

FORM 10-Q

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended

MARCH 31, 1994

or

[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

COMMISSION FILE NUMBER 1-5667

CABOT CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE
(State of Incorporation)

75 STATE STREET
BOSTON, MASSACHUSETTS
(Address of principal executive offices)

04-2271897
(I.R.S. Employer Identification No.)

02109-1806
(Zip Code)

Registrant's telephone number, including area code: (617) 345-0100

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes X No
----- -----

Indicate the number of shares outstanding of each of the classes of Common Stock, as of the latest practicable date.

AS OF MARCH 31, 1994, THE COMPANY HAD 18,788,487 SHARES OF COMMON STOCK, PAR VALUE \$1 PER SHARE, OUTSTANDING.

CABOT CORPORATION
INDEX TO FINANCIAL STATEMENTS

| Part I. Financial Information | Page No. |
|--|----------|
| | ----- |
| Item 1. Financial Statements (Unaudited) | |
| Consolidated Statements of Income Three Months Ended March 31, 1994 and 1993 | 3 |
| Consolidated Statements of Income Six Months Ended March 31, 1994 and 1993 | 4 |
| Consolidated Balance Sheets March 31, 1994 and September 30, 1993 | 5 |
| Consolidated Statements of Cash Flows Six Months Ended March 31, 1994 and 1993 | 7 |
| Notes to Consolidated Financial Statements | 8 |
| Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations | 10 |
| Part II. Other Information | |
| Item 4. Submissions of Matters to a Vote of Security Holders | 13 |
| Item 6. Exhibits and Reports on Form 8-K | 13 |

CABOT CORPORATION
 CONSOLIDATED STATEMENTS OF INCOME
 Three Months Ended March 31, 1994 and 1993

(Dollars in thousands, except per share amounts)

UNAUDITED

| | 1994 | 1993 |
|--|------------|------------|
| Revenues: | | |
| Net sales and other operating revenues | \$ 434,860 | \$ 407,580 |
| Interest and dividend income | 1,056 | 903 |
| | ----- | ----- |
| Total revenues | 435,916 | 408,483 |
| | ----- | ----- |
| Costs and expenses: | | |
| Cost of sales | 319,321 | 305,992 |
| Selling and administrative expenses | 52,855 | 50,155 |
| Research and technical service | 12,186 | 10,475 |
| Interest expense | 10,305 | 11,493 |
| Other (income) expense, net | 6,272 | 7,768 |
| | ----- | ----- |
| Total costs and expenses | 400,939 | 385,883 |
| | ----- | ----- |
| Income before income taxes | 34,977 | 22,600 |
| Provision for income taxes | (12,771) | (9,380) |
| Equity in net income of affiliated companies | 142 | 736 |
| | ----- | ----- |
| Net income | 22,348 | 13,956 |
| | ----- | ----- |
| Dividends on preferred stock, net of tax benefit of \$483 and \$474, respectively | (897) | (919) |
| | ----- | ----- |
| Income applicable to primary common shares | \$ 21,451 | \$ 13,037 |
| | ===== | ===== |
| Weighted average common shares outstanding (000): | | |
| Primary | 19,089 | 18,602 |
| Fully diluted (Note A) | 20,652 | 20,193 |
| Income per common share: | | |
| Primary | \$ 1.12 | \$ 0.70 |
| | ===== | ===== |
| Fully diluted (Note A) | \$ 1.05 | \$ 0.66 |
| | ===== | ===== |
| Dividends per common share | \$ 0.26 | \$ 0.26 |
| | ===== | ===== |

The accompanying notes are an integral part of these financial statements.

