



Supermetals

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Timothy Knapp
Cabot Supermetals
1608 County Line Road
Boyertown, PA 19512
March 8, 2004

Elaine Brummett
U. S. Nuclear Regulatory Commission
Mail Stop T8A33
Washington, D.C. 20555

Dear Ms. Brummett,

Enclosed is the Cabot Corporation Annual report as per your request.

Sincerely,


Timothy Knapp

KMS501

Cabot Corporation
2003
Annual Report

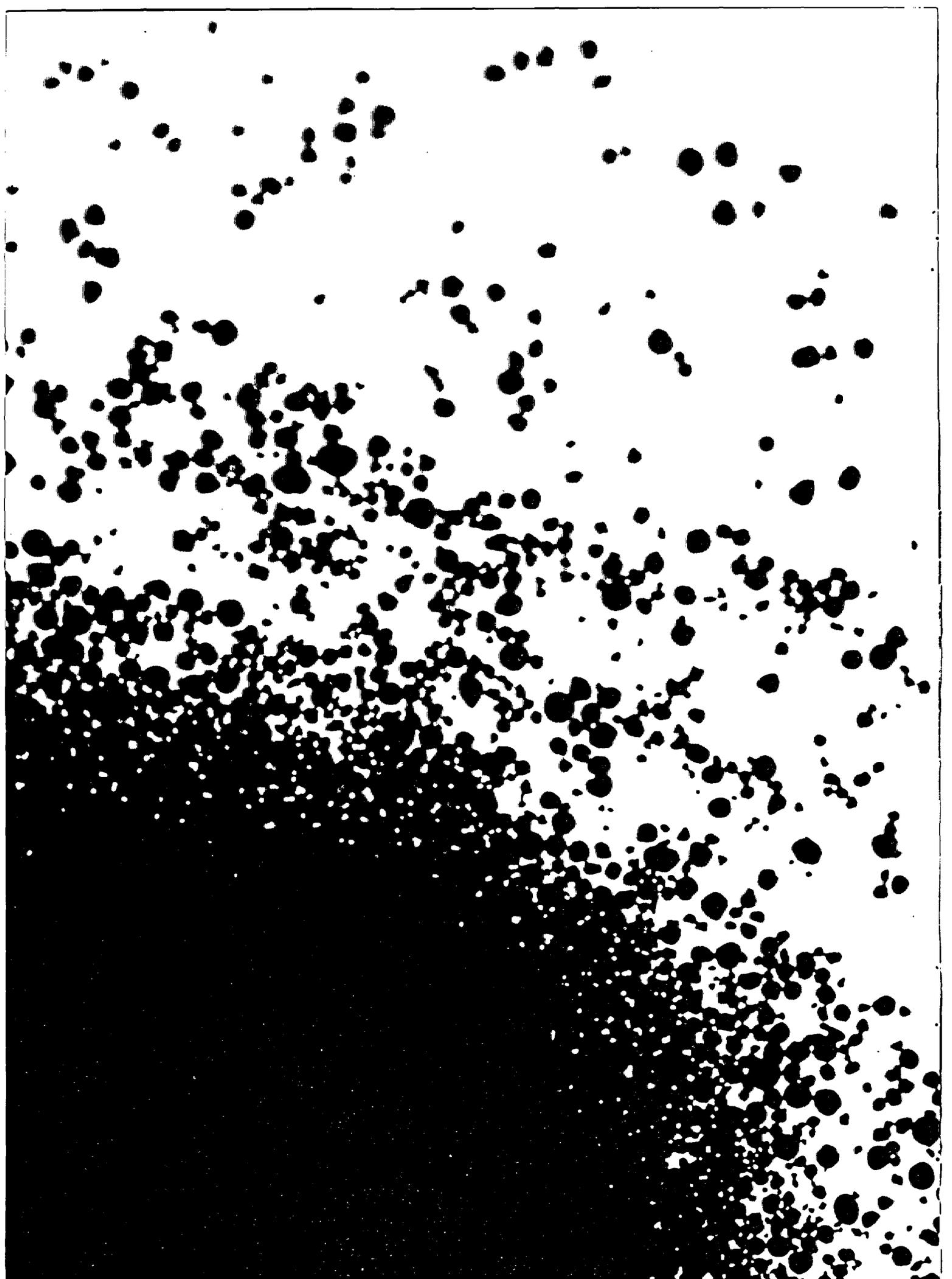
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Images featured in this report are as follows: Cabot Specialty Fluids, Carbon Black, Cabot Supermetals, Fumed Metal Oxides, Inkjet Colorants, Cabot Superior MicroPowders and Aerogels.

Financial Highlights

Dollars in millions, except per share amounts	2003	2002	Increase (Decrease)
Operating Results			
Revenues	\$1,795	\$1,557	15%
Net income from continuing operations	\$ 75	\$ 105	(29%)
Per diluted common share	\$ 1.08	\$ 1.48	(27%)
Net income	\$ 80	\$ 106	(25%)
Per diluted common share	\$ 1.14	\$ 1.50	(24%)
Financial Position (as of September 30)			
Assets	\$2,308	\$2,077	11%
Net property, plant and equipment	\$ 913	\$ 889	3%
Stockholders' equity	\$1,079	\$ 977	10%
Per common share	\$ 17.34	\$ 15.87	9%
Return on average stockholders' equity	7%	11%	(4 points)





As managers of this company, it is our job to protect and grow the financial strength and shareholder value of the corporation to the greatest extent possible. In 2003, we produced solid earnings, improved an already strong cash position and made progress in developing new businesses for future growth. We achieved these results even though global economic conditions made it difficult for companies in most industries, including chemicals, to succeed. We delivered by focusing on our strategy of optimizing our core businesses, and investing the cash and intellectual resources they generate in developing new businesses. We are encouraged by the fact that our strategy enables us to generate stable profits and cash flows even when economic conditions are difficult. We are motivated by the recognition that there remains considerable room for improvement in achieving our value-creation objectives.

In many ways, our 2003 earnings of \$1.14 per diluted share, which included \$0.67 in after-tax charges, compare favorably to*

our 2002 earnings of \$1.50 per diluted share, which included \$0.16 in after-tax charges. Throughout 2003, our core businesses (Carbon Black, Fumed Metal Oxides and Cabot Supermetals) struggled with the impact of global economic conditions, which put continuous pressure on volumes, margins and costs. Inkjet Colorants and Cabot Specialty Fluids worked hard to expand their markets and increase their contributions to corporate profitability. The underlying technologies in both these businesses are robust and we remain confident in their ability to create value for the company in the years ahead.*



Our Strategy: Create value by (1) optimizing our core chemical businesses, by controlling costs and managing capacity, and (2) developing new products and businesses. Cash generated by the first is invested in the second.



Our Competencies: Expertise in (1) making and handling fine particles, such as carbons, metal oxides, refractory metals and aerogels; (2) modifying the surfaces of very fine particles, such as silicas, color pigments and catalysts; and (3) designing particle-media composites for specific properties, such as color, dispersion stability, charge generation, electrochemical behavior and insulation.

While our performance was solid in 2003, we are committed to continuous improvement. We see many opportunities where we can do better: reducing injuries; driving down costs; improving the quality of our products and services; and executing everything we do with excellence. We believe our opportunities are significant and our prospects strong.

Protecting Strengths:

Our People and Financial Integrity
We are dedicated to steadily improving our performance in safety, health and environmental responsibility. While we are pleased that we achieved our 2003 goal of reducing injuries among employees and contractors, we strive for zero incidents. We are encouraged by the progress we are making in building a culture in which the values of safety and responsibility are integral.

