FORM 10-Q

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

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

For the quarterly period ended

MARCH 31, 1998

or

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

For the transition period from ________ to ________

COMMISSION FILE NUMBER 1-5667

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

DELAWARE	04-2271897
(State of Incorporation)	(I.R.S. Employer Identification No.)

75 STATE STREET BOSTON, MASSACHUSETTS	02109-1806 (Zip Code)
(Address of principal executive offices)	

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

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

YES X NO
--- ---

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

AS OF MARCH 31, 1998, THE COMPANY HAD 67,883,446 SHARES OF COMMON STOCK, PAR VALUE $1 PER SHARE, OUTSTANDING.

CABOT CORPORATION

INDEX

		Page
Part I. Financial Information		
Item 1. Financial Statements		
	Consolidated Statements of Income Three Months Ended March 31, 1998 and 1997	3
	Consolidated Statements of Income Six Months Ended March 31, 1998 and 1997	4
	Consolidated Balance Sheets March 31, 1998 and September 30, 1997	5
	Consolidated Statements of Cash Flows Six Months Ended March 31, 1998 and 1997	7
	Notes to Consolidated Financial Statements	8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	12
Part II. Other Information		
Item 1.	Legal Proceedings	17
Item 4.	Submission of Matters to a Vote of Security Holders	17
Item 6.	Exhibits and Reports on Form 8-K	19

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CABOT CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
Three Months Ended March 31, 1998 and 1997

(Amounts in millions, except per share amounts)

UNAUDITED

	1998	1997
Revenues:		
Net sales and other operating revenues	$457.0	$432.0
Interest and dividend income	1.7	1.6
Total revenues	458.7	433.6
Costs and expenses:		
Cost of sales	309.8	305.6
Selling and administrative expenses	58.9	53.1
Research and technical service	20.5	22.5
Interest expense	11.1	10.6
Other charges, net	4.8	1.8
Total costs and expenses	405.1	393.6
Income before income taxes	53.6	40.0
Provision for income taxes	(19.3)	(14.4)
Equity in net income of affiliated companies	4.0	3.9
Minority interest in income	(0.8)	(0.1)
Net income	37.5	29.4
Dividends on preferred stock, net of tax benefit of $0.5 and $0.5	(0.8)	(0.8)
Income available to common shares	$ 36.7	$ 28.6
Weighted average common shares outstanding (Note D):		
Basic	65.6	67.8
Diluted	74.6	77.0
Income per common share (Note D):		
Basic	$ 0.56	$ 0.42
Diluted	$ 0.50	$ 0.38
Dividends per common share	$ 0.10	$ 0.10

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

CABOT CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
Six Months Ended March 31, 1998 and 1997

(Amounts in millions, except per share amounts)

UNAUDITED

	1998	1997
Revenues:		
Net sales and other operating revenues	$892.4	$830.8
Interest and dividend income	3.3	3.3
Total revenues	895.7	834.1
Costs and expenses:		
Cost of sales	609.9	585.3
Selling and administrative expenses	115.6	106.8
Research and technical service	39.6	43.4
Interest expense	22.5	20.3
Other charges, net	9.2	3.6
Total costs and expenses	796.8	759.4
Income before income taxes	98.9	74.7
Provision for income taxes	(35.6)	(26.9)
Equity in net income of affiliated companies	7.0	7.9
Minority interest in income	(1.4)	(1.2)
Net income	68.9	54.5
Dividends on preferred stock, net of tax benefit of $1.0 and $1.0	(1.6)	(1.6)
Income available to common shares	$ 67.3	$ 52.9
Weighted average common shares outstanding (Note D):		
Basic	65.9	68.3
Diluted	74.9	77.5
Income per common share (Note D):		
Basic	$ 1.02	$ 0.77
Diluted	$ 0.91	$ 0.69
Dividends per common share	$ 0.20	$ 0.20

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

CABOT CORPORATION
CONSOLIDATED BALANCE SHEETS
March 31, 1998 and September 30, 1997

(Amounts in millions, except share amounts)

