



Cabot Announces First Quarter Operating Results

January 24, 2002

- EPS \$0.53 versus \$0.37 -

BOSTON, MA - Cabot Corporation (CBT/NYSE) today announced net earnings of \$38 million, or \$0.53 per diluted common share, for the Company's first quarter ended December 31, 2001, compared with \$28 million, or \$0.37 per diluted common share, for the year ago quarter. Cabot reported operating profit of \$59 million for the quarter, compared with \$39 million for the same quarter of fiscal year 2001.

Kennett F. Burnes, Cabot's Chairman and CEO, commented, "While we are pleased with our results for the first quarter, our Chemical businesses remained very weak due to adverse economic conditions and we have not yet begun to see evidence of a recovery. Volumes were 11% lower compared to the same period last year. Cabot's tantalum business earned an incremental \$34 million this quarter as compared to the same quarter last year due to higher prices and lower raw materials costs. In the first quarter of fiscal 2001, that business suffered from higher raw materials costs that we were not able to pass through to our customers, which resulted in a three million dollar loss."

The Chemical businesses reported a quarter over quarter decline in operating profit of \$14 million. The weakness in the carbon black market has caused a decline in volumes for the last year. This quarter volumes were down again, particularly in December, falling 11% year over year. Lower raw materials costs benefited the carbon black business, while the impact of foreign exchange rates was slightly negative. Overall, carbon black's operating profit was \$14 million lower as compared to the same quarter last year. Cabot's fumed metal oxides business reported a \$1 million increase in operating profit this quarter as compared to the same period in fiscal 2001. This business also experienced lower volumes, but benefited significantly from lower costs and higher fumed alumina sales as compared to the same period last year.

Cabot Performance Materials (CPM) operating profit increased by \$34 million as compared to the same period last year. "The market for tantalum powder has been weak for the last three quarters," Burnes commented. Although average volumes were 8% lower, profits were higher due to higher average selling prices resulting from long-term customer contracts and lower average tantalum ore costs.

In the first quarter of fiscal 2002, Cabot Specialty Fluids (CSF) reported \$1 million in operating profit, which was the same as the first quarter of 2001. "Volumes were up slightly," Burnes continued, "and we saw the results of the first production flows from drill-in applications that were completed earlier in the year using cesium formate. We are pleased that the wells are flowing at a rate consistent with what we expected based on the production flow tests. This is another clear indication of the value that this product brings to the oilfield drilling fluids market."

Burnes added, "Our results for the quarter were very strong given the economy. These results were primarily driven by the tantalum business, which offset very weak volumes in the carbon black business, particularly in December. We are uncertain as to whether the latter is a trend, but we have some indications that the bottom was reached in December. The lower volumes and the resulting lower utilization rates are making it more difficult to maintain our margins. The fumed metal oxides business also continues to face weak volume conditions in its end markets. All businesses are working to manage costs in these difficult economic times."

"The Company has a very strong position in the supply chain for tantalum. However, demand for tantalum products has weakened considerably over the last nine months. Although we are encouraged that the downturn in the industry may have reached a low, because it has been so severe, there remains a significant amount of inventory in the chain. While we have strong contracts with our customers, the realities of the market conditions are such that it will be some time before we can be certain of the exact timing of shipments and revenue. For this reason, we remain very cautious about the outlook for the fiscal year. Since the discussions with our customers continue, there is a broad range of possible outcomes, one of which approximates last year's profits for this business."

"Finally, we continue to be encouraged by the development of our new businesses, especially our cesium formate business," Burnes said. "This business continues to achieve the necessary milestones toward the successful commercialization of cesium formate as an oilfield drilling fluid."

For those interested in more detailed information on Cabot's First Quarter 2002 results please see the Supplemental Business Information available today on the Company's website in the Investor Relations section: <http://www.cabot-corp.com>.

Cabot Corporation is a global company with operations in chemicals and specialty materials.

Forward Looking Information: Included above are statements relating to management's expectations of future profits, the possible achievement of the Company's financial goals and objectives and management's expectations for shareholder value creation initiatives and for the Company's product development program. 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, fluctuations in currency exchange rates, costs of raw materials, patent rights of others, stock market conditions, 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.