We are also protective of our reputation. In the past two years, all of corporate America has seen the results when companies fail to maintain their financial records and deliver their financial results with integrity. Integrity and ethical behavior have been cornerstones of this company since its founding, and the accounting scandals in other companies have reinforced the importance of working diligently to maintain investor confidence. In 2003, to ensure

compliance with the Sarbanes-Oxley Act of 2002, we undertook a review of our internal controls over financial reporting. In 2004, as required by the act, we will conduct a formal evaluation of the effectiveness of our internal controls, and our independent auditors will be asked to attest to management's assertions. We see this as an opportunity to further strengthen our commitment to maintaining excellence in our financial controls and business processes. We are fortunate to have made significant investments in recent years in an enterprise-wide resource planning (ERP) system, which has enabled us to move toward global standard processes. Standardization will support us in our commitment to maintain excellence in our financial control environment.

Performing in Difficult Times:

Our Core Businesses
Difficult global economic conditions resulted in a disappointing year in our Carbon Black business. Even in the best of times,



Kennett F. Burnes
Chairman, President and
Chief Executive Officer



William J. Brady
Executive Vice President
and General Manager,
Carbon Black



Eduardo E. Cordeiro
Vice President and
General Manager,
Fumed Metal Oxides



Thomas H. Odle
Vice President and
General Manager,
Cabot Supermetals



John A. Shaw
Executive Vice President
and Chief Financial Officer



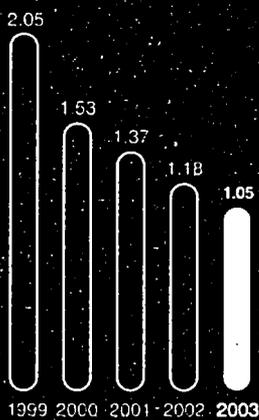
this is a challenging and competitive business – one that requires continuous and rigorous cost and capacity management. In 2003, we took several steps to lower our cost structure, and redeploy assets to markets and regions with stronger prospects for growth and profitability. In May, we announced plans to close our carbon black plant in Zierbena, Spain. This difficult decision was driven by the migration of tire manufacturers from Europe to Asia and South America, attracted to those regions by lower production costs and higher market growth rates. As part of our redeployment of assets, we are commissioning a new carbon black manufacturing unit at our plant in Shanghai, China, and are exploring expansion opportunities in Eastern Europe and Russia. Four months after presenting our plans in Europe, we announced and completed a reduction in force in North America, affecting employees in Carbon Black and other core businesses, as well as several staff functions that support Carbon Black.

Several other cost reduction initiatives are now under way throughout the organization. Many of these are related to the implementation of our ERP system, by which we are standardizing and streamlining business processes worldwide. We are projecting substantial savings from these initiatives over the next one to two years.

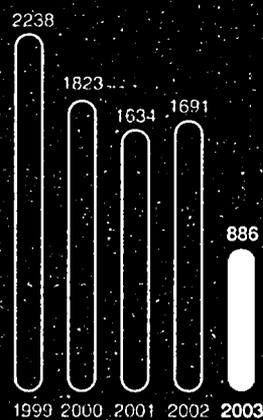
Fumed Metal Oxides performed very well, even though the business faced difficult conditions due to industry overcapacity. Like Carbon Black, Fumed Metal Oxides is working hard to lower their overall cost structure by executing several cost reduction initiatives. During the year, we maintained our solid relationship with two contract customers and neared completion of plans to build a fumed silica plant in China. The business is working hard to develop new specialty and niche products to fuel their growth in the future.

Cabot Supermetals' excellent performance in 2003 was instrumental in helping us maintain our solid earnings. During the year, we resolved a customer contract dispute, and we decreased costs and increased quality at our manufacturing facilities in Boyertown, Pennsylvania, and Higashi-Nagahara, Japan. In the new product development arena, we are excited about the opportunities associated with thin films, which are used in a wide array of electronic, optic and flat panel

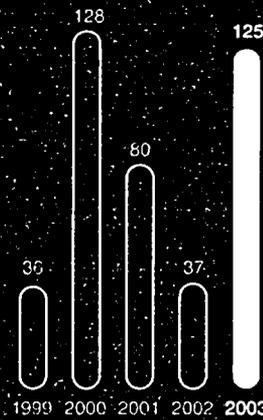
Cabot Corporation is a global specialty chemicals company, headquartered in Boston, Massachusetts, U.S.A. We are dedicated to creating products that matter to our customers and, ultimately, to the consumers who buy their products. Whether it's carbon black for tires, fumed silica for adhesives, tantalum for cellphones or aerogels for insulation panels, Cabot materials are a vital part of the world in which we live. While our product offerings have changed since our founding in 1882, our commitment to innovation, performance and long-term growth have not. For all these reasons, our corporate slogan is "Creating What Matters."



Recordable Incident Rate

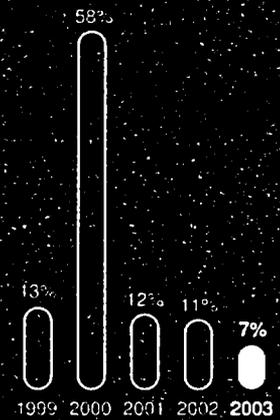


Lost Workdays

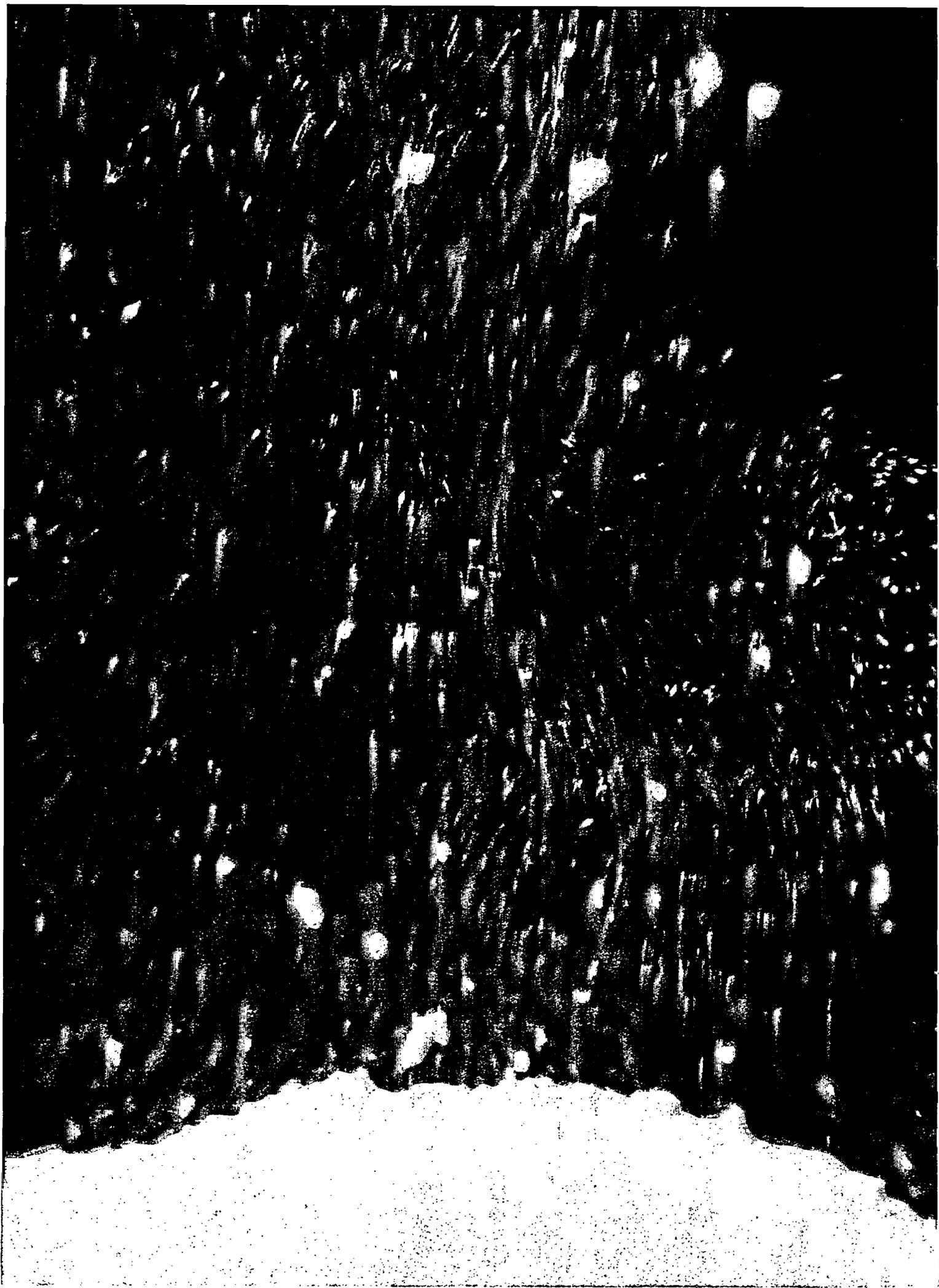


Operating Cash Flow

Calculations include cash provided by operating activities, less capital expenditures and acquisitions, and exclude the gain on sale of the LNG business, net of tax.



