

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 8-K

**CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of report (Date of earliest event reported): **January 24, 2007**

CABOT CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of Incorporation)

1-5667
(Commission File Number)

04-2271897
(IRS Employer Identification No.)

Two Seaport Lane, Suite 1300, Boston, Massachusetts
(Address of Principal Executive Offices)

02210-2019
(Zip Code)

(617) 345-0100
(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On January 24, 2007, Cabot Corporation issued a press release announcing its operating results for the fiscal quarter ended December 31, 2006. A copy of the press release, together with supplemental business information for the first quarter of Cabot's 2007 fiscal year, are furnished herewith as Exhibits 99.1 and 99.2.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits.

- 99.1 Press release issued by Cabot Corporation on January 24, 2007
- 99.2 First Quarter Fiscal Year 2007 Supplemental Business Information

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 hereunto duly authorized.

CABOT CORPORATION

By: /s/ James P. Kelly

Name: James P. Kelly

Title: Controller

Date: January 24, 2007

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EXHIBIT INDEX

| <u>Exhibit Number</u> | <u>Title</u> |
|---------------------------|--|
| 99.1 | Press release issued by Cabot Corporation on January 24, 2007 |
| 99.2 | First Quarter Fiscal Year 2007 Supplemental Business Information |

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Contact: *Susannah R. Robinson*
Director, Investor Relations
(617) 342-6129

CABOT ANNOUNCES FIRST QUARTER OPERATING RESULTS

BOSTON, MA (January 24, 2007) — Cabot Corporation (NYSE:CBT) today announced net income of \$54 million (\$0.79 per diluted common share after-tax) for the first quarter of 2007. This is compared to net income of \$24 million (\$0.35 per diluted common share after-tax) for the first quarter of fiscal 2006. Details of certain items included in net income are provided in the accompanying financial tables.

In commenting on the results, Kennett F. Burnes, Cabot's Chairman and CEO, said, "We are very pleased with our first quarter financial results. They are strong results, driven in part by our continued attention to manufacturing efficiency, cost minimization and profitable growth in emerging markets. In addition, for the first time in nearly two years we experienced relief from carbon black feedstock costs, which positively impacted performance in both rubber blacks and performance products. The fumed silica product line experienced significant volume growth in all market segments, high plant utilization and lower per unit manufacturing costs due to its expansion in China. The Supermetals Business had a strong quarter primarily related to the completion of the last of the significant long term supply contracts. Additionally, high fluid utilization in the North Sea led to increased profitability in the Specialty Fluids Business during the quarter."

Product Line Performance

During the quarter, per unit margins in rubber blacks and performance products increased due to price increases and lower feedstock costs. Results reflected the favorable impact of declining feedstock costs on contracted rubber blacks volumes and the immediate recognition of lower feedstock

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costs in North America. In rubber blacks, volumes were 8% higher than in the first quarter of 2006 despite lower volumes in North America resulting from a strike at our customer, The Goodyear Tire and Rubber Company, which has since been settled. In performance products, volumes decreased by 4% when compared to the first quarter of 2006 as many of our plastics customers delayed orders to take advantage of declining polymer prices. Sequentially, volumes in rubber blacks and performance products were lower due to the impact of the Goodyear strike and market seasonality, respectively, but unit margin increases and lower manufacturing conversion costs led to stronger performance in both product lines.

The inkjet colorants product line had weaker performance compared to both the first and fourth quarters of 2006. As anticipated, the product line experienced lower volumes due to softness in the aftermarket segment and an expected inventory drawdown by one of our key OEM customers, leading to lower sales volumes. Volumes decreased by 9% compared to the same quarter a year ago and by 18% compared to the fourth quarter of fiscal year 2006. Additionally, higher fixed costs per unit due to lower production levels and increased costs associated with our new production line unfavorably impacted the profitability of the product line both year over year and sequentially. During the quarter, the product line commenced commercial sales of products for use in the high-speed inkjet printing market, in anticipation of an OEM product launch in the spring. To that end, the product line is once again in the process of substantially expanding capacity to serve this market.

Fumed silica volumes grew by 13% when compared to the first quarter of 2006 due to strength in all market segments. Compared to the same period in 2006, profitability improved in the product line with the successful startup of our new, lower cost, fumed silica facility in China, lower hydrogen prices and several one-time expenses in 2006 that did not recur in 2007. Volumes decreased by 6% when compared to the fourth quarter of

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2006, largely due to seasonality. The impact of lower volumes in all market segments was more than offset by lower fixed and selling, technical and administrative ("STA") costs, leading to a slight increase in sequential profitability.