CABOT CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
Six Months Ended March 31, 1994 and 1993

(Dollars in thousands, except per share amounts)

UNAUDITED

| | 1994 | 1993 |
|--|------------|------------|
| Revenues: | | |
| Net sales and other operating revenues | \$ 833,335 | \$ 803,684 |
| Interest and dividend income | 2,034 | 2,352 |
| | ----- | ----- |
| Total revenues | 835,369 | 806,036 |
| | ----- | ----- |
| Costs and expenses: | | |
| Cost of sales | 616,072 | 606,302 |
| Selling and administrative expenses | 103,884 | 100,804 |
| Research and technical service | 23,907 | 20,504 |
| Interest expense | 20,564 | 22,489 |
| Other (income) expense, net | 9,931 | 10,987 |
| | ----- | ----- |
| Total costs and expenses | 774,358 | 761,086 |
| | ----- | ----- |
| Income before income taxes | 61,011 | 44,950 |
| Provision for income taxes | (23,184) | (18,465) |
| Equity in net income (loss) of affiliated companies | 479 | (602) |
| | ----- | ----- |
| Income before cumulative effect of accounting changes | 38,306 | 25,883 |
| Cumulative effect of accounting changes | - | (26,109) |
| | ----- | ----- |
| Net income (loss) | 38,306 | (226) |
| | ----- | ----- |
| Dividends on preferred stock, net of tax benefit of \$967 and \$948, respectively | (1,796) | (1,839) |
| | ----- | ----- |
| Income (loss) applicable to primary common shares | \$ 36,510 | \$ (2,065) |
| | ===== | ===== |
| Weighted average common shares outstanding (000): | | |
| Primary | 19,084 | 18,644 |
| Fully diluted (Note A) | 20,641 | 20,216 |
| Income (loss) per common share: | | |
| Primary | | |
| Continuing operations | \$ 1.91 | \$ 1.29 |
| Cumulative effect of accounting changes | - | (1.40) |
| | ----- | ----- |
| Income (loss) per share | \$ 1.91 | \$ (0.11) |
| | ===== | ===== |
| Fully diluted (Note A) | | |
| Continuing operations | \$ 1.80 | \$ 1.29 |
| Cumulative effect of accounting changes | - | (1.40) |
| | ----- | ----- |
| Income (loss) per share | \$ 1.80 | \$ (0.11) |
| | ===== | ===== |
| Dividends per common share | \$ 0.52 | \$ 0.52 |
| | ===== | ===== |

The accompanying notes are an integral part of these financial statements.

CABOT CORPORATION
CONSOLIDATED BALANCE SHEETS
March 31, 1994 and September 30, 1993

(Dollars in thousands)

ASSETS

| | March 31 1994 (Unaudited) | September 30 1993 |
|---|---------------------------------|----------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 35,028 | \$ 40,267 |
| Accounts and notes receivable (net of reserve for doubtful accounts of \$6,831 and \$6,321) | 278,724 | 258,057 |
| Inventories: | | |
| Raw materials | 50,490 | 45,589 |
| Work in process | 31,181 | 36,923 |
| Finished goods | 99,420 | 77,747 |
| Other | 35,805 | 35,091 |
| Total inventories | 216,896 | 195,350 |
| Prepaid expenses | 15,086 | 8,771 |
| Deferred income taxes | 33,828 | 41,761 |
| Total current assets | 579,562 | 544,206 |
| Investments: | | |
| At equity | 163,258 | 166,669 |
| At cost | 7,915 | 7,911 |
| Total investments | 171,173 | 174,580 |
| Property, plant and equipment: | | |
| At cost | 1,272,090 | 1,250,228 |
| Accumulated depreciation and amortization | (635,739) | (603,708) |
| Net property, plant and equipment | 636,351 | 646,520 |
| Other assets: | | |
| Intangible assets, net of amortization | 75,779 | 78,873 |
| Deferred income taxes | 7,311 | 5,752 |
| Other assets | 34,626 | 39,542 |
| Total other assets | 117,716 | 124,167 |
| Total assets | \$1,504,802 | \$1,489,473 |

The accompanying notes are an integral part of these financial statements.

CABOT CORPORATION
CONSOLIDATED BALANCE SHEETS
March 31, 1994 and September 30, 1993

(Dollars in thousands)

