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): July 27, 2005

CABOT CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

DELAWARE

(State or Other Jurisdiction of Incorporation)

1-5667	**04-2271897**
(Commission File Number)	(IRS Employer Identification No.)
TWO SEAPORT LANE, SUITE 1300, BOSTON, MASSACHUSETTS	**02210-2019**
(Address of Principal Executive Offices)	(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):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o 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 July 27, 2005 Cabot Corporation issued a press release dated July 27, 2005 announcing its operating results for the third quarter of fiscal year 2005. A copy of the press release, together with third quarter fiscal year 2005 supplemental business information, 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 July 27, 2005
99.2	Third Quarter Fiscal Year 2005 Supplemental Business Information

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 hereunto duly authorized.

CABOT CORPORATION

By: /s/ John A. Shaw

Name: John A. Shaw

Title: Executive Vice President and Chief Financial Officer

Date: July 27, 2005

EXHIBIT INDEX

Exhibit Number	Title
99.1	Press release issued by Cabot Corporation on July 27, 2005
99.2	Third Quarter Fiscal Year 2005 Supplemental Business Information

Exhibit 99.1

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

FOR IMMEDIATE RELEASE

CABOT ANNOUNCES THIRD QUARTER OPERATING RESULTS

BOSTON, MA (July 27, 2005) – Cabot Corporation (CBT/NYSE) today announced net income of $26 million ($0.39 per diluted common share) for the third quarter of fiscal year 2005 ended June 30, 2005, compared with $42 million ($0.62 per diluted common share) for the year ago quarter. The third quarter fiscal year 2005 results included $3 million ($0.04 per diluted common share) of after tax charges from certain items and discontinued operations, compared with the third quarter of fiscal year 2004 in which there was no impact from certain items and discontinued operations. Further details concerning certain items and discontinued operations are included in Exhibit I of the press release.

Kennett F. Burnes, Cabot's Chairman and CEO, commented, "We are, of course, not pleased with our results for the quarter as we under performed our own expectations by roughly 20 cents per share. This shortfall was attributable to significantly higher feedstock costs in carbon black and costs related to the ongoing labor situation at our Supermetals facility in Pennsylvania. Notwithstanding these issues, we had strong volumes in the quarter, continue to have confidence in the underlying strength of our core businesses and remain excited about the growth potential in our new businesses."

The Chemicals Business reported operating profits of $30 million compared to $45 million for the same period in fiscal year 2004. Carbon black reported a decrease of $13 million in operating profits compared to the third quarter of fiscal year 2004 and a $16 million decrease compared to the second quarter of fiscal year 2005. Much of the impact on carbon black during the quarter was related to higher feedstock costs. In prior periods carbon black feedstock costs have not risen at the same rate as increases in crude oil prices. This quarter, however, carbon black saw significant increases in feedstock costs while crude prices were relatively flat. This impacted the profitability of the carbon black business by $15 million when compared to the second quarter of fiscal year 2005 and by $28 million when compared to the third quarter of fiscal year 2004. Additionally, lower operating rates due to inventory drawdowns resulted in higher per unit cost of sales during the quarter. These negative events were only partially offset by volume increases, which were 7% sequentially and 2% quarter over quarter.

"In the approximately ten year period that we have had carbon black supply contracts with this type of price adjuster in place, this is the first quarter in which fluctuations in feedstock costs have had such a significant impact on our profitability. Although we are confident that these swings in our variable margins, and thus our earnings, even out over time, we were surprised by the magnitude of the negative impact this quarter and will be looking at ways we might restructure the price adjustment formulas in these contracts to better reflect the current cost of feedstock in our pricing. Under the contracts feedstock cost increases were passed through to our customers as of the beginning of the current quarter," Burnes commented.

Burnes continued, “We need to do a better job of following feedstock costs during the quarter which will enable us to communicate any significant trends when we have a public opportunity. Despite the foregoing, carbon black had very strong volumes during the quarter and we remain confident in the underlying strength of the business.”