Profitability in the Supermetals Business increased when compared to both the first and fourth quarters of 2006. When compared to the same period of 2006, the Business experienced lower contracted volumes and lower pricing due to the continued transition from contracted to market based sales, partially offset by higher market volumes. Despite these changes, profitability improved versus the same quarter in the prior year as manufacturing and STA expenses were significantly reduced and certain unusual manufacturing related costs did not recur in the first quarter of 2007. Sequentially, profitability increased due to higher contracted volumes related to the completion of the last significant long term supply contract, which more than offset higher ore costs.

The Specialty Fluids Business had a strong quarter, with increases in profitability when compared to both the first and fourth quarters of 2006. An increase in rental days and volume of fluid sold combined to improve fluid utilization rates both year over year and sequentially.

Outlook

With respect to the future, Burnes said, "We anticipate overall demand in our core businesses to remain solid, particularly in emerging regions where our new capacity is concentrated. Specifically, carbon black demand appears strong in all regions outside of North America, we anticipate that fumed metal

oxides will continue its trend of volume growth and strong plant utilization for at least the next six months, and we remain optimistic about the continuation of strong market volumes in the Supermetals Business. In inkjet colorants we believe we will return to a more normal level of growth in the small office home office (“SOHO”) market through the remainder of the year and we remain optimistic regarding the prospects for growth in the use of our products in the high-speed inkjet market. In Specialty

Fluids, we continue to see gradual progress in the acceptance of formates for use in wells outside of the North Sea and remain optimistic about the prospects for this Business. However, we remain concerned regarding the balance of capacity and demand in the North American carbon black market, and the impact that this excess capacity will have on our margins.

Some of the benefits we experienced during the first quarter, however, are unlikely to be sustained over the full year. The positive impact of declining feedstock costs on our rubber blacks contracted business will be weaker unless carbon black feedstock prices continue to fall. In addition, the last of our significant long term supply contracts in the Supermetals Business expired in December of 2006. In aggregate, we believe that these positively impacted our earnings for the first quarter by \$0.20-\$0.25 per diluted common share after-tax.”

For those interested in more detailed information regarding Cabot’s first quarter fiscal year 2007 results, please see the Supplemental Business Information available on the Company’s website in the Investor Relations section: <http://investor.cabot-corp.com>. Further details concerning certain items are included in Exhibit I of the press release.

Included above are forward-looking statements relating to management’s expectations regarding demand for our products; our overall business performance and prospects; growth of markets for inkjet colorants; our ability to replace lost contract volumes with open market volumes in the Supermetals Business and maintain that Business’s profitability; utilization of new capacity for fumed metal oxides; acceptance of our cesium formate drilling fluids outside of the North Sea; carbon black feedstock prices; and the balance of capacity and demand in the North American carbon black market. The following are some of the factors that could cause Cabot’s actual results to differ materially from those expressed in the forward-looking statements: changes in feedstock costs; lower than expected demand for our products; our inability to maintain cost savings from restructuring activities; our inability to maintain and grow our position in the small office, home office printing market and to participate in the growth in emerging inkjet applications; unexpected delays in drilling operations at wells recently awarded to the Specialty Fluids Business and the success of this Business in gaining wider acceptance by the energy industry of cesium formate as a drilling fluid and to penetrate new markets (including development of the required logistics to reach remote markets); and the timely customer acceptance of products from recent capacity expansion

projects. Other factors and risks are discussed in the Company’s 2006 Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Cabot Corporation is a global specialty chemicals and materials company headquartered in Boston, MA. Cabot’s major products are carbon black, fumed silica, inkjet colorants, capacitor materials, and cesium formate drilling fluids.

