



Cabot Announces First Quarter Operating Results

January 23, 2003

EPS \$0.48 versus \$0.53

BOSTON, MA (January 23, 2003) - Cabot Corporation (CBT/NYSE) today announced earnings of \$33 million, or \$0.48 per diluted common share, for the first quarter ended December 31, 2002, compared with \$38 million, or \$0.53 for the year ago quarter. Cabot reported operating profit before tax of \$55 million for the quarter, compared with \$59 million for the same quarter of fiscal year 2002.

Kennett F. Burnes, Cabot Chairman and CEO, said, "I am pleased that, despite continued increases in raw material costs and economic uncertainty in many areas of the world, our Chemical Businesses continued to generate stable results. Sales volumes in both carbon black and fumed metal oxides improved compared to the same quarter last year. However, carbon black margins declined compared to the first quarter of 2002 as a result of rising feedstock costs and the lag in pricing adjustments in certain carbon black supply contracts. We were, however, successful in implementing price increases during the quarter in the non-contracted areas of the carbon black business, the full benefit of which will not be seen until next quarter. I am also pleased that we have had the first successful commercial use of our new NanogelTM aerogels product in a translucent panel application and that several favorable articles have been published on the product in newspapers and trade magazines, which has generated further interest in the product."

Burnes continued, "In our Performance Materials business, operating profit increased slightly as improved pricing and lower unit manufacturing costs exceeded the impact of lower volumes. In addition, we successfully resolved our differences with Kemet during the quarter, bringing further long-term stability to Cabot's tantalum business. Cabot is very pleased to have resolved this dispute and we look forward to continuing a strong and mutually beneficial relationship with Kemet. I am also very pleased with last year's acquisition of Cabot Supermetals in Japan and the progress made on its integration with our North American Performance Materials business."

For the quarter ended December 31, 2002, the Chemical Businesses segment reported a year over year decrease in operating profit of \$3 million, from \$27 million in the first quarter of fiscal year 2002 to \$24 million in the first quarter of fiscal year 2003. This represents a sequential increase of \$7 million from operating profit of \$17 million in the prior quarter. Quarterly volumes improved by 8% year over year, but declined by 3% versus the fourth quarter of fiscal 2002. The sequential volume decline was due to calendar year-end related inventory management in several of our end markets. Unit margins in carbon black declined compared to the first quarter of 2002 due to the rapid rise in both oil and natural gas prices. Sequentially, operating results benefited from lower unit manufacturing costs in both carbon black and fumed metal oxides. Due to the weakening of the U.S. Dollar, the translation of foreign operating earnings provided a benefit during the quarter of \$8 million year over year and \$2 million sequentially.

Within the Chemical Businesses segment, carbon black's operating profit was \$6 million lower than the same quarter last year and \$5 million higher than the fourth fiscal quarter of 2002. Carbon black volumes increased by 7% year over year, but declined by 3% sequentially. In the first quarter, Cabot's fumed metal oxides business reported operating profit that was \$4 million higher than the same quarter last year and \$1 million higher than the fourth quarter of 2002. This business also experienced 22% higher volumes compared to the same quarter of fiscal 2002 but 6% lower volumes compared to the fourth quarter of fiscal 2002. Given these recent trends, the Company continues to be cautious concerning the outlook for the Chemical Businesses segment.

Cabot Performance Material's (CPM) first quarter operating profit increased by \$1 million, from \$31 million in 2002 to \$32 million in 2003, and increased by \$8 million sequentially. Volumes were lower than the year ago quarter by 8% due to a combination of fewer shipments of intermediate materials and lower tantalum powder sales. Average selling prices were somewhat higher due to contract related price increases which went into effect in calendar year 2002. Volumes also declined sequentially from the fourth quarter of 2002 by 5% due to lower shipments of intermediate materials. However, this was more than offset by improved operating costs.

As part of the resolution of the contract dispute with Kemet during the quarter, the Company agreed to reduce the sales price of certain contracted volumes effective January 1, 2003. While shipments made in the first quarter were invoiced at the higher contract price which was in effect for 2002, the accounting guidance for contracts of this nature appears to require the recording of revenue on an estimated average selling price basis over the life of the contract. This resulted in an \$8 million deferral of revenue to future periods, all of which is profit because no related costs were deferred. This differs from our historical revenue recognition practice, which is to record revenue as sales are invoiced and risk of loss is transferred. In the absence of accounting literature which is specific to our circumstances, the Company has asked the Securities and Exchange Commission for its guidance regarding the use of this methodology.