LIABILITIES & STOCKHOLDERS' EQUITY

| | March 31 1994 (Unaudited) | September 30 1993 |
|---|---------------------------------|----------------------|
| Current liabilities: | | |
| Notes payable to banks | \$ 49,650 | \$ 1,501 |
| Current portion of long-term debt | 156,148 | 29,205 |
| Accounts payable and accrued liabilities | 280,609 | 297,201 |
| U.S. and foreign income taxes payable | 14,191 | 25,029 |
| Deferred income taxes | 1,193 | 1,285 |
| | ----- | ----- |
| Total current liabilities | 501,791 | 354,221 |
| Long-term debt | 294,279 | 459,275 |
| Deferred income taxes | 98,790 | 86,344 |
| Other liabilities | 136,999 | 147,360 |
| Commitments and contingencies (Note B) | | |
| Stockholders' Equity: (Note C) | | |
| Preferred stock: | | |
| Authorized: 2,000,000 shares of \$1 par value | | |
| Series A Junior Participating Preferred Stock | | |
| Issued and outstanding: none | | |
| Series B ESOP Convertible Preferred Stock 7.75% Cumulative | | |
| Issued: 75,336 shares (aggregate redemption value \$73,975 and \$74,982) | 75,336 | 75,336 |
| Less cost of shares of preferred treasury stock | (3,548) | (3,003) |
| Common stock: | | |
| Authorized: 80,000,000 shares of \$1 par value | | |
| Issued: 33,887,484 shares | 33,887 | 33,887 |
| Additional paid-in capital | 34,610 | 33,621 |
| Retained earnings | 888,552 | 861,803 |
| Less cost of common treasury stock (including unearned amounts of \$6,195 and \$7,321) | (480,158) | (483,184) |
| Deferred employee benefits | (68,106) | (68,781) |
| Foreign currency translation adjustments | (7,630) | (7,406) |
| | ----- | ----- |
| Total stockholders' equity | 472,943 | 442,273 |
| | ----- | ----- |
| Total liabilities and stockholders' equity | \$1,504,802 ===== | \$1,489,473 ===== |

The accompanying notes are an integral part of these financial statements.

CABOT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
Six Months Ended March 31, 1994 and 1993

(Dollars in thousands)

UNAUDITED

| | 1994 | 1993 |
|--|-----------|-----------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income (loss) | \$ 38,306 | \$ (226) |
| Adjustments to reconcile net income (loss) to cash provided by operating activities: | | |
| Depreciation and amortization | 42,141 | 42,126 |
| Deferred tax provision | 7,369 | 1,125 |
| Gain on sale of investments | - | (2,841) |
| Effects of accounting changes | - | 26,109 |
| Equity in net income/loss of affiliated companies, net of dividends received | 2,689 | 3,119 |
| Other, net | 1,789 | (856) |
| Changes in assets and liabilities: | | |
| Increase in accounts receivable | (20,504) | (22,181) |
| Increase in inventory | (21,473) | (232) |
| (Decrease) increase in accounts payable and accruals | (16,218) | 9,932 |
| (Increase) decrease in prepayments and intangible assets | (1,951) | 10,461 |
| Other, net | (8,805) | (138) |
| Cash provided by operating activities | 23,343 | 66,398 |
| Cash flows from investing activities: | | |
| Additions to property, plant and equipment | (28,759) | (29,446) |
| Investments | (284) | (16,198) |
| Sales of investments and property, plant and equipment | 77 | 3,156 |
| Cash used by investing activities | (28,966) | (42,488) |
| Cash flows from financing activities: | | |
| Proceeds from long-term debt | - | 7,789 |
| Reduction in long-term debt | (15,221) | (4,567) |
| Increase (decrease) in short-term debt | 24,943 | (20,449) |
| Sales of treasury stock, net | 2,078 | 6,434 |
| Cash dividends paid to stockholders | (11,556) | (11,444) |
| Cash provided (used) by financing activities | 244 | (22,237) |
| Effect of exchange rate changes on cash | 140 | (2,246) |
| Decrease in cash and cash equivalents | (5,239) | (573) |
| Cash and cash equivalents at beginning of period | 40,267 | 30,656 |
| Cash and cash equivalents at end of period | \$ 35,028 | \$ 30,083 |
| | ===== | ===== |

The accompanying notes are an integral part of these financial statements.

CABOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1994

A. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Cabot Corporation and all majority-owned and controlled domestic and foreign subsidiaries. Investments in majority-owned affiliates where control is temporary and investments in 20 percent- to 50 percent-owned affiliates are accounted for on the equity method. All significant intercompany transactions have been eliminated.

The financial statements have been prepared in accordance with the requirements of Form 10-Q and consequently do not include all disclosures required by Form 10-K. Additional information may be obtained by referring to the Company's Form 10-K for the year ended September 30, 1993.