First Quarter Earnings Announcement, Fiscal 2007

CABOT CORPORATION CONSOLIDATED STATEMENTS OF OPERATIONS

| Periods ended December 31 Dollars in millions, except per share amounts (unaudited) | Three Months | |
|--|--------------|-----------|
| | 2006 | 2005 |
| Net sales and other operating revenues | \$ 655 | \$ 587 |
| Cost of sales | 506 | 481 |
| Gross profit | 149 | 106 |
| Selling and administrative expenses | 54 | 58 |
| Research and technical expenses | 15 | 13 |
| Income from operations | 80 | 35 |
| Other income and expense | | |
| Interest and dividend income | 2 | 2 |
| Interest expense | (9) | (6) |
| Other income (expense) | 2 | (4) |
| Total other income and expense | (5) | (8) |

| | | |
|--|----------------|----------------|
| Income from continuing operations before income taxes | 75 | 27 |
| Provision for income taxes | (19) | (4) |
| Equity in net income of affiliated companies, net of tax | 3 | 3 |
| Minority interest in net income, net of tax | (5) | (4) |
| Income from continuing operations | 54 | 22 |
| Cumulative effect of accounting change, net of tax | — | 2 |
| Net income | 54 | 24 |
| Dividends on preferred stock | — | (1) |
| Income available to common shares | <u>\$ 54</u> | <u>\$ 23</u> |
| Diluted earnings per share of common stock | | |
| Income from continuing operations | \$ 0.79 | \$ 0.31 |
| Cumulative effect of accounting change | — | 0.04 |
| Net income | <u>\$ 0.79</u> | <u>\$ 0.35</u> |
| Weighted average common shares outstanding | | |
| Diluted | 69 | 68 |

First Quarter Earnings Announcement, Fiscal 2007

CABOT CORPORATION SUMMARY RESULTS BY SEGMENTS

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

| | | |
|---|----------------|----------------|
| Net income | <u>\$ 0.79</u> | <u>\$ 0.35</u> |
| Weighted average common shares outstanding | | |
| Diluted | 69 | 68 |
| <hr/> | | |
| (A) Segment sales for certain operating segments within the Carbon Black Business include 100% of sales of one equity affiliate at market-based prices. | | |
| (B) Unallocated and other reflects an elimination for sales of one equity affiliate offset by royalties paid by equity affiliates and external shipping and handling fees. | | |
| (C) Segment profit is a measure used by Cabot's operating decision-makers to measure consolidated operating results and assess segment performance. Segment profit includes equity in net income of affiliated companies and excludes royalties paid by equity affiliates, minority interest and allocated corporate costs. | | |
| (D) General unallocated expense includes foreign currency transaction gains (losses), interest income, dividend income, and the certain items listed in Exhibit I. | | |
| (E) Cumulative benefit of accounting change for implementation of FAS 123(R). | | |

First Quarter Earnings Announcement, Fiscal 2007

| CABOT CORPORATION CONDENSED CONSOLIDATED FINANCIAL POSITION | | |
|--|--|---|
| <u>Dollars in millions, except share and per share amounts</u> | <u>December 31, 2006 (unaudited)</u> | <u>September 30, 2006 (audited)</u> |
| Current assets: | | |
| Cash and cash equivalents | \$ 183 | \$ 189 |
| Short-term marketable securities | 31 | 1 |
| Accounts and notes receivable, net of reserve for doubtful accounts of \$7 and \$6 | 538 | 534 |
| Inventories: | | |
| Raw materials | 124 | 131 |
| Work in process | 106 | 109 |
| Finished goods | 153 | 139 |
| Other | 44 | 41 |
| Total inventories | <u>427</u> | <u>420</u> |
| Prepaid expenses and other current assets | 93 | 75 |
| Deferred income taxes | 35 | 36 |
| Total current assets | <u>1,307</u> | <u>1,255</u> |
| Investments: | | |
| Equity affiliates | 59 | 59 |
| Long-term marketable securities and cost investments | 3 | 3 |
| Total investments | <u>62</u> | <u>62</u> |
| Property, plant and equipment | 2,584 | 2,531 |
| Accumulated depreciation and amortization | (1,620) | (1,567) |
| Net property, plant and equipment | <u>964</u> | <u>964</u> |
| Other assets: | | |
| Goodwill | 32 | 31 |
| Intangible assets, net of accumulated amortization of \$10 and \$10 | 4 | 5 |
| Assets held for rent | 40 | 40 |
| Deferred income taxes | 99 | 100 |
| Other assets | 82 | 77 |
| Total other assets | <u>257</u> | <u>253</u> |
| Total assets | <u>\$ 2,590</u> | <u>\$ 2,534</u> |

