**Cabot Microelectronics Corporation**
**2008 First Fiscal Quarter Earnings Report**
**January 24, 2008**

Good morning. With me today are Bill Noglows, Chairman and CEO, and Bill Johnson, Chief Financial Officer.

This morning we reported results for our first quarter of fiscal year 2008, which ended December 31, 2007. A copy of our press release is available in the investor relations section of our website, cabotcmp.com, or by calling our investor relations office at 630-499-2600. Today's conference call is being recorded and will be archived for four weeks on our website. The script of this morning's formal comments will also be available there.

Please remember that our discussions today may include "forward-looking statements" that involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from these forward-looking statements. These risk factors are discussed in our SEC filings, including our report filed on Form 10-K for the fiscal year ended September 30, 2007. We assume no obligation to update any of this forward-looking information.

I will now turn the call over to Bill Noglows.

Thanks, Amy. Good morning, everyone, and thanks for joining us.

This morning we announced strong financial results for our first quarter of fiscal 2008. We reported another record quarter with $93.4 million in revenue, we maintained our gross profit margin near the high end of our annual guidance range, and also managed operating expenses to the mid-point of our quarterly guidance range. This resulted in strong profitability, including a 20 percent increase in net income over the last quarter and a 34 percent increase compared to the same quarter a year ago.

During the quarter, we continued to see strong demand for our slurry products from our memory customers. However, in the foundry and logic segments we experienced some weakening in demand toward the end of our first fiscal quarter. At this point it is difficult to tell if this is related to a general slowdown in the semiconductor industry, or if it is more indicative of the normal seasonality of the industry.

As we enter calendar year 2008, you are aware that a number of industry analysts have reduced their semiconductor industry revenue growth forecasts for this calendar year, citing general concerns over the outlook for the global economy. In addition, industry experts expect 2008 to be a down year for semiconductor capital equipment investment, and this seems to have put a cloud over the near term prospects for much of the industry. Capital investment by our customers is relevant to our business over the long term, but of much greater interest to us in the near term are wafer starts. Since our core business is CMP consumables, demand for our products is tied to our customers' production of devices, rather than their investment in equipment. Regardless, we believe we are well-positioned to operate successfully over a range of future industry and economic environments. We have a proven track record of weathering industry cycles, and have historically generated solid cash flow even during market environments of moderating growth.

We believe the strong results that we reported this quarter reflect the consistent and successful execution of our three strategic initiatives within our core CMP business – Technology Leadership, Connecting with Customers, and Operations Excellence, which I will now discuss.

We are pleased with the progress we have made on our Technology Leadership initiative. We continue to innovate with a priority on high performing, low cost of ownership products for our customers. As you all know, long development and commercialization cycles are common in this industry, so investing early and continuously is necessary to secure customer wins 2 to 5 years down the road.

One important illustration of our commitment to Technology Leadership and providing technical solutions for the future, was our entering into a long-term agreement with IBM this quarter, to jointly develop CMP solutions for its 32 and 22 nanometer technology devices. We have enjoyed a long and productive relationship with IBM and its technology associates. We are excited to have been selected to collaborate with this strategic customer, to address the CMP technology challenges for a variety of new applications and new materials.

As part of our Connecting With Customers initiative, we are always looking for ways to better serve our customer base around the world. During the quarter we purchased and began installing a new 300-millimeter polishing tool for our Asia Pacific Technology Center, which we believe complements our existing 300-millimeter capabilities in the U.S. We expect to utilize this new tool in the development of next-generation copper and barrier products, and customer demos on this new tool are set to begin next month. We believe that this investment, as well as our additional investments in R&D resources in Asia, will allow more collaboration with our customers in this very important region, increase our responsiveness, and allow for more efficient product development.

Additionally, we continue to focus on bringing value to our CMP slurry customers through our complementary polishing pad offering. As evidence of our success in this area, the number of customers buying our pads has grown from 8 customers last quarter to 11 customers this quarter. In addition, we have another 20 or so customer opportunities in various phases of testing, evaluation and qualification, across a variety of applications, tools and technology nodes.

Last quarter we shared with you our enthusiasm about a pad adoption that represented our first pad win in a copper polishing application, at a leading edge technology node. This quarter I'm proud to say that we have gained traction with this opportunity, as well as others, and as a result, our pad revenues have begun to substantially ramp. Instead of selling a few hundred pads per month, we are now getting orders in excess of a thousand pads per month, and most of these are for 300 millimeter wafers. It is now clear to us that the demand is there, and now we are committed to producing these pads at high volume, and with the high level of consistency and product support that is required in this industry. We have demonstrated that we can develop, produce and sell pad products that meet our customers' needs and performance requirements, and we believe that we are well positioned to successfully meet this new demand.