In the first quarter of fiscal 2003, Cabot Specialty Fluids (CSF) reported a \$1 million operating loss, a \$2 million decline from the first quarter of 2002 and a \$4 million decline compared to the fourth quarter of 2002. These declines were primarily driven by lower volumes resulting from a lower level of industry-wide drilling activity, particularly in the UK North Sea.

Burnes continued, "Given today's very uncertain economic and political environment, combined with rapidly rising oil and natural gas prices, we remain cautious about the near-term business outlook. While our businesses continue to perform reasonably well and we have succeeded in providing greater stability to our tantalum business through the contract renegotiations, it is unclear to us when we can expect a significant and sustainable recovery in volumes and margins."

"Finally," Burnes concluded, "we continue to be optimistic about the long-term contribution of our developing businesses - inkjet colorants, aerogels and CSF. All three businesses are making progress toward their goals and are expected to contribute to the creation of long-term value for Cabot's shareholders."

For those interested in more detailed information on Cabot's First Quarter 2003 results please see the Supplemental Business Information available today on the Company's website in the Investor Relations section: <http://cabot-corp.com>.

Cabot Corporation is a global specialty chemicals 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 and availability 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 governmental investigations and other factors discussed in the Company's 2002 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.

CABOT CORPORATION SUMMARY RESULTS BY SEGMENTS

Periods ended December 31	Three Months	
<i>In millions, except per share amounts (unaudited)</i>	2002	2001
SALES		
Chemical Businesses.....	\$ 307	\$ 285
Performance Materials.....	96	82
Specialty Fluids.....	3	9
Segment sales ^(A)	406	376
Unallocated and other ^(B)	2	1
Net sales and other operating revenues.....	\$ 408	\$ 377
SEGMENT PROFIT		
Chemical Businesses.....	\$ 24	\$ 27
Performance Materials.....	32	31
Specialty Fluids.....	(1)	1
Total segment profit ^(C) - Before special items.....	55	59
Special items.....	-	-
Total segment profit.....	55	59
INCOME APPLICABLE TO COMMON SHARES		
Interest expense.....	(7)	(8)
General unallocated income (expense) ^(D)	(2)	3
Less: Equity in net income of affiliated companies.....	(1)	(2)
Income from continuing operations before income taxes.....	45	52
Provision for income taxes.....	(11)	(15)
Equity in net income of affiliated companies.....	1	2
Minority interest.....	(2)	(1)
Net income.....	33	38
Dividends on preferred stock.....	(1)	(1)
Income applicable to common shares.....	\$ 32	\$ 37
DILUTED EARNINGS PER SHARE OF COMMON STOCK		
Diluted.....	\$0.48	\$0.53
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
Diluted.....	70	72

^(A) Segment sales for certain operating segments within Chemical Businesses include 100% of sales of one equity affiliate and transfers of materials at cost and at market-based prices.

^(B) Unallocated and other reflects an adjustment for equity affiliate sales and interoperating segment revenues and includes royalties paid by equity affiliates offset by external shipping and handling costs.

^(C) Segment profit is a measure used by Cabot's operating decision-makers to measure consolidated operating results and assess segment performance. It includes equity in net income of affiliated companies, royalties paid by equity affiliates, minority interest and corporate governance costs, and excludes interest expense, foreign currency transaction gains (losses), interest income and dividend income.

^(D) General unallocated income (expense) includes foreign currency transaction gains (losses), interest income and dividend income.

CABOT CORPORATION CONSOLIDATED STATEMENTS OF INCOME

Periods ended December 31 <i>In millions, except per share amounts (unaudited)</i>	Three Months	
	2002	2001
Net sales and other operating revenues	\$408	\$377
Cost of sales	<u>291</u>	<u>260</u>
Gross profit	<u>\$117</u>	<u>\$117</u>
Selling and administrative expenses	52	48
Research and technical service	<u>11</u>	<u>11</u>
Income from operations	\$54	\$58
Other income and expense		
Interest and dividend income	1	3
Interest expense	(7)	(8)
Other (charges) income	(3)	(1)
Total other income and expense	<u>(9)</u>	<u>(6)</u>
Income from continuing operations before income taxes	<u>45</u>	<u>52</u>
Provision for income taxes	(11)	(15)
Equity in net income of affiliated companies	1	2
Minority interest in net income	<u>(2)</u>	<u>(1)</u>
Net income	33	38
Dividends on preferred stock.....	<u>(1)</u>	<u>(1)</u>
Net income available to common shares.....	<u>32</u>	<u>\$ 37</u>
Diluted earnings per share of common stock		
Diluted.....	<u>\$ 0.48</u>	<u>\$ 0.53</u>
Weighted average common shares outstanding		
Diluted.....	70	72