First Quarter Earnings Announcement, Fiscal 2007

| CABOT CORPORATION CONDENSED CONSOLIDATED FINANCIAL POSITION | | |
|--|--|--|
|--|--|--|

Dollars in millions, except share and per share amounts

| | December 31, 2006 (unaudited) | September 30, 2006 (audited) |
|--|-------------------------------------|------------------------------------|
| Current liabilities: | | |
| Notes payable to banks | \$ 69 | \$ 58 |
| Accounts payable and accrued liabilities | 355 | 384 |
| Income taxes payable | 39 | 27 |
| Deferred income taxes | 2 | 2 |
| Current portion of long-term debt | 48 | 34 |
| Total current liabilities | <u>513</u> | <u>505</u> |
| Long-term debt | 437 | 459 |
| Deferred income taxes | 20 | 20 |
| Other liabilities | 287 | 286 |
| Minority interest | 72 | 68 |
| Stockholders' equity: | | |
| Preferred stock: | | |
| Authorized: 2,000,000 shares of \$1 par value | | |
| Series B ESOP Convertible Preferred Stock 7.75% Cumulative, Authorized: 200,000 shares | | |
| Issued and outstanding: 34,714 and 38,734 shares (aggregate redemption value of \$35 and \$39) | 52 | 56 |
| Less cost of 17,161 shares of preferred treasury stock | (38) | (38) |
| Common stock: | | |
| Authorized: 200,000,000 shares of \$1 par value | | |
| Issued and outstanding: 64,207,914 and 63,432,651 | 64 | 64 |
| Less cost of 146,389 shares of common treasury stock | (5) | (5) |
| Additional paid-in capital | 23 | 7 |
| Retained earnings | 1,202 | 1,160 |
| Deferred employee benefits | (37) | (38) |
| Notes receivable for restricted stock | (19) | (20) |
| Accumulated other comprehensive income | 19 | 10 |
| Total stockholders' equity | <u>1,261</u> | <u>1,196</u> |
| Total liabilities and stockholders' equity | <u>\$ 2,590</u> | <u>\$ 2,534</u> |

CABOT CORPORATION

| In millions, except per share amounts (unaudited) | Fiscal 2006 | | | | | Fiscal 2007 | | | | |
|--|---------------|---------------|---------------|---------------|-----------------|---------------|---------|---------|----------|----|
| | Dec. Q. | Mar. Q. | June Q. | Sept. Q. | FY | Dec. Q. | Mar. Q. | June Q. | Sept. Q. | FY |
| Sales | | | | | | | | | | |
| Carbon Black Business ^(A) | \$ 419 | \$ 476 | \$ 514 | \$ 508 | \$ 1,917 | \$ 485 | | | | |
| Rubber blacks | 298 | 346 | 367 | 367 | 1,378 | 351 | | | | |
| Performance products | 109 | 117 | 134 | 128 | 488 | 123 | | | | |
| Inkjet colorants | 11 | 12 | 12 | 12 | 47 | 10 | | | | |
| Superior MicroPowders | 1 | 1 | 1 | 1 | 4 | 1 | | | | |
| Metal Oxides Business | 57 | 62 | 66 | 69 | 254 | 65 | | | | |
| Fumed metal oxides | 57 | 62 | 65 | 69 | 253 | 65 | | | | |
| Aerogel | — | — | 1 | — | 1 | — | | | | |
| Supermetals Business | 93 | 67 | 66 | 66 | 292 | 77 | | | | |
| Specialty Fluids Business | 10 | 11 | 12 | 11 | 44 | 16 | | | | |
| Segment Sales | 579 | 616 | 658 | 654 | 2,507 | 643 | | | | |
| Unallocated and other ^(B) | 8 | 11 | 8 | 9 | 36 | 12 | | | | |
| Net sales and other operating revenues | <u>\$ 587</u> | <u>\$ 627</u> | <u>\$ 666</u> | <u>\$ 663</u> | <u>\$ 2,543</u> | <u>\$ 655</u> | | | | |
| Segment Profit | | | | | | | | | | |
| Carbon Black Business ^(C) | \$ 21 | \$ 26 | \$ 23 | \$ 31 | \$ 101 | \$ 54 | | | | |
| Metal Oxides Business ^(C) | 2 | 5 | 6 | 9 | 22 | 9 | | | | |
| Supermetals Business | 11 | 12 | 9 | 9 | 41 | 16 | | | | |
| Specialty Fluids | 4 | 4 | 5 | 3 | 16 | 8 | | | | |
| Total Segment Profit ^(D) | <u>38</u> | <u>47</u> | <u>43</u> | <u>52</u> | <u>180</u> | <u>87</u> | | | | |
| Income from operations | | | | | | | | | | |
| Interest expense | (6) | (7) | (6) | (8) | (27) | (9) | | | | |
| General unallocated expense ^(E) | (2) | (24) | (2) | (16) | (44) | — | | | | |
| Less: Equity in net income of affiliated companies, net of tax | <u>(3)</u> | <u>(4)</u> | <u>(1)</u> | <u>(4)</u> | <u>(12)</u> | <u>(3)</u> | | | | |
| Income from continuing operations before income taxes | 27 | 12 | 34 | 24 | 97 | 75 | | | | |
| (Provision) benefit for income taxes | (4) | (1) | (8) | 4 | (9) | (19) | | | | |
| Equity in net income of affiliated companies, net of tax | 3 | 4 | 1 | 4 | 12 | 3 | | | | |
| Minority interest in net income, net of tax | <u>(4)</u> | <u>(3)</u> | <u>(2)</u> | <u>(3)</u> | <u>(12)</u> | <u>(5)</u> | | | | |
| Net income from continuing operations | 22 | 12 | 25 | 29 | 88 | 54 | | | | |
| Cumulative effect of accounting changes, net of taxes ^(F) | 2 | — | — | (4) | (2) | — | | | | |
| Discontinued operations ^(G) | <u>—</u> | <u>—</u> | <u>—</u> | <u>2</u> | <u>2</u> | <u>—</u> | | | | |
| Net income | 24 | 12 | 25 | 27 | 88 | 54 | | | | |
| Dividends on preferred stock, net of tax benefit | <u>(1)</u> | <u>—</u> | <u>(1)</u> | <u>—</u> | <u>(2)</u> | <u>—</u> | | | | |