ASSETS

	March 31 1998 (Unaudited)	September 30 1997
Current assets:		
Cash and cash equivalents	$ 39.1	$ 39.2
Accounts and notes receivable (net of reserve for doubtful accounts of $5.1 and $5.6)	335.9	288.6
Inventories:		
Raw materials	64.7	81.1
Work in process	59.1	59.8
Finished goods	70.9	64.1
Other	43.2	41.9
Total inventories	237.9	246.9
Prepaid expenses	37.7	21.3
Deferred income taxes	18.4	15.2
Total current assets	669.0	611.2
Investments:		
Equity	79.9	86.1
Other	193.8	146.6
Total investments	273.7	232.7
Property, plant and equipment	1,813.5	1,759.8
Accumulated depreciation and amortization	(874.6)	(837.5)
Net property, plant and equipment	938.9	922.3
Other assets:		
Intangible assets, net of amortization	48.8	39.1
Deferred income taxes	5.2	4.2
Other assets	20.0	14.1
Total other assets	74.0	57.4
Total assets	$1,955.6	$1,823.6

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

CABOT CORPORATION
CONSOLIDATED BALANCE SHEETS
March 31, 1998 and September 30, 1997

(Amounts in millions, except share amounts)

LIABILITIES & STOCKHOLDERS' EQUITY

	March 31 1998 (Unaudited)	September 30 1997
Current liabilities:		
Notes payable to banks	$ 338.6	$ 200.8
Current portion of long-term debt	10.7	115.0
Accounts payable and accrued liabilities	227.4	223.9
U.S. and foreign income taxes payable	10.7	0.7
Deferred income taxes	1.2	1.0
Total current liabilities	588.6	541.4
Long-term debt	329.2	285.5
Deferred income taxes	120.3	99.2
Other liabilities	145.6	146.9
Commitments and contingencies (Note C)	-	-
Minority interest	23.7	22.8
Stockholders' Equity (Note E):		
Preferred Stock:		
Authorized: 2,000,000 shares of $1 par value		
Series A Junior Participating Preferred Stock		
Issued and outstanding: none		
Series B ESOP Convertible Preferred Stock 7.75% Cumulative		
Issued: 75,336 shares (aggregate redemption value of $68.1 and $69.4)	75.3	75.3
Less cost of preferred treasury stock	(11.3)	(9.4)
Common stock:		
Authorized: 200,000,000 shares of $1 par value		
Issued: 135,549,936 shares	135.5	135.5
Additional paid-in capital	38.1	39.3
Retained earnings	1,292.0	1,238.2
Less cost of common treasury stock (including unearned compensation amounts of $10.9 and $18.3)	(761.6)	(723.7)
Deferred employee benefits	(61.6)	(62.5)
Unrealized gain on available-for-sale securities	79.3	53.9
Foreign currency translation adjustments	(37.5)	(18.8)
Total stockholders' equity	748.2	727.8
Total liabilities and stockholders' equity	$1,955.6	$1,823.6

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

CABOT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Six Months Ended March 31, 1998 and 1997

(Amounts in millions)

UNAUDITED

	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 68.9	$ 54.5
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	57.6	53.2
Deferred tax provision (benefit)	(0.6)	1.3
Equity in net income of affiliated companies, net of dividends received	(4.2)	(1.6)
Other, net	7.6	4.0
Changes in assets and liabilities, net of the effect of acquisitions and the consolidation of equity affiliates:		
Increase in accounts receivable	(50.3)	(39.0)
Decrease in inventory	7.9	6.9
Increase (decrease) in accounts payable and accruals	4.7	(28.2)
Increase in prepayments and intangible assets	(22.8)	(5.9)
Increase (decrease) in income taxes payable	10.5	(2.3)
Other, net	(1.3)	(1.2)
Cash provided by operating activities	78.0	41.7
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(70.6)	(101.5)
Proceeds on sale of business	-	35.0
Investments and acquisitions	(27.3)	(16.3)
Other	2.4	0.4
Cash used by investing activities	(95.5)	(82.4)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	63.1	90.0
Repayments of long-term debt	(121.8)	(13.9)
Increase in short-term debt	137.7	15.8
Purchases of treasury stock	(50.1)	(47.6)
Sales and issuances of treasury stock	3.6	2.7
Cash dividends paid to stockholders	(15.1)	(15.7)
Cash provided by financing activities	17.4	31.3
Effect of exchange rate changes on cash	(0.0)	(0.1)
Decrease in cash and cash equivalents	(0.1)	(9.5)
Cash and cash equivalents at beginning of period	39.2	58.2
Cash and cash equivalents at end of period	$ 39.1	$ 48.7