The financial information submitted herewith is unaudited and reflects all adjustments which are, in the opinion of management, necessary to provide a fair statement of the results for the interim periods ended March 31, 1994 and 1993. All such adjustments are of a normal recurring nature. The results for interim periods are not necessarily indicative of the results to be expected for the fiscal year. During the fourth quarter of fiscal 1993, the Company adopted two new accounting standards related to postretirement benefits and income taxes. Both of these standards were adopted as of October 1, 1992, and as a result, the income statement and the statement of cash flows for the six months ending March 31, 1993 have been restated.

Earnings Per Share

The computation of fully diluted earnings per share considers the conversion of the Company's Series B ESOP Convertible Preferred Stock held by the Company's Employee Stock Ownership Plan, and also includes the potentially dilutive effects of the Company's Equity Incentive Plan.

B. CONTINGENCIES

The Company is a defendant in various lawsuits and is involved in other gas contract issues and environmental proceedings wherein substantial amounts are claimed. In the opinion of the Company's management, these suits and claims should not result in final judgments or settlements which, in the aggregate, would have a material adverse effect on the Company's financial condition.

Fumed silica supplied by Cabot was used by others in the manufacture of silicone breast implant envelopes. There are currently pending more than 10,000 lawsuits in state and federal courts alleging injuries arising from the use of silicone breast implants. The federal cases have been consolidated in the Multi-District Litigation pending in the United States District Court for the Northern District of Alabama. Generally, the various state cases have been similarly consolidated in each jurisdiction. In addition, arrangements have been made for consolidated discovery in all actions. Cabot has been named as a defendant in fewer than 100 of those lawsuits, although additional lawsuits have been threatened and are expected to be brought in due course. Cabot believes that it has adequate defenses in each of the lawsuits in which it is a defendant. However, the scientific, legal and societal issues raised by these cases are complex and the outcome is uncertain. Cabot is still evaluating the litigation and therefore cannot predict with any assurance the course this litigation will take, the number of cases to which Cabot will be added as a defendant, the amount of damages, if any, that may be assessed against Cabot or the defense costs that will be incurred by Cabot.

CABOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
March 31, 1994
UNAUDITED

C. STOCKHOLDERS' EQUITY

The following table summarizes the changes in stockholders' equity for the six months ended March 31, 1994.

| | (Dollars in thousands) | | | | | | | |
|---|------------------------|----------|-----------|-----------|--------------|----------|-----------------|-------------------|
| | Preferred Stock | | Preferred | | Common Stock | | Additional | |
| | ----- | | ----- | | ----- | | ----- | |
| | Shares | Value | Shares | Cost | Shares | Value | Paid-In Capital | Retained Earnings |
| ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | |
| Balance at September 30, 1993 | 75,336 | \$75,336 | 3,686 | \$(3,003) | 33,887,484 | \$33,887 | \$33,621 | \$861,803 |
| Net income | | | | | | | | 38,306 |
| Common stock dividends paid | | | | | | | | (9,761) |
| Net issuance of treasury stock under employee compensation plans | | | | | | | 356 | |
| Purchase of treasury stock-preferred | | | 435 | (545) | | | | |
| Sale of treasury stock to Profit Sharing and Savings Plan | | | | | | | 633 | |
| Preferred stock dividends paid to Employee Stock Ownership Plan, net of tax | | | | | | | | (1,796) |
| Principal payment by Employee Stock Ownership Plan under guaranteed loan | | | | | | | | |
| Amortization of unearned compensation | | | | | | | | |
| Foreign currency translation adjustments | | | | | | | | |
| Balance at March 31, 1994 | 75,336 | \$75,336 | 4,121 | \$(3,548) | 33,887,484 | \$33,887 | \$34,610 | \$888,552 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== |