| | | | | | | |
|---|---------|---------|---------|---------|---------|---------|
| Net income available to common shares | \$ 23 | \$ 12 | \$ 24 | \$ 27 | \$ 86 | \$ 54 |
| Net income per common share | | | | | | |
| Net income from continuing operations | \$ 0.31 | \$ 0.17 | \$ 0.37 | \$ 0.43 | \$ 1.28 | \$ 0.79 |
| Cumulative effects of accounting changes ^(F) | 0.04 | — | — | (0.07) | (0.03) | — |
| Discontinued operations ^(G) | — | — | — | 0.03 | 0.03 | — |
| Net income | \$ 0.35 | \$ 0.17 | \$ 0.37 | \$ 0.39 | \$ 1.28 | \$ 0.79 |
| Weighted average common shares outstanding | | | | | | |
| Diluted | 68 | 69 | 69 | 68 | 68 | 69 |

- (A) Segment sales for certain operating segments within the Carbon Black Business include 100% of sales of one equity affiliate at market-based prices.
- (B) Unallocated and other reflects an elimination for sales for one equity affiliate offset by royalties paid by equity affiliates and external shipping and handling fees.
- (C) The fourth quarter and fiscal year end 2006 amounts include a reclassification of \$4 million of profit from the Carbon Black segment to the Metal Oxides segment. This reclassification was deemed to be immaterial for purposes of the annual segment reporting in the September 30, 2006 consolidated financial statements.
- (D) Segment profit is a measure used by Cabot's operating decision-makers to measure consolidated operating results and assess segment performance. Segment profit includes equity in net income of affiliated companies, royalties paid by equity affiliates, minority interest and allocated corporate costs.
- (E) General unallocated expense includes foreign currency transaction gains (losses), interest income, dividend income and certain items listed in Exhibit I. These amounts also include the \$27 million settlement payment to the Sons of Gwalia in the second quarter of 2006.
- (F) Amounts relate to the cumulative benefit resulting from the adoption of FAS 123(R) in the first quarter of 2006 of \$0.04 and the cumulative expense resulting from the adoption of FIN 47 in the fourth quarter of 2006 of (\$0.07).
- (G) Amount relates to a favorable tax settlement recognized during the period from our discontinued liquified natural gas business.