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

CABOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1998

A. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Cabot Corporation and majority-owned and controlled U.S. and non-U.S. subsidiaries (the "Company"). Investments in majority-owned affiliates where control does not exist and investments in 20 percent to 50 percent-owned affiliates are accounted for on the equity method. Intercompany transactions have been eliminated.

The financial statements have been prepared in accordance with the requirements of Form 10-Q and consequently do not include all disclosures required by Form 10-K. Additional information may be obtained by referring to the Company's Form 10-K for the year ended September 30, 1997.

The financial information submitted herewith is unaudited and reflects all adjustments which are, in the opinion of management, necessary to provide a fair presentation of the results for the interim periods ended March 31, 1998 and 1997. 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. ACQUISITIONS

Effective October 1, 1997 the Company acquired the remaining interest in its fumed silica joint venture in Rheinfelden, Germany for approximately $20 million. The acquisition was accounted for using the purchase method of accounting. Accordingly, a portion of the purchase price was allocated to the net assets acquired based on their estimated fair values. The balance of the purchase price, approximately $11 million, was recorded as excess of purchase price over fair value of net assets acquired (goodwill), and is being amortized over 15 years on a straight-line basis.

C. COMMITMENTS AND CONTINGENCIES

The Company has various lawsuits, claims and contingent liabilities. In the opinion of the Company, although final disposition of all of its suits and claims may impact the Company's financial statements in a particular period, they should not, in the aggregate, have a material adverse effect on the Company's financial position.

During 1997, the Company entered into an agreement to reprocess valuable tantalum ore. The Company's estimates of the recovery yield, related costs and the net realizable value continue to be updated with limited actual experience. The estimated cost of the project has increased approximately $10 million; whether this will result in a charge to earnings will depend on the amount of tantalum actually recovered. The Company expects the project to be completed in the second half of the year.

D. EARNINGS PER SHARE (EPS)

The Company has adopted Statement of Financial Accounting Standards No. 128, "Earnings Per Share" (SFAS 128). As a result, primary and fully diluted earnings per share have been replaced by basic and diluted earnings per share. Amounts related to prior periods have been restated to reflect the new requirement.

CABOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
March 31, 1998
UNAUDITED

D. EARNINGS PER SHARE (CONTINUED)

Reconciliation of Income and Shares
Three Months Ended March 31, 1998 and 1997

(Amounts in millions, except per share amounts)

	1998	1997
BASIC EPS COMPUTATION		
Net Income (Numerator)	$37.5	$29.4
Less: Dividends on preferred stock	(0.8)	(0.8)
INCOME AVAILABLE TO COMMON SHARES	$36.7	$28.6
Shares of common stock at January 1 (Denominator)	67.8	70.1
Net weighted shares of treasury stock purchased	-	(0.2)
Contingently issuable shares	(2.2)	(2.1)
WEIGHTED AVERAGE SHARES	65.6	67.8
BASIC EPS	$0.56	$0.42
DILUTED EPS CALCULATION		
Income available to common shares (Numerator)	$36.7	$28.6
Plus: Dividends on preferred stock	0.8	0.8
Income impact of assumed conversion of preferred stock	(0.5)	(0.5)
INCOME AVAILABLE TO COMMON SHARES + ASSUMED CONVERSIONS	$37.0	$28.9
Shares of common stock at January 1 (Denominator)	67.8	70.1
Net weighted shares of treasury stock purchased	-	(0.2)
Convertible preferred stock	6.0	6.1
Equity incentive awards	0.8	1.0
ADJUSTED WEIGHTED AVERAGE SHARES	74.6	77.0
DILUTED EPS	$0.50	$0.38

CABOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
March 31, 1998
UNAUDITED