Cabot’s fumed metal oxides business reported relatively flat profitability when compared to both the third quarter of fiscal year 2004 and the second quarter of fiscal year 2005. Inkjet colorants reported continued strong volume growth during the quarter with volumes increasing 29% over the year ago quarter driven by both the OEM and aftermarket segments, and 10% over the second quarter of fiscal year 2005 driven primarily by growth in the OEM segment.

The Supermetals Business reported $13 million in operating profits for the third quarter of fiscal year 2005 compared to $18 million in the third quarter of fiscal year 2004 and $16 million in the second quarter of fiscal year 2005. The Supermetals Business had increased volumes during the quarter, the benefit of which was offset by lower prices resulting from the continuing transition from fixed to market based pricing. In addition, the business incurred approximately $4 million of incremental costs associated with the labor situation at its facility in Boyertown, PA and $1 million of unabsorbed costs related to efforts to reduce inventory and ongoing operating expenses in that business. “I am pleased to report that despite the work stoppage we are fulfilling all customer orders by reducing inventory and running the plant as needed, largely with management personnel,” commented Burnes.

For the third quarter of fiscal year 2005, the Specialty Fluids Business reported $5 million in operating profits which was a $5 million increase over the year ago quarter, and a $1 million increase over the second quarter of fiscal year 2005. The improved performance was due to increased volumes associated with a higher number of completed jobs and an increase in rental revenue during the quarter. During the quarter, the business completed seven jobs. No jobs were completed in the same period last year.

With respect to the future, Burnes said, “We anticipate continued strong volumes in our core Chemicals Business for the remainder of the year. In carbon black, we will have higher prices in most of our contracted business and have implemented price increases in most of the remaining portions of that business. However, we remain cautious regarding raw material costs. We anticipate ongoing growth in the inkjet colorants and Specialty Fluids businesses. We continue to invest resources in market development and manufacturing operations for our new businesses, such as aerogels, and are confident in our progress. In the Supermetals Business, we continue to operate our facilities to meet customer demand. Although it is difficult to predict how long the work stoppage will continue or any additional costs resulting from the strike, we continue to believe that PBT (profit before tax) for the Supermetals Business will be between $55 million and $60 million for the year, which is in the range of our previously provided guidance.”

For those interested in more detailed information on Cabot’s third quarter fiscal year 2005 results, please see the Supplemental Business Information available on the Company’s website in the Investor Relations section: http:// investor.cabot-corp.com.

Included above are forward-looking statements relating to management’s expectations regarding future business performance and profits, anticipated volumes in the Company’s Chemicals Business, and growth in the inkjet colorants and Specialty

Fluids Business. The following are some of the factors that could cause the Company’s actual results to differ materially from those expressed in the forward-looking statements: fluctuations in feedstock costs; the length and resolution of the work stoppage at the Company’s Supermetals facility in Pennsylvania; domestic and global economic conditions, such as market supply and demand, prices and costs and availability of raw materials; fluctuations in currency exchange rates; the timely commercialization of products under development by the Company (which may be disrupted or delayed by technical difficulties, market acceptance, competitors’ new products, as well as difficulties in moving from the experimental stage to the production stage); patent rights of others; stock market conditions; demand for our customers’ products; the accuracy of the assumptions used by the Company in establishing a reserve for its share of liability for respirator claims; and the outcome of pending litigation. Other factors and risks are discussed in the Company’s 2004 Annual Report on Form 10-K and subsequent periodic reports and filings made 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.

