Junior Participating Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Junior Participating Preferred Stock unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Junior Participating Preferred Stock in an amount less than the total of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Junior Participating Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Junior Participating Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide (by a stock split or otherwise) the outstanding Common Stock, or (iii) combine (by a reverse stock split or otherwise) the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of shares of Series A Junior Participating Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein or by law, the holders of shares of Series A Junior Participating Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) (i) If at any time dividends on any Series A Junior Participating Preferred Stock shall be in arrears in an amount equal to at least six (6) full quarterly dividends (whether or not declared and whether or not consecutive) thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a "default period") which shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Series A Junior Participating Preferred Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, all holders of Preferred Stock (including holders of the Series A Junior Participating Preferred Stock) with dividends in arrears in an amount equal to at least six (6) full quarterly dividends (whether or not declared and whether or not consecutive) thereon, voting as a class, irrespective of series, shall have the right to elect two (2) Directors.

(ii) During any default period, such voting right of the holders of Series A Junior Participating Preferred Stock may be exercised initially at a special meeting called pursuant to subparagraph (iii) of this Section 3(C) or at any annual meeting of stockholders, and thereafter at annual meetings of stockholders, provided that neither such voting right nor the right of the holders of any other series of Preferred Stock, if any, to increase, in certain cases, the authorized number of Directors shall be exercised unless the holders of one-third (1/3) in number of shares of Preferred Stock outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Common Stock shall not affect the exercise by the holders of Preferred Stock of such voting right. At any meeting at which the holders of Preferred Stock shall exercise such voting right initially during an existing default period, they shall have the right, voting as a class, to elect Directors to fill such vacancies, if any, in the Board of Directors as may then exist up to two (2) Directors or, if such right is exercised at an annual meeting, to elect two (2) Directors. If the number which may be so elected at any special meeting does not amount to the required number, the holders of the Preferred Stock shall have the right to make such increase in the number of Directors as shall be necessary to permit the election by them of the required number. After the holders of the Preferred Stock shall have exercised their right to elect Directors in any default period and during the continuance of such period, the number of directors shall not be increased or decreased except by vote of the holders of Preferred Stock as herein provided or pursuant to the rights of any equity securities ranking senior to or pari passu with the Series A Junior Participating Preferred Stock.

(iii) Unless the holders of Preferred Stock shall, during an existing default period, have previously exercised their right to elect Directors, the Board of Directors may order, or any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of Preferred Stock outstanding, irrespective of series, may request, the calling of a special meeting of the holders of Preferred Stock, which meeting shall thereupon be called by the Chairman of the Board or the President of the Corporation. Notice of such meeting and of any annual meeting at which holders of Preferred Stock are entitled to vote pursuant to this paragraph (C)(iii) shall be given to each holder of record of Preferred Stock by mailing a copy of such notice to him at his last address as the same appears on the books of the Corporation. Such meeting shall be called for a time not earlier than 10 days and not later than 60 days after such order or request or in default of the calling of such meeting within 60 days after such order or request, such meeting may be called on similar notice by any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding. Notwithstanding the provisions of this paragraph (C)(iii), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of the stockholders.

(iv) In any default period, the holders of Common Stock, and other classes of stock of the Corporation if applicable, shall continue to be entitled to elect the whole number of Directors until the holders of Preferred Stock shall have exercised their right to elect two (2) Directors voting as a class, after the exercise of which right (x) the Directors so elected by the holders of Preferred Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may (except as provided in paragraph (C)(ii) of this Section 3) be filled by a vote of a majority of the remaining Directors theretofore elected by the holders of the class of stock which elected the Director whose office shall become vacant. References in this paragraph (C) to Directors elected by the holders of a particular class of stock shall include Directors elected by such Directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Preferred Stock as a class to elect Directors shall cease, (y) the term of any Directors elected by the holders of Preferred Stock as a class shall terminate, and (z) the number of Directors shall be such number as may be provided for in the Certificate of Incorporation or By-laws irrespective of any increase made pursuant to the provisions of paragraph (C)(ii) of this Section 3 (such number being subject, however, to change thereafter in any manner provided by law or in the Certificate of Incorporation or By-laws). Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining Directors.