D. EARNINGS PER SHARE (CONTINUED)

Reconciliation of Income and Shares
Six Months Ended March 31, 1998 and 1997

(Amounts in millions, except per share amounts)

	1998	1997
BASIC EPS COMPUTATION		
Net Income (Numerator)	$68.9	$54.5
Less: Dividends on preferred stock	(1.6)	(1.6)
INCOME AVAILABLE TO COMMON SHARES	$67.3	$52.9
Shares of common stock at October 1 (Denominator)	69.5	71.6
Net weighted shares of treasury stock purchased	(1.4)	(1.2)
Contingently issuable shares	(2.2)	(2.1)
WEIGHTED AVERAGE SHARES	65.9	68.3
BASIC EPS	$1.02	$0.77
DILUTED EPS CALCULATION		
Income available to common shares (Numerator)	$67.3	$52.9
Plus: Dividends on preferred stock	1.6	1.6
Income impact of assumed conversion of preferred stock	(0.8)	(0.9)
INCOME AVAILABLE TO COMMON SHARES + ASSUMED CONVERSIONS	$68.1	$53.6
Shares of common stock at October 1 (Denominator)	69.5	71.6
Net weighted shares of treasury stock purchased	(1.4)	(1.2)
Convertible preferred stock	6.0	6.1
Equity incentive awards	0.8	1.0
ADJUSTED WEIGHTED AVERAGE SHARES	74.9	77.5
DILUTED EPS	$0.91	$0.69

CABOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
March 31, 1998
UNAUDITED

E. STOCKHOLDERS' EQUITY

The following table summarizes the changes in stockholders' equity for the six months ended March 31, 1998.

(Amounts in millions, except share amounts)

	Preferred Stock		Preferred Treasury Stock		Common Stock		Additional Paid-in Capital	Retained Earnings
	Shares Issued	Value	Shares	Cost	Shares Issued	Value		
Balance at September 30, 1997	75,336	$75.3	6,956	$ (9.4)	135,549,936	$135.5	$39.3	$1,238.2
Net income								68.9
Common stock dividends paid								(13.5)
Issuance of treasury stock under employee compensation plans							(1.9)	
Purchase of treasury stock - common								
Purchase of treasury stock - preferred			789	(1.9)				
Sale of treasury stock to Cabot Retirement Incentive Savings Plan							0.7	
Preferred stock dividends paid to Employee Stock Ownership Plan, net of tax								(1.6)
Principal payment by Employee Stock Ownership Plan under guaranteed loan								
Amortization of unearned compensation								
Unrealized gain, net of deferred tax								
Foreign currency translation adjustments								
Balance at March 31, 1998	75,336	$75.3	7,745	$(11.3)	135,549,936	$135.5	$38.1	$1,292.0

	Common Treasury Stock		Unearned Compensation	Deferred Employee Benefits	Unrealized Gain On Available For Sale Securities	Foreign Currency Translation Adjustments	Total Stockholders' Equity
	Shares	Cost					
Balance at September 30, 1997	66,067,426	$(705.4)	$(18.3)	$(62.5)	$53.9	$(18.8)	$727.8
Net income							68.9
Common stock dividends paid							(13.5)
Issuance of treasury stock under employee compensation plans	(214,066)	2.4	1.9				2.4
Purchase of treasury stock - common	1,856,333	(48.2)					(48.2)
Purchase of treasury stock - preferred							(1.9)
Sale of treasury stock to Cabot Retirement Incentive Savings Plan	(43,203)	0.5					1.2
Preferred stock dividends paid to Employee Stock Ownership Plan, net of tax							(1.6)
Principal payment by Employee Stock Ownership Plan under guaranteed loan				0.9			0.9
Amortization of unearned compensation			5.5				5.5
Unrealized gain, net of deferred tax					25.4		25.4

Foreign currency translation adjustments						(18.7)	(18.7)
Balance at March 31, 1998	67,666,490	$(750.7)	$(10.9)	$(61.6)	$79.3	$(37.5)	$748.2

CABOT CORPORATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Sales and operating profit by industry segment are shown in the accompanying table on page 16.