Return on Average Stockholders' Equity



display applications. In August, we announced plans for opening a 90,000 square foot thin films facility in Etna, Ohio. Looking ahead to 2004, the scheduled expiration of a portion of one customer contract presents us with a significant challenge to sustain the level of profitability we have experienced in recent years.

Creating Value:

Our New Businesses

We are very pleased with the 2003 performance of our Inkjet Colorants business, which increased its contribution to corporate profitability over the previous year. With operations now consolidated in a new facility in Haverhill, Massachusetts, we continue to build broader and deeper relationships with customers in both original equipment and after-markets.

Cabot Specialty Fluids continued to struggle with persistently low drilling activity in the North Sea. Recently, we entered into an agreement for the use of our fluids in two oil fields being developed by Statoil ASA, a major Norwegian oil and gas company,

which should lead to the use of our fluids in up to 25 drilling and completion projects in the North and Norwegian seas over the next few years. At fiscal year end, our cesium formate fluids had been used successfully in 72 wells.

Two-thousand three was an eventful year in our newest business, Aerogels. At our plant in Frankfurt, Germany, we pushed hard to resolve new-process production difficulties and meet the construction industry's growing interest in our aerogel materials. During the year, we identified several attractive new market opportunities, which we are now exploring. We remain confident in the potential impact this business could have on corporate profitability in the years ahead.

All three of these businesses began as promising ideas. We work continuously to maintain a pipeline of new opportunities and fulfill the second part of our strategy. For these reasons, we are excited by our acquisition, in



Stock Listing: CBT/NYSE; in 2003, we observed the 35th anniversary of our continuous listing on the New York Stock Exchange.

2003, of Superior MicroPowders, now called Cabot Superior Micro-Powders (CSMP). We expect CSMP's technology to significantly extend our platform for growth, since it provides us with another process for the manufacture of fine particles, and complements our interest and capabilities in electronic materials and flat panel displays.

Pursuing Growth: Our Prospects
Looking ahead, we are focusing our attention on six areas that will support us in doing the job to which we are committed: protecting and growing the company's financial strength and shareholder value to the greatest extent possible. These six areas of focus are to:

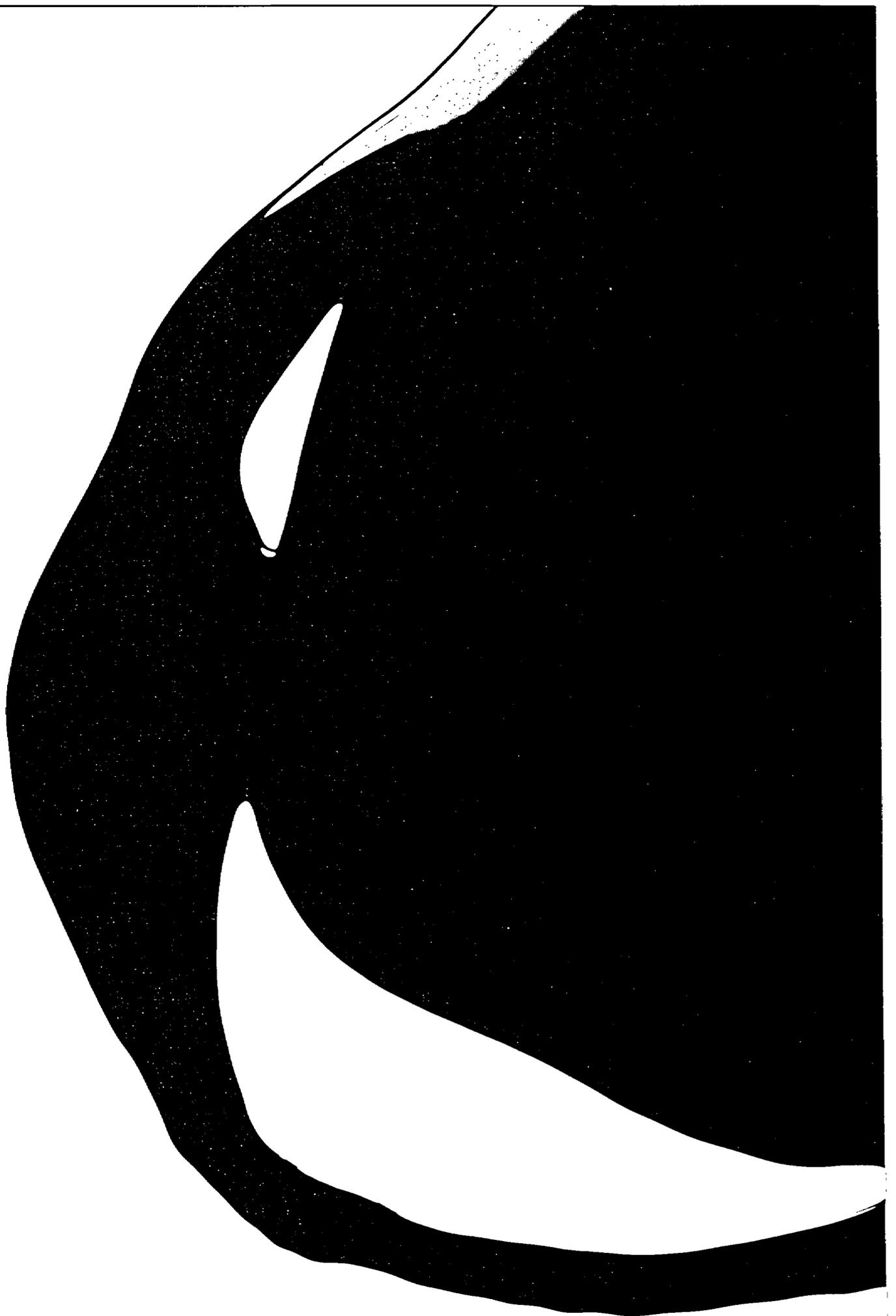
- > Continuously improve our safety, health and environmental record;
- > Lower our cost structure and increase productivity in order to sustain our profitability under all economic conditions;
- > Redeploy the assets of our core businesses to the rapidly growing regions of the world so they continue to generate cash for growth;
- > Pursue and develop promising ideas for new products and businesses to grow the company's value for the future;
- > Enhance the quality of our products and services; and
- > Continuously improve our ability to perform with excellence in everything we do.

This is a company full of strengths: our people, ethical culture, technologies and businesses. We have the support of our Board of Directors and many long-term shareholders. As stewards of this company and our shareholders' interests, we are committed to growing our profitability and executing our value-creation plans.



Kennett F. Burnes
Chairman, President and
Chief Executive Officer

* The components of the after-tax charges are detailed in the Management Discussion and Analysis section of the Company's Annual Report on Form 10-K.