(D) Except as set forth herein, holders of Series A Junior Participating Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Junior Participating Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Junior Participating Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) Declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock;

(ii) Declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock except dividends paid ratably on the Series A Junior Participating Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) Redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Junior Participating Preferred Stock; or

(iv) Purchase or otherwise acquire for consideration any shares of Series A Junior Participating Preferred Stock or any shares of stock ranking on a parity with the Series A Junior Participating Junior Preferred Stock except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Junior Participating Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

Section 6. Liquidation, Dissolution or Winding Up.

(A) Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Series A Junior Participating Preferred Stock shall have received per share, the amount of $18.00, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series A Liquidation Preference"). Following the payment of the full amount of the Series A Liquidation Preference, no additional distributions shall be made to the holders of shares of Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Common Stock shall have received an amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Series A Liquidation Preference by (ii) 100 (as appropriately adjusted as set forth in paragraph (C) below to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock) (such number in clause (ii), the "Adjustment Number"). Following the payment of the full amount of the Series A Liquidation Preference and the Common Adjustment in respect of all outstanding shares of Series A Junior Participating Preferred Stock and Common Stock, respectively, holders of Series A Junior Participating Preferred Stock and holders of shares of Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to 1 with respect to such Preferred Stock and Common Stock, on a per share basis, respectively.

(B) In the event there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other series of Preferred Stock, if any, which rank on a parity with the Series A Junior Participating Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences.

In the event there are not sufficient assets available to permit payment in full of the Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Common Stock.

(C) In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. If the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such event the shares of Series A Junior Participating Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to the Adjustment Number times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged.

Section 8. No Redemption. The shares of Series A Junior Participating Preferred Stock shall not be redeemable.

Section 9. Ranking. The Series A Junior Participating Preferred Stock shall rank junior to all other series of the Corporation's Preferred Stock as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

Section 10. Fractional Shares. Series A Junior Participating Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Junior Participating Preferred Stock.

Section 11. Amendment. The Certificate of Incorporation of the Corporation shall not be further amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Junior Participating Preferred Stock so as to affect them adversely without the affirmative vote of the holders

of a majority or more of the outstanding shares of Series A Junior Participating Preferred Stock, voting separately as a class.

Section 12. Effective Date. This Amended Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock of Cabot Corporation shall be effective at 5:00 P.M., Eastern Standard Time, on November 24, 1995.

IN WITNESS WHEREOF, I have executed and subscribed this Certificate and do affirm the foregoing as true under penalties of perjury this 10th day of November, 1995.

By:/s/ Kennett F. Burnes

Kennett F. Burnes
President

Attest:

/s/ Charles D. Gerlinger
- ---

Charles D. Gerlinger
Secretary

CERTIFICATE OF AMENDMENT

OF

CERTIFICATE OF INCORPORATION

The undersigned officer of CABOT CORPORATION, a corporation organized and existing under the General Corporation Law of the State of Delaware, does hereby certify:

FIRST: That at a meeting of the Board of Directors of CABOT CORPORATION held on November 10, 1995, a vote was duly adopted setting forth a proposed amendment to the Certificate of Incorporation of said corporation, declaring said amendment to be advisable and directing that said amendment be considered at the Annual Meeting of Stockholders. The vote setting forth the proposed amendment is as follows:

"VOTED: That the Board of Directors of Cabot Corporation hereby approves and declares advisable the following amendment of the Certificate of Incorporation of Cabot Corporation, and directs that said amendment be considered at the Annual Meeting of Stockholders of Cabot Corporation to be held on March 7, 1996, or any adjournment or postponement thereof:

Article FOURTH of the Certificate of Incorporation is hereby amended by striking out the first paragraph thereof, which now reads as follows:

'FOURTH: The total number of shares of common stock which this corporation shall have authority to issue is eighty million shares and the par value of each of such shares is one dollar ($1.00) amounting in the aggregate to eighty million dollars ($80,000,000).'

and inserting the following in place thereof:

'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).' "

SECOND: That thereafter, pursuant to a vote of its Board of Directors, the Annual Meeting of Stockholders of said corporation was duly called and held on March 7, 1996, upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware at which meeting the necessary number of shares as required by statute to adopt said amendment was voted in favor of the amendment.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, I have executed and subscribed this certificate and do affirm the foregoing as true under penalties of perjury this 12th day of March, 1996.