THREE MONTHS ENDED MARCH 31, 1998 VERSUS
THREE MONTHS ENDED MARCH 31, 1997

Net income for the second quarter of fiscal year 1998 was $37.5 million ($0.50 per diluted common share), compared with $29.4 million ($0.38 per diluted common share) in the same quarter a year ago. Net sales and other operating revenues increased 6% to $457.0 million from last year's $432.0 million. Operating profit was $73.4 million for the quarter compared to $57.6 million in the same quarter a year ago. The increase in earnings is primarily due to greater volumes in each of the Company's chemical businesses and greater firm sales commitments in the Company's liquefied natural gas (LNG) business.

In the Specialty Chemicals and Materials Group, sales for the three month period ended March 31, 1998 increased 4% to $372.5 million from $359.2 million last year, on 13% greater volumes. The Company's chemical businesses all achieved significant volume increases. Carbon black and fumed silica volumes for the quarter were up 7% and 8%, respectively, from the same quarter last year. The Cabot Performance Materials (tantalum) business's revenues increased 41% from the prior year's second quarter, reflecting a recovery in the U.S. electronics market over the last year. Also, the Company's plastics business achieved 6% greater volumes for the second quarter, compared with last year's second quarter. The revenue effect of greater chemical volumes was somewhat offset by lower year-to-year carbon black selling prices, which were down 4% on average, and the effects of a stronger U.S. dollar.

Operating profit for the Specialty Chemicals and Materials Group increased 27% to $62.0 million from $48.8 million in the same quarter last year. The fumed silica, carbon black, tantalum and microelectronics materials businesses each experienced increased operating earnings. The inkjet colorants and plastics businesses each reported flat year-to-year earnings comparisons for the second quarter.

The carbon black business reported a modest earnings increase despite lower year-to-year variable margins and a $2 million negative effect from the strengthened U.S. dollar. The Company experienced lower year-to-year carbon black margins because selling price concessions during 1997 exceeded the combined effect of subsequent price increases and feedstock price decreases. Greater year-to-year volumes, lower plant operating costs and lower development costs resulted in an earnings increase in the Company's carbon black business. In general, the effects of weaker Asian markets were more than offset by stronger volumes in North America and Europe.

The fumed silica business experienced an 8% increase in global volumes in the second quarter versus the second quarter of 1997. Year-to-year, the fumed silica business reported greater volumes and higher prices. Additionally, the Company's purchase of its former partner's interest in the Rheinfelden, Germany fumed silica plant contributed positively to operating earnings in the second quarter. As a result, the fumed silica business reported a significant earnings improvement for the second quarter.

The Cabot Performance Materials business (CPM), which manufactures high grade tantalum products, experienced a 41% revenue increase in the second quarter compared to the same quarter a year ago. CPM's margins increased primarily from the effect of substantially higher volumes. CPM contributed an incremental $0.03 per share to the Company's earnings in the second quarter, compared with last year's second quarter. During the second half of fiscal 1996 and the first half of 1997, CPM's volumes were weak due to a slowdown in the U.S. electronics market and inventory surpluses downstream in the tantalum supply

CABOT CORPORATION

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

RESULTS OF OPERATIONS (CONTINUED)

chain. Therefore, the favorable year-to-year comparison for the second quarter of 1998 was anticipated. For the remainder of fiscal year 1998, year-to-year quarterly volume comparisons will no longer reflect prior year market weakness.

Research and development and marketing costs associated with new products was $28.1 million for the second quarter of 1998 versus $27.1 million for the second quarter of 1997. The Company continues to pursue and is encouraged by progress being made in several of its new product and new business initiatives. The Company's objective of developing higher value, differentiated products and creating new businesses is central to its strategy for generating earnings growth.

In the Company's Energy Group, which is comprised of the liquefied natural gas importation and distribution operations, sales for the second quarter increased 16% to $84.5 million from $72.8 million for the same quarter a year ago. The Group's operating profit was $11.4 million, compared with $8.8 million in the second quarter of 1997. The increase in earnings is attributable to greater contribution from firm sales commitments. Since the Company entered fiscal 1998 with a more ample and assured supply of LNG than in recent years, management was able to contract firm sales commitments for a greater amount of LNG during the winter season. Customers pay a premium over the commodity natural gas price in order to secure firm commitments for delivery. The greater amount of firm sales commitments resulted in increased margins during the second quarter, compared with the second quarter of 1997.