Carbon Black | Cabot is a leading manufacturer of carbon black, which provides reinforcement, pigmentation, electrical conductivity, ultraviolet protection and other essential performance properties. Produced to varying specifications, carbon black is used in tires, rubber hoses and belts, weather stripping, cables, pipes, plastic films, inks and food packaging. Existing or Potential Markets | Automotive, building materials, coatings, toners, inks, agriculture and fibers. | Growth Opportunities | Emerging markets in South America, Asia Pacific, Eastern Europe and Russia. | Senior Management | William Brady, Executive Vice President and General Manager.

Global Operations	Sites	Countries
Manufacturing	29	18
Research and Development	4	3
Sales	24	14



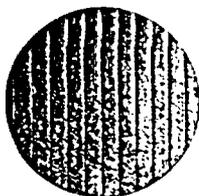
Fumed Metal Oxides | Fumed Metal Oxides manufactures a wide array of specialty and treated grades, and dispersions, of fumed silica and fumed alumina. Fumed silica performs five major functions: rheology control, flow control, reinforcement, suspension and polishing. It is used in silicone sealants, adhesives, coatings, printing inks, cosmetics, pharmaceuticals and polishing slurries. Fumed alumina is also an ingredient in the polishing slurries used by the semiconductor industry, and is used in coating and lighting applications. Existing or Potential Markets | Building materials, automotive, electronics, inkjet media, personal care and pharmaceuticals. | Growth Opportunities | Fumed alumina, niche markets (inkjet media, cosmetics), emerging markets in South America and Asia Pacific. | Senior Management | Eduardo Cordeiro, Vice President and General Manager.

Global Operations	Sites	Countries
Manufacturing	5	4
Research and Development	1	1
Sales	24	16



Inkjet Colorants | Using patented processes for the surface treatment of particles, Inkjet Colorants manufactures pigment-based colorant dispersions for the inkjet printing market. The dispersions are used in aqueous inks to impart stability, smudge and fade resistance, optical density and other properties. Existing or Potential Markets | Desktop inkjet printers for homes and small offices. | Growth Opportunities | Color pigments, photo printing, pay-for-print applications, high-speed printers for printing businesses. | Senior Management | Imtiaz Kathawalla, General Manager.

Global Operations	Sites	Countries
Manufacturing	1	1
Research and Development	1	1
Sales	6	6



Aerogels | Aerogels manufactures silica particles that provide advanced thermal and acoustic insulation. The particles are now being used in architectural and natural daylighting panels. Potential applications include thermal and acoustic insulation systems, high-performance apparel, and oilfield applications. | Existing or Potential Markets | Construction, transportation, apparel and oilfield. | Growth Opportunities | Emerging applications in multiple industries. | Senior Management | Ravijit Paintal, General Manager.

Global Operations	Sites	Countries
Manufacturing	1	1
Research and Development	2	2
Sales	2	2



Cabot Superior MicroPowders | Providing a broad technology platform, Cabot Superior MicroPowders specializes in helping businesses that are developing powder materials for use as the building blocks in a range of existing and developing markets and applications, such as fuel cells, batteries, catalysts and displays. | Existing or Potential Markets | Energy, electronics and displays. | Growth Opportunities | High-tech markets with a range of technology adoption cycles. Senior Management | Mark Hampden-Smith and Toivo Kodas, General Managers.

Global Operations	Sites	Countries
Research and Development	1	1
Sales	1	1



Cabot Supermetals | Cabot Supermetals is the world's largest and most technologically advanced manufacturer of tantalum and niobium products, which provide capacitance, corrosion resistance, super conductivity and light refraction. Tantalum and niobium are essential ingredients in the capacitors that power consumer electronics, such as cellphones and laptops, and in a wide array of other products, including ballistics, turbine blades, surgical clips and optical glass. | Existing or Potential Markets | Electronics, medical, aerospace, defense, chemical processing and lighting. | Growth Opportunities | Sputtering targets (applications in semiconductor thin films, flat panel displays, optics and magnetics). | Senior Management | Thomas Odle, Vice President and General Manager.

Global Operations	Sites	Countries
Manufacturing	3	2
Research and Development	3	2
Sales	2	2



Cabot Specialty Fluids | Cabot Specialty Fluids manufactures cesium formate-based fluids for use in drilling and completing oil and gas wells. More than twice the weight of water, solids-free and environmentally friendly, the fluids help optimize the well construction process and improve the flow rate achieved during well drilling. The business also produces fine cesium chemicals and mined materials. | Existing or Potential Markets | Oil and gas drilling, industrial catalysts, specialty glasses and electronics. | Growth Opportunities | Oil and gas fields in the Gulf of Mexico, Middle East, Indonesia and Caspian Sea. Senior Management | James Turner, General Manager.

Global Operations	Sites	Countries
Manufacturing	1	1
Research and Development	3	2
Sales	3	3

Condensed Consolidated Balance Sheets ^(A)

September 30 (dollars in millions, except share and per share amounts)	2003	2002
Assets		
Current assets:		
Cash and cash equivalents	\$ 247	\$ 159
Accounts and notes receivable, net of reserve for doubtful accounts of \$3 and \$4	333	307
Inventories	485	435
Prepaid expenses and other current assets	35	36
Deferred income taxes	40	20
Total current assets	1,140	957
Investments:		
Equity	50	48
Other	27	32
Total investments	77	80
Property, plant and equipment	2,202	2,040
Accumulated depreciation and amortization	(1,289)	(1,151)
Net property, plant and equipment	913	889
Other assets:		
Goodwill	110	105
Other intangible assets, net of accumulated amortization of \$6 and \$5	9	8
Deferred income taxes	17	4
Other assets	42	34
Total other assets	178	151
Total assets	\$2,308	\$2,077

^A The consolidated financial statements include the accounts of Cabot Corporation and majority-owned and controlled U.S. and non-U.S. subsidiaries (Cabot). Investments in 20-to-50 percent owned affiliates are accounted for using the equity method. Intercompany transactions have been eliminated. The Notes to the consolidated financial statements included in Cabot's Form 10-K for fiscal 2003 are an integral part of these condensed consolidated financial statements. Certain amounts in 2002 have been reclassified to conform to the 2003 presentation.

Condensed Consolidated Balance Sheets

September 30 (dollars in millions, except share and per share amounts)	2003	2002
Liabilities and Stockholders' Equity		
Current liabilities:		
Notes payable to banks	\$ 15	\$ 45
Current portion of long-term debt	40	5
Accounts payable and accrued liabilities	278	232
Income taxes payable	16	10
Deferred income taxes	3	3
Total current liabilities	352	295
Long-term debt	516	495
Deferred income taxes	101	104
Other liabilities	220	171
Commitments and contingencies ^(b)		
Minority interest	40	35
Stockholders' equity:		
Preferred stock:		
Authorized: 2,000,000 shares of \$1.00 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, outstanding: 53,490 and 56,273 shares		
(aggregate per share redemption value of \$53 and \$56)		
	70	73
Less cost of shares of preferred treasury stock	(38)	(38)
Common stock:		
Authorized: 200,000,000 shares of \$1 par value		
Issued and outstanding: 62,243,010 and 61,615,503 shares		
	62	62
Less cost of shares of common treasury stock	(5)	(6)
Additional paid-in capital	14	5
Retained earnings	1,160	1,120
Unearned compensation	(36)	(38)
Deferred employee benefits	(48)	(51)
Notes receivable for restricted stock	(21)	(23)
Accumulated other comprehensive loss	(79)	(127)
Total stockholders' equity	1,079	977
Total liabilities and stockholders' equity	\$2,308	\$2,077

^(b) Cabot is a defendant, or potentially responsible party, in various lawsuits and environmental proceedings wherein substantial amounts are claimed or at issue. The Notes to the consolidated financial statements included in Cabot's Form 10-K for fiscal 2003 are an integral part of these condensed consolidated financial statements. Certain amounts in 2002 have been reclassified to conform to the 2003 presentation.