/s/ Kennett F. Burnes
_____
Kennett F.Burnes
President

Attest:

/s/ Charles D. Gerlinger
_____
Charles D. Gerlinger
Secretary

AMENDED CERTIFICATE OF DESIGNATION, PREFERENCES AND RIGHTS OF SERIES A JUNIOR PARTICIPATING PREFERRED STOCK OF CABOT CORPORATION

I, Jane A. Bell, Secretary of Cabot Corporation, a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), in accordance with the provisions of Section 103 thereof, do hereby certify that at a meeting of the Corporation's Board of Directors on November 11, 2005, the following resolutions were adopted with respect to the Corporation's Series A Junior Participating Preferred Stock:

VOTED: That, none of the authorized shares of the Corporation's Series A Junior Participating Preferred Stock are outstanding and that no shares of Series A Junior Participating Preferred Stock of the Corporation will be issued subject to the Amended Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock of the Corporation filed with the Secretary of State of the State of Delaware on November 20, 1995, and

FURTHER VOTED: That, pursuant to the authority granted to and vested in the Board of Directors of this Corporation in accordance with the provisions of the Corporation's Amended Certificate of Incorporation and Section 151(g) of the General Corporation Law of the State of Delaware, the Board of Directors, for the purpose of eliminating the Series A Junior Participating Preferred Stock from the Corporation's Amended Certificate of Incorporation, hereby approves and authorizes the filing with the Secretary of State of the State of Delaware of a certificate stating that no such shares of Series A Junior Participating Preferred Stock are outstanding and that no such shares will be issued.

IN WITNESS WHEREOF, the Corporation has caused this certificate to be signed this 18th day of November, 2005 by an authorized officer.

By: /s/ Jane A. Bell

Jane A. Bell
Secretary

EXHIBIT 10.1

(CABOT LOGO)

January 2, 2006

Mr. John A. Shaw
200 W. Springfield St. Unit 1
Boston, MA 02118

Dear John:

This separation letter ("Separation Agreement") is to confirm that you have elected to terminate your employment with Cabot Corporation ("Cabot" or the "Company") effective January 4, 2006 (the "Separation Date"). As a result of the termination of your employment, on or as of the Separation Date, you will be entitled to (a) salary through January 4, 2006, (b) payment for accrued vacation time unused as of January 4, 2006, and (c) continued medical and dental coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), details of which are being provided to you. The items set forth above will be provided to you regardless of whether or not you decide to accept the additional payments and benefits offered by Cabot in this Separation Agreement.

Except as otherwise stated herein, this Separation Agreement does not modify or supersede any obligations that you have to Cabot by law or otherwise, and you understand that you must return all written and other materials belonging to Cabot and in your possession or control, together with all copies of such materials, upon termination of your employment.

I invite you to consider the following offer of additional payments and benefits in exchange for a general release of claims. You should consult with an attorney before deciding whether to accept this offer. You may accept this offer only by signing (with signature notarized) a copy of this letter where indicated below and returning it to Robby D. Sisco at Cabot Corporation, Two Seaport Lane, Suite 1300, Boston, MA 02210-2019, so that Mr. Sisco receives it not later than January 26, 2006; otherwise this offer shall be null and void. Our offer is as follows:

1. Within two weeks after the effective date of this Separation Agreement, Cabot will pay you a lump sum payment in the total amount of $725,000.00. This payment shall be reduced by any deductions and withholding that Cabot determines are required by law or otherwise, prior to payment to you.