SIX MONTHS ENDED MARCH 31, 1998 VERSUS
SIX MONTHS ENDED MARCH 31, 1997

Net income for the six months ended March 31, 1998 was $68.9 million compared with $54.5 million for the first half of fiscal 1997. Operating earnings increased 26% to $136.3 million from $108.1 million.

In the Specialty Chemicals and Materials Group, revenues increased 5% to $735.1 million, from $699.4 million. The effects of greater volumes were somewhat offset by the effects of lower year-to-year prices and a strengthened U.S. dollar. Operating profits increased 20% to $113.5 million, from $94.8 million. Each of the Company's chemical businesses experienced significant physical volume increases. In the Company's carbon black business, the effects of greater volumes and stable margins in the North American, European and South American markets more than offset the effects of Asian market weaknesses and a strengthened U.S. dollar. The Company's fumed silica business continued to experience strong market conditions. This business experienced greater volumes and higher selling prices during the first half of fiscal 1998. CPM contributed an incremental $0.06 per share to the Company's earnings, primarily due to significant year-to-year volume increases.

The Company's Energy Group achieved revenue and operating profit increases of 20% and 71%, respectively, despite a warmer than normal winter in New England, the Energy Group's primary market. An increased supply of gas entering fiscal 1998 allowed the Company to take advantage of higher year-to-year gas prices in the first fiscal quarter, and to increase its firm sales commitments in the six month period.

The Company expects the volume levels in its carbon black, fumed silica and plastics markets to remain strong during the remainder of fiscal 1998, with the exception of certain Asian markets. During the first

RESULTS OF OPERATIONS (CONTINUED)

two quarters of fiscal 1998 the Company's results have been negatively impacted by recent economic events in Asia and related currency devaluations. The primary impact has been on the performance of the Company's Indonesian carbon black business which reported a $1.7 million operating loss and a $4.2 million currency devaluation for the first half of the year. The Company expects continued weak demand in fiscal 1998 and will continue to monitor conditions in its Asian markets. The Company is presently evaluating its Indonesian carbon black operations and related outlook under various operating scenarios. In CPM, management has seen some initial signs of softening demand in the Company's end markets, primarily computers and electronics.

CASH FLOWS AND LIQUIDITY

During the first six months of the year the Company's operations provided $78 million of cash compared to $42 million last year.

Capital spending for the first six months of the year was $98 million. The Company plans to make approximately $250 million of capital expenditures during the fiscal year. The major components of the 1998 capital program include new business expansion, the Company's equity share of a natural gas liquefaction project in Trinidad, refurbishment of the Company's LNG tanker, capacity expansion in the Company's fumed silica business, and normal plant operating capital projects.

During the first six months of the year, the Company purchased approximately 1.8 million shares of the Company's common stock. At March 31, 1998, there were approximately 1.6 million shares remaining under an outstanding repurchase authorization.

On October 21, 1997, the Company issued $50 million of notes maturing as follows: $25 million matures in 30 years; and $25 million matures in 30 years with a one-time put option 7 years from issuance. The notes have a weighted average interest rate of 7.1%. Proceeds from the issuance were used to reduce short-term debt. The Company's ratio of total debt (including short-term debt net of cash) to capital increased from 43% at September 30, 1997 to 45% at the end of the second quarter.

Subsequent to March 31, 1998, the Company sold 1.5 million shares of K N Energy, Inc. common stock. The sale of these shares resulted in an pre-tax gain of approximately $62 million. The net proceeds from these sales were used to reduce short-term debt.

The Company maintains a credit agreement under which the Company may borrow up to $300 million at floating rates. The facility is available through January 3, 2002. Management expects cash from operations and present financing arrangements, including the Company's unused line of credit, to be sufficient to meet the Company's cash requirements for the foreseeable future. The Company had no borrowings outstanding under this line at March 31, 1998.

