



Cabot Announces Fourth Quarter Operating Results

October 24, 2002

EPS \$0.32 versus \$0.38, with \$0.40 from continuing operations before special items, versus \$0.38 BOSTON, MA (October 24, 2002) – Cabot Corporation (CBT/NYSE) today announced earnings of \$23 million, or \$0.32 per diluted common share for the fourth quarter ended September 30, 2002, compared with \$27 million, or \$0.38 for the year ago quarter. Results from continuing operations were \$28 million, or \$0.40 per diluted common share before special items, compared with \$27 million, or \$0.38 per diluted common share before special items, for the year ago quarter. For the fiscal year ended September 30, 2002, the Company earned \$106 million, or \$1.50 per diluted common share compared with \$124 million, or \$1.66 for the prior year. Results from continuing operations were \$118 million, or \$1.66 per diluted common share before special items, compared with \$136 million, or \$1.82 per diluted common share before special items, for the prior year.

Kennett F. Burnes, Cabot's Chairman and CEO, said, "Cabot faced a very difficult operating environment throughout the fiscal year, and I am pleased with the results that we achieved. While the Chemical Businesses showed signs of recovery as the year progressed, the economic environment continues to be very uncertain."

Burnes continued, "We were successful in maintaining flat earnings in the Performance Materials segment for the year in the face of continued weakness in the electronics industry. Both this industry weakness and our differences with several customers placed severe pressure on this business."

"We also made considerable progress in our developing businesses during the year. Both inkjet colorants and Specialty Fluids significantly improved their financial results and we completed the construction of a semi-works facility for our nanogel business. Furthermore, we have implemented significant portions of our new enterprise wide resource planning system, with no significant interruptions in business. We believe that the Company is well positioned to take advantage of a future economic recovery."

Earnings Summary (Quarters and Years ended September 30)

Per share diluted	September 2002	Quarter ended September 30, 2001	Fiscal Year ended September 30, 2002	Fiscal Year ended September 30, 2001
Earnings from continuing operations	\$0.40	\$0.38	\$1.66	\$1.82
Earnings from discontinued operations	0.00	0.00	.02	0.00
Earnings from operations	0.40	0.38	1.68	1.82
Special Items	(0.08)	(0.00)	(0.18)	(0.00)
Net Income	\$0.32	\$0.38	\$1.50	\$1.82

Fourth Quarter Comparisons The Company reported revenues of \$440 million for the fourth quarter, compared with \$381 million for the same quarter of 2001. Cabot recorded net income of \$28 million from continuing operations, as compared to \$27 million for the same period of 2001, before special items. Special items for the fourth quarter of 2002 include an asset impairment charge of \$8 million to write down the value of tail gas engines in the carbon black business, a \$3 million increase in environmental reserves due to updated cost estimates, \$2 million of additional charges related to a closed plant and \$1 million in severance costs, partly offset by income of \$7 million related to various insurance recoveries. Further details concerning special items for 2002 and 2001 are included in the quarterly Supplemental Business Information, which is available on Cabot's website.

The Chemical Businesses demonstrated considerable improvement in volumes compared to last year, although unit margins were weaker in the face of lower prices and higher raw material costs. The Chemical Businesses reported a \$1 million improvement in

operating profit over the same quarter last year. In carbon black, volumes improved in all segments and in all regions, with Asia Pacific experiencing significant gains. This increase was more than offset, however, by lower unit margins driven by both lower prices and higher feedstock costs, as well as higher operating costs. Sequentially, unit margins have improved due to the benefit of pricing adjustments on both contracted and non-contracted business. The fumed metal oxides business also experienced improved volumes in all segments of the business compared to the same period of 2001. Burnes commented, "I am pleased with the recent turnaround in volumes in these businesses. To see such strong performance in what is normally a seasonally slow period is encouraging. However, given the continued economic uncertainty in the world right now, we continue to be cautious about the near term."