As we ramp up our production of pads, successfully implementing our Operations Excellence initiative is vital to fulfilling the requirements of our pad customers. As we have discussed before, we planned and built our pad manufacturing infrastructure in advance of receiving significant orders, so that we would be prepared to supply customers in high volume when the demand materialized. Now that we are running multiple shifts at both of our pad manufacturing locations, we are actively planning for the next phase of pad manufacturing capacity, to effectively meet future demand.

To date, we have been able to achieve this recent significant ramp in pad production smoothly and successfully, and without any major supply chain, quality or operational issues. The close partnerships with our raw materials suppliers and our solid supply assurance strategies have served us well in that regard. In addition, we have worked hard to quickly staff our pad business to meet this new demand, and we are very satisfied with the quality of our new employees that we have attracted to this growing business opportunity. Our long experience of meeting or exceeding our customers' expectations for CMP slurries has more than prepared us for our ramp to high volume manufacturing capability for pads. We are pleased that we have been able to move quickly on what continues to be a very exciting growth opportunity for the company.

Across our company, we are executing on our Operations Excellence initiative to drive out variation in our products and processes, and increase productivity. Over the past three years, we have achieved 18 percent cumulative productivity improvements through the consistent and successful execution of our company-wide Six Sigma efforts. In today's tough industry environment it is more important than ever to strive for continuous improvement and gain additional efficiency in our operations. To that end, we have again set aggressive goals for productivity improvements in fiscal 2008, and we are encouraged by the progress we have made to date.

Next, let me provide an update on our Engineered Surface Finishes, or ESF, business.

Within our ESF business, QED Technologies, which we acquired 18 months ago, is a leading innovator in the field of automated, precision polishing and metrology systems for the optics industry. QED's deterministic, computer-controlled process has greatly enhanced product quality and repeatability, and is providing a step change improvement in throughput, productivity, yield, and cost effectiveness, at the highest end of the precision optics industry.

Until now, QED's products have been primarily targeted to the ultra high-end optics manufacturers. However, QED has recently expanded its marketing efforts to appeal to the more traditional optics manufacturer, which represents a new market opportunity for the company. There are hundreds of smaller optics manufacturers throughout the United States, Europe and Asia, that continue to rely on traditional, manual artisan labor to produce optical components, and we believe these companies can benefit from QED's automated approach. During the quarter we were excited to receive orders for eight machines from this new segment of the market, and we are eager to bring QED's automation to many more in the future.

Closing my comments, our first fiscal quarter was a strong quarter for the company. We believe that the continued execution of our strategic initiatives has allowed us to maintain our solid profitability and generate strong cash flow. Consequently, we remain confident that we can adapt to a range of industry environments.

Last quarter we completed our $40 million share repurchase program, which brings our total share repurchases to date to $65 million. This represents the second program that we have announced and completed over the last three and a half years. We were pleased to announce yesterday that our Board of Directors has authorized a new $75 million share repurchase program, which we view as a flexible and attractive means to return cash to our shareholders. The benefit of our strong financial model and effective operating strategy is that we can execute a program of this size while continuing to re-invest in our business through research and development, acquisitions and capital expenditures.

And with that, I'll turn the call over to Bill Johnson. Bill?

Thanks, Bill, and good morning everyone.

Our revenue for the first quarter of fiscal 2008 was $93.4 million, which represented our third sequential quarterly revenue record. Total revenue this quarter was up by 3.3 percent from the prior quarter, and up 14.1 percent from the year ago quarter. We believe the sequential increase primarily reflects solid business performance, strong industry conditions through the end of the calendar year, and contributions from our polishing pad business. We saw sequential revenue increases in slurries for tungsten and dielectric polishing applications, as well as in polishing pads, and sequential decreases in revenue for our other business areas.

Drilling down into the quarterly revenue number:
Tungsten slurries contributed 41.4 percent of total quarterly revenue, with revenue up 10.8 percent sequentially, mainly on continued strong demand from our memory customers. In addition, we achieved our third sequential quarterly revenue record in our Tungsten business.

Sales of Copper slurries represented 15.2 percent of our total revenue, and decreased 15.2 percent sequentially, mainly due to lower demand from the foundries in the Asia Pacific region.

Dielectric slurries provided 32.6 percent of revenue this quarter, with sales up 4.2 percent sequentially.

Data Storage products represented 5.2 percent of our quarterly revenue; this revenue was down 2.9 percent sequentially.