2. In exchange for the payments provided to you under this Separation Agreement, to which you acknowledge you would not otherwise be entitled, you, on your own behalf and that of

your heirs, executors, administrators, beneficiaries, personal representatives and assigns, agree that the Separation Agreement shall be in complete and final settlement of any and all causes of action, rights or claims, whether known or unknown, that you have had in the past, now have, or might now have as of the date upon which you sign and execute this Separation Agreement, in any way related to, connected with, or arising out of your employment or its termination, whether (a) sounding in tort, contract or otherwise, (b) pursuant to Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Worker Adjustment and Retraining Notification Act or any similar state law, the Older Workers Benefit Protection Act, the Age Discrimination in Employment Act, or the fair employment practices statutes of the state or states in which you have provided services to the Company, or (c) pursuant to any other federal, state or local law, regulation or other requirement. You hereby release and forever discharge the Company and its subsidiaries and other affiliates and all of their respective past, present and future directors, shareholders, officers, members, managers, general and limited partners, employees, agents, representatives, successors and assigns, any welfare or retirement plans maintained by Cabot or its subsidiaries, affiliates, or successors, or any of the trustees or administrators thereof, and all others connected with any of the foregoing, both individually and in their official capacities (collectively, the "Releasees"), from any and all such causes of action, rights or claims, whether known or unknown, that you have had in the past, now have, or might now have as of the date upon which you sign and execute this Separation Agreement, in any way related to, connected with, or arising out of your employment or its termination.

Notwithstanding the foregoing, this release does not include and will not preclude: (a) any claim for salary payable through the Separation Date, or for accrued, unused vacation time as recorded on the Company's books as of the Separation Date; (b) any claim for vested benefits payable under any employee benefit plan; (c) claims, actions, or rights arising under or to enforce the terms of this Separation Agreement; and (d) claims or rights under COBRA.

3. In signing this Separation Agreement, you affirm that you have been paid and/or have received all leave (paid or unpaid), compensation, wages, bonuses, commissions, and/or benefits to which you may be entitled and that no other leave (paid or unpaid), compensation, wages, bonuses, commissions and/or benefits are due to you, except as provided in this Separation Agreement. On or before the Separation Date, Cabot will provide you with a lump sum payment equal to the vacation days you had earned but not used. You acknowledge that, upon receiving said vacation pay, you will have received pay for all work you have performed for the Company during the current payroll period, to the extent not previously paid, as well as pay, at your final base rate of pay, for the vacation days you had earned, but not used, all as of the Separation Date, determined in accordance with Company policy and as reflected on the books of the Company.

4. You understand and agree that, except as expressly provided below, your participation in all employee benefit plans of the Company will end as of the Separation Date, in accordance with the terms of those plans. You understand and agree that your rights and obligations with respect to any stock shares or stock options granted or gifted to you by Cabot which are vested on or as of the Separation Date shall be governed by the applicable stock plan and any agreements or other requirements applicable to those shares or options. You understand and agree that all stock shares and/or stock options granted or gifted to you by the Company

which are not vested on or as of the Separation Date shall be forfeited or cancelled on or as of the Separation Date in accordance with the applicable stock plan and any agreements or other requirements applicable to those shares or options. To the extent you are in possession of any stock and/or stock option certificates for any stock shares and/or stock options gifted or granted to you which will not be vested on or as of the Separation Date, you further agree to return, no later than the Separation Date, all such certificates in your possession. In furtherance of the foregoing, and in accordance with Cabot's 1999 Equity Incentive Plan, within thirty days of the Separation Date, the Company will purchase from you the 62,500 shares of Restricted Stock purchased by you in connection with your 2003 and 2004 Long-term Incentive Awards, for an aggregate consideration of $577,650.00 (the amount you paid for such shares).

Cabot agrees that, for a period of fourteen (14) months following the Separation Date, Cabot will continue to provide you with the financial planning benefit received by you from AYCO as an employee of Cabot at an amount no greater than the amount provided to you in 2005 for such benefit, in accordance with the Company's AYCO program guidelines, as in effect from time to time. Cabot reserves the rights to amend, modify, terminate or discontinue the financial planning benefit provided by AYCO to its employees and former employees, or the costs associated therewith, at any time.