| | Common Treasury Stock | | Unearned | Deferred Employee | Foreign Currency Translation | Total Stock-Holders' |
|---|-----------------------|-------------|-----------|-------------------|------------------------------|----------------------|
| | ----- | | | | | |
| | Shares | Cost | ----- | ----- | ----- | ----- |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Balance at September 30, 1993 | 15,161,103 | \$(475,863) | \$(7,321) | \$(68,781) | \$(7,406) | \$ 442,273 |
| Net income | | | | | | 38,306 |
| Common stock dividends paid | | | | | | (9,761) |
| Net issuance of treasury stock under employee compensation plans | (42,316) | 1,275 | (266) | | | 1,365 |
| Purchase of treasury stock-preferred | | | | | | (545) |
| Sale of treasury stock to Profit Sharing and Savings Plan | (19,790) | 625 | | | | 1,258 |
| Preferred stock dividends paid to Employee Stock Ownership Plan, net of tax | | | | | | (1,796) |
| Principal payment by Employee Stock Ownership Plan under guaranteed loan | | | | 675 | | 675 |
| Amortization of unearned compensation | | | 1,392 | | | 1,392 |
| Foreign currency translation adjustments | | | | | (224) | (224) |
| Balance at March 31, 1994 | 15,098,997 | \$(473,963) | \$(6,195) | \$(68,106) | \$ (7,630) | \$ 472,943 |
| | ===== | ===== | ===== | ===== | ===== | ===== |

CABOT CORPORATION

Management's Discussion and Analysis of
Financial Condition and Results of Operations

I. RESULTS OF OPERATIONS

Sales and operating profit by industry segment are shown in the accompanying table on page 12.

Three Months Ended March 31, 1994 versus
Three Months Ended March 31, 1993

Net income for the second quarter of fiscal year 1994 was \$22.3 million (\$1.12 per primary common share), compared to \$14.0 million (\$0.70 per primary common share) in the same quarter a year ago. Net sales and other operating revenues increased \$27.3 million to \$434.9 million from \$407.6 million last year. Total operating profit increased 26% to \$52.4 million from \$41.6 million last year, reflecting growth in both the Specialty Chemicals and Materials and Energy segments.

In the Company's Specialty Chemicals and Materials Group, sales grew 3% to \$305.7 million from \$296.4 million, and operating profits increased 9% to \$40.3 million from \$37.0 million in the same quarter a year ago. Volume growth in most businesses more than offsets the volume declines which were expected in the Pacific Asia Carbon Black and the Cabot Performance Materials divisions. The Group also benefited from stronger margins than in the year ago quarter due primarily to lower raw material costs. Regionally, the Group benefited from strength in South America and has begun to see some signs of improvement in the Company's European businesses. The recessionary environment continues in Japan, and has negatively impacted overall performance in the Pacific region.

In the Energy Group, sales rose 16%, or \$18.0 million, to \$129.2 million from \$111.2 million. Operating profit grew to \$12.1 million from \$4.6 million. The gain is entirely attributable to the Company's LNG business, which benefited from improved margins helped by the unusually cold winter in the Northeast. By comparison, the March quarter, traditionally the strongest in Cabot's LNG business, was unusually weak in 1993 due to lower natural gas prices and changes in federal energy regulations. The LNG business imported 6 cargoes during the second quarter of 1994 versus 5 cargoes in the same quarter last year.

Six Months Ended March 31, 1994 versus
Six Months Ended March 31, 1993

For the six months ended March 31, 1994, net income was \$38.3 million (\$1.91 per primary common share) compared to a loss of \$0.2 million (\$0.11 loss per primary common share) in the same period a year ago. Prior year results include a \$26.1 million after-tax charge (\$1.40 per primary common share) associated with required accounting changes. Net income before these charges was \$25.9 million (\$1.29 per primary common share). Net sales rose 4% to \$833.3 million compared with \$803.7 million last year. Total operating profit increased 21% to \$94.0 million from \$77.4 million a year ago, reflecting gains in both business segments.

In the Specialty Chemicals and Materials Group, sales were virtually unchanged from a year ago. Operating profit grew 14% to \$76.2 million from \$66.6 million due to higher volumes and improved margins derived from lower raw material costs.

In the Energy Group, sales grew 14% to \$249.4 million compared to \$219.1 million a year ago. Operating profit increased 65% to \$17.8 million from \$10.8 million. The year-to-year improvement results from a strong second quarter in the Company's LNG business. A recovery in energy prices during the second quarter of fiscal 1994, and an improved pricing structure, more than offset first quarter shortfalls. As previously stated, favorable year-to-year comparisons are magnified by the unusually weak performance of the Company's LNG business during the first half of fiscal 1993.