Third Quarter Earnings Announcement, Fiscal 2005

CABOT CORPORATION CONSOLIDATED STATEMENTS OF OPERATIONS

Periods ended June 30 *Dollars in millions, except per share amounts (unaudited)*	Three Months **2005**	 2004	Nine Months **2005**	 2004
Net sales and other operating revenues	**$ 545**	$ 492	**$ 1,567**	$ 1,438
Cost of sales	**427**	363	**1,202**	1,071
Gross profit	**$ 118**	$ 129	**$ 365**	$ 367
Selling and administrative expenses	**63**	56	**173**	165
Research and technical expenses	**14**	13	**43**	39
Goodwill asset impairment	**—**	—	**90**	—
Income from operations	**$ 41**	$ 60	**$ 59**	$ 163
Other income and expense				
Interest and dividend income	**2**	2	**5**	5
Interest expense	**(8)**	(8)	**(24)**	(23)
Other income (expense)	**1**	1	**5**	(3)
Total other income and expense	**(5)**	(5)	**(14)**	(21)
Income from continuing operations before income taxes	**36**	55	**45**	142
Provision for income taxes	**(9)**	(13)	**(30)**	(34)
Equity in net income of affiliated companies, net of tax	**2**	2	**6**	5
Minority interest in net income, net of tax	**(3)**	(3)	**(9)**	(6)
Income from continuing operations	**26**	41	**12**	107
Discontinued operations				
Income from operations of discontinued businesses, net of tax	**—**	1	**—**	1
Net income	**26**	42	**12**	108
Dividends on preferred stock	**(1)**	—	**(2)**	(2)
Income available to common shares	**$ 25**	$ 42	**$ 10**	$ 106
Diluted earnings per share of common stock				
Income from continuing operations	**$ 0.39**	$ 0.61	**$ 0.18**	$ 1.56
Income from operations of discontinued businesses	**$ —**	$ 0.01	**$ —**	$ 0.01
Net income	**$ 0.39**	$ 0.62	**$ 0.18**	$ 1.57
Weighted average common shares outstanding				
Diluted	**69**	69	**69**	69

CABOT CORPORATION SUMMARY RESULTS BY SEGMENTS

Periods ended June 30 *Dollars in millions, except per share amounts (unaudited)*	Three Months 2005	Three Months 2004	Nine Months 2005	Nine Months 2004
SALES				
Chemical Business	**$ 444**	$ 398	**$ 1,276**	$ 1,148
Supermetals Business	**93**	86	**256**	258
Specialty Fluids	**11**	4	**26**	14
Segment sales (A)	**548**	488	**1,558**	1,420
Unallocated and other (B)	**(3)**	4	**9**	18
Net sales and other operating revenues	**$ 545**	$ 492	**$ 1,567**	$ 1,438
SEGMENT PROFIT				
Chemical Business	**$ 30**	$ 45	**$ 112**	$ 115
Supermetals Business	**13**	18	**45**	55
Specialty Fluids	**5**	—	**11**	1
Total Segment Profit (C)	**48**	63	**168**	171
Interest expense	**(8)**	(8)	**(24)**	(23)
General unallocated income (expense) (D)	**(2)**	2	**(93)**	(1)
Less: Equity in net income of affiliated companies, net of tax	**(2)**	(2)	**(6)**	(5)
Income from continuing operations before income taxes	**36**	55	**45**	142
Provision for income taxes.	**(9)**	(13)	**(30)**	(34)
Equity in net income of affiliated companies, net of tax	**2**	2	**6**	5
Minority interest in net income, net of tax	**(3)**	(3)	**(9)**	(6)
Income from continuing operations	**26**	41	**12**	107
Discontinued operations				
Income from operations of discontinued businesses, net of tax (E)	**—**	1	**—**	1
Net income	**26**	42	**12**	108
Dividends on preferred stock	**(1)**	—	**(2)**	(2)
Income available to common shares	**$ 25**	$ 42	**$ 10**	$ 106
Diluted earnings per share of common stock				
Income from continuing operations	**$ 0.39**	$ 0.61	**$ 0.18**	$ 1.56
Income from operations of discontinued businesses (E)	**$ —**	$ 0.01	**$ —**	$ 0.01
Net income	**$ 0.39**	$ 0.62	**$ 0.18**	$ 1.57
Weighted average common shares outstanding				
Diluted	**69**	69	**69**	69

(A) Segment sales for certain operating segments within the Chemical Business include 100% of sales of one equity affiliate and transfers of materials at cost and 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 costs.