5. This Separation Agreement does not affect, modify or alter your rights to be indemnified by Cabot under Section 14 of Cabot's By-laws and/or Article Eighth of Cabot's Restated Certificate of Incorporation, as amended.

6. This Separation Agreement does not affect, modify or alter your individual rights as an officer or former officer of Cabot to insurance coverage under Cabot's directors and officers insurance program.

7. You agree that you will continue to keep confidential and protect Confidential Information, as defined herein, and that, except as required by law, you will not, directly or indirectly, disclose it to others or use it for any purpose. As used in this Separation Agreement, "Confidential Information" means:

(a) any and all information of Cabot of a confidential and/or proprietary nature, including, but not limited to: technology; inventions (whether or not patentable); trade secrets; samples; compositions; techniques and equipment; methods; manufacturing processes and processing conditions; engineering data; drawings; specifications; formulae; plant design and layout; products and product applications; development plans and new business opportunities; experimental work; commercial and developmental operations; the identities and requirements of customers and prospective customers; customer lists; suppliers and supplier lists; the identities of other individuals or third parties with whom Cabot has or with which is seeking to develop a business relationship and the nature and details of any such relationship or potential relationship; software and networks; business, marketing and any other plans and strategies; sales, pricing, raw materials and cost information; financial information; compensation, benefits and related incentives; and any other information relating to Cabot and its businesses; and,

(b) any and all information received by Cabot from any customer or other third party (e.g. supplier or business partner) of a confidential and/or proprietary nature, including, but not limited to: technology; inventions (whether or not patentable); trade secrets; samples; compositions; performance targets and criteria; techniques and equipment; methods; manufacturing processes and processing conditions; engineering data; drawings; specifications; plant design and layout; products and product applications; development plans and new business opportunities; experimental work; commercial and developmental operations; customers and customer lists; suppliers and supplier lists; software and networks; business and marketing plans and strategies; pricing and costs information; financial information; and any other information relating to such customer or third party and its businesses.

8. In exchange for the payments provided to you under this Separation Agreement, to which you acknowledge you would not otherwise be entitled, and to protect the Confidential Information and other legitimate business interests of Cabot, you agree that:

(a) for a period of eighteen (18) months following the Separation Date, you will not directly or indirectly (either alone or in association with any person, firm, corporation, or other entity) work for or on behalf of, become an owner, partner or investor in, consult with, or otherwise provide any services to any third party in any area or activity that is competitive with any business or research and development activity of Cabot; and

(b) for a period of eighteen (18) months following the Separation Date, you will not directly or indirectly (either alone or in association with any person, firm, corporation, or other entity) recruit, solicit, induce, or attempt to do the same, any employee of Cabot or any of its subsidiaries or affiliates to leave the employ of Cabot or any of its subsidiaries or affiliates or otherwise cease to make his/her services available to Cabot or any of its subsidiaries or affiliates.

9. You acknowledge that you have carefully read and considered all the terms and conditions of this Separation Agreement, including the restraints imposed upon you pursuant to paragraphs 7 and 8. You understand and agree that these restraints are necessary for the reasonable and proper protection of the legitimate business interests of Cabot, and that a breach by you of any one of these restraints would cause irreparable harm and damage to Cabot. You further acknowledge that damages would not be an adequate remedy for a breach or threatened breach by you of any one of the covenants contained in paragraphs 7 and 8. You therefore agree that Cabot shall be entitled to the enforcement of this Separation Agreement by injunction, specific performance or other equitable relief, without need of posting a bond and without prejudice to any other rights and remedies that Cabot may have under this Separation Agreement or under applicable law.