Condensed Consolidated Statements of Income

Years ended September 30 (dollars in millions, except per share amounts)	2003	2002	2001
Net sales and other operating revenues	\$1,795	\$1,557	\$1,670
Cost of sales	1,373	1,128	1,239
Gross profit	422	429	431
Selling and administrative expenses	251	233	228
Research and technical expense	64	48	48
Income from operations	107	148	155
Interest and dividend income	5	9	28
Interest expense	(28)	(28)	(32)
Other (charges) income	10	5	(1)
Income from continuing operations before taxes	94	134	150
Provision for income taxes ^(A)	(17)	(30)	(42)
Equity in net income of affiliated companies, net of tax of \$2, \$3 and \$13	5	5	20
Minority interest in net income, net of tax of \$2, \$1 and \$2	(7)	(4)	(7)
Net income from continuing operations	75	105	121
Discontinued operations:			
Income from operations of discontinued businesses, net of income taxes of \$2 and \$1	5	1	—
Gain on sale of business, net of income taxes of \$2	—	—	3
Net Income	80	106	124
Dividends on preferred stock, net of tax benefit of \$1, \$2 and \$2	(3)	(3)	(3)
Income available to common shares	77	103	121
Weighted-average common shares outstanding, in millions:			
Basic	59	59	62
Diluted	70	71	74
Income per common share:			
Basic:			
Continuing operations	\$ 1.24	\$ 1.74	\$ 1.89
Discontinued operations:			
Income from operations of discontinued businesses	0.08	0.02	—
Gain on sale of business	—	—	0.05
Net income per share — basic	\$ 1.32	\$ 1.76	\$ 1.94
Diluted:			
Continuing operations	\$ 1.08	\$ 1.48	\$ 1.62
Discontinued operations:			
Income from operations of discontinued businesses	0.06	0.02	—
Gain on sale of business	—	—	0.04
Net income per share — diluted	\$ 1.14	\$ 1.50	\$ 1.66

^(A) The Company's effective tax rate was 18%, 22% and 28% in fiscal 2003, 2002 and 2001, respectively.

The Notes to the consolidated financial statements included in Cabot's Form 10-K for fiscal 2003 are an integral part of these condensed consolidated financial statements. Certain amounts in 2002 and 2001 have been reclassified to conform to the 2003 presentation.

Condensed Consolidated Statements of Cash Flows

Years ended September 30 (dollars in millions)	2003	2002	2001
Cash Flows from Operating Activities:			
Net income	\$ 80	\$ 106	\$ 124
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	135	109	115
Deferred tax expense (benefit)	(31)	(4)	6
Equity in net income of affiliated companies	(5)	(5)	(20)
Impairment charges and non-cash items	33	16	14
Gain on sale of business, net of income taxes	—	—	(3)
Non-cash compensation	23	22	22
In process research and development charge	14	—	—
Gain on sale of investment	(35)	—	—
Other non-cash charges, net	14	6	23
Changes in assets and liabilities, net of acquisitions and the effect of consolidation of equity affiliates:			
Accounts and notes receivable	4	(8)	(2)
Inventories	(25)	(64)	(55)
Accounts payable and accrued liabilities	20	(4)	(35)
Income taxes payable	3	9	(155)
Other liabilities	1	14	(6)
Other, net	23	(5)	1
Cash provided by operating activities	254	192	29
Cash Flows from Investing Activities:			
Additions to property, plant and equipment	(129)	(146)	(122)
Proceeds from sales of property, plant and equipment	2	2	4
Purchases of equity securities	—	(9)	(5)
Acquisitions, net of cash acquired	(16)	(89)	(6)
Proceeds from sale of investments	36	—	5
Cash from consolidation of equity affiliates	—	10	—
Cash used in investing activities	(107)	(232)	(124)
Cash Flows from Financing Activities:			
Proceeds from long-term debt	250	—	129
Repayments of long-term debt	(227)	(28)	(63)
Decrease in notes payable to banks, net	(32)	(27)	(7)
Purchases of preferred and common stock	(41)	(82)	(229)
Sales and issuances of preferred and common stock	19	6	13
Cash dividends paid to stockholders	(36)	(35)	(34)
Cash dividends paid to minority interest stockholders	(4)	(5)	(3)
Restricted stock loan repayments	7	7	15
Cash used in financing activities	(64)	(164)	(179)
Effect of exchange rate changes on cash	5	(1)	—
Increase (decrease) in cash and cash equivalents	88	(205)	(274)
Cash and cash equivalents at beginning of year	159	364	638
Cash and cash equivalents at end of year	\$ 247	\$ 159	\$ 364

The Notes to the consolidated financial statements included in Cabot's Form 10-K for fiscal 2003 are an integral part of these condensed consolidated financial statements. Certain amounts in 2002 and 2001 have been reclassified to conform to the 2003 presentation.

Segment Data

Years ended September 30 (dollars in millions)	Chemical Business ⁽¹⁾	Supermetals	Specialty Fluids	Segment Total	Unallocated And Other ⁽²⁾	Consolidated Total
2003						
Revenues from external customers ⁽³⁾	\$ 1,371	\$ 390	\$ 20	\$ 1,781	\$ 14	\$ 1,795
Depreciation and amortization	106	22	4	132	3	135
Equity in net income of affiliated companies	5	—	—	5	—	5
Profit (loss) from continuing operations before taxes ⁽⁴⁾	88	109	(3)	194	(100)	94
Assets ⁽⁵⁾	1,307	557	63	1,927	381	2,308
Investment in equity-basis affiliates	50	—	—	50	—	50
Total expenditures for additions to long-lived assets ⁽⁶⁾	117	24	2	143	2	145
2002						
Revenues from external customers ⁽³⁾	\$ 1,217	\$ 301	\$ 28	\$ 1,546	\$ 11	\$ 1,557
Depreciation and amortization	88	14	4	106	3	109
Equity in net income of affiliated companies	4	1	—	5	—	5
Profit (loss) from continuing operations before taxes ⁽⁴⁾	101	79	2	182	(48)	134
Assets ⁽⁵⁾	1,186	565	58	1,809	268	2,077
Investment in equity-basis affiliates	47	1	—	48	—	48
Total expenditures for additions to long-lived assets ⁽⁶⁾	92	141	3	236	18	254
2001						
Revenues from external customers ⁽³⁾	\$ 1,301	\$ 329	\$ 27	\$ 1,657	\$ 13	\$ 1,670
Depreciation and amortization	98	10	4	112	3	115
Equity in net income of affiliated companies	5	15	—	20	—	20
Profit (loss) from continuing operations before taxes ⁽⁴⁾	121	78	—	199	(49)	150
Assets ⁽⁵⁾	1,151	249	55	1,455	484	1,939
Investment in equity-basis affiliates	47	29	—	76	—	76
Total expenditures for additions to long-lived assets ⁽⁶⁾	87	25	3	115	18	133

⁽¹⁾ The Chemical Business is primarily comprised of carbon black, fumed metal oxides, inkjet colorants and aerogels.

⁽²⁾ Unallocated and Other includes certain corporate items and eliminations that are not allocated to the operating segments.