Sales of our polishing pads represented 1.9 percent of our total revenue for the quarter, and increased over 5 times sequentially. This represents our first meaningful quarter of pad sales, and we believe that we are just beginning to see demand ramping. Given the momentum we have been building in the pad business, we expect to continue to see strong growth in our second fiscal quarter.

Finally, revenue from our ESF business, which includes QED, generated 3.7 percent of our total sales, and our ESF revenue was down 18.9 percent sequentially. Although ESF revenue was low this quarter, we received a number of orders for equipment during the quarter that we expect to ship in our second fiscal quarter. Recall that while our CMP slurry business is largely a make-to-order business, QED's business is mainly capital equipment oriented and it sells from a backlog of orders. Given QED's backlog at the end of December, we expect the March quarter to be much stronger for our ESF business than the December quarter.

On a geographic basis, sales in all regions grew sequentially, except Southeast Asia and China. The highest sequential growth this quarter was in Korea, with a 13.6 percent revenue increase. Notably, our sales in Korea nearly doubled this quarter from the same quarter last year.

Our average selling price for slurry products increased slightly compared to the September quarter, and our average selling price was 1.9 percent higher than in the same quarter a year ago.

As a percentage of revenue, gross profit was 47.9 percent this quarter, which is near the upper end of our full fiscal year guidance range of 46 to 48 percent of revenue. However, gross profit was 1.2 percentage points lower than the 49.1 percent of revenue we reported in the prior quarter, and 0.2 percentage points lower than in the year ago quarter. Contributing to the sequential decrease was higher fixed manufacturing costs, including some incremental costs related to our planned closure of our slurry production facility in the UK, as we discussed last quarter. In addition, we incurred higher staffing related costs in our pad business as additional employees were hired to meet an increase in demand.

Now I'll turn to operating expenses, which include research, development and technical, selling and marketing, and general and administrative costs. Operating expenses of $28.5 million this quarter are in the middle of our quarterly guidance range of $27 to $30 million. This quarter's expenses were $1.8 million lower than last quarter, primarily driven by lower staffing related costs.

This quarter's operating expenses were $1.4 million higher than the $27.1 million reported in the same quarter last year. The year-over-year increase in operating expenses was mainly due to higher professional fees and higher staffing related costs, partially offset by lower depreciation expense.

Reflecting these strong operating results, net income for the quarter was $12.2 million, up 20.1 percent from $10.2 million last quarter, and up 33.7 percent from $9.1 million in the same quarter a year ago.

The weighted average number of shares outstanding on a diluted basis this quarter was 23.8 million.

Diluted earnings per share were 51 cents this quarter, up from both the 43 cents last quarter and 38 cents in the year ago quarter. On a comparable basis, this is the highest EPS level in our company's history, excluding share-based compensation expense, which we were not required to report prior to fiscal year 2006.

Turning now to cash and balance sheet related items, capital additions for the quarter were $7.9 million, which includes costs associated with the purchase of the 300 mm polishing tool for our Asia Pacific Technology Center. Depreciation and amortization expense was $6.4 million in the first quarter, and share-based compensation expense was $3.5 million.

We ended the quarter with $209.4 million in cash and short term investments, which was $3.1 million lower than last quarter. Cash flow reflects $14 million of share repurchases and a $2.3 million increase in working capital. As Bill mentioned, the $14 million of share repurchases completed our $40 million share repurchase program, and our Board has just authorized another $75 million program.

I'll conclude my remarks with a few comments on recent sales and order patterns.

Examining our revenues in each of the three months of the first fiscal quarter, sales activity remained relatively constant throughout the quarter and generally consistent with our sales levels from May through September of last year. This was the first quarter in our history that revenues for each month of the quarter topped $30 million.

As we have discussed in the past, we believe that our core CMP business is unit-based and driven by overall wafer starts. As Bill mentioned, a number of analysts are expecting semiconductor growth to moderate in calendar year 2008, primarily due to anticipated weakness in the global economy, which may slow growth in end-device demand. Also keep in mind that historically, our second fiscal quarter, which is the first calendar quarter, has been a lower revenue quarter for our company, which we believe is due to the seasonality of the semiconductor industry.

As we observe orders for our CMP products received to date in January that we expect to ship by the end of the month, we see January results trending generally in-line with our first quarter of fiscal 2008. However, I would caution as I always do that several weeks of CMP related orders out of a quarter represent only a limited window on full quarter results.

Thank you for your time this morning and your interest in Cabot Microelectronics. We look forward to the next opportunity to speak with you. Goodbye.