10. All inventions, discoveries and improvements conceived or made by you during your employment with Cabot that (i) relate to the business or activities of Cabot or (ii) were conceived or developed by you during normal working hours or using Cabot's facilities shall belong to Cabot, whether or not reduced to writing or practice during your employment with Cabot. You hereby assign to Cabot or its nominee all your rights and interest in any such

inventions, discoveries and improvements and agree to keep protected the interest of Cabot or its nominee in any such inventions, discoveries and improvements. You are also assigning to Cabot or its nominee, at Cabot's expense, all copyrights and reproduction rights to any material prepared by you during your employment with Cabot that (i) relate to the business activities of Cabot or (ii) were conceived or developed by you during normal working hours or using Cabot's facilities. If within the eighteen month period following the Separation Date, you disclose to anyone or file a patent application with respect to any invention, discovery or improvement relating to any subject matter with which your work for Cabot was concerned, such invention, discovery or improvement shall be presumed to have been made by you during your employment with Cabot unless you can provide clear and convincing evidence to the contrary.

11. It is agreed and understood that your right to receive and retain any and all of the payments provided for in this Separation Agreement shall be expressly conditioned on your continued and material performance of your obligations under this Separation Agreement, including, but not limited to, those obligations set forth in paragraphs 7 through 10.

12. For the two (2) year period following the Separation Date, you agree to reasonably cooperate with the Company hereafter with respect to all matters arising during or related to your employment with the Company, including, but not limited to, all matters in connection with any governmental investigation, litigation, arbitration or other proceeding which may have arisen as of, or which may arise following, the Separation Date, and the filing and prosecution of any patent application(s) worldwide. Cabot will reimburse you your out-of-pocket expenses incurred in complying with Company requests hereunder, provided that such expenses are authorized by the Company in advance.

13. You agree that, except as required by law, you will not disclose this Separation Agreement or any of its terms or provisions, directly or by implication, except to your spouse, tax advisor, and an attorney with whom you choose to consult regarding your consideration of this Separation Agreement, and then only on condition that they agree not to further disclose this Separation Agreement or any of its terms or provisions to others.

14. You agree, except as required by law, not to make negative, disparaging or derogatory comments to anyone about Cabot, its businesses (including its subsidiaries, affiliates and successors), its management (including without limitation its shareholders, officers and directors), its employees and/or the products of any of the foregoing. You further agree that you will not otherwise do or say anything associated with your current role with Cabot that could disrupt the good morale of Cabot's employees or harm Cabot's interests or reputation. The Company agrees to instruct its current officers to not make any disparaging remarks about you to any third parties inside or outside of the Company.

15. You hereby represent and acknowledge that in executing this Separation Agreement, you do not rely and have not relied upon any representation or statement made by Cabot or by any agents, representatives or attorneys of Cabot with regard to the subject matter, basis or effect of this Separation Agreement. This Separation Agreement constitutes the entire agreement between you and Cabot and replaces all prior and contemporaneous agreements, communications and understandings, whether written or oral, with respect to your

employment at Cabot, its termination, confidentiality, non-competition, non-solicitation, assignment of rights to intellectual property or the like, and all related matters, other than any loans by Cabot to you.

16. This Separation Agreement may not be modified, altered or changed except upon express written consent of both parties wherein specific reference is made to this Separation Agreement.

17. The parties agree that neither this Separation Agreement nor the furnishing of any consideration herein shall be deemed or construed at anytime for any purposes as an admission by Cabot of any liability or unlawful conduct of any kind.

18. You agree that any changes or modifications made to the terms of this Separation Agreement, whether material or immaterial, do not restart or affect in any manner the original twenty-one (21) calendar day consideration period. You further agree that you have been given the full period within which to consider the Separation Agreement and that the twenty-one day period will end on or before January 26, 2006, and that Cabot has advised you to consult with an attorney concerning this Separation Agreement.

19. In signing this Separation Agreement, you represent and warrant that, except as expressly provided below, you have returned to the Company any and all non-public documents, materials and information (whether in hardcopy, on electronic media or otherwise) related to Company business (whether present or otherwise) and all keys, access cards, credit cards, computer hardware and software, telephones and telephone-related equipment and all other property of the Company in your possession or control. Further, you represent and warrant that you have not retained any copy of any non-public Company documents, materials or information (whether in hardcopy, on electronic media or otherwise). Recognizing that your employment with the Company has ended as of the Separation Date, you agree that you will not, for any purpose, attempt to access or use any Company computer or computer network or system, including without limitation its electronic mail system, after such date. Further, you acknowledge that you have disclosed to the Company all passwords necessary or desirable to enable the Company to access all information which you have password-protected on any of its computer equipment or on its computer network or system.