⁽³⁾ Revenues from external customers for certain operating segments includes 100% of sales from one equity affiliate and transfers of materials at cost and at market-based prices. Unallocated and Other reflects an adjustment for the equity affiliate sales and interoperating segment revenues and includes royalties paid by equity affiliates offset by external shipping and handling fees:

	2003	2002	2001
Equity affiliate sales	\$ (32)	\$ (28)	\$ (29)
Royalties paid by equity affiliates	6	5	6
Shipping and handling fees	45	41	44
Interoperating segment revenues	(5)	(7)	(8)
Total	\$ 14	\$ 11	\$ 13

⁽⁴⁾ Profit or loss from continuing operations before taxes for Unallocated and Other includes:

	2003	2002	2001
Interest expense	\$ (28)	\$ (28)	\$ (32)
Corporate governance costs/other expenses, net ^(a)	(66)	(15)	6
Equity in net income of affiliated companies	(5)	(5)	(20)
Foreign currency transaction gains (losses) ^(b)	(1)	—	(3)
Total	\$ (100)	\$ (48)	\$ (49)

^(a) Corporate governance costs/other expenses, net includes investment income, and certain other items that are not included in segment PBT. These certain items for fiscal 2003 include \$51 million for restructuring charges, a \$14 million charge for acquired in-process research and development, a \$22 million charge for the impairment of two investments, a \$20 million reserve for respirator claims, a \$4 million asset impairment charge, proceeds of \$4 million for insurance recoveries and proceeds of \$35 million for the sale of an equity interest in an investment. Other items in fiscal 2002 include an \$8 million charge for pension and postretirement benefit plans, a \$5 million charge for a respirator reserve, \$1 million for severance charges, a \$3 million charge for an environmental reserve, \$13 million for asset impairment charges, \$2 million for a translation adjustment at a closed plant, \$1 million for non-capitalizable currency transaction costs, and proceeds of \$8 million for insurance recoveries. Other items in fiscal 2001 include a \$21 million charge related to the retirement of the Chief Executive Officer and Chief Financial Officer, \$2 million from the discontinuance of a toll manufacturing agreement, proceeds of \$1 million from insurance recoveries and a \$1 million recovery of costs from a currency translation adjustment at a closed plant.

^(b) Net of other hedging activity.

⁽⁵⁾ Unallocated and Other assets includes cash, short-term investments, investments other than equity basis, income taxes receivable, deferred taxes and headquarters' assets.

⁽⁶⁾ Expenditures for additions to long-lived assets include total equity and other investments (including available-for-sale securities), property, plant and equipment, and intangible assets.

The Notes to the consolidated financial statements included in Cabot's Form 10-K for fiscal 2003 are an integral part of these condensed consolidated financial statements. Certain amounts in 2002 and 2001 have been reclassified to conform to the 2003 presentation.

Selected Financial Data — Five-Year Summary

Years ended September 30 (dollars in millions, except per share amounts and ratios)	2003	2002	2001	2000	1999
Consolidated Income					
Net sales and other operating revenues	\$ 1,795	\$ 1,557	\$ 1,670	\$ 1,574	\$ 1,405
Cost of sales	1,373	1,128	1,239	1,164	991
Gross profit	422	429	431	410	414
Selling and administrative expenses	251	233	228	183	212
Research and technical expense	64	48	48	43	58
Income from operations ^(a)	107	148	155	184	144
Interest and dividend income	5	9	28	6	4
Interest expense	(28)	(28)	(32)	(33)	(39)
Gain on sale of assets	—	—	—	—	10
Other (charges) income ^(b)	10	5	(1)	—	(6)
Income from continuing operations before income taxes	94	134	150	157	113
Provision for income taxes ^(c)	(17)	(30)	(42)	(57)	(41)
Equity in net income of affiliated companies	5	5	20	13	13
Minority interest	(7)	(4)	(7)	(5)	(3)
Net income from continuing operations	75	105	121	108	82
Discontinued operations: ^(d)					
Income from operations of discontinued businesses, net of income taxes	5	1	—	36	15
Gain on sale of business, net of income taxes ^(e)	—	—	3	309	—
Net income	\$ 80	\$ 106	\$ 124	\$ 453	\$ 97
Common Share Data					
Diluted Net Income:					
Continuing operations	\$ 1.08	\$ 1.48	\$ 1.62	\$ 1.46	\$ 1.11
Discontinued operations:					
Income from operations of discontinued businesses	0.06	0.02	—	0.49	0.20
Gain on sale of business	—	—	0.04	4.25	—
Net Income	\$ 1.14	\$ 1.50	\$ 1.66	\$ 6.20	\$ 1.31
Dividends	\$ 0.54	\$ 0.52	\$ 0.48	\$ 0.44	\$ 0.44
Stock prices ^(f) — High	\$30.60	\$41.13	\$41.35	\$21.97	\$18.05
Low	\$19.53	\$21.00	\$18.56	\$10.55	\$11.37
Close	\$28.51	\$21.00	\$39.90	\$18.19	\$13.63
Average diluted shares outstanding — millions	70	71	74	73	73
Shares outstanding at year end — millions	62	62	63	68	67
Consolidated Financial Position					
Total current assets	\$ 1,140	\$ 957	\$ 979	\$ 1,210	\$ 681
Net property, plant and equipment	913	889	811	810	1,024
Other assets	255	231	149	141	161
Total assets	\$ 2,308	\$ 2,077	\$ 1,939	\$ 2,161	\$ 1,866
Total current liabilities	\$ 352	\$ 295	\$ 311	\$ 521	\$ 474
Long-term debt	516	495	419	329	419
Other long-term liabilities and minority interest	361	310	259	264	267
Stockholders' equity	1,079	977	950	1,047	706
Total liabilities and stockholders' equity	\$ 2,308	\$ 2,077	\$ 1,939	\$ 2,161	\$ 1,866
Working capital	\$ 788	\$ 662	\$ 668	\$ 689	\$ 207
Selected Financial Ratios					
Income from continuing operations as a percentage of sales	4%	7%	7%	7%	6%
Return on average stockholders' equity	7%	11%	12%	58%	13%
Net debt to capitalization ratio	22%	27%	9%	(29%)	44%

^(a) Income from operations for 2003 includes charges of \$51 million for restructuring, \$14 million for acquired in-process research and development, \$20 million for a reserve for respirator claims, \$4 million for asset impairments, and proceeds of \$4 million for insurance recoveries. Income from operations for 2002 includes a \$5 million charge for the respirator claims liability, a \$5 million asset impairment, a \$3 million charge to increase the environmental reserve, an \$8 million charge related to the cancellation of an energy project, a \$1 million charge for severance, and the benefit of \$8 million for insurance recoveries. Income from operations for 2001 includes a \$2 million charge related to the discontinuance of a toll manufacturing agreement and the benefit of a \$1 million insurance recovery. Additionally, results include a \$10 million and \$3 million charge to accelerate the vesting of the shares under the Long Term Incentive Compensation Plan, and a \$7 million and \$1 million cash payment related to the retirement of the Chief Executive Officer and the resignation of the Chief Financial Officer, respectively. Income from operations for 2000 reflects an \$18 million charge for the closure of two plants, a \$2 million environmental charge and a benefit of a \$10 million insurance recovery. Income from operations in 1999 includes a \$26 million charge for cost reduction initiatives and capacity utilization and a \$10 million gain from the sale of 1 million shares of K N Energy, Inc.

^(b) Other (charges) income for 2003 includes a \$22 million charge for the impairment of two investments and proceeds of \$35 million for the sale of an equity interest in an investment. Other (charges) income for 2002 includes \$2 million of costs related to a translation adjustment at a closed plant and a \$1 million charge for non-capitalizable currency transaction costs related to the acquisition of Cabot Supermetals Japan. In 2001, other (charges) income includes a \$1 million recovery of costs from a translation adjustment at a closed plant.

^(c) The Company's effective tax rate was 18%, 22% and 28% for fiscal 2003, 2002 and 2001, respectively.

^(d) Discontinued operations include the liquefied natural gas (LNG) and Cabot Microelectronics businesses as well as other discontinued businesses.

^(e) Gain from the sale of the LNG business, net of tax.

^(f) The stock prices presented are adjusted to reflect the 2000 stock dividend distribution of Cabot's ownership in Cabot Microelectronics and represent the high and low closing stock price for the period.

The Notes to the consolidated financial statements included in Cabot's Form 10-K for fiscal 2003 are an integral part of these condensed consolidated financial statements. Certain amounts in 2002, 2001, 2000 and 1999 have been reclassified to conform to the 2003 presentation.

