



Cabot Announces Second Quarter Operating Results

April 24, 2002

EPS \$0.39 from continuing operations before special items, versus \$0.52

BOSTON, MA - Cabot Corporation (CBT/NYSE) today announced net earnings from continuing operations of \$28 million, or \$0.39 per diluted common share before special items, for the Company's second quarter ended March 31, 2002, compared with \$40 million, or \$0.52 per diluted common share before special items, for the year ago quarter. Cabot reported operating profit before tax and special items of \$43 million for the quarter, compared with \$60 million for the same quarter of fiscal year 2001.

Kennett F. Burnes, Cabot's Chairman and CEO, commented, "Our Chemical Businesses appear to be showing some signs of recovery from a very weak December. We are seeing improvements in our utilization rates, although we continue to experience lower volumes than last year. We are concerned that rising oil prices will have an adverse impact on the next six months' earnings. Our fumed metal oxides business also experienced volume improvements over the December quarter, but we continue to operate at rates below fiscal 2001. The Chemical Businesses contributed \$30 million in operating profit this quarter."

Burnes continued, "During the quarter we continued our efforts to resolve certain issues under supply contracts with two of our tantalum customers. To date we have been unable to reach mutual resolution with them and, accordingly, in early April we filed legal actions to enforce the contracts. Cabot does not take lightly suing its customers but is committed to doing what is necessary in this instance to enforce our rights under the contracts, to preserve their value for our shareholders and to be fair to our tantalum customers who are honoring their contracts. The ongoing litigation prevents the Company from commenting further, other than to say that Cabot strongly believes that the purchase contracts are valid and that its rights ultimately will be upheld. Cabot's tantalum business earned \$14 million in operating profit this quarter, which was \$12 million less than the same quarter last year. This decline essentially resulted from the failure of two customers to buy under the contracts at issue in the lawsuits."

"On a more positive note this quarter, we were very pleased to complete the acquisition of the remaining 50% interest in our tantalum joint venture with Showa Denko" Burnes commented. "This acquisition is consistent with our strategy of investing in our core businesses."

The Chemical Businesses segment reported a quarter over quarter decline in operating profit of \$5 million. The weakness in the carbon black market continues to drive lower volumes for carbon black. This quarter volumes were down again, falling 2% year over year, however, the business experienced 11% higher volumes in this quarter versus the first quarter of fiscal 2002. Lower raw materials costs benefited the carbon black business for much of the quarter, however, raw material costs began to rise again in March due to rising oil prices. The impact of foreign exchange rates during the second quarter was slightly negative. Overall, carbon black's operating profit was \$8 million lower as compared to the same quarter last year and \$3 million higher than the first fiscal quarter of 2002. Cabot's fumed metal oxides business reported a \$2 million increase in operating profit this quarter as compared to the same period in fiscal 2001. This business also experienced 9% lower volumes, however, similar to carbon black, it experienced 12% higher volumes on a sequential basis. Both businesses have worked to control and reduce costs in this difficult operating environment.

Cabot Performance Material's (CPM) operating profit decreased by \$12 million as compared to the same period last year. The business experienced 72% lower volumes than the year ago quarter, while average selling prices were somewhat higher due to improved mix and higher contract prices for some products. Finally, we experienced lower average ore costs as the spot price for tantalum ore is much lower this year than it was a year ago.

In the second quarter of fiscal 2002, Cabot Specialty Fluids (CSF) reported a \$1 million operating loss, which was the same as the second quarter of 2001. Volumes and prices for cesium formate were higher but the business suffered due to lower tantalum ore sales. "We have been pleased with the increased pricing for our drilling fluids," Burnes added, "and during this quarter, we also penetrated a new market, completing one new job in the Gulf of Mexico. We continue to be pleased with the production flows resulting from drill-in applications that were completed during the last six months, yielding greater efficiency for those wells."

Included in the Company's earnings are \$3 million of special items, \$2 million related to the cancellation of an expansion project in our CPM plant in Boyertown and \$1 million related to non-capitalizable transaction costs, both associated with the acquisition of Showa Cabot Supermetals, which we now call Cabot Supermetals. Furthermore, operating results for the Company benefited from a \$1 million foreign exchange gain resulting from a net U.S. dollar receivable position in Argentina, and a \$2 million gain from the sale of Cabot Microelectronics shares related to incentive compensation forfeitures.

Burnes commented, "While we have fundamentally sound chemical businesses, we remain very concerned over the current business environment. Our chemical businesses continue to struggle with the effects of the recession, and it is unclear to us when we can expect a significant recovery in volumes. In addition, as oil prices rise, we become more concerned that our raw materials costs will also escalate which will result in lower short-term margins. All businesses are working to manage costs in these difficult economic times."

"We have entered into a time of greater uncertainty for the tantalum business," Burnes continued. "Until the pending disputes with two of our tantalum customers are resolved, the tantalum business will be hard-pressed to earn as much as it did in fiscal 2001. For this reason, we remain very cautious about the outlook for the fiscal year."

For those interested in more detailed information on Cabot's Second 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 forward-looking 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 forward-looking statements included in this press release 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, competitors' reactions to market conditions, and the outcome of pending litigation and other factors discussed in the Company's 2001 Annual Report Form 10-K. 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.