CABOT CORPORATION

Management's Discussion and Analysis of
Financial Condition and Results of Operations (continued)

Interest expense declined 8% to \$20.6 million in the first six months of fiscal 1994 compared to \$22.5 million last year primarily as a result of lower average debt from a year ago and lower effective interest rates. The Company's tax rate was reduced from 40% to 38% for the fiscal year beginning October 1, 1993 due to more effective utilization of foreign tax credits.

Although some signs of improvement have been seen in Europe, the Company's margins continue to be under pressure. The Company remains cautious about business conditions in that region. In Japan, operating results have worsened, and the Company expects to closely review carbon black capacity in that area. The Company's LNG business may experience reductions in supplies of LNG over the next year or so due to the previously announced refurbishment of its Algerian supplier's liquifaction facility. The effect on the Company will depend on the extent and timing of any reductions. The political uncertainties in Algeria have not, to date, adversely affected the Company's LNG supplies.

The Company currently owns a 34.5% interest in American Oil and Gas Corporation (AOG/NYSE), whose operating results are reflected in Cabot's equity in net income of affiliates. On March 24, 1994, American Oil and Gas Corporation and K N Energy, Inc. (KNE/NYSE) jointly announced a merger that would combine the two companies. After completion of the transaction, Cabot is expected to own approximately 15% of the combined entity. The Company supports the recommendation of American Oil and Gas Corporation's board of directors in favor of the merger.

II. CASH FLOWS AND LIQUIDITY

During the first six months of fiscal 1994, the Company's operations provided \$23.3 million of cash. This represents a 65% decrease from the same period last year reflecting a rebuilding of inventory levels by the Company's TUCO and LNG businesses, and a decrease in accounts payable and accrued expenses due to the settlement of the last significant, and previously reserved for, take-or-pay case. Spending on property, plant and equipment remained stable.

Cabot increased its borrowings by \$9.7 million during the first six months of the fiscal year. At March 31, 1994 there were no amounts borrowed under a \$250 million line of credit available to the Company. The Company's ratio of total debt (including short term debt net of cash) to capital decreased to 49.6% from 50.4% at fiscal 1993 year-end. The Company believes its businesses can support higher-than-targeted leverage for an interim period as a result of investment in businesses that will contribute materially to the growth and stability of the Company's earnings.

Management expects cash from operations and present financing arrangements, including the Company's unused line of credit, to be sufficient to meet the Company's cash requirements for the foreseeable future.

CABOT CORPORATION

Management's Discussion and Analysis of
Financial Condition and Results of Operations

(Dollars in millions, except per share amounts)