The accompanying condensed financial statements were prepared by Cabot Corporation in conformity with generally accepted accounting principles. Cabot's management is responsible for the integrity of these statements and of the data, estimates and judgments that underlie them. Management meets regularly with the Company's Disclosure Committee, which has responsibility for considering the materiality of information and determining the Company's disclosure obligations on a timely basis.

Cabot Corporation maintains a system of internal accounting controls designed to provide reasonable assurance that its assets are safeguarded from loss or unauthorized use, that transactions are properly authorized and recorded, and that financial records are reliable and adequate for public reporting. The system is monitored and evaluated on an ongoing basis by management in conjunction with its internal audit staff, independent auditors, and the Audit Committee of the Board of Directors.

PricewaterhouseCoopers LLP, independent auditors, were engaged by Cabot to audit the financial statements included in the Company's Form 10-K, from which the accompanying condensed consolidated financial statements were derived. Their audit was conducted in accordance with generally accepted auditing standards and included a consideration of Cabot's system of internal accounting controls to plan the audit for the purpose of expressing an opinion on the consolidated financial statements.

The Audit Committee of the Board of Directors provides general oversight responsibility for the financial statements. Composed entirely of Directors who are not employees of Cabot, the Committee meets regularly with Cabot management, internal auditors and the independent auditors to review the quality of the financial reporting and internal controls, as well as the results of the auditing efforts. The internal auditors and independent auditors have full and direct access to the Audit Committee, with and without management present.



Kenneth F. Burnes
Chairman, President and Chief Executive Officer



John A. Shaw
Chief Financial Officer



David J. Elliott
Controller

To the Board of Directors and
Stockholders of Cabot Corporation:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheets of Cabot Corporation and its subsidiaries as of September 30, 2003 and 2002, and the related consolidated statements of income, of cash flows and of changes in stockholders' equity for each of the three years in the period ended September 30, 2003 (not presented herein) appearing in Item 8 of Form 10-K for the year ended September 30, 2003; and in our report dated November 13, 2003, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.



Boston, Massachusetts
November 13, 2003

Cabot Corporation Directors

Kennett F. Burnes
Chairman, President and
Chief Executive Officer

John G.L. Cabot
former Vice Chairman
Cabot Corporation

John S. Clarkeson
Co-Chairman
The Boston Consulting
Group, Inc.
(management consulting)

Arthur L. Goldstein
Chairman
Ionics, Incorporated
(water purification)

Gautam S. Kaji
former Managing
Director of Operations
World Bank Group

Roderick C.G. MacLeod
Co-Founder and Principal
St. Martins Finance Ltd. and
Waverley Investments Ltd.
(private equity investment companies)

John H. McArthur
Dean Emeritus
Graduate School of
Business Administration
Harvard University

John F. O'Brien
former President and
Chief Executive Officer
Allmerica Financial
Corporation
(holding company for insurance
and other financial services
corporations)

Ronaldo H. Schmitz
former Member of the
Group Board
Deutsche Bank AG

Lydia W. Thomas
President and
Chief Executive Officer
Mitretek Systems, Inc.
(research and development
for public interest)

Mark S. Wrighton
Chancellor
Washington University
in St. Louis

Corporate Officers

Kennett F. Burnes
Chairman, President and
Chief Executive Officer

John A. Shaw
Executive Vice President and
Chief Financial Officer

William J. Brady
Executive Vice President

Nicholas P. Ballas
Vice President

James A. Belmont
Vice President

Brian A. Berube
Vice President and
General Counsel

Craig A. Bickel
Vice President

Dirk L. Blevi
Vice President

Eduardo E. Cordeiro
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Charles A. Gray
Vice President

Aad van der Heijden
Vice President

Ho-il Kim
Vice President

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Vice President

Chang Loo Sih
Vice President

Roland R. Silverio
Vice President

Robby D. Sisco
Vice President

Janis O. Studer
Vice President

David J. Elliott
Controller

Paul J. Mueller
Assistant Controller

Jane A. Bell
Secretary

Dennis M. Fink
Treasurer

Luc Duchesneau
Assistant Treasurer

John M. Wagner
Assistant Treasurer

Michaela Allbee
Assistant Secretary

Martha A. Finnegan
Assistant Secretary

William L. May, Jr.
Assistant Secretary

Corporate Offices

Cabot Corporation
 Two Seaport Lane
 Suite 1300
 Boston, Massachusetts 02210-2019
 (617) 345-0100

Investor Relations

Investor inquiries are welcome and individuals are invited to contact our offices by letter at the address above, or by telephone at (617) 342-6244.

For information about Cabot Corporation and our businesses, visit our web site at: www.cabot-corp.com.

Stock Listing

Cabot Corporation common stock is listed on the New York, Boston, and Pacific stock exchanges and the Chicago Board Options Exchange under the symbol CBT. The price range in which the stock has traded, as reported on the composite tape, and the quarterly cash dividends for the past two years are shown below.

Quarterly Stock Price and Dividend Data

Fiscal 2003	Dec.	Mar.	June	Sept.	Year
Cash dividends per share	\$0.13	\$0.13	\$0.13	\$0.15	\$0.54
Price range of Common Stock					
High	27.59	26.80	30.34	30.80	30.80
Low	19.45	20.80	23.00	24.92	19.45
Close	26.54	23.86	28.70	28.51	28.51

Fiscal 2002	Dec.	Mar.	June	Sept.	Year
Cash dividends per share	\$0.13	\$0.13	\$0.13	\$0.13	\$0.52
Price range of Common Stock					
High	42.24	37.22	36.75	28.74	42.24
Low	31.00	30.60	22.95	20.50	20.50
Close	35.70	36.85	29.65	21.00	21.00

Annual Meeting

The Annual Meeting of Stockholders will be held on Thursday, March 11, 2004 at 4:00 p.m., at the World Trade Center, 200 Seaport Boulevard, Boston, Massachusetts. All stockholders are invited to attend.

Stock Transfer Agent and Registrar

Shareholders may contact the transfer agent through the Internet or by phone for information or assistance concerning dividend payments, account history, lost stock certificates, taxable income or to report address changes. The transfer agent provides telephone assistance Monday-Friday, 9:00 a.m. to 6:00 p.m. (Eastern Time). Extended service is available 24 hours a day, 7 days a week, to callers with touch-tone telephones via the transfer agent's Interactive Voice Response System.

Please mention Cabot Corporation, your name as printed on your stock certificates, your Social Security number, and your address and telephone number in all correspondences.