CABOT CORPORATION CONDENSED CONSOLIDATED FINANCIAL POSITION

<i>In millions, (unaudited)</i>	December 31, 2002	September 30, 2002
Current assets.....	\$1,021	\$959
Net property, plant and equipment.....	892	885
Other non-current assets	199	223
Total assets.....	<u>\$2,112</u>	<u>\$2,067</u>
Current liabilities.....	\$251	\$286
Non-current liabilities.....	853	804
Stockholders' equity.....	1,008	977
Total liabilities and stockholders' equity.....	<u>\$2,112</u>	<u>\$2,067</u>
Working capital.....	<u>\$770</u>	<u>\$673</u>

CABOT CORPORATION

	Fiscal 2002					Fiscal 2003				
In millions, except per share amounts (unaudited)	Dec. Q.	Mar. Q.	June Q.	Sept. Q.	FY	Dec. Q.	Mar. Q.	June Q.	Sept. Q.	FY
Sales										
Chemical Businesses	\$285	\$292	\$318	\$322	\$1,217	\$307				
Performance Materials	82	48	65	106	301	96				
Specialty Fluids	9	6	5	8	28	3				
Segment Sales (A)	376	346	388	436	1,546	406				
Unallocated and other (B)	1	4	2	4	11	2				
Net sales and other operating revenues	\$377	\$350	\$390	\$440	\$1,557	\$408				
Segment Profit										
Chemical Businesses	\$27	\$30	\$27	\$17	\$101	\$24				
Performance Materials	31	14	10	24	79	32				
Specialty Fluids	1	(1)	(1)	3	2	(1)				
Total segment profit (C) - Before special items	59	43	36	44	182	55				
Special items (F)	-	(3)	(7)	(7)	(17)	-				
Total segment profit	59	40	29	37	165	55				
Income Applicable to Common Shares										
Interest expense	(8)	(6)	(7)	(7)	(28)	(7)				
General unallocated income (expense) (D)	3	3	3	(7)	2	(2)				
Less: Equity in net income of affiliated companies	(2)	-	(2)	(2)	(5)	(1)				
Income from Continuing Operations before income taxes	52	37	23	21	134	45				
Provision for income taxes	(15)	(10)	(6)	1	(30)	(11)				
Equity in net income of affiliated companies	2	-	2	2	5	1				
Minority interest	(1)	(1)	(1)	(1)	(4)	(2)				
Income from Continuing Operations	38	26	18	23	105	33				
Discontinued Operations										
Income from Operations of Discontinued Business, net of income taxes (E)	-	-	1	-	1	-				
Net Income	38	26	19	23	106	33				
Dividends on preferred stock	(1)	(1)	-	(1)	(3)	(1)				
Income applicable to common shares	\$37	\$25	\$19	\$22	\$103	\$32				
Income per common share										
Continuing Operations Before Special Items	\$ 0.53	\$ 0.39	\$ 0.34	\$ 0.40	\$ 1.66	\$ 0.48				
Discontinued Operations										
Income from Operations of Discontinued Business (E)	-	-	0.01	-	0.02	-				
Before Special Items	0.53	0.39	0.35	0.40	1.68	0.48				
Special Items (F)	-	(0.03)	(0.07)	(0.08)	(0.18)	-				
Total	\$ 0.53	\$ 0.36	\$ 0.28	\$ 0.32	\$ 1.50	\$ 0.48				
Weighted average common shares outstanding										
Diluted	72	71	71	70	71	70				

(A) Segment sales for certain operating segments include 100% of sales of one equity affiliate and transfers of materials at cost and at market-based prices.

(B) Unallocated and other reflects an adjustment for sales for one equity affiliate, interoperating segment revenues, offset by royalties paid by equity affiliates and external shipping and handling costs.

(C) Segment profit is a measure used by Cabot's operating decision-makers to measure consolidated operating results and assess segment performance. It includes equity in net income of affiliated companies, royalties paid by equity affiliates, minority interest and corporate governance costs, and excludes special items, interest expense, foreign currency transaction gains (losses), interest income, and dividend income.

To access a copy of the Supplemental Business Information for this quarter please [Click here](#).