(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 income (expense) includes foreign currency transaction gains (losses), interest income, dividend income, and the certain items listed in Exhibit I, including $90 million of goodwill impairment charges in the Supermetals Business for the nine month period ending June 30, 2005.

(E) Income related to insurance recoveries for a previously divested business, net of tax.

Third Quarter Earnings Announcement, Fiscal 2005

CABOT CORPORATION CONDENSED CONSOLIDATED FINANCIAL POSITION

In millions	**June 30, 2005** *(unaudited)*	September 30, 2004
Current assets	**$ 1,230**	$ 1,173
Net property, plant and equipment	**929**	918
Other non-current assets	**215**	335
Total assets	**$ 2,374**	$ 2,426
Current liabilities	**$ 480**	$ 372
Non-current liabilities	**738**	863
Stockholders' equity	**1,156**	1,191
Total liabilities and stockholders' equity	**$ 2,374**	$ 2,426
Working capital	**$ 750**	$ 801

CABOT CORPORATION

In millions, except per share amounts (unaudited)	Fiscal 2004 Dec. Q.	Fiscal 2004 Mar. Q.	Fiscal 2004 June Q.	Fiscal 2004 Sept. Q.	Fiscal 2004 FY	Fiscal 2005 Dec. Q.	Fiscal 2005 Mar. Q.	Fiscal 2005 June Q.	Fiscal 2005 Sept. Q.	Fiscal 2005 FY
Sales										
Chemical Business	$ 351	$ 399	$ 398	$ 398	$ 1,546	$ 405	$ 427	$ 444		$ 1,276
Supermetals Business	87	85	86	80	338	77	86	93		256
Specialty Fluids	1	9	4	13	27	7	8	11		26
Segment Sales (A)	439	493	488	491	1,911	489	521	548		1,558
Unallocated and other (B)	7	7	4	5	23	6	6	(3)		9
Net sales and other operating revenues	$ 446	$ 500	$ 492	$ 496	$ 1,934	$ 495	$ 527	$ 545		$ 1,567
Segment Profit (Loss)										
Chemical Business	$ 27	$ 43	$ 45	$ 17	$ 133	$ 36	$ 46	$ 30		$ 112
Supermetals Business	21	16	18	22	76	16	16	13		45
Specialty Fluids	(2)	3	—	5	6	2	4	5		11
Total segment profit (C)	46	62	63	44	215	54	66	48		168
Income (Loss) Available to Common Shares										
Interest expense	(7)	(7)	(8)	(8)	(30)	(8)	(8)	(8)		(24)
General unallocated income (expense) (D)	—	(3)	2	(15)	(15)	1	(91)	(2)		(93)
Less: Equity in net income of affiliated companies, net of tax	(2)	(1)	(2)	(1)	(6)	(2)	(2)	(2)		(6)
Income (Loss) from Continuing Operations before income taxes	37	51	55	20	164	45	(35)	36		45
(Provision) benefit for income taxes	(8)	(13)	(13)	(5)	(40)	(9)	(13)	(9)		(30)
Equity in net income of affiliated companies, net of tax	2	1	2	1	6	2	2	2		6
Minority interest in net income, net of tax	(1)	(3)	(3)	(2)	(9)	(3)	(4)	(3)		(9)
Income (Loss) from Continuing Operations	30	36	41	14	121	35	(50)	26		12
Discontinued Operations										
Income (Loss) from Operations of Discontinued Businesses, net of income taxes(E)(F)	(1)	1	1	1	2	—	—	—		—
Net income (loss)	29	37	42	15	123	35	(50)	26		12
Dividends on preferred stock	(1)	(1)	—	(1)	(3)	(1)	—	(1)		(2)
Income (loss) available to common shares	$ 28	$ 36	$ 42	$ 14	$ 120	$ 34	$ (50)	$ 25		$ 10
Income (Loss) per common share										
Income (loss) from Continuing Operations	$ 0.43	$ 0.53	$ 0.61	$ 0.21	$ 1.79	$ 0.51	$ (0.84)	$ 0.39		$ 0.18
Income (Loss) from Operations of Discontinued Businesses (E)(F)	(0.01)	0.01	0.01	0.02	0.03	—	—	—		—
Net income (loss)	$ 0.42	$ 0.54	$ 0.62	$ 0.23	$ 1.82	$ 0.51	$ (0.84)	$ 0.39		$ 0.18
Weighted average common shares outstanding										
Diluted(G)	68	69	69	68	68	69	60	69		69