Cabot reported flat operating profit for the Performance Materials (CPM) business in the fourth quarter of 2002 compared to 2001. Two of CPM's three major customers purchased volumes in accordance with the terms of their supply agreements, but another purchased no volume in the quarter. The flat results were driven by higher volume and lower ore cost, offset by lower average pricing, increased operating costs and lower results from Cabot Supermetals. The electronics industry continues to be weak but the tantalum capacitor suppliers are gradually reducing their inventory levels. During the quarter, a Massachusetts court ruled in Cabot's favor, dismissing Kemet's counterclaim alleging unfair and deceptive practices by Cabot during the negotiation of its tantalum supply agreement with Kemet. The court further ruled that Kemet may not postpone the purchase of its annual volume obligation to the end of the contract year, but that purchases must occur on a commercially reasonable basis. AVX has initiated a suit against Cabot, but it continues to purchase products in accordance with the terms of its tantalum supply agreement.

Inkjet results improved compared to the same period last year due primarily to higher volumes, as it continues to make progress in the sale of treated carbon blacks and other pigments.

The Specialty Fluids (CSF) business earned \$3 million in operating profit for the fourth quarter, which was \$2 million more than the same period last year. Fourth quarter activity included two large jobs, which were completed with very successful results.

The fourth quarter contained two unusual adjustments to the income statement. During the quarter, the Company concluded an extensive review of its post-retirement benefit plans, resulting in a charge of \$8 million related primarily to the recognition, on a catch-up basis, of future medical costs in Europe. In addition, the Company reduced the overall effective tax rate for the year to just over 22%, which resulted in a tax benefit of approximately \$6 million in the fourth quarter. Burnes stated, "While there were several adjustments recorded in the operating results of the Company during the quarter, on balance, the \$0.40 earnings per share from continuing operations before special items reasonably reflect the operating performance of the businesses during the quarter".

Fiscal Year Comparisons

For the fiscal year ended September 30, 2002, Cabot reported revenues of \$1.557 billion compared to \$1.670 billion for 2001. The year over year revenue decline was primarily due to lower pricing in the Chemical Businesses as well as lower volume in the Performance Materials business.

In fiscal 2002, Cabot earned \$105 million of net income from continuing operations, as compared to \$121 million for the prior year. Cabot reported \$118 million of net income from continuing operations before special items for fiscal 2002, as compared to \$136 million in the prior year. The Chemical Businesses reported a \$20 million decrease in operating profit, with decreased pricing partly offset by lower raw material costs. The Performance Materials business operating profit improved by \$1 million despite the contract disagreements with several customers. The improvement was driven by higher pricing and lower ore costs, offset by lower volume, higher operating costs and reduced results from Cabot Supermetals. The inkjet business reported improved results for the year based primarily upon higher sales volumes as it continues to penetrate this market. The Specialty Fluids business reported operating profit of \$2 million, compared to breakeven results in the prior year. Burnes stated, "While broad adoption of the fluid has been slower than we had hoped, we continue to be encouraged by the fluid's performance in both drill in and completion applications. We are working to both increase use of the fluid as well as achieve a revenue per barrel which is more reflective of the value provided to the user."

Outlook

With respect to the future, Burnes said, "Given the many uncertainties which we faced in fiscal year 2002, I am encouraged by the results that we were able to attain. The fiscal year was marked by continued weakness in most of the industries that we serve, which created a very difficult environment for our businesses. We continue to be diligent in managing our cost structure and in ensuring that our businesses will be healthy as we go forward. Unfortunately, it is still not clear when our end use markets, particularly the electronics area, will recover." Burnes continued, "High oil prices, volatility in the financial markets and the uncertainty surrounding the political situation in the Middle East are causing greater uncertainty in all areas. It is difficult to say when we will emerge from this scenario. I am optimistic that we will be well positioned to benefit from a renewed growth environment when it arrives."

For those interested in more detailed information on Cabot's Fourth Quarter 2002 results please see the Supplemental Business Information available today on the Company's website in the Investor Relations section: <http://www.shareholder.com/cabot/earnings.cfm>. 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, and capacitor 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 on 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.