First Quarter Earnings Announcement, Fiscal 2007

CABOT CORPORATION CERTAIN ITEMS - Exhibit I

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

| Periods ended December 31 Dollars in millions, except per share amounts (unaudited) | Three Months | | Periods ended December 31 Dollars in millions, except per share amounts (unaudited) | Three Months | |
|---|--------------|---------------------------------|---|--------------|------|
| | 2006 | 2005 | | 2006 | 2005 |
| Statement of Operations Line Item | | Certain items by Segment | | | |
| Cost of sales | \$ 2 | \$ — | Carbon Black Business | \$ 3 | \$ 1 |
| Selling and administrative expenses | 1 | 2 | Supermetals Business | — | 1 |
| Total certain items | \$ 3 | \$ 2 | Total certain items | \$ 3 | \$ 2 |

- (A) Per share amounts are calculated after tax.
- (B) Cumulative benefit of accounting change from implementation of FAS 123(R).

CABOT CORPORATION
FIRST QUARTER FISCAL YEAR 2007
SUPPLEMENTAL BUSINESS INFORMATION
(Unaudited)

Business Segment Sales Analysis

Key factors impacting net sales for each business during the first quarter of 2007 were as follows:

Carbon Black Business

| Impact on Sales (Dollars in millions) | Q1 2007 vs Q1 2006 | Q1 2007 vs Q4 2006 |
|--|---------------------------|---------------------------|
| Prices | 36 | (2) |
| Foreign currency translation | 14 | 2 |
| Volumes | 8 | (31) |

Metal Oxides Business

| Impact on Sales (Dollars in millions) | Q1 2007 vs Q1 2006 | Q1 2007 vs Q4 2006 |
|--|---------------------------|---------------------------|
| Volumes | 8 | (4) |
| Foreign currency translation | 2 | — |

Supermetals Business

| Impact on Sales (Dollars in millions) | Q1 2007 vs Q1 2006 | Q1 2007 vs Q4 2006 |
|--|---------------------------|---------------------------|
| Volumes | (6) | 7 |
| Prices | (10) | 5 |

Business Segment Profitability Analysis

Key factors impacting PBT for each business during the first quarter of 2007 were as follows:

Carbon Black Business

| Impact on PBT (Dollars in millions) | Q1 2007 vs Q1 2006 | Q1 2007 vs Q4 2006 |
|--|---------------------------|---------------------------|
| Price / mix | 35 | 4 |
| Volumes | 4 | (15) |
| Raw materials | — | 23 |
| Fixed costs | (4) | 5 |
| Inventory change and other inventory charges | (8) | 1 |

Metal Oxides Business

| Impact on PBT (Dollars in millions) | Q1 2007 vs Q1 2006 | Q1 2007 vs Q4 2006 |
|--|---------------------------|---------------------------|
| Volumes | 5 | (3) |
| Raw materials | 4 | — |
| Fixed costs | (2) | 1 |

Supermetals Business

| Impact on PBT (Dollars in millions) | Q1 2007 vs Q1 2006 | Q1 2007 vs Q4 2006 |
|--|---------------------------|---------------------------|
| Fixed costs | 17 | 3 |
| Selling, technical and administrative expenses | 4 | (1) |
| Volumes | (4) | 4 |
| Price / mix | (10) | 5 |
| Raw materials | (1) | (2) |

Business Segment Volume Changes

| Business Segment | Q1 2007 vs Q1 2006 | Q1 2007 vs Q4 2006 |
|------------------------------|---------------------------|---------------------------|
| Carbon Black Business | | |
| Rubber Blacks | 8% | (5%) |
| Performance Products | (4%) | (10%) |
| Inkjet Colorants | (9%) | (18%) |

| | | |
|------------------------------|------|------|
| Metal Oxides Business | | |
| Fumed Metal Oxides | 13% | (6%) |
| Supermetals Business | (6%) | 11% |

Rubber Blacks Regional Volume Changes

| Region | Q1 2007 vs Q1 2006 | Q1 2007 vs Q4 2006 |
|---------------|---------------------------|---------------------------|
| North America | (23%) | (21%) |
| South America | 11% | (5%) |
| Europe | 13% | 2% |
| Asia Pacific | 18% | (6%) |
| China | 34% | 9% |

Capital Expenditures

Cabot invested approximately \$26 million in capital expenditures during the first quarter of fiscal year 2007 compared to \$49 million in the same period of fiscal year 2006.

Share Repurchases

There were no open market purchases of Cabot common stock during the quarter.

Working Capital

During the first quarter of 2007 net working capital increased by \$32 million in constant dollars (\$42 million at actual exchange rates). The increase in net working capital was driven by a decrease in accounts payable resulting from the payment of certain year end accruals as well as lower feedstock costs.

Effective Tax Rate

The Company's effective tax rate for net income was 25% for the first quarter of 2007.