(A) Segment sales for certain operating segments within the Chemical Business include 100% of sales of one equity affiliate and transfers of materials at cost and 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 costs.

(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 income (expense) includes foreign currency transaction gains (losses), interest income, dividend income and certain items listed in Exhibit I, including $90 million of goodwill impairment charges in the Supermetals Business in Q2 2005.

(E) Amounts in Q1 2004 relate to litigation associated with a previously divested business, net of tax.

(F) Additional income in Q2 2004, Q3 2004 and Q4 2004 related to insurance recoveries for discontinued businesses, net of tax.

(G) The weighted average common shares outstanding at March 31, 2005 excludes approximately 9 million shares as those shares would be antidilutive due to the Company's net loss position.

Third Quarter Earnings Announcement, Fiscal 2005

CABOT CORPORATION CERTAIN ITEMS — Exhibit I

Periods ended June 30 *Dollars in millions, except per share amounts (unaudited)*	Three Months **2005 $**	**2005 per share(A)**	2004 $	2004 per share(A)	Nine Months **2005 $**	**2005 per share(A)**	2004 $	2004 per share(A)
Certain items before income taxes								
Restructuring initiatives	**$ (4)**	**$ (0.04)**	$ (1)	$ (0.01)	**$ (12)**	**$ (0.12)**	$ (4)	$ (0.05)
Goodwill asset impairment	**—**	**—**	—	—	**(90)**	**(1.30)**	—	—
Other non-operating items	**—**	**—**	—	—	**—**	**—**	(1)	(0.01)
Total certain items	**(4)**	**(0.04)**	(1)	(0.01)	**(102)**	**(1.42)**	(5)	(0.06)
Discontinued operations	**—**	**—**	1	0.01	**—**	**—**	1	0.01
Total certain items and discontinued operations pre-tax	**(4)**	**(0.04)**	—	—	**(102)**	**(1.42)**	(4)	(0.05)
Tax impact of certain items and discontinued operations (B)	**1**	**—**	—	**—**	**6**	**0.04**	1	**—**
Total certain items and discontinued operations after tax	**$ (3)**	**$ (0.04)**	$ —	$ —	**$ (96)**	**$ (1.38)**	$ (3)	$ (0.05)

Periods ended June 30 *Dollars in millions, except per share amounts (unaudited)*	Three Months **2005**	2004	Nine Months **2005**	2004
Statement of Operations Line Item				
Cost of sales	**$ (4)**	$ (1)	**$ (11)**	$ (3)
Selling and administrative expenses	**—**	—	**(1)**	(1)
Goodwill asset impairment	**—**	—	**(90)**	—
Other (charges) income	**—**	—	**—**	(1)
Total certain items	**$ (4)**	$ (1)	**$ (102)**	$ (5)

(A) Per share amounts are calculated after tax.

(B) Represents tax impact of certain items and discontinued operations. Year to date amount also includes $3 million of tax benefit related to the closure of the Altona facility.