COMPANY PREPARES FOR YEAR 2000

Many computer systems and other automated systems will experience problems handling dates beyond the year 1999. All automated systems and technology need review for year 2000 compliance. Some software and hardware will need to be modified or replaced prior to the year 2000 in order to remain functional. The Company is assessing the readiness of all its automated systems to handle the year 2000 issue. The Company expects to successfully implement the systems and programming changes necessary to address year 2000 issues, and does not believe that the cost of such actions will have a material effect on the Company's results of operations or financial condition. There can be no assurance that there will not be a

COMPANY PREPARES FOR YEAR 2000 (CONTINUED)

delay in, or increased costs associated with, the implementation of such changes. Additionally, there is the possibility that the Company's inability to implement such changes could have an adverse effect on future results of operations. Furthermore, it is not possible for the Company to estimate the effects, if any, on the Company from year 2000 disruptions experienced by its vendors, customers, other parties with which the Company deals or more distant parties who deal, directly or indirectly, with any of the foregoing.

CABOT CORPORATION

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

(Amounts in millions, except per share amounts)

UNAUDITED

	Three Months Ended		Six Months Ended	
	3/31/98	3/31/97	3/31/98	3/31/97
INDUSTRY SEGMENT DATA				
Net Sales:				
Specialty chemicals and materials	$372.5	$359.2	$735.1	$699.4
Energy	84.5	72.8	157.3	131.4
Net sales	$457.0	$432.0	$892.4	$830.8
Operating profit:				
Specialty chemicals and materials	$ 62.0	$ 48.8	$113.5	$ 94.8
Energy	11.4	8.8	22.8	13.3
Total operating profit	73.4	57.6	136.3	108.1
Interest expense	(11.1)	(10.6)	(22.5)	(20.3)
General corporate/other expenses	(8.7)	(7.0)	(14.9)	(13.1)
Income before income taxes	53.6	40.0	98.9	74.7
Provision for income taxes	(19.3)	(14.4)	(35.6)	(26.9)
Equity in net income of affiliated companies	4.0	3.9	7.0	7.9
Minority interest in income	(0.8)	(0.1)	(1.4)	(1.2)
Net income	37.5	29.4	68.9	54.5
Dividends on preferred stock	(0.8)	(0.8)	(1.6)	(1.6)
Income applicable to common shares	$ 36.7	$ 28.6	$ 67.3	$ 52.9
Income per common share:				
Basic	$ 0.56	$ 0.42	$ 1.02	$ 0.77
Diluted	$ 0.50	$ 0.38	$ 0.91	$ 0.69

FORWARD LOOKING INFORMATION: Management's Discussion and Analysis above contains forward-looking remarks. Actual results may differ materially from the results anticipated in the statements included herein due to a variety of factors including market supply and demand conditions, currency exchange rates, costs of raw materials, demand for our customers' products, and competitors' reactions to market conditions. Timely commercialization of products under development by the Company 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.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In 1994, Cabot Corporation ("Cabot") and the State of Florida agreed to a settlement of a 1983 state court lawsuit requiring Cabot to pay the State $650,000 in past costs associated with a site in Gainesville, Florida. Cabot also resolved claims of the United States Environmental Protection Agency ("EPA") for the site by paying a fine of $416,000. The site included a parcel of land on which Cabot previously owned and operated a pine tar distillation plant. Cabot has completed the implementation of a soil and groundwater remedy at the site in accordance with requirements of EPA and is currently operating and maintaining the groundwater collection system at the site, monitoring site conditions and conducting a search for water wells on the property. Recent monitoring of the groundwater collection system revealed slightly elevated levels of certain contaminants, and Cabot is undertaking additional maintenance activities on the collection system in an effort to address this condition. In 1995, Cabot filed a cost recovery suit against other responsible parties at the site seeking reimbursement of their share of Cabot's response costs. Settlements have now been reached with all of the defendants in that suit and definitive settlement agreements are in preparation.