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|----------|------------------|-----------|
| | 3/31/94 | 3/31/93 | 3/31/94 | 3/31/93 |
| Industry Segment Data | | | | |
| ----- | | | | |
| Sales: | | | | |
| Specialty Chemicals & Materials | \$ 305.7 | \$ 296.4 | \$ 583.9 | \$ 584.6 |
| Energy | 129.2 | 111.2 | 249.4 | 219.1 |
| | ----- | ----- | ----- | ----- |
| Net Sales | \$ 434.9 | \$ 407.6 | \$ 833.3 | \$ 803.7 |
| | ===== | ===== | ===== | ===== |
| Operating Profit: | | | | |
| Specialty Chemicals & Materials | \$ 40.3 | \$ 37.0 | \$ 76.2 | \$ 66.6 |
| Energy | 12.1 | 4.6 | 17.8 | 10.8 |
| | ----- | ----- | ----- | ----- |
| Total operating profit | \$ 52.4 | \$ 41.6 | \$ 94.0 | \$ 77.4 |
| Interest expense | | | | |
| General corporate expense | (10.3) | (11.5) | (20.6) | (22.5) |
| | (7.1) | (7.5) | (12.4) | (10.0) |
| | ----- | ----- | ----- | ----- |
| Income from continuing operations before income taxes | 35.0 | 22.6 | 61.0 | 44.9 |
| Provision for income taxes | (12.8) | (9.4) | (23.2) | (18.4) |
| Equity in net income (loss) of affiliated companies | 0.1 | 0.8 | 0.5 | (0.6) |
| | ----- | ----- | ----- | ----- |
| Net income before the cumulative effect of accounting changes | 22.3 | 14.0 | 38.3 | 25.9 |
| Cumulative effect of accounting changes | - | - | - | (26.1) |
| | ----- | ----- | ----- | ----- |
| Net income (loss) | \$ 22.3 | \$ 14.0 | \$ 38.3 | \$ (0.2) |
| Dividends on preferred stock | | | | |
| | (0.9) | (0.9) | (1.8) | (1.8) |
| | ----- | ----- | ----- | ----- |
| Income (loss) applicable to primary common shares | \$ 21.4 | \$ 13.1 | \$ 36.5 | \$ (2.0) |
| | ===== | ===== | ===== | ===== |
| Income (loss) per common share: | | | | |
| Primary | | | | |
| Continuing operations | \$ 1.12 | \$ 0.70 | \$ 1.91 | \$ 1.29 |
| Cumulative effect of accounting changes | - | - | - | (1.40) |
| | ----- | ----- | ----- | ----- |
| Income (loss) per share | \$ 1.12 | \$ 0.70 | \$ 1.91 | \$ (0.11) |
| | ===== | ===== | ===== | ===== |
| Fully Diluted | | | | |
| Continuing operations | \$ 1.05 | \$ 0.66 | \$ 1.80 | \$ 1.29 |
| Cumulative effect of accounting changes | - | - | - | (1.40) |
| | ----- | ----- | ----- | ----- |
| Income (loss) per share | \$ 1.05 | \$ 0.66 | \$ 1.80 | \$ (0.11) |
| | ===== | ===== | ===== | ===== |

Part II. Other Information

Item 4. Submission of Matters to a Vote of Security Holders.

The Annual Meeting of Stockholders of Cabot Corporation was held on February 11, 1994. An election of Directors was held at which Damaris Ames, Robert A. Charpie, Arnold S. Hiatt, David V. Ragone and Morris Tanenbaum were nominated and elected for terms which expire in 1997. The following votes were cast for or were withheld with respect to each of the nominees:

| Director | In Favor Of | Withheld |
|-------------------|-------------|----------|
| Damaris Ames | 18,610,865 | 139,954 |
| Robert A. Charpie | 18,535,124 | 215,695 |
| Arnold S. Hiatt | 18,645,682 | 105,137 |
| David V. Ragone | 18,633,424 | 117,395 |
| Morris Tanenbaum | 18,651,092 | 99,727 |

No abstentions or broker nonvotes were cast in the election of Directors.

Other Directors whose terms of office as Directors continued after the meeting are:

| Director | Term of Office Expires |
|-----------------------|------------------------|
| Samuel W. Bodman | 1996 |
| Jane C. Bradley | 1996 |
| Kennett F. Burnes | 1995 |
| John G.L. Cabot | 1995 |
| John D. Curtin, Jr. | 1996 |
| Robert P. Henderson | 1995 |
| Gerrit Jeelof | 1996 |
| John H. McArthur | 1996 |
| John F. O'Brien | 1995 |
| Charles P. Siess, Jr. | 1995 |

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The Exhibit number corresponds to the number assigned to such Exhibits in the Exhibit Table of Item 601 of Regulation S-K.

| Exhibit Number | Description |
|----------------|---|
| 11 | Statements regarding Computation of Per Share Earnings filed herewith. |
| 12 | Statement regarding Computation of Ratio of Earnings to Fixed Charges filed herewith. |

(b) Reports on Form 8-K

No report on Form 8-K was filed by the Company during the six months ended March 31, 1994.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CABOT CORPORATION

Date: May 13, 1994

/s/ John G.L. Cabot

John G.L. Cabot
Vice Chairman and Chief Financial Officer

Date: May 13, 1994

/s/ William R. Thompson

William R. Thompson
Vice President and Controller
(Chief Accounting Officer)