Equ.Serve Trust Company, N.A.
 P.O. Box 43010
 Providence, RI 02940-3010

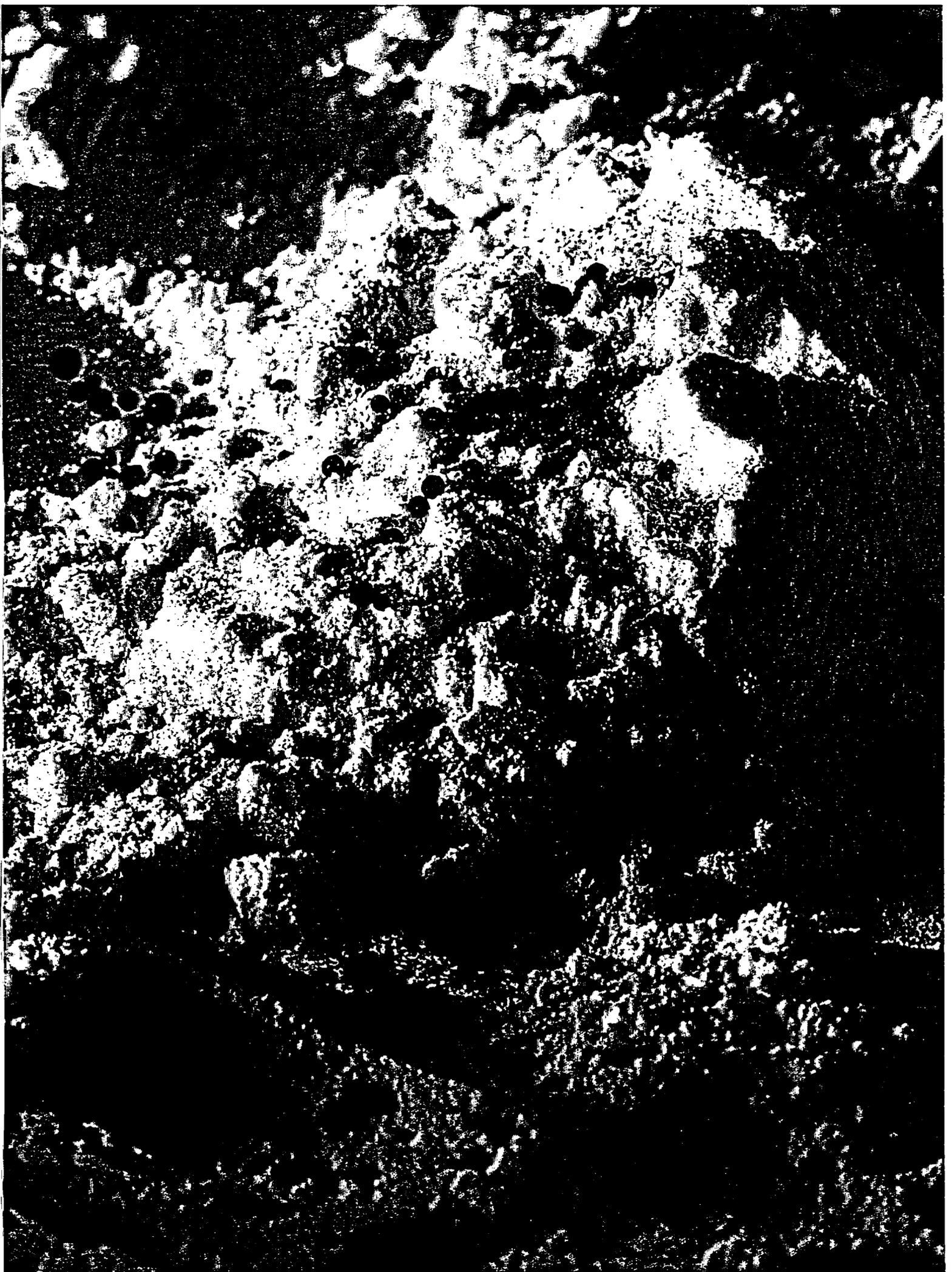
Stockholder inquiries: (781) 575-3170 or (800) 730-4001
 For the hearing impaired: (800) 952-9245 (TTY/TDD)
 Web site: www.equiserve.com

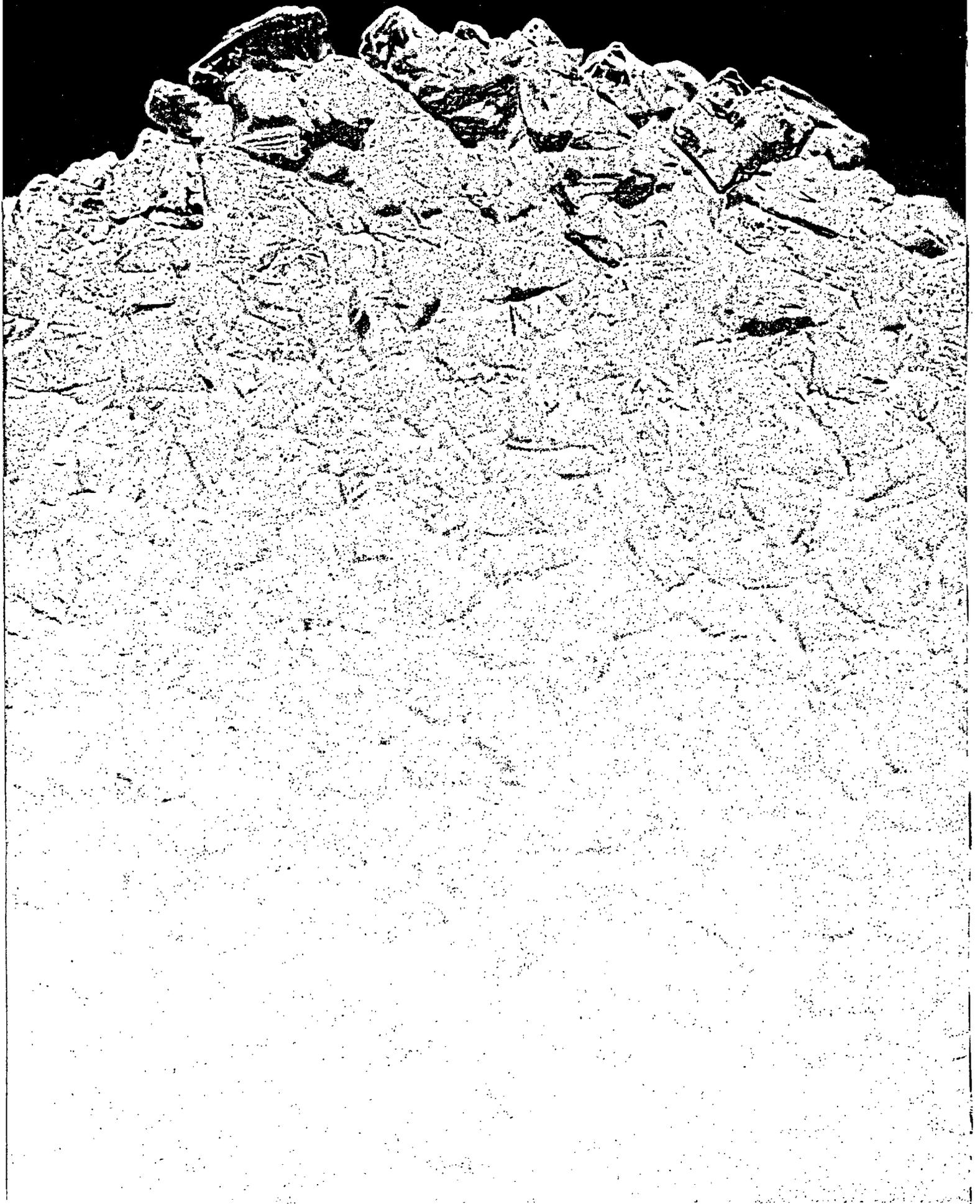
Dividend Reinvestment Plan

Cabot Corporation offers a convenient dividend reinvestment and cash purchase plan for registered stockholders, providing a simple way to increase investment in Cabot Corporation (CBT) common stock. The plan allows stockholders to automatically reinvest all or part of their dividends into additional Cabot shares. Participation in the plan also allows registered stockholders to purchase up to \$10,000 worth of Cabot Corporation stock, on a quarterly basis, free of brokerage fees and commissions. To request an enrollment form, write or call EquiServe at the address noted above.

Form 10-K

The Annual Report on Form 10-K, filed annually with the Securities and Exchange Commission, is also available without charge by writing or calling Cabot's Investor Relations Department at the address or telephone number listed above. In addition, this information is available on Cabot's web site at: www.cabot-corp.com.





Cabot Values

Integrity. We demand adherence to the highest ethical standards. We demand personal integrity, compliance with all laws and regulations, unwavering efforts toward the highest quality in all areas, and indisputable respect for safety, health and the environment.

Respect. We must be open, honest, straightforward and trustworthy. We listen and learn from each other, our customers and the outside world, and share our learnings generously.

Innovation. We work urgently and intensely to create new ways to bring more value to our customers and to open new markets for our products. We continuously improve by understanding successes and failures—our own and others.

Competitiveness. To be the best, we strive for excellence in everything we do. We listen to our customers, owners and markets, and we compete aggressively to exceed their expectations using teamwork, leadership and self-confidence. We seize opportunities with urgency, persistence and courage.



CABOT

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