Exhibit 99.2

CABOT CORPORATION
THIRD QUARTER FISCAL YEAR 2005
SUPPLEMENTAL BUSINESS INFORMATION

I. Disclaimers

The supplemental business information below contains forward-looking statements relating to management’s expectations regarding market development plans and business performance. The following are some of the factors that could cause the Company’s actual results to differ materially from those expressed in the forward-looking statements: fluctuations in feedstock costs; the length and resolution of the work stoppage at the Company’s Supermetals facility in Pennsylvania; domestic and global economic conditions, such as market supply and demand, prices and costs and availability of raw materials; fluctuations in currency exchange rates; the timely commercialization of products under development by the Company (which may be disrupted or delayed by technical difficulties, market acceptance, competitors’ new products, as well as difficulties in moving from the experimental stage to the production stage); patent rights of others; stock market conditions; demand for our customers’ products; the accuracy of the assumptions used by the Company in establishing a reserve for its share of liability for respirator claims; and the outcome of pending litigation. Other factors and risks are discussed in the Company’s 2004 Annual Report on Form 10-K and subsequent periodic reports and filings made with the Securities and Exchange Commission.

II. Q3’05 vs. Q3’04 (Quarter over Quarter) Major Changes:

NOTE: Each $0.01 per diluted share is approximately $1 million profit before tax.

Changes in EPS, excluding certain items, are calculated using the diluted weighted average common shares outstanding, which was approximately 69 million for both the third quarter of fiscal 2005 and fiscal 2004.

	Change in EPS	% Change in Volumes
Carbon black	($0.17)/sh	2%
Fumed metal oxides (includes fumed silica)	$0.00/sh	2%
Inkjet colorants	$0.01/sh	29%
Business Development and other	($0.01)/sh	N/A
Chemical Business:	($0.17)/sh	
CSM:	($0.05)/sh	15%
CSF:	$0.05/sh	N/A
Foreign Exchange:	$0.02/sh	
Other unallocated items	($0.04)/sh	
Certain Items	($0.03)/sh	
Discontinued Operations	($0.01)/sh	
Total	**($0.23)/sh**	

III. Q3'05 vs. Q2'05 (Sequential Quarters) Major Changes:

NOTE: Each $0.01 per diluted share is approximately $1 million profit before tax.

Changes in EPS, excluding certain items, are calculated using the diluted weighted average common shares outstanding, which was approximately 69 million for both the second and third quarters of fiscal 2005.

	Change in EPS	% Change in Volumes
Carbon black	($0.15)/sh	7%
Fumed metal oxides (includes fumed silica)	($0.01)/sh	4%
Inkjet colorants	$0.02/sh	10%
Business Development and other	$0.00/sh	N/A
Chemical Business:	($0.14)/sh	
CSM:	($0.04)/sh	14%
CSF:	$0.01/sh	N/A
Foreign Exchange:	($0.02)/sh	
Other unallocated items	$0.00/sh	
Certain Items	$1.42/sh	
Discontinued Operations	$0.00/sh	
Total	**$1.23/sh**	

IV. Business Segment Comments

1. Chemicals Business

Carbon Black

Much of the impact on carbon black during the quarter was related to higher feedstock costs. The Platt's Gulf Coast Spot Assessment 3% Sulfur (Platt's 3%) index has historically been, and remains, a reasonable proxy for carbon black feedstock costs. Typically, Platts 3% prices have averaged approximately 70% of West Texas Intermediate (crude) prices. In prior periods, Platt's 3% prices have not risen at the same rate as increases in crude prices, and have been closer to 55% on average (as low as 38%). In the third quarter of fiscal year 2005, Platt's 3% began returning to its historical relationship with crude. Therefore, although crude prices were relatively flat during the quarter we saw carbon black feedstock costs increase significantly, thus substantially impacting the profitability of the business.

Foreign exchange impact on the carbon black business was a positive $2 million for the third quarter of fiscal year 2005 compared to the third quarter of fiscal year 2004 but a negative impact of $1 million compared to the second quarter of fiscal year 2005.

Carbon Black Regional Analysis:

NOTE: Profit numbers are stated at actual exchange rates for the period.

North America – Volumes decreased 2% in the third quarter of fiscal year 2005 compared to the third quarter of fiscal year 2004 but increased 4% compared to the second quarter of fiscal year 2005. North American profit decreased by $8 million in the third quarter of fiscal year 2005 compared to the third quarter of fiscal year 2004 due to decreased volumes, higher raw material costs and unfavorable product mix.