    Cabot agrees that you may retain the laptop computer provided to you by the Company; provided, however, that, prior to and no later than January 3, 2005, you shall make such laptop computer available to Darrin Bono (at Cabot Corporation, 2 Seaport Lane, Suite 1300, Boston, MA 02210-2019), so that Mr. Bono can make the necessary adjustments to the computer to remove all Cabot-specific hardware and software and to ensure compliance with the foregoing provisions and your ongoing confidentiality obligations to the Company.

20. To the extent you choose to accept this offer and sign this Separation Agreement, you shall have seven (7) days from the date upon which you sign it to revoke your agreement. This Separation Agreement shall not be effective and/or enforceable until your seven-day revocation period has expired unexercised.

If the terms of this Separation Agreement are acceptable to you, please sign and return a copy of this letter to Robby D. Sisco at Cabot Corporation, Two Seaport Lane, Suite 1300, Boston, MA 02210-2019, by January 26, 2006. If you accept the foregoing offer, you shall have the right to revoke this Separation Agreement by delivering or sending to Mr. Sisco (at Cabot Corporation, Two Seaport Lane, Suite 1300, Boston Massachusetts 02210-2019) written notice of revocation so that your notice of revocation is received by Mr. Sisco within seven calendar days after the date that this letter is signed by you. If you revoke within this time period, this Separation Agreement shall be null and void in its entirety and you will not be entitled to any additional payments and benefits set forth in this Separation Agreement. Otherwise this Separation Agreement shall be binding upon you, your heirs and representatives and shall inure to the benefit of, and be binding upon, Cabot and its successors and assigns.

Notwithstanding anything to the contrary, Cabot shall not be required to make any payments or provide any other benefits to you pursuant to this Separation Agreement unless and until your right of revocation has expired unexercised. Any payments or benefits that would otherwise be due hereunder prior to expiration of the revocation period shall be paid or provided by Cabot within a reasonable time after your right of revocation has expired unexercised. This Separation Agreement shall be treated as a contract under seal for purposes of Massachusetts law.

Very truly yours,

CABOT CORPORATION

By /s/ Robby D. Sisco

Robby D. Sisco
Vice President

The foregoing offer by Cabot Corporation is accepted and agreed to this 4th day January, 2006.

/s/ John A. Shaw
- ---
John A. Shaw

COMMONWEALTH OF MASSACHUSETTS)ss.:
)
)
COUNTY OF SUFFOLK)

In this 4th day of January, 2006, before me, the undersigned notary public, personally appeared the above-named John A. Shaw, proved to me through satisfactory evidence of

identification, which were MA driver's license, to be the person whose name is signed in the preceding document, and acknowledged to me that he signed it voluntarily for its stated purpose.

/s/ Deborah A. Rocco

Notary Public, Commonwealth of Massachusetts
Notary's name (printed): Deborah A. Rocco

Notary's commission expires: 9-13-07

EXHIBIT 31.1

PRINCIPAL EXECUTIVE OFFICER CERTIFICATION

I, Kennett F. Burnes, 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.

/s/ Kennett F. Burnes

Kennett F. Burnes
Chairman of the Board, President
and Chief Executive Officer

Date: February 8, 2006

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.

/s/ Jonathan P. Mason
Jonathan P. Mason
Executive Vice President and
Chief Financial Officer

Date: February 8, 2006

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, 2005 (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:

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/ Kennett F. Burnes
Kennett F. Burnes
Chairman of the Board, President and Chief Executive Officer

February 8, 2006

/s/ Jonathan P. Mason
Jonathan P. Mason
Executive Vice President and
Chief Financial Officer

February 8, 2006