In 1986, Cabot sold a manufacturing facility in Reading, Pennsylvania to NGK Metals, Inc. ("NGK"). In doing so, Cabot agreed to share on an equal basis with NGK the costs of certain environmental remediation of the Reading plant site. After the sale, EPA issued an order to NGK requiring it to address soil and groundwater contamination at the site. In 1996 and 1997, NGK's contractor completed the soil remediation component of the work. In August 1997, after completion of the soil cleanup project, the contractor notified NGK that it had incurred substantial additional costs over the base contract for the work and that NGK was responsible for those extra costs. NGK, with support from Cabot, has disputed this claim. In addition, in late 1996, NGK discovered an additional area of contamination at the Reading plant site which it claims is subject to the cost sharing provisions of its agreement with Cabot. Cabot has contested this claim. The groundwater remediation component of the work is currently being designed.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Annual Meeting of Stockholders of Cabot Corporation was held on March 12, 1998. An election of Directors was held at which Mr. Charles P. Siess, Jr. was nominated and elected to the class of Directors whose terms expire in 1999, and Messrs. Kennett F. Burnes, John G.L. Cabot, John S. Clarkeson, Robert P. Henderson, Roderick C.G. MacLeod and John F. O'Brien were nominated and elected to the class of Directors whose terms expire in 2001. The following votes were cast for or withheld with respect to each of the nominees:

Director	In Favor Of	Withheld
Kennett F. Burnes	66,048,179	952,437
John G.L. Cabot	66,210,940	789,676
John S. Clarkeson	66,164,064	836,552
Robert P. Henderson	66,211,399	789,217
Roderick C.G. MacLeod	66,208,622	791,994
John F. O'Brien	66,186,575	814,041
Charles P. Siess, Jr.	66,208,609	792,007

Other Directors whose terms of office as Directors continued after the meeting are:

Director	Term Of Office Expires
Samuel W. Bodman	1999
Jane C. Bradley	1999
Arthur L. Goldstein	1999
Arnold S. Hiatt	2000
John H. McArthur	1999
David V. Ragone	2000

Morris Tanenbaum	2000
Lydia W. Thomas	2000
Mark S. Wrighton	2000

PART II. OTHER INFORMATION
(CONTINUED)

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

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

Exhibit Number	Description
12	Statement Regarding Computation of Ratio of Earnings to Fixed Charges, filed herewith.
27	Financial Data Schedule, filed herewith. (Not included with printed copy of the Form 10-Q.)

(b) REPORTS ON FORM 8-K

No report on Form 8-K was filed by the Company during the three months ended March 31, 1998.

SIGNATURES

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

CABOT CORPORATION

Date: May 14, 1998

/s/ Robert L. Culver

Robert L. Culver
Executive Vice President and
Chief Financial Officer

Date: May 14, 1998

/s/ William T. Anderson

William T. Anderson
Controller
(Chief Accounting Officer)

EXHIBIT 12

CABOT CORPORATION AND CONSOLIDATED SUBSIDIARIES

STATEMENT REGARDING COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Amounts in millions, except ratios)

	Six Months ended March 31, 1998	Years ended September 30				
		1997	1996	1995	1994	1993
Earnings:						
Pre-tax income from continuing operations	$ 98.9	$117.0	$279.8	$256.0	$118.3	$ 67.9
Distributed income of affiliated companies	2.8	10.4	11.2	11.7	5.6	6.0
Add fixed charges:						
Interest on indebtedness	22.5	43.2	41.7	35.6	41.7	44.0
Portion of rents representative of the interest factor	2.5	4.9	4.8	5.5	5.9	4.9
Income as adjusted	$126.7	$175.5	$337.5	$308.8	$171.5	$122.8
Fixed charges:						
Interest on indebtedness	$ 22.5	$ 43.2	$ 41.7	$ 35.6	$ 41.7	$ 44.0
Capitalized interest	-	-	-	-	-	-
Portion of rents representative of the interest factor	2.5	4.9	4.8	5.5	5.9	4.9
Total fixed charges	$ 25.0	$ 48.1	$ 46.5	$ 41.1	$ 47.6	$ 48.9
Ratio of earnings to fixed charges	5.1	3.6	7.3	7.5	3.6	2.5

5
1,000,000

3-MOS
DEC-31-1998
MAR-31-1998
39
0
341
5
238
669
1,813
875
1,956
589
329
0
75
135
1,330
1,956
892
896
610
610
49
0
23
99
36
69
0
0
0
69
1.02
0.91