CABOT CORPORATION

Earnings per Common Share for the Three Month Period Ended March 31, 1994

Statement Regarding Computation of Per Share Earnings

(In thousands, except per share amounts)

| | Primary | Fully Diluted |
|---|-----------|---------------|
| Shares of common stock outstanding at January 1, 1994, less treasury stock | 18,779 | 18,779 |
| Plus net weighted shares of treasury stock issued | 6 | 6 |
| Plus common stock equivalents: | | |
| Effect of convertible preferred stock conversion | - | 1,557 |
| Effect of equity incentive awards | 304 | 310 |
| | ----- | ----- |
| Weighted average shares outstanding | 19,089 | 20,652 |
| | ===== | ===== |
| Income applicable to common shares | \$ 21,451 | \$ 21,451 |
| Dividends on preferred stock | - | 897 |
| Preferred stock conversion compensation shortfall | - | (624) |
| | ----- | ----- |
| Earnings applicable to common shares | \$ 21,451 | \$ 21,724 |
| | ===== | ===== |
| Earnings per common share | \$ 1.12 | \$ 1.05 |
| | ===== | ===== |

CABOT CORPORATION

Earnings per Common Share for the Six Month Period Ended March 31, 1994

Statement Regarding Computation of Per Share Earnings

(In thousands, except per share amounts)

| | Primary | Fully Diluted |
|---|-----------|---------------|
| Shares of common stock outstanding at October 1, 1993, less treasury stock | 18,726 | 18,726 |
| Plus net weighted shares of treasury stock issued | 44 | 44 |
| Plus common stock equivalents: | | |
| Effect of convertible preferred stock conversion | - | 1,557 |
| Effect of equity incentive awards | 314 | 314 |
| | ----- | ----- |
| Weighted average shares outstanding | 19,084 | 20,641 |
| | ===== | ===== |
| Income applicable to common shares | \$ 36,510 | \$ 36,510 |
| Dividends on preferred stock | - | 1,796 |
| Preferred stock conversion compensation shortfall | - | (1,250) |
| | ----- | ----- |
| Earnings applicable to common shares | \$ 36,510 | \$ 37,056 |
| | ===== | ===== |
| Earnings per common share | \$ 1.91 | \$ 1.80 |
| | ===== | ===== |

CABOT CORPORATION AND CONSOLIDATED SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Dollar amounts in thousands)

| | Six Months Ended March 31 | Years ended September 30 | | | | |
|---|---------------------------------|--------------------------|-----------|-----------|-----------|------------|
| | 1994 | 1993 | 1992 | 1991 | 1990 | 1989 |
| | ---- | ---- | ---- | ---- | ---- | ---- |
| Earnings: | | | | | | |
| Pre-tax income from continuing operations | \$61,011 | \$67,900 | \$116,599 | \$62,362 | \$63,983 | \$(25,480) |
| Distributed income of affiliated companies | 3,168 | 5,988 | 5,766 | 4,688 | 3,607 | 1,704 |
| Add fixed charges: | | | | | | |
| Interest on indebtedness | 20,564 | 44,043 | 41,714 | 38,661 | 41,145 | 34,059 |
| Portion of rents representative of the interest factor | 2,576 | 4,838 | 4,933 | 5,715 | 5,226 | 4,764 |
| Income as adjusted | \$87,319 | \$122,769 | \$169,012 | \$111,426 | \$113,961 | \$ 15,047 |
| Fixed charges: | | | | | | |
| Interest on indebtedness | \$20,564 | \$ 44,043 | \$ 41,714 | \$ 38,661 | \$ 41,145 | \$ 34,059 |
| Capitalized interest | - | - | 3,963 | 8,745 | - | - |
| Portion of rents representative of the interest factor | 2,576 | 4,838 | 4,933 | 5,715 | 5,226 | 4,764 |
| Total fixed charges | \$23,140 | \$ 48,881 | \$ 50,610 | \$ 53,121 | \$ 46,371 | \$ 38,823 |
| Ratio of earnings to fixed charges | 3.77 | 2.51 | 3.34 | 2.10 | 2.46 | * |
| | ===== | ===== | ===== | ===== | ===== | |

* Earnings in fiscal 1989 were inadequate to cover fixed charges by \$23,776. Operating profit for 1989 includes a \$71,716 loss associated with the energy group restructuring and aggregate charges of \$18,933 related to the reorganization of the Company's carbon black operations, streamlining of the ceramic packaging business, and provisions for environmental issues. Without these charges, the ratio of earnings to fixed charges would be 2.72 for 1989.