South America – Volumes increased 4% in the third quarter of fiscal 2005 compared to the same quarter of fiscal year 2004 and 10% compared to the second quarter of fiscal year 2005. Profit decreased by $2 million in the third quarter of fiscal year 2005 compared to the third quarter of fiscal year 2004 due to higher raw material costs, costs related to an extended plant shutdown in the region, and unfavorable foreign exchange impact.

Europe – Volumes increased by 7% compared to the third quarter of fiscal year 2004 and 4% compared to the second quarter of fiscal year 2005. Profit decreased by $4 million in the third quarter of fiscal year 2005 compared to the third quarter of fiscal year 2004 due to higher feedstock costs and unfavorable product mix, partially offset by a favorable foreign exchange impact.

Asia Pacific – Volumes were relatively flat compared to the third quarter of fiscal year 2004 but increased 16% compared to the second quarter of fiscal year 2005. Profit increased by $1 million compared to the third quarter of fiscal year 2004 due to favorable product mix.

Fumed Metal Oxides
The construction of our fumed silica plant in Jiangxi Province, China remains on target for startup in the third fiscal quarter of 2006. We continue our market development efforts in anticipation of the startup of production at that facility.

Inkjet Colorants
Several OEM’s made announcements of upcoming inkjet printer launches during the quarter. Cabot’s pigments will be included in two of the announced printers.

Aerogel
During the quarter the business continued to focus on market development and manufacturing activities.

2. Cabot Supermetals
The Company has been in negotiations with the union at its Supermetals facility in Boyertown, PA (Local 619C of the International Chemical Workers Union Council/United Food and Commercial Workers (ICWUC/UFCW, Local 619C)) on a new contract since March 31, 2005. Cabot’s contract with the union

expired on May 7, 2005 and the union had been working without a contract. On June 20, 2005 the union went on strike.

Operating rates at our facility in Aizu, Japan remain high.

3. Cabot Specialty Fluids

We continue our market development activities outside of the North Sea and remain optimistic about the product's acceptance in relevant well applications. As a result of this development work, we have established a supply and distribution point for cesium formate in Dubai, the United Arab Emirates to meet potential demand from oil companies in the Middle East region. The new supply warehouse has an initial capacity of 3,000 barrels.

V. Corporate and Business Initiatives

Selling and administrative costs increased $7 million from $56 million in the third quarter of fiscal year 2004 to $63 million in the third quarter of fiscal year 2005. The increase was primarily due to budgeted increases in personnel costs, incremental costs associated with the labor situation at our Supermetals facility in Pennsylvania, and increased costs relating to Sarbanes Oxley.

During the third quarter of fiscal year 2005, the Company repurchased 1,208,407 shares, of which 1,013,800 represent open market purchases costing approximately $31 million. Year to date repurchases total 1,620,088 shares, of which 1,313,800 shares represent open market purchases costing approximately $43 million. Approximately 2.8 million shares remain available for purchase under the current Board of Directors' authorization. During the quarter the Company entered into a 10b5-1 purchase agreement to facilitate its repurchase of shares.

Cabot invested approximately $45 million in capital expenditures during the third fiscal quarter of 2005 and approximately $114 million in the first nine months of fiscal year 2005.

During the third quarter of fiscal year 2005, working capital increased by $39 million on a constant dollar basis ($29 million on an adjusted currency basis). This increase was due to an increase in accounts receivable ($27 million) and a decrease in accounts payable ($15 million), partially offset by a reduction in inventory ($3 million). The components of inventory included a reduction in finished goods inventory ($20 million) partially offset by an increase in raw material inventory due to the high feedstock costs in carbon black ($15 million). We continue to focus on opportunities to reduce working capital within our businesses.

The Company's tax provision for the quarter and year to date ending June 30, 2005 were $9 million and $30 million, respectively. The Company's effective tax rate for continuing operations was 25% for the third quarter of fiscal year 2005. The Company continues to expect that its effective tax rate for continuing operations for fiscal year 2005 will be